



## Statement of Intent 2009 | 2012

This *Statement of Intent* sets out the Ministry's strategic direction for the next three years, as it works to foster economic development and prosperity for all New Zealanders.



grow

## Statement of Intent 2009 | 2012

### Ministry of Economic Development

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Ministry of  
Economic  
Development



*Manatū Ōhanga*

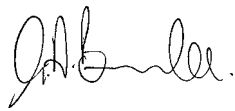
## Ministerial Foreword

The Government's immediate economic priorities are to help businesses survive the economic downturn and raise their productivity, reduce the regulatory demands these businesses face, and achieve a step up in infrastructure investment. We also want better value for money from all public spending.

These priorities will help us to achieve our long-term goal of growing the economy to deliver greater prosperity, security, and opportunities to all New Zealanders.

The Ministry of Economic Development's broad range of responsibilities – from economic development to small business, commerce, and consumer issues, along with specific responsibilities for ICT, energy, tourism, and the Rugby World Cup – means it has an important role in helping the Government deliver on these priorities.

This *Statement of Intent* sets out the main activities the Ministry will pursue and the results it will seek to achieve to help the Government do this. We endorse it as fully reflecting our priorities and will be expecting the Ministry to deliver these results as quickly, effectively, and efficiently as possible.



**Hon Gerry Brownlee**  
Minister for Economic Development  
Minister of Energy and Resources




**Hon Steven Joyce**  
Minister for Communications and  
Information Technology



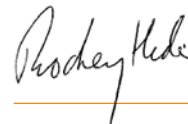
**Hon John Key**  
Minister of Tourism



**Hon Maurice Williamson**  
Minister for Small Business



**Hon Simon Power**  
Minister of Commerce



**Hon Rodney Hide**  
Minister for Regulatory Reform



**Hon Murray McCully**  
Minister for the Rugby World Cup



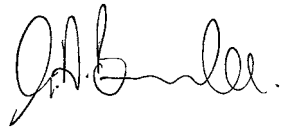
**Hon Heather Roy**  
Minister for Consumer Affairs

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# Ministerial Statement of Responsibility

I am satisfied that the information on future operating intentions provided by my department in this *Statement of Intent* is in accordance with sections 38, 40 and 41 of the Public Finance Act 1989 and is consistent with the policies and performance expectations of the Government.



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Hon Gerry Brownlee

Responsible Minister for Ministry of Economic Development

May 2009

# Chief Executive's Statement of Responsibility

I am responsible for the information contained in this *Statement of Intent* for the Ministry of Economic Development. This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations set out in the Appropriations (2009/10 Estimates) Bill, as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989 and with existing appropriations and financial authorities.



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**David Smol**  
Chief Executive  
May 2009



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**Graham Durston**  
Director of Finance  
May 2009

## Chief Executive's Foreword

The global economy is suffering its biggest economic downturn since the 1930s. Many of our trading partners are experiencing negative or zero growth.

In this context, the immediate priority is to support firms through the recession and ensure New Zealand is well placed for eventual global recovery.

As the Government has stated, helping firms survive and prosper means reducing the regulatory and compliance burden placed on them – especially small firms, which are disproportionately affected by the resulting costs. It means investing in infrastructure as a way of helping New Zealand's economy recover and raising productivity. It means delivering effective, well-targeted support to help businesses survive and grow. And it means using scarcer taxpayer resources as effectively as possible.

This *Statement of Intent* is one key way in which we show how we will help the Government achieve these priorities, and the difference this work will make for New Zealanders. Read together with the *Information Supporting the Estimates of Appropriations*, it shows the links between taxpayer dollars, the services we provide, and the results we are seeking.

This year, we have focused on defining these results more clearly and measuring whether we are achieving them over the medium term.

This is not easy – the areas we work in are complex, and there are many different influences on whether the results are achieved. However, interpreted with care, and taken together with the more immediate performance measures set out in the *Information Supporting the Estimates of Appropriations*, this information should help us build a better picture of whether the Ministry is making a difference for New Zealanders.



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David Smol  
Chief Executive  
May 2009

## Nature and Scope of Functions

This section outlines the Ministry's purpose and role, and the scope of our work.

## Our purpose

The Ministry's purpose is to foster economic development and prosperity for all New Zealanders.

## The scope of our work

We work for Ministers in eight portfolio areas: Economic Development; Communications and Information Technology; Commerce; Energy and Resources; Tourism; Consumer Affairs; Small Business; and the Rugby World Cup.

We also contribute to work for the Ministers for Infrastructure, Regulatory Reform, and Climate Change Issues.

The Minister for Economic Development oversees the Government's ownership interest in the Ministry.

## Our role

We advise the Government and implement policy in relation to a wide range of economic issues, primarily from a business perspective – including telecommunications and information technology, energy and resources, commerce, industry development, small business, tourism, and consumer affairs. We provide advice on issues that affect the business environment as a whole, and advice on what government can do to develop the economy.

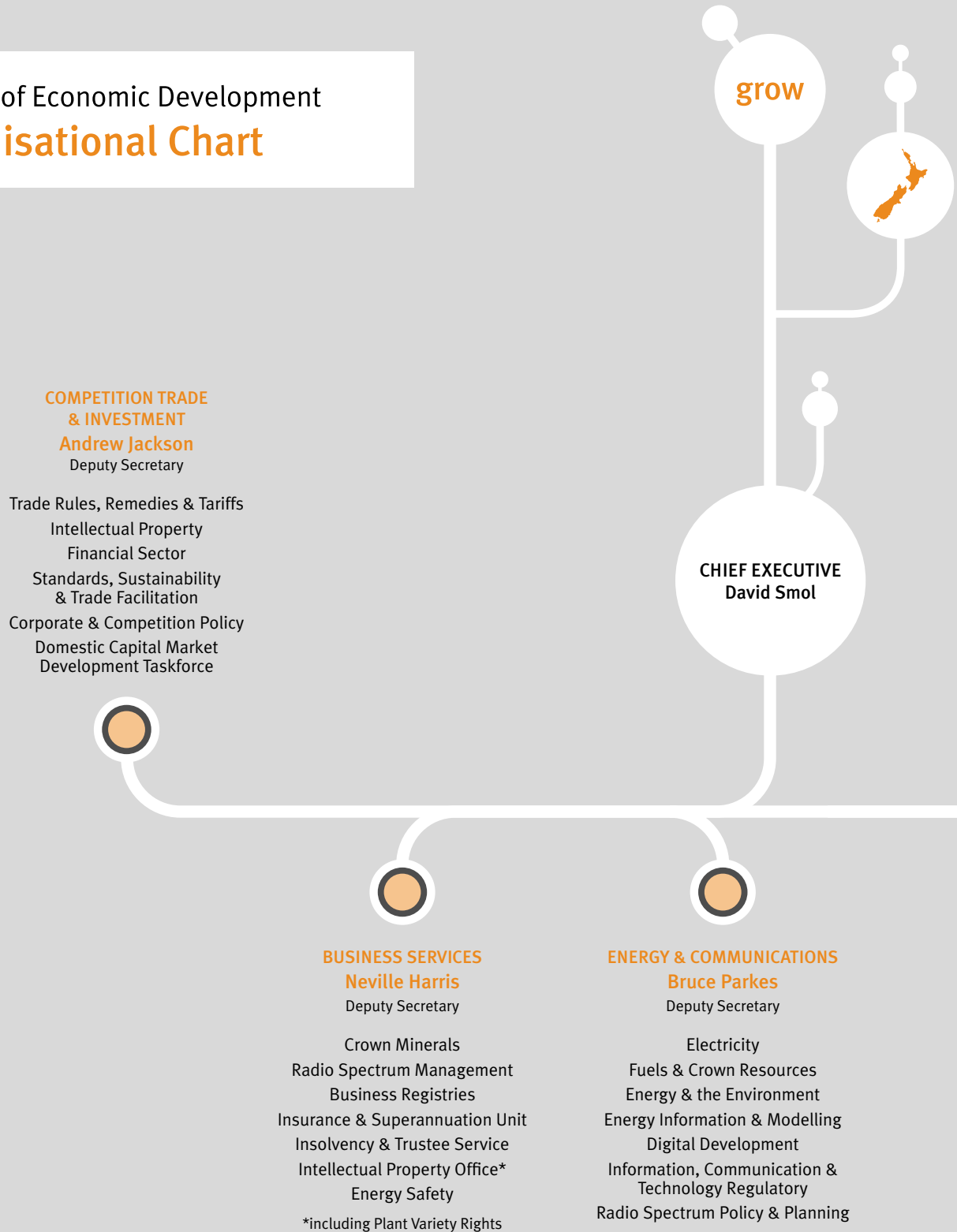
We have an advisory and monitoring role in relation to ten Crown entities.

