

The Chair
CABINET POLICY COMMITTEE

ADVANCING ECONOMIC TRANSFORMATION

PROPOSAL

- 1 This paper describes the substantial progress in implementing the Economic Transformation (ET) agenda over the past year and seeks Ministers' agreement to the areas where more emphasis should be placed in the future to progress the agenda.

EXECUTIVE SUMMARY

- 2 Economic Transformation is fundamentally about changing a country's mix of goods and services towards those that provide higher value and higher returns – products which differentiate on the basis of quality and innovation rather than cost.
- 3 Other small economies with similar characteristics to New Zealand have succeeded in leveraging off their natural resource bases to move into higher value products through collaborative efforts by the public and private sectors. There is no reason why New Zealand cannot have similar success.
- 4 The ET agenda builds on the direction of the Government's Growth and Innovation Framework to improve income per capita through innovation and raising productivity in an environmentally sustainable way. We have made substantial progress in implementing the ET agenda over the past year, including:
 - A new approach to developing the telecommunications sector
 - Developing the NZ Energy Strategy
 - A \$1.3 billion funding package for transport
 - Initiatives to respond to climate change, including an emissions trading scheme
 - Introducing tertiary education reforms
 - A \$3.4 billion package to encourage companies to grow and invest, undertake R and D and expand internationally
 - Deepening capital markets, including enhancing KiwiSaver
 - Launching the Metro Project action plan for transforming Auckland's economy.

- 5 To build on these achievements, a continued, yet sharper focus on a few key priority areas is critical for three reasons:
- our productivity levels and growth rate need to improve;
 - we need to be well placed to respond to and capture the commercial opportunities arising out of the strong and growing pressure for environmental sustainability; and
 - we need to position ourselves to take advantage of an increasingly integrated global economy.
- 6 In a series of meetings on each of the ET sub-themes, Ministers have identified six priorities (in addition to ongoing and planned work) for achieving this sharper focus:
- improving access to quality, fast, reliable broadband services to ensure strong global connections
 - positioning New Zealand as a world-leading exponent of smart and innovative responses to environmental issues
 - developing workplace skills, focussing on basic literacy and numeracy
 - supporting business internationalisation and extracting the best value from global value chains
 - focusing government investment in areas that reflect and extend New Zealand's strengths
 - making Auckland a world-class hub of innovation and internationalisation.
- 7 This paper seeks Cabinet's agreement to proposed actions for achieving these six priorities. Overall the aim for the next steps of the ET agenda is to achieve a step change in New Zealand's productivity and economic growth which builds on New Zealand's unique strengths and which advances New Zealand towards a sustainable future.

BACKGROUND – THE PROCESS OF ECONOMIC TRANSFORMATION

- 8 In March 2006, Cabinet agreed that ET would be one of the government's three priorities for the next decade (CAB Min (06) 7/22). Economic Transformation is fundamentally about changing a country's product (goods and services) mix towards those that provide higher value and higher returns – products which differentiate on the basis of quality and innovation rather than cost.
- 9 Usually countries make this move by developing higher value products which build on their existing capabilities, including skills, infrastructure and institutions. And there is still significant opportunity for New Zealand to develop higher value products from its existing base of capabilities. However, because New Zealand has a reasonably specialised range of products requiring quite specific capabilities (such as those based on natural resources, including many agricultural products), it is likely to be harder to move to a broader range of higher value products unless we also enhance and upgrade our existing capabilities. To achieve this will require clear direction and joint public and private sector effort to coordinate investments and improve our innovation

system, including regulatory settings, international linkages, research, workforce skills, and infrastructure.

- 10 Other small, open, advanced economies of the world with similar characteristics to New Zealand, such as Finland, Sweden, Norway, Denmark and Iceland, have been successful in persistently upgrading their capabilities and leveraging off their natural resource bases to move into higher value products through joint and collaborative efforts from the private and public sectors. There is no reason why New Zealand cannot enjoy the same level of success.
- 11 The ET agenda continues the Government's long term commitment to improving income per capita through innovation and raising productivity in an environmentally sustainable way. In doing so it builds on the direction of the Government's Growth and Innovation Framework (GIF). Both GIF and the ET agenda have encouraged innovation and productivity gains while also helping develop New Zealand's economic foundations: a stable macroeconomic framework, an open and competitive micro-economy, sound infrastructure, a cohesive and socially inclusive society, a healthy and relatively skilled population, a strong innovation system and sound environmental management.
- 12 Ministers agreed that ET work should be advanced within five sub-themes: World Class Infrastructure, Environmental Sustainability, Innovative and Productive Workplaces underpinned by high standards in education, skills and research, Globally Competitive Firms, and Auckland – An Internationally Competitive City. Two Cabinet papers in August 2006 detailed the overall vision underlying the ET agenda and a suite of action plans for each sub-theme. This paper reports on progress on those action plans.
- 13 This paper also responds to a Ministerial decision in March 2007 that the first ET update should be considered by Cabinet in September 2007 and that the update should provide a strategic review of the ET agenda and outline proposals to focus effort.

ET: PROGRESS TO DATE

- 14 We have made a lot of progress in implementing the ET agenda over the past year. The following section outlines some of our most significant achievements. A fuller summary is at Annex A.

World Class Infrastructure

- A new approach to developing the telecommunications sector through:
 - the Telecommunications Amendment Act which will increase competition, and support the development of a better range and quality of competitively priced services to businesses and households;
 - the planned operational separation of Telecom NZ, the revision of the Telecommunications Service Obligations and the facilitation of broadband wireless rollout; and
 - implementation of the Digital Strategy.

- A clear strategic direction for the energy sector through:
 - the NZ Energy Strategy;
 - the New Zealand Energy Efficiency and Conservation Strategy;
 - revision of the Policy Statement on Electricity Governance; and
 - the Energy Research Roadmap.
- A sustained investment approach to transport through:
 - An additional \$1.3 billion funding package, announced as part of Budget 2006, to ensure delivery of the National Land Transport Programme (with more than \$24 billion allocated to improve transport outcomes over the next 10 years);
 - the completion of a number of transport infrastructure projects such as:
 - § the Auckland Central Motorway Junction upgrade;
 - § Wellington inner city by pass.
 - Implementation of the Next Steps changes to planning and funding, and the regional petrol tax.

Environmental Sustainability

- Initiatives to respond to climate change, including:
 - an emissions trading scheme; and
 - developing a government-primary sector partnership focused on mitigating greenhouse gas emissions, adapting to the effects of climate change and business opportunities from climate change.
- Initiatives to manage our resources sustainably including:
 - progress with the Sustainable Water Programme of Action;
 - reviewing the East Coast Forestry Project to address sustainable land management issues; and
 - establishing the Sustainable Land Management (Hill Country Erosion) Programme as a vehicle for progressing the concept of 'total catchment management'.

Innovative and Productive Workplaces underpinned by high standards in education, skills and research

- Tertiary Education Reforms including:
 - improving the system for planning, funding and monitoring the provision of tertiary education;
 - allocating \$285 million of operating funding over four years to strengthen the ability of the tertiary sector to meet economic, environmental and social challenges.
- Expanding skills training through allocating \$53 million to boost participation in industry training and address skills shortages.
- Supporting excellence and relevance in research, science and technology in the public sector through:
 - increased funding for COREs;

- implementing the stable funding initiative for public sector research; and
- undertaking an OECD review of Innovation policy and performance.

Globally Competitive Firms

- A \$3.4 billion package to encourage companies to grow and invest, undertake R&D, and expand internationally, including:
 - a 3% cut in the company tax rate to 30% from the 2008/09 tax year;
 - an R&D tax credit of 15% from 1 April 2008; and
 - an announcement by the Government that it will remove tax on the foreign active income of NZ companies operating offshore.
- Initiatives to deepen and enlarge capital markets by changing our saving and investment environment, including:
 - enhancements to KiwiSaver;
 - increased funding for and development of venture capital investment; and
 - reducing taxation on widely-held savings vehicles.
- Helping New Zealand companies break into international markets through:
 - Export Year 2007 to improve long term export performance;
 - implementing the Trade Strategy including an FTA with China; and
 - implementing the offshore portion of the NZTE strategy with a strengthened focus on Asia.

An Internationally Competitive City - Auckland

- Launching the Metro Project action plan which takes an integrated approach to transforming Auckland's economy and provides 30 practical initiatives to boost Auckland's performance.
- Reviewing Auckland's governance, reaching agreement to develop an overarching regional strategic plan, and establishing a Royal Commission of Inquiry.
- Completion of a number of significant transport projects, such as the Auckland Central Motorway Junction Upgrade, double-tracking between New Lynn and Henderson (Western Rail Line), and progress on State Highway 20 Mt Roskill extension and the Northern Busway.
- Commitment of \$1b towards electrification of the Auckland metropolitan passenger rail network by 2013.

A SHARPER FOCUS FOR THE ET AGENDA

- 15 In order to build on these achievements, a continued, yet sharper focus on a few key priority areas is critical for three reasons: 1) our productivity levels and growth rate need to improve; 2) we need to be well placed to respond to and

capture commercial opportunities arising out of the strong and growing pressure for environmental sustainability; and 3) we need to position ourselves to take advantage of an increasingly integrated global economy.

Productivity and Growth Rate

- 16 New Zealand's level of aggregate labour productivity and GDP per capita is currently at the lower end of the OECD range (22nd out of 30 using 2005 figures). To maintain or improve our position we need to grow faster. And because we have a very high level of labour force participation, growth will need to come from improvements in productivity. Increased innovation will make a critical contribution to this improved productivity. So will increased skill levels. Investment in RS&T and workplace skills therefore plays a fundamental role within the ET agenda. Overall, we need to ensure our input and institutional base allows us to move to a higher-value product and export mix.

Environmental Positioning

- 17 There is strong and growing pressure for business to prove itself to be environmentally sustainable. Consumers are demanding goods and services with environmental integrity and many international firms are seeking to take advantage of these preferences by giving more weight to environmental considerations in the way they produce, supply and market goods and services. Governments the world over are also enacting regulations to enforce sustainability and reduce greenhouse gas emissions.
- 18 New Zealand's green and trustworthy image can be leveraged to develop new opportunities and obtain a premium for our goods and services. But we also need to counter the perception that our distance means our products are more environmentally costly than those of in-market competitors. This means New Zealand needs to build on our current image and reputation – New Zealand businesses need to invest in sustainable business practices and both public and private sectors need to make a clear commitment to address climate change. Fundamentally, we need to build our country's integrity on environmental sustainability.

International Integration

- 19 Shrinking economic distance, new forms of organisation and distribution practices, sophisticated links between national and international value chains, and trade liberalisation are rapidly altering the nature of the global environment facing business. To survive in this new environment, New Zealand business must organise itself in complex systems spanning many countries, tapping differences in costs, skill, resources and tastes to maximise overall returns. New Zealand cannot compete in all areas of production. It needs, therefore, to be an attractive location for those parts of international value chains that focus on high-value products and activities or which compete in the weightless areas of business, such as design, marketing, and research and development. We will need a world-class communications and transport infrastructure to link with the rest of the world. In sum, we need to extend and deepen our businesses'

connections with the rest of the world to take advantage of market opportunities and attract high quality capital and labour.

PRIORITY AREAS FOR THE NEXT STEPS OF THE ET AGENDA

- 20 Given these points, I propose that the next steps of the ET Agenda should aim to achieve *a step change in New Zealand's productivity and economic growth, which builds on New Zealand's unique strengths, and which advances New Zealand towards a sustainable future*. I have held a series of meetings with other Ministers on each of the five ET sub-themes. In these meetings, we have identified the following six priorities with associated actions for progressing the ET agenda and achieving this step change. This is in addition to other ongoing and planned work which will also make an important contribution to ET and which is listed in the last column of Annex A.

Theme:	<i>World Class Infrastructure</i>
Priority:	<i>Improving access to quality fast, reliable broadband services to ensure strong global connections</i>
Action:	<i>Accelerating Investment in Broadband</i>

- 21 Broadband is key to enabling a small, geographically distant country like New Zealand to participate successfully in the global knowledge economy. It enables firms, including SMEs, to reach and be successful in global markets. It also enables high-value, weightless products such as research, design, broadcast programming (including Māori programming), branding and marketing to be effectively provided to customers anywhere in the world.
- 22 In New Zealand the lack of high-speed broadband, caused in part by limited competition and underinvestment in telecommunications infrastructure relative to OECD benchmarks, is limiting the growth of New Zealand firms¹. The regulatory reforms introduced through the Telecommunications Amendment Act (No. 2) 2006 were designed to increase competition in telecommunications, and incentivise the industry, and particularly the incumbent, to increase investment.
- 23 These regulatory reforms have yet to be fully implemented and the new regulated services will not be in the market until late 2007. Nevertheless, it is unlikely that it will be commercially viable for traditional telecommunications service providers, such as Telecom, to make investments in key infrastructure bottlenecks in areas outside major urban centres in the next three years.
- 24 The challenge of meeting New Zealand's telecommunications needs will be a key priority for November's Digital Future Summit 2.0 and the subsequent refresh of the Digital Strategy. The government will aim to stimulate a

¹ NZ's level of ICT investment as a percentage of Gross Capital Formation has increased from 10.8% in 1995 to 13.6% in 2003 but still places NZ 17th out of 21 OECD countries –upcoming 2007 Economic Indicators report

constructive national debate about building the pathway to New Zealand's broadband future and further fibre infrastructure investment. This debate will require the engagement of telecommunications providers, local government, and the businesses, Māori interests, communities and individuals that want improved connectivity.

- 25 The Government will continue to monitor levels of investment in broadband infrastructure and will initiate a process for engaging with the private sector on this issue.

Theme: *Environmental Sustainability*

Priority: *Positioning New Zealand as a world-leading exponent of smart and innovative responses to environmental issues*

Actions: *Implement emissions trading and associated carbon markets to reduce net greenhouse gas emissions*

Advance environmental solutions, including sustainable land management, eco-verification and test beds for sustainability

Develop Instruments to provide for water quality and future demand for fresh water

- 26 Concerns about environmental sustainability are creating new economic opportunities for countries such as New Zealand that are biologically-based and which have high per capita renewable energy resources.

- 27 In particular, New Zealand has the opportunity to be a leader in the mitigation of agricultural greenhouse gas emissions, areas of bio-energy, soil carbon sequestration and engagement with Māori to apply traditional knowledge to environmental management. We are well-positioned to take a lead in becoming a sustainable economy and society.

- 28 However, Ministers believe we need to make more progress on the institutional frameworks that encourage changes in behaviour; the direction of investment; and the pattern of technological innovation.

Action: *Implement emissions trading and associated carbon markets to reduce net greenhouse gas (GHG) emissions*

- 29 The Government recently announced its intention to introduce a cost for GHG emissions from 2008. This will create incentives for least cost emission reductions and, over time, trigger changes in patterns of investment, technological innovation and resource allocation.

- 30 While carbon markets aligned with the Kyoto Protocol framework are government's paramount concern, "voluntary markets" for carbon, outside the framework, are also emerging. These are being created by consumer demands for "carbon neutrality" from firms or products, and by consumers who want to offset their own GHG emissions. Government can influence the development of these voluntary market responses by providing supporting eco-verification

infrastructure based on internationally recognised standards and approaches, and through its commitment to a carbon neutral public service.

