

MOOD OF THE BOARDROOM

2017 Chief Executives' Survey



Too close to call?

Our experts analyse the responses



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MOOD OF THE BOARDROOM

Mood of the Boardroom 2017

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The *Herald's* Mood of the Boardroom 2017 Election Survey attracted participation from 118 respondents. This year there were more than 90 chief executives including CEOs of most of NZ's biggest companies, some significant publicly owned institutions, a handful of company chairs and the heads of seven influential business organisations.

The *Herald* survey is conducted in association with BusinessNZ. Chief executives are drawn from the Deloitte Top 200 list which spans private and public-sector companies, Business NZ's major companies group and major professional advisory firms. The survey is now in its 16th year having been launched in December 2002 within a *Herald* State of the Nation report.

Watch the debate

Shadow finance spokesman Grant Robertson and National's Finance Minister Steven Joyce will debate the results of the *Herald* survey at a breakfast at the Langham hotel in Auckland this morning.

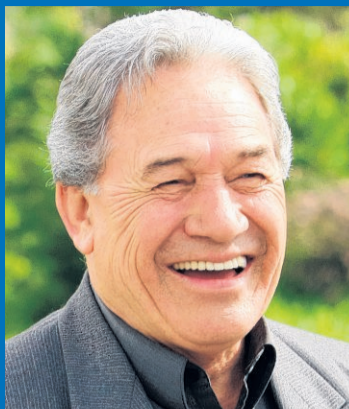
The debate will be chaired by *Herald* Managing Editor Shayne Currie.

nzherald.co.nz will feature video from the debate and interviews with leading CEOs attending the breakfast.

What's Inside



Wheels fall off the Green machine, D8



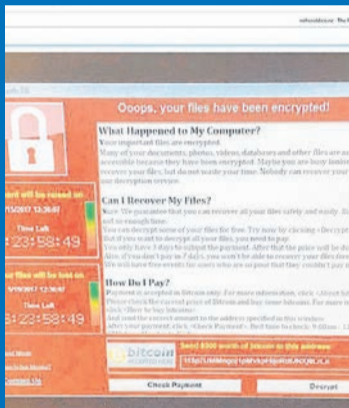
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BusinessNZ

MOOD OF THE BOARDROOM

A strong mood for change

An overwhelming majority of chief executives see Jacinda Ardern's confirmation as leader of the Labour Party as an election game-changer. There is a strong mood for change among the 118 respondents to the Herald's Mood of the Boardroom Election Survey.

Some 88 per cent see Ardern as the lightning rod which could catapult Labour to power at the September 23 election. But their appetite for regime change is tempered by Labour's failure to be upfront about its intentions on major policies affecting business, like capital gains.

With less than a fortnight to run before final polls close, chief executives remain divided on whether to "call time" on the third term National Government.

"I think the National Government has been a very credible and stable manager that deserves respect for its approach in managing the country," said a tourism boss. "However, it is arguable that they have come late to issues such as water management, local infrastructure and transport investment with a piecemeal, below par approach.

"They need to get ahead of these issues and signal a strong intent as these are real issues that affect voters."

The survey – which is taken in association with BusinessNZ – has been in the field during one of the most volatile elections in New Zealand's recent history.

The Herald delayed surveying until August 14, so as to more accurately capture the mood in the nation's boardrooms after a period in which Ardern took over Labour's leadership from Andrew Little, and Greens co-leader Metiria Turei was forced to resign following an admission of benefit fraud.

"They finally have a charismatic leader," said an investment banker. "People these days vote with their eyes – she is much more appealing than Andrew Little!"

There is a clear perception that the National Government – driven by its own fiscal focus – left it too late to make major investments in housing and infrastructure to underpin the massive uptick in immigration numbers in recent years.

ICBC chairman and former Reserve Bank Governor Don Brash said the Government has failed to adopt policies designed to increase per capita growth, and many of the other problems (increasing wealth inequality, poverty and homelessness) are a direct result of the Government's failure to deal with the unaffordability of housing.

Vector director and former Deloitte Chairman of the Year, Dame Alison Paterson said Government action on some important issues had

88% of CEOs view Jacinda Ardern a gamechanger for the election, writes **Fran O'Sullivan**



been slow. "On the other hand, it takes time to turn a super-tanker . . . and the tolerance for change in the population is slow."

If National was to get a fourth term it needed to abandon its "steady as she goes" approach and be more aspirational in its approach to the big ticket items including water, climate, homelessness and poverty.

English presided over New Zealand's

The result will turn on Bill English's ability to sell his dream for the future vis a vis Jacinda Ardern. In both cases using the canvas he has helped materially shape and build as Minister of Finance. A risk is that his focus will be on the canvas that now exists when the general populous has banked that and are now looking for what will be painted on it."

Thomas Pippos, Deloitte

land's finances for eight years before becoming prime minister. There was the GFC. Pike River. Three earthquakes.

But nothing prepared him for the political quake that is Jacinda Ardern. "Labour's got to seriously think about some of the policy that they

are bringing to the table," said Mainfreight group managing director Don Braid. "As long as that's not thought up on the fly and has had some decent thought behind it before they release it, then she's definitely got this current Government on the run in my view.

"She's got youth and she's got energy, and she's almost – without blaspheming – the John Key effect for the Labour Party, isn't she? And perhaps that's what the younger vote is looking for, perhaps that's what the non-voter has been looking for; someone to hang their hat on."

Deloitte CEO Thomas Pippos counters that "this next period the result will turn on Bill's ability to sell his dream for the future vis a vis others (Jacinda) – in both cases using the canvas he has helped materially shape and build as Minister of Finance.

"A risk is that his focus will be on the canvas that now exists when the general populous has banked that, and are now looking for what will be painted on it."

But Ardern's propensity to make "Captain's calls" on important matters like capital gains taxes are a major negative. "Now is not a time for experimenting with a Labour Party coalition whose policies are unchanged and its leadership has devolved on a doctrinaire and inexperienced political activist with no real world experience," said a law firm boss.

Beca's Greg Lowe noted however that, "Jacinda is quickly learning to present a more moderate approach than when she first became Deputy Leader. "It remains to be seen if she can modernise entrenched Labour policy."

The election comes after a lengthy period of economic growth. But there are tensions.

"The Key Government was negligent with the house price outcomes which is a very difficult, inter-generational issue now to resolve," said an energy sector boss. "English was Deputy Prime Minister and Minister of Finance during that time so has to shoulder some of that blame, and therefore putting the party's interest ahead of New Zealand."

An energy chief cautioned that though New Zealand was enjoying good returns for dairy exports, export education and tourism, all had vulnerabilities which could wipe the smile from our country's face pretty quickly.

"I think many of these risks concern business – not just for ourselves but more broadly for the wellbeing of our society. I think currently we are all marching on hoping that Trump does not pull the trigger and that the Chinese (with all the levers available to them) manage their economy to avoid a crisis of the kind some consistently predict."

National's future

CEOs were split on who they thought would make the best Opposition leader if National should lose the election – which is a clear possibility on its current poll ratings.

Some 27 per cent thought Deputy Prime Minister Paula Bennett had the right attributes to make the most vigorous leader; others opted for Steven Joyce (20 per cent) and Judith Collins (17 per cent).

"Paula has the guts and determination to make a fine opposition leader – she has time, energy and whakapapa on her side," said an agribusiness chair.

Tourism boss: "Paula or Steven would be a good stopgap, but it ultimately needs someone to come from outside the system."

There was a clear sentiment it was time for generational change.

Chief executives once again put English at the top of the Cabinet rankings on his performance over the past year. The Prime Minister rated 4.13/5 on a 1-5 scale where 1 = not impressive and 5 = very impressive.

His rating was down on prior years when he held the finance portfolio.

English's successor as finance minister, Steven Joyce, was rated 3.71/5. Nikki Kaye was next on 3.62/5 followed by Amy Adams (3.58/5); Bennett (3.56/5); Chris Finlayson (3.49/5); Simon Bridges (3.18/5); Anne Tolley (3.11/5); Todd McClay (3.05/5). The remaining ministers all rated less than 3/5 when it came to their performance.

When it came to ranking the minor party leaders, they placed Act's David Seymour top of their list with 2.85/5 with NZ First's Winston Peters narrowly behind at 2.76/5. The other leaders: James Shaw (Greens), Te Ururoa Flavell and Marama Fox (Maori Party), Gareth Morgan (The Opportunities Party) and Peter Dunne (United Future, who bowed out before the survey was completed) all rated at less than 2.5/5.

Spark managing director Simon Moutter says whoever wins, restoring stable and consistent Government post-election will be a priority. "Whoever leads needs to move quickly to maintain momentum by establishing a stable team in Government"

● The Mood of the Boardroom CEOs Election Survey was in the field from Monday August 14 to Friday September 8, 2017.



Business leaders are optimistic: if there's a threat, it's global, writes Liam Dann D13



The US presidency is spoiling an optimistic outlook, writes Tim McCready D14



The next five years will see business move even faster, writes James Penn D15



Social cohesion helps business to prosper, writes Thomas Pippos D22

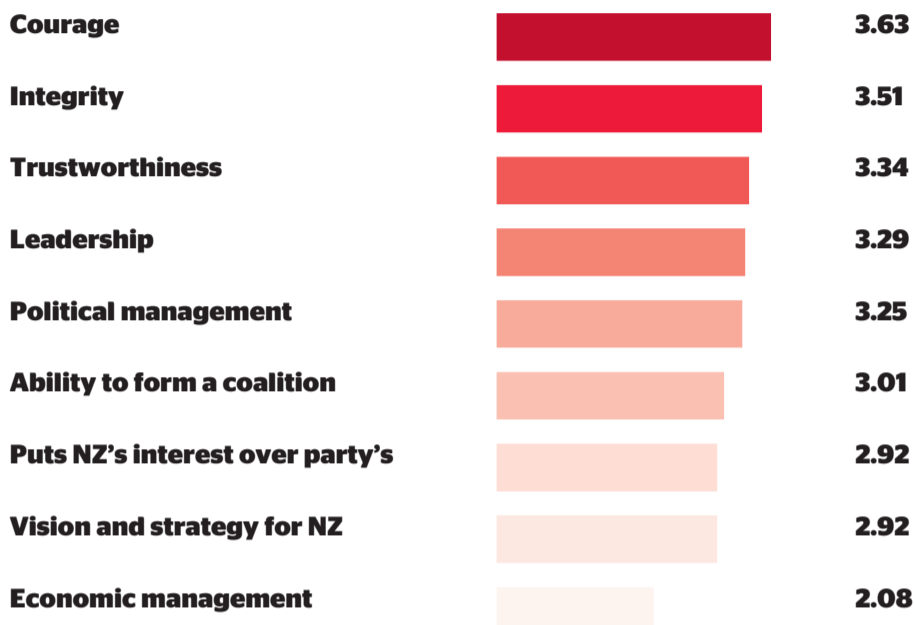


CEOs apprehensive over arrival of global behemoths, writes Hamish Fletcher D20

MOOD OF THE BOARDROOM

HOW DO THE CHIEFS

Jacinda Ardern



The 'game-changer'

Jacinda Ardern's charisma, her ability to appeal to a younger generation, and her much sought after 'cut-through' that former leader Andrew Little just couldn't seem to muster are some of her most admired attributes by chief executives.

"It is refreshing to have an Opposition leader with a more positive outlook on life, rather than one that is stuck in the past or in a negative loop," said a transport head.

Says Mainfreight's Don Braid: "There is clearly a level of enthusiasm, energy and commitment to what is lacking in New Zealand at the moment."

"An injection of youthful energy and vision is sorely needed."

"Much is unknown, but perhaps that's the best way to be going into an election when she has the 'X' factor," says Simplicity's Sam Stubbs.

Although CEOs respect Ardern's courage – stepping into the Labour leadership role less than two months out from the election – most are worried she lacks experience and her unusually short job interview for Prime Minister won't give the public the chance to see her tested for the top job. "An impressive start as leader of the Labour Party but untested under pressure in her national leadership," observed Rob Cameron of Cameron Partners.

There is significant concern among chief executives that Ardern has failed to articulate the detail of some of her policies. In particular, tax policies including the expected capital gains tax and a failure to provide detail on whether the proposed levy

on water use for farmers will be 1 cent or 2 (a difference of 100 per cent). Many consider this unacceptable for a party that has been nine years in opposition.

"We have not seen Jacinda Ardern in a leadership role for long but the initial signs appear impressive – not least in galvanising the Labour Opposition into campaigning hard to win the election and creating some self-belief," says Forsyth Barr managing director Neil Paviour-Smith.

Adds EMA's Kim Campbell: "It's too early to tell how good an administrator she will be."

"We need to see more substance in policy development."

"She is a superb communicator with a very engaging social style. We have yet to see her perform under pressure."

"I don't know enough about her capabilities to be useful but give her 10/10 for courage taking over as leader with eight weeks to go to a general election," says a banking boss. "But she has been very fluffy on tax policy and how we are going to pay for all the election promises."

"It feels like a tax hike for the 12 per cent of New Zealanders who already pay 75 per cent of tax in New Zealand."

A law firm boss said in any event, she is likely to persuade many voters to 'give her go' without having to prove her credentials as potential Prime Minister.

"She is in the right place at the right time."

Speaking publicly for the first time as leader, Ardern said: "We are about to run the campaign of our lives".

Recent polling shows this is the case with Labour – jumping from 24 per cent to 43 per cent in the latest 1 News Colmar Brunton poll; its highest polling in 12 years.

Port of Tauranga chief executive Mark Cairns says: "An intelligent politician with clearly a freshening of the Labour brand. Early days though to judge Jacinda on producing sound policies (economic as well as social) and her skills at political management."

Adds Beca's Greg Lowe: "Jacinda Ardern is putting on a polished performance but as she has no track record her ability to lead effectively, manage the economy and put forward policy that moves New Zealand forward is unproven."

"I really don't know... and nor do most voters," explained non-executive director Joanna Perry. "The trouble is a lot of people will forget that she is unproven and make assumptions (in their gut!) about these things."

A legal boss summed up the general sentiment from CEOs: "Jacinda is a very likable person. She is politically very savvy."

"She seems to care greatly about issues many Kiwis care about – social injustice and our environment, for example."

"She is a game-changer in this election."

"However, she is very young, and while that appeals to many, for others in an uncertain world we may feel safer with the more experienced hands of Bill English."

"Some may not see him as exciting, but experienced."



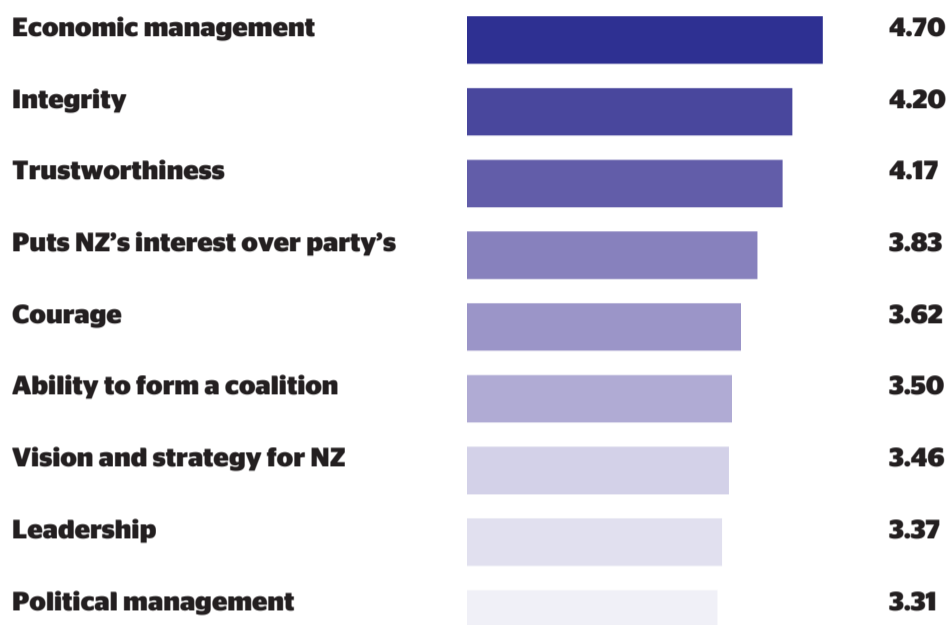
I give her 10/10 for courage taking over as leader with eight weeks to go to a general election.

Banking leader

RATE THE LEADERS?



Bill English



Political horsepower

Bill English is admired by chief executives for his financial prowess. But they feel a lack of boldness and political chutzpah hold him back.

English became Prime Minister in December 2016 after John Key's unexpected resignation.

"It is challenging replacing one of NZ's most popular Prime Ministers less than a year out from the election, said Forsyth Barr managing director Neil Paviour-Smith.

A longtime National MP, English was briefly Finance Minister in the 1990s Bolger Government.

He reclaimed the finance portfolio in 2008 when the Key Government took office in the midst of the Global Financial Crisis.

CEOs rate his focus on getting the Government's books back into the black as the most significant achievement of the National Government since the 2014 election.

Investment banker Rob Cameron, who was himself one of Treasury's architects of the major 1980s economic reforms during the Lange/Douglas era, describes English as "an outstanding and hardworking Minister of Finance".