We also deliver services to business, including administering company registrations and insolvencies; issuing patents and trade marks; licensing petroleum exploration; supervising the management of registered superannuation schemes; ensuring insurance companies comply with relevant legislation; managing the radio spectrum; providing economic development, energy and tourism data and statistics; and ensuring the safe supply and use of electricity and gas.

These activities are set out in more detail in our organisational chart in Figure 1 on page 8.

Figure 1: How the Ministry is structured

## Ministry of Economic Development Organisational Chart





## Strategic Direction

This section:

- outlines the key opportunities and challenges faced by the Ministry
- shows how we will work to support the Government's priorities
- summarises how we will measure our progress.

## Key opportunities and challenges

These are extraordinarily difficult economic times. Countries are experiencing the worst financial crisis since the 1930s, economies worldwide are falling into recession, asset values are falling, unemployment is expected to rise significantly, and many governments may have to run large operating deficits for some years. The impact in New Zealand comes on top of a longer-standing problem of relatively low productivity and wages.

Faced with these challenges, the Government has identified four immediate priorities relevant to the Ministry's work:

- Helping businesses to survive the economic downturn and raise their productivity.
- Reducing the regulatory and compliance demands that can burden businesses and get in the way of growth.
- Achieving a step up in infrastructure investment to reduce bottlenecks and improve economic productivity.
- Improving value for money from public spending so that government resources can be moved to where they're most needed.

Looking beyond the economic crisis, the Government has set a long-term goal of growing the economy to deliver greater prosperity, security, and opportunities to all New Zealanders.

## How we will work to support the Government's priorities

We will work towards the Government's priorities by helping the Government to develop and articulate a more comprehensive growth and productivity agenda.

As part of this, we will help to develop productive, resilient firms that will survive the downturn and be internationally competitive, bolstered by strong trade links. We will help create a growth-friendly environment of high investor and consumer confidence, reliable infrastructure, and low compliance and regulatory costs, with strong links between research and business, in which New Zealand businesses can thrive. And we will focus on delivering value for money across all our work.

The way we support the Government's priorities is summarised in our six long-term outcomes:

- *Enterprising and innovative businesses* – improving the drivers for success and productivity improvement in firms.
- *International linkages* – improving the linkages that allow New Zealand firms to benefit from trade and the flows of investment, skills, and technology.
- *Dynamic and trusted markets* – improving the competitiveness, integrity, and effectiveness of New Zealand's markets.
- *Ease of doing business* – improving the way public agencies and the regulatory environment interact with business.
- *Efficient, reliable, and responsive infrastructure services* – improving the quality and reliability of key infrastructure services that support growth.
- *Auckland* – productive and competitive for the region and New Zealand.

The *Work Programme and Intended Results* section sets out what we will do and the results<sup>1</sup> we are aiming for in each of these areas over the next three years. Figure 2 on page 13 summarises how these results will help the Government achieve its priorities and overall goal.

More detailed information on our work programme and the results we intend to achieve can be found in the *Information Supporting the Estimates of Appropriations* for our Votes. Appendix 1 on page 33 shows how each appropriation in the Estimates supports our outcomes.

<sup>1</sup> These more specific results are often referred to as “intermediate outcomes” or “impacts”.

## How we will measure progress

We have identified a number of indicators to help us measure whether we are moving towards our intended results.

However, given the nature of the Ministry's work, there is not a simple relationship between the Ministry's work and these measures. Instead, their achievement will depend not just on the Ministry's efforts but also on other factors, including the effect of the economic downturn. Although the measures should provide us with some broad indications of medium- to long-term progress, they should be interpreted with care.

Appendix 2 on page 37 summarises the current status of these measures, to help us assess this progress over time.

We will measure our shorter-term performance against the output performance measures that we have provided in the *Information Supporting the Estimates of Appropriations* for each of our Votes.

## How we will work with other agencies

Much of the policy developed by the Ministry is implemented through Crown entities. Our role in relation to these agencies includes helping Ministers set their expectations of them and monitor their performance, as well as advising on their capability, governance, and Budget issues.

Figure 3 on page 14 shows how the Crown entities monitored by the Ministry of Economic Development contribute to our outcomes.

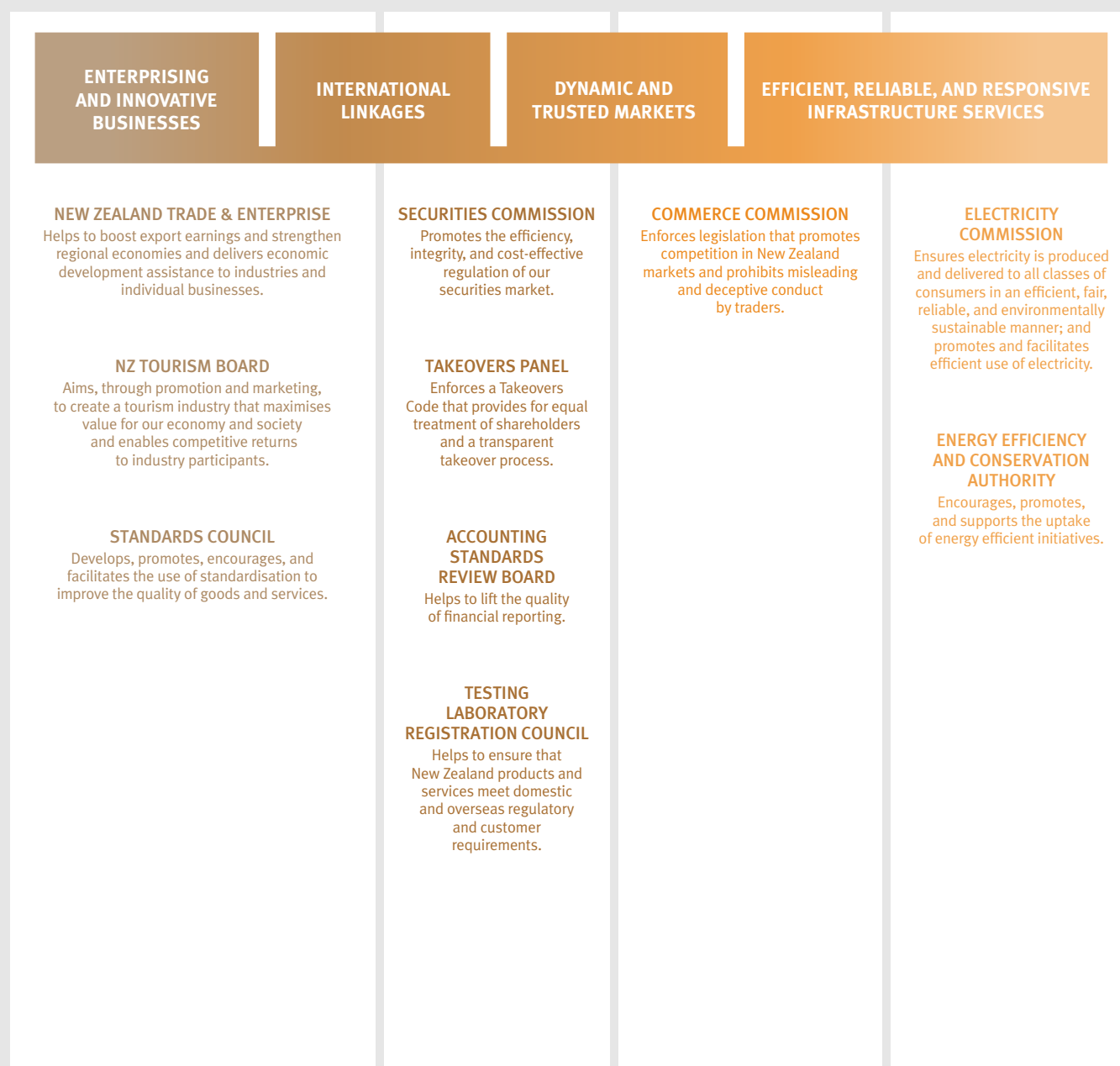
Our goals are also closely linked with those of other agencies. In particular, we work alongside the Treasury to provide economic advice to the Government. The Treasury's main focus is on issues that have a pervasive impact across the economy as a whole. The Ministry's complementary focus is improving New Zealand's economic growth potential, drawing on our knowledge of firm and sector issues.