- 31 I propose that MED and MfE, in conjunction with MAF and DoC, be directed to develop a framework for identifying the government's role in supporting the effective development of these voluntary markets, paying particular attention to issues such as emerging market platforms, the capability and application of eco verification methods and clear messaging in engagement with business and households.

Action: *Advance environmental solutions, including sustainable land management, eco-verification and test beds for sustainability*

- 32 Consumer acceptability and market access will increasingly demand verification of claims relating to environmental and broader sustainability impacts. Increasingly, major retail chains are demanding evidence of the impacts of products on the environment. Multinational global supply chains are requiring evidence of verifiable environment management practices based on international standards. The "food miles" arguments highlight the potential risk to NZ's food and beverage exports in key markets – but conversely, the focus on carbon footprinting provides real opportunities.

- 33 The integrity of environmental and sustainability claims also needs to be upheld through standards and verification methods that are accepted by our major trading partners. If New Zealand firms are to utilise standards and conformity assessment methodologies, these need to be easily accessible and internationally-recognised. New Zealand needs to accelerate the uptake of eco-verification in environmental management systems and products through appropriately designed stair-casing instruments designed to lift performance over time. Robust eco-verification systems will support our environmental integrity in world markets. This includes the environmental certification of seafood products and carbon reduction efforts. A comprehensive report back to Ministers on progress in marshalling eco-verification expertise, leveraging existing eco-verification infrastructures and supporting uptake of eco-standards and eco-labels, is due by 30 April 2008.

- 34 Because of New Zealand's small size, and willingness to embrace sustainability there may also be opportunities for New Zealand to be promoted as an internationally- recognised test bed for emerging sustainable technologies. This could support the positioning of New Zealand as a sustainable nation, as well as addressing highly visible aspects of environmental performance. I propose that officials report back by February 2008 on these opportunities.

- 35 Finally, the sustainable land management (hill country erosion) programme also needs to be expanded to more effectively address soil erosion, flood risk, and the downstream impacts of erosion on infrastructure and water quality.

Action *Develop instruments to provide for water quality and future demand for freshwater*

- 36 This action focuses on developing instruments to complement regulation and other tools to ensure the sustainability of New Zealand's water resources by managing water quality, and providing for future demand for freshwater. These instruments may include institutional frameworks, new approaches to water storage and management, pricing mechanisms, enhanced user pays charging, and liability mechanisms to enhance water quality and encourage the efficient use of water.
- 37 Regional councils have faced challenges in implementing their responsibilities for water quality management in catchments. This is partly because of a lack of appropriate tools to change behaviour. Regulation and voluntary improvements to land management practice are the current core tools in protecting water quality. These tools could be complemented by instruments to protect water quality in an efficient way. Such instruments could form part of the "tool box" that can be applied by regional councils in a way that reflects their particular circumstances and which support behavioural changes to protect and enhance water quality.
- 38 When water is scarce the means must also be found to manage competing interests. Institutional frameworks governing water use must reflect the fundamental importance of water to biophysical functioning and human needs and values as well as aiming to improve economic efficiency. A mix of regulatory and/or market-based instruments can be used to manage water. These instruments are interlinked – market instruments depend on regulatory frameworks. Instruments such as consumptive water charging, in conjunction with enhanced transferability, are tools for encouraging efficiency over the use of abstracted freshwater in catchments where water is a scarce resource that is subject to competing demands and values.
- 39 However, market instruments can lead over time to a few economic agents accumulating excessive control over water permits. This can threaten social cohesion. Market instruments also raise issues around the limitations of water permits, how the taking of water should initially be assigned, and how it could be reassigned. Issues also arise when changes in scientific understanding or in social norms mean that water permits need to be changed - for example, to reduce the taking of water because a water resource has been over-allocated. For all these reasons, market instruments need to be developed within a set of clear institutional limits that harmonise economic efficiency and the social and environmental outcomes that government seeks.
- 40 Water storage and management systems (including infrastructure investment and institutional rules) can also help manage demand for water while protecting environmental and social "bottom lines". New approaches to storage and management can help resolve potential conflicts over water in ways that meet environmental, economic, social and cultural aspirations.
- 41 In the light of these points, I propose that officials from MfE, MAF and MED should be asked to report back to Ministers with proposals for instruments to provide for water quality and future demand for freshwater by 31 March 2008.

Other Actions:

- 42 In addition to the above actions, I propose that officials should report back on setting further medium-long term targets for sustainability.
- 43 In the launch of the emissions trading scheme on 20 September, the Prime Minister announced a number of medium to long term targets to move New Zealand towards greater sustainability:
- a by 2025, have ninety per cent of electricity generated from renewable sources;
 - b by 2040, reduce by half per capita emissions from transport;
 - c be one of the first countries to introduce electric cars widely;
 - d by 2020, achieve a net increase in forest area of 250,000 hectares.
- 44 Setting realistic, achievable and consistent targets provides a powerful means of galvanising change. Targets provide a firm basis on which the government and business can partner to achieve change, and which businesses can take into account in their decision-making.
- 45 In my view, there is scope to establish further high level targets in specific areas as a way of completing an overall picture of what a sustainable New Zealand looks like, thus helping to make that vision compelling.
- 46 In May, in the context of setting a goal to position New Zealand as a world-leading exponent of smart, innovative and business-savvy responses to environmental issues, officials were asked to report back with advice on how progress towards this goal could be measured. Work on targets is also underway in respect of land management, energy, transport, water and waste. I consider it would make sense to combine these efforts so that Ministers can consider the question of targets in respect of sustainability as a whole.

Theme:	<i>Innovative and Productive Workplaces</i>
Priority:	<i>Developing workplace skills, focusing on basic literacy and numeracy</i>
Action:	<i>Upskilling the workforce</i>

- 47 A central component of how productivity improvement can be achieved is through improving the human capability of our workers, managers and industry leaders.
- 48 Ministers have directed officials in consultation with the social partners, NZCTU and Business NZ, and the Industry Training Federation to design a comprehensive Skills Strategy aimed at future proofing the economy against inevitable labour shortages. This strategy will build on the new approach to education and training investment delivered through the tertiary education reforms. A paper to progress the development of the strategy will be provided to Cabinet by the end of the year.

- 49 While such a strategy aims to build employers' and employees' interest in skills and life long learning, an essential prerequisite is improving workforce literacy, language and numeracy (LLN). About one third of our 3.25 million strong working age population have LLN skills below those needed to participate fully in a knowledge society.
- 50 Low levels of LLN skills contribute to error, wastage, re-work and poor health and safety outcomes. Workforces with low LLN skills are less able to build the capability to be internationally competitive; and lack effective governance, strong management, innovative workplace cultures and skilled and motivated staff. International evidence shows increases in LLN contribute to firms' productivity.
- 51 Officials from MoE, DoL and TEC are due to report to Cabinet by the end of October on a strategy to "**Upskill the workforce**" which will examine proposals for putting significant effort into workplace LLN development. This paper, which is likely to form a key component of the Skills Strategy, will identify the need for controlled interventions on:
- **Demand:** A focus on priority industries is proposed as a practical way to manage growth in the short to medium-term and allow government to focus resources on clusters of vulnerable workers and firms and leverage its existing engagements with industries.
 - **Supply:** The proposal for increasing the supply of learning opportunities has a three-staged approach to increasing provision from July 2008 through 2011 onwards, where LLN would be fully integrated into the reformed tertiary strategy funding system and the Investing in the Plan process.
 - **Capability:** It is proposed that funding be made available for ITPs and wananga through the Tertiary Education Organization Component (TEOC) to support the organisational change that is required to deliver high-quality embedded LLN delivery. This will be accompanied by an intensive focus on increasing the number of trained educators and the trusted advisory services to bed-in the infrastructure and quality assurance processes.
- 52 Other significant work that will support the Innovative and Productive Workplaces Theme focuses on firm capability, including exploring opportunities to improve cross agency co-ordination of firm capability services (particularly between DoL, MED, NZTE and TEC), enhancing the involvement of social partners and key stakeholders to build consensus on specific gaps and priorities for action, and getting better traction from existing services by leveraging off existing trusted advisor networks.

Theme:	<i>Globally Competitive Firms</i>
Priority:	<i>Supporting business internationalisation and extracting the best value from global value chains</i>

Actions: *More sophisticated and integrated in-market business support*
Integrated and targeted onshore support for internationalising firms, and business opportunities with international potential, with a focus on capability development

53 The key challenges arising from international integration are for New Zealand to:

- a. Position itself as an attractive location for investment and skills and for those parts of international supply chains that relate to high-value products and activities and that provide the greatest return (e.g. R&D and design). This includes an imperative to develop more and/or larger internationally successful New Zealand businesses, networks of businesses, and segments of the economy; and
- b. Capture the best return through our businesses being part of international value chains offshore (returning profits to New Zealand), through developing new business models of operating internationally (such as investing directly in offshore product and distribution chains), rather than transferring valuable activities offshore.

Action: *More sophisticated and integrated in-market business support.*

54 I propose that we make a significant investment in shared services and/or infrastructure in a few key markets offshore, drawing on in-market sources of advisory and business services and networks as much as possible. The idea is to create in-market 'eco-systems' and centres of support for New Zealand firms and business opportunities, with private sector services (such as distribution services, research providers, banks, professional services, and investment companies) supporting government provided services (such as technology partnerships and market development).

Action: *Integrated and targeted onshore support for internationalising firms and business opportunities with international potential, with a focus on capability development.*

55 I propose three inter-related initiatives:

- I. Case managed and tailored support from NZTE for up to 10 New Zealand medium to large internationalising businesses (per annum) over the next three years, to enable them to make a significant move into global value chains and market opportunities. The businesses targeted will need to have the capability, desire and long-term commitment to be global players and be at the vanguard of a step change in our foreign exchange earnings (at the multi-hundred million if not billion dollar level). Engagement may involve working with a significant New Zealand company in conjunction with its domestic supply partners to secure international opportunities for the wider value chain.

- II. Improving the delivery of support for New Zealand's SME emerging international businesses and business opportunities with international potential to develop capability in understanding and managing the requirements of market development and global value chains. This will involve a clearer and integrated 'internationalising support pathway' service facilitated by NZTE (and other agencies) in partnership with the private sector and industry groups, to provide initial diagnostic and ongoing mentoring support for emerging international SMEs and business opportunities, and to facilitate access to relevant government and non-government services.
- III. Advancing a more applied form of business management education, focused on internationalisation, in partnership with 1-2 tertiary education providers.
- 56 A number of considerations drove the development of these priority actions, including ensuring that:
- New initiatives help New Zealand firms address the key challenges arising from international integration;
 - Support for internationalising firms does not represent an onshore vs. offshore dichotomy, but rather a seamless transition of support between onshore and offshore;
 - The insights gained from dialogue with international businesses during Export Year inform future government policy and decision-making (and the priorities are included in the companion paper on the Export Year Platform and are referred to in the public/private sector Platform document); and
 - The proposals build on the investments that government has already made but represent a step-change in New Zealand's approach to business internationalisation.
- 57 I propose that officials from MED, MFAT and NZTE, in consultation with the Treasury, should report back to Cabinet by 15 December with further details on the nature and implications of these actions.
- 58 Further options on initiatives to transform SME capability, productivity and potential for internationalisation are being considered by ET Ministers. The Minister for Small Business and I will report back to the Cabinet Policy Committee by early November on any further initiatives arising from this consideration which should be incorporated into the ET Agenda.

Theme:	<i>Globally Competitive Firms</i>
Priority:	<i>Focusing government investment in areas that reflect and extend New Zealand's strengths</i>
Action:	<i>Tackling fragmentation and better aligning government spend across education and training, RS&T, business and market development in six areas of focus</i>

- 59 Cabinet has agreed in principle on a number of areas of focus representing economic development priorities for Vote Economic, Industry and Regional Development, Vote RS&T and the tertiary education component of Vote Education (CAB Min (07) 34/5 and POL Min (07) 21/7 refer). The Government's investment in these areas of focus should build on New Zealand's existing

strengths and reputation, have significant market opportunities, and also extend the economy into higher-value products and services. Cabinet has agreed in principle to focusing investment on:

(i) segments that extend our biological sector strengths through the application of human capital, innovation and technology. This includes a proposed focus on pastoral systems, environmental solutions, health solutions, and advanced foods and derivatives;

(ii) niches where small-scale or technology-driven (rather than labour intensive) production is a source of advantage or not a disadvantage. This includes a proposed focus on smart materials and digital content and tools.

- 60 As previously noted, small open economies like New Zealand usually innovate and grow on the basis of resource advantages and long-standing and mature industries. More focused investment across government in key areas that build on these industrial and resource strengths will enable us to create the necessary scale and depth to support economic transformation. It will enable New Zealand to be recognised as a world leader in a small number of priority technology areas through the development of clusters of world class firms, research institutions, tertiary education organisations, and private businesses that collaborate to drive innovation. Targeting of resources into more productive industrial and technology areas will lead to greater overall productivity as there are flow-on or 'pull' effects from these activities to the wider economy. Building critical mass in these areas will help to attract globally competitive talent, R&D and businesses.
- 61 Such increased focus is also an important theme in the companion paper "A New Agenda for New Zealand Research, Science and Technology". It corresponds to recommendations by the OECD's review of innovation in New Zealand to produce a clear statement of national policy towards innovation, science and technology, which recognises the wide range of government policies that affect innovation and serves to foster coherence and co-operation among the various departments and agencies involved.
- 62 Officials are scheduled to report back to the Ministers for Industry and Regional Development, Research, Science and Technology, and Tertiary Education, with final proposals for areas of focus by 31 October 2007 and on mechanisms for implementation by 15 December 2007.
- 63 In addition, in response to the OECD review, Cabinet has directed MoRST and MED, in consultation with relevant agencies, to report to the Minister of Research, Science and Technology and the Minister of Economic Development on future opportunities to further improve the innovation system [EDC Min (07) 13/3 refers]. This work includes consideration of different ways to govern innovation at Ministerial level and a proposed innovation policy strategy. Such a strategy could consolidate recent and planned RS&T, and broader innovation, initiatives into a clear statement of the direction in which we plan to develop our innovation policy.
- 64 Other significant work that will support the Globally Competitive Firms Theme includes:

- Financial Sector Development - work is currently underway by the Treasury and MED on assessing a range of possible measures to further promote the development of New Zealand's financial system, including programmes to boost independent equity research on New Zealand firms, an integrated finance sector industry body and education initiatives to boost human capability in the sector.
- Knowledge Transfer – options for extending and refining services (such as FRST's) to better assist New Zealand firms and industries to locate, transfer and absorb new knowledge and technologies from overseas are being explored.