"He is still being tested in the PM's role in relation to political management and ability to form a coalition."

Others laud him as the economic architect" and the "political horsepower" of much of New Zealand's success.

"We are lucky to have him," says Chorus boss Kate McKenzie. "I often hear him described as the 'brains of the outfit'".

"He deserves to be rewarded for his outstanding economic stewardship," affirmed an agribusiness boss.

Said Port of Tauranga boss Mark

Cairns, "Bill has done a fantastic job as finance minister in getting the country through the GFC and two earthquakes with the books in reasonable shape."

On the personal front, English is seen as variously as a "nice man and good family man".

"Bill is a fabulous servant of NZ who in private settings is a funny, warm and relaxed individual who has done a tremendous job for New Zealand economically," said a leading investment banker. "He has trouble connecting or conveying these qualities in the mass media format."

EMA chief Kim Campbell was perceptive." His self-effacing Southern reserve is misconstrued as blandness.

"Sadly we live in an the age of celebrity and infotainment where image dominates substance," explained Campbell. "He has shown an astute hand at managing the economy and been an innovator on social issues."

English – a former Treasury official himself – has introduced significant Government-led social reforms which have won international praise particularly from the Australian Liberal Government,

Said AIA chair Theresa Gattung, "Bill is completely genuine in his focus on social investment and putting in place game changing solutions to inter-generational poverty and some of New Zealand's most entrenched social problems."

Adds Paviour-Smith, "The Prime Minister has championed the social investment approach, being prepared to admit that previous approaches haven't worked and holding agencies to account to know what the problems are and seek alternative solutions."

But CEOs feel English is being held back by a lack of charisma.

"He is a solid performer but vulnerable to a charismatic opponent because the electorate in general probably seeks a bit of excitement," said a lawyer. "The missing attribute is appeal," added a manufacturing chief.

"I'm a big English fan as Minister of Finance," said an exporter. "He's a brilliant second in charge and a safe pair of hands."

"But he doesn't have the political management or delivery required by a good PM."

"The party looks and feels staid and flat-footed under his leadership even though not much has changed in term of economic management."

Ironically some of the most cutting criticism comes from the financial community.

"Mr English was a reasonably competent 'status quo Minister of Finance', holding the line on government spending against the usual pressures from spending ministers," said a senior banker. "But he failed to do nearly enough to solve the Auckland housing crisis (though clearly understanding what needed to be done), or to make the structural changes which might have improved our productivity performance."

English's brand was tarnished by the "Todd Barclay affair" which saw the young MP forced to resign after his former electorate secretary revealed he had made secret tapes of conversations.

The prime minister – who represented the electorate before Barclay – was well across the former MP's actions.

"He has taken a hit with the Todd Barclay stuff," said a legal firm chief. "But it is a tough challenge to show the vibrancy of a three-term Government."



He has shown an astute hand at managing the economy and been an innovator on social issues.

Kim Campbell, EMA

MOOD OF THE BOARDROOM

We've lost the vision: Mainfreight boss

Don Braid

We've forgotten about what we do about investing for the future.

The infrastructure of the country both in transportation, education, housing, water – all those things, have been forgotten about in our view. And now we need to have an intense look at where the country sits to fund the growth of the population, to fund the tourism that the country has found – which is all good for us, but we'll lose it if we don't look after it.

You know, with all due respect, we're sort of being run by a couple of accountants, rather than visionaries, and I think the country needs some visionaries.

I think we need to rethink our political landscape for the future.

This old style of sending all our tax money to Wellington for them to decide what they do with it as if it's their



money, and dish it out when they think it's ready, or, when they think they need it for perhaps political gain rather than for economic gain for the country, might well be some of the problem.

The indictment comes when you have a current Government who have been in power for three terms, who then on the basis of electioneering suddenly find money available for certain projects to actually tick the political landscape box. Whereas perhaps it might well have been better, that if they'd continued to invest over a longer



We're sort of being run by a couple of accountants, rather than visionaries, and I think the country needs some visionaries.

period of time the voter would've understood that they're the government for the next term.

I'm worried about whether the Government are thinking longer term; and perhaps that comes also to the political term that we allow these governments. Is three years far too short? We would say that it is. Four years plus might well be a far better term of government and allow them to think more strategically about the future.

From a business perspective we need

to think bigger and we need to think more offshore. We need to internationalise our businesses. We have a great labour force here that can compete with any other labour force in the world. We just need both the government and the businesses of New Zealand to think about those opportunities that are offshore.

We need to find a way to have affordable housing and we need to invest in that affordable housing sooner rather than later. I just don't think that there is enough energy around the

number of houses that are needed.

A lot of nations around the world are coming up with innovative ways to get around that problem. If we were to look at some of the things they're doing in London. How the loan structure is placed. Whether the local government will take a portion of the loan if a person can find 40 per cent. Easing the rules as they've done in Stockholm or Copenhagen, where they're not so strict with the RMA-type rule, to allow cheaper, more affordable homes to be built.

Many countries are educating their children a lot better than we are here. We need to think about those trends. We need an educated workforce. I think the Government has to listen to what business is saying and has to listen to the people. And I think this current Government isn't listening enough."

Source: Mood of the Boardroom leaders series video interview.

Target those who need cuts

Tim McCready and James Penn

The Government's election year Budget contained \$2 billion worth of tax cuts from April next year – on the proviso National gets elected on September 23.

When the *Mood of the Boardroom* asked CEOs whether now is the right time to apply personal income tax cuts, the majority of chief executives (56 per cent) responded no, 38 per cent said yes, and a further 6 per cent were unsure.

"Tax at the current level is workable, there is no urgency," says Thomas Song, Oregon Group managing director, while a recruitment head suggests tax cuts are a good idea "if you want to buy votes".

Many responded that any tax cuts should be targeted to low and middle-income earners. "Target those that really need it," says the managing director of a public relations firm. "Give cuts to lower and middle-income earners as a matter of urgency," said a wine industry executive. "Giving cuts to top bracket achieves nothing."

Most respondents felt that investing into other areas – particularly housing, infrastructure, education, health and climate change – is more important.

But Bill English disputes that you can't have both.

"We can achieve our social and our environmental objectives at the same time as having a strong economy," said English during the recent TVNZI leaders debate.

"We can have a strong economy with reasonable taxes, give hard working families \$1000 a year on the average wage, that they can make some choices about."

Tax cuts?

56%

No

38%

Yes

6%

Unsure

"There is still too much to do in New Zealand," says a major banking boss. "Infrastructure investments, and fixing our schools and hospitals. After that, maybe."

Vector Director Dame Alison Paterson agrees: "I think the majority of New Zealanders believe that while there are children living below the poverty line, there should be no personal income tax cuts."

CEOs were asked whether now is

the right time to bring in a new progressive tax rate on high earners. A large majority – 79 per cent – responded no. Just 13 per cent responded yes; 8 per cent were unsure.

Many chief executives were concerned this would discourage growth and could make it difficult to attract and retain skilled workers in New Zealand. "We don't want to drive talent offshore," says Mai Chen, Managing Partner of Chen Palmer.

Most of those who responded in favour of raising taxes for high earners had a caveat: "it is subject to where reinvestment goes," said a media boss. "As long as the proceeds are targeted towards eliminating inequality," said another.

There was scepticism among respondents that increasing the tax burden on high income earners would help contribute to long-term productivity and societal gains, and would be against global trends.

"Higher earners will generally still spend a high proportion of their disposable income," explains a printing boss. "The Government collects GST from every additional dollar spent, and they are more likely to spend in areas such as medical insurance and private education, resulting in a lesser load on government services."

Several CEOs worry that increasing tax on higher earners could lead to an increase in tax avoidance measures. "A huge proportion of the

New Zealand tax burden is paid by a small number of supposedly high-income salary earners," says an agribusiness boss. "A new progressive tax would make this burden worse." Others suggested a wealth tax or capital gains tax might be more productive in the long-term.

The other major form of tax paid by individuals is GST. Executives were keen to see a movement towards a regime where GST (as well as regional petrol taxes) was returned to the regions in which it was collected, with the purpose of applying that revenue to local economic development. Indeed, 76 per cent of respondents supported such a policy.

Don Braid, group managing director at Mainfreight, was one of those in favour. "It is so important this debate is had," said Braid. "Having Wellington think they have the answers for how much is spent on infrastructure in the regions is yesterday's answer. We need to be thinking about a bottom up approach to regional tax investment."

Enthusiasm wasn't universal.

"Having seen the standard we currently have a local government level, further devolution of power would need to be coupled with a major rethink on how to attract talent and experience to move into that space."

"Daft idea," said one executive. "Local government would just waste the money."



Thomas Song's Top Three Issues

- **Productivity:** Every factor of input is expensive due to the political insistence on New Zealand labour. If we buy infrastructure, we should buy "quality and speed at cheapest price". How the supplier delivers shouldn't be our concern except, of course, slave labour excluded.
- **Ignorance of world affairs:** Move to educate with diverse sources of teachers from offshore.
- **Complacency:** The average Kiwi has very little idea about our largest trade partner – China. Most still believe China is still in the Mao era with cheap labour. Again make knowledge of our trading partners a priority.

Regions should grab share of tax revenue

Investment needs to go into regional New Zealand to support economic growth, says Simpson Grierson's Kevin Jaffe

Central and local government politicians need "take it by the teeth and get stuck in to" relieving the strain on housing and infrastructure, says Kevin Jaffe, chairman of the law firm Simpson Grierson.

He says though the economy is strong, the population growth and rise in tourism has placed pressures on infrastructure and housing.

In a survey completed by Simpson Grierson, 80 per cent of the Local Government mayors and chairs said their key issues were funding of infrastructure and housing affordability.

"There is an appetite for a more certain flow of regional funding. Rating only goes so far and local and central governments must work together to develop funding mechanisms," says Jaffe.

Take Auckland. "People have woken up to the fact that the city is straining and it needs new infrastructure. The City Rail Link project, for example, required a number (of people) to work together.

"A lot of good work was done



around the Unitary Plan to enable an increase in the housing supply. That process was quick and it made a difference."

Jaffe says the key is for central and

Kevin Jaffe's Top Three Issues

- **Revenue growth areas.** "Our market is very competitive and we have to find ways of doing things better and engage deeper with our clients."
- **Staff retention.** "The labour market is good and we are finding good people including attracting some back from overseas."
- **Technology development.** "We are looking at how we work and what technology can do for us. We can change our services and have staff working offsite at a client's place. That's where we are heading – to deliver a point of difference and keep our talent."

local government to keep working together to increase targeted investment into infrastructure and housing.

"It's a good thing people are moving into the regions, as we want the



Rating only goes so far and local and central governments must work together to develop funding mechanisms (for the regions)

local economies to be strong. But investment needs to go into the regions to support their growth."

Jaffe believes the government should be open to sharing tax revenue (such as GST or regional petrol taxes) with the regions in which the revenue is collected – and those proceeds directed towards local economic development.

"Central and local government need to find alternative funding. Whether regional fuel tax is the smart way to go, I'm not sure. The figures I saw for fuel tax in Auckland wasn't a real winner. The issue is whether

it will make a real difference to infrastructure or is it just another tax?"

Jaffe does not favour any further tax impost on the residential property sector. "A capital gains and/or other property taxes such as stamp duty could be the tipping point for the sector."

"The demand side has softened and that could be the result of the loan-to-value ratio restrictions.

"Maybe they have done the trick and taken the heat out of the overseas investment," says Jaffe. "Further taxes may be a step too far."

– Graham Skellern

MOOD OF THE BOARDROOM

The tale of two report cards

Tim McCready

When asked to consider the National-led Government on its performance in key areas since the 2014 election, CEOs rated the Budget surplus focus at 4.55/5 most highly, followed closely by economic growth at 4.21/5.

This is perhaps unsurprising given this year's Budget showing the Government recording a stronger operating surplus than was forecast, and the recently released Pre-Election Fiscal Economic Update showing a robust economy growing at an average of around 3 per cent over the next four years.

"The country has benefited on many fronts from stable and skilled economic policy making," says Beca Group chief executive Greg Lowe.

But survey respondents cautioned though National can be proud of the economic health of the country, there are significant social issues that need tackling.

"National's steady as she goes approach needs to change up if they get another term," says an agribusiness chairman. "They must be more aspirational in their approach to the big-ticket items including water, climate, homelessness and poverty."

This tale of two very different report cards is obvious in the survey, with National's performance tackling housing issues (2.43/5), environmental/water quality (2.50/5) and poverty and homelessness (2.43/5) among the five lowest scoring areas.

"There are plenty of gaps starting to appear," says an automotive chief executive. "They have not addressed environment and housing that well as they don't want to offend their

CEOs rated the National-led Government on their performance in key areas since the 2014 election on a 1-5 scale, where 1= not impressive and 5= very impressive.

The Top Five

4.55

Budget surplus focus

4.21

Economic growth

4.19

International trade

4.10

Strengthening China relationship

4.06

New Zealand's place in the world

constituency: farmers and home owners."

New Zealand's growing inequality gave National another poor score, with the wealth gap receiving 2.56/5.

Research released by Oxfam earlier this year showed the richest 1 per cent hold 20 per cent of the wealth in New Zealand, while 90 per cent of the population owns less than half of the nation's wealth.

ICBC chairman Don Brash says many of these issues are interlinked, with housing the crux of the problem: "increasing wealth inequality, poverty and homelessness are all a direct result of the Government's failure to

The Bottom Five

2.43

Tackling housing issues

2.43

Mental health (including suicide)

2.43

Poverty and homelessness

2.50

Environmental / water quality

2.56

The wealth gap

deal with the unaffordability of housing."

A legal boss gave National a ruthless assessment: "They have not listened on housing ideas; allowed continued Chinese money launderers a free pass via housing access; missed opportunities to intervene in the market as Australia, Hong Kong and Singapore have done; messed up citizenship and residency revenue and allowed Auckland Council to continue to mess up the city."

Poverty and homelessness was rated by CEOs as one of the Government's poorest performing areas since the 2014 election, receiving a

rating of 2.43/5. "New Zealand's performance on a global scale has been impressive in comparison to most economies and National deserve credit for that," says a director of two prominent companies. "But there are some notable underachievements, including the rise of homelessness – just walk along Queen St."

When asked "should we be doing more to help the homeless population?" 85 per cent of CEOs said yes, 5 per cent no, and 10 per cent were unsure.

"Homelessness is simply not the New Zealand way. We fail ourselves as a society by condoning it in any form," says Simplicity managing director Sam Stubbs.

Stubbs was not alone with this sentiment. "Everyone needs a home," and "there is always more to be done in this space," and "surely this problem is solvable" were comments peppered throughout this year's survey responses.

But how to tackle poverty and homelessness was much harder for business leaders to agree upon.

"Give tax breaks to low and mid-income people and stop the merry go round of money," says Erica Crawford, Loveblock Wine chief executive.

"Our people are struggling and kids struggling to learn. Too many homeless and hungry. Do something."

The challenge now for National is to clarify what their vision for the future is – for both New Zealand and New Zealanders, explains Deloitte chief executive Thomas Pippas. "They need to capture the hearts, souls and minds of the voting public around it – not straightforward for anyone given the shallow decision-making criteria it seems the average voter adopts."



Cathy Quinn's Top Three Issues

- Retreat to protectionism around the world: All we can do is to keep advocating for open trade and opening doors with others.
- Trump commencing war with North Korea: Bill English openly warning US against it took moral courage. I think it is a position every Kiwi would agree with.

- The divide between the haves and have nots: I would support a programme that provides housing for the homeless and support for children in deprived families. The challenge is getting the money spent where we want it to be. For example, on kids in deprived circumstances and not diverted off elsewhere. It is in no one's interest to simply provide dollars without a degree of confidence that it ends up helping those who are most in need. Fundamentally, as a society I believe the majority want to see the vulnerable looked after appropriately. We find it abhorrent – for whatever reason – that kids have no home, damp homes, insufficient food, no shoes. That is not the NZ most of us want.

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MOOD OF THE BOARDROOM

James Shaw on the back foot

Turei affair has caused too much damage, and Labour has forged ahead, say CEOs

Chief executives have strongly marked down Greens leader James Shaw's leadership abilities in the wake of the Metiria Turei scandal which claimed the career of his former co-leader.

Whereas last year, CEOs ranked Shaw second in their performance rankings for Opposition MPs, this year he has slumped to ninth place just behind fellow Green MP Julie-Anne Genter.

It is a stunning turnabout for the MP last year's *Mood of the Boardroom* had billed as part of a "dream team for the future" along with first-ranked Opposition MP Jacinda Ardern.

"James disappointingly has been damaged by the Metiria issue and undone all the good work securing new urban Green voters. He lacked decisiveness on an issue that was black and white," says a transport CEO.

A professional director agrees: "I would have rated James a five six weeks ago, but his handling of the Turei affair was appalling and the Greens are damaged almost to the point of extinction as a result."

Chief executives believe Shaw should have called time on Turei after her admission she had intentionally misled authorities about her living costs while on the DPB.

Her admission of benefit fraud initially spiked the Greens poll ratings. But outrage grew after further revelations that Turei had registered at her former partner's address in a prior election in order to vote for a friend.