Figure 4 on page 15 shows the relationship between our outcomes and those of other agencies.

Figure 2: How the Ministry’s outcomes and results contribute to the Government’s goals and priorities

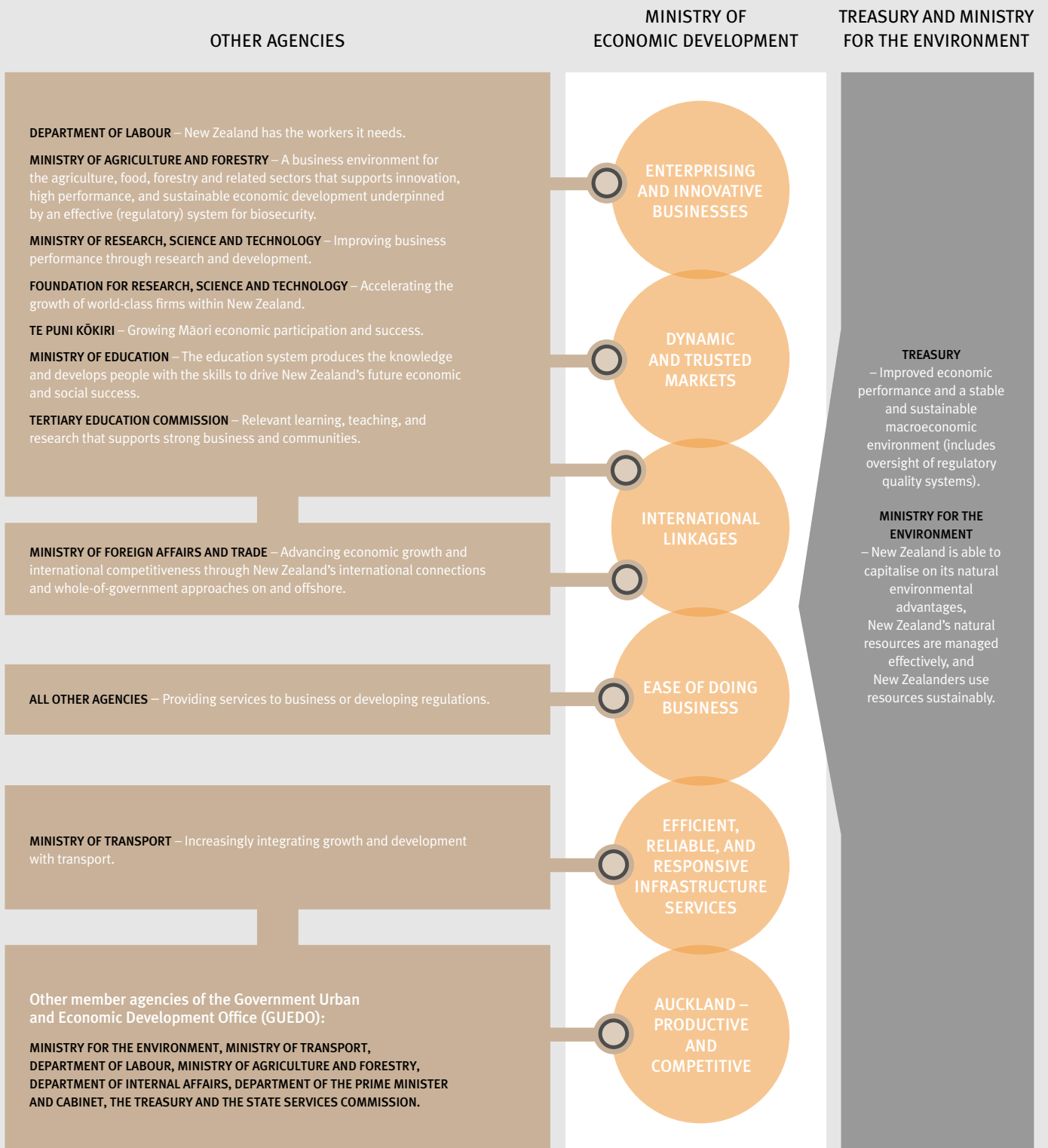
Government goals and priorities	<p><b>Growing the economy in order to deliver greater prosperity, security, and opportunities to all New Zealanders</b></p> <p>Helping businesses to survive the economic crisis and raise their productivity growth, reducing regulatory and compliance demands, achieving a step up in infrastructure investment, and improving value for money from public spending.</p>					
Conditions for business survival and productivity growth	<b>Macro-economic conditions</b>	<b>Innovation and entrepreneurship</b>	<b>International linkages</b>	<b>Investment, saving, and financial markets</b>	<b>Tax and regulation</b>	<b>Infrastructure</b>
Ministry outcomes and results		<p><b>Enterprising and innovative businesses</b></p> <p>Well-managed and competitive New Zealand businesses that have the capability to survive the economic downturn and take advantage of the economic recovery.</p> <p>Businesses that are better able to become global leaders in New Zealand’s areas of competitive strength, particularly in pastoral, food, tourism, and niche manufacturing.</p>	<p><b>International linkages</b></p> <p>Maintenance and, if possible, enhancement of New Zealand businesses’ position in global markets</p> <p>Reduced trade, investment, and regulatory barriers between New Zealand and its key trading partners, particularly Australia.</p> <p>New Zealand’s maintained or increased competitiveness as an international tourism destination.</p> <p>A 2011 Rugby World Cup that creates lasting benefits for New Zealand.</p>	<p><b>Dynamic and trusted markets</b></p> <p>Restored and increased confidence in the financial market.</p> <p>Well-informed and adequately protected consumers.</p> <p>Effective competition and incentives that encourage business investment.</p> <p>Easier access to capital for New Zealand businesses.</p>	<p><b>Ease of doing business</b></p> <p>An efficient regulatory environment that does not unnecessarily impose burdens on business.</p> <p>More streamlined business-government interactions that allow businesses to transact with government quickly, cheaply, and effectively.</p>	<p><b>Efficient, reliable, and responsive infrastructure services</b></p> <p>A more competitive communications market.</p> <p>An ultra-fast broadband network covering 75 percent of the population.</p> <p>Competitive and secure energy supplies.</p> <p>Improved energy and health outcomes through increased energy efficiency.</p> <p>Increased contribution of New Zealand’s mineral and petroleum resources to economic development.</p>
	<p><b>Auckland – productive and competitive for the region and New Zealand</b></p> <p>More efficient and productive Auckland infrastructure.</p> <p>Improved Auckland governance that leads to more effective decision-making.</p>					

Figure 3: How Crown entities contribute to our outcomes<sup>2</sup>



<sup>2</sup> This chart only shows the main linkages. The work of these Crown entities makes many other contributions across our outcomes, including our ease of doing business and Auckland outcomes.