Theme:	<i>Auckland – An Internationally Competitive City</i>
Priority:	<i>Making Auckland a world-class hub of innovation and internationalisation</i>
Actions:	<i>Supporting the development of the Auckland Innovation Precinct Enhancing Auckland's Waterfront and Supply Chain Effectiveness</i>

65 The most successful city-regions overseas function increasingly as regional hubs of the global economy via networks of local relationships linked with more extended worldwide networks and value chains. In particular, two essential elements of world-class cities that act as hubs of innovation and internationalisation are:

- Well developed regional innovation systems, including a strongly networked grouping of local businesses and public institutions acting in a supportive manner with one another on R&D and technology transfer; and
- Smart and effective port and waterfront developments, which contribute to the international image of the city reflecting cultural diversity and lift city-regions' economic performance. This is achieved by ensuring that cities' waterfront developments provide urban amenity that help attract knowledge workers and high value firms, and that support the effectiveness and efficiency of domestic and international supply chains.

Action: *Auckland Innovation Precinct*

66 Ministers have already agreed to work on developing a feasibility study and business case for an Auckland Innovation Centre at Tamaki. This is currently being progressed by MED and NZTE with the University of Auckland and other stakeholders. It has become apparent that the potential benefits of the proposal could be significantly increased by assisting Auckland stakeholders with the development of the wider Tamaki Innovation Precinct, including the Tamaki revitalisation initiative. Beyond facilitating the development of the feasibility study and business case for the centre and potential initial seed funding, a broader vision and plan for the Innovation Precinct could entail an expanded role for government, including:

- Alignment and provision of government RS&T, business and export/market development services to businesses in the precinct

- Supporting activities that facilitate greater networking and collaboration between industry and research in the precinct
- Attracting major investment into the precinct
- Facilitating sector development, including the provision of sector-specific infrastructure, in the precinct
- Ensuring that the precinct helps to regenerate Glen Innes, Panmure, Tamaki and Point England and that the economic and employment benefits from the regenerated precinct provide real opportunities for communities in these areas.

67 I propose that officials from MED and NZTE, in consultation with MoRST, TEC, DOL, FRST and the Treasury, report back to the Ministers of Finance/Tertiary Education, Economic Development and Research Science and Technology by 15 December, on the role for government in relation to the wider Innovation Precinct, as part of their report back on the feasibility study for the Auckland Innovation Centre.

Action: Auckland's Waterfront and Supply Chain Effectiveness.

68 I propose that officials work with Auckland stakeholders to provide high level strategic guidance on the future of the waterfront redevelopment, with the aim of facilitating urban transformation that will attract high value firms and skilled workers, and creating an efficient cost and environmental supply chain both regionally and nationally. This would include:

- i) Working with Auckland Regional Council and Auckland City Council on the strategic context for future waterfront development. This would entail an expressed view from government on the aspirational development of all the current waterfront projects (Westhaven Marina, Wynyard Point, the Finger Wharves, the Port, as well as the interface with the CBD). This could include the provision of urban design protocols, assessing international redevelopments, or identifying clustering and agglomeration opportunities. It would not necessarily lead to government funding of individual waterfront projects.
- ii) Working with Māori and Pasifika to integrate cultural diversity as a point of competitive advantage.
- iii) Leveraging off a proposed freight study to help officials assess supply chain choices and port access in the city-region.
- iv) Working with Ports of Auckland to consider support for a short haul inland rail service which would ease pressure on road use in the CBD area and act as an environmental exemplar.

69 I propose that officials report back to the Ministers of Finance, Economic Development, Transport, Environment and Local Government by March 2008 on a recommended action plan for ongoing engagement with local and regional stakeholders on these issues. In the interim, officials will be holding exploratory discussions with controlling parties of waterfront assets (principally Auckland Regional Holdings, Auckland Regional Council and Auckland City Council).

- 70 A number of the other proposed priorities (e.g. broadband, workforce upskilling and focusing government investment) will also support the development of Auckland as a hub of innovation and internationalisation as they will have a significant Auckland dimension.
- 71 I propose that future transformational actions to progress the Auckland Theme be worked up as part of a more comprehensive package via One Plan for Auckland. Government has agreed to contribute to the development of One Plan, recognise its significance, and engage in discussions with Auckland councils on how priorities in One Plan might be achieved. This could provide a vehicle for agreement on priorities, strategies and options for funding from central and local government and the private sector towards Auckland. Local government officers suggest that the first draft, focused on selective infrastructure related actions, be completed by September 2008. In that context we will need to assess the economic benefits of "agglomeration" alongside the marginal costs of infrastructure and other required developments.

ENHANCING MACROECONOMIC AND REGULATORY SETTINGS

- 72 Continued effort at improving our macroeconomic and regulatory setting will be necessary to encourage investment in higher value products and activities. Sound monetary and fiscal management, as evidenced in price stability and budget surpluses and debt reductions, gives business the confidence to invest in the knowledge that external conditions impacting on their business decisions are not likely to change dramatically. Regulation and regulatory frameworks likewise play a critical role in shaping the business environment in which economic activity takes place. It is important that regulatory frameworks are able to address the changing needs of society and the economy, without unnecessarily constraining business growth, productivity and innovation. Work aimed at enhancing our macroeconomic and regulatory settings (e.g. the Quality Regulation Review and the FEC inquiry into monetary policy) has been initiated and is ongoing.

TREASURY COMMENT

- 73 Treasury agrees that all ten of the proposed actions have the potential to contribute to economic transformation. This is a relatively large agenda, and there may be greater impact from focussing effort and resources on a smaller set of actions. Should Ministers wish to pursue a more focussed agenda, in our view the following three actions would have a relatively lower priority than the others (key reasons in brackets):
- Auckland's waterfront (central government's role is not clear – can be pursued via Auckland's One Plan);
 - Advancing Environmental solutions (less transformative in nature – can be pursued via the Sustainability Deputy Secretaries' Work Programme);
 - Water quality and future demand for fresh water (effect of government action will be at the margins only – can be pursued via the Sustainability Deputy Secretaries' Work Programme).

- 74 While there will be further opportunity to consider sequencing and resourcing of all the actions through the Budget process, Ministers may wish to consider now whether they prefer a narrower set of actions to start with.

CONSULTATION

- 75 The following departments and agencies have been consulted: The Department of the Prime Minister and Cabinet, Treasury, Department of Labour, Ministry of Transport, Ministry of Foreign Affairs and Trade, Ministry of Research, Science and Technology, Ministry of Education, Ministry of Agriculture and Forestry, Ministry of Fisheries, Ministry for the Environment, Department of Internal Affairs, Foundation for Science, Research and Technology, New Zealand Trade and Enterprise and Tertiary Education Commission.

FISCAL IMPLICATIONS

- 76 There are no immediate fiscal implications. The proposed priorities will feed into and guide future Budget decisions, and the financial implications of specific initiatives will be identified and considered through the Budget process in the light of the overall fiscal context.

HUMAN RIGHTS

- 77 There are no human rights implications.

LEGISLATIVE IMPLICATIONS

- 78 There are no legislative implications from this paper.

REGULATORY IMPACT AND COMPLIANCE COST STATEMENT

- 79 Regulatory Impact and Compliance Cost Statements are not required.

PUBLICITY

- 80 I recommend that this paper be released publicly. A communications strategy around this release will be developed by MED in consultation with my office.

RECOMMENDATIONS

- 81 I recommend that the Committee:

Background

- 1 **note** that:

- 1.1 in August 2006, Cabinet agreed to a suite of action areas to be progressed as part of the economic transformation agenda, and agreed that Ministers will provide an update every six months on progress in implementing the agenda [CAB Min (06) 31/3];

- 1.2 in April 2007, Cabinet agreed that the first economic transformation update on progress should be included in the September 2007 update [CAB Min (07) 11/6];
- 2 **note** the substantial progress that has been made in implementing the economic transformation agenda;
- 3 **agree** that there is a need to further refine and extend the economic transformation agenda building upon this success;

Future Priorities

- 4 **agree** that future priorities for economic transformation should focus on a few key priority areas for the following reasons:
 - 4.1 New Zealand's productivity levels and growth rate need to improve;
 - 4.2 New Zealand needs to be well placed to respond to and capture the commercial opportunities arising out of the strong and growing pressure for environmental sustainability;
 - 4.3 New Zealand needs to be positioned to take advantage of an increasingly integrated global economy.
- 5 **agree** that the economic transformation priorities and associated actions over the medium term, subject to economic and fiscal conditions, should include the following:
 - 5.1 improving access to quality fast, reliable broadband services to ensure strong global connections:
 - 5.1.1 accelerating investment in broadband;
 - 5.2 positioning New Zealand as a world-leading exponent of smart and innovative responses to environmental issues:
 - 5.2.1 implementing emissions trading and associated carbon markets to reduce net greenhouse gas emissions;
 - 5.2.2 advancing environmental solutions, including sustainable land management, eco-verification and test beds for sustainability;
 - 5.2.3 developing instruments to provide for water quality and future demand for fresh water;
 - 5.3 developing workplace skills, focusing on literacy and numeracy:
 - 5.3.1 upskilling the workforce;
 - 5.4 supporting business internationalisation and extracting the best value from global value chains:

- 5.4.1 more sophisticated and integrated in-market business support;
- 5.4.2 integrated and targeted onshore support for internationalising firms, and business opportunities with international potential, with a focus on capability development;
- 5.5 focussing government investment in areas that reflect and extend New Zealand's strengths:
 - 5.5.1 tackling fragmentation and better aligning government spend across education and training, research, science and technology, business and market development in six areas of focus, namely: pastoral systems, environmental solutions, health solutions, advanced foods, advanced materials and digital content;
- 5.6 making Auckland a world-class hub of innovation and internationalisation:
 - 5.6.1 supporting the development of the Auckland Innovation Precinct;
 - 5.6.2 enhancing Auckland's waterfront and supply chain effectiveness;

Broadband

- 6 **note** that the government will continue to monitor levels of investment in broadband infrastructure and will initiate a process for engaging with the private sector on this issue;

Environmental Issues

- 7 **direct** the Ministry of Economic Development (MED) and the Ministry for the Environment (MfE) in conjunction with the Ministry of Agriculture and Forestry (MAF) and the Department of Conservation (DoC) to:
 - 7.1 develop a framework for identifying the government's role in supporting the effective development of voluntary carbon markets, paying particular attention to issues such as emerging market platforms, the capability and application of eco-verification methods, and clear messaging in engagement with business and households;
 - 7.2 report to the Minister of Finance, Minister of Agriculture, Minister for Economic Development, Minister of Commerce, and Acting Minister for the Environment by 30 April 2008 on a proposed framework;
- 8 **note** that a comprehensive report to Ministers on progress in marshalling eco-verification expertise, leveraging existing eco-verification infrastructures and supporting uptake of eco-standards and eco-labels, is due by 30 April 2008;
- 9 **direct** officials from MED, MfE, MAF and Ministry of Research Science and Technology to report to Cabinet Policy Committee (POL) by February 2008 on the potential for New Zealand to be promoted as an internationally-

recognised test bed for sustainability, with options for how the concept could be grounded;

- 10 **direct** officials from MfE, MAF and MED to report to the Minister of Agriculture, Minister for Economic Development, and Acting Minister for the Environment by 31 March 2008 with proposals for instruments to provide for water quality and future demand for freshwater;
- 11 **agree** that setting realistic, achievable and consistent targets in specific areas as a means of completing an overall picture of what a sustainable New Zealand looks like provides a firm basis on which the government and business can partner to achieve change, and which businesses can take into account in their decision-making;
- 12 **direct** officials to develop targets in specific areas clearly linked to outcomes, and to report to the Minister for Economic Development and the Acting Minister for the Environment with recommendations by 31 January 2008;

Workplace skills

- 13 **note** that the Ministry of Education, the Department of Labour and the Tertiary Education Commission are due to report to POL by 31 October 2007 on a strategy to "Upskill the workforce" which will examine proposals for putting significant effort into workplace language, literacy and numeracy development;

Internationalisation

- 14 **direct** officials from MED, the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise (NZTE), in consultation with the Treasury to report back to POL by 15 December 2007 with further details on the nature and implications of the two supporting business internationalisation proposals, namely:
 - 14.1 more sophisticated and integrated in-market business support;
 - 14.2 integrated and targeted onshore support for internationalising firms, and business opportunities with international potential, with a focus on capability development;
- 15 **note** that further options are being considered by economic transformation Ministers on initiatives to transform small and medium enterprise capability, productivity and potential for internationalisation;
- 16 **invite** the Minister for Economic Development and the Minister for Small Business to report back to POL by early November 2007 on any further initiatives arising from this consideration in paragraph 15 which should be incorporated into the economic transformation agenda;

Research and Technology

- 17 **note** that officials are due to report back to the Minister for Tertiary Education, the Minister of Research, Science and Technology and the Minister for Industry and Regional Development with final proposals for areas of technology focus by 31 October 2007 and on mechanisms for implementation by 15 December 2007;
- 18 **note** that MoRST and MED, in consultation with relevant agencies, will be reporting to the Minister of Research, Science and Technology and the Minister of Economic Development on future opportunities to further improve the innovation system [EDC (07) Min 13/3];

Auckland Issues

- 19 **direct** MED and NZTE in consultation with MoRST, the Tertiary Education Commission, the Department of Labour, the Foundation for Research, Science and Technology and the Treasury, to report to the Minister of Finance, Minister for Tertiary Education, Minister of Research Science and Technology and Minister for Economic Development by 15 December 2007, on the role for government in relation to the wider Innovation Precinct, as part of the report back on the feasibility study for the Auckland Innovation Centre;
- 20 **direct** MED, Ministry of Transport, MfE, Treasury and the Department of Internal Affairs to report to the Minister of Finance, Minister of Transport, Minister for Economic Development, Minister of Local Government and Acting Minister for the Environment by March 2008 on whether, and if so how, central government should engage with local and regional stakeholders on the future of the Auckland waterfront development;
- 21 **note** that in the interim officials will be holding exploratory discussions with controlling parties of waterfront assets;

Next Steps

- 22 **note** that the agreed priorities will feed into and guide future Budget decisions, and the financial implications of specific initiatives will be identified and considered through the Budget process in the light of the overall fiscal context;
- 23 **note** that the Minister of Economic Development intends to publicly release the paper under CAB (07) 554 at an appropriate time, subject to any withholdings that may be required in accordance with the Official Information Act 1982.