The fallout continued when Kennedy Graham and David Clendon – two of the Greens' most long-serving and respected MPs – quit in protest, saying they could no longer support the leadership. The killer blow came when a Newshub-Reid Research poll revealed a slump in support for the Greens – down 4.7 points to 8.3 per cent. Turei finally admitted defeat and stood down leaving Shaw as the

party's sole leader.

"It has become a joke," says a banker. "The Greens were clearly out to steal votes from Labour with their announcement of a no-questions-asked welfare policy, and Labour have clearly done their best to steal those votes back again, helped by Ms Turei's extraordinary performance."

Chief executives had to this point considered Shaw an asset to the Green Party. He has an impressive background, with a pre-politics career in management consulting, working offshore with multinationals to develop their sustainable business practices.

Stick to the environment

CEOs believe the Greens should now "stick to their knitting" and refocus on environmental policies instead of standing by while Labour and National grab territory.

A banking boss says: "If James Shaw can make the Greens a truly environmental party – rather than a party of social justice activists and protests – that will be good."

"It will push Labour and National to up their game around New Zealand's pressing environmental issues."

"The Greens need to provide the necessary environmental platform and stand strongly on that platform," says a wine industry boss. "Sadly, they have neglected the environmental aspect for a Labour agenda."

Labour's eleventh-hour leadership change to Ardern has seen her reclaim the progressive agenda as her party hoovers up the soft Green vote.

An automotive sector boss said the leadership spill had demonstrated they are not sure themselves whether they are environmentalists, left-wingers or a Third Way party.

"Talk to James and you might think the latter, but I'm no longer sure and Jacinda might be better without them."

Scrap the MoU with Labour

Some 78 per cent of CEOs now think that the memorandum of



James Shaw has been criticised for his handling of the Metiria Turei affair.

Blue Greens

78%

of respondents think Labour should scrap its Memorandum of Understanding with the Green Party

understanding (MoU) that Labour and the Greens forged in May 2016 should be scrapped.

Others think it had its merits when the Opposition needed to project an alternative option to a popular National-led government.

"The context in which it was signed is more part of the past than the present given where Labour in par-

ticular was in the polls," says Deloitte CEO Thomas Pippas. "In terms of today, I would have thought the Greens would be better placed out of it and more focused on Green issues in and around the centre; as they could naturally, under an MMP environment, be within successive Governments for extended periods of time."

During Three's recent *The Nation* debate, Shaw was asked why the Green Party did not transcend left and right as it said it would when it was set up.

Shaw explained: "We felt it was only fair to voters who want to know which way their vote is going to count that we would say we're with the

parties of change.

"If you want a progressive, Labour-led government, the Green Party has to be at the heart of that government because they won't be able to govern without us."

But many CEOs disagree, saying that a blue-green government is one they could get behind.

"Greens should work with National to form a government" says Onno Mulder, City Care Group CEO.

Mainfreight group managing director Don Braid offers the Green Party and Shaw sage advice: "Get on and believe in yourselves rather than worrying about who you might need at your side, or not!"

– Tim McCready

D12

nzherald.co.nz | The New Zealand Herald | Tuesday, September 27, 2016

MOOD OF THE BOARDROOM 2016

POLITICS

An Opposition dream team?

Some CEOs see an alliance of Labour and the Greens, headed by rising stars, forming a viable government

The First XV: How they rate

Jacinda Ardern (Labour Leader)	3.81
Kelvin Davis (Labour Deputy)	2.97
Grant Robertson (Labour)	2.96
Stuart Nash (Labour)	2.82
Phil Twyford (Labour)	2.82
Winston Peters NZ First Leader)	2.64
David Parker (Labour)	2.54
Julie Anne Genter (Greens)	2.49
James Shaw (Greens Leader)	2.43
Dr David Clark (Labour)	2.35
Dr Megan Woods (Labour)	2.25
Andrew Little (Labour)	2.06
Chris Hipkins (Labour)	2.04
Carmel Sepuloni (Labour)	1.98
Gareth Hughes (Greens)	1.86

The CEOs rated leading Opposition MPs' performance over the past year on a scale of 1-5 where 1= not impressive and 5= very impressive.

Tell me: Who are you?

"Raise your profile" is the overwhelming message from CEOs when asked about Opposition MPs.

While most were rated an average of between two and three (out of a possible five), an alarming proportion of "Unsure" votes were given as well.

MPs such as Labour's Chris Hipkins and Dr David Clark and NZ First's Tracey Martin all received "Unsure" responses from over 40 per cent of respondents, for example.

Martin was ranked lowest overall of 20 Opposition MPs rated by respondents, with an average rating of just 1.57.

This translated into uncertainty and pessimism about a potential alternative government.

"What do these people actually do?" asked the director of a law firm. "One hears nothing of them until election year."

"There is a lot about a Labour government that is unknown – and thus risky," said Rob Cameron, founding partner of investment banking firm Cameron Partners.

However, cause for cheer will be the performance of Labour's core election team.

Leader Jacinda Ardern was well in front, with an impressive average rating of 3.81.

She was flanked – as in the election campaign – by deputy leader Kelvin Davis on 2.97 and finance



Chris Hipkins

spokesperson Grant Robertson on 2.96.

"The bench strength outside of any Government always suffers from a concern around whether they are 'game fit'," said Deloitte CEO Thomas Pippas. "The inexperience in this case exacerbated by the number that have never been in Government – or if in Government, in lesser roles and 9 years ago . . . but everyone starts somewhere."

NZ First leader Winston Peters received a smattering of ratings across the spectrum – culminating in



Tracey Martin

an average rating of 2.64. This was a slight drop on his rating from last year (2.90).

"Winston gets a midway mark for being Winston," summarised one business leader.

"Really!" said one investment banker, when asked his opinions on Peters's key election policies. "Is that all they have got?"

"Dog whistle – playing to the base," said Matthew Cockram, CEO of Cooper and Company. "None of these things will add to New Zealand's productivity or wealth."

MOOD OF THE BOARDROOM

Kingmaker or Queenmaker?

But a growing list of negatives is damaging Winston Peters' standing with business, finds **Tim McCready**

New Zealand First leader Winston Peters may not be universally admired by the C-suite, but chief executives rate him a shrewd politician.

"Winston is undoubtedly in my view a supreme politician!" said Joanna Perry, professional director and chairwoman of the IFRS Advisory Board. A legal firm boss added, "Peters plays the political game very astutely. But he is the ultimate opportunist on the political front."

Peters, 72, has previously held the roles of Deputy Prime Minister in Jim Bolger's National Government (sacked by Jenny Shipley) and Foreign Minister in Helen Clark's Labour Government.

NZ First currently has 12 MPs, and following the election expects to have former Labour MP Shane Jones join the ranks, listed comfortably at eighth on the list.

NZ First has released some favourable policies for business – including cutting corporate tax rates to 25 per cent – but his negative stance on the TPP, foreign investment and immigration, along with his growing shopping list of bottom lines, has damaged his reputation with business leaders.

Chief executive respondents to the Herald's CEO Survey rated Peters' political performance as leader at 2.76/5 on a scale where 1= not impressive and 5= very impressive. But it is the NZ First

leader's ability to exert leverage under the MMP political system which makes him a key player at the September 23 election.

It is possible Peters will not be the sole potential kingmaker or queenmaker when coalition negotiations begin after the votes come in. Or at least not with the same levels of bargaining power the NZ First leader might have had eight weeks ago, before Labour began its poll climb.

Before Labour's leadership change, NZ First was considered the only path to power for either National or Labour. But in light of the "Ardern Effect", there is some evidence that disillusionment with the status quo is spilling over to Labour, with recent polls showing they now have more than one path to form a government.

CEO respondents identified the young vote – and young females in particular – as those who might be drawn to vote for Labour this time, favouring a removal of a stale Government in favour of a fresh one.

When asked who NZ First should form a coalition with, most CEOs (69 per cent) opted for National. Just 4 per cent said Labour. What is notable is that a considerable number said the decision should be up to the voter – and not a case of the tail wagging the dog.

"The party who secures the largest portion of the vote from the electorate



as that is the party most New Zealanders want to see form government," said Beca's Greg Lowe. Others thought NZ First should just support the largest party on confidence and supply rather than trying to "blackmail policy concessions that result in much being watered down".

There was growing support for both major parties to reject NZ First as a coalition partner and instead form a grand coalition – between Labour and

not have this level of influence.

Some of the responses were on the nose: "Heck no," "FFS", and "Winston doesn't have the work ethic to be Prime Minister even for a couple of weeks."

In this year's *Mood of the Boardroom*, a majority of chief executives expected the disillusionment with traditional politicians would spill over and affect the results of the upcoming election.

Brexit. Jeremy Corbyn. Donald Trump.

Recent outcomes of elections and referendums around the globe have been anything but predictable and can be largely attributed to disillusionment and rejection of immigration, globalisation, and a loss of national identities.

But many also believe disillusionment with the status quo can be explained by the curse that comes with ruling for three terms:

"We are already seeing it – sensationalism and strong communicators are winning votes," adds a media industry CEO.

"There will be some fatigue with another National government term but not the disillusionment with political institutions that we have seen in the US and Britain," reckoned Rob Cameron, founder of Cameron Partners.

"We are in a very different position to the US and UK," says a professional director. "Our economy is strong and we have choices as long as we make them wisely."

Others think the disillusionment runs deeper. An executive in the wine industry: "People are sick of smug, self-indulgent, middle-aged white men. At least I am."

Who should NZ First form a coalition with?



National – as has been seen in Germany, or for both parties to simply go back to the polls instead of making a deal with Peters. "Maybe National and Labour should form a grand coalition to get some long-term things right," recommended an automotive CEO.

Both National and Labour have ruled out giving the prime ministership to Peters. Unsurprisingly, 94 per cent of chief executives were also strongly opposed to the major parties conceding the prime ministership on an interim basis to achieve power.

Most thought the party with the largest share of the vote should be in control, and that minor parties should

A majority of chief executives expected the disillusionment with traditional politicians would spill over and affect the results of the upcoming election.



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MOOD OF THE BOARDROOM

Give us the policy lowdown

CEOs have expressed major scepticism over Labour's tax policies and lack of details, reports

Graham Skellern

New Zealand's top chief executives are clear. They want Labour's finance spokesman Grant Robertson to concentrate on wealth creation policies, rely less on increasing taxes and provide the detail on Labour's economic policies.

In the 2017 *Mood of the Boardroom* Survey, chief executives were asked: What should be Grant Robertson's major priority as Minister of Finance? They replied: Give us clarity, vision and investment.

It is a measure of their engagement with this pivotal election that 87 of 118 survey respondents gave their personal view to the open-ended question.

A media boss says the priority should be a clear articulation of policies and how they will be paid for. "No more 'we'll leave it to a working group'. Clarity needs to be provided immediately rather than 'trust us, we'll be okay'."

Z Energy CEO Mike Bennetts wants to know what contingencies Labour has, should income be less than projected, and what that would mean for its spend on newly announced and yet-to-be announced policies.

Robertson, a former Labour deputy leader, became finance



The priority is a clear articulation of policies and how they will be paid for. No more 'we'll leave it to a working group'. Clarity needs to be provided immediately rather than 'trust us, we'll be okay'.

Media boss

spokesman in November 2014 in former leader Andrew Little's shadow cabinet reshuffle. He has been researching international economic policy and is responsible for Labour's Future of Work Commission. The commission, which engaged an external reference group, wants to develop the vision, direction and policies for an economic and social programme that will enable New Zealanders to

Five priorities for Grant Robertson

CEOs want to see:

- More policy detail and clarity on tax changes
- Concentrate on wealth creation
- Don't touch corporate or personal tax rates
- Invest in important infrastructure
- Balance economic growth and the environment

confidently face the changing nature of work and have sustainable, fulfilling and well-paid employment in the coming decades.

Policies tackling the changing nature of work would be targeted to ensure decent jobs, lower unemployment, higher wages, greater security in work or out of work, and highly skilled, adaptable and resilient workers.

Business gets that. In this year's CEO survey, 63 per cent of chief executives predict their companies will change more in the next five years than the preceding five years.

During the campaign, most eyes have been on new Labour leader Jacinda Ardern.

But the spotlight fell on Robertson when his rival, National's finance spokesman Steven Joyce, claimed Labour had a \$11.7b hole in its fiscal plan.

Robertson swept into action, saying "we have a fiscal plan that has been independently assessed and

adds up. What Joyce has done is taken effectively our leftover cash at the end and then tried to accumulate that out as if we're going to spend every dollar of it every year. I've never said that. I've never said that our fiscal plan did that."

Kirk Hope of BusinessNZ wants more focus on wealth-creation policies rather than increasing taxes.

In its first term, a Labour Government would cancel National's tax cuts and implement a package to boost Working for Families for those who currently receive it and extend it to more families, introduce a Best Start payment for costs in a child's early years and introduce a Winter Energy Payment for those receiving superannuation.

It would also:

- Restart contributions to the New Zealand Superannuation Fund;
- Begin the construction of a light rail network in Auckland, invest in passenger rail for Hamilton and Tauranga, and restart commuter rail in Christchurch;
- Introduce a clean water

continued on D11



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MOOD OF THE BOARDROOM

Time to speed up vital projects

“ He should move aside to allow fresh thinking to prevail.

Don Braid, Mainfreight



The country's top CEOs believe National should be investing more on the right infrastructure to reflect a growing economy and population. **Graham Skellern** reports

Chief executives want infrastructure development to speed up – off the back of what has already been a significant investment by the National Government.

In the *Mood of the Boardroom* Survey, CEOs were asked: What should be Steven Joyce's major priority as Minister of Finance? They replied sharply: infrastructure investment now, not later, and improve productivity.

Mike Bennetts of Z Energy says the priority is pace and focus on much-needed infrastructure – “what should the priority order be, what is a reasonable envelope of spend over the medium term?”

An investment banker maintains New Zealand's economic security should be balanced with the need to invest and borrow heavily on right-sizing infrastructure spend to reflect a rapidly growing economy and population.

Joyce became Minister of Finance and Minister for Infrastructure after Prime Minister John Key stood down as the Leader of the National Party in December last year. Joyce had earlier cut his teeth as Associate Minister of Finance and drove the Key Government's Business Growth Agenda as Economic Development Minister.

In his first Budget in May 2017, Joyce allocated new infrastructure investment of \$4 billion into the transport, education, justice, health and defence sectors.

He said “the new investment and our total \$11 billion commitment of new capital over the next four budgets takes the government's total capital investment over the next four years to \$32.5 billion. That's a 40 per cent increase on the past four years.”

Treasury is forecasting real GDP growth of 3.1 per cent on average for the next five years, and surpluses growing from \$1.6 billion to \$7.2 billion during that time. Net debt was expected to fall to 19.3 per cent of GDP by 2020/21.

In his Budget, Joyce said more than 200,000 jobs were created over the past three years and a further 215,000 are expected by 2021.

During the election campaign, National announced \$10.5 billion funding for 10 new Roads of National Significance – billing it as the next generation of nation-building projects.

The funding would come from the National Land Transport Fund and the use of public-private partnerships. It

Does National have a co-ordinated plan of action focused on ensuring New Zealand's sustainable economic performance?

73%

Yes

21%

No

6%

Unsure

CEO priorities for Steven Joyce

- Accelerate much-needed infrastructure investment
- Improve national productivity growth
- Reduce the corporate tax rate
- Share GST revenue with growing regions
- Maintain steady course of economic growth

also said it would create a new National Infrastructure Commission to lead more public-private partnership (PPP) projects and to utilise National's \$32.5 billion infrastructure investment.

The commission would ensure that New Zealanders get faster access to new schools, hospitals and roading.

Joyce said National had a great track record of delivering transformative infrastructure investments, like the Roads of National Significance, Ultra-Fast Broadband and the Waterview Tunnel. We know how vital quality infrastructure is to the economy and people's lives.

“PPPs are very effective at getting quality long-lasting infrastructure built more quickly and using private capital to stretch the country's capital budget so we get more built.

“The National Infrastructure Commission will be responsible for expanding the number of PPPs so we can grow our \$32.5 billion investment and have more new hospitals, schools and transport projects sooner.”

National will merge two units from Treasury to form the core of the commission, with an additional \$2.5 million a year in operational expenditure.

Joyce, a forthright politician and National campaign manager for the past five elections, also stirred the pot by claiming Labour has a \$11.7 billion shortfall in its fiscal plan, and Labour was planning to increase debt by at least \$8 billion. And he claimed Labour's alternative Budget would increase home loan rates when many New Zealanders had big mortgages.

Joyce has taken up the infrastructure investment challenge, but the CEOs are impatient.

In the *Herald* survey, Port of Tauranga's Mark Cairns said: “Probably against my vested interest, Auckland's infrastructure has to be sorted out. Waterview Tunnel is a great example of a transport circuit breaker but we need many more of these.”

Stephen Selwood of Infrastructure NZ maintains housing and transport in Auckland and regional development nationally must be priorities to lift national productivity.

“We need to reform the local government funding and planning system to drive social and economic development through a partnership between central and regional government.”

Thomas Song of Oregon Group wants Auckland's infrastructure and housing supply fixed. “Find the money and get value for whatever is needed to deliver. There's plenty out there, you need to know where to ask.”