Figure 4: Our main connections with other agencies



## Work Programme and Intended Results

This section sets out our work programme, the results we will seek to deliver, and the ways we will measure our progress.



We will aim to help develop enterprising and innovative businesses that will prosper, raise their productivity, and support the New Zealand economy's recovery from the global downturn.

## Enterprising and innovative businesses

### *What we are seeking to achieve*

Our overall aim in this area is to help develop enterprising and innovative businesses that will prosper, raise their productivity, and support the New Zealand economy's recovery from the global downturn. This will involve us working closely with New Zealand Trade and Enterprise.

We will therefore work towards:

- well-managed and competitive New Zealand businesses that have the capability to survive the economic downturn and take advantage of the economic recovery
- businesses that are better able to become global leaders in New Zealand's areas of competitive strength, particularly in pastoral, food, tourism, and niche manufacturing.

### *What we will do to achieve this*

#### **We will work to support New Zealand firms through the downturn...**

We will work with all stakeholders to implement the agreed actions arising from the February Jobs Summit and the Assistance for Small Business package.

To make the maximum impact with increasingly constrained resources, we will focus on helping make the government's business support programmes as effective and well-targeted as possible. In the short term, this includes a focus on supporting firms through the economic downturn. We will also continue to review these programmes regularly to identify what works – and what doesn't and should therefore be discontinued.

#### **... focus resources on New Zealand's areas of competitive strength...**

We will work internally, and with other agencies and firms, to consolidate and target government resources on New Zealand's areas of competitive strength and help ensure public research and science institutions better support business opportunities in these areas.

#### **... strengthen links between research providers and business...**

We will work with the Ministry of Research, Science and Technology and other agencies to identify how government might be able to facilitate more effective collaboration between research providers (particularly Crown Research Institutes and universities) and industry. The focus of this work will be on increasing the ability of innovative firms to access and translate research and technology into commercial products.

#### **... improve firm management capability and access to finance...**

We will improve management-focused business capability programmes and partner with the private sector to address key management challenges for New Zealand firms.

We will also work with the private sector on measures that will help well managed and innovative New Zealand firms to obtain the finance they require to survive the economic crisis and be well placed to take advantage of an eventual upturn.

#### **... and help firms profit from better environmental practices**

We will work with business stakeholders to support uptake of good environmental management practices and identify corresponding commercial opportunities, particularly in sectors such as tourism, where environmental performance is directly linked to international competitiveness.

### *How we will measure progress*

We will know New Zealand businesses have become more enterprising and innovative if there is a lift in New Zealand's productivity relative to other countries.

More specifically, we will know we are achieving our intended results when:

- there is increasing investment in productive capability of businesses, as evidenced by increasing levels of research and development expenditure and capital investment
- there is improved access to finance for growth, as evidenced by Business Operations Survey data
- New Zealand firms' strategic and management capabilities are improved, as evidenced by Business Operations Survey data
- New Zealand's competitive strengths (particularly food, pastoral, tourism, and niche manufacturing) make an increasing contribution to the New Zealand economy.

## International linkages

### *What we are seeking to achieve*

Our overall aim in this area is to advance economic productivity and international competitiveness through New Zealand's international connections. This is a shared outcome with New Zealand Trade and Enterprise and the Ministry of Foreign Affairs and Trade and will involve us working closely with these agencies.

Strong international linkages will help competitive New Zealand businesses to maintain their international presence in the face of the current global downturn and to grow. They will allow businesses to benefit from trade and global flows of investment, skills, and technology – and hence become more productive. New Zealand may also have to confront the challenge of increasing protectionist pressures in our key trading partners.

We will therefore work towards:

- maintenance and, if possible, enhancement of New Zealand businesses' position in global markets
- reduced trade, investment, and regulatory barriers between New Zealand and its key trading partners, particularly Australia
- New Zealand's maintained or increased competitiveness as an international tourism destination
- a 2011 Rugby World Cup that creates lasting benefits for New Zealand.

### *What we will do to achieve this*

#### **We will improve government support to firms operating internationally...**

We will consolidate and better target government support to firms that seek to or already operate internationally, to ensure greater value for money.

#### **... work to accelerate progress towards a Single Economic Market...**

We will contribute to the deepening of the trans-Tasman economic relationship committed to by the New Zealand and Australian Prime Ministers.

To do this, we will reduce regulatory costs for firms operating in both markets through the New Zealand and Australian regulatory reform programmes. We will cooperate with Australia to influence global policy settings that impact on the performance of New Zealand and Australian firms and sectors – for instance, through our work on international financial reporting standards. We will also work to enhance trans-Tasman cross-border insolvency arrangements, so that insolvency processes can be dealt with more effectively for companies under financial distress that have interests on both sides of the Tasman.



**Strong international linkages will help competitive New Zealand businesses to maintain their international presence in the face of the current global downturn and to grow.**

**... support advancement of other international economic linkages...**

We will continue to support New Zealand trade-negotiating efforts, with particular emphasis on taking forward the Trans-Pacific Partnership Agreement.

**... improve tourism marketing, infrastructure, and practices...**

We will work with Tourism New Zealand to increase and better target tourism marketing in key high-value markets and market segments. We will also work with Tourism New Zealand and other agencies to improve tourism yield by helping the industry to upgrade tourism quality standards and practices.

**... strengthen New Zealand's brand through major events...**

We will work with other key government agencies to develop a common branding to promote New Zealand offshore – including capitalising on international exposure activities such as the Rugby World Cup 2011.

**... and maximise the benefits to New Zealand from the Rugby World Cup**

We will work with Rugby World Cup stakeholders in the public and private sectors to ensure a lasting positive impact and legacy for New Zealand from hosting this major event.

*How we will measure progress*

We will know there have been improvements in the international linkages that allow New Zealand firms to increase their productivity if, over the long term, we maintain and, if possible, grow the value of New Zealand exports and outward investment as a percentage of GDP, along with New Zealand's share of world trade.

More specifically, we will know we are achieving our intended results when:

- firms accessing relevant business support achieve higher levels of business growth, productivity, and value added than would otherwise have been the case
- trade and investment flows increase within the Trans-Tasman Single Economic Market and with other countries with which we have negotiated trade agreements
- New Zealand improves its ranking against selected criteria from international tourism competitiveness measures such as the World Economic Forum's Travel and Tourism Competitiveness Report
- a 2011 Rugby World Cup post-project review indicates that the Rugby World Cup will have a lasting economic benefit to New Zealand.



Restoring investor confidence in markets will be particularly critical.

**Dynamic and trusted markets***What we are seeking to achieve*

Our overall aim in this area is to help develop markets that drive economic productivity and growth through the provision of finance, efficient and effective encouragement of competition, and fostering of creativity and innovation. Restoring investor confidence will be particularly critical given the recent performance of the financial sector both domestically and internationally.

We will therefore work towards:

- restored and increased confidence in the financial market
- well informed and adequately protected consumers
- effective competition and incentives that encourage business investment
- easier access to capital for New Zealand businesses.

