The Business Growth Agenda
Progress Reports

BUILDING:

- EXPORT MARKETS
- INNOVATION
- SKILLED AND SAFE WORKPLACES
- INFRASTRUCTURE
- NATURAL RESOURCES
- CAPITAL MARKETS

Building Capital Markets

February 2013

New Zealand Government

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Ministers' Foreword

We are pleased to present this progress report on the Government's work to boost the development of New Zealand's capital markets and build sustained economic growth.

Building Capital Markets is the sixth progress report on the Government's Business Growth Agenda. It lays out the challenge of building well-functioning capital markets, and outlines the Government initiatives underway to enable capital markets to become a better engine for growth.

For New Zealand businesses to be successful they need to be competitive. And to be competitive, they need access to innovation, capital, skilled workers, resources, supporting public infrastructure, and markets to sell their products. Making it easier for firms to access all six is the focus of the Government's Business Growth Agenda.

The Government has established six informal portfolio groups of Ministers, specifically grouped around the six work streams, to drive the Business Growth Agenda forward and focus on what matters to businesses.

Across the Business Growth Agenda, the Government is working on over 300 separate actions to improve conditions for business growth. This progress report tells you where we are at in the Building Capital Markets work stream.

We want your feedback to assist us in focussing our efforts. We encourage you to engage with the relevant Ministers and officials to give us your views on the programme.

Nothing creates jobs and increases incomes better than business growth. For New Zealand to build a more productive and competitive economy, we need more companies out there selling their products in world markets.

We need to ensure that our capital markets fully support businesses that are successfully taking advantage of opportunities in international markets.

Hon Bill English
MINISTER OF FINANCE

Hon Steven Joyce
MINISTER FOR ECONOMIC DEVELOPMENT

Capital Markets Group of Ministers

Hon Bill English

Hon Steven Joyce

Hon Tony Ryall

Hon Craig Foss

The Business Growth Agenda

It is businesses that drive economic growth and build a more successful economy.

Growing competitive businesses creates jobs and increases exports to the world. Nothing creates sustainable high-paying jobs and boosts our standard of living better than business confidence and growth.

Building a more competitive and productive economy for New Zealand is one of the key priorities the Prime Minister has laid out for this Government to achieve. The Business Growth Agenda will drive this by ensuring the Government stays focused on what matters to business, to create jobs and encourage confidence and further investment.

There are six key ingredients that businesses need to succeed and grow. By focussing on these ingredients we will ensure businesses have the opportunity to lead economic growth.

The six key areas in the Business Growth Agenda are:

This is one of a series of progress reports each focussing on one of the six elements needed for business growth. These reports give a clear picture of the advances in each area of work and the projects the Government is focused on, both to provide transparency to businesses and to obtain feedback. The Government is holding itself accountable to the business community and to the public to achieve tangible progress.

The new Ministry of Business, Innovation and Employment is working alongside other agencies to coordinate the agenda and ensure businesses can more easily access the advice and support from Government agencies they need to be successful.

Introduction

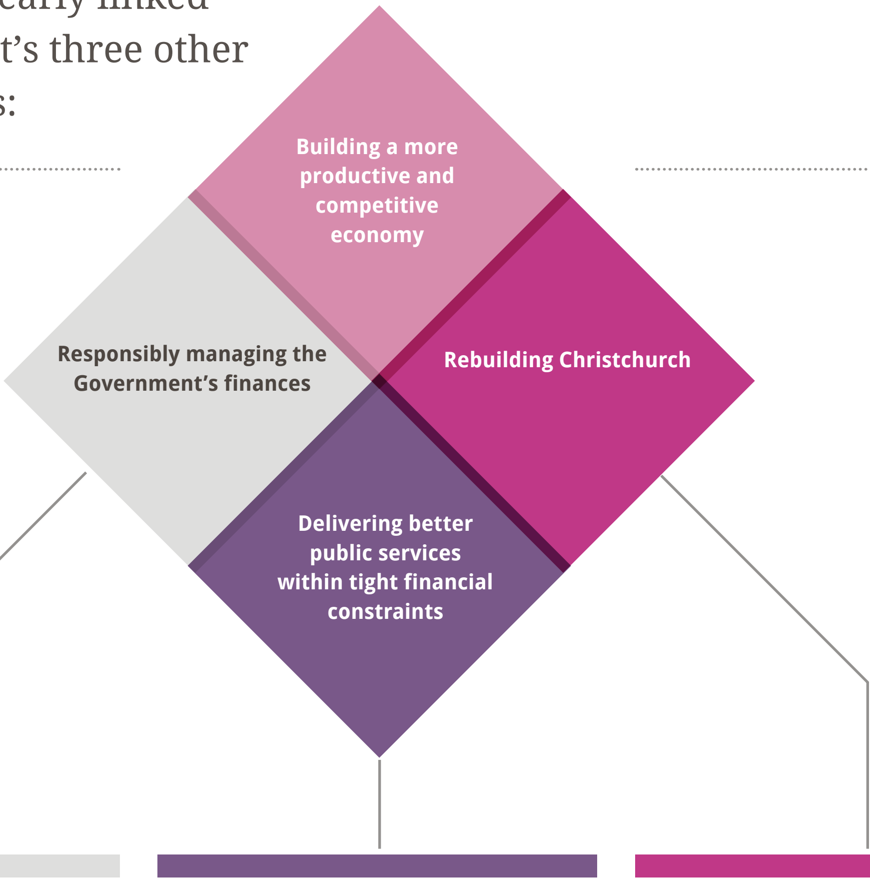
The future prosperity and well-being of New Zealanders depends upon improving economic productivity and competitiveness.

To increase New Zealand's exports and productivity we need to see a substantial increase in the flow of capital and other resources into the export sector. Higher economic growth requires increased investment, and well-functioning capital markets are essential for strong growth.

High-performing capital markets require all parts of the financial system to work well. We need to build investor confidence and reduce the cost of capital to business. We need stable and competitive macroeconomic settings and the right incentives to save and invest. And we need to be open to international investment flows that create jobs and growth in New Zealand.

Building Capital Markets brings together the comprehensive range of actions the Government is taking to ensure that all parts of the financial system work well for investors and businesses to accelerate the growth of jobs and incomes for all New Zealanders.

Building Capital Markets is central to building a more productive and competitive economy and is clearly linked to the Government's three other strategic priorities:



In a challenging global environment it is incumbent on us to deliver ongoing macroeconomic stability and provide a solid and predictable foundation for businesses.

By returning to surplus, the Government plays its part in ensuring New Zealand's continued financial stability. This in turn helps deliver more stable and competitive interest rates and exchange rates which provide a platform for business growth.

Responsibly managing the Government's finances also builds investor confidence, encouraging greater investment in New Zealand.

The Government sector represents about one third of our economy. Continual improvement in the delivery of public services will lift the productivity of the whole economy. The Better Public Services programme will also improve the services the Government directly provides to businesses seeking capital.

The Government must also continue to review the assets on its balance sheet to ensure that Crown capital works efficiently for New Zealanders. The Government Share Offers and the Future Investment Fund are a major component of this.

It is essential that a vibrant and dynamic Canterbury continues to play its part in our nation and economy.

A fast and successful rebuild will require a significant amount of capital – and the majority of this will need to come from willing private sector investors. Investors need confidence that their investments have the potential to generate returns and are not exposed to undue risk.

The Government is supporting investor confidence in Canterbury by giving certainty, as quickly as possible, about planning and rebuilding decisions.

Capital markets matter

Capital markets are vital for ensuring that New Zealand businesses can respond to opportunities and grow the economy.

In the aftermath of the Global Financial Crisis (GFC) and the collapse of a number of finance companies, it is more important than ever that we reinvigorate our capital markets. New Zealanders are saving more than they have in the past and we must ensure that these savings build lasting wealth and a productive and competitive economy.

Well-functioning capital markets mobilise local and international savings and channel capital to its most productive uses. Efficient matching of savings to investment opportunities is the primary function of capital markets, and to be effective they need to work for both investors and businesses.

Our capital markets need to ensure that investors get the best returns given the risk taken, and that the most competitive businesses can access finance and respond to opportunities. More productive and competitive businesses grow jobs and incomes and allow New Zealand to take advantage of opportunities, such as the growing demand for New Zealand products in increasingly prosperous Asian markets and the untapped wealth of our natural resources.

Building Capital Markets complements other Government initiatives to unlock the potential of New Zealand's businesses and increase exports. Investment via capital markets will play a vital role in achieving the Government's target of lifting exports to 40% of GDP by 2025, which will require a substantial increase in the flow of capital to exporters. In order to meet this target, export businesses will need an extra $160b–$200b of new productive capital – a 70–90% increase on current levels.

Export sector productive capital stock required to lift exports to 40% of GDP by 2025

This will mean a shift in capital from what would have been invested in the non-traded sector and is in addition to the investment that will be required to simply maintain 2012 levels of productive capital, such as investment to cover depreciation. The additional $160b–$200b is new or 'greenfields' investment in productive capital – turnover of existing investments between owners does not change the economy's total capital stock.

Lifting exports to 40% of GDP is an ambitious target. The initiatives set out in the Business Growth Agenda aim to achieve it by creating the conditions for business growth.

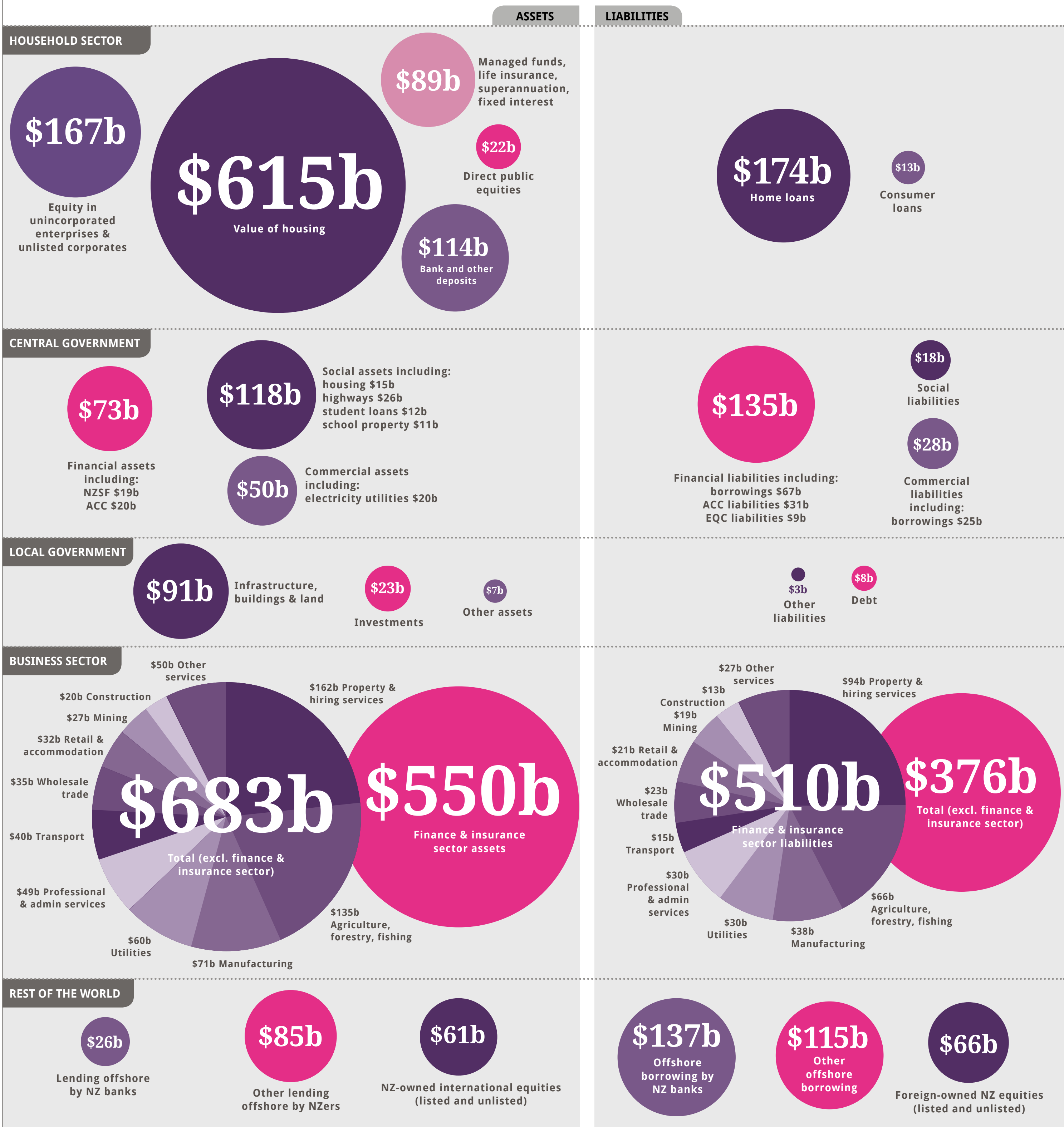
Investment via capital markets will play a vital role in achieving the Government's target of lifting exports to 40% of GDP by 2025

Spot light

Where New Zealand's capital is located

New Zealand's capital is spread across a number of areas.