Michael Barnett of Auckland Chamber of Commerce says it's time for a new economic model that doesn't focus on reducing debt but managing it.

Forsyth Barr's Neil Paviour-Smith advocates Joyce should continue to pursue accelerated infrastructure investment using the Government's fiscal position and balance sheet.

Paul Glass of Devon Funds Management says “our GDP growth comes almost entirely from immigration and GDP per capita is flat or negative.

“We need smarter growth.” Don Braid of Mainfreight was direct. “He (Joyce) should move aside to allow fresh thinking and an investment attitude to prevail.”

Give us the policy lowdown

continued from D10

royalty on major commercial users of water;

- Boost jobs through a Regional Development Fund introduce R&D tax credits
- Establish a Tourism and Conservation Infrastructure Fund
- Target reducing New Zealand's unemployment to 4 per cent.

The CEOs want detail on what Labour is not saying. Particularly, the detail on Labour's expected plan to introduce a fully fledged capital gains regime and various imposts such as water royalties which impact on the productive rural sector. A summary of views include a call for “Clarity on tax changes” (infrastructure boss), “Substance on policies; lacking detail at present” (insurance chief) and “Stop endless new taxation ideas from his party” (financial services firm boss). “Reign in Labour's tax grab instincts,” advocates EMA's Kim Campbell.

A banking boss wants to see a focus on creating an environment where businesses can flourish because that enables Robertson to spend on social programmes.

Don Braid of Mainfreight says Robertson's priority should be vision and investment in important infrastructure. But a company chairman was more forthright: “I can't bear to think about it (Robertson's priority). I don't rate him so rely on some capable officials to see that he does not get us all into difficulty.”

Labour has said it will ban foreign speculators from buying existing New Zealand homes. This will remove from the market foreign speculators who are pushing prices out of reach of first home buyers.

Labour would extend the bright line test for property speculators who flick houses within five years. Speculators would no longer be able to use tax losses on their rental properties to offset tax on other income which gives them an unfair advantage over people looking to buy

Does Labour have a co-ordinated plan of action focused on ensuring New Zealand's sustainable economic performance?

4%

Yes

56%

No

40%

Unsure

their first home.

Robertson said “our fiscal plan shows New Zealanders we will make the investments required to re-build our core public services, reduce inequality and poverty, and invest for the long term benefit of New Zealand, while also responsibly managing our country's finances.”

He claimed by the end of the first term, unemployment in New Zealand should be among the lowest in the OECD, from the current position of 13th. The New Zealand Superannuation Fund will be growing rapidly again and worth around \$63 billion. The infrastructure projects to get the cities moving will be under way, and Labour will be making progress in cleaning up the country's water.

“While these investments are being made, we will take a breather on immigration until our cities can keep up with rapid population growth.

“By the end of our first term, we expect to see a significant increase in incomes, especially for working families and those in need.”

“

Steven Joyce needs to drive economic policy at improving productivity growth – and that means modifying policy across a broad range of policies, not all of them popular.

For example, there would be merit in scrapping all controls on inbound foreign direct investment, possibly with the exception of land purchases. It shouldn't take three months to approve a Chinese investment in a dairy factory (as it did in the case of Yili). The corporate tax rate needs to be reduced – it is now well above the OECD average. The Resource Management Act needs radical reform – it is ridiculous that it now often takes months, sometime years, to get approval to some pretty basic things.”

– Don Brash, ICBC Chairman and former Reserve Bank Governor,

MOOD OF THE BOARDROOM



Fronted by a police escort, the first cars make their way into the Waterview Tunnel.

We are all interlinked

No doubt many CEOs were cheering on the opening of Auckland's Waterview tunnel in June, but they say there is more to be done: Auckland's congestion woes were ranked as the most impactful domestic factor for business confidence in New Zealand.

The adequacy of transport infrastructure was also chief among the concerns of business leaders.

Over half of *Mood of the Boardroom* survey respondents rated the issue an eight or above on a 10-point scale, ranging from no concern to extreme concern. An overall average concern rating of 7.4 tells the story.

The third and fourth ranked factors were "growth pressures in Auckland" and "housing unaffordability" respectively – both coming in at above 7 on the scale – speaking to concerns about a city that many consider to be bulging at its seams.

For Anthony Healy, CEO of BNZ, housing affordability was the top issue facing the nation. Healy had a wide variety of policy prescriptions for the issue: "Increase supply, RMA reform, more thoughtful immigration policy, overhaul local government funding model, incentivise regional migration and development, and increase infrastructure investment."

As one leader sitting on the boards of a number of organisations headquartered outside Auckland explained, "Although Auckland issues are not so concerning, we are all interlinked and there are impacts and consequences

direct or indirect."

Craig Stobo, chair of the Local Government Funding Agency, said "the shortage of labour skills and pressures on growth city infrastructure" were constraints to further growth.

"Central government needs to rethink immigration policy and to share revenues with local government to incentivise them to invest in infrastructure," he suggested.

The latter of those suggestions, in the form of a policy sharing GST on construction costs, has been proposed by Act this election, and rated highly among CEOs – 3.47/5, on average.

"ACT is right on the button," said Stobo. "Sharing central government tax revenues with local government will incentivise local infrastructure investment currently constrained by Council's debt to revenue ceilings."

Stephen Selwood, chief executive of Infrastructure New Zealand, wants even broader reform: "We need to rethink how local government is structured and funded, in parallel with RMA and planning law reform."

"This requires some powers being aggregated at a regional level – economic development and infrastructure planning and delivery – and others powers devolved to communities – social issues and local amenities in particular."

Ross Buckley, Executive Chairman at KPMG, says much of the work is finally being done, but it's the timing that matters: "Recent investment in Auckland infrastructure (such as

Michele Embling's Top Three Issues

- Infrastructure pressures in Auckland including housing and transport: the Government needs to step in.
- The future of work has the ability to increase inequity in our society: Direct intervention from Government in partnership with the private sector is needed to equip the next generation to be resilient. We can't leave this to the teaching profession alone.
- Clean and Green. We need to lead the world on environmental issues but must address our own shortcomings.



Waterview) is making a positive difference and paying dividends – it just always arrives 10 years late."

Other leaders point out the funds for these investments requires economic growth, and New Zealand's productivity has been flagging.

This reality was reflected in a rating of 6.3 on the concern scale for the labour productivity factor.

Indeed, after housing affordability Healy's next top issue facing the nation was productivity. "Incentivise investment in R&D, develop and grow ICT sector, encourage more VC and start up capital funds," suggested Healy.

– James Penn

The big questions

Do you expect to increase or decrease your number of staff in the next twelve months? **Increase: 52.14%**

Are you expecting profit growth in your business in the next twelve months? **Yes (increased profit): 74.58%**

Are you expecting revenue growth in your business in the next twelve months? **Yes (increased revenue): 82.20%**

Are you more or less optimistic than you were one year ago about (scale where 1 = much less optimistic and 5 = much more optimistic) about:
The general business situation in your industry **3.41**
The New Zealand economy **3.07**
The global economy? **2.53**

What impact do you feel the following domestic factors have on business confidence in New Zealand and within your industry (scale where 1 = no concern and 10 = extremely concerned)?

Congestion in Auckland: **7.40**
Adequacy of transport infrastructure: **7.36**
Growth pressures in Auckland: **7.13**
Housing unaffordability: **7.09**
Skills and labour shortages: **6.81**
Regulation: **6.72**
Labour productivity: **6.29**
Adequacy of water infrastructure: **5.35**
Competitiveness of personal tax rate: **5.09**
Competitiveness of corporate tax rate: **4.78**

What impact do you feel the following international issues have on business confidence in New Zealand today (scale where 1 = no concern and 10 = extremely concerned)?

Cyber security: **7.64**
"Trump" factor - US political instability: **6.47**
Protectionism: **6.30**
Competition for global talent: **6.22**
Chinese economy deterioration: **6.02**
Introduction of US trade border taxes: **5.72**
Terrorism: **5.49**
Potential for nuclear war: **5.47**
Supply chain security: **5.41**
Currency volatility: **5.08**

Managing economic growth is the key

New Zealand will continue to experience economic growth but the impact of this growth on housing, infrastructure and skills must be managed carefully, says the chief executive of BusinessNZ, Kirk Hope.

"We are experiencing unprecedented demand for our goods and services including tourism, both domestically and exporting, but there are plenty of big issues over how we continue to facilitate and enable that level of economic growth," he says.

"There has been a significant underinvestment in infrastructure, we haven't built enough houses for people to live in, and are we confident that our education system is geared up to provide skills of the future?"

Hope believes a transport network involving road, rail, sea and air should be truly connected and operating efficiently.

There should be a long-term play



around infrastructure build – the roads of national significance are just part of it. "There's no lack of capital to build

Kirk Hope's Top Three

- Identify opportunities to invest for growth. "Where we put our resources to maximise the opportunity to grow – such as policy analysis, better technology, interacting with businesses more efficiently and effectively."
- Ensure skills are available for growing the business. "We have to make sure we have the right skill set within the business over the next two years."
- Higher employee satisfaction. "We have to make sure that people who work here feel valued and they are happy and highly productive."

infrastructure but our resource and planning law makes it tough. The infrastructure build is being played out

slowly. And it's critical for the regions to have quality infrastructure so they can continue to grow."

Hope says people might find living in certain parts of the country, such as Auckland and Queenstown, too expensive and they are moving elsewhere. But housing affordability is having an impact on businesses – these people are going to new jobs but the businesses they are leaving are finding it hard to replace their skills.

Hope says because of the demand for goods and services there is a mismatch of skills coming out of the education system.

"We have different parts of the tertiary sector responding in different ways. It is important that the funding mechanism through Tertiary Education Commission is more outcome focused than having bums on seats.

"The Industry Training Organisations (ITOs) are responding better to

the market but perhaps they are more tied in with employers."

Hope says over the next four to five years 200,000 more service workers are needed, and they are being trained by ITOs. "As a result of the demand, we are importing a lot of skills and this has its own challenges.

"Do they want to live in some parts of New Zealand? There have been examples of people experiencing exploitation. That's not a good thing.

"We don't have much time responding to a funding incentive process through TEC. We are engaging and trading with Asian countries and they are able to move their education rapidly."

Hope also wants a faster timeframe for New Zealand's public policy process. "We are very good at public policy but the process needs to be more responsive to different sectors."

– Graham Skellem

MOOD OF THE BOARDROOM

In good shape, but stay prepared

Business leaders are optimistic: if there's a threat, it's global, writes business editor at large **Liam Dann**

Business leaders are upbeat about their prospects for growth in the coming year and that is good news for the economy.

More than half, 56 per cent, expect to authorise more capital expenditure – just 12 per cent expect to spend less.

Similar numbers expect to increase staff as opposed to cutting back.

The levels of confidence spike even higher on expectations around technology investment, where two-thirds expect to spend more, and on revenue and profit growth.

Those last two may just reflect a healthy degree of optimism about their own business operations, but some 75 per cent of respondents expect to see profits grow in the next 12 months and 82 per cent expect revenues to grow.

That kind of positivity is hard to ignore.

The broad confidence about the business outlook fits with other economic indicators including high level expectations that solid growth can be maintained for at least a couple more years.

In his final speech last month, outgoing Reserve Bank Governor Graeme Wheeler outlined strong prospects for the New Zealand economy.

"In the absence of major unanticipated shocks, prospects look promising for continued robust economic growth in New Zealand over the next two years," Wheeler said. "The great-



Economy Hub at the Pub: Liam Dann talks to Grant Robertson.

est risk we face at this stage relates to the inflated global asset prices and the continuing build up in global debt."

In other words we're in good shape but need to stay prepared. Sooner or later the New Zealand economy always gets walloped by an external shock.

There is certainly a sense that this is the right time to invest in the future. The kind of extended period of economic stability we are seeing is a rare thing.

Already there are those in the investment community raising concerns about equity bubbles and

pondering when we may see the next financial crisis.

Part of that may just be timing.

We're now a decade on from the credit crunch and the start of the global financial crisis. We're also approaching the 30-year anniversary of the 1987 crash.

With both Wall Street and the local NZX-50 on historically long bull runs and still breaking records it is not surprising some old investment hands are pinching themselves.

This view comes through in the global risks identified by business leaders in the *Mood of the Boardroom* survey.

They are definitely more nervous about the global economy than they are about the local economy.

On the local front the biggest risks identified are all what could be described as growing pains.

Auckland congestion and inadequate transport infrastructure top the list of domestic concerns.

Time stuck in traffic is clearly being seen as a direct cost and a drain on productivity for many businesses.

Other domestic pressures that were rated "concerning" included growth pressures in Auckland, housing unaffordability and labour and skills shortages.

These concerns all point to an economy starting to bump up against capacity constraints.

But one can almost hear the voice of Finance Minister Steven Joyce already, pointing out that if you are going to have problems, then these are the right kind to have.

Globally though things look more serious with issues such as nuclear war, terrorism, protectionism, and Donald Trump's presidency, all featuring as major concerns.

Ultimately, cyber security comes through as the number one concern – perhaps driven by publicity about highly disruptive ransomware attacks that spread out of North Korea in May and the Ukraine in June.

The Chinese economy also features as a concern for many business leaders and, in conjunction with fears about Trump, US trade border taxes and protectionism, it offers a reminder of just how vulnerable New

Zealand is to a trade war.

Regardless, when we look at the sphere of business over which we have some control, it seems clear the mood in the boardroom is relatively upbeat.

Business leaders see an opportunity to invest for growth now while the going is good.

In a sense, business appears to be moving into a more expansive mode in tandem with Government. Whether it's Labour or National-led, we are going to see economic stimulus based on the campaign trail promises so far.

That more-expansion, strategic view, with a focus on investment, may even be influencing the political outlook of some – making them more open to the prospects of a change in government.

Nine years in, National risks looking tired. They still have natural allies in the business world but the challenge for Bill English and Joyce is to convince them they have refreshed their suite of policies and aren't just set to cruise control.

For Labour the challenge with business is always to reassure on economic management.

An appetite for fiscal stimulus there may be, but big spending promises, new taxes and regulation that wraps business in red tape is unlikely to sit well in the boardroom.

But if Grant Robertson can convince people that Labour is still a party of economic growth, then we could be in for a very tight race on September 23.

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Playing the Trump card

New Zealand CEOs see the US presidency as destabilising and spoiling a generally optimistic outlook



Mood of the Boardroom
Tim McCready

The “Trump factor” is one of the major issues impacting chief executives’ confidence in the global economy.

In last year’s *Mood of the Boardroom* survey – held just over a month before the US presidential elections – CEOs rated the election outcome as their third greatest international concern impacting on business confidence.

A year on, they see Donald Trump’s presidency and its resultant political instability as taking the edge off a generally positive outlook. CEOs rated the “Trump factor” their second highest international concern at 6.47/10 with 10 saying they were “extremely concerned” about its effect on political instability.

“The Trump regime has amplified geopolitical instability considerably,” said Rob Cameron, founder of merchant bankers Cameron Partners. “Global political outcomes are more unpredictable.”

“His performance is so poor we can only hope for impeachment,” added a law firm head.

Despite the negativity towards the president, 80 per cent of those surveyed say their view of Trump’s performance won’t affect their own company’s intentions with the United States.

“Operating in the US isn’t easy, regardless of who is in power,” said a tourism boss. “The domestic economy actually feels very strong in the US from a business operating perspective.”

“It remains a key market for us, no matter the presidency. Therefore, we remain committed to the United States,” added Don Braid, Mainfreight’s group managing director.

Others cited the ability for the US Congress to moderate the actions of the President as offering reassurance:

“Fortunately, in the United States, the founding fathers designed a constitution with checks and balances. Despite the concerns about Trump gaining a lot of media attention, his ability to implement action is limited,” explained a major law firm partner.

“He is mercifully restrained by the constitution and the checks and balances in the system,” said Kate McKenzie, Chorus CEO.

Several executives in the real estate industry thought Trump was having a positive impact on their business, as he unintentionally makes New Zealand a more appealing environment:

“As more Americans look to diversify investment and lifestyle outside the US, New Zealand’s clean green image and welcoming economic and political environment makes us a favoured destination,” said one real estate chief executive.

Another commented: “Trump’s irrational behaviour makes New Zealand’s isolation one of our greatest strengths.”

Neil Paviour-Smith, managing director of Forsyth Barr thinks Trump will help New Zealand businesses to bolster its trade in other markets. “While the New Zealand economy is continuing its expansionary phase, we are seeing more synchronised growth globally – including former laggards Japan and the EU – despite a lot of distraction from geopolitical-related activities.”

Much of the comment was pungent. Simplicity’s Sam Stubbs predicts – “as the ultimate apprentice in the ultimate game show, he will be, ultimately, fired.”

Closer to home there was some criticism of New Zealand businessman Chris Liddell – a former chief financial



“The Trump regime has amplified global instability considerably.”

Rob Cameron, Cameron Partners

“The problem is Kim Jong-un can’t be fired, only fired upon. This is not reality TV.”

Sam Stubbs, Simplicity



officer at Microsoft and General Motors – who heads Trump’s strategic development group focusing on priority projects and liaison with the private sector.

“Trump is an absolute tosser! What is Chris Liddell doing there?” questioned Local Government Funding Agency chairman Craig Stobo.