### *What we will do to achieve this*

#### **We will work to improve financial and consumer regulation...**

We will implement an effective regime for the regulation of financial service providers. We will also review the effectiveness of the Securities Act and the financial reporting framework.

We will review consumer legislation with the aim of achieving principle-based legislation covering all trading transactions, a consolidation and simplification of existing legislation, and an improvement in the operation of consumer credit markets. We will work to achieve 'One Door' for information, complaints, and disputes.

#### **... strengthen competition and investment incentives...**

We will work closely with the Commerce Commission to ensure it is well placed to promote effective competition and complete implementation of the new regime for the regulation of natural monopolies to provide incentives for long-term investment.

#### **... and facilitate the development of financial markets...**

We will support and work actively with the Capital Markets Development Task Force to identify and pursue measures to allow firms to raise capital more easily and to improve financial market regulation and infrastructure.

#### **... and carbon markets**

We will support the development of policy in response to climate change. Our focus will be on emissions trading and associated measures and the impacts on firms in general, and on the energy and tourism sectors in particular.

### *How we will measure progress*

We will know that New Zealand markets are becoming more dynamic and trusted if, over the long term, we see improvements in New Zealand's position on the OECD's product market regulation and competition index and in the overall development of New Zealand's financial markets.

More specifically, we will know we are achieving our intended results when:

- surveys of financial sector customers show an improvement in confidence in financial markets
- surveys of consumers and traders show an increasing knowledge of and compliance with consumer law
- there is increased investment in industries covered by the implementation of the new regime for the regulation of natural monopolies
- New Zealand's ranking increases on the Milken Institute's Capital Access Index.

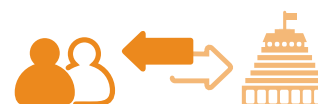
## **Ease of doing business**

### *What we are seeking to achieve*

Our overall aim in this area is to ensure business has high-quality interactions with public agencies, which minimise compliance costs and enhance firm productivity. This is particularly important for small businesses, on which these costs fall disproportionately.

We will therefore work towards:

- an efficient regulatory environment that does not unnecessarily impose burdens on business
- more streamlined business-government interactions that allow businesses to transact with government quickly, cheaply, and effectively.



We will aim to ensure business has high-quality interactions with public agencies.

### *What we will do to achieve this*

#### **We will work to review, simplify and improve regulation...**

We will work in partnership with the Treasury to develop and implement a regulatory review programme and provide the Government with advice on general and specific improvements to the regulation-making system (including advice on international best practice).

We will intensify our focus on reviewing and commenting on the business compliance costs of new regulatory proposals, including ensuring that the full impact on small businesses is taken into account.

We will provide training to government agencies in the use of the Business Cost Calculator. We will use data generated by the calculator to give Ministers a clearer idea of the annual compliance impact of new regulations.

We will work with business and across government agencies to identify inefficient, ineffective, and superfluous regulations. We will also coordinate the development of an annual Regulatory Reform Bill as a key vehicle for removing or amending these regulations.

#### **... provide a business perspective into major government decisions...**

We will help the Government to ensure that the development and implementation of Government policies take account of the impact of these policies on business, particularly small business. This will include assessing the impact of environmental regulation with a view to minimising costs and maximising business opportunities.

#### **... simplify government-business interactions...**

We will coordinate cross-agency efforts to simplify transactions between government and business, including advancing initiatives aimed at reducing the reporting obligations of business. The business portal will be developed as the principal information and transactional gateway for business dealings with government.

We will also continue to lead work to improve public sector procurement across government with the aim of increasing value for money and ensuring that domestic suppliers – including small New Zealand firms – are not disadvantaged.

#### **... and continue to improve the Ministry's own services to business**

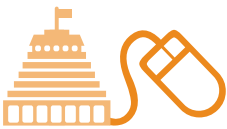
We will achieve ISO accreditation for all the Ministry's service delivery units by 2011 and make all the Ministry's primary business services available electronically by 2010.

### *How we will measure progress*

We will know that New Zealand has an increasingly business-friendly environment if, over the long term, we maintain and, if possible, improve our overall position in the World Bank ease of doing business survey.

More specifically, we will know we are achieving our intended results when:

- we at least maintain and, if possible, improve our position in relation to the opening and closing a business indicators in the World Bank survey
- the Ministry's service delivery units maintain or improve their position in the annual Business New Zealand/KPMG compliance cost survey.



We will coordinate cross-agency efforts to simplify transactions between government and business, including advancing initiatives aimed at reducing the reporting obligations of business.

## Efficient, reliable, and responsive infrastructure services

### *What we are seeking to achieve*

We will support the Government's goal of achieving a step up in infrastructure investment to support increased productivity and economic growth.

We will therefore work towards:

- a more competitive communications market
- an ultra-fast broadband network covering 75 percent of the population
- competitive and secure energy supplies
- improved energy and health outcomes through increased energy efficiency
- increased contribution of New Zealand's mineral and petroleum resources to economic development.

### *What we will do to achieve this*

#### **We will work to facilitate the rollout of ultra-fast broadband...**

We will advise on implementation of an ultra-fast broadband network. We will also support Ministers in using government investment and policy settings to secure increased private sector investment in such broadband networks.

We will review telecommunications regulation to identify any necessary regulatory changes to facilitate the rollout of the ultra-fast broadband network, while maintaining regulatory stability to minimise uncertainty for investors.

We will work with the Ministries of Education and Health to coordinate ICT-related investment across the education and health sectors and look at how the government can use the ultra-fast broadband network to deliver services more productively. We will also work with the Ministry of Education and other agencies to increase digital literacy.

#### **... enhance security of energy supply and competitive energy markets...**

We will assist with a review of electricity market performance to increase the contribution of the electricity sector to economic growth by providing security of supply and efficient prices. This review will also consider regulatory and governance arrangements in the electricity sector to remove any unnecessary duplication, minimise the costs of regulation, and improve the investment environment for new electricity transmission and generation.

We will update the New Zealand Energy Strategy so that it better aligns with the Government's security of supply, economic growth, and affordable electricity priorities, while maintaining a focus on energy efficiency, the development of renewables, and the impact of the energy sector on the environment.

#### **... deliver the benefits of energy efficiency to more New Zealanders...**

We will advise on ways to help industry, small business, and New Zealanders be more energy efficient. In particular, we will work with the Energy Efficiency and Conservation Authority and the private sector to insulate more New Zealand houses.

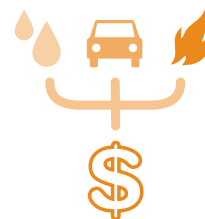
#### **... promote development of New Zealand's mineral and petroleum resources...**

We will fund seismic and technical work to improve understanding of the New Zealand minerals estate and use this work to promote further private sector investment. We will also review how we can provide greater access to the estate without compromising other land values.

We will review our domestic petroleum policy, licensing, and fiscal regimes to ensure they reflect best international practice.

#### **... and contribute to other work to raise the quality of our infrastructure**

We will support wider efforts to raise the quality of our infrastructure and reduce business costs. This will include contributing to reform of the Resource Management Act and to the development of a National Infrastructure Plan.



We will support the Government's goal of achieving a step up in infrastructure investment.

### *How we will measure progress*

We will know New Zealand has more efficient, reliable, and responsive infrastructure services when there is an increase in the perceived quality of New Zealand's infrastructure as assessed in World Economic Forum Global Competitiveness reports.