This diagram shows the assets and liabilities on the balance sheets of New Zealand households, businesses, and government, as well as New Zealand's borrowing from, and lending to, the rest of the world.



This diagram is indicative of relative magnitudes. Most figures are 'gross' and represent total assets and liabilities on the balance sheets of the entities in each sector. Figures are not additive and there is likely to be double counting of ultimate underlying assets. The assets of one sector can be the liabilities of another sector.

Sources: Household sector: Reserve Bank, household financial assets and liabilities; Reserve Bank Bulletin, December 2012 for estimates of equity in unincorporated enterprises and unlisted corporates. **Business sector:** Statistics New Zealand, annual enterprise survey; Statistics New Zealand; annual enterprise survey institutional sector accounts for finance and insurance sector. **Local government:** Statistics New Zealand, local authority financial statistics. **Central government:** The Treasury. **Rest of the world:** Statistics New Zealand, international investment position.

State of the Play

New Zealand's capital markets generally work well, but there is scope for improvements that will reduce the cost of capital faced by New Zealand businesses, compared to offshore competitors, and improve access to capital for growth businesses.

Public equity markets

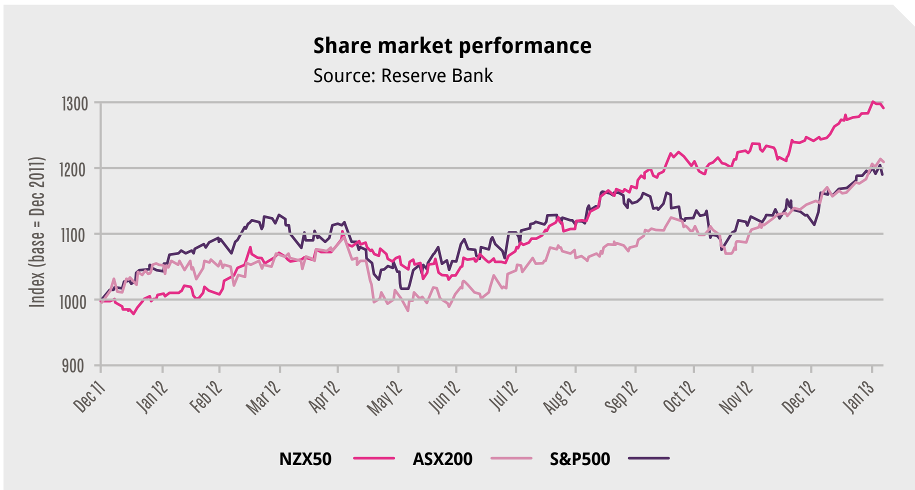
Compared to other countries, New Zealand's public equity markets are small as a ratio of GDP. This suggests that New Zealand is not seeing the full benefits of public equity markets that we might expect.

Listed market capitalisation as a % of GDP September 2012

Source: World Federation of Exchanges, NZX, OECD

Since the GFC, shares on NZX have performed strongly and the market is around its five-year peak. It is likely that this performance, and the Government Share Offers, will help stimulate further listings by private companies.

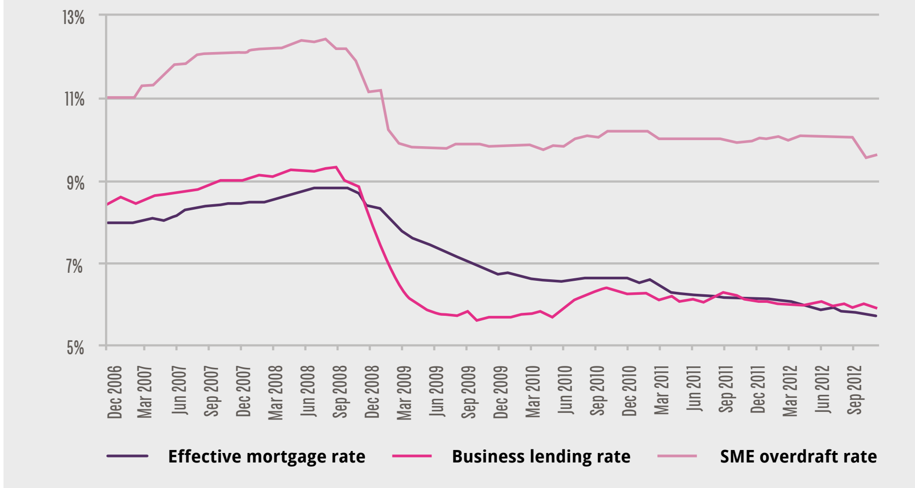
New listings and secondary issues on our public equity market will provide new opportunities for domestic savings, and will help ensure that institutional investors, including KiwiSaver funds, can invest in New Zealand companies.



Interest rates

Market interest rates have been relatively low and stable over the past three years.

Long-term interest rates, as indicated by ten-year government bond yields, have been trending downwards over the past two decades; however, New Zealand bond yields have maintained a premium in comparison to other countries. This premium also affects market interest rates, meaning mortgage and business interest rates are higher than they otherwise would be. This is further discussed in the "Our Goal" section on page 15.



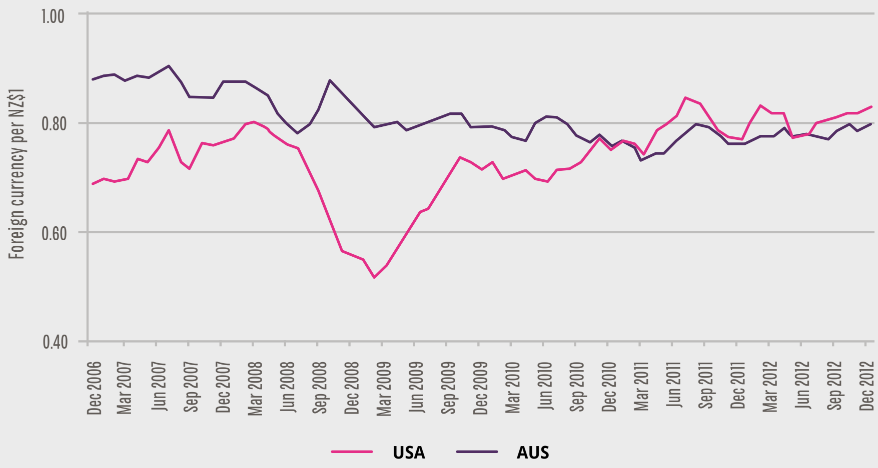
Exchange rate

After rebounding from the GFC, the exchange rate is proving a head wind for some exporters and firms that compete with imports. The current strength of the New Zealand dollar is largely the result of low growth and uncertainty in the US and European economies.

The NZD/AUD exchange rate has been much more stable.

The flipside of a high dollar is that goods priced on world markets are cheaper than they otherwise would be. This includes goods that are crucial to households like food, clothing and fuel. Businesses are also able to take advantage of cheaper capital goods to invest in plant and machinery.

New Zealand dollar exchange rate
Source: Reserve Bank

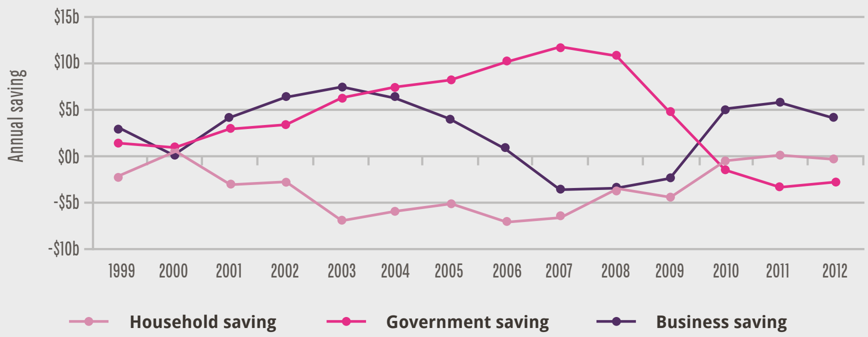


Savings

In recent years there has been a marked turn around in the saving behaviour of New Zealanders – households are now saving more than they have in the past and government borrowing is the main drag on New Zealand's total savings.

Domestic saving is important to manage New Zealand's overseas debt levels and maintain our reasonably strong overall financial position.

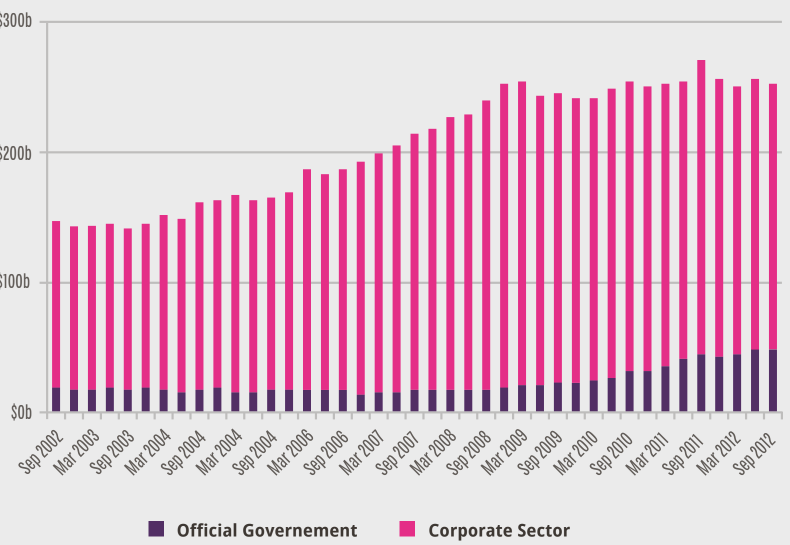
Components of New Zealand's national saving
Source: Statistics New Zealand



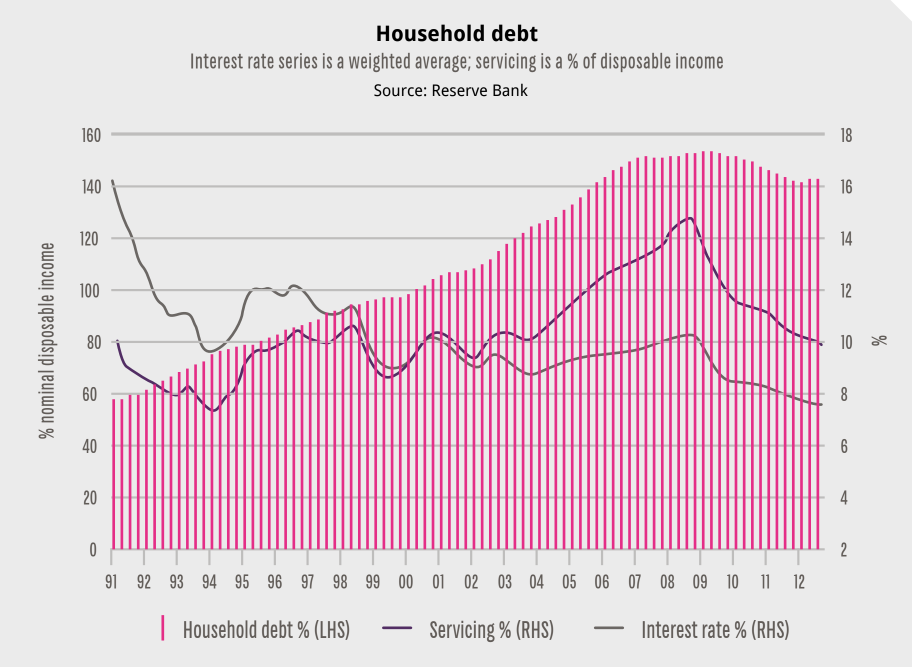
Since the early 1970s, New Zealand has invested more than we've saved, which shows up as a chronic current account deficit. This has led to an accumulation of foreign liabilities larger than our foreign assets.