Trevor Mallard
Minister for Economic Development

Date signed:

Annex A

ECONOMIC TRANSFORMATION: PROGRESS, ON-GOING AND FUTURE INITIATIVES

Growing Globally Competitive Firms

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Business Tax Review</p> <p><u>Outcome sought:</u> <i>The business tax regime works to give better incentives for productivity gains and improved competitiveness with Australia.</i></p> <p>Lead: Treasury/IRD. Contributing: MED, MFAT, MoRST, NZTE, DoL, TEC and Education.</p>	<p>International Tax Review</p> <p>The Review complements the Business Tax Review and aims to ensure New Zealand's international tax rules help foster a competitive business environment that enables businesses to thrive in the global economy.</p>	<p>A \$3.4 billion package to help develop a more innovative and dynamic economy, better able to compete in the global marketplace, was announced in Budget 2007. The Ministers of Finance and Revenue are confident that the changes will help businesses to expand here and overseas, improve their ability to develop new products and processes and invest in skilled staff in order to lift productivity.</p> <p>Business tax reform package in Budget 2007 included:</p> <ul style="list-style-type: none"> • A cut in the company tax rate to 30% for the 2008/09 income year; • A research and development tax credit of 15% of eligible expenditure, planned to commence from 1 April 2008; • Announcements of the key policy direction for the international tax review; and • Improved tax treatment of savings vehicles. <p>Legislation introducing the majority of these changes is currently before FEC.</p>	<p>Planned work related to the Business Tax Review includes:</p> <ul style="list-style-type: none"> • Inter-agency development of a framework for evaluating the impact of the R&D tax credit • Next stages of the International Tax Review involve the release of Officials' Issues Papers outlining key policy design for a tax exemption for active foreign income of Controlled Foreign Companies <ul style="list-style-type: none"> • Officials' Issues Papers will be released around the end of September 2007. • Final policy decisions on the key elements of the reform are expected early 2008. <p>Legislation is expected to be introduced in the first half of 2008.</p> <p>Monetary and Fiscal Policy is currently the focus of a government-initiated FEC inquiry which includes growth and productivity and how they can be improved. The outcomes of this inquiry may have implications under the Growing Globally Competitive Firms Theme.</p>
<p>Capital markets, savings and investment</p> <p><u>Outcome Sought:</u> <i>Enlarged and deepened financial system, with knock-on effects for firm growth and productivity.</i></p> <p>Lead: Treasury. Contributing: MED</p>		<p>Enhancements to KiwiSaver in Budget 2007 have the potential over time to lead to a significant increase in household savings held in the form of financial assets and some increase in national savings. This could significantly enlarge and deepen the financial system with knock-on effects for firm growth and productivity. The long term effects could include: domestic saving replacing some foreign saving; innovation in financial products and markets; modest increase in domestic investment; possible reduction in the current account deficit and exchange rate; and reduction in the cost of capital.</p> <ul style="list-style-type: none"> • Matched tax credit up to \$20 per week. • Phase-in of compulsory employer matching from 1% in 2008 to 4% in 2011, with offsetting tax credit up to \$20 per week. <p>In November 2006 investment ratios of the VIF Venture Capital Programme were amended in an effort to help fund managers attract private sector capital. The venture capital industry is vulnerable to stagnation unless there is an increase in new investor activity. At this</p>	<p>Other complementary measures include: Tax changes to Portfolio Investment Entities that have removed the tax disadvantage to saving in the form of holding New Zealand and foreign equities through collective investment vehicles.</p> <p>Increased funding for IRD to target speculative housing investment.</p> <p>Introduction of legislation to Parliament to allow Limited Partnerships (which will stimulate New Zealand's venture capital industry).</p> <p>Review of Financial Products and Providers: announcements of decisions relating to the regulatory framework, including: financial advisors' registration; non-bank deposit takers; supervision of trustees and disputes resolution regime.</p> <p>NZVIF Ltd is in discussions with institutional investors to establish</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
		<p>stage the issue is lack of private investment capital, not government investment. Cumulative programme performance to June 2007 includes:</p> <ul style="list-style-type: none"> • 37 companies have been invested in • 16 companies exporting • 9 companies originated from CRIs & Universities 	<p>the feasibility and benefits of a Fund of Funds for private equity and venture capital that would encourage New Zealand institutions to invest in New Zealand growth companies.</p> <p>Improving the investment environment for NZ firms: Treasury and MED are collaborating on a broad programme of work on financial markets, savings and investment, including the assessment of a range of possible measures to further promote the development of the New Zealand financial system:</p> <ul style="list-style-type: none"> • Programmes to boost independent equity research on NZ firms • An integrated finance sector industry body • Education initiatives to boost capability in the sector. <p>Officials will report back to the Ministers of Finance and Economic Development in October 2007 (interim) and December 2007 (final).</p> <p>Public sector discount rate: Treasury is leading a review of the public sector discount rate aimed at identifying an appropriate rate going forward and the impact of a change in the rate on major public sector projects or groups of projects. This may affect the relative weights given to short- and long-term benefits in the assessment of projects. An initial report is due by December 2007.</p>
<p>Improve firm-Crown Research Institute-Tertiary Education Organisation (Firm-CRI-TEO) Linkages</p> <p><u>Outcome sought:</u> Better linkages ensure research and teaching undertaken by CRIs and TEOs are relevant to industry needs, and knowledge is transferred to industry.</p> <p>Lead: MoRST. Contributing: Education, TEC, CCMAU, Treasury, MED</p>		<p>Cabinet paper (POL Min (07) 11/4): Improving Linkages between Public Research Organisations and firms. New actions arising included increased funding for Techlink from \$2.0 million in 2006/07 to \$4.4 million in 2007/08 to help businesses identify industry-wide research questions and build linkages with research organisations.</p> <p>Launch in late 2006 of Global Technology Partnership (GTP) which gives firms and CRIs access to an international network of 20,000 experts. By June 2007, 63 contracts had been signed by 43 organisations.</p> <p>A Capitalising on Research Summit was held in November 2006, which resulted in the formation of the Capitalising on Research Action Group (CRAG). This joint business-government action group, chaired by Phil O'Reilly provides a business perspective on a range of issues relating to incentives for and facilitation of investment in and collaboration on R&D and start-up early stage ventures.</p> <p>Tertiary Education Strategy: new approaches to tertiary education funding with potential to improve linkages between tertiary education organisation and the private sector with regard to RS&T capability.</p> <p>Evaluation of Growth & Innovation Pilot Initiatives September</p>	<p>The initial impact of GTP will be reviewed by MoRST and MED and its implications for the wider RS&T system investigated by early 2008.</p> <p>CRAG sub-groups continue to take practical steps to create case studies and best practice models for spreading among business and CRI/TEO stakeholders.</p> <p>New 'researcher mobility' Research Application Indicator is under development to add to the existing suite for CRIs from 2008/09.</p> <p>Advice on improved support for research partnerships by November 2007, including more proactive FRST support for research consortia and other changes by December 2007 that will widen their appeal to private participants.</p> <p>Tertiary organisations are expected to demonstrate via new business plans finalised during late 2007 how they will support research that is more connected to industry and community needs</p> <p>Innovation policy statement will be developed in response to OECD review by March 2008 (subject to agreement by Ministers) and will likely include a new goal and priority actions around linkages.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
		<p>2006: pilot initiatives disestablished (last funding round July 2006) and their funding and purpose will be absorbed into the TEO component of new funding system from 1 January 2008 onwards. Pilot initiatives were found to have helped build new approaches, relationships and alignments between tertiary education organisations and businesses in the target sectors and in other industries.</p> <p>New FRST R&D facilitation and promotion services, \$0.6 million in 2007/08 rising to \$2.0 million from 2008/09 onward.</p>	
<p>Focus government programmes on innovation and international integration, and improve value for money</p> <ul style="list-style-type: none"> Evaluation of NZTE and MED business assistance programmes <p>Lead: MED. Contributing: MFAT, NZTE, MoRST, Treasury, SSC, DPMC.</p>	<p>The “Alignment Project” arose from the Expenditure Review of Business Assistance.</p> <p><u>Outcome sought:</u> <i>Areas of focus are identified and there is a collective view of what the respective agencies will contribute to achieve defined outcomes in given time frame.</i></p>	<p>The Expenditure Review of Business Assistance examined all 38 programmes in Vote Economic, Industry and Regional Development. Outcomes included adjustments to some existing funding arrangements, a shift of balance to support more explicitly international connections, innovation and investment, and a Cabinet directive ‘<i>develop a policy framework to allow a joint assessment of the priorities for the allocation of FRST, TEC and NZTE resources to technology areas and sectors:</i></p> <ul style="list-style-type: none"> The “Alignment” Cabinet paper (12 September 2007) outlined suggested priorities (key areas of focus) and a process through which these can be confirmed, refined and given greater specificity. Transformational Initiatives Cabinet paper (12 September 2007) proposed the establishment of a mechanism to generate, test and implement major co-ordinated projects with a significant economic impact. 	<p>Alignment & Transformational Initiative:</p> <ul style="list-style-type: none"> Report back to Cabinet with final proposals for areas of focus by 31 October 2007. Report to Cabinet on mechanisms for joint policy and implementation on areas of focus identified through stage one of the alignment project. 15 December 2007. Develop the Transformational Initiative as a mechanism to deliver major, project-based interventions on an immediate basis, but situated within the overall strategic framework provided by the areas of focus. 15 March 2008. <p>Regional level provision of government economic development services and activities: report to Ministers on opportunities for the improving the provision of the range of economic development services and activities provided by central government at the regional level and identifying opportunities for better co-ordination of central government economic development activity at the regional level. By 15 December 2007.</p>
<ul style="list-style-type: none"> Review of NZTE’s sector facilitation activities Future priorities for Sector Facilitation Activities <p>Lead: MED, MFAT. Contributing: NZTE, Treasury.</p>		<ul style="list-style-type: none"> Evaluation report completed in August 2006 and advice on policy implications to Cabinet in December 2006. This work fed into the Expenditure Review of Business Assistance. Future priorities work has been merged into the alignment project outlined above 	

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<ul style="list-style-type: none"> Review of Investment NZ CAB Min (07) 26/5 <p>Lead: MED. Contributing: MFAT, Treasury, NZTE</p>	<p>The review arose from an evaluation of Investment NZ and related funds.</p>	<p>The Internationalisation and Investment Cabinet paper agreed that NZTE and Investment New Zealand should support outward investment by New Zealand firms on a case-by-case basis. The support for outward investment will assist productivity and business growth. Any support should generate widespread economic benefits to New Zealand by introducing new technology or creating opportunities for other New Zealand firms to improve their position in international supply chains.</p> <p>Ministers also agreed that support for Feasibility Studies for foreign direct investment be increased from \$100,000 to \$250,000, up to a limit of \$1.5 million per annum.</p>	<p>Develop options for further supporting outward investment by New Zealand firms.</p> <p>Prepare a Ministerial direction to make support for outward investment an explicit function of NZTE.</p> <p>Develop explicit criteria for feasibility studies.</p>
<ul style="list-style-type: none"> Implement offshore arm of NZTE strategy <p>Lead: NZTE, MFAT, MED</p>		<p>Implementation of the "hub and spoke" approach to NZTE offshore locations is progressing as per the December 2006 Cabinet paper to meet dual objectives:</p> <ul style="list-style-type: none"> stronger, deeper international relationships through the concentration of greater resources in key offshore locations: permanent 'hubs' housing investment and specific sector and market specialists; and flexibility to respond to emerging international market opportunities: 'spokes' – approximately 30 locations staffed by a mixture of seconded New Zealand staff, local employees and contractors. <p>Enhancement to NZTE's presence in Asia was approved as part of the Budget process 2007, including a new office in India (Mumbai), concept centres in Shanghai and Tokyo and a presence in five Chinese provinces to investigate further investment.</p>	<p>The main body of the <i>Advancing Economic Transformation</i> Cabinet paper outlines proposal for the provision of more sophisticated and integrated in-market business support going forward.</p>
<ul style="list-style-type: none"> Implement Post-Doha trade strategy <p>Lead: MFAT. Contributing: MED and NZTE</p>	<p>We will know by end-2007 whether an early conclusion to the WTO Doha negotiations is achievable. If not, we expect the process to stall at least until 2009.</p>	<p>New Post-Doha Trade Strategy completed in mid- 2006, following suspension of Doha WTO Round negotiations</p> <p>Implementation of new Trade Strategy under way:</p> <ul style="list-style-type: none"> China FTA on track for completion and signature by April 2008 or sooner. Implementation plan in place. GCC FTA negotiation launched – projected completion during 2008 Korea FTA study on track for completion by November 2007. Japan strategy and working group process under way. US – improvements in NZ/US relationship at political level provide platform for furthering FTA objectives. India FTA study launch imminent (Oct 2007). ASEAN/NZ FTA on track for completion during 2008. P4 implementation on track. 	

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
		<ul style="list-style-type: none"> • Pacer – discussion in New Zealand scheduled early 2008 on path ahead • Mexico – Joint Experts Group Study completed. Dialogue on possible FTA under way. • Active participation under way in regional initiatives – CEPEA, FTAAP. 	
<p>Quality Regulation Review</p> <p>The Review is focussing on how regulation is implemented and administered by government agencies and is seeking to identify workable solutions to problems that are unnecessarily inhibiting business growth and economic development. The Review is not seeking to revisit the policy that underlies the particular regulation.</p> <p><u>Outcome sought:</u> <i>The New Zealand business regulatory environment is the most conducive in the world, and offers the fewest barriers, to business growth and economic development.</i></p> <p>Lead: MED. Contributing: DoL, DBH, DIA, Treasury, DPMC, MoT, MAF, ACC, MfE, Mfish, LGNZ and SNZ</p>		<p>The Government's Quality Regulation Review has been completed. The Review's final report was considered by the Cabinet Policy Committee (POL) on 22 August 2007 and by Cabinet on 27 August 2007, and the outcome of the Review was announced by the Minister of Commerce on 6 September 2007.</p> <p>The Review took a business-centred, whole of government approach to examine overlaps in regulations – looking at the impact of regulation across the whole economy and within four key sectors: hospitality, retail, horticulture and wine. While the overwhelming message from the Review is that New Zealand's regulatory environment is in good shape (for example, we rank second only to Singapore in the World Bank's <i>Ease of Doing Business</i> survey) there is room for improvement, particularly with regard to:</p> <ul style="list-style-type: none"> • how requirements are implemented; • how people and businesses are made aware of regulatory requirements; and • how regulation is enforced. 	<p>The Review's final report outlines both the initiatives that have already been put in place to address issues raised by business, and additional steps is to build on the progress made and the lessons from the Review to maintain the quality of New Zealand's regulatory environment.</p>
	<p>Standards and Conformance Infrastructure Review</p> <p>The review focused on the performance of New Zealand's standards and</p>	<p>The Review has been completed and recommendations are now being implemented. The final report was considered by Cabinet Economic Development Committee (EDC) on 16 May 2007 and by Cabinet on 21 May 2007. The outcomes of the Review were subsequently announced by the Minister of Commerce.</p> <p>Cabinet agreed to a number of initiatives aimed at supporting a high quality standards and conformance infrastructure which is able to</p>	<p>Work is currently underway to further develop the key initiatives as agreed by Cabinet. The Minister of Commerce will report back to EDC by 30 November 2007 with fully scoped out proposals including the resource implications for implementing these initiatives.</p> <p>The Minister of Commerce will also make a number of other report backs to EDC, including:</p> <ul style="list-style-type: none"> • by 31 December 2007 on the issue of accreditation of inspection