Another added: “Though in talking with a prominent Kiwi in the White House, he believes Trump is a very clever person who knows business and will succeed – as long as he gives up the stupid tweeting and mind games over people.”

Though Liddell is still in the White House, the turmoil and unprecedented staff turnover in Washington and delays in filling key jobs in US Government departments, has been noted.

“A disastrous lack of leadership is leaving the United States increasingly rudderless,” said Beca’s Greg Lowe.

“Trump is worse than I thought he was going to be,” added a real estate executive.

The Trump administration has seen a number of high-profile staff leave the White House.

Recent departures include Sebastian Gorka, deputy assistant to

The Trump factor

CEOs rated President Trump’s policy initiatives and actions on a 1 to 5 scale (where 1= not impressive and 5= very impressive).

- Implementing his campaign agenda including a radical cut to the corporate income tax to 15 per cent 1.51/5
 - Trump’s call for an “America First” trade policy with a focus on bilateral trade deals 1.31/5
 - Threats of a nuclear strike on North Korea: 1.30/5
 - United States withdrawal from the Paris Climate Accord: 1.24/5
 - Dealing with Russian security concerns: 1.24/5
- Source: NZ Herald Mood of the Boardroom 2107 Election Survey

Trump; chief strategist Steve Bannon; communications director Anthony Scaramucci – dismissed after only 11 days in the job – and chief of staff Reince Priebus.

But the new chief of staff, former marine general John Kelly, is said to be bringing discipline to the show.

Protectionism rears its head

One of Trump’s first actions as president was to throw out the TPP agreement which New Zealand signed in Auckland in February 2016 along with 11 other nations. During the 2016 presidential campaign, Trump frequently criticised TPP – labelling it “horrible,” a “bad deal,” and a “death blow for American workers”.

His new “America First” strategy has had a wide impact on US involvement in regional and multilateral trade agreements. The president favours individual deals on the proviso they can be quickly terminated in 30 days “if somebody misbehaves.”

He has recently stepped up calls for a more protectionist stance. Dismissing some of his top staffers as globalists, he has demanded a plan be drawn up to impose tariffs to remove China’s “unfair advantage” displayed by its trade surplus with the United States. “There is no dodging it, the world is more fearful and feels (but may not be yet) more protectionist,” says a senior player in the investment community.

“The move towards protectionism causes one to be more cautious and concerned about the outlook,” says Cathy Quinn, partner and former

chair at MinterEllisonRuddWatts.

The protectionist stance also brings with it the possibility of border taxes, which some congressional Republicans have put forward to support Trump’s commitment to increase American competitiveness and prevent jobs shifting overseas.

This would mean companies could no longer deduct the cost of imports, creating strong incentives to retain and relocate supply chains and research to the United States. But there are fears this could spark a trade war, as countries move away from the US and source products and materials elsewhere.

Without a detailed proposal for border taxes, it is impossible to comment on the specifics. But chief executive respondents to the *Herald* survey indicated they are reasonably concerned about potential risks to exporters trading with the United States, rating this at 5.2/10.

“Implementation of the Border Adjustment Tax poses a very serious risk to New Zealand’s wine exports to the United States – our biggest export market – and will undoubtedly be damaging to the industry,” says Erica Crawford, founder and managing principal of Loveblock Wines.

Threat of nuclear war

There is no doubt the threat of nuclear war has escalated considerably since Trump became president.

Earlier this month, Pyongyang said it had successfully trialled a hydrogen bomb that could be loaded onto a long-range missile.

North Korean state television said the trial, which was ordered by leader Kim Jong-un was a “perfect success” and a “very meaningful step in completing the national nuclear weapons programme.” It received international condemnation – including from New Zealand’s Foreign Minister Gerry Brownlee, who called the test “utterly deplorable.”

As is customary, Trump responded by tweet: “North Korea is a rogue nation which has become a great threat and embarrassment to China, which is trying to help but with little success.”

This was followed by: “South Korea is finding, as I have told them, that their talk of appeasement with North Korea will not work, they only understand one thing!”

Trump didn’t expand on what that “one thing” might be, but at an unrelated event last month he promised to inflict “fire and fury like the world has never seen” upon the totalitarian state if it acted in a hostile manner.

It is not surprising then, that the potential for nuclear war in Asia was considered by CEOs to be of reasonable concern, rating at 5.9/10.

“North Korea is a serious issue, which would have come to a head with or without Trump. The problem is Kim Jong-un can’t be fired, only fired upon. This is not reality TV,” said Simplicity’s Stubbs.

All change for the future



Mood of the Boardroom
James Penn

The past five years have seen rapid shifts in the way businesses operate – but that pace is gathering, and the next five years will move even faster

An overwhelming 92 per cent of respondents to the 2017 Mood of the Boardroom Survey predict that their company will change more over the next five years than it has over the past five years.

Already 76 per cent of the CEOs consider their companies to be “technology companies.”

One director referred to this as “The Great Acceleration” – comprising climate change, technological change, and social change. Another said that “if New Zealand ever had an economic moat, it certainly does not now.”

“The move to customer centricity, the use of data, the emergence of artificial intelligence, and the need to increase organisational clockspeed will be areas of key strategic focus for most companies.”

Spark Managing Director Simon Moutter suggests this is because technological change is now “exponential and combinatorial”.

This theory suggests that each new technological leap is an order of magnitude larger than its predecessor, and is amplified in its effect by other technological developments occurring alongside it.

Spark itself is perhaps the best embodiment of this.

Moutter describes his business as a “digital services company” now – quite the contrast from the telecommunications descriptor that would have been applicable in years prior.

“We’re endeavouring to navigate from traditional telco to a digital services company,” he says.

Asked to look five years into the future, Moutter says “Spark’s emphasis is on not just connectivity; our interest is in providing valuable services for individuals, families and business customers that make their lives easier, add some value to them, or improve their businesses.”

Crossing the line

Respondents to the *Herald’s* CEO Survey were also asked to rate the importance of various emerging technologies to their ability to remain competitive over the next three years. On a scale of one to 10, technologies such as artificial intelligence, machine learning, the Internet of Things, automation, and mobile and cloud computing all rated between 6.5 and 8.1 on average.

A common theme was the idea that there exists a threshold for many of these technologies, after which they become far more widely applicable and cost effective. Many indicated that we are close to, or perhaps have crossed, that threshold.

Simplicity’s Sam Stubbs was one of those: “Much technology considered expensive today will be almost free as SaaS (software as a service) applications within 5 years.”

“The trick will be the utilisation of this as easily as possible, while choosing which ones to focus on for more sustainable competitive technology,” says Stubbs.

“Picking the right technology to focus on is more important than trying to stay on top of, and employing, all technologies.”

Carolyn Luey, MYOB’s GM Enterprise Solutions & New Zealand, cautions “the most important thing is how we take people with us and ensure everyone can benefit from New Zealand’s tech future”.

This reflects a broader sense among executives that while technology may will affect the nature of work, the hope is that it frees up



A robotic distribution system uses laser guides to move through stacks. CEOs suggest there will be a high take-up of automation.

AP

employees to perform higher value tasks. That process appears well under way at Spark. Technologies such as chatbots and virtual assistants are now being utilised to improve the customer experience and streamline internal operations for Spark’s core services.

“A large portion of broadband monitoring, fault detection and workload initiation is all done by a

machine learning software system today,” says Moutter. “And it works extremely well.”

“We have robotic chat services coming online. Those types of capabilities have come past the line of where they’re going to become pretty normal, versus only applied in very specific areas and only of marginal benefit.”

Moutter says this is “less about

eliminating jobs, but more about impacting a lot of jobs to a significant extent; and therefore requiring for the human to adapt to the higher value-add elements of their roles today.”

A Lightbox Moment?

In pursuing the “digital services” vision, Lightbox is one example of where Spark has broadened its offer-

ing, introducing a television on demand subscription service. But Moutter hints at a shift in strategy for the service as it attempts to deliver value distinct from that offered by the major global players such as Netflix and Hulu.

“We do not believe Lightbox can continue to look just like Netflix. In the end, we will not win by competing head to head against Netflix.”

“We’ve used the fact that we were first mover and have gained a good position to get a start,” says Moutter. “But you’ll see us adapt, now that we’ve built an audience, to try to position as a different business.”

The Spark boss said the company plans to work with content partners in a different model where “we’re effectively facilitating their direct access with their own brands and content via our platform.”

“We have to try to create a different offering that has appeal locally and appeal to other parties who don’t want to work with Netflix,” Moutter explains. “And Netflix is a good business: we’re a partner with them too. So we see anything we do as an ‘as well as Netflix strategy’.”

“Nothing we do will ever dissuade a customer from having Netflix. But can we persuade them to have us as well?”

Spark also packages Spotify with many of its mobile plans, has spawned smart home security brand Morepork and data analytics firm Qrious through Spark Ventures, and helps businesses to integrate crucial new technologies such as cloud computing.

“Increasingly, we’re now starting to invest in our own virtual assistants, machine learning capabilities,” says Moutter. “We expect to be the market leader in enabling businesses to embrace those technologies.”

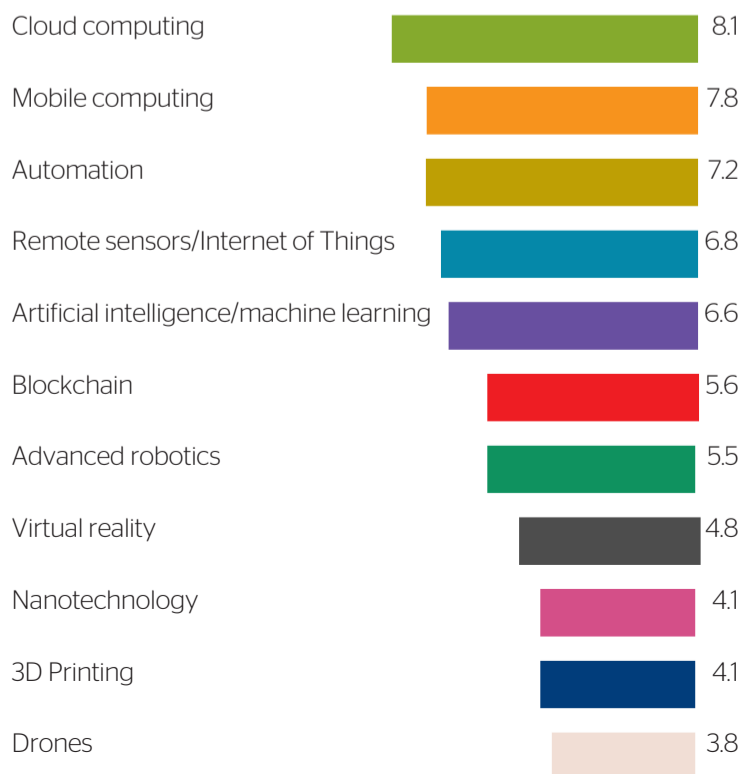
As the venture landscape of Spark



The most important thing is how we take people with us and ensure everyone can benefit from New Zealand’s tech future.

Carolyn Luey, MYOB

CEOs were asked” Will you adopt/increase the use of the following technologies to stay competitive in the next three years? (1= not important, 10= extremely important)



MOOD OF THE BOARDROOM

The looming cyber threat

In tumultuous international times, New Zealand's executives are more concerned about the impact of cyber crime than high-profile issues such as nuclear instability and "the Trump factor".

The threat is so significant some companies are even "attacking" themselves to identify weaknesses before hackers are able to do so.

Asked to rate 14 international issues on a scale of 1-10 in terms of impact on business confidence in New Zealand, respondents reflected mixed views: 10 of the 14 issues rate somewhere between 5 and 6.5 on average.

However, cyber crime sat head and shoulders above the rest with an average impact rating of 7.64; over a point above the next most impactful issue ("Trump factor", 6.47).

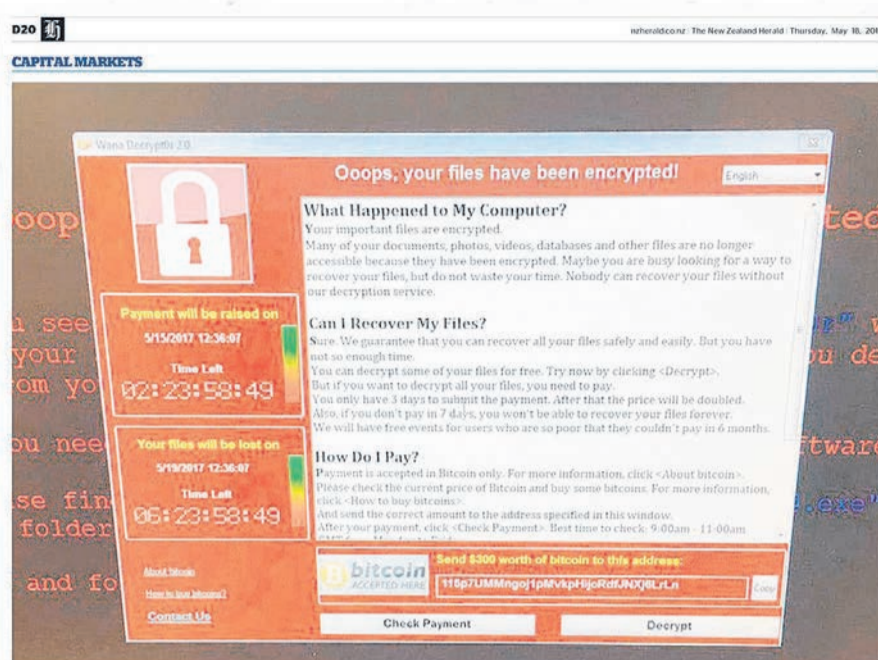
A managing director in the logistics sector argued cyber crime is "the biggest threat to business continuity that exists today."

Seventeen respondents indicated "extreme concern" about the issue, while a mere 5 of the 118 respondents registered anything less than "reasonable concern".

The results suggest a clear – and rapid – trend: in the 2015 survey, cyber crime rated 5.9; last year it became the top issue, at 7.16.

Warnings sounded by cyber security experts came to fruition earlier this year with the WannaCry ransomware attack penetrating the UK's National Health Service computers and locking down crucial patient data.

The attack spread rapidly, infecting over 100,000 computers within the first day. It hit the shores



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– or the networks – of some 99 different nations.

The ability to trace and punish the source of such attacks is becoming more challenging.

The WannaCry hackers demanded ransom payments in the form of Bitcoin, a cryptocurrency, making it impossible to know who the recipients of such funds were or to place a freeze on the fraudulently-obtained funds in the aftermath.

What are CEOs doing about it?

One managing director in the property sector, said their company is utilising a "planned attack" internally to "increase awareness" and demonstrate how easy it was to break down the digital environment of the company.

Some companies globally are now utilising a similar process, known as penetration testing. This involves hiring hackers – in some cases former cyber criminals – to launch an attack on the company's digital assets in a controlled en-

vironment.

This allows the company to identify and address vulnerabilities before an actual cyber criminal is able to.

Another managing director, in the financial services sector, suggested there is a need to "lift governance and executive awareness and capability", and considered cyber security to be the top issue facing the nation.

According to the managing director one of New Zealand's largest

Are CEOs doing more to combat cyber security threats?

67%

Yes

30%

In modest way

3%

Not yet

The Herald's Capital Markets report looked into the danger from cyber criminals.

digital companies, Spark, cyber threats are "our new reality".

"The enemy outnumbers the good guys by 100 to 1," explains Simon Moutter. "All businesses need to be implementing best practice protection and management capability to defend against these threats."

Spark has built the largest cyber security operations centre in New Zealand in order to offer cyber security services to a broader range of companies.

The services generate around \$40 million in revenue per year and Spark boasts roughly 130 cyber expert staff on its books.

"We can confidently say that we're the best at that in New Zealand today," says Moutter.

"And we're working hard to bring that capability to the mid market."

"At the moment, it's designed around large organisations, who have very specific needs; but the more we can create a service for a wider market, the better," he says.

Prevention is a big focus of investment for Kiwi executives: when asked if they were doing more to respond to the threat of cyber attacks, two thirds of respondents answered "yes, in a major way"; a further 30 per cent said they are doing more "in a modest way".

Just 3 per cent answered "not yet, but expecting to" – and not a single respondent answered "not at all".

Joanna Perry, a non-executive director on a number of boards, argued that mitigation is also important: "we need to all understand it exists and we will get caught; it's about mitigating the consequences."

– James Penn

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MOOD OF THE BOARDROOM

Education for a different world

Resilience and coping with change will become just as important as core subjects says Chorus' Kate McKenzie

Chorus chief executive Kate McKenzie says New Zealand needs to change its education system to better prepare children for work.

As well as ensuring everyone had access to education, McKenzie said teaching children the skills to cope with change and to be resilient was important.

"The world is shifting with technology and many curriculums are stuck in a pre-technology world in terms of what kids are learning and so I think being able to provide an environment where different learning styles can thrive and where kids learn how to learn is really important," she said.

Based on current research, it was unlikely people would get a job and keep it for 40 years, and the current education system was not one that had dealt with these challenges McKenzie said.