As a result of the GFC and the Christchurch earthquakes, the reduction in corporate overseas debt has largely been offset by increases in Government overseas debt.

New Zealand's overseas debt
Source: Reserve Bank



New Zealanders now are slowly reducing debt from the peak in 2009. This is helped by lower interest rates, which reduce debt servicing costs.

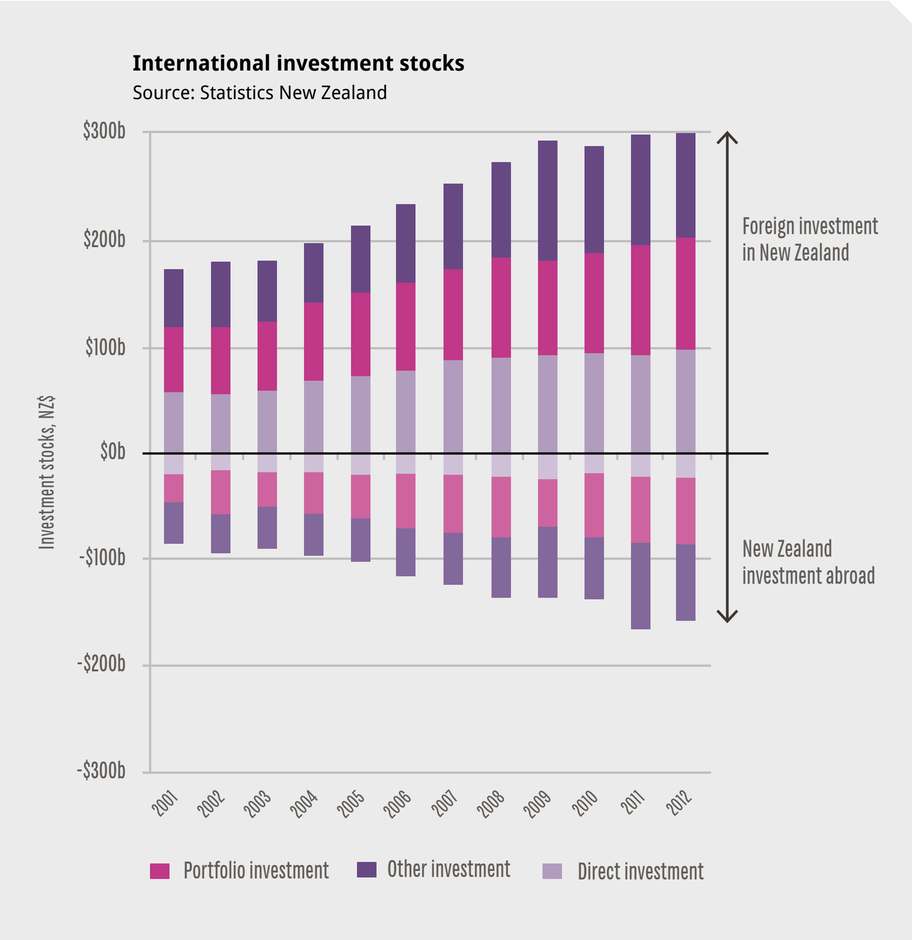


International investment

Capital inflows from the rest of the world are an important supplement to domestic savings.

On the inflow side, New Zealand is well linked to international capital markets – around 39% of government securities are held by identified non-residents and the stock of inward foreign direct investment (FDI), at around 47% of GDP, is about average for a small developed country.

Outward direct investment by New Zealand firms is low by international standards. This may suggest that they are not making the most of opportunities offshore, or simply reflect that we have relatively few large internationally-focused firms with the financial strength to bear the risks of investing offshore. Increasing New Zealand's outward direct investment is a key opportunity for building our connections with the rest of the world.



Spot light

The Capital Market Development Taskforce

The Government is continuing to implement the recommendations of the Capital Market Development Taskforce

The industry-led Capital Market Development Taskforce was established in 2008 to identify opportunities and constraints for the development of New Zealand's capital markets. The Taskforce looked at the current state of our capital markets, the international context, future risks and opportunities and key changes necessary to deliver the best possible financial system for New Zealand.

Summary of the Taskforce's Findings

Strengths

- New Zealand generally has strong institutions to support capital markets, including:
  - investors' property rights
  - high levels of integrity in the rules and regulations around our capital markets
  - an international reputation as an attractive investment destination with a stable and consistent business environment and a robust regulatory regime.
- Our financial institutions and infrastructure have a reputation for honesty, integrity and transparency.

Weaknesses

- New Zealand has a higher risk premium (cost of capital) than most other OECD economies – as reflected by our high real interest rates.
- Regulatory and tax policy settings create some distortions to the efficient allocation of capital.
- Many retail investors are sceptical about investing in our capital markets, as demonstrated in patterns of savings and in consumer surveys.
- Our markets do not provide retail investors with the range of good-quality investment products that we see in other countries.

In 2009 the Taskforce released its final report and made recommendations for improving the performance of New Zealand's capital markets. The recommendations were supported by industry. Since then, the Government has been working to implement most of the Taskforce's recommendations.

Recommendations the Government is progressing		Progress to date
› Simplifying and standardising product disclosure so that investors have clearer knowledge of what they are investing in	✔	› Developing new disclosure regulations under the Financial Markets Conduct Bill.
› Improving the governance and on-going disclosure of managed funds	✔	› Ensuring the governance of publicly available financial products is robust. › New regulations to improve information on KiwiSaver fund performance.
› Broadening the range of high quality equity offerings for retail investors by encouraging partial listings of government-owned companies, agricultural businesses and local subsidiaries of financial services firms	✔	› Progressing the Government Share Offers. › Enabling Fonterra's Trading Among Farmers Scheme.
› Broadening the range of quality debt offering on the market	✔	› Facilitated development of the Local Government Funding Agency. › Changes to government debt offers.
› Improving the pipeline of entrepreneurial companies	✔	› Supporting the New Zealand Venture Investment Fund. › Establishing Callaghan Innovation. › NZTE services to business. › Incubator programmes and R&D co-funding.
› Improving the regulatory regime for private companies so that they can effectively access the capability and risk capital they require	✔	› Clarifying and widening exemptions for offers to certain investors.
› Facilitating the development of more lightly regulated exchanges	✔	› Passing legislation to enable the development of intermediate exchanges.
› Fundamentally reviewing the Securities Act in a way that reinforces New Zealand's reputation as an honest and transparent economy	✔	› Passing the Financial Markets Conduct Bill (underpins various initiatives in this report).
› Reviewing the regulatory agencies with a view to consolidating market conduct functions, building scale and expertise and reducing regulatory gaps	✔	› Establishing the Financial Markets Authority.
› Eliminating tax and regulatory biases between different types of investment (for example, property versus financial assets)	✔	› Changes made as part of the Budget 2010 tax package.
› Developing a specialist agricultural capital market centre	✔	› Enabling NZX to develop a dairy futures market and Trading Among Farmers.

Spot light

A stable platform for growth

The Government is working to ensure a stable macroeconomic environment as a platform for confident investment and business growth in New Zealand

A stable macroeconomic environment supports a well-functioning financial system and helps the economy realise its potential. By contrast, as the experience of the past few years clearly demonstrated, adverse financial conditions, followed by macroeconomic instability, can and do cause serious economic and social harm.

Policies that reduce our economic vulnerabilities (i.e. risks to the economic system) assist higher economic growth by increasing the flow of investment funds available to businesses (through higher domestic saving and international investment flows); and well-functioning capital markets help higher economic growth by helping channel these funds to their highest-return uses.

Reduced vulnerability would also see our credit rating increase, reducing the cost of capital for New Zealand businesses.

The most effective ways in which public policy can reduce economic risk, from the perspective of encouraging domestic private saving and the inflow of high quality foreign equity investment to New Zealand businesses, is to ensure macroeconomic stability.

A stable macroeconomic environment is characterised by aggregate economic output and employment remaining close to their potential over time, with minimum variability around that potential, and minimising negative economic consequences when hit by shocks.

A range of policies are being implemented or explored by the Government in the pursuit of macroeconomic stability. These are summarised in the diagram below.

By ensuring that its spending, tax and balance sheet decisions are appropriate, government can reduce upward pressure on interest rates and exchange rates.

It is important to note that major direct interventions in the exchange rate would have serious economic consequences for New Zealand. Even if a managed exchange rate was possible, the ability of the Reserve Bank to set interest rates and to control inflation would be compromised, leading to higher domestic inflation and a lowering of purchasing power. It would also mean the loss of an important “safety valve” in times of extreme events.

Responsibly managing the Government’s finances, including the effective and efficient management of the Crown’s balance sheet (total assets of around $240b), also assists the efficient and effective functioning of capital markets in New Zealand.

In addition, the Government is implementing a series of regulatory and tax changes to remove obstacles from capital being channelled to its most productive uses.

Macroeconomic Stability

Ensuring that actual economic output and employment remain close to their potential over time

Monetary stability (low and stable inflation)

Competitive and stable exchange rates and interest rates

- Reserve Bank of New Zealand (RBNZ) Act and Policy Targets Agreement in place.
- Ensuring government spending, tax and balance sheet decisions do not put unnecessary upward pressure on interest and exchange rates.
- Implementing structural, tax and regulatory policies that support an increase in the cost competitiveness of domestic firms and in trend growth.

Fiscal stability and sustainability

- Pursuit of fiscal surplus by 2014/15, followed by gradual net debt reduction as a % of GDP.
- Strengthening of principles of responsible fiscal management in the Public Finance Act (1989).
- Exploring options to increase long-term fiscal sustainability via Long Term Fiscal Statement.

Financial stability (efficient and effective financial intermediation)

- Implementation of Basel III global regulatory standards on banks.
- Strengthening of crisis preparedness tool kit through implementation of Open Bank Resolution scheme.
- Development of a set of macro prudential tools to supplement existing prudential policy.
- Better co-ordination between Treasury and RBNZ on policies aimed at financial stability and further enhancing financial stability preparedness.
- Enhanced supervision of insurance companies and non-bank deposit takers by RBNZ.

Government's role in rebalancing the economy and supporting capital market innovation

Getting the right balance between consumption and savings is important for New Zealand's long-term economic growth.

In the 2000s, rapid consumption growth put upward pressure on inflation, interest rates and the exchange rate which made it more difficult for exporters and channelled resources out of the export sector. Easy access to credit and tax distortions were associated with unprecedented house price increases – prices doubled in real terms between 2001 and 2007. This fuelled strong growth in consumption as the rising value of houses made people feel wealthier, pushing household debt to almost 150% of disposable income (up from about 60% in 1991). This in turn fuelled inflation and triggered higher interest rates and exchange rates.

Our savings and investment track-record is a product of our small and relatively under-developed public capital markets, which limit the opportunities for households to save effectively through productive investments.

Since the GFC, New Zealanders have responded to the need to improve their financial position and are now saving more than they have in the past. We need strong public and private capital markets – where New Zealanders have confidence investing in opportunities – to draw in savings and channel them to the most productive uses.

Building our capital markets will better mobilise New Zealanders' savings and enable them to save effectively in a wider range of opportunities beyond housing. Effective financial literacy programmes that enable New Zealanders to make well-informed savings and investment decisions will support this. Rebalancing the economy towards savings and productive investments will in turn drive a more productive and competitive economy.

One of the main ways the Government encourages capital market development is by maintaining macroeconomic stability. This promotes more stable and competitive exchange rates and interest rates, which are a fundamental driver of business investment and the flow of capital to the export sector. Monetary and fiscal discipline also supports a well-functioning financial system.

The Government must also ensure that tax and other policy settings do not unnecessarily distort savings and consumption decisions, and that open international investment flows facilitate productive investment decisions. International savings enable more investment than would otherwise happen and international direct investment also ensures that our firms have strong connections to offshore markets and that their cost of finance is lower than it otherwise would be.

The Government needs to set appropriate 'rules of the game' that give investors confidence and allow businesses to access capital effectively and at a low cost.

The Government also plays a key role as a major capital market participant and innovator. The Debt Management Office has recently introduced inflation-indexed bonds and is gradually issuing longer-term debt. Liquid tranches of longer-dated Government stock helps support longer-term corporate borrowing. The Government has also facilitated the development of the Local Government Funding Agency, which has given local governments a vehicle to lower their debt funding costs. In addition, the Government is continuing to make changes to the regulatory framework that will support private sector innovation, and also plays a role in supporting early-stage capital markets.