More specifically, we will know we are achieving our intended results when:

- an ultra-fast broadband network is available to a substantial proportion of priority users – businesses, schools, and health services – by 2015 and to 75 percent of the population by 2019, at internationally competitive prices
- electricity system interruption indices continue to reduce at the current rate and New Zealand's position in the OECD league table for electricity prices remains the same or improves
- New Zealand generates more value per unit of energy consumed, measured on a sector-by-sector basis
- there is an increase in New Zealand petroleum and mineral exploration, appraisal, production, and associated government revenues.



Our overall aim in this area is that Auckland becomes a more productive and competitive city, driving wider national economic development.

## Auckland – productive and competitive

### *What we are seeking to achieve*

Our overall aim in this area is that Auckland becomes a more productive and competitive city, driving wider national economic development.

We will therefore work towards:

- more efficient and productive Auckland infrastructure
- improved Auckland governance that leads to more effective decision-making.

### *What we will do to achieve this*

#### **We will help the Government lift the performance of Auckland's infrastructure...**

We will help the Government identify ways to increase Auckland's contribution to economic growth, by focusing on the development and use of Auckland's infrastructure.

This includes helping to strengthen links between Auckland infrastructure and national infrastructure, accelerate the development of Auckland's waterfront, progress tourism infrastructure opportunities in the region, and ensure Auckland is well prepared to host the Rugby World Cup and to secure lasting benefits from it.

#### **... and improve its governance**

We will help the Government develop its response to the economic development aspects of the Royal Commission's report on Auckland. Our focus will be on how improved governance can assist Auckland's – and therefore New Zealand's – economic development.

### *How we will measure progress*

We will know Auckland has become a more productive and competitive city if, in the long term, it improves its ranking relative to comparable international cities on quality of living, average income, labour productivity, and employment in medium- and high-tech manufacturing and knowledge-intensive services.

More specifically, we will know we are achieving our intended results when:

- the quality of Auckland's infrastructure improves relative to other major international cities
- key business stakeholders think that Auckland's governance has improved and that this improvement is leading to more timely and effective decision-making.

## How We Will Assess Our Cost-Effectiveness

This section outlines how we will develop and deliver cost-effective intervention and services.



The Ministry will continue to ensure we provide effective services to Ministers and third party fee-payers.

## Overall approach

The Ministry will continue to ensure we provide efficient and effective services to Ministers and third party fee-payers through:

- a sharp focus on delivery of the Government's priorities at all levels throughout the organisation, from strategy to operating plans, to individual performance agreements
- targeted investment in people, processes, and systems
- continuous benchmarking, monitoring, and evaluation to identify and implement efficiency and effectiveness improvements.

## Developing cost-effective policy interventions

Assessment of the cost-effectiveness of policy work is challenging. To help ensure we are implementing cost-effective policy interventions, we run a monitoring and evaluation programme to assess the cost-effectiveness of our major interventions after sufficient time has elapsed. Interventions that are not found to be cost-effective are either discontinued or modified.

## Delivering cost-effective business services

We can measure the cost-effectiveness of our business services more easily and directly. In particular, we will continue to assess cost-effectiveness through the international benchmarking information contained in the Doing Business survey issued by the World Bank.

## Managing in a Changing Operating Environment

This section:

- describes risks that could hinder our delivery of the Government's priorities
- discusses how we will manage these risks.

## The specific risks faced by the Ministry

The two external factors with the most immediate impact on the Ministry's operating environment are the challenge for the Ministry to respond to the priorities of a new Government, and the effects of the deteriorating economic situation.

A number of risks arise from these changes in our operating environment. These include:

- failure to respond quickly enough to changing priorities
- failure to focus on the activities that will make the biggest difference in changing circumstances
- failure to ensure that our internal control environment and supporting management systems respond to these external changes.

We have also identified a number of ongoing operating risks. These are:

- inappropriate advice that results in major unintended consequences
- risks arising from our internal management systems (such as our financial systems) not working as they should
- individuals acting in a fraudulent or criminal way, or without sufficient probity
- failure to prepare for instances outside our control (such as natural disasters)
- failure in the management of, or delivery of services by, the Crown entities monitored by the Ministry
- technology or other failures in our public-facing services.

## How we will manage these risks

We anticipate changes in our operating environment by carrying out annual forward-looking scans of external developments and reviewing similar scans by other organisations.

We will ensure that the Ministry responds quickly to changing priorities by regularly reviewing our progress and priorities with our Ministers. We will adjust our work programme, including individual performance agreements, accordingly. To facilitate this, we expect all our managers to anticipate and respond appropriately to change.

We will remain focused on the activities that will make the biggest difference in current circumstances through analysis of international literature on what drives productivity improvement, research on the economic challenges in New Zealand, discussions with key stakeholders, evaluation of our major policy interventions, and use of high-quality policy processes that take account of all this information and knowledge.

We will regularly review and update our internal control processes so that they continue to take account of external changes, through our risk management framework – described in more detail below.

We will deliver policy advice that is high quality and takes account of possible consequences, by running robust quality assurance processes for policy advice and by building staff capability.

We will maintain sound relationships with Crown entities and ensure, through our monitoring and advisory role, that they are focused on the Government's priorities.

We will manage our other ongoing operating risks through core management systems, audits and risk profiling, quality management, business continuity planning, well-designed contracts with suppliers, and the work of an IT Governance Committee to support decision-making on IT capability.

## How our risk management framework helps us assess and manage risk

The Ministry's risk management framework allows us to anticipate and manage risk on an ongoing basis.

We oversee and manage our overall set of risks and risk management framework through a Risk Management and Assurance Committee, which includes external members to provide independent perspectives. This committee reviews a rolling three-year business assurance work programme, which evaluates and tests the adequacy and effectiveness of the Ministry's governance, risk management processes, systems of internal control, and overall quality of performance.

We also carry out operating reviews to assess our organisational performance, financial position, and compliance with statutory and internal policy requirements on a quarterly basis. We continually refine our management strategies in light of the conclusions.



We will regularly review and update our internal control processes so that they continue to take account of external changes, through our risk management framework.

## Assessing Organisational Health and Capability

This section shows how work on our internal capability will help us to deliver the Government's priorities.

### *What we are seeking to achieve*

Our overall aim is to continue to develop high levels of internal capability so that we can deliver on these priorities as effectively and efficiently as possible.

We will therefore continue to work towards ensuring that:

- our staff are committed, capable, and flexible
- our work is well focused on Government priorities
- we deliver value for money and reduce costs wherever possible
- we build working relationships with key agencies, organisations, and individuals that help us do our jobs more effectively
- we have reliable technology and management systems that enable us to work productively.

### *What we will do to achieve this*

#### **We will focus on increasing staff engagement and commitment...**

Promoting staff engagement remains a priority. Given tighter fiscal constraints, we will recognise performance and maintain high levels of staff motivation and productivity in ways that do not rely solely on increases to remuneration. This gives us a real opportunity to innovate further in the way we develop our staff.

#### **... by supporting career development and building leadership capability**

One way we will do this is through a continued focus on personal and career development. We will ensure that managers and staff have quality development discussions and these are translated into appropriate on-the-job opportunities.

We will also focus on continuing to develop managers' skills to maintain and build staff motivation and productivity, particularly in times of change.<sup>3</sup>

#### **We will ensure our work is well focused and delivers the intended results...**

Strong planning, monitoring, and risk management systems ensure our work focuses on the right things, delivers the expected results, and provides value for money. This will be particularly critical in the next few years of tight fiscal constraint.

We will continue to enhance our ability to flexibly allocate resources to address changing circumstances. We will do this by building an accurate picture of the skills of all our staff, more actively promoting opportunities internally, and identifying those staff able to move across the Ministry to support teams where extra resources are needed. In addition, we will continue to assess whether our current structure remains the most optimal way to organise ourselves as priorities change.