"Kids of today will be entering a world where they'll probably have a whole array of different careers. So teaching people things like resilience and coping with change, as well as teaching people how to think and learn new things over the course of their career is becoming increasingly more important than some other basic things we're teaching."

Increasing immigration was also a



priority for the chief executive who said this was necessary for continued economic growth.

"I think free movement of people and goods is always a good thing anywhere, but particularly in the New Zealand context," she said.

"We're pretty close to full employment and if that's with immigration and there's a zero to negative birth

rate I don't know where the growth in economy is going to come from so I think that's pretty straightforward.

"We need more immigration and as a relative newcomer to the country it looks to me like there's a reasonable capacity to absorb that. We need to do it thoughtfully but we do need to do it."

When it came to what her top

“ Kids of today will be entering a world where they'll probably have a whole array of different careers.

Kate McKenzie's Top Three

- Improving customer experience
- Innovation – expects to collaborate with entrepreneurs and start-ups (over next three years)
- Growth

concerns were for Chorus in the coming year, McKenzie said she was hoping for stability.

The business had made huge investments in plans that she said would pay off long-term, as long as the regulatory environment remained relatively stable.

"People changing their mind a lot is a disaster for these sorts of environments and so far that has been pretty good and we're really happy to see there is bipartisan support for the rolling out of fibre – that's really encouraging for us because we're a good percentage of the way through the build so we need to get on and finish it."

As the only female chief executive in the NZX top 50 listed companies, she hoped the number would increase in the coming year.

– Holly Ryan

All change for the future

continued from D15

deepens, this gives the company the ability to develop digital services capabilities internally before retailing the services to other Kiwi businesses looking to keep pace with technological change. "We're learning on ourselves," he says.

Qrious' first customer brief, for example, was analysing data for and supporting the growth of Skinny Mobile, Spark's barebones mobile brand. It was only after developing those capabilities internally that there was a value proposition to be offered to external parties.

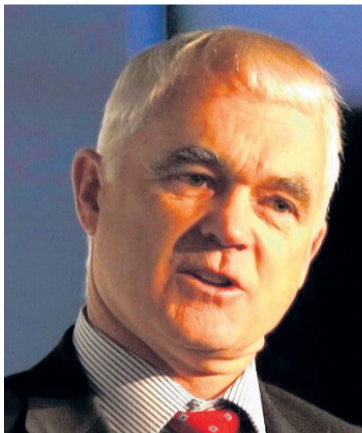
Qrious has recently acquired and absorbed another analytics company, Ubiquity, and is now "hitting around a million dollars a month in revenue."

"Most large organisations know they've got the information," says Moutter. "They just can't get it out, they can't put it into a framework where they can manipulate it, and they can't get it joined with the data they've got in other places, let alone external data."

Cultural evolution

Remaining competitive in times of change has management implications as well. Moutter says Spark is currently considering whether to roll out agile working practices across its entire business.

Agile methodologies involve devolved accountability with self-



“ We're now thinking about agile at scale. What if we made that our main operating model? [It would be] an almighty leap.

Simon Moutter

managing teams, launching prototypes and minimum viable propositions as early as possible, before iterating based on customer feedback.

Beginning with Spark Ventures, the company has begun to apply the methodology more widely. There is now a Spark customer lab, where customers sit beside coders and provide real time feedback as products are fine tuned: "We're now thinking about agile at scale. What if we made that our main operating model?" It's a move Moutter says would be "an almighty leap".

Protection of the areas where the innovation is most likely to occur is also important.

"One of the challenges for large

businesses in growth is that when you have a \$3.5 billion revenue line, everything new you start is de minimis," says Moutter. "How do you give it organisational attention?"

Investors and other internal decision makers often have reason to be sceptical about how even a fast growing internal venture can actually matter much in the context of a major company. The revenue growth might be impressive in the context of a start up but seem irrelevant to some in the context of Spark.

"It takes a lot of work, and as the CEO I have to do a lot of protecting of new ventures. I have to push people to stop trying to interfere or shut it down. You've got to give them room to grow."

Expecting disruption

42% of CEOs expect their companies' growth to come from joint ventures or strategic alliances over the next three years. 72% of CEOs expect to collaborate with entrepreneurs and start-ups over the next three years.

32% of CEOs are concerned that



Disruption is an integral part of business development – it's about our response and engagement to emerging opportunities and trends.

Traci Houppapa Chair Landcorp

start-ups (both locally and globally) could disrupt their companies' or industries' business model.

“ **Fraser Whineray CEO Mercury**

New Zealand's small market size means organisations must be judicious in identifying commercially viable niches for sustainable innovation. Thousands of opportunities are technically possible, though many are a solution looking for a problem – that's why customer-centricity in the innovation process is critical to assess whether or not it is worthwhile. The cost of innovation is falling which means many more opportunities can be trialled with customers with greater cadence, which improves the odds of finding the sweet spot.

Mercury continues to expand its platform reach into the cloud to provide greater flexibility for core systems as well as accelerated innovation. Our digital approach focuses on solutions that move substantially beyond automation of existing processes, but step change customer experience, delivery and decision making. For example, virtual reality could assist with meeting safety due diligence obligations with a geographically diverse business.

New Zealand is highly advanced with its smart meter rollout and the use of that for retail services to customers – this will continue to be a source of growth.

Technology 'defining the way we do business'

When we think digital, we don't always think legal.

But while self-driving cars, virtual reality gaming, and high tech drones dominate the technological discourse, NZ's legal players are quietly going about the business of digitising an industry that to date has remained relatively similar to its ancient Athenian roots.

"I think all companies and firms need to consider themselves technology companies," says Nick Wells, chief executive partner at

Chapman Tripp. "Technology is defining the way we do business and the way we live and work."

"Our clients have to work in new ways – and fast," explains Wells. "That means we do too."

At one end of the spectrum this involves shifts such as migrating document management to the cloud and utilising digital communication services to keep clients informed. These operate to increase the efficiency of existing tasks.

But increasingly, artificial

intelligence is making work previously done by human lawyers redundant. "Concepts previously considered futuristic – from automation to artificial intelligence – are firmly in the present," says Wells.

Sector optimists see this not as a displacement process, but more about freeing up lawyers to spend their time on more sophisticated tasks.

"Staff time on commodity and lower value work will be reduced giving staff the opportunity to be

involved in work which requires greater skills and personal interaction," explains Cathy Quinn, former chair of MinterEllisonRussWatts. "For example, when I started in law 32 years ago as a law clerk we were given the job of delivering documents around town. Our law clerks don't spend their days doing this any more. They are involved in more stimulating work. The same thing will happen."

MinterEllison has formed a joint venture with Goat Ventures to

explore the potential legal applications of artificial intelligence. Their \$2 million co-investment in the JV represents a significant commitment by the firm and an acknowledgement of the value of partnering with outside parties on such innovations.

Quinn says it is progressing well. "We are looking at both business-business products and business to consumer products and are in discussions with interested parties."

– James Penn

Better leverage of human capital

Mercury chief executive Fraser Whineray believes New Zealand should aspire to be more like Switzerland, and it starts in the education system.

Whineray was part of a business delegation which travelled to Switzerland in June this year. He and other members of the convoy were exposed to the country's pragmatic dual education system.

In Switzerland, teenagers are essentially groomed for roles in the economic system much earlier than other countries.

Only around 20 per cent of young Swiss go into a university stream; the rest enter vocational education training (VET) streams where they undertake part-time apprenticeships as they continue with school.

"Labour is scarce and expensive," Whineray said.

"Switzerland cannot afford a mismatch. Supply needs to meet demand."

Whineray said students in New Zealand are making decisions about which subjects to study at age 15 without a full grasp of how it could affect career choices in five years' time.

Young Kiwis are still essentially encouraged to get a Bachelor of Arts degree, which Whineray said was simply not in demand.

He suggested the idea of canvassing top New Zealand companies to understand what skills would be in demand in the next five to 10 years, then utilising that information by filtering it to young people making subject choices in high school.

Unlike New Zealand where apprenticeships normally mean plumbing, electricity and building, Swiss students are trained in accountancy, banking and a range of other skills designed to have them enter the workforce as efficiently as possible.

"There are over 200 types of apprenticeships, which are highly respected," he said.

Whineray said any education or training that led to employment should be valued, not looked down upon.

Another Swiss efficiency New Zealand could benefit from is the ability to move people effectively. Whineray said Swiss cities and villages had precise infrastructure that could transport people quickly and effectively.

"Switzerland has very sophisticated people-mobility," he said.

"Right now I can't live in Birkenhead and work in Mt Wellington easily. It fragments the market and it's sub-optimal."

The issue particularly affects parents who need extra mobility.

"We need to get the whole labour market engine clearing more efficiently so New Zealand can leverage its human capital," he said.

Finally, a unique element of the Swiss model is their decentralised

We could learn a lot from the Swiss model says Mercury CEO Fraser Whineray



Fraser Whineray's Top Three

- Net migration needs to be capped at a level that can be sustained by infrastructure capacity rather than constantly pushing against non-linearities. Yes, this might put pressure on wages but that's no bad thing, either.
- With labour slightly restricted, organisations need to get involved in lining up the education complement a long way in advance.
- Following better investment and alignment of human capital with the country's needs, the higher wages should translate into better labour/productive capital decisions, also enhancing productivity.

nature which allows regions to compete with one another through lower taxes and other incentives.

"If a region needs to grow, they can competitively change taxes and even make bespoke tax deals," Whineray said.

A key takeaway from the Swiss delegation for Whineray was the low unemployment among youth and the high wages the country pays workers.

Switzerland's income per capita is among the world's highest and it frequently rates as No 1 on the Global Innovation Index, despite the comparatively low numbers of university graduates.

Whineray believes New Zealand could follow suit by making this country an even better place to do business and rethinking the ways we ensure youth are getting the skills and experience to maximise their opportunities for quality employment.

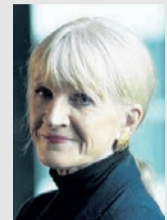
— Francis Cook



Joan Withers, Chairperson The Warehouse, Mercury

The thing that we're all facing, even those of us who are gainfully employed and view ourselves to be reasonably well-qualified, is that this age of disruption is unprecedented. We are entering an era where the key decision tool is going to be an algorithm and artificial intelligence means a lot of what humans do is no longer going to be done by humans. So what worries me most is making sure we're equipping the generation coming through with the tools to be able to cope in that environment and to be able to survive and thrive.

I don't think you can underestimate the extent of disruption. I don't think there are any profit pools that will be safe. I think when you look at New Zealand — we've got even less of a moat now in terms of what's going to happen with the likes of Amazon coming across the Tasman. So that's both a threat and an opportunity. But I think we've got to think very carefully about the future of work and about the way that — especially with children coming through, and I now have grandchildren — what is New Zealand



going to be like for them?

I think what the government needs to do is look at whether the education system that we have at the moment is fit for

purpose. For a whole cohort, it is absolutely so. But I think what I'm seeing in some of the work that I'm doing in South Auckland is that there are other ways that you need to address education. For example, academies, and tailor-making education to suit the children who are coming through. We pride ourselves in terms of the percentage of people going through university: is that going to be the best model going forward? When I heard the feedback from the trip that recently went to Switzerland, I was astonished to hear that only 20 per cent of students actually go to university — that's much more a focus on apprenticeships and so forth. So I would like an incoming government to look at the education platform in the context of what's changing in our world.



Christopher Luxon CEO Air New Zealand

There's lots that we could steal from Switzerland and apply to New Zealand. And I was struck by two things. One is they build everything in their economy for the premium end of the market. They've focused really very clearly on premium and highly productive industries. If I look at their tourism industry — certainly it is in the top 10 per cent of countries around the world — you're very conscious you're in a special place. You're paying a lot, but actually you feel like you're getting great value because of the experience.

So the drive to premium is very impressive in Switzerland, and everything is geared around it. And the second thing is really around the skills development in Switzerland. You know, only one in five kids go to university and they come out very vocationally trained. We met with a number of different companies and everywhere we



went we saw really great quality welders, carpenters, and they had fantastic apprenticeship programmes, and great technical

institutes. I think that's a classic for me where in New Zealand we're not focused enough on our skills piece and our skills development.

All our kids are going to university, they're coming out with degrees and qualifications that aren't necessarily translated to what the economy needs. And what we need is just as much highly technical people trained incredibly well, as we need university graduates. Our universities — we've only got a few of them — they should be really focused on some specialties they can be genuinely world-class at, rather than trying to be a jack of all trades and master of none.

Swiss vocational model impresses chiefs

James Penn

An overwhelming 94 per cent of chief executives want the Government to take a leaf out of Switzerland's book when it comes to skills and training.

The Swiss utilise a vocational education training stream, where students combine school learning with skills developed in the workplace, resulting in an unemployment rate of just 3 per cent (as of July 2017).

After a delegation of Kiwi business leaders visited Switzerland earlier this year, the country's approach to skills development and training impressed many.

"Our once world-class education system no longer is," argued Roger Partridge, chairman of the New Zealand Initiative, the organisation that

facilitated the delegation. "We need new solutions to give us the skilled workforce business needs, and which young New Zealanders deserve."

And when asked to rate the impact of a variety of domestic factors on business confidence, respondents to the *Herald's* CEO Survey gave an average rating of 6.8 to the skills and labour shortages factor.

This ranked as the fifth most impactful domestic factor out of the 18 rated by business leaders.

This has been a consistent trend over the 14 prior *Mood of the Boardroom* surveys.

Around 70 per cent of students in Switzerland enter the vocational education and training (VET) system, which also compensates students for the practical work they do — usually

94%

support learning from the Swiss vocational education training stream, where students combine school learning with skills developed in the workplace.

6.8

Skills and labour shortages: rated 6.8 on a scale of 1-10 for the impact of domestic factors on business confidence

a maximum of three or four days per week, with the remainder made up of academic classes.

Students have the option of apply-

ing for VET programmes once they reach the age of 14, which cater for around 230 different professions.

And though vocational training programmes typically evoke images of trade and industrial professions, the Swiss model includes programmes for sectors such as information technology and other STEM fields.

As Partridge wrote at the time, the dual track system "has contributed to a highly skilled, more future-proofed workforce, and enviably low levels of youth unemployment."

"It certainly warrants further study."

All of this adds up to a society in which youth unemployment is just 8.6 per cent (the fifth lowest in the OECD), as compared with New Zea-

land's 13.2 per cent (18th in the OECD).

Meanwhile, its higher education system continues to punch well above its weight: ETH Zurich, the country's premier STEM university, ranks 10th= on the Times Higher Education Rankings.

The country boasts three universities in the top 100, despite being less than double the size of New Zealand — by comparison, our top-ranked university (the University of Auckland) comes in at just 192nd.

While transforming the education system is a common catch cry from politicians across the spectrum, most policy proposals appear incremental in comparison to the structural differences in Switzerland — and most Kiwi CEOs appear keen for that model to be considered more seriously.

New Zealand needs more of a master plan

Air New Zealand chief executive Christopher Luxon is keen for business to play a larger role in “super-charging New Zealand’s success”.

In a video interview for the *Herald’s* Mood of the Boardroom leaders’ series, Luxon explained that meant business contributing with government and with community leaders to progress New Zealand forward.

“This can’t just be left to one of the actors in the economy,” he said.

Luxon said he wanted New Zealand to be more strategic as nation. “I was recently with the Minister of Transport in Singapore, and we were looking out from his office as he talked about a 2040 plan for the infrastructure across the country.

“And, you know, they’re reclaiming land and building tube stations, as I understand it, up to five, seven years before they actually need them. But they’re in place, investing ahead of the curve and ahead of the growth.

“As New Zealanders we have been raised to be highly tactical and self-reliant. But we tend to react to crises – and actually it’s very much in our DNA – but the challenge is to have more of a master plan of where we want to go.”

Attracting investment in today’s environment, is very cheap. “I think the bigger challenge is for us to have the vision of where we think we need to go. We need big investments and that infrastructure actually will support greater productivity in our sectors, and we still haven’t done a nearly enough good job of that.

“If I take my own sector of tourism, we’re really proud of the progress we’ve made in terms of tourism, and it’s been tremendous. But the reality is that we are about mid table in terms of the productivity that we get out of tourism, and what I mean by that is the



“ We need big investments and that infrastructure actually will support greater productivity in our sectors.

Christopher Luxon

value of tourism divided by the number of employees working in it; we’re about mid-table in the world. And if we could get ourselves to the top 10 per cent there’s another \$9 billion to add into the tourism sector.

And I’m sure it’s the same in primary industry and I’m sure it’s the same in dairy and other parts of the economy as well.

Herald: Just looking at key issues – like housing and immigration, where do you sit on that?

Luxon: Immigration is actually a good thing for this country. We don’t want to be a country of anti-immigration. It just has to be the right kind of immigration with the right kind of skills, coupled with the way that we develop our own people locally. On housing – that’s a real challenge for us. And again, it’s a function of the strategic thinking to invest in housing before that demand starts to hit us, and obviously we’ve got some serious catch-up and some serious challenges there.

Herald: We’ve had a situation where a number of our major construction companies – Fletchers, Hawkins – have come under pressure. Do we actually have the companies here to shoulder the infrastructure build that we need?