Capital markets work as a system – poor performance in one area impacts on other parts of the system. Government therefore needs to ensure its actions focus on the system and not just some parts of it. For example, well-functioning public markets (e.g. the stock exchange) provide access to capital for those businesses listed on it, but also make it easier for smaller companies to list and grow – freeing start-up private capital for reinvestment in new ideas.

Case study

Hewlett Packard New Zealand

Hewlett Packard (HP) is a US-based multinational IT company and the largest (by revenue) in the world. HP has an extensive range of activities in New Zealand, including a software development and support centre in Christchurch. The centre designs, builds, and supports complex software applications and systems integrations for both domestic and international clients. Clients range from the New Zealand Government to organisations such as Belgium Telecom (Belgacom), South African Revenue Service (SARS) and Kaman Aerospace.

The centre has had a constant presence in Christchurch for over 24 years through various international corporate mergers from Digital Equipment Corporation (DEC) and Compaq. HP added the software development centre to its Global Delivery network in 2009, and undertook a significant programme to expand its operations with a focus on delivering to offshore clients from New Zealand.

HP sees New Zealand's highly-skilled workforce, track record of high quality delivery, and competitive local costs as a major selling point for expanding its New Zealand software development and support centre operations.

HP's Christchurch centre currently employs around 130 people, most of whom are highly-qualified computer engineers and IT development specialists. HP has a stated goal of doubling this workforce over the next few years to establish further critical mass and growth of the offshore delivery activities.

NZTE is supporting HP by providing advice for its expansion, working to link the company into the Christchurch innovation precinct and assisting with feasibility studies for a New Zealand-based contact centre to service the Australian market.

Image source: Hewlett-Packard New Zealand

Alex Bouma, Global Delivery – Southpacific Centres Manager, outside HP's software development and support centre in Christchurch.

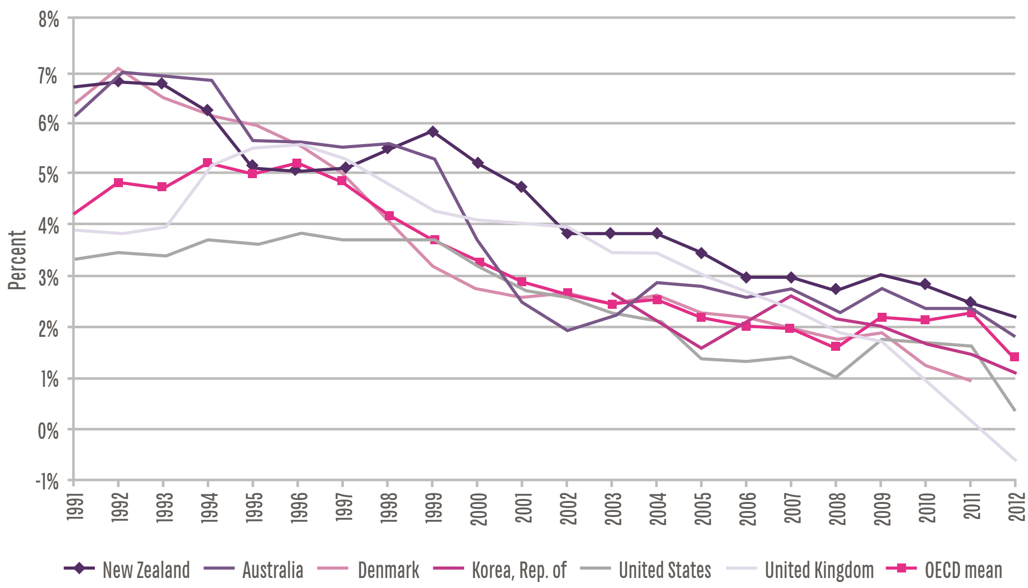
Our Goal

To help drive progress in the Building Capital Markets work and to measure success, the Government has committed to the following high-level goal:

> *Reduce the real interest rate premium on New Zealand debt compared to US and Australian equivalents*

Real interest rate (10-year annual government bond yield less inflation rate) - three-year moving average

Source: OECD database



This is an ambitious target and achieving it will require significant improvements in all parts of New Zealand's capital markets, and more broadly to factors that contribute to our macroeconomic conditions. Reducing New Zealand's interest rate premium will support New Zealand businesses by reducing the cost of finance and increasing access to capital, levelling the playing field with offshore competitors. This in turn supports greater accumulation of physical capital (e.g. businesses investing in new tools, equipment and technology), leading to higher labour productivity, incomes and job growth.

New Zealand has tended to have higher real interest rates than most other OECD countries over the past two decades, including the US and Australia. This reflects aspects of the New Zealand economy which may act as impediments to efficient investment by domestic and international investors, pushing interest rates above the world average, such as:

- small capital markets
- high national indebtedness
- exchange rate volatility
- low domestic saving relative to investment
- higher real or perceived risk to investing in New Zealand.

Achieving this goal will require improvements in areas that influence New Zealand's financial markets. This includes:

- well-functioning capital markets that efficiently match investors and businesses
- open capital flows with the rest of the world, including through the banking system and foreign direct investment
- long-term sustainability of government spending and taxation and prudent government debt management
- higher national savings
- lower external indebtedness.

The initiatives set out in *Building Capital Markets* support our goal and complement wider Government actions on tax and fiscal policy.

Case study Trading Among Farmers

Fonterra Co-operative Group is one of the world's largest dairy companies. It is 100% New Zealand owned, with over 10,000 farmer shareholders.

As a co-operative company, Fonterra's equity was always based on the amount of milk supplied to it. Fonterra had to issue and redeem shares to reflect each farmer shareholder's milk supply for the previous season. This mechanism meant that Fonterra was vulnerable to runs on its capital from events such as droughts or other supply shocks. Fonterra managed this 'redemption risk' by maintaining a conservative balance sheet.

With the endorsement of a majority of its shareholders, Fonterra restructured its capital base to provide it with greater stability to enable further growth and launched Trading Among Farmers (TAF).

TAF has two parts:

› The new Fonterra Shareholders' Market (FSM) enables farmer shareholders to trade shares with other farmer shareholders and the Fonterra Shareholders' Fund (FSF). This private market is operated by NZX and utilises much of the NZX infrastructure. Key features of the FSM include:

  – Customised access to the FSM either online through Fencepost, or via an 0800 number or a broker.

  – A Market maker (called a registered volume provider) to stand in the market and enable farmers to buy and sell shares at any time.

› A separate Fonterra Shareholders' Fund supports the FSM and facilitates liquidity. The Fund is listed on NZX and it provides the opportunity for a wider group of investors to gain exposure to the New Zealand dairy industry. Outside investors who are not allowed to hold shares in Fonterra are now able to invest in Units in the FSF that give them access to the Economic Rights (dividends and other economic benefits) they would have received if they were allowed to own a share.

Image source: Fonterra Shareholders' Fund Prospectus and Investment Statement

The FSM is an example of an alternative capital market designed to address the particular needs of co-operative companies. This innovation is made possible by the Government amending the Dairy Industry Restructuring Act 2001 and, through the Financial Markets Authority, working with NZX to agree new rules for FSM.

Case study Moa

Moa Group is a premium craft beer and cider brewer, and an example of the role public capital markets play in growing New Zealand companies. Established by Josh Scott in 2004, Moa has expanded rapidly in recent years through a focus on quality products and innovative marketing.

To finance this growth, Moa has drawn on both private and public equity markets. In late 2010 Moa received funding from Allan Scott Wines, The Business Bakery and Pioneer Capital, with co-investment from the New Zealand Venture Investment Fund (NZVIF). It significantly expanded its plant, including additional brewery equipment, tank capacity and a high-speed labeller. Distributor relationships were established in New Zealand, the US and Australia, along with agents in Singapore, Vietnam and China.

Its successful 2012 initial public offering (IPO) and listing on NZX raised $16 million, enabling it to further expand its production to meet demand for its product. With major investments in brewery facilities, additional tanks and a high-speed bottle filling machine, Moa expects to more than triple its production capacity over the next few years.

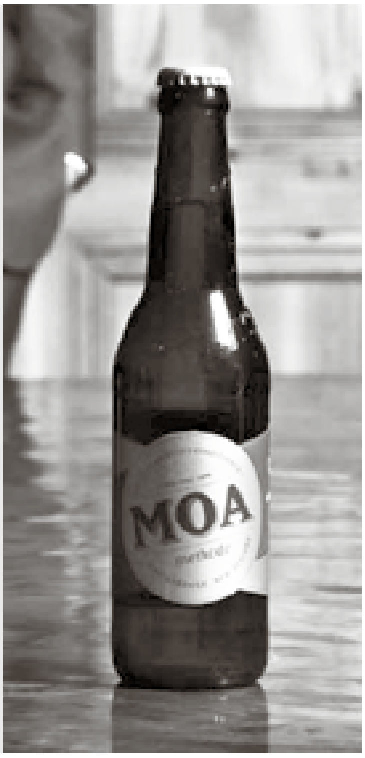


Image source: Moa Group, Initial Public Offering and Investment Statement

Initiatives

The Government is working to ensure that New Zealand's capital markets allow businesses to efficiently access the capital they need to grow, and enable investors to achieve their financial goals

This requires us to make improvements across New Zealand's financial system. The Government is updating financial market regulation to enable businesses to offer new products and investment opportunities. The updated regulations also improve the information in and integrity of capital markets and so help to encourage confident and informed participation. The Government is also playing an active role in improving capital markets by partnering with business to catalyse development of the small end of the market, and through improved management of the Government's own balance sheet. Underpinning capital market development is the Government's drive to maintain and improve New Zealand's economic stability by ensuring stable macroeconomic conditions.

The Government is committed to *Building Capital Markets* in key areas:

Better regulation to lift confidence in our financial markets

Smarter regulation that encourages greater capital market activity.

Strengthening public equity markets

Larger and more active public capital markets that support business growth.

Supporting early-stage and growth capital markets

Investment-ready early-stage and high-growth businesses can access the risk-capital they need to grow.

Improving the management of Crown capital

Ensuring that the Government's assets and liabilities are well managed and that the level of risk is appropriate.

Attracting foreign investment

Attracting foreign investment into productive investments that support jobs and higher incomes.

Encouraging efficient private capital markets

Policy and regulatory settings that support private capital being used in the most productive way.

Lifting our national saving rate

A higher national saving rate will reduce our overseas debt and associated risk premium so businesses can access the funds they need to grow at a reasonable cost.

Case study

NZX – the importance of New Zealand's local exchange

Image source: NZX Limited

NZX markets bring together investors with funds to invest, and companies which are in need of capital, and it is also developing a range of products to help companies manage risk better. NZX operates markets where equity and debt securities, derivatives and commodities are traded. It operates in a regulatory regime designed to provide investors with the information they need to invest with confidence.

As our main public market, NZX plays an important role in our capital markets. It allows New Zealanders to invest in New Zealand businesses. Companies can raise the funds they need to finance their businesses, grow revenues and create jobs. The liquidity provided through a public listing encourages investment which can lower the cost of capital. Listing also facilitates subsequent capital raisings.

The Government has worked with NZX over recent years on a number of initiatives. These include supporting the launch of NZX's dairy futures market and the new market infrastructure needed for clearing and settlement.

The Government worked with NZX and others to develop legislation that would support this infrastructure. Changes were also made to regulations to ensure that entities such as Fonterra could participate in the futures market. This market is now the most active dairy futures market globally – allowing New Zealand to develop capital markets products off the back of our successful dairy industry.

Fonterra chose NZX to operate the Fonterra Shareholders' Market, Fonterra's market where farmers are able to trade their shares in Fonterra with other farmers. Legislation was required to support this and NZX has worked with the Government to design a rule set which details how that market will operate.

In response to the impact of the GFC, the Capital Market Development Taskforce recommended changes to legislation to allow listed companies to raise capital more easily. The Government has implemented these changes and will further ease capital raising when the Financial Markets Conduct Bill (currently before Parliament) comes into force.

Both the Government and NZX see a role for public markets to better cater for New Zealand's small- to medium-sized companies. Many of these firms are too small for a listing on an existing public market to be economic, and the firms are concerned about the compliance costs.