#### **... while doing more with less**

We will make savings by stopping or doing less work in lower priority areas, working more flexibly, and doing things more efficiently. We will continue our drive to reduce our discretionary spend, for example, on travel.

In addition, we will continue to work with Ministers and our Crown entities to find savings throughout the non-departmental components of our various Votes.<sup>4</sup>



**We will focus on continuing to develop managers' skills to maintain and build staff motivation and productivity, particularly in times of change.**

<sup>3</sup> This work contributes to the "Employer of Choice" State Services Development Goal.

<sup>4</sup> This work contributes to the "Value-for-Money" State Services Development Goal.

**We will work closely with other agencies to make best use of joint resources...**

Working closely with other departments helps us use resources more flexibly and minimises duplication and waste. We will maintain strong working relationships so that we can quickly identify critical issues and work effectively to deliver results. Where possible, we will work with other agencies on initiatives such as seconding staff to high priority work areas across government, sharing best practice, and undertaking joint procurement of goods and services.<sup>5</sup>

**... and help us understand the impact our work is having**

To be effective, we also need to understand the impact our advice and services are having on New Zealand business and consumers and, where appropriate, to involve them in creating policy solutions. We will continue to undertake client surveys in our service delivery areas, both to improve the ways we interact with stakeholders and to support the Government’s desire for prompt and pragmatic action.<sup>6</sup>

**Our IT systems will help us work flexibly and efficiently, and deliver excellent services**

Robust, reliable IT systems can help us to manage costs, use our resources more flexibly, and make things easier for our clients. Our IT Governance Committee oversees a three-to-five-year programme of work that focuses on effective service delivery from our technology providers, investment in critical activity, and ensuring we maximise the return from this investment.<sup>7</sup>



*How we will demonstrate success*

We will know we are making progress if:

- we see an increase in positive responses across all the critical engagement questions of our staff survey
- we maintain and improve our Ministers’ views of our performance, as reflected in six-monthly Ministerial ratings of the Ministry’s performance.

More specifically, we will know we are achieving our intended results when:

- the average length of service of our staff increases more than in similar public sector organisations
- we achieve a ten percent reduction in the Ministry’s departmental costs for 2009/10, without any decline in our other performance measures
- feedback from stakeholders demonstrates that we are in touch with key issues and responding appropriately
- independent benchmarking continues to indicate that the Ministry’s core IT systems are delivering good value and above-average performance.

Robust, reliable IT systems can help us to manage costs, use our resources more flexibly, and make things easier for our clients.

5 This work contributes to the “Coordinated State Agencies” Development Goal.  
 6 This work contributes to the “Accessible and Trusted State Services” Development Goals.  
 7 This work contributes to the “Networked State Agencies” Development Goal.

## Capital intentions

We review capital expenditure requirements each year to ensure that we are maintaining and developing the Ministry's capability. Our latest forecast is in Table 1.

**Table 1: Forecast capital expenditure**

	2008/09	2008/09	2009/10	2010/11	2011/12
	Budget \$000	Estimated Actual \$000	Forecast \$000	Estimated \$000	Estimated \$000
Leasehold fit-outs	300	750	505	300	300
Information technology	14,850	7,248	18,206	4,400	4,000
Vehicles	400	500	470	200	200
Other assets	300	400	425	500	500
<b>Total capital</b>	<b>15,850</b>	<b>8,898</b>	<b>19,606</b>	<b>5,400</b>	<b>5,000</b>

The increases in 2009/10 mainly reflect further investment in:

- the New Zealand Emissions Trading Scheme Register
- a new register for all financial service providers
- a wholly electronic core registry system replacing the Companies Register and the remaining 17 manual registries for other corporate entities
- increased functionality for the intellectual property registry system.

The Ministry will continue to:

- ensure capital is directed to the highest priorities across the Ministry and we gain benefits from rationalisation where possible
- ensure capital is invested in areas that meet medium- to long-term objectives
- develop strategies well in advance to address forecast capital requirements
- integrate effective capital planning into Ministry-wide strategies.



## Appendix 1

Links between outcomes and departmental appropriations.

## Appendix 1: Links between outcomes and departmental appropriations

The Ministry works towards its outcomes through the outputs it provides. These outputs are shown in the figure below, which maps our departmental appropriations by Vote against our six high level outcomes.

The Ministry's outcomes			
	<i>Enterprising and innovative businesses</i>	<i>International linkages</i>	<i>Dynamic and trusted markets</i>
The Ministry's departmental appropriations			
Vote: Economic Development	Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development Policy Advice – Small Business	Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development	
Vote: Commerce	Policy and Purchase Advice – Business Law and Competition Policy	Policy and Purchase Advice – Business Law and Competition Policy Administration of Trade Remedies Administration of Part II Tariff Concessions	Policy and Purchase Advice – Business Law and Competition Policy Administration of Trade Remedies Registration and Granting of Intellectual Property Rights Administration of Insolvencies Registration and Provision of Statutory Information Administration of Part II Tariff Concessions
Vote: Communications	Policy Advice – Communications		
Vote: Consumer Affairs	Policy Advice, Information and Compliance MCOA		Policy Advice, Information and Compliance MCOA Measurement and Product Safety Compliance and Enforcement
Vote: Energy			
Vote: Tourism	Policy Advice – Tourism	Policy Advice – Tourism	

<i>Ease of doing business</i>	<i>Efficient, reliable, and responsive infrastructure services</i>	<i>Auckland – productive and competitive for the region and New Zealand</i>
Policy Advice – Small Business	Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development	Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development
Policy and Purchase Advice – Business Law and Competition Policy Administration of Trade Remedies Registration and Granting of Intellectual Property Rights Administration of Insolvencies Registration and Provision of Statutory Information Administration of Part II Tariff Concessions		
Management and Enforcement of Radiocommunications Act 1989 Administration of Broadband Investment Mechanisms	Policy Advice – Communications Administration of Broadband Investment Mechanisms Management and Enforcement of Radiocommunications Act 1989	
Measurement and Product Safety Compliance and Enforcement		
Management of the Crown Mineral Estate Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts Emissions Trading Implementation Provision of Climate Change Unit Register and Information	Policy Advice on Energy and Resource Issues Management of the Crown Mineral Estate Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts Emissions Trading Implementation Energy and Resource Information Services Provision of Climate Change Unit Register and Information	
	Policy Advice – Tourism	Policy Advice – Tourism



## Appendix 2

Status of our performance measures.

## Appendix 2: Status of our performance measures<sup>8</sup>

Outcome measures	Current status
A lift in New Zealand's productivity relative to other countries.	Ranked 22nd in the OECD on labour productivity based on GDP per hour worked of US\$28.3 (figures for 2006 from OECD December 2007 productivity database).
Maintenance and, if possible, growth in the value of New Zealand exports and outward investment as a percentage of GDP, along with New Zealand's share of world trade.	<p>Merchandise exports (December 2008): NZ\$43.8 billion for 2008 calendar year.</p> <p>Service exports (December 2008): NZ\$12.5 billion for 2008 calendar year.</p> <p>Exports of goods and services 31.2% GDP (current prices, 2008 calendar year).</p> <p>Share of world trade (2007): 0.36%.</p> <p>Total investment abroad at end December 2008: \$125.5 billion.</p>
Improvement in New Zealand's position on OECD's product market regulation and competition index and in the overall development of New Zealand's financial markets.	<p>Ranked 12th on the OECD product market regulation index in 2008.</p> <p>Ranked 23rd in the OECD in terms of relative financial market size in 2003–2005.</p> <p>Ranked first in the OECD both in terms of having regulation that is more conducive to financial development and less competition-restraining in the banking sector.</p>
Maintenance and, if possible, improvement in our overall position in the World Bank ease of doing business survey.	Ranked 2nd for ease of doing business (2009 survey).
Increase in perceived quality of New Zealand's infrastructure as assessed in WEF global competitiveness reports.	Ranked 50th out of 134 countries with a mean score of 4.3 where 1 = undeveloped and 7 = extensive and efficient by international standards (2008–2009 report).
Auckland improves its ranking relative to comparable international cities on quality of living, average income, labour productivity, and employment in medium- and high-tech manufacturing and knowledge-intensive services.	<p>Ranked 5th equal on quality of living out of 215 cities (Mercer 2008 index).</p> <p>GDP per capita is less than in Brisbane, Vancouver, and Melbourne, but more than in Adelaide (Demographia, GDP estimates: Metropolitan regions, April 2007).</p> <p>Average annual income in 2007: \$35,724.</p> <p>Labour productivity = US\$58,800 output per worker per year, putting it 54th out of 78 metro regions (OECD Territorial Reviews: Competitive Cities in the Global Economy, 2006).</p> <p>Employment in high/medium-tech manufacturing = 3.15%, which is relatively low by international standards (Economic Development Indicators 2007).</p> <p>Employment in knowledge-intensive services = 3.68%, slightly below the median of comparator cities (Economic Development Indicators 2007).</p>