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
	<p>conformance infrastructure and the role of standards and conformance in supporting the government's economic transformation goals as well as delivering on its health, safety and environmental objectives.</p> <p>Lead: MED.</p>	<p>deliver on key government objectives. Key initiatives include:</p> <ul style="list-style-type: none"> The establishment of a Regulator's Forum to promote improved approaches by regulators to developing quality regulation and to their use of the standards and conformance infrastructure in this context; The establishment of a web-based information clearing house with an accompanying physical point of contact to improve access to information on standards and conformance and regulatory regimes; Restructuring of the Standards Council and the Testing Laboratories Registration Council to improve and focus the governance of the organisations; and The establishment of sector advisory boards under the Standards Council to develop and manage strategic plans for standardisation within the sectors. <p>The last two initiatives will require changes to the Standards Council Act 1988 and the Testing Laboratory Registration Act 1972 respectively. Approval has been given to include a Standards and Conformance Bill on the 2007 Legislation Programme with a priority 5.</p>	<p>bodies; and</p> <ul style="list-style-type: none"> by 31 May 2008 on any outstanding issues relating to the Standards Council Act 1988 and the Testing Laboratory Registration Act 1972. <p>It is anticipated that the Standards and Conformance Bill will be introduced into the House by June 2008.</p>
<p>Continue transformative sector engagements</p> <ul style="list-style-type: none"> Response to Food and Beverage Taskforce <p>The Government's response CBC Min (07) 8/15 to the Food and Beverage Taskforce was announced on July 10 2007. The response was built around 6 key initiatives:</p> <ol style="list-style-type: none"> <i>Food & Beverage Product Development Infrastructure project</i> <i>Increasing the business capability of exporters</i> <i>Increase the profile of NZ food & beverage firms internationally through expanded in-market assistance</i> <i>Raising productivity – pastoral industries</i> 		<p>Contingency funding of \$19 million over four years was allocated in May 2007 budget. Of this \$10.25 million has now been allocated to fund:</p> <ul style="list-style-type: none"> implementation of the market development component of the Aquaculture Strategy (\$6.5 million as indicated below in section on Aquaculture); industry participation in three international trade shows in Shanghai, Tokyo and Chicago, part of a collaborative approach to developing the New Zealand F&B brand in these key markets. (\$1.8 million); establishment of a F&B presence in the proposed Shanghai Focus Centre (\$100,000); funding for the F&B Product Development Infrastructure Project scoping and feasibility study (\$150,000); funding for the establishment of an Industry Reference Group to provide industry input into scoping further in-market initiatives (\$100,000); and operational expenditure (\$1.6 million over 4 years). <p>Initiatives to raise pastoral productivity received a \$12 million funding boost in May 2007. This was additional to the 2006 Budget provision of \$16 million over 4 years to Pastoral 21 – a figure to be matched by industry funding.</p> <p>MoRST has work underway on development of a Food and Beverage Research roadmap to provide broad context and high-</p>	<p>Other complementary initiatives:</p> <ul style="list-style-type: none"> \$14 million over four years was allocated in the May 2007 budget for research into innovative foods. Policy work on the Transformational Initiative is continuing and set of resulting pilot initiatives is likely to have a strong food and beverage and ancillary industries component. Policy work on sustainability and the primary production sector being led by MAF. <p>MED will report to the Minister for Economic Development by December 2007 on any remaining issues arising out of the Food and Beverage taskforce process.</p> <p>MED to report to Cabinet by March 30 2008 seeking agreement to appropriations from the remaining contingency up to \$8.750m over four years and \$4m in outyears.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p><i>content.</i></p> <p>5. <i>Setting clear directions for food & beverage research</i></p> <p>6. <i>Implement skills action plan – outcomes:</i></p> <ul style="list-style-type: none"> • <i>improved industry training organisations' strategic planning,</i> • <i>improved attractiveness of careers in the food and beverage sector;</i> • <i>improved productivity and adoption/integration of science and technology.</i> <p>Lead: MED. Contributing: NZTE & MAF</p>		<p>level direction for food and beverage research.</p> <p>Government departments are investigating an apparent gap in the infrastructure of NZ food & beverage innovation system: pilot scale facilities situated between research and full-scale commercialisation of new products. A scoping and feasibility study phase underway – for completion November 2007 – into need and potential for a co-ordinated investment across regions (3 separate regional proposals have already been developed).</p> <p>A joint industry/government body – the Skills and Training Action Group (STAG) – was established in December 2006 to oversee support and monitor implementation of the F & B skills action plan.</p>	
<ul style="list-style-type: none"> • Tourism - New Zealand Tourism Strategy 2007-2015 <p><u>Outcomes:</u></p> <ul style="list-style-type: none"> • <i>New Zealand delivers a world class visitor experience</i> • <i>Tourism takes a leading role in protecting and enhancing New Zealand's environment</i> • <i>Tourism is prosperous and attracts on-going investment</i> • <i>Communities and regions recognise the value of tourism.</i> <p>Lead: Ministry of Tourism</p>	<p>Following receipt of extensive feedback on the draft New Zealand Tourism Strategy, the timeline has been extended further to ensure comments are given appropriate in-depth consideration.</p>	<p>The draft New Zealand Tourism Strategy 2015 (NZTS 2015) was released in May for sector feedback. Comments were received from more than 100 individuals and organisations. The Strategy has been developed in partnership with industry and reflects a high degree of industry input.</p> <p>The NZTS 2015 has a strong focus on sustainability in its broadest sense – environmental, economic, social and cultural. It is structured under 4 outcomes that encompass visitors, industry, the environment and communities.</p>	<p>The NZTS 2015 is now at the final stages of writing. Following joint sign-off by the Ministry of Tourism, Tourism New Zealand and the Tourism Industry Association of New Zealand the Strategy will be provided to POL for noting. The Minister of Tourism will launch the final NZTS 2015 on 7 November 2007.</p>
<ul style="list-style-type: none"> • Aquaculture – Government response to industry strategy: “Our Blue Horizon” government’s five point 	<p>Working with Aquaculture New Zealand on sustainability standards and ecological verification</p>	<p>The Government launched “Our Blue Horizon” in June 2007 which signalled its commitment to a 2-3 year plan to work with industry, Maori, regional councils and others to achieve transformation of the sector.</p>	<p>MFish is setting up a contestable fund of \$1 million annually to partner seafood producers (aquaculture and wild fisheries) in the costs of developing world leading sustainability standards and third-party eco certification of our aquaculture produce.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>plan to support growth of Aquaculture.</p> <p><u>Outcomes Sought:</u></p> <ul style="list-style-type: none"> • <i>Building the confidence to invest in aquaculture</i> • <i>Improved public support</i> • <i>Promoting Maori success</i> • <i>Capitalising on research and innovation</i> • <i>Increasing market revenues</i> <p>Lead: MFish. Contributing: MED, NZTE, MfE, DoC, TPK</p>		<p>In July 2007, Cabinet approved funding of \$6.5 million over four years (\$500,000 in year one, the balance against annual review) for the aquaculture industry to carry out market development activities to reposition itself as a premium producer of high value products, to identify new markets and new species, and to increase revenues. NZTE contributed \$50,000 to partner Aquaculture New Zealand in the development of a strategic market development plan, completed in May 2007.</p> <p>\$2 million contestable fund established to assist councils with the costs of aquaculture planning. To date \$399,000 has been allocated to council projects to grow aquaculture in the regions.</p> <p>TPK has allocated \$570,000 over three years to invigorate industry and iwi interactions on aquaculture development. Information packages are available and a national road show of 10 aquaculture hui have been completed to help Maori effectively participate in aquaculture opportunities.</p> <p>Government departments are working with Aquaculture New Zealand to develop a research strategy setting out the key research and development priorities needed to drive aquaculture growth in New Zealand.</p> <p>Joint government/industry communication and information initiatives to improve public support, include: a new website; information for councils, communities and Māori on the effects and benefits of aquaculture and educational material for schools.</p>	<p>Departments have allocated \$150,000 to help Te Tai Tokerau Iwi Consortium develop a collective strategic plan for aquaculture development in Northland. The plan, once finalised, can be used as a template for other iwi/hapu around the country to adopt.</p> <p>A Cabinet paper is to be prepared by mid November 2007 on developing a new regime for short term aquaculture research and innovation.</p> <p>Discussion with industry and councils around ways to further improve the aquaculture legislation.</p>
	<p>International Education Agenda 2007-2012</p> <p><u>Outcomes sought:</u></p> <ul style="list-style-type: none"> • <i>NZ students are equipped to thrive in an interconnected world</i> • <i>International students are enriched by their education and living experiences in NZ</i> • <i>Domestic education providers are strengthened academically and financially through international linkages</i> • <i>NZ receives wider economic and social benefits</i> 	<p>Government's international education strategy, the International Education Agenda 2007-2012 was released in August 2007 following inter-agency and sector consultation. The Strategy aligns closely with the sector's revised strategy.</p> <p>The Agenda takes a broader view of "international education" than the traditional focus on recruiting international students. A critical component is ensuring that our education system equips all New Zealand students (school and tertiary) with the skills and experiences they will need to participate in a globalised world and contribute to improving New Zealand's economic performance.</p>	<p>Implementation of the Agenda is underway. Priorities for 2007/2008 include:</p> <ul style="list-style-type: none"> • supporting rollout of the new curriculum, focusing on Asia knowledge; • development of a strategy and greater support for language teaching in schools, especially Asian languages; • reducing barriers to international graduates finding suitable employment in New Zealand after studying here; • increasing international recognition and understanding of NZ qualifications, especially NCEA; • integrating international education into tertiary providers' investment plans; • extending education diplomacy; and • increasing government resources for generic marketing.

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
	Lead: Ministry of Education Contributing: MFAT, DoL, NZTE, NZQA, TEC, MoRST, ERO, NZAID		

World Class Infrastructure: ICT

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Progress legislative recommendations and other Government initiatives, detailed in May 2006 Cabinet paper, that are aimed at promoting broadband take-up and market competition</p> <p>Lead: MED</p>		<p>Passing of the Telecommunications Amendment Act in December 2006, designed to support increased competition, innovation and investment in telecommunications infrastructure.</p> <p>The Act introduced local-loop unbundling, naked DSL and an unconstrained bitstream service, with the Commerce Commission now introducing the regulations for these services and the industry, including Telecom, working constructively on LLU and naked DSL to make them available as soon as possible.</p> <p>This is being complemented by work underway towards the operational separation of Telecom NZ, the revision of the Telecommunications Service Obligations (TSO) and the promotion of broadband wireless rollout.</p> <p>The investigation into mobile termination was concluded in April 2007, with legally enforceable and binding commitments to reduce fixed-to-mobile phone fees received from Telecom and Vodafone as the way forward in delivering effective and competitive cellular market in New Zealand.</p>	<p>Continued implementation of telecommunications regulations by the Commerce Commission.</p> <p>Statutory requirements for operational separation of Telecom to be completed by end of 2007.</p>
	<p>Develop Anti-Spam legislation</p> <p>Lead: MED</p>	<p>The Unsolicited Electronic Messages Act 2007 was passed in February 2007, to fight against New Zealand-based spam and as the basis for New Zealand's participation in international efforts to combat unsolicited e-messages.</p>	<p>Enforcement of anti-spam regulations from September 2007 (DIA).</p> <p>Ongoing international discussions to combat spam (MED).</p>
	<p>Telecommunications Service Obligation (TSO)</p> <p>Lead: MED</p>	<p>Discussion document out for public consultation September 2007.</p>	<p>Completion of the TSO review by end of 2007.</p>
<p>Develop Rural Broadband Strategy</p> <p>Lead: MED</p>	<p>Output of Telecommunications Service Obligation (TSO) Review along with parallel consideration of future emergency services requirements for telecommunications.</p>	<p>Included in the TSO discussion document out for public consultation September 2007.</p>	<p>Development of National Broadband Framework.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>On-going implementation of Digital Strategy</p> <p>Lead: MED</p>	<p>Refresh of Digital Strategy – produce Digital Strategy v2.0 and hold Digital Future Summit in November 2007</p>	<p>Anti-spam legislation as per above.</p> <p>The Digital Strategy Version 1.0 is a whole of Government initiative. The Strategy was launched in 2005 and has moved from being a high level policy document to implementation.</p>	<p>Development of a safety and security framework.</p> <p>Refreshing the Digital Strategy is now a focus for the Digital Strategy Secretariat, Steering and Advisory Groups. To assist this, Government will host a Digital Summit on 28/29 November 2007.</p> <p>A revised Digital Strategy v2.0 action plan will be designed to reflect current challenges and opportunities and new areas for collective action across the business, community and government sectors.</p> <p>The five key themes which underpin the design of Digital Strategy v2.0 and the Summit are:</p> <ul style="list-style-type: none"> • affordable, fast broadband for all New Zealanders; • ICT driving creativity, innovation, productivity and wealth creation; • ICT skills and capability – education and life-long learning; and • NZ Community Content - strengthening communities and celebrating our identity; and • sustainable development – ICT supporting efficiency and conservation of resources.
<p>Broadband challenge</p> <p>Lead: MED</p>		<p>A total of \$17.9 million has been awarded in the first round of announcements for the Broadband Challenge covering large urban fibre projects and smaller rural and underserved community projects. All seven contracts now signed and projects are underway.</p> <p>\$4.6 million residual left for Broadband Challenge Round 2</p>	<p>Ongoing contract management of the successful projects.</p> <p>Development of a toolkit and technical support for potential suppliers.</p> <p>Development of an Auckland Broadband Business Plan.</p> <p>Revise criteria for Broadband Challenge Round 2 after consultation with first round applicants - to focus on rural and under-served.</p> <p>Announcement of the second round of the Broadband Challenge before the end of 2007.</p>
	<p>Community Partnership Fund</p> <p>Lead: DIA</p>	<p>A total of \$17.4 million has been awarded to support 111 local, regional and national initiatives, through partnerships, to develop and achieve confidence, relevant content, and connection to realise community aspirations through ICT.</p>	<p>Ongoing contract management of the successful projects.</p>
<p>Digital Content Strategy</p> <p>Lead: National Library</p>		<p>The draft New Zealand Digital Content Strategy discussion paper was released for consultation in November 2006. Cabinet approval was received in July 2007 and the final Digital Content Strategy was launched in September 2007.</p>	<p>Establish the NZ 3D digital graphics cluster (MED).</p> <p>Intellectual Property and Copyright bill and public awareness programme (MED).</p> <p>ICT skills shortages project (DOL).</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Implement Advanced Research Network</p> <p>Lead: MoRST</p>		<p>Advanced Research Network (KAREN) launched in December 2006.</p>	<p>Continued focus on increasing membership.</p>
<p>Government Shared Network</p> <p>Lead: SSC</p>		<p>Design phase completed. First agencies signed up, with other agencies progressively being added over 2007.</p>	<p>Coordination with the National Broadband Framework.</p>
<p>Identify and implement additional spectrum allocations for broadband wireless access</p> <p>Lead: MED</p>	<p>Output of Telecommunications Service Obligation (TSO) Review along with parallel consideration of future emergency services requirements for telecommunications.</p>	<p>Allocation policies agreed by Cabinet in Nov 2006.</p> <p>Following consultation on the design a proposed auction of 2.3 GHz spectrum in May 2007, a discussion paper was issued to action spectrum in the 2.3 GHz and 2.5 GHz bands jointly in December 2007. Consultation closed on 14 September.</p> <p>Allocation of radio spectrum at the 3.5 GHz band is providing business opportunities for smaller interested parties including Maori, without the cost of major investment.</p> <p>Government opened the 5.4 and 60 GHz radio frequency bands as “public park” spectrum for broadband wireless services suitable for Internet Service Providers wishing to expand their local area networks or extend the reach of existing fibre optic networks in the first quarter of 2007.</p>	<p>The joint auction of 2.3 GHz and 2.5 GHz spectrum will be conducted in December 2007. The reallocation of the 2.3 GHz and 2.5 GHz bands will provide increased certainty for investment in new broadband wireless access services using this spectrum. The current management rights in the 2.3 GHz band will expire in 2010. A transition plan for 2.5GHz spectrum licence holders will be finalised by 2008.</p> <p>The second round allocation of 3.5 GHz spectrum will be completed by May 2008.</p> <p>Develop arrangements for managed spectrum parks in 2007.</p>