The Financial Markets Conduct Bill provides for regulations to be developed which will support public markets for small- to medium-sized companies. Government will work with NZX (and any other operators) to develop regulations which support markets they might wish to launch. These markets could work in a number of ways:

- they might have rules which are more suited to the needs of rapidly growing companies
- they might have requirements for the companies to undertake research which would inform investors
- they might be limited to only some investors.

If successful, such markets would provide an effective way for our smaller firms to raise equity to fund their growth – and to undertake subsequent capital raisings as their growth required it. From the perspective of investors, these markets would allow them to participate in the growth of a range of smaller companies that they would normally not be able to invest in, with the ability to exit the investment and a degree of assurance that relevant information has been disclosed.

Better regulation to lift confidence in our financial markets

Smarter regulation that encourages greater capital market activity

Since the onset of the GFC, there has been worldwide concern about the quality of financial market regulation, which was highlighted in New Zealand by the failure of a number of finance companies. The Government is currently undertaking a major update of securities law to support investor confidence in New Zealand's capital markets while at the same time ensuring that the cost of financial market regulation is minimised. Regulation plays an important role in ensuring that capital markets operate efficiently. Regulation has costs – often directly to businesses and ultimately borne by investors. However, smart regulation minimises these costs while enabling capital markets to be as efficient as possible.

Deliver regulations under the FMC Bill that require simplified financial product disclosures

Under the Government's Financial Markets Conduct (FMC) Bill, New Zealand will be one of the first countries to develop short, consumer-focused disclosure documents for a wide range of financial products, including shares, debt securities and derivatives. This ensures that investors are provided with understandable and accurate information. To achieve this, the Government expects to pass the Financial Markets Conduct Bill this year and finalise the necessary regulations in early 2014. The Government recognises that traditional disclosure documents that some businesses are required to produce are too long and complex to be of use to investors, while being too expensive for businesses to produce.

Introduce new requirements for financial services providers and advisors to increase investor confidence in the financial services industry

All financial service providers and advisers are now required to be registered and belong to a dispute resolution scheme. Financial advisers who provide advice on complex or high-risk financial products are also required to meet training requirements, be authorised by the Financial Markets Authority, and follow a code of professional conduct.

Establish the Financial Markets Authority to promote and facilitate the development of fair, efficient and transparent financial markets

The GFC raised concerns about the quality of enforcement in financial markets. The Government established the Financial Markets Authority to promote fair, efficient, and transparent financial markets and play a more active role in surveillance and enforcement.

License and monitor trustees to improve the credibility and accountability of the industry

The Government has introduced a new licensing and oversight regime for trustees and statutory supervisors. This will improve the capability and accountability of the industry. The regime gives investors confidence by ensuring that trustees and statutory supervisors meet fit and proper requirements, which include a requirement to be independent from the issuers of securities.

Improve the integrity of New Zealand companies by requiring resident directors

The Government's Companies and Limited Partnerships Amendment Bill will require all companies to have a resident director in New Zealand or Australia. This will provide a local contact point to respond to requests from regulatory and enforcement agencies. Most companies already have a director who lives in New Zealand. Requiring all companies to comply with the new regulations will better identify those who require greater scrutiny. This will help ensure New Zealand remains a trusted place to do business, contributing to a lower New Zealand risk premium. The Bill is expected to be passed this year.

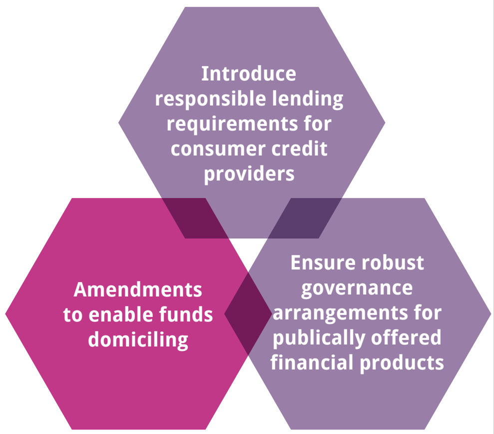
Enhance the stability of the banking system by implementing Basel III

The Reserve Bank's implementation of Basel III capital adequacy requirements came into force on 1 January 2013 requiring banks to hold higher levels of loss-absorbing capital. A bank that does not maintain a common equity buffer of 2.5% above these minimum ratios will face restrictions on the distributions it can make. The Basel III changes increase the resilience of the New Zealand banking sector and lessen the chance that banks, when faced with shocks, will become distressed and potentially require support or the use of resolution tools to avoid a disorderly bank failure. The extra resilience of banks will decrease the likelihood of policy responses such as the temporary Retail Deposit Guarantee Scheme that was introduced in October 2008 as a response to the GFC.

Introduce new macro-prudential tools to help manage financial system risks

The Reserve Bank is also developing and implementing a macro-prudential policy framework for the management of financial system-wide risks. Through the proposed framework, the Reserve Bank would be able to require banks to take additional temporary risk management measures against emerging risks to the financial system as a whole. The Reserve Bank and Treasury are finalising governance arrangements for new macro-prudential tools. A public consultation document is expected to be released in the first quarter of 2013.

Other actions the Government is taking in this area:



Government Share Offers – New investment opportunities and developing our public equity markets

The Government intends to offer the public minority shareholdings in four energy State-owned enterprises (SOEs), as well as reducing its shareholding in Air New Zealand. The Crown will continue to hold at least 51% of the shares in each company.

The Share Offers are expected to be conducted over a three to five year timeframe, depending on a number of factors including market conditions and company readiness.

The Share Offers will help develop the depth and breadth of New Zealand's capital markets and provide New Zealanders with an opportunity to invest in a larger range of listed companies. The Government expects that they will help create a "virtuous circle" of public capital market activity that encourages new listings, liquidity, analyst research and investor participation that reinforce each other. The Share Offers will provide an investment opportunity in significant New Zealand assets for New Zealanders who currently have over $100 billion invested in term deposits, KiwiSaver funds, Iwi investments and other investment funds.

Importantly, New Zealanders will be the first in line for shares.

The Government expects that part-private ownership of these assets should also have commercial benefits for these companies. A listing on the NZX main board will increase the oversight and transparency of the companies and a publicly traded share price should further focus the companies on ensuring their businesses are run effectively and efficiently.

The proceeds from the Share Offers will free up capital so the Government can invest more in public assets and new infrastructure without having to borrow to do so – helping to keep net Government debt under 30% of GDP and maintaining New Zealand's fiscal credibility in a volatile global economy.

The Government has established the Future Investment Fund to receive all proceeds from the Share Offers – expected to be between $5 billion and $7 billion. The Fund will re-invest these proceeds in other public assets like schools and hospitals. In particular, the Government has earmarked $1 billion of the Fund for modernising and transforming New Zealand's schools.

Disclaimer

The Crown is considering offering shares to the public in one or more of four energy State-owned enterprises (SOEs) and Air New Zealand Limited. No money is currently being sought and no applications for shares will be accepted or money received until after an investment statement containing information about the relevant offer of shares is available. It is intended that an application will be made to NZX Limited to list each of the four energy SOEs on the NZX main board. In each case, the application will be made at the time that shares in that company are offered to the public. No such applications have yet been made.

Strengthening public equity and debt markets

Larger and more active public capital markets that support business growth

To increase economic growth, New Zealand needs a larger and more active public equity market – currently our public equity market as a percentage of GDP is small by international standards. The Government is undertaking a range of actions to facilitate participation in public equity markets that will in turn catalyse greater interest and new listings of growing New Zealand companies. The Government Share Offers are a major component of this.

As well as helping firms access capital, listing also provides a way for entrepreneurs to exit their investment and reinvest in new start-ups.

Partially-list four State-owned enterprises on the NZX exchange

The Government Share Offers will deliver significant benefits to our capital markets and the New Zealand economy. They will open up opportunities for New Zealanders to invest in the energy sector, which is currently limited due to the Government's extensive holdings. The increased visibility of company performance will also encourage improved performance by the companies, as retail investors bring private sector disciplines and more effective monitoring. They will also deepen our capital markets, encouraging increased investor interest and activity, which will make it more attractive for other companies to list on NZX. The Offers will also allow the Government to redeploy capital to its best use through the Future Investment Fund.

Investigate options for lower-cost public listing

For many SMEs, the compliance costs of listing on the NZX main board outweigh the benefits of being listed, and so these firms either do not list, or list on a completely unregulated market. The Government's Financial Markets Conduct Bill allows for markets under which disclosure requirements and conduct rules can be adapted to the particular market, issuers, and investors involved. The Government will work with NZX (and any other operators) to develop regulations for lower cost exchanges to increase access to capital for New Zealand's small- and medium-sized companies.
The ability to tailor the requirements for particular public exchanges may also be beneficial for markets on which only certain types of products are traded, such as straight-forward exchange-traded funds.

Pass the FMC Bill to make it easier for listed companies to raise capital

In response to the impact of the GFC, the Capital Market Development Taskforce recommended changes to legislation to allow listed companies to more easily raise capital. The Government implemented these changes, the most significant of which was the simplified disclosure prospectus that removes the need for listed companies to duplicate material in the prospectus that they have already released under their continuous disclosure obligations. The Government will further ease capital raising for listed companies when the Financial Markets Conduct Bill (currently before Parliament) comes into force, providing exemptions from producing a product disclosure statement for subsequent offers of financial products that are already quoted.

Make it easier for businesses to offer employee share schemes

The Government is updating regulations to reduce compliance costs to businesses offering employee share schemes. Employee share schemes enable employees to take an ownership stake in the business they work for and allow businesses a simple means of retaining more capital to invest in new opportunities. Where businesses and employees see this as mutually beneficial, the Government is removing barriers that constrain them.

Enable Fonterra's Trading Among Farmers Scheme

The Government has passed the Dairy Industry Restructuring Act to enable Fonterra to pursue the Trading Among Farmers Scheme (TAF). Under TAF, Farmers wanting to purchase or sell Fonterra shares trade in a market rather than transacting directly with Fonterra, as was previously the case. In addition, an external fund has been established and farmers are able to sell a portion of their shares to the fund in exchange for cash. External investors are also able to purchase the beneficial rights, in other words the dividend and any changes in value to shares, that farmers have sold into the fund. Fonterra remains 100% farmer supplier-owned as voting stays with the Fonterra farmer supplier. TAF also provides the opportunity for Fonterra to raise additional capital to pursue growth opportunities in New Zealand and overseas markets.

Other actions the Government is taking in this area:

- **Pass the Financial Reporting Bill to reduce unnecessary financial reporting costs for businesses**
- **Enable NZX to develop a dairy futures market**

Lifting our national saving rate

Lifting national savings to reduce overseas debt and deepen our capital markets so businesses can access the funds they need to grow

New Zealand's level of national savings has tended to be lower than our level of investment. For several decades, we have supplemented national savings with foreign savings, which has led to growing offshore debt. Increasing national savings and reducing offshore debt will help make New Zealand more resilient to external shocks and will put downward pressure on interest rates and the exchange rate.

It is important that government policy settings provide New Zealanders with the right incentives to save. This means appropriate tax settings that do not discourage saving or distort how people save, as well as good information about investment performance.

KiwiSaver is part of this story; however, it is important to note that it is not the panacea to New Zealand's saving issues – less than half of the household sector's contributions to KiwiSaver are truly additional (the rest would likely have been saved anyway). The range of actions covered in this report and the wider Business Growth Agenda that support income and job growth are also part of ensuring that New Zealand can earn and save enough to support our economic future. The Government is taking a range of actions directly related to savings, including:

Return government books to surplus and start paying down government debt

While the private sector has been increasing its saving over recent years, the Government has gone into deficit to cushion the worst aspects of the GFC and the Canterbury earthquakes. It is now important for Government to contribute to lifting national savings by balancing its books and resuming debt repayments.

Investigate differences in taxation treatment of different forms of savings with a view to equalising treatment over time

Differences in tax treatment distort investment from its most productive uses. Improvements to the tax system in Budget 2010 removed some distortions but others remain. Government will investigate these differences and look to equalise treatment and reduce distortions over time.

Enable trans-Tasman portability of retirement savings

Significant progress has been made in implementing an agreement with the Australian Government to enable individuals to bring their retirement savings with them when they move across the Tasman. This will benefit our capital markets by allowing returning New Zealanders or emigrating Australians to bring their superannuation contributions with them to invest via a New Zealand KiwiSaver scheme. The change also supports a more flexible trans-Tasman labour market and reduces the cost and complexity for individuals when they move between our two countries.