Luxon: I’m not sure about that. I think we

have. But equally, there might be more innovative solutions. I was quite interested in the thought that we might be able to partner with the Chinese companies to build critical infrastructure; that we might be able to open up classes of immigration and a pathway to citizenship for workers to help us build the critical infrastructure that we need so fast.

Herald: How would you have that conversation, in a polarised environment?

Luxon: I think a lot of it is actually just taking a step back and explaining the burning platform that we see. And I think New Zealand is essentially, in an infrastructure sense, a country that was built for three million people with a million visitors. Today we’re almost five million and four million visitors, and part of the maturing of our country is really the fact that we have to make investments ahead of it. That’s no different from what we do in business. Air NZ today is, you know, 35 per cent bigger than it was five years ago and we’ve had to invest in capital in order to actually create those opportunities for us.

“I think a lot of it is actually taking a step back and explaining the why, and getting really clear about what the implications of all of that is. And communicating that to everyone across the economy is really important.”

Leaders’ top three

Sam Stubbs, Simplicity

1. Income inequality: Only removal of crazy tax incentives for housing will address this long-term.

2. Infrastructure: Business and Government needs to think about investing in a more capital rich, low interest rate environment. They can build with the confidence that it will be demanded, and funded.

3. Water: This is the issue that will bite us internationally. We use it liberally and pollute it wilfully. The world demands best practice from water-intensive exports, and we are not leading the way here.

Mike Bennetts, Z Energy

1. Climate change: Follow the recommendations from the recent report by the Parliamentary Commissioner for the Environment. Or at the very least agree the framework for a bi-partisan agreement that deals with the intergenerational issues arising from climate change.

2. Inequality, and the long term social consequences of growing inequality. Focus resources on where the greatest risk/gap exists rather than a more average approach to all.

3. Investment in infrastructure that better matches current and forecasted demand: Solutions could include better financing options like infrastructure bonds, better analysis and understanding of the opportunity cost of delayed investment.

Chair, Major meat exporter

1. Loss of bipartisanship on international trade policy settings put at considerable the country’s competitiveness and economic wellbeing. The National Party needs to be more inclusive and the Labour Party open to empirical evidence.

2. Concentration of political focus on Auckland.

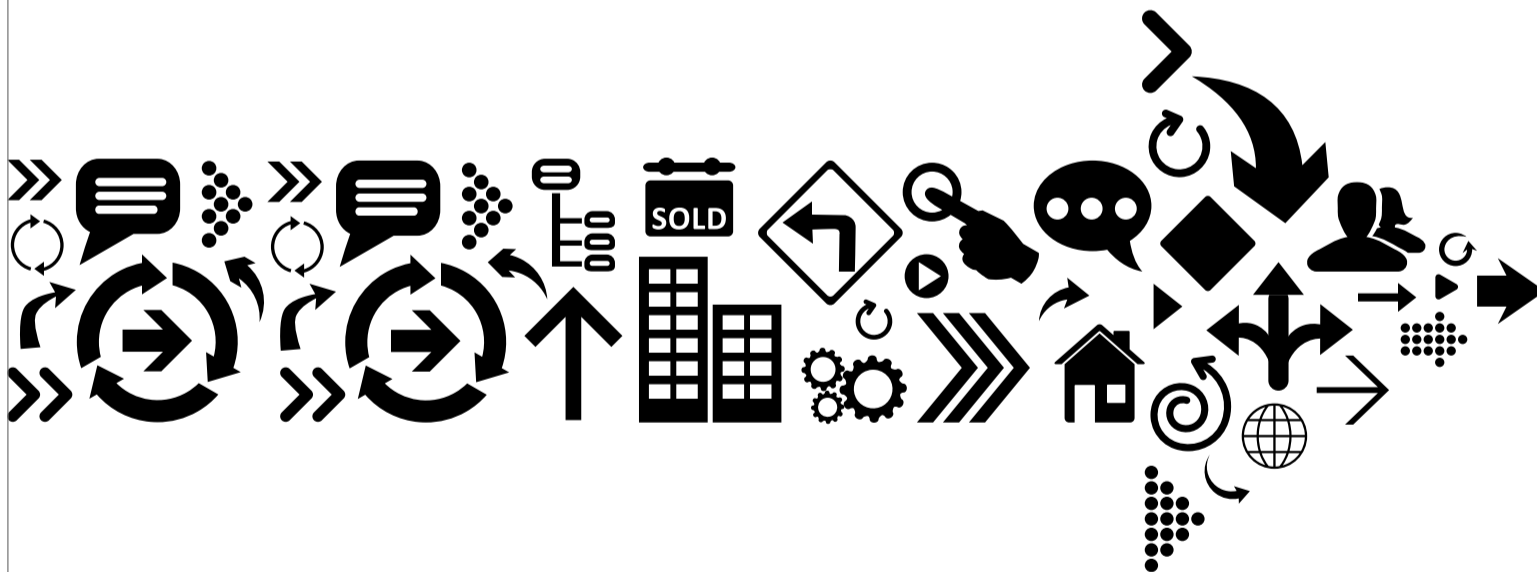
3. Urban-Rural divide which is driving poorly researched populist political agendas at odds with the country’s economic advantages

Suse Reynolds, Angel Association NZ

1. More skilled migrants

2. More tertiary education funding

3. Capital shortage – more venture capital – tax incentives, incentives for offshore VCs.



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MOOD OF THE BOARDROOM

There's an appetite for constraint

CEOs apprehensive over the arrival of global behemoths, writes Herald Business Editor **Hamish Fletcher**



Mood of the Boardroom
Hamish Fletcher

Many New Zealanders are eagerly awaiting Amazon's arrival Down Under and the convenience, speed and cheaper prices the online shopping giant is able to offer.

New Zealand's top bosses, on the other hand, are feeling far more ambivalent about the retailing juggernaut.

They have good reason to be apprehensive. The e-commerce colossus has yet to even make landfall across the Tasman but is already weighing on the share price of companies like Trade Me and Sky Television.

Under the direction of Jeff Bezos, the \$660 billion behemoth has wreaked turmoil for any sector where it has made a move. In July – a month after Amazon bought America's

Whole Foods chain – more than US\$30 billion (\$42b) had been wiped off the market capitalisation of listed supermarkets in the United States.

The Seattle-based company is not unique. It is just one of a growing number of tech giants whose market power has swelled over the past decade.

Others – like Facebook and Google – have turned old models on their heads and fundamentally changed industries like advertising, marketing and media. That hasn't seemed to bother consumers one bit and Facebook alone has more than 2 billion users globally.

It has, however, drawn the attention of competition regulators.

Since former Danish MP Margrethe Vestager took over as European Commissioner for Competition, Silicon Valley has been slapped with a string of big fines. In one case in June, Google was ordered by pay a record €2.4 billion fine for skewing results on its search engine towards its own products.

Vestager gave Google's parent Alphabet around three months to "stop



Regulating internet companies is a tough business. Short of going down the Chinese Government's route of blocking access, any decision would be incredibly difficult to enforce.

its illegal conduct" or face further sanction. Commentators saw the decision as putting Google "on parole" and believed it could have big implications for other products under its umbrella, including its online maps service.

Smaller domestic watchdogs are also getting in on the action. Germany's Federal Cartel Office revealed in July it was examining how Facebook collects detailed user information that allows it sell lucrative targeted ads. The office was concerned Facebook was effectively

bullying users into accepting terms and conditions they didn't understand.

There have been no rumblings of any such regulation here. But there is appetite from business leaders for the Commerce Commission to launch its own investigation into the global giants.

Some 38 per cent of respondents to the *Mood of the Boardroom* Election Survey want Mark Berry and his team to constrain the likes of Amazon and Google or probe their market power. A similar proportion were against

any such move, while a further 28 per cent were on the fence.

Whatever conclusions an inquiry would reach, regulating internet companies is a tough business. Short of going down the Chinese Government's route of blocking access, any decision would be incredibly difficult to enforce, given these companies don't need a physical presence to reach millions of New Zealanders.

And because of the breakneck pace of technological change and slow-moving nature of regulation, the market is likely to have evolved considerably by the time any probe is completed.

Facebook's or Google's own business models could well be disrupted by a new service in that time.

That doesn't mean Kiwi companies can ignore these giants – they would do so at their peril.

But nor should they wait for a regulator to come to the rescue.

They need to work with these new dominant players to ensure they can get a share of their revenue, or adapt their own businesses so they're best placed to compete with them.

Taxing the multinationals

James Penn

Physical borders may be on the up worldwide, but the digitalisation of industries from entertainment to retail to finance has meant commercial borders are less defined than ever before. In that context, Kiwi business leaders are raising questions as to the tax status of their global competitors.

Chinese ecommerce giant Alibaba opened a NZ office this year, while commentators are tipping Amazon to make a play in the NZ market over the next year or so. Such a move would not only affect retail, but also media, with Amazon Prime a potential buyer for New Zealand rugby broadcast rights.

While most responding to the *Herald* CEOs survey were hesitant about the

EMA. "However, we must be mindful that whatever we impose may well be imposed on our MNCs should they operate offshore."

Such concerns have been present for some time. The Government responded with a series of policies to address Base Erosion and Profit Shifting (BEPS) intended to be enacted by midway through next year.

"These decisions have been arrived at after weighing up public feedback on three government discussion documents relating to: hybrid mismatch arrangements; interest limitation rules; and transfer pricing and permanent establishment avoidance," Revenue Minister Judith Collins said in a press release last month.

"These changes will result in an estimated \$200 million a year in additional tax being paid by multi-national companies," said Finance Minister Steven Joyce.

When asked whether the Government had made progress on BEPS issues, 40.5 per cent in the survey said no. Many others (31 per cent) were unsure, while a minority (28.5 per cent) said yes. Of that group, a significant proportion were hesitant about the extent of the progress.

CEOs responded with comments such as:

- "Yes, but very slow progress."
- "Progress but not enough progress."
- "Keep going on this!"

"It's hard to tell through the rhetoric," said Campbell. "One gets the sense the US will stonewall anything that looks likely to get traction."

An alternative solution floated by the Labour Party is a diverted profits tax (DPT), which has been introduced in Australia. The survey tends to reflect a need to educate the public on such solutions. Just under 50 per cent supported a DPT, but a further 42 per cent were unsure. When asked whether it would raise more than the anticipated \$100m planned for in Australia by 2018-19, a full 63 per cent were unsure.

The debate is characterised by a mix of frustration and appreciation. "Do we want these companies trading with us?" asked another chief executive in the agribusiness sector. "And if we impose an impost that other countries don't, do we end up being worse off?"



NZME managing editor Shayne Currie speaks at the Commerce Commission hearing in Wellington last December on the proposed merger of NZME and Fairfax NZ.

The global dominators

Global technology companies by virtue of their scale and network effects clearly present a threat to New Zealand businesses. But the CEOs are sharply divided on what the response should be.

Asked if they should be constrained in New Zealand or have their market power investigated by the Commerce Commission, 38 per cent said yes, 34 per cent said no, and a further 28 per cent were unsure.

A handful of CEOs portrayed pointed concern in their comments – one arguing in relation to Amazon's expected arrival that "there are currently few who truly understand how ubiquitous their presence will become". "Possibly," answered another. "Need to be careful with these companies." Others were less sure.

"As long as their market activity is on equal grounds with the rest of us, then we must learn to compete accordingly," said Don Braid, group managing director at Mainfreight.

"I don't think you can hold out against global trends without looking rather silly," said a chair of two high profile companies.



The Commerce Commission should enable greater merging of NZ entities to more effectively compete with global scale disruptors.

Media chief

The impact of global technology giants Google and Facebook on New Zealand news media was cited by NZME and Fairfax (now Stuff) in their unsuccessful merger application to the Commerce Commission.

The argument was made that in a digital economy NZME and Fairfax now compete with Facebook and Google for advertisers – and the merger would have allowed them to compete with the scale of those companies.

That theory was reflected in the comments of another *Mood of the Boardroom* respondent who also operates in the media sector.

"The Commerce Commission should

enable greater merging of NZ entities to more effectively compete with global scale disruptors."

But with a sizeable chunk of respondents answering "unsure", it was evident that CEOs had not yet come to anything close to a consensus on what may be one of the major emerging issues of the next few years.

"The question combines two very different actions," said a legal chair.

"An investigation to ascertain whether there is a misuse of market power is appropriate; jumping to a conclusion and constraining without first having an investigation to find the facts is not."

Are multinational companies paying their "fair share" of tax in New Zealand?

19.5%

Yes

74%

No

6.5%

Unsure:

idea of the Commerce Commission investigating these global behemoths, a number were concerned about the tax implications.

"They provide an amazing customer experience and business model," said an agribusiness CEO. "But they don't pay their share of taxes, nor is NZ likely to be much more than a 'shop front' for these players."

A full 74 per cent of respondents considered multinational companies (MNCs) are not paying their fair share of tax within New Zealand. Alongside the ecommerce giants, tech players such as Google, Apple, and Netflix have come in for criticism in the past.

"MNCs by their scale have an unfair advantage being able to shift income around to different jurisdictions," said Kim Campbell, chief executive of the

MOOD OF THE BOARDROOM

The confidence trick

Tourism Holdings chairman Rob Campbell identifies a lack of confidence and strategic judgment in many New Zealand businesses as one of the issues holding the country back.

In an interview for the *Herald's* Mood of the Boardroom video series, he said NZ businesses are still inclined to look around us nervously as to what's going to happen and forget that the country is in a quite long and sustained period of economic performance.

"We have a very benign environment to operate a business in, and we should be confident about making sound business decisions," says Campbell. "Not to say that we should do everything or get carried away. But I think perhaps there's just still a lack of confidence in NZ business about getting ahead and doing the things that need to be done – particularly in the significant listed company area, where I think we're often just a little bit too careful about how we're rolling out our strategies."

"To succeed in business today – in business of any size – you have to be global, so you have to think globally. You've got to be able to transport yourself and think locally in the place you're going to as to what works there."

New Zealanders can do that, and we see it in many of our smaller start-up businesses. In the larger businesses I think perhaps we still lack a bit of confidence."

Herald: What are the major issues for this election?

Campbell: From a business perspective it's best to sort of ignore elections as much as you can, because we can't run businesses according to election cycles.

But from a broader point of view,

“ Auckland is growing extremely well for a city that, if you followed much of the media, no one can afford to live in, or no one wants to live in.



New Zealand is in a very good period. There are many people in New Zealand, at the bottom of the heap, who are not in a good period in their lives and who need support and help and need social structures and social initiatives that are helping them. I think people of all persuasions want to see that happen.

The issue is how do we do it? And we should do that by being open to different ideas; by being prepared to experiment in the social area in the same way as we are in the economic area, and allow the best ideas to come to the top. I think it's unfortunate when these things become partisan, because partisanship doesn't help

people at the bottom who need some help and assistance now.

Herald: Do you have a sort of sense of how creative governments should be?

Campbell: I'm no media-basher, but you know, Auckland is growing extremely well for a city that, if you followed much of the media, no one can afford to live in, or no one wants to live in. The truth is lots of people do want to come here, and do want to live here, and lots of people do and lots of people are doing very well.

What happens in these processes – and this city is no different – everyone's investing in property; the price of housing has gone up terribly; we've had Chinese money in here.

And cities all over the world have this sort of stress. It's a problem of growth.

When Bill English says that these are good problems, they're problems of growth, that's true.

Doesn't mean for the people that have the problem it's not a real problem and something shouldn't be done. But it's important not to throw the baby out with the bathwater.

We actually have quite a vibrant economy, which we need to keep, and just need to be as vibrant socially. And I think the key to that is experimenting – it's not someone having a grand idea, it's experimenting, trying lots of things.

Michael Boggs, NZME – Top 3

1. Freedom: Freedom to substantially live, work and play in an environment that you wish for. We are supported by relatively low levels of regulation compared to many countries and encouraged to look to the global stage to perform better, while taking the rich resources we have, people and commodities, to the world. The can-do attitude is encouraged within society and this will hold us in good stead into the future.

2. Vision: We have been held back by lack of bold vision and investment in New Zealand's infrastructure to support growth. Whether it be in transport, tourism or housing, the lack of speed in defining, approving and building key infrastructure is now hurting our productivity as a nation and is threatening the experience we provide to our people and a key export earner, tourism. Business must accept that further central and local government investment is required and be prepared to pay more, whether it be through taxes or user pays to ensure our nation continues to prosper into the future. Speed of decision-making and build is now paramount to the success of future generations. This will inflict some initial pain in our daily lives and businesses, as infrastructure is built or modified, but we must stay focused on delivering on a vision that will provide a better future than the counterfactual of low and slow investment.

3. Media: It's an exciting and challenging time to be in media. There are more and more sources of news and entertainment, and the ever-increasing speed of the internet combined with the strength of social media platforms



and Google make distribution and access to a huge range of digital content very easy and, in most cases, free. However, people are becoming more wary of sources and want to trust the information they receive and source quality content. Audiences are mobile and increasingly demanding content in formats and on platforms to fit their individual routine and lifestyle. NZME works hard to keep pace with these audience demands and also the demands of our advertisers, who expect access to highly segmented audiences through quality data. We have to work harder than ever to deliver the best content to attract people to our platforms, at the lowest cost. We have an opportunity and an obligation to use our media assets and voice for good, for New Zealand as a whole, and we will continue to focus on this. Like every trend in media, we expect these trends to continue to accelerate through to the next general election in 2020. By then, the range of devices may have changed, but our audience will still demand that we produce quality, engaging content, as they do today.