World Class Infrastructure: Energy

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Prepare New Zealand Energy Strategy (NZES)</p> <p>Whole of government. MED (lead), MfE, EECA, MoT, Treasury, DPMC, MoRST</p>	<p>Introduction of an Emissions Trading Scheme.</p>	<p>On 11 December 2006, the government released Powering Our Future: Towards a Sustainable Low Emissions Energy System - Draft New Zealand Energy Strategy to 2050, as the basis for stakeholder and public engagement on the medium and long-term decisions that will shape New Zealand's energy future.</p> <p>Submissions on the Draft New Zealand Energy Strategy closed on 30 March 2007.</p>	<p>The final NZES is expected to be released in October 2007. It sets out the long-term direction of New Zealand's energy system, so that the energy sector and consumers can respond with more certainty and confidence to the energy challenges and opportunities of the future.</p> <p>The final NZES sets out a significant plan of “from vision to action” with specific initiatives and measures across a range of portfolios. With the significant strategic issues facing the sector evaluated, policy attention and work programmes will turn to implementation.</p> <p>The strategy sets out a vision to create a reliable and resilient system delivering New Zealand sustainable, low emissions energy services, achieved by:</p> <ul style="list-style-type: none"> • providing clear direction for the future of New Zealand's energy system; • utilising markets and focused regulation to securely deliver energy services at competitive prices; • reducing greenhouse gas emissions, including through an emissions trading scheme; • maximising the contribution of cost-effective energy efficiency and conservation; • maximising the contribution of cost-effective renewable energy resources while safeguarding our environment; • promoting early adoption of environmentally sustainable energy technologies; and • supporting consumers through the transition. <p>Future work and actions linked to the NZES include:</p> <ul style="list-style-type: none"> • enactment of Biofuel Bill; • introduction of Biofuels Sales Obligation from April 2008 • draft Implementation NZ Transport Strategy document released in October 2007 (led by MoT); • launch and implementation of NZEECS (from October 2007, led by EECA); • implementation of Marine Energy Fund (from October 2007); • refresh of Government Policy Statement(s) on Gas & Electricity Governance, revised in light of NZES (from October 2007); • relaxing of line energy separation rules; and • completion of Commerce Act review – regulation of gas pipelines and electricity lines companies.

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Ensuring Auckland's needs are met</p> <p>Lead: MED. Contributing: Treasury</p>	<p>Government Policy Statement, for NZ, to be revised in light of NZES.</p>	<p>Revised Government Policy Statement on electricity – with a focus on assisting transmission security (October 2006).</p> <p>Electricity Commission approved Transpower's proposed upgrade into Auckland in July 2007. Minister for Environment exercised call-in powers and the RMA process is now underway.</p>	<p>Continue monitoring transmission upgrade projects (particularly the Auckland upgrade).</p>
<p>Energy Research RoadMap</p> <p>Lead: MoRST</p>		<p>The Energy Research Roadmap is a strategy document that helps guide energy research in New Zealand. The Roadmap sets out the national and international context for energy research, identifies the broad range of research capabilities New Zealand needs to develop and gives direction on how to maintain and improve those capabilities. It also highlights the need for enhanced co-operation and co-ordination of research activities.</p>	
<p>Gas market issues - Ensure robust gas market governance</p> <p>Lead: MED</p>		<p>Report on NZ gas market completed.</p> <p>Expansion of gas consumer complaints scheme to landowners completed.</p> <p>Minister of Energy agreed to recommendations on access to gas processing facilities.</p>	<p>Refresh Government Policy Statement on Gas Governance, in light of NZES (released for consultation in October 2007)</p> <p>Ongoing implementation of work programme by GIC.</p>
<p>Further promote NZ as location for petroleum exploration</p> <p>Lead: MED</p>		<p>Acquisition and provision of pre-competitive data to support petroleum blocks, including the Great South Basin. Promotion of data to targeted exploration companies in Europe and North America.</p> <p>Oil and gas exploration permits for four areas of the Great South Basin awarded to two major groups of investors in July 2007, effectively doubling the investment in oil and gas exploration in New Zealand over the next couple of years. Exploration success will assist in ensuring security of energy supply.</p>	<p>Ongoing programme of data acquisition and acreage release programme.</p>
<p>Review roles of electricity institutions and implement necessary changes (subject to NZES)</p> <p>Lead: MED Contributing: Treasury</p>	<p>MED directed by Cabinet to clarify accountability and responsibility for delivery of a set of specific energy efficiency initiatives.</p>	<p>SSC-led review of role clarity between EECA and the EC completed.</p>	<p>MED-led steps around energy efficiency initiatives.</p> <p>Commerce Act review – regulation of gas pipelines and electricity lines companies.</p>

World Class Infrastructure: Transport

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Delivery of Key Transport Projects Identified in Budget 2006</p> <p>Contributing: Transit, Land Transport NZ and local authorities (local roads)</p>		<p>Examples of key transport projects completed include:</p> <ul style="list-style-type: none"> • Auckland Central Motorway Junction upgrade • Auckland Western Rail Line – double-tracking between New Lynn and Henderson • Wellington Inner City Bypass <p>Significant progress has been made, for example on:</p> <ul style="list-style-type: none"> • Auckland's Northern Busway - stage 1 due for completion in December 2007 • SH20 Mt Roskill – scheduled for completion in mid 2009 as part of Auckland's new Western Ring Route <p>Transit's 2007/08 State Highway Forecast has been approved. Key deliverables are on track.</p>	<p>MoT, Transit and Land Transport NZ are working together to enhance monitoring of progress with projects</p>
<p>Auckland transport strategic alignment project</p> <p>Lead: Treasury Contributing: MoT, LTNZ, Transit, ARC, ARTA, ACC, DPMC, MED</p>	<p>Finalisation of 2nd deliverable delayed to allow consideration of other Auckland issues eg governance.</p> <p>Auckland Rail Development Plan (business case for rail electrification)</p>	<p>The first deliverable (completed August 2006) was a report to Ministers and Auckland elected representatives on the, then, strategic view of the Auckland land transport system.</p> <p>The second deliverable was released to Ministers and Auckland political leaders in April 2007. The report sets out officials' recommendations on what should be included in a common strategic view for the long-term development of Auckland's land transport system.</p> <p>The Auckland Rail Development Plan was prepared and decisions taken as part of Budget 2007.</p>	<p>The final deliverable for the project, a report on giving effect to the common strategic view, will be completed and submitted to Ministers and Auckland political leaders in December 2007 (following the local government elections in October).</p>
<p>Auckland road pricing evaluation study</p> <p>Lead: MoT</p>	<p>More in-depth economic work including productivity gains and impact assessments on CBD and commercial users.</p> <p>Investigation into mitigation of social impacts through improved PT and possible</p>	<p>The study, which examines road pricing and parking levies as a means of reducing congestion and raising revenue for investment in land transport, was completed in 2006 and a submissions analysis was released in February 2007.</p> <p>The Minister of Transport has commissioned further work on social and economic impacts.</p>	<p>Officials will report to the Minister of Transport in April 2008 on the further work. This will enable the Minister to consider the future of road pricing as a mechanism to improve transport outcomes.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
	<p>exemptions and credits</p> <p>Development of a revenue scheme (ARPES was congestion focussed) for assessment</p>		
<p>Additional funding tools</p> <p>Contributing: Treasury, MoT, DIA</p>		<p>The joint Cabinet paper on final scheme design and implementation of regional fuel taxes has been considered and agreed by Cabinet. The Ministry of Transport is now reviewing drafts of legislation to amend the Land Transport Management Act 2003, to enable regional fuel taxes. A bill will be introduced into the House in October 2007.</p>	<p>Legislation enabling regional fuel taxes could be passed as soon as April 2008, enabling introduction of the tax in October 2008. Auckland Regional Council has indicated that they could be ready to introduce a regional fuel tax as soon as July 2008.</p>
<p>Review of Value for Money in the Land Transport Sector (EXG review)</p> <p>Lead: MoT Contributing: LTNZ, Treasury, Transit, LGNZ, SSC, DPMC</p>		<p>The Preliminary paper was considered by EXG on 8 November 2006, where the initiatives responding to the Advisory Group on Rooding Costs were agreed.</p> <p>The final report was considered in March 2007. A number of activities were agreed by Cabinet.</p>	<p>A number of initiatives are underway with all included in relevant work programmes. MoT is leading work to monitor the implementation of the value for money programme. A progress report is due with Cabinet in September 2007.</p>
<p>Advisory Group on Rooding Costs</p> <p>Independent Ministerial Advisory Group (resourced by MoT)</p>		<p>Final report released on 9 February 2007. Advice and initiatives responding to the Final Report were considered by Ministers on 8 November (EXG).</p>	<p>All recommendations were agreed – a number of actions were incorporated into the EXG review (above). Work is now underway on those actions.</p>
<p>Land Transport Planning and Funding Certainty Project</p> <p>Lead: MoT Contributing: Land Transport NZ, Transit, Treasury</p>		<p>Interim paper delivered to Ministers in December to clarify two key aspects of implementation.</p> <p>Report to Cabinet (policy finalisation) - August 2006</p>	<p>This project relates to the cost guarantee for the State highway construction programme and revenue guarantee for the Land Transport Fund. These guarantees will be superseded by implementation of funding changes resulting from the "Next Steps" review of the transport sector. Further implementation report to Ministers now due by August/September 2007.</p>
<p>Implementing the New Zealand Transport Strategy (INZTS)</p> <p>Lead: MoT</p>		<p>A draft INZTS has been prepared.</p>	<p>Progressing the NZ Transport Strategy workstream.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>“Next Steps” review of the transport sector Lead: MoT Contributing: Treasury</p>		<p>Cabinet agreed significant changes including:</p> <ul style="list-style-type: none"> § merger of Land Transport NZ and Transit NZ § stronger role for regions in prioritising transport projects § full hypothecation of fuel taxes and user charges to transport purposes 	<p>Legislation is to be introduced in October 2007 and passed in April 2008, providing for LTNZ and Transit to be merged from 1 July 2008.</p>