Introduce new disclosure rules for KiwiSaver so investors have better information to compare fund performance

The Government is introducing new regulations that will require all retail KiwiSaver funds to regularly report consistent and comparable information on fund returns and fees. This will allow investors to better understand and compare fund performance, and possibly move to better performing providers.

Increase KiwiSaver minimum contribution rates

The Government supports KiwiSaver as a vehicle for building New Zealanders' retirement savings. The Government has agreed to increase KiwiSaver contributions from employees and employers to 3% each from April 2013.

Review the KiwiSaver default fund mandates to ensure it is in the best interests of investors

The Government is currently reviewing the KiwiSaver default fund mandate. Since the inception of KiwiSaver, new default members are automatically allocated to conservative funds consisting of generally low-risk, low-return assets like bonds and bank deposits. The review will consider whether the current default arrangements are in the best interests of investors.

Auto-enrol all employees in KiwiSaver when Crown finances allow

To continue to build genuine national savings, the Government intends to enrol all employees in KiwiSaver when Crown finances allow. More than two million New Zealanders are now in KiwiSaver – around 50% of the eligible population. The auto-enrolment exercise will come at a significant fiscal cost to the Government and would require additional borrowing if undertaken before returning the Government accounts to surplus.

Supporting early-stage and growth capital markets

Early-stage and high-growth businesses can access the risk-capital they need to grow

To increase economic growth, New Zealand needs more high-growth, innovative businesses. Rapid business growth and innovation inherently involves a reasonably high degree of risk and it is often difficult for New Zealand businesses to raise sufficient risk-capital in our relatively thin markets. The Government is taking a range of actions to crowd-in activity in growth capital markets and support the growth of high-growth, innovative New Zealand businesses.

Increasing access to capital for small, high-growth businesses by supporting the New Zealand Venture Investment Fund

The Government is increasing access to capital for small, high growth businesses through the New Zealand Venture Investment Fund (NZVIF). The Government has recently announced a new $60 million underwrite for the Venture Investment Fund and approval for NZVIF to negotiate with the Taiwan Government's National Development Fund on setting up a fund-of-funds that will allocate capital to private sector venture capital funds investing in New Zealand and Taiwanese companies.

Improvements to business R&D grants

A review of Government's business support expenditure is underway. This includes focused reviews of the Government's support for business R&D and for early-stage businesses. Business R&D grants (administered by Callaghan Innovation) will be redesigned. The intention of the review is to make it easier for businesses to attract R&D co-funding and reduce compliance costs, and to help leverage higher investment by New Zealand companies in research and development programmes.

Deliver targeted services to help internationalising New Zealand firms raise capital

The small size of the New Zealand economy means that our businesses need to overcome the challenge of international expansion at an earlier stage in their development. Becoming an international business generally requires new capital for expansion, acquisition or joint ventures. NZTE is establishing the *Better by Capital* programme. This will focus on increasing the capability of New Zealand's firms to raise, and capacity to deploy, smart investment capital to accelerate their international growth. The *Better by Capital* programme will be launched in early 2013. NZTE also plays a more general role in helping match capital to businesses through its Capital Services Investment Managers. NZTE is working with approximately 90 companies in support of their capital raising plans.

Enhance NZ Export Credit Office products and services

The New Zealand Export Credit Office offers a range of insurance and financial guarantees, which complement private sector provision and assist New Zealand exporters in overcoming financial barriers to fulfil current orders and pursue new export opportunities. This can be critical in competing to win export contracts, particularly for small and early-stage businesses, by mitigating buyer repayment risks, and accessing additional credit facilities from an exporter's bank. In December 2012, the Government announced further improvements to NZECO's products and services to better support exporter growth. This included extending the maximum term of the SME loan guarantee from 12 months to 36 months and enabling NZECO to issue performance guarantees directly to foreign government and public agency buyers.

Improvements to incubator programmes

The Government's review of early-stage support will consider options for an improved incubator programme, modelled on those used in Israel, that will align incentives of incubator operators with start-ups and be more effective at supporting start-ups to commercialise high-value intellectual property. This may include a new funding instrument for firms in incubators to address a shortage in funding for capital intensive start-ups that are not yet investor-ready.

Enable crowd funding and peer-to-peer lending

The Government's updated securities legislation provides explicit mechanisms for regulating new forms of intermediated capital raising, such as 'peer-to-peer lending' and 'crowd funding'. These enable funds for small businesses and individuals to be raised in internet-based market places, potentially more efficiently than through traditional public or private offerings.

Spot light

Housing is our largest asset

The Government is focused on improving the operation of the housing market and getting better performance out of its own investment in housing for New Zealanders

House prices more than doubled in real terms from 2001 to 2007 and this helps to explain the attractiveness of housing as an investment for many people. However, high housing debt diverts money from more productive investments, contributes to New Zealand's significant overall level of indebtedness and exposes taxpayers to growing demands for State assistance with housing costs.

The supply of housing also matters for individual and community wellbeing: good housing outcomes support good social outcomes.

The Government's role is to ensure investment decisions are not distorted and that the appropriate regulatory framework is in place to help the market operate efficiently and effectively. For households in most need, the Government also provides financial assistance and supplies around 5% of the total housing stock through Housing New Zealand. We need to ensure that Government gets good outcomes from these programmes, while managing the balance sheet and not crowding out private investment. In addition, housing affordability is also supported by the Government's wider objective to increase New Zealanders' incomes.

In March 2011, the Government asked the Productivity Commission to look into issues affecting housing affordability. The Commission concluded that there are many impediments to more affordable housing in New Zealand and emphasised the importance of supply-side factors. They found restrictions on the supply of land, problems with achieving scale in new house construction and inefficiencies, costs and delays in regulatory processes among the most significant problems.

In response to this inquiry, the Government is making significant reforms to ensure that the housing market functions effectively and provides New Zealanders with affordable housing. We are also working to encourage local government to play its part.

The Canterbury rebuild also presents an opportunity to trial innovations. These include the risk-based consenting regime, the use of prefabricated building components in the Home Innovation Village and demonstrating the benefits of medium-density housing, through the central city exemplar project.

The Government's work programme to improve housing affordability

Four main aims:	Reducing restrictions on land supply and land use in both greenfields and brownfields areas	Improving the timely provision of infrastructure provision	Lifting construction sector productivity	Reducing costs and delays in regulatory processes

Recent changes

- Changes to the Resource Management Act (RMA) in 2009 to streamline some aspects of the planning and consent process and reduce the scope for vexatious appeals.
- Reforms to the Building Act to clarify accountabilities for carrying out building work, increase protection for consumers and introduce the MultiProof tool to make it easier for volume builders to demonstrate Building Code compliance.
- The use of powers under the Canterbury Earthquake Recovery Act 2011 to speed up planning for housing to address supply issues.
- Advancing housing developments on Crown-owned land in Christchurch, Tamaki, and Hobsonville.
- Tax changes in Budget 2010 to remove the ability to claim depreciation on commercial and rental buildings.

Current policy changes being made

- A streamlined process for delivering the first Unitary Plan for Auckland, so that Auckland Council can move quickly to improve its development practices and unlock housing supply.
- Further reforms of the Resource Management Act to require a single Plan per district and impose a six month time limit for councils to grant medium-sized resource consents.
- A fundamental review of the transparency, accountabilities and timing of infrastructure provision.
- A market-level inquiry into the construction sector to identify barriers to improved housing affordability.
- An evaluation of the Productivity Partnership's progress in achieving a 20% increase in productivity by 2020.

Work is being done to explore further

- Options for providing greater central direction to increase forward land supply and a broader range of permitted activities.
- Alternative methods of infrastructure provision, such as allowing for private provision and ownership.
- Consolidating Building Consent Authorities to achieve a critical mass of expertise and greater consistency.
- Opportunities to support industry scale through the Government's social housing programme.
- Establishing a competitor agency for resource consents/plan changes.
- Options for a robust local government performance monitoring regime.
- Options to provide access to low-cost legal challenges for council decisions.

Encouraging efficient private capital markets

Policy and regulatory settings that support private capital being used in the most productive way

Government plays an important role in ensuring that investment decisions are not distorted and that the regulatory framework helps the market operate efficiently and effectively. When markets are functioning effectively, capital flows to productive investment, promoting economic growth and rising living standards.

Provide more options for SMEs to raise capital

The Financial Markets Conduct Bill clarifies and widens disclosure exceptions for SMEs seeking to raise capital. Exceptions include raising capital from experienced investors and investors that they have a relationship with, and for small offers of debt or equity (for example angel networks) and employee share schemes. Currently it is often unclear for businesses as to whether or not they need to prepare a prospectus when raising capital. This is because some of the exemptions are unclear. In addition, some exemptions are unduly narrow and impose unnecessary costs on businesses.

Improve the operation of the housing market to better match supply with demand and keep house price inflation down

The Government has a comprehensive work programme to relieve supply constraints that drive up the price of housing and reduce the resulting distortions in capital markets. Housing is a significant investment and store of wealth for New Zealanders but our high housing debt diverts money from more productive investments and contributes to New Zealand's overall level of indebtedness. The Government's work programme will alleviate this in four ways: reducing restrictions on land supply and land use, improving the timely provision of infrastructure provision, lifting construction sector productivity and reducing costs and delays in regulatory processes. Government actions to improve housing affordability are outlined in more detail on page 24.

Explore options to improve the utilisation and productivity of Māori assets

Māori own a significant asset base and realising the full potential of these assets is important for improving the performance of the Māori economy. The Government is investigating the recommendations of the Māori Economic Development Panel with the aim of encouraging productive investments in Māori businesses and resources. This includes exploring options to co-invest with Māori in projects that achieve both Crown and Māori priorities and create economic growth. The Government is also reviewing Te Ture Whenua Act to make practical recommendations on what form of legislative intervention might best support the owners of Māori land in reaching their aspirations. An independent panel has been established to make practical recommendations on what form of legislative intervention might best support the owners of Māori land in reaching their aspirations, while enabling the better utilisation of their land. Increasing productivity and achieving economic growth needs to be balanced with preserving the cultural significance of Māori land for future generations.

Improvements to the tax system in Budget 2010

The Government made a number of improvements to the tax system as part of Budget 2010. This included:

- reducing the corporate income tax rate by two percentage points so businesses have more retained capital to invest,
- reducing income taxes, including the tax rate on income earned from savings, and
- removing distortions in property investment by removing the ability to claim depreciation on rental properties against taxable income.

Deliver programmes to improve New Zealanders' financial and investor literacy

The Financial Markets Authority and the Commission for Financial Literacy and Retirement Income are partnering with the financial sector to develop an action plan to improve investor literacy. The Commission, along with iwi groups and private sector organisations, are also pooling resources to provide more effective advice to Māori wanting to participate in long-term savings and financial literacy programmes. This is in addition to the Commission's existing work programme to improve financial literacy, which includes the Sorted.org.nz website. Better financial literacy will improve New Zealanders' ability to make informed judgements and effective decisions regarding the use and management of money.

Investigate the development of a specialist exchange for co-operatives on NZX

New Zealand's co-operatives serve their owners well; however, some have difficulty accessing capital given the restrictions on outside investors. When seeking external capital, co-operatives face a natural tension between satisfying the initial owners' desire to retain adequate control (to ensure that the co-operative continues to serve their interests), and convincing outside investors that the business will provide them with fair returns. The Capital Market Development Taskforce recommended the creation of a specialist exchange that caters to the needs of co-operative enterprises. Any new exchange will need to be driven by industry, with strong interest from co-operative businesses, their owners and potential investors. Fonterra's Trading Among Farmers may serve as a model. If NZX decides to create a co-operative exchange, the Government will develop the necessary regulations to enable it.

Facilitate the formation of the Local Government Funding Agency

The Local Government Funding Agency enables local governments to more effectively raise capital by pooling their debt funding requirements. The Government helped facilitate the Local Government Funding Agency by providing start-up capital and by making changes to legislation.

Case study: Scott Technology

Scott Technology is a New Zealand-based, NZX-listed engineering company that specialises in the design and manufacture of automated production and process machinery.

The company's headquarters are located in Dunedin and it also operates from Christchurch, Wellington and Auckland, with permanent sales and service offices in Dallas, Bergamo, Shanghai, Qingdao and Sydney.