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Inequality under the microscope

Ensuring social cohesion helps business to prosper, writes **Thomas Pippos**

In some legal contexts, corporations have the same rights and responsibilities as individuals. And like some individuals, businesses are thought by many to operate from extreme self-interest – myopically focused on returning short term value to shareholders at all costs.

The results of the tax questions in the 2017 *Mood of the Boardroom* Survey highlight that this is not the case.

Though corporate social responsibility has been around since at least the middle of last century, the themes of fairness and social cohesion seem to have taken on heightened importance from all quarters of late.

More recently, the social cohesion theme was prevalent in the Government's May Budget, which included a material increase in funding through the Tax and Families Package for measures broadly aimed at building greater resilience for middle and lower-income New Zealanders.

We coined the sentiment that the budget looked to deliver "material cash and services dividends to the masses with equally materially social cohesion and economic resilience dividends to business and those further up the food chain".

The importance of the latter part of this sentiment continued in findings from last month's Deloitte BusinessNZ Election Survey, which reflected a greater awareness from the wider business community of the importance of social cohesion.

And consistent with this, the *Mood of the Boardroom* results confirmed that the largest New Zealand businesses are also increasingly concerned with this issue.

For example, while businesses are in favour of reductions in personal income tax rates and the corporate tax rate (in particular the corporate rate in response to downward movement of the equivalent in Australia), two-thirds of respondents to the *Mood of the Boardroom* survey indicated they are happy to keep tax rates largely as they are and use future surpluses on a mix of debt reduction and the provision of greater social services.



Businesses leaders feel it has never been more important for our politicians to communicate the direction of social policies – equality, fairness, and cohesion

This fairness and socio-economic wellbeing theme also came through in a number of this year's survey results including: a greater focus on enabling regional development, a desire for greater fairness across different types of business ventures and a heightened concern around the taxation of global multi-national corporations in New Zealand.

On regional development, almost three-quarters of respondents were open to the Government sharing certain tax revenue (such as GST or regional petrol taxes) with the regions in which the tax revenue is collected – those proceeds being directed toward economic development that benefits stakeholders in those regions.

The sense seems to be that it's only

CEOs rate which policies should be taken up by a future Government

Policy	Yes	No	Unsure
Reducing personal income taxes generally	61%	31%	8%
Specifically reducing the top marginal tax rate	27%	58%	15%
Reducing the 28 per cent corporate tax rate	74%	19%	7%
Reducing the trust tax rate	26%	58%	16%
Reducing the GST rate	5%	90%	5%
Increasing personal income taxes generally	4%	95%	1%
Specifically increasing the top marginal tax rate	9%	86%	5%
Increasing the trust rate	5%	90%	5%
Increasing the corporate rate tax rate	3%	97%	0%
Increasing the GST rate	6%	90%	4%
Keeping current tax rates and focusing surpluses on debt reduction and greater social services	66%	23%	11%

Source: NZ Herald Mood of the Boardroom 2017 Survey

fair to empower regions to make decisions on the best investments for economic growth in their patch that benefit individuals in their constituency; noting however that with any such additional revenue there would need to also be greater responsibilities in terms of performance standards.

In regards to fairness across various business entities, respondents are decidedly in favour of keeping charities' tax-exempt status, slightly less so in relation to active business income (as compared to passive investment returns), but only as long as charities are meeting their legal obligations under the Charities Act.

Also, respondents were strong in their comments that tax exempt status be protected for bona fide charitable activity only, and not provide a way for businesses to hide behind charitable status to gain unfair competitive advantage.

This theme also extended to the tax treatment of Maori Authorities, with the largest group of respondents (just under half) in favour of government revisiting whether or not the 17.5 per cent tax rate continues to be appropriate.

And fairness is certainly top of mind with respondents' views on the taxation of multinational companies. Somewhat surprisingly, over 70 per cent do not think multi-nationals are paying their fair share of tax, either generally or specifically here in New Zealand.

The largest group of respondents (40 per cent) also do not believe progress has been made to change New Zealand's tax settings to deal with taxation issues associated with base erosion and profit shifting (BEPS), despite the Government having recently announced numer-

ous measures in this area.

Though the majority of respondents are broadly supportive of the Government's approach to BEPS so far, when asked if they support Labour's suggestion of introducing a diverted profits tax (DPT) – as exists in Australia – over 49 per cent say yes. This even though a similar number are unsure and almost two-thirds don't know if a diverted profits tax would raise significant revenue here. Also somewhat surprisingly, more respondents are worried about multinationals paying their fair share than are worried about the so-called black economy – despite the black (cash) economy being widely accepted as a billion-dollar gap in the tax net. Interesting statistics from business leaders.

Perhaps all this is just another response to the global upheaval best illustrated by Brexit and Donald Trump's ascendancy, which has permeated the political debate in the lead up to our own election.

In general, perceptions of inequality are under the microscope more than ever and this extends to the thinking of our business leaders.

In many respects this type of sentiment on display in the *Mood of the Boardroom* survey is not a surprise.

The context today is one where business leaders feel it has never been more important for our politicians to communicate the direction of social policies – equality, fairness, and cohesion (that have become buzzwords) – in addition to economic out-turns – as they are inexorably linked in creating an environment where business can prosper.

● Thomas Pippos is chief executive of Deloitte New Zealand

Call to review Maori tax break

The preferential tax break for Maori enterprises should be reviewed say the country's top chief executives.

Maori Authorities are currently subject to a 17.5 per cent tax rate which is intended as a general approximation of the average tax rate their members pay.

But 47 per cent of *Herald* Survey respondents say it's time the Government revisit whether the preferential tax rate is still appropriate. A further 17 per cent say the tax rate should be revisited but only for the larger Maori Authorities. Just 22 per cent say the status quo should remain.

The largest Maori Authorities – as identified in the 2016 Deloitte Top 200 – include Ngai Tahu which sported \$1.5 billion assets (\$180 million Ebitda), Tainui, with \$1.2b assets (\$98.7m Ebitda), and Ngati Whatua ki Orakei with \$767m assets (\$79.9m Ebitda).

Local Government Funding Agency chairman Craig Stobo said, "What a lazy condescending proxy tax for our members of Treaty Partners' corporations!!"

Should charities continue to be tax exempt on business income?

66%
Yes
26%
No
8%
Unsure

"Why we can't use the equivalent of the prescribed investor rate (PIR) methodology used in funds management Portfolio Investment Entities to more accurately tax the members of Maori Authorities?"

A CEO with business dealings with some major Maori enterprises said

they are significant billion-dollar business currently paying "next to zero tax".

"And they definitely need to be". But an energy sector chief countered: "Leave Maori Authorities where they are and focus on getting the non-Maori entities to the same level over the long-term."

Other authorities in the Deloitte Maori Business Top 10 include Moana NZ (\$524.5m assets); Tauhara North No 2 Trust (\$330m assets); Parininihi ki Waitotara (\$279m assets); Ngati Porou (\$224m assets); Pukeroa Oruawhata (\$182m assets); Te Wanaga o Aotearoa (\$181m assets) and Aihau-Whanganui.

Currently, charities are exempt from income tax on the basis that any income they derive must be used for charitable purposes (the relief of poverty, advancement of education, advancement of religion or other purposes beneficial to the community).

CEOs were asked if they supported the continuation of this tax exemption in relation to active business income (as compared to passive in-

Should Maori Authorities 17.5% tax rate be revisited?

47%
Yes
17%
Yes – but for larger Maori Authorities only
14%
Unsure

vestment returns) as long as charities are meeting their legal obligations under the Charities Act. Some 26 per cent said the exemptions should go. Said Oregon's Thomas Song, "business must be taxed. Who owns what doesn't matter."

But two-thirds of CEOs said the exemptions should stay.

"Charities fill in the gap where Government can't – that should be encouraged," said an automotive chief. "Churches fill a massive gap in society in terms of giving people meaning."

Added the EMA's Kim Campbell: "The NGO sector makes an important contribution and in some respects does work here which in many other jurisdictions ends up being taxpayer funded."

But there was significant disquiet over the tax breaks the Seventh Day Adventist Church-owned Sanitarium foods empire has long enjoyed.

"I will not purchase a product from Sanitarium as I believe they compete unfairly," said an environmental firm boss.

An exporter added, "happy to support bone fide charities – not big businesses like Sanitarium."

The major issue was boundary definition, according to several CEOs.

"The key focus should be the ringfencing of all income for charitable purposes and the justification of charitable purpose," said Stobo.

MOOD OF THE BOARDROOM

THE ELECTION POLICY GRID

NATIONAL

Further tax cuts on top of those provided in Budget 2017 if re-elected, including adjusting the bottom two tax thresholds and lowering the marginal tax rates for low and middle income earners. **3.5/5**
 A \$2.6 billion transport package to improve Auckland's main arterial routes including a new highway alongside the southern motorway between Drury and Manukau and improvements to the Northwestern Busway. **3.9/5**
 Putting \$600 million into a new company to invest in infrastructure for housing developments, starting with two Auckland projects intended to support 23,300 new homes in the north and south of the city. **3.9/5**
What they are saying:
 ● "I have used that wonderful new tunnel. It saved me a lot of time getting to the city from the airport. Why on earth should I pay for that so we can afford to build another tunnel?" **Agri co-operative boss**
 ● "Transport solution for Auckland has ignored rail despite the NZTA report recommending rail as top two investment options." **Agri boss**
 ● "A little too late on infrastructure" **Investment banker**
 ● "All of them are good but is that enough? Probably not." **Law firm boss**
 ● "Would like to see the infrastructure initiatives expanded quickly once established."
 ● "With respect to the first question, National have been silent of any further tax cuts to date." **Mark Cairns, Port of Tauranga**
 ● "I would like to see a broader transport strategy. With different modalities being developed." **Recruitment director**
 ● "All their policies so far are very dull, more a continuation of the status quo." **Paul Glass, Devon Funds Management**

GREEN PARTY

Solving poverty by "changing the system that drives people into such despair" by: increasing benefits by 20 per cent, increasing the amount people can earn before cutting benefits, reducing the bottom tax rate. **1.7/5**
 Protecting drinking water by putting a 10 cent/litre levy on water bottling and exports. **2.2/5**
 Implementing a tourism levy through a \$20 increase on existing border charges (for international visitors only). **2.6/5**
What they are saying:
 ● "There are better policy solutions to each of the problems these policies are trying to tackle." **Roger Partridge, The New Zealand Initiative**
 ● "I like these policies, but am not sure we can fund them. However, with a surplus, we can kick out of poverty, become more productive and then support economic growth. We have to start somewhere toward the Scandanavian model." **Beverage industry executive.**
 ● "Not convinced they have economic policies. It's quite tactical thinking, without clear strategic economic thinking." **Recruitment director.**
 ● "Tax, tax and more tax. Where's the green growth plan? Announcement of a Royal Commission on RMA very welcome." **Stephen Selwood, Infrastructure New Zealand.**
 ● "Discouraging tourism not a smart idea, increasing welfare dependency even dumber." **Kate McKenzie, Chorus.**

NZ FIRST

Manned Pike River re-entry **1.4/5**
 Holding binding referenda on 100 MPs in Parliament and on abolishing Maori seats **2.1/5**
 The creation of a foreign ownership of land register **2.3/5**
What they are saying:
 ● "Two of the three policies mentioned are crudely populist – indeed, so is the third, but it is high time we got rid of the Maori electorates, as the Royal Commission on the Electoral System recommended in 1986." **Don Brash, ICBC (NZ)**
 ● "Hard to see anything transformational here!" **Stephen Selwood, Infrastructure New Zealand**
 ● "Where is the vision for a bigger and better country?" **Don Braid, Mainfreight**
 ● "OIO needs to go and replaced with a better regime, this is just tinkering; and the Maori seats issue is worth another look." **Kim Campbell, EMA**
 ● "Manned Pike River is difficult to answer as you have to go off the reports and recommendations of the experts. I'm sure everyone would love to retrieve the bodies but if unsafe to enter, then why risk other lives?" **Property executive**

ACT PARTY

Make the top rate of tax 25 per cent (for all income above \$48,000), as well as lowering rates for lower income levels. **2.8/5**
 Remove New Zealand's large cities from the Resource Management Act, and create separate urban development legislation, prioritising land supply and reducing red tape on developers. **3.2/5**
 Share a portion of GST levied on construction of new properties with Councils, to incentivise and enable increased consenting and infrastructure investment. **3.5/5**
What they are saying:
 "Maybe I should be voting ACT?" **Investment banker**
 ● "At least some innovation on infrastructure development although cutting top tax rate is a bit of warmed-over Rogernomics." **Automotive boss**
 ● "All three policies make sense to me, and two of the three would lead to a rapid improvement in housing affordability." **Don Brash, ICBC (NZ)**
 ● "Taxing as many things as possible as little as possible is the way to broaden the tax base, grow tax revenue and reducing evasion/avoidance." **Agri cooperative boss**
 ● "I think the GST concept has merit as a method to stimulate land supply." **Transport boss**

LABOUR

Boosting Working for Families for those who currently receive it and extend it to more families, introduce a Best Start payment for costs in a child's early years, introduce a Winter Energy Payment for those receiving superannuation **2.6/5**
 Implement royalties for bottled water, irrigation schemes and other commercial uses, using the money to clean up rivers, lakes and streams. **2.4/5**
 Investment into public transport, including a light rail link from Auckland's CBD to the airport as a priority as the first step in a 10-year plan that will eventually extend to West Auckland, paid for partly from a regional fuel tax. **3.2/5**
What they are saying:
 ● "In relation to water charges, put it on all sectors of society and rebate back to the bottom 30% of income earners. Otherwise we are discriminating one sector against another." **Agri sector boss**
 ● "Transport initiative is welcomed, but I think it could be funded from existing revenue sources rather than adding new taxes." **Transport boss**
 ● "Light rail link is good visionary positioning on transport policy. However recent announcements about Auckland – Hamilton – Tauranga commuter rail service needs a bit more thinking through. We have seen a 64% increase in container transport on the east coast main trunk line over the last two years, where more than 41% of New Zealand's exports are now routed through Port of Tauranga. The line between Tauranga and Hamilton is a narrow gauge single line. A 160km/hr commuter train can't simply put on their indicator on to overtake a 2000 tonne freight train travelling at 75km/hr on a single track. New Zealand's current narrow gauge track and structure are also only safely rated to a maximum speed of 80 km/hr." **Mark Cairns, Port of Tauranga**
 ● "We are not sure a regional petrol tax is the right move. A congestion tax would be more effective." **Don Braid, Mainfreight**
 ● "Water royalty is pathetic and ill thought-out. At some stage we need a proper debate about water pricing across the board. This is dog whistle politics. Light rail to the airport seems to have become some sort of holy grail for AT and Auckland Council. I am not convinced and believe a heavy rail solution is more robust." **Matthew Cockram, Cooper and Company**

MAORI PARTY

Build a new "IwiRail" railway network for freight and tourism in regions such as Gisborne, via a public-private partnership with government, iwi, and local businesses. **2/5**
 Enact an annual power rebate for low-income whanau; installation of low-cost heating and insulating 10,000 low-income homes per year including rental properties. **2.6/5**
 Monitor cultural competency in all agencies to ensure the quality of services, and equity of access and outcomes. Require chief executives to report six-monthly on how they are progressing positive outcomes for whanau. **2/5**
What they are saying:
 ● "Like the Greens, it's very tactical." **Recruitment director**
 ● "Playing to their audience. Given the challenges in that community a shame there are not more initiatives aimed at improvement there." **Matthew Cockram, Cooper and Company**
 ● "Where is the focus on educational advancement?" **Energy sector CEO**

THE OPPORTUNITIES PARTY

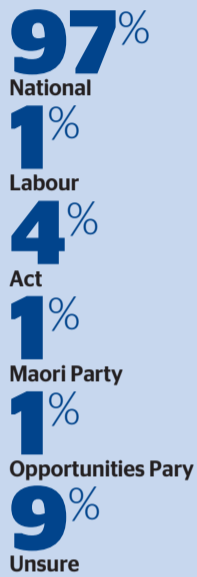
Introduce a tax on all productive assets (including homes for personal/family use) and use the proceeds to fund a decrease in income tax. **1.8/5**
 Begin to introduce a Universal Basic Income, starting with \$200 for individuals aged 18-23, all families with children aged under 3, and all people over 65 years of age, with no conditions attached to its receipt. **1.9/5**
 Legalise and regulate cannabis. **2.1/5**
What they are saying
 "Most economists see merit in raising more tax on assets and less on income, but what Dr Morgan proposes is wildly unrealistic from a political point of view. And while a UBI has a lot of theoretical appeal, it is very hard to see how it could work – if it is set at a level which does not require top-ups for any current beneficiaries, it would require extremely high taxes to fund. I have long favoured the legalisation and regulation of cannabis." **Don Brash, ICBC (NZ)**
 ● "There is evidence to suggest that legalising cannabis can take criminal activity out of the picture – seems not to have done too much harm where it has occurred." **Kate McKenzie, Chorus**
 ● "Drugs are