Innovative and Productive Workplaces

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Skills</p> <ul style="list-style-type: none"> • Upskilling The Workforce <p>Lead: MinEdu/DoL Contributing:TEC/MSD</p>	<p><i>The proposal is to increase the supply of, and demand for, literacy, language and numeracy skills provision for those already in work. This will help boost productivity, improve efficiency and reduce accidents. The focus will be on workplace-based training, with some enhanced provision for those at the margins of the workforce.</i></p> <p>Cabinet paper being developed for end October on the strategy after proposals for Upskilling the Workforce Strategy agreed by Ministers 14 Sept 2007. Unified budget bid for upskilling the workforce for Budget 2008.</p>	<p>TEC Industry Training Organisation Pilots: currently working with a first round of five Industry Training Organisations (ITOs) to embed literacy, language and numeracy in industry training. Six further ITOs are now involved in developing plans</p> <p>Upskilling Partnerships Programme fund of \$7.5m over three years approved in Budget 2006 and delivered through DoL to up to 15 partnerships. Two partnerships are up and running with 4 more about to be signed. In late September, PM presented certificates to first 20 workers completing their foundation skills training through the Works Infrastructure partnership.</p> <p>Foundation Learning Pool funds intensive literacy provision in Institutes of Technology & Polytechnics (ITPs), Private Training Establishments (PTEs) and wananga. Also provides a top-up to mainstream tertiary funding for embedded provision. \$14.1 million per year.</p>	<p>Strategy proposals (for 2008-12): Demand creation:</p> <ul style="list-style-type: none"> • improve employer incentives and support, including strengthening the literacy brokerage role of ITOs; • improve support for employees, including strengthening the Learning Representatives initiative; • targeting industries and regions with high literacy need • multi-faceted publicity campaign, targeting priority groups (2008) <p>Growing supply:</p> <ul style="list-style-type: none"> • increase the Foundation Learning Pool for both intensive and embedded provision through ITPs, PTEs and wananga; • increase Workplace Literacy Fund for employer-initiated workplace literacy training through 2010; • increase the amount of literacy taught in level 1-3 certificates through investing in a plan process; and • 2008-2010 – Tertiary Education Strategy signals Adult Literacy and Numeracy as a priority. (note: workplace-based provision cannot provide the intensity of specialised learning needed by those with very low literacy levels, and workers will also need to access community- and institution-based provision to reach Level 3 IALS) <p>Capability:</p> <ul style="list-style-type: none"> • increase funding for ITPs and wananga to support organisational capability to deliver high quality embedded literacy.
<ul style="list-style-type: none"> • Building on the Tertiary Education Reforms <p>Lead: TEC</p>		<p>Tertiary Education Strategy/Statement of Tertiary Education Priorities (TES/STEP) Government Priorities and Investment Guidance launched April 2007</p> <p>University sector allocated \$129m in Budget 2007 for next 4 years to</p>	<p>Investment Plans being implemented across the sector by TEC to better align the supply of tertiary training to meet the demands of industry, regions and sectors.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
Contributing: MinEdu, DoL		<p>develop universities' competitiveness through recruitment and retention (\$89m), and to support changes to meet TES/STEP priorities and Investment Planning structural changes</p> <p>For ITOs there was:</p> <ul style="list-style-type: none"> \$53 million over 4 years for additional trainees \$16 million over 4 years to support the strategic leadership role of ITOs <p>For ITPs there was:</p> <ul style="list-style-type: none"> \$55 million in capital and \$21 million in operating over 2 years to support the distinctive contribution of ITPs \$35 million in capital over 2 years to support strategic change through the Quality reinvestment Programme (this is also available to the wananga sector) <p>For the wananga sector there was:</p> <ul style="list-style-type: none"> \$6 million over 4 years to support research capability development and access to the \$35 million noted above re ITP strategic change. 	
	<ul style="list-style-type: none"> Information for Tertiary Education Reforms <p>Lead: DoL Contributory: TEC, Career Services</p>	TEC and DoL cross-agency project to develop information to support TEC's Investment Guidance and investment strategy for STEP 3 priority	Development of customised information and data tools for the tertiary sector (TEC and tertiary education organisations) linking tertiary outputs to labour market outcomes: December 2007 .
<ul style="list-style-type: none"> Attracting Top Talent <p>Lead : DoL</p>		<p><i>Immigration Business Transformation (IBT)</i> aimed at investing in improved immigration delivery systems to better attract migrants and manage risks.</p> <p>Draft Stage 1 business case completed 15 June 2007</p>	<p><i>IBT</i> will enable DoL to take a proactive approach to selection, attraction and facilitation of high-value migrants, more consistent decision-making and better settlement outcomes.</p> <p>Expected Cabinet decision to proceed with Stage 2 business case for Immigration Business Transformation in October 2007.</p>
<p>Productivity</p> <ul style="list-style-type: none"> Workplace Best Practice/Firm Capability <p>(Implementing the Workplace Productivity Agenda)</p> <p>Lead: DoL, MED Contributing: NZTE, TEC</p>		<p>Workplace Productivity Agent: Workplace Productivity Toolkit launched and distributed through trusted partners such as Auckland Chamber of Commerce as awareness raising exercise. Proceeding now to 3 sector projects being funded by DoL managed <i>Sector Partnership Fund</i>.</p> <p>Complimentary Globally Competitive Firms actions:</p> <ul style="list-style-type: none"> MED and Statistics pilot of Longitudinal Firm Performance Dataset to monitor current and future business assistance programme outcomes – on-going through 2007; and www.business.govt.nz website launched by NZTE 17 August 2007 to act as single business portal for government business 	<p>Next Steps:</p> <ul style="list-style-type: none"> align and co-ordinate government firm capability building services, information and support to ensure maximum efficacy including the determination of best practice; significantly raise awareness to create demand of the benefits of improvements in adoption of best practice particularly in management and leadership; and support the further development of existing trusted advisor networks <p>NZTE, DOL and MED work on alignment of Enterprise Training delivery and awareness mechanisms between agencies: late 2007.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
		information and assistance.	Knowledge Transfer: officials will report back to Ministers in February 2008 on options for helping New Zealand firms to locate, transfer and absorb new knowledge and technologies from overseas.
<ul style="list-style-type: none"> Developing a more stable science funding system <p>A new investment framework for Vote RS&T to improve the effectiveness and stability of the Vote RS&T funding environment.</p> <p>Cabinet approved negotiated investment in May 06 (CBC Min (06) 7/6) refers.</p> <p>Cabinet agreed:</p> <ul style="list-style-type: none"> to the progressive implementation of negotiated investment for eligible programmes within Vote RS&T; to the progressive implementation of technical review for all research programmes within Vote RS&T to improve performance and develop a strong evidence base to inform future investment decisions. <p>Lead: MoRST, FRST</p>		<p>Negotiated investments: first negotiated investments decisions were made in June 2007. Contracts will be in place by October 2007</p> <p>FRST are currently evaluating the processes used to run the new investment framework.</p> <p>Technical review has been used to review the performance of all contracts entering negotiation and is being implemented across other FRST investments over time.</p>	<p>Minister of RS&T will report back to Cabinet by 30 April 2008 with the results of the evaluation and the effectiveness of negotiation in achieving the benefits of the policy.</p>
	<ul style="list-style-type: none"> Supporting the development of advanced research, science and technology skills 	<p>Advanced Skills Action Plan discussion document produced by MoRST to explore options for reducing the complexity of funding, refocusing RS&T scholarships, creation of leadership and skills development activities and encouraging greater industry inter-networking amongst other options.</p>	<p>Discussion Document distribution and feedback will proceed during Q4 of 2007 with a view to making final recommendations about focusing of current support funds provided through Vote RS&T (\$26m), and better alignment with other funds such as universities (\$17m) and TEC (\$14m).</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
	Lead: MoRST Contributing: MED, FRST		By providing a better structure to this area of the RS&T funding, this key component of the National Innovation System will function more effectively.
<ul style="list-style-type: none"> Supporting the Skills and Training Action Plan for the Food & Beverage Taskforce <p>Lead: Industry Contributing: DoL</p>		<p>Establishment and ongoing management of the Food and Beverage Skills and Training Action Group (FAB-STAG) with Terms of Reference agreed in February 2007.</p> <p>FAB-STAG proposed work programme developed in April 2007.</p> <p>Established an ITO strategic planning group.</p> <p>Development of a Skills Action Plan, which includes strategies for reducing food and beverage occupational skill shortages, has been communicated via CTU and NZITO.</p>	<p>Skills:</p> <ul style="list-style-type: none"> strategic investment to develop optimal combinations of labour and technology; and with TEC, review current availability and funding of F&B tertiary education to better focus ITOs. <p>Innovation:</p> <ul style="list-style-type: none"> agree mechanism for guiding R&D based on the Healthy NZ brand; and develop approaches to focus R&D on sector problem solving and economic transformation. <p>Collaboration:</p> <ul style="list-style-type: none"> establish R&D collaboration through industry/government joint investment.
<p>Quality Participation</p> <ul style="list-style-type: none"> Paid Parental Leave <p>Lead: DoL, IRD</p>		<p>Changes to Paid Parental Leave introduced in June 2007 increasing entitlements from \$372 to \$391 per week.</p>	<p>Monitoring of the changes this creates will inform further discussion on the establishment of Workplaces of the Future.</p>
<ul style="list-style-type: none"> Improving choices for Living, Caring and Working <p>Lead: DoL Contributory: MinEdu, MSD</p>		<p>Choices for Living, Caring and Working Plan of Action was released in September 2006 with goals of:</p> <ul style="list-style-type: none"> achieving quality outcomes for children, families and others who require care; achieving greater fairness in opportunities for men and women from all socio-economic groups to participate and progress in high quality, diversified employment; enabling people to balance their work and other aspects of their lives; and increasing productivity and economic growth. <p>Out of School Services draft Action released for consultation: July 2007.</p> <p>Carers Strategy consultation document released for public comment: August 2007.</p> <p>Flexible work practices being addressed through the Work-Life Balance Programme.</p>	<p>Number of projects covering the five areas of the choices plan over next ten years.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
	<ul style="list-style-type: none"> Work-Life Balance Programme Lead: DoL	<p>The Work-Life Balance 3 year programme was launched in 2005 with \$1.8 m funding for research into work-life balance issues, policy development, awareness raising and development of practical tools for employers and employees.</p> <p>National baseline survey of employers and employees undertaken in 2005.</p> <p>Workplace tools for work-life balance and flexible work released in August 2007.</p> <p>Establishment of Quality Participation Leaders Group with social partners in 2007.</p>	<p>Ongoing tool development and stakeholder engagement.</p> <p>Evaluation of Work-Life Balance Programme.</p> <p>Repeat of baseline survey.</p>
	<ul style="list-style-type: none"> Migrant Settlement Strategy <p>New Zealand Settlement Strategy called for development of the <i>Settlement National Action Plan</i>.</p> Lead: DoL Contributory: Career Services, MSD, NZQA, TEC, Ministry of Education	<p><i>Settlement National Action Plan</i> released in July 2007 to provide a framework for actions across all spheres of settlement outcomes:</p> <ul style="list-style-type: none"> Economic Transformation Families Young and Old National Identity <p>A progress report on the potential extension of government services to temporary permit holders was provided to the Minister of Immigration by 30 June 2007.</p> <p>Build an improved understanding of the settlement outcomes for newcomers to New Zealand. The work programme was completed in June 2007.</p> <p>Auckland Regional Settlement Strategy and Action Plan launched by 31 January 2007.</p>	<p>Improved pre-arrival information was developed by 31 May 2007 and implementation to be completed with a 31 October 2007 rollout.</p> <p>A progress report on Increasing Access to Employment is to be provided to Minister of Immigration (and other relevant Ministers) by 31 March 2008.</p> <p>Mapping of distribution of ESOL and Work Readiness programmes, broad target groups and gap analysis completed by 31 December 2007.</p> <p>A report with proposals for improving linkages between the Chinese business community, the government and the broader business community by 30 April 2008.</p> <p>Settlement Knowledge Base to be mapped by 31 December 2008, and research investment strategies to be identified by 31 March 2009.</p> <p>Auckland regional Action Plan and governance arrangements agreed by inter-sectoral participants by 15 December 2007.</p>

Environmental Sustainability

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Climate change</p> <p><u>Outcome sought:</u> <i>Climate change policy aims to reduce net greenhouse gas (GHG) emissions, improve our ability to adapt to climate change, and exploit business opportunities arising from it.</i></p> <p>Lead/contributing agencies: MfE, MAF, MED, Transport, EECA.</p>	<p>Subsequent additions included sustainable New Zealand initiatives such as the carbon neutral public service and eco-verification (which includes carbon foot printing). Over time, energy and transport policies have increasingly been influenced by climate change policy objectives.</p>	<p>Wide public consultation on a package of climate change and energy discussion documents covering post 2012 and transitional measures, the New Zealand Energy Strategy (NZES) and New Zealand Energy Efficiency and Conservation Strategy (NZECS), and Sustainable Land Management and Climate Change.</p> <p>The NZES and the associated NZECS document sets out the government's vision of a sustainable, low emissions energy strategy and describes the actions that will be taken to make this vision a reality.</p> <p>Subsequently, policy proposals have been refined and incorporated into the NES and NEECS and the climate change policy package announced on 20 September 2007.</p> <p>This package includes:</p> <ul style="list-style-type: none"> • an emissions trading regime covering all sectors by 2013; • measures to encourage forestry and more sustainable land use; • adaptation measures; and • initiatives in bioenergy, low carbon technology and biochar. <p>Measures to address climate change are also being addressed in other initiatives, including in the transport sector, through the carbon neutral public service initiative and through "carbon foot printing".</p>	<p>There is a great deal of ongoing work to address climate change over a range of sectors, including energy, transport, waste, the land-based and other industries, households and the public sector. This includes ongoing work in eco-verification linked to issues such as carbon foot printing, carbon neutral public service initiatives, and major land-based initiatives based on three platforms: mitigation, adaptation and business opportunities.</p> <p>Mitigation initiatives include:</p> <ul style="list-style-type: none"> • leadership in methane and nitrous oxide mitigation; • research, development, and commercialisation of bioenergy (including biofuels) and biochar opportunities; and • Part 3B has been inserted into the Forests Act providing for regulations to promote Permanent Forests Sinks to be administered by the Indigenous Forestry Unit. An Administrative Toolkit and draft regulations developed by MAF have been through a public consultation process and are being further developed. <p>Adaptation initiatives include:</p> <ul style="list-style-type: none"> • developing detailed regional information across New Zealand on climate impacts on current agriculture and forestry management regimes; • identifying the most vulnerable areas in New Zealand to gradual and extreme climate impacts; and • identifying farming and forestry practices that are less vulnerable to, and can capture any opportunities associated with, a changing climate. <p>Business opportunities</p> <p>The aim is for New Zealand to be positioned to take advantage of the economic opportunities arising from new technologies and management practices developed at least partly as a result of climate change (e.g. carbon farming etc.)</p> <p>This will involve the development of a Government-Primary Sector partnership focused on maximising business opportunities from climate change. This work is likely to include:</p> <ul style="list-style-type: none"> • development of an extensive carbon footprinting response for the primary sectors, including research, market development, and international engagement; • market and property rights mechanisms and trading opportunities: including carbon 'grey markets', creation of

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
			<p>markets for emission-reducing technologies, Clean Development Mechanism and Joint Implementation opportunities, opportunities in emerging markets; and</p> <ul style="list-style-type: none"> • Sustainable Building Strategy, promoting greater use of wood (as embodied carbon). <p>Research underlies mitigation, adaptation and opportunities, and will address issues such as:</p> <ol style="list-style-type: none"> 1. Mitigation <ul style="list-style-type: none"> • Agriculture: carbon dioxide – soils, energy co-generation and efficiency; methane from ruminants, nitrous oxide from nitrogen fertiliser and livestock waste. • Sink enhancement; including soil carbon sequestration, afforestation and deforestation, changed land management practice. • Biofuels: supply side resource capacity and economics. 2. Inventory, GHG measurement and validation <ul style="list-style-type: none"> • Improvement of agriculture on-farm activity data, including statistics; • Agricultural and forestry inventory capability; • Agriculture mitigation technology incorporation and monitoring; • Agriculture GHG projections and Kyoto Net Position models. 3. Cross-cutting issues <ul style="list-style-type: none"> • Economic analysis of mitigation, impacts and adaptation measures at farm/forest, national and international scales; • Life-cycle and material flow assessment; • Systems analysis at farm/forest and catchment scale, including nutrient cycles of carbon and nitrogen. 4. The social dimension of climate change in agriculture and forestry. <p>An important ongoing element in climate change research is the Pastoral Greenhouse Gas Research Consortium, a research partnership that is responsible for coordinating industry research funding and strategy for mitigation technologies for greenhouse gases in agriculture. Other research will be supported through a range of routes, including government-industry partnerships.</p>
<p>Towards a sustainable New Zealand initiatives</p> <p>Lead/contributing agencies:</p>	<p>While not originally part of the environment sustainability theme, the government's package of sustainability initiatives launched in February 2007 is relevant to</p>	<p>Cabinet has made key decisions on all these initiatives, and those with economic transformation implications include eco-verification, and the potential for procurement policy and carbon neutrality to create new business opportunities.</p> <p>Considerable progress is being made on all these initiatives and the</p>	<p>The Household Sustainability programme will build on and integrate the practical advice and help already being given by government agencies, non-government organisations and the private sector.</p> <p>The Business Partnerships for Sustainability programme</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
MfE, MED, MAF	<p>it, and has some economic transformation ramifications. The initiatives are:</p> <ol style="list-style-type: none"> 1. Helping households towards sustainability 2. Business partnerships for sustainability 3. Eco-verification 4. Government procurement policy to buy sustainable goods and services 5. Carbon neutral public service 6. Waste management 	<p>work is ongoing.</p> <p>In the waste area, there has been a commitment to an increased use of regulatory back-up and price-based mechanisms to provide incentives for good environmental performance, and to help to ensure that the cost of a product reflects the full costs of its social, economic and environmental impacts:</p> <ul style="list-style-type: none"> • national levy on solid waste disposal to help secure ongoing funding for better waste minimisation infrastructure (including private sector initiatives and initiatives to develop new markets for, and new products from, recovered materials), and • regulatory back-up for product stewardship schemes. 	<p>consists of initiatives at a country, sector and firm level to help promote more sustainable business in New Zealand. It is also concerned with engagement with business across sustainability initiatives. Actions include:</p> <ul style="list-style-type: none"> • measures to improve collection and dissemination of market intelligence for firms; • review of business capability support programmes (November 2007); • development of a travel miles strategy; <p>review of constraints for the development/uptake of environmental technologies/solutions (includes consideration of second generation bio-fuels).</p> <p>Through the Enhanced Eco-verification programme, government will work with businesses and sectors to identify the standards, tools and verification infrastructure that will support a drive towards the development, use and export of eco-friendly goods and services.</p> <p>Sustainable Government Procurement (cf notes under Growing Globally Competitive Firms sub-theme) actions include:</p> <ul style="list-style-type: none"> • implementation of a joint Australia and New Zealand Government framework for sustainable procurement (agreed in September 2007); • further review and inclusion of products and services to which mandatory standards, guidelines and targets for government procurement will apply; and • development of a methodology and procurement policy to incorporate carbon costing into government procurement decisions. <p>Carbon neutral public service: 34 core public service departments have already begun work to achieve carbon neutrality. Six agencies will have plans to be carbon neutral by 2012 in place by early 2008, and it will be mandatory for the remaining 28 agencies to be on a path to carbon neutrality by 2012.</p> <p>Waste: A Supplementary Order Paper is being developed to incorporate government policy into Waste Minimisation (Solids) Bill; targets in the New Zealand Waste Strategy are being reviewed; and new product stewardship schemes are planned for IT equipment and televisions, plasterboard, and an expanded scheme for cellphones</p> <p>Proposed additional measures include developing "Rules of the game" and financial incentives for distributed generation of sustainable electricity: Supporting current progress through the New Zealand Energy Strategy and the New Zealand Energy Efficiency and Conservation Strategy in encouraging distributed generation, including consideration by 2010 of possible specific economic incentives for encouraging additional uptake of renewable</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
			distributed electricity generation
	<p>Sustainable Forest Management</p> <p><i>Outcome sought:</i> Sustainable forest management (SFM) of indigenous forest land – promoted through</p> <ul style="list-style-type: none"> • approved SFM Plans and Permits; • regulated harvests; • protected natural values; • regenerated forests. <p>Lead: MAF</p>	<p>The MAF Indigenous Forestry Unit approved 7,094 hectares under SFM Permits for the year to build the total area subject to SFM Plans and Permits to 121,967 hectares.</p>	<p>Sector Engagement & Development Advisory Group on Indigenous Forestry chaired by the Minister of Forestry. The principal roles of the Advisory group are to:</p> <ul style="list-style-type: none"> • act as a line of communication between the indigenous timber industry and the Minister of Forestry; • provide the Minister (and MAF) with the views (and advice) of the industry on new and developing policies; • identify specific measures and work programmes to sustainably grow the industry; and • act as a forum for co-ordinating industry developments. <p>Work programmes underway include linking with the Sustainable Farming Fund funded Beech Marketing Development Project and the hardwoods kiln drying project.</p>
	<p>East Coast Forestry Project (ECFP)</p> <p>The East Coast Forestry Project addresses erosion problems on the East Coast through afforestation.</p> <p>Lead: MAF.</p>	<p>The total area under sustainable land management is 38,940 hectares.</p> <p>The key outputs of the ECFP related work that helped in achieving this outcome were:</p> <ul style="list-style-type: none"> • ECFP delivery mechanism changed from a tender system to a direct grant; • direct grant rates established; and • the Gisborne District Council (GDC) notifying a plan variation in its Combined Regional land and District Plan to address sustainable land management issues. 	<p>ECFP continues to take a more proactive approach to generate interest in the Project, including through one to one on-site approaches with landowners affected by erosion problems.</p> <p>ECFP has received 28 applications covering 4,591 hectares for the year 2007/08 round of funding for sustainable land management programme.</p>