The company operates in a number of markets around the world. Its products include the design and manufacture of large-scale automated manufacturing systems including whitegoods manufacturing, meat processing robotics, industrial automation, rock sample preparation equipment and high temperature superconductors

KiwiSaver funds have been invested in Scott Technology through the Tower Investments KiwiSaver scheme. Tower Investments identified Scott Technology as a mid-cap growth stock, in favourable industries to achieve high growth over the medium- to long-term. Tower Investments believe that Scott Technology will benefit from its long-term investments in diversifying its automation business across meat and dairy processing, mineral testing, and industrial processes, in addition to its expansion into products aimed at the high temperature semiconductor industry.

Tower Investments KiwiSaver scheme is a significant investor in Scott Technology. The lower redemption risk of KiwiSaver funds allows KiwiSaver schemes, including Tower Investments, to increasingly invest in smaller and less liquid New Zealand companies, such as Scott Technology. This enables KiwiSaver members to benefit from the long-term potential growth of New Zealand's high value-added technology businesses.

Image source: Scott Technology Limited

Tower participated in a rights issue, providing the company with new capital to invest in a production facility in China, and has become a substantial equity owner.

Scott Technology has also been a recipient of Government research and development funding ($3.7 million over 2010–2013). This funding is being used to further develop an automated meat processing system. The system uses X-rays and sophisticated software to improve the accuracy of robotic cutting tools to increase meat yields.

Case study: BioVittoria

BioVittoria is a product development and marketing company focused on commercialising plant-derived functional ingredients for the food and beverage and dietary supplement industries.

BioVittoria's corporate headquarters are in Hamilton, with offices in China and the USA.

BioVittoria is the world's largest producer and processor of monk fruit (Chinese luo han guo) and has created a vertically-integrated value chain which includes seedling cultivation, harvesting, processing and product formulation.

In January 2010, BioVittoria received official notification from the US Food and Drug Administration (FDA) that its Fruit-Sweetness branded monk fruit concentrate is GRAS (Generally Recognised As Safe). Fruit-Sweetness is a powdered concentrate made from monk fruit and is around 150 times sweeter than sugar.

The New Zealand Venture Investment Fund, through its partner Endeavour Capital, invested start-up capital in BioVittoria in 2006. In October 2010 the company entered into a strategic partnership with British sugar giant, Tate & Lyle. Tate & Lyle is supporting the development of BioVittoria's sweetener products with sales, research, marketing and product development. The global sweetener market is worth around US$60 billion per year.

Image source; BioVittoria Limited

New Zealand Trade and Enterprise provided BioVittoria with around $580,000 in grants between 2004 and 2008 to attend trade shows, gain US Food and Drug Administration approval and develop international marketing strategies.

Improving the management of Crown capital

Ensuring that the Government's assets and liabilities are well-managed and that the level of risk is appropriate

The size of the Crown's net balance sheet is in the order of $60 billion of equity, made up of $240 billion in assets and $181 billion in liabilities. The effective and efficient management of this balance sheet has significant implications for both reducing the vulnerability and increasing the growth performance of the New Zealand economy. Responsibly managing the Government's finances involves the fiscal goals of:

- Returning the operating balance to surplus in 2014/15 and getting net debt down to prudent levels
- Maintaining a broad-base, low-rate tax system that minimises economic distortions
- Effectively and efficiently managing the Crown's balance sheet.

The Government has been moving to more consistent and deliberate management of the Crown's balance sheet – that is, what it owns and what it owes. This will ensure that public assets are used as efficiently and effectively as possible, and that public services can continue to be provided to desired levels in the future. The Government remains committed to its investment intentions, published in the *2010 Investment Statement of the Government of New Zealand*. These outline the Government's strategy for effectively managing its balance sheet. Numerous steps have been, and will continue to be, taken to give effect to this strategy including:

Rebuilding the Crown's balance sheet buffer against future adverse events

The Crown's balance sheet has played a crucial role in supporting New Zealand through the events of recent years, but that necessarily makes it less able to deal with future shocks. The Government's fiscal strategy focuses on quickly rebuilding its fiscal buffer through a return to surplus in 2014/15 and a subsequent reduction in net debt as a percentage of GDP.

Reducing the Crown's risk exposures

In cushioning New Zealanders from the worst impacts of recession, the GFC and the Canterbury earthquakes, the Crown took ownership of a number of risky assets and liabilities, through initiatives such as the Retail Deposit Guarantee Scheme, introduced in 2008, and its support for AMI Insurance. The Government has established two Crown entities to manage these assets and liabilities. Crown Asset Management Ltd.'s purpose is to realise the assets from the receiverships under the deposit guarantee scheme and to return capital to the Crown on a regular quarterly basis. Southern Response Earthquake Services Ltd. was set up to manage outstanding claims by AMI policy holders through settling claims and managing the associated rebuild responsibilities in as short a timeframe as possible.

Increase SOE performance and transparency

Over the past few years, the Crown Ownership Monitoring Unit has implemented a range of initiatives with the broad objective that SOE disclosure levels be commensurate with comparable listed companies. These include independent valuations, using standardised financial performance measures, annual public meetings for large SOEs, continuous disclosure and an Annual Portfolio Report describing financial performance of the Government's portfolio of commercial companies. The Owner's Expectations Manual, which outlines shareholding Ministers' expectations of SOEs, has also been updated and publicly released.

Introduce the Future Investment Fund to reallocate capital from the process of the Government Share Offers

The Government is establishing the Future Investment Fund to reallocate capital from lower-priority areas to investments that will enhance the efficiency and effectiveness of the State sector and improve New Zealand's infrastructure. This ensures that Government makes the most efficient allocation of scarce capital.

Sharpening incentives on State agencies to use existing Crown capital well

Through a number of mechanisms the Government is encouraging State sector agencies to use capital more efficiently. This is being reinforced through the Better Public Services project, which places strong emphasis on agencies collaborating on capital investment decisions and driving efficiency improvements through better transparency. For example, the Government is centralising and coordinating the negotiation of public sector office space leases. This is expected to save $338m over 20 years.

Introducing private sector capital and disciplines through public-private partnerships

The Government is increasing the number of public-private partnerships (PPPs) to introduce private sector expertise and risk-sharing into government capital investment. PPPs, when used effectively, reduce costs and improve service delivery and value for money. Recently announced PPPs include the new prison at Wiri, two schools at Hobsonville, and Transmission Gully. Complementing this work is the Better Public Services project to encourage more contestability in service provision and greater use of alternative service providers.

Spot light

International investment in New Zealand enterprises

Foreign investment supports job growth and higher incomes in New Zealand

Foreign direct investment (FDI) helps firms grow, create more well-paid jobs, and thrive in international markets. It is an important component of international capital flows because, as well as supplementing domestic savings, it is a conduit for the transfer of new technology and managerial and other skills, and a facilitator of entry into global supply chains and international markets.

FDI benefits our exporters. Firms operated by foreign investors are often some of our most productive firms and some of those most likely to be engaged in exporting. New evidence shows that the key benefits for firms purchased by foreign investors are increases in average wages, employment and output. Other New Zealand firms learn from these foreign owned firms (by, for example, the movement of staff between firms) and are incentivised to innovate to remain competitive.

Foreign equity investment can also bring other benefits that foreign borrowing does not. For example, equity investment provides a stronger buffer against external economic shocks because it comes without the fixed interest payments of debt. It can also provide larger amounts of risk capital that might be beyond what our domestic capital market could mobilise.

Fears of foreign investment are frequently overstated. The outcome for the economy is positive overall when foreign investment increases the output of our more productive firms and national income increases by more than the return accruing to foreign investors. There is evidence that the use of foreign savings has increased the capital stock and generated additional income more than sufficient to meet obligations on foreign liabilities.

Foreign direct investment is a vote of confidence in the quality of New Zealand's institutions, its entrepreneurs and its workforce.

Case study

Jack Link's

The Jack Link's plant in Auckland

Image source: Jack Link's New Zealand Limited

Jack Link's is a US-based company and is a rapidly growing meat snack manufacturer, selling over 100 different meat snack products in more than 40 countries. The company has production facilities in a number of locations around the world.

Jack Link's opened a state of the art beef snack manufacturing factory in Auckland in 2002. The 3,000 sq. metre purpose built facility is equipped with modern food processing machinery.

New Zealand's food safety standards and reputation were a major selling point for the New Zealand production facilities, as well as the lower-cost business environment and access to quality New Zealand beef.

Beef snacks made in the Auckland plant are exported to Europe, Japan, Singapore, Hong Kong, USA, Canada, the Middle East and Korea.

Attracting foreign investment

Attracting foreign investment into productive investments that support jobs and higher incomes

New Zealand needs to be a magnet for investment. The free flow of capital between New Zealand and the rest of the world is vital for economic growth. Overseas capital can make things happen here that wouldn't otherwise happen, grow businesses that wouldn't otherwise have the means to grow, create jobs that otherwise wouldn't exist, and pay wages that are higher than they would otherwise be. Foreign investors bring knowledge of international markets and access to established networks that can be hard to develop from our geographic position and small population. Both inward and outward foreign investment also help support growth in wages, employment and output by linking New Zealand businesses into opportunities for export and tapping into international supply chains. The Government is undertaking a number of initiatives to ensure that New Zealand attracts foreign investment into productive enterprises, including SMEs, which support jobs and higher incomes for New Zealanders. These include:

Encourage a more positive environment for international investment and explain the benefits to New Zealanders

The Government is embarking on a concerted programme to encourage international investment to create employment and exports and to demonstrate the benefits of international investment to New Zealanders. This includes publishing a report on the important role of international investment in the New Zealand economy, promoting New Zealand business on Minister-led trade missions and making information on New Zealand available to potential investors.

Aligning business law between New Zealand and Australia

To accelerate the creation of a Single Economic Market between Australia and New Zealand, the Government is progressing a range of actions to align trans-Tasman business law in partnership with the Australian Government. Areas include insolvency law, competition policy, financial reporting, intellectual property and consumer law. Streamlining business law between New Zealand and Australia will make it easier for businesses to operate in the two jurisdictions and encourage greater trans-Tasman investment, where there are benefits for New Zealand.

Advance mutual recognition of imputation and franking credits with Australia

Mutual recognition of imputation and franking credits is the most economically significant outstanding issue for New Zealand's and Australia's shared vision for a seamless trans-Tasman business environment, set out in the Single Economic Market agenda. Currently, shareholders can only make use of imputation and franking credits for company taxes paid in their country of residence – a New Zealand investor cannot make use of franking credits from their investments in Australia, and an Australian investor cannot make use of imputation credits from their investments in New Zealand. This means investors are double taxed on their dividend returns from their trans-Tasman investments, The current lack of mutual recognition is an impediment to the free flow of capital across the Tasman which distorts investment decisions; is a barrier to capital raising; and is a barrier to firms taking their first step to internationalise by expanding across the Tasman.

Develop and implement NZ Inc country and regional strategies

The programme of NZ Inc country and regional strategies aims to align and better coordinate the international activities of different government agencies, including activities to attract FDI where this is relevant. The first two NZ Inc strategies launched – for India and China – include investment elements. The India strategy focuses on improving the bilateral investment framework and facilitating growth from a low base, while for China we are making progress towards the ambitious goal of increasing bilateral investment to levels that reflect the growing commercial relationship. With the establishment of an in-market investment team by NZTE, the full potential of China FDI is becoming apparent, with the strategy focusing on channelling investment into areas that support the Business Growth Agenda.

Investigate amending the overseas investment screening regime to treat NZX-listed companies with no more than 49% foreign ownership or control as New Zealand companies

Some predominantly New Zealand-owned companies are treated as foreign companies under our Overseas Investment Act. This is the case for some of our large NZX-listed companies, and means that they are caught by the Act if they wish to invest further in New Zealand. To make it easier for these New Zealand companies to invest here, the Government will investigate amending the overseas investment screening regime to treat NZX-listed companies with no more than 49% foreign ownership or control as New Zealand companies.

Deliver a compelling New Zealand story

The New Zealand story project will create a shared country story, to be used by the public and private sector to help position and promote New Zealand. This will help encourage international investment in New Zealand.

The New Zealand story is about creating an overarching, consistent message that represents New Zealand and the best we have to offer the world. New Zealand already has a generally favourable international reputation, but it could be clearer and it could be stronger. Some aspects of our story – for example, our beautiful landscapes – are better understood internationally than others.