<sup>8</sup> The data quoted is all from Ministry of Statistics New Zealand sources except where indicated.

Impact measures	Current status
Increasing investment in productive capability of businesses, as evidenced by increasing levels of R&D expenditure and capital investment.	Business expenditure on research and development (2008): 0.49% of GDP. Average capital investment in fixed assets (2001–2008): 20% of GDP.
Improved access to finance for growth, as evidenced by Business Operations Survey data.	Of those firms that sought finance in 2007, 93% of those that sought debt finance obtained it on acceptable terms and 81% of those that sought equity finance were able to obtain it on acceptable terms.
New Zealand firms' strategic and management capabilities are improved, as evidenced by Business Operations Survey data.	53% of businesses provided management/supervisory training in 2005/06, and 21% planned more than two years ahead in 2005.
New Zealand's competitive strengths (particularly food, pastoral, tourism, and niche manufacturing) make an increasing contribution to the New Zealand economy.	The current composition of exports is given in Table 5 – Exports of Main Commodities in Statistics New Zealand Overseas Merchandise Trade (January 2009), which can be found at <a href="http://www.stats.govt.nz/store/2009/02/overseas-merchandise-trade-jan09-hotp.htm">www.stats.govt.nz/store/2009/02/overseas-merchandise-trade-jan09-hotp.htm</a> .
Firms accessing relevant business support achieve higher levels of business growth, productivity, and value added than would otherwise have been the case.	This will be assessed by individual policy evaluations using the Longitudinal Business Database and mathematical techniques.
Trade and investment flows increase within the Trans-Tasman Single Economic Market and with other countries with which we have negotiated trade agreements.	<p>Merchandise exports to Australia in the calendar year 2008 were \$9.2 billion (22.3% of exports). Imports from Australia were \$8.7 billion (18% of imports).</p> <p>New Zealand FDI in Australia was NZ\$34 billion and Australia FDI in New Zealand NZ\$87 billion in March 2008.</p> <p>Merchandise exports to and imports from other countries with which we have substantial amounts of trade and have negotiated trade agreements or other economic partnership agreements (in calendar year 2008): China – exports \$2.5 billion (6.1% of exports) and imports \$6.4 billion (13.3% of imports); Singapore – exports \$802 million (2% of exports) and imports \$2.25 billion (4.6% of imports); Thailand – exports \$802 million (2% of exports) and imports \$1.3 billion (2.7% of imports).</p>
New Zealand improves its ranking against selected criteria from international tourism competitiveness measures such as the World Economic Forum's Travel and Tourism competitiveness report.	Ranked 20th out of 130 countries with a score of 4.94 overall out of 6 in the 2009 report. This is the overall score from which individual criteria will be identified.
A 2011 RWC post-project review indicates that the Rugby World Cup will have a lasting economic benefit to New Zealand.	Data on this measure will only be available when this review is carried out.
Surveys of financial sector customers show an improvement in confidence in financial markets.	Surveys are yet to be carried out but plans are being put in place to do so.
Surveys of consumers and traders show an increasing knowledge of and compliance with consumer law.	Baseline surveys of consumers in 2005 and traders in 2006 indicated good general recognition of consumer law but low levels of specific understanding regarding refunds and warranties. The 2005 survey is available at <a href="http://www.consumeraffairs.govt.nz/policylawresearch/research/awareness/nrb/nrb.pdf">www.consumeraffairs.govt.nz/policylawresearch/research/awareness/nrb/nrb.pdf</a> .
Increased investment in industries covered by the implementation of the new regime for the regulation of natural monopolies.	This is to be measured by the Commerce Commission. Baseline has yet to be established.
New Zealand's ranking increases on the Milken Institute's Capital Access Index.	Ranked 18th in the 2008 index out of 122 countries, down from 16th in the 2006 index.

## Appendix 2: Status of our performance measures (continued)

Impact measures	Current status
We at least maintain, and if possible improve, our position in relation to the opening and closing a business indicators in the World Bank survey.	Ranked first for starting a business and 17 <sup>th</sup> for closing a business (2009 survey).
The Ministry's service delivery units maintain or improve their position in the annual Business New Zealand/KPMG compliance cost survey.	The Companies Office was ranked as the most helpful and IPONZ the 10th most helpful government agency out of 17 specific agencies included in the 2008 survey.
An ultra-fast broadband network is available to a substantial proportion of priority users – businesses, schools, health services – by 2015 and to 75% of the population by 2019, at internationally competitive prices.	Broadband technology offering modest speeds (generally experiencing less than 5Mbps) is available to about 90% of households. However, there is currently only a low level of availability of fibre to premises offering ultra-fast broadband (a minimum of 100Mbps), mostly in CBDs and generally to very large business users.
Electricity system interruption indices continue to reduce at the current rate, and New Zealand's position in the OECD league table for electricity prices remains the same or improves.	<p>The electricity system average interruption duration index measures the total amount of time the average customer is without electricity over the course of a year. Since 1995 when this index was around 220 minutes, it has fallen steadily to about 150 minutes in 2006 but rose again to about 250 minutes in the year to March 2007 as a result of a large outage in Auckland.</p> <p>Information on international electricity prices is of variable quality. Broadly speaking, in 2008, industrial electricity prices were well below the OECD average and residential electricity prices were similar to the OECD average.</p>
New Zealand generates more value per unit of energy consumed, measured on a sector-by-sector basis.	In 2007, New Zealand used an estimated 3.8GJ of energy per thousand dollars of GDP. This figure represents the overall energy intensity of the economy and can be affected by changes in energy efficiency and the sectoral make-up of the economy.
There is an increase in New Zealand petroleum and mineral exploration, appraisal, production, and associated government revenues.	<p>Expenditure on exploration and prospecting in 2007: \$38.2m for minerals and coal and \$1.56b for petroleum.</p> <p>Petroleum wells drilled in 2007: 43.</p> <p>Oil condensate and naphtha production 2007: 14.87 million barrels.</p> <p>Petroleum royalties collected 2007: \$122.6m.</p>
The quality of Auckland's infrastructure improves relative to other major international cities.	Ranked 21 out of 40, with a score of 3.72 out of 5 – 5 being the best possible and 3 being the neutral position, neither positive nor negative (The Anholt City Brands Index, Results for Auckland, 2007).
Key business stakeholders think that Auckland's governance has improved and that this improvement is leading to more timely and effective decision-making.	This will be a qualitative and relative measure so baseline data is not relevant.



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Development**  
*Manatū Ōhanga*