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<p>Sustainable Water Programme of Action</p> <p><i>Outcome sought: The Programme aims to improve the management of New Zealand's freshwater resources, nationally and regionally.</i></p> <p>Lead/contributing agencies: MfE, MAF, MED, Treasury, TPK, DOC.</p>		<p>Drafting of a proposed National Policy Statement (NPS) and a discussion document proposing a National Environment Standard (NES) on methods for setting ecological flows and water levels is underway.</p> <p>Discussions begun with Maori on freshwater policy.</p> <p>Two stakeholder groups formed from the land-based primary sectors: the 'Sector Partners Group' and the 'Primary Sector Reference Group'. The reference group has produced a set of high-level principles which includes their preferred approach to policies for freshwater.</p> <p>Federated Farmers held a Freshwater Science Forum to promote discussion and debate on sector commitments or targets. Conclusions reached by the Forum are being included in the work of the Primary Sector Partnership Group.</p> <p>Established a Ministerial Advisory Group and an Environment NGOs reference group.</p> <p>Completed consultation on a National Environment Standard on Water Measuring Devices and cost-benefit analysis is underway.</p>	<p>The Primary Sector Partnership Group is developing sector-specific strategies with commitments or targets. Good progress is being made. The Group is meeting with regional government in November 2007.</p> <p>Completion of the project relies heavily on the willingness and ability of each sector to commit to targets. Substantial progress is expected by December on the NPS and two NESs.</p>
	<p>Sustainable Land Management (Hill Country Erosion) Programme</p> <p><i>Outcome sought: To produce a long-term shift in management practices on erosion-prone hill country. A key objective is to accelerate the protection of erosion-prone hill country in the North Island.</i></p> <p>Lead/contributing agencies: MAF, MfE</p>	<p>Cabinet has agreed to an assessment framework (and criteria) for evaluating regional council and unitary authority applications to a contestable fund. The framework recognises that the actions required to protect erosion-prone catchments can exceed the financial and technical capacity of local government. An inter-departmental panel will be assessing the applications.</p> <p>A funding proposal has been received from Horizons Regional Council (Manawatu-Wanganui) to address hill country erosion in that region and for improving catchment management.</p>	<p>The Programme links into four Government initiatives that are addressing land and water management issues:</p> <ul style="list-style-type: none"> • Sustainable Land Management and Climate Change; • Sustainable Water Programme of Action; • On-Farm Adverse Events Policy; and • Flood Risk Management Review. <p>The broader benefits generated by the Programme include: carbon sequestration (Sustainable Land Management and Climate Change); enhancing water quality (Sustainable Water Programme of Action) and educating land managers about environmental risks (Adverse Events/Flood Risk Management Review).</p>
<p>Sustainable fisheries management</p> <p>Fisheries management was not initially covered by the original environmental</p>	<p>The Ministry of Fisheries is developing a new programme to support the environmental certification of New Zealand seafood products (\$4.6M over 4 years) was provided in Budget 2007). Certification of</p>	<p>On-going programmes to implement objective based fisheries management, through the effective implementation of the quota management system, the development of fisheries plans, the review of output controls and regulatory constraints and the development of fisheries standards (e.g. to address the environmental effects of fishing).</p>	<p>A new programme to support the environmental certification of New Zealand seafood products is being developed. Initially, this will involve the documentation of the NZ fisheries management regime against internationally recognised standards for the sustainable management of fisheries. Subsequently, government funding will be available to support the certification of individual fisheries and other proposes to support the seafood industry to add</p>

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<p>sustainability sub-theme.</p> <p>Lead/contributing agencies: MFish, MfE.</p>	<p>seafood as sustainable will increasingly be required to maintain or improve market access – and over 90% of New Zealand seafood is exported. More generally, work is continuing regarding the implementation of the quota management system and objective based fisheries management through the development of fisheries plans. The annual sustainability process reviewed a range of output controls and regulatory constraints. These are being supported by the development of fisheries performance and process standards (including to address the environmental effects of fishing.)</p>		<p>value (economic transformation) while ensuring sustainability.</p> <p>Work is also progressing to support the sustainable development of aquaculture, including assisting regional councils in the development of Aquaculture Management Areas, the establishment of the industry body Aquaculture New Zealand, and the government's response to the sector's strategy to transform into a \$1 billion industry (cf the <i>Sector Engagement: Aquaculture</i> information under Growing Globally Competitive Firms theme above for further information).</p>

AUCKLAND – AN INTERNATIONALLY COMPETITIVE CITY

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Auckland leadership</p> <p>Actions:</p> <ul style="list-style-type: none"> Work with local government to develop "One Plan" for Auckland <p>Department of Internal Affairs, DPMC, Treasury, MED, MFE, MSD</p>	<p>Auckland governance review.</p>	<p>The 8 councils agreed to establish a Regional Sustainable Development Forum (representing all councils & with central govt input) to develop One Plan for Auckland; and to strengthen ARC with additional roles including funding regional sporting & cultural facilities, tourism and major events. Cabinet endorsed these proposals.</p> <p>Announcement of Royal Commission of Inquiry to investigate governance and report by December 2008.</p> <p>Auckland Sustainability Framework, which will form the front end of the One Plan, finalised by councils (with central government input).</p>	<p>Whole of government engagement in development of One Plan for Auckland (facilitated through GUEDO network, with DIA leading on process & MED on content). Council officers are proposing that a draft first version of One Plan be completed by September 2008.</p> <p>Various departments will input to Royal Commission of Inquiry on Auckland Governance. Report due December 2008.</p>
<p>Rugby World Cup 2011 Legacy</p> <p>Actions:</p> <ul style="list-style-type: none"> Develop a legacy plan for the RWC2011 <p>MED/ Ministry of Tourism (Major Events)</p>		<p>A draft framework & stock take of planned and potential stakeholder legacy activity completed.</p> <p>List of potential initiatives developed.</p>	<p>MED will prepare a RWC 2011 Leverage and Legacy Plan and Cabinet paper recommending initiatives by November 2007.</p>
<p>Addressing infrastructure bottlenecks and failures</p> <ul style="list-style-type: none"> Transport <p>Actions:</p> <ul style="list-style-type: none"> Auckland Strategic Alignment Project (ATSAP) Significant expenditure on Auckland Transport Improvements <p>Lead: MOT</p>	<p>Auckland governance review made recommendations for reform of Auckland specific transport legislation.</p>	<p>Significant investments such as:</p> <ul style="list-style-type: none"> Central Motorway Conjunction completed; Northern Busway – completion of Esmond Road Interchange; Southern Motorway upgrades completed, including Green Lane Interchange Upgrade and Wairouru Extension Project; and Project DART under construction, providing for duplication and upgrading of Western Rail Line. <p>Government agreement reached on electrification of Auckland Rail Network to be funded by the introduction of Regional Fuel Tax legislation.</p>	<p>ATSAP – MoT will report on giving effect to the common strategic view to Ministers and Auckland political leaders in December 2007 (after local body elections).</p> <p>Auckland road pricing – MoT is investigating the issues and potential for road pricing to contribute to economic growth by reducing travel times for industry and workers. Report to Minister of Transport due April 2008.</p> <p>Improved public transport: MoT will report on options, including the airport-CBD link, for further public transport improvements in the context of Auckland's 'One Plan', during 2007/2008</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Addressing infrastructure bottlenecks and failures</p> <ul style="list-style-type: none"> Broadband <p>Actions:</p> <ul style="list-style-type: none"> Digital Strategy – Broadband Challenge application from the Auckland region. <p>Lead: MED</p>		<p>Digital Strategy Steering Group approved funding for \$4.125 million for North Shore City Council & Vector's project to construct an open access network connecting North Shore schools. Core network constructed (scheduled completion June 2007)</p> <p>Strong regional cooperation among the local councils and AucklandPlus has produced a regional strategic framework based on five pillars:</p> <ol style="list-style-type: none"> wireline/fibre; wireless; skills; communication; and funding and governance. 	<p>A proposal is being developed by the councils for the roll out of a regional core broadband network, which calls for a dollar for dollar match of funding from the government.</p> <p>MED will lead work to determine national approach to mechanisms for accelerating broadband infrastructure (through ET infrastructure theme and broadband Cabinet paper, due November 2007), including the relative importance of Auckland versus the rest of the country.</p>
<p>Enhancing Auckland's international image and urban form</p> <p>Actions:</p> <p>Supporting councils on:</p> <ul style="list-style-type: none"> Auckland branding Waterfront <p>MFE, MED</p>	<p>Input to the review of the Regional Growth Strategy.</p> <p>Investigate Government's role in urban transformation mechanisms.</p> <p>Multi-party approach to Tamaki regeneration with housing affordability focus.</p>	<p>Ports of Auckland have agreed in principle that Auckland's Finger Wharves could be released for CBD development. Agreement pending Auckland Regional Holdings agreement.</p> <p>Auckland City Council and Auckland Regional Holdings agree on the redevelopment of Wynyard Point – a major urban redevelopment opportunity.</p> <p>Cabinet agrees to the scoping of the Tamaki revitalisation project with broader outcomes beyond housing affordability.</p>	<p>MED & MfE will work with regional stakeholders over 2007/2008 to determine the best form for a waterfront that has international significance.</p> <p>MED will further the opportunities to release & transfer functions on Auckland's finger wharves by end of 2007.</p> <p>Housing NZ will, under the Families Young and Old platform, prepare a business plan for Cabinet's consideration by February 2008, on the steps required to revitalise Tamaki.</p> <p>MfE, MED, MoT & MDS will participate over 2007/2008 in the Regional Growth Strategy implementation work with councils, to ensure proposed classification work for centres and corridors supports ET goals.</p> <p>MfE will develop a National Policy Statement on Urban Design by June 2008.</p> <p>MfE will lead research over 2008/2009 on regional urban form and urban transformation mechanisms that can contribute towards an appropriate urban form that supports ET goals. This will build central government's urban policy capability and inform its future investment decisions.</p>

Action Area, Lead agencies & Description	Additions/ Amendments	Achievements to Date	On-going and planned future work
<p>Investing in Auckland's workforce of tomorrow</p> <p>Actions:</p> <ul style="list-style-type: none"> Participate in the development of the Metro Plan, which had a key focus on skills. <p>DOL/MSD/MED</p>	<ul style="list-style-type: none"> Metro Plan launched, which includes a skills work stream. 	<p>MED and DOL worked with AucklandPlus to develop a tactical and operational plan for skills to deliver on the actions outlined in the Metro Action Plan.</p> <p>Business-led Regional Skills Leadership Group established, supported by key government agencies.</p> <p>Four task groups set up to focus on goals regarding mapping and research, schools and careers, business and migrants, and making connections.</p>	<p>DoL in partnership with business and local government agencies will lead task groups, which will report with action plans to regional leadership group in late 2007 to give effect to:</p> <ul style="list-style-type: none"> Building a shared understanding of skill needs in the region and promoting greater strategic investment in people Promoting workplace productivity and workforce development with business in the region Reaching students, parents and diverse communities with better training and upskilling advice Explore bold approach to addressing the long tail of underachievement.
<p>Cultural Economic Development</p> <p>Ensure links between Maori and Pacific Island Economic Development Strategies and wider Auckland economic transformation strategies.</p>		<p>MPIA has produced a Pacific Economic Action Plan and Pacific Women's Economic Development Plan.</p>	<p>MED, DoL and MPIA will explore opportunities to progress key goals within the Pacific Economic Action Plan and Pacific Women's Economic Development Plan over 2007/2008, will likely focus on workforce upskilling, the Tamaki revitalisation programme and Waterfront development.</p>
<p>Encouraging innovation</p> <p>Actions:</p> <ul style="list-style-type: none"> Participate in the development of the Metro Plan, which had a key focus on innovation. <p>Lead: MED</p>	<ul style="list-style-type: none"> Metro Plan launched, which includes an innovation work stream Work with Auckland University in progressing the Auckland Innovation Centre (AIC) proposal 	<p>A concept paper for the AIC has been developed for consultation with stakeholders. Work is progressing on a feasibility study for the AIC, in partnership with Auckland University and the Auckland City Council.</p> <p>Agreement has been reached with the Auckland Innovation Leadership Group to commence a review of the Auckland innovation system to select actions that will make a significant impact on innovation and economic performance in Auckland.</p>	<p>MED will work in partnership with Auckland University and Auckland City Council to complete the feasibility study and business case for the AIC by December 2007, including recommendations for any financial contribution from government.</p> <p>In-depth engagement with selected sectors in Auckland will be undertaken to assess opportunities and impediments for innovation over September-November 2007. Initial report on innovation system and benchmarking due by March 2008; final report with in depth assessment and recommendations by October 2008.</p>