It's also important that we are recognised for our other key attributes. This initiative is about addressing the need identified by businesses and government agencies to tell a stronger story for New Zealand internationally. The story will help communicate our distinct and unique attributes to international audiences.

Other actions the Government is taking in this area:

Review investor, entrepreneur and worker policy settings with a view to attracting migrants with the right skills and capital to invest

Image source: Synlait Milk Limited

Case study Synlait

Synlait is an innovative dairy processing company based in Canterbury. It is a major exporter and employs over 130 people.

Synlait's first commercial project began in 2000 with the purchase and development of a farm near Dunsandal in South Canterbury. This quickly grew to a 3,000 cow dairy farm, one of the largest and most innovative farms in New Zealand.

Over the next five years Synlait continued to develop dairy farms. By 2005 Synlait owned eight farms and had built a cornerstone block of milk supply. Synlait expanded into processing with construction of its own processing facilities in Dunsandel.

By 2009 the first manufacturing plant was operating at capacity, and a second small-scale spray drier had been built. This gave Synlait the capability to produce 1000–2000 tonnes of formulated milk products, premium quality colostrum powders, hyper immune powder and other specialised high-value dairy products per year.

Bright Dairy of China became a significant partner and shareholder in 2010. It provided capital to enable construction of the largest and most sophisticated purpose-built infant formula facility in the Southern Hemisphere, capable of producing 6–7 tonnes of infant milk powder per hour.

Several significant research and business development projects at Synlait have been supported by Government funding in recent years – many of which have involved collaborations with Crown Research Institutes and New Zealand universities.

Case study Heinz Wattie's

Wattie's is a major producer of processed food in New Zealand. It employs more than 1,900 people in New Zealand, with factories in Hastings and Canterbury, and exports around 60% of what it produces annually.

Wattie's began in Hawke's Bay in 1934 when Sir James Wattie and Harold Carr formed J. Wattie Canneries Ltd and started supplying pulped fruit from gooseberries, plums and peaches to be made into jam.

In 1992, US-based H.J. Heinz Company purchased Wattie's from Goodman Fielder. Heinz produced many similar products and saw Wattie's as a natural fit with its global business.

Following the purchase by Heinz, Wattie's purchased the nearby disused freezing works at Tomoana, Hastings, and rebuilt the site into a modern food processing factory and distribution centre. Over $100 million has been invested in upgrading factories to meet the quality and price demands of international food markets.

Heinz uses New Zealand as a centre of manufacturing excellence and a major source of supply to the Asia-Pacific region.

Photo source: Archives New Zealand

Queen Elizabeth II and Sir James Wattie at Wattie's Hastings cannery in 1954.

Progress Indicators

Completed	
In progress	
Implementing	
New project	

The Government is focussed on making substantial progress on the following *Building Capital Markets* initiatives.

	Action	Progress	Lead	Also in
Better regulation to lift confidence in our financial markets	Deliver regulations under the FMC Bill that require simplified financial product disclosures	In progress	MBIE	
	Introduce new requirements for financial services providers and advisors to increase investor confidence in the financial services industry	Completed*	MBIE	
	Establish the Financial Markets Authority to promote and facilitate the development of fair, efficient and transparent financial markets	Completed*	MBIE	
	License and monitor trustees to improve the credibility and accountability of the industry	Completed*	MBIE	
	Improve the integrity of New Zealand companies by requiring resident directors	In progress*	MBIE	
	Enhance the stability of the banking system by implementing Basel III	In progress	Treasury, RBNZ	
	Introduce new macro-prudential tools to help manage financial system risks	In progress	Treasury, RBNZ	
	Introduce responsible lending requirements for consumer credit providers	In progress*	MBIE	
	Amendments to enable funds domiciling	Completed*	Treasury, IRD, MBIE	Export Markets
	Ensure robust governance arrangements for publically offered financial products	Completed*	MBIE	
Strengthening public equity markets	Partially-list four State-owned enterprises on the NZX exchange	In progress*	Treasury	
	Investigate options for lower cost public listing	In progress*	MBIE	
	Pass the FMC Bill to make it easier for listed companies to raise capital	In progress	MBIE	
	Make it easier for businesses to offer employee share schemes	In progress	MBIE	
	Enable Fonterra's Trading Among Farmers scheme	Completed	MPI, Treasury, MBIE	
	Pass the Financial Reporting Bill to reduce unnecessary financial reporting costs for businesses	In progress	MBIE	
	Enable NZX to develop a dairy futures market	Completed	MBIE	
Lifting our national saving rate	Return government books to surplus and start paying down debt	In progress	Treasury	
	Investigate differences in taxation treatment of different forms of savings with a view to equalising treatment over time	New project	Treasury, IRD	
	Enable trans-Tasman portability of retirement savings	In progress	IRD, Treasury	
	Introduce new disclosure rules for KiwiSaver so investors have better information to compare fund performance	In progress	MBIE	
	Increase KiwiSaver minimum contribution rates	Implementing	IRD, Treasury	
	Review the KiwiSaver default fund mandates to ensure the mandates are in the best interests of members	In progress	MBIE, Treasury, IRD	
	Auto-enrol all employees in KiwiSaver when Crown finances allow	In progress	Treasury, IRD	

Progress indicators

	Action	Progress	Lead	Also in
Supporting early-stage and growth capital	Increase access to capital for small, high-growth businesses by supporting the New Zealand Venture Investment Fund	New project	MBIE, NZTE	Innovation
	Deliver targeted services to help internationalising New Zealand firms raise capital	New project	NZTE	Export Markets
	Enhance NZ Export Credit Office products and services	In progress	Treasury, MFAT	Export Markets
	Improvements to business R&D grants	New project	MBIE	
	Improvements to incubator programmes	New project	MBIE	
	Enable crowd funding and peer-to-peer lending	In progress*	MBIE	
Encouraging efficient private capital markets	Provide more options for SMEs to raise capital	In progress	MBIE	
	Improve the operation of the housing market to better match supply with demand and keep house price inflation down	In progress	Treasury, MBIE, MfE	
	Explore options to improve the utilisation and productivity of Māori assets	In progress	TPK, MBIE	
	Improvements to the tax system in Budget 2010	Completed	IRD, Treasury	
	Deliver programmes to improve New Zealanders' financial and investor literacy	In progress	FMA, TPK, CFLRI	
	Investigate the development of a specialist exchange for co-operatives on NZX	New project	MBIE	
	Facilitate the formation of the Local Government Funding Agency	Completed	Treasury, DIA	
Improving the management of Crown capital	Rebuild the Crown's balance sheet as a buffer against future adverse events	In progress	Treasury	
	Reduce the Crown's risk exposures	In progress	Treasury	
	Increase SOE performance and transparency	In progress	Treasury	
	Introduce the Future Investment Fund to allocate capital from the process of the Government Share Offers	In progress	Treasury	
	Sharpen incentives on State agencies to use existing Crown capital well	In progress	Treasury	
	Introduce private sector capital and disciplines through public-private partnerships	In progress	Treasury	
Attracting foreign investment	Encourage a more positive environment for international investment and explain the benefits to New Zealanders	New project	Treasury, MFAT, NZTE, MBIE	
	Align business law between New Zealand and Australia	In progress	MBIE	
	Advance mutual recognition of imputation and franking credits with Australia	In progress	Treasury, IRD	
	Develop and implement NZ Inc country and regional strategies	Implementing	MFAT, NZTE	Export Markets
	Investigate amending the overseas investment screening regime to treat NZX-listed companies with no more than 49% foreign ownership or control as New Zealand companies	New project	Treasury	
	Deliver a compelling New Zealand story	In progress	TNZ, NZTE Education NZ	Export Markets
	Review investor, entrepreneur and worker policy settings with a view to attracting migrants with the right skills and capital to invest	In progress	MBIE	Skills, Export Markets

* These actions formed part of the Government's pre-election 120-point *Economic Development Action Plan.*

Relationship to cross-cutting themes

The Government has three additional cross-cutting themes, which it intends to see reflected across the Business Growth Agenda workstreams.

Māori Economic Development

The Māori economy is significant, with sizable assets in the fishing, forestry, agriculture and tourism sectors – four of our key export earners. The Treaty settlement process is continuing to enrich this asset base and open up new opportunities. Since 2009, 33 Deeds of Settlement have been signed and a total of $615 million has been committed as financial and commercial redress, including Ngāti Porou ($90m), Te Rarawa ($33.8m) and Ngāti Toa ($70.6m). A large number of groups (approximately 65) are currently in, or preparing to enter, negotiations.

Realising the potential of this capital base is crucial to lift Māori economic outcomes and strengthen New Zealand's overall economic prospects. The Māori Economic Development Panel, which reported to Government in September 2012, noted that effective utilisation of the current base, and access to the right capital, is critical for Māori economic development. The report outlined a range of capital-related actions, some of which are referred to in this report. This includes reviewing Te Ture Whenua Act to support the most productive use of Māori land, and actions to improve Māori financial literacy to better enable whānau to make the most of their income and place them in the best position to build savings and financial assets.

Greening Growth

Many businesses that lead the way in developing greener products and sustainably using natural resources require capital to finance new ventures and innovation. Capital markets are essential for this by efficiently matching these businesses to investors. This report outlines the actions Government is taking to ensure that capital markets work well for New Zealand businesses, including businesses looking for profitable green growth opportunities.

Further actions that support green growth businesses are also covered in the progress reports on innovation, export markets, natural resources, skilled and safe workplaces and infrastructure. These actions better enable innovative businesses to take advantage of New Zealand's "green growth" opportunities.

Regulation

Well-regulated capital markets benefit both investors and businesses.

The Government has been undertaking a comprehensive series of regulatory reforms to restore confidence to non-bank financial markets. These reforms respond to the GFC, recent finance company failures, and the recommendations of the Capital Market Development Taskforce. They include:

› New regulatory regimes for financial advisors and financial service providers were enacted in 2008.

› Prudential regulation of non-bank deposit takers was enacted in 2008.

› A licensing regime for securities trustees and statutory supervisors was enacted in 2011.

A consolidated market conduct regulator for the financial sector, the Financial Markets Authority, was established in 2011.

Measures to strengthen the governance of and disclosure by KiwiSaver schemes were enacted in 2011.

Work is currently underway on the Financial Markets Conduct Bill. This is a major overhaul of New Zealand's securities law, which will tighten regulation in some areas (e.g. KiwiSaver), improve information for investors, while also reducing the regulatory burden in many areas – especially for SMEs raising capital.

The Financial Reporting Bill, which is also underway, will reduce unnecessary reporting costs.

For more information

To provide feedback on this report, please email bgafeedback@mbie.govt.nz

For more information on the Business Growth Agenda see www.mbie.govt.nz/bga

NEW ZEALAND TRADE & ENTERPRISE

www.nzte.govt.nz

- Advice for businesses on attracting investment and working with investors
- Connecting international investors with investment opportunities in New Zealand
- Services to lift businesses' capability for international growth

CallaghanInnovation

www.callaghaninnovation.govt.nz

- For firms seeking government funding and grants to support innovation and to build capability
- For information, advice and services that enable firms to invest more in research, science, engineering, technology and design
- Connecting firms with research organisations across the innovation system that offer the expertise and facilities they need

New Zealand venture Investment Fund Limited

www.nzvif.co.nz

- For information on the Fund's co-investment with venture capital funds and angel investors into high-growth potential companies
- For resources and publications on developments in the venture capital sector

Export Credit Office

www.nzeco.govt.nz

- For financial guarantee products for New Zealand exporters and banks

FMA Financial Markets Authority

www.fma.govt.nz

- For information on the function and regulation of financial markets, including compliance requirements

Ministry of Business, Innovation & Employment

www.mbie.govt.nz

- For policy information on the regulatory environment, including corporate and investment law

The Treasury

www.treasury.govt.nz

- For information on Government finances and Budget publications
- For information on the economy, including forecasts

Commission for Financial Literacy and Retirement Income — Sorted

www.cflri.org.nz — www.sorted.org.nz

- For information about financial literacy in New Zealand including financial literacy projects, research, education and information programmes, and the Commission's three yearly review of retirement income policy
- For free, independent and impartial information and resources that help employers get their staff sorted, including seminar material, booklets and online calculators and tools

Reserve Bank of New Zealand

www.rbnz.govt.nz

- For information on monetary policy and regulation of the banking, non-bank deposit taking and insurance sectors
- For information on the economy, including economic projections

newzealand.govt.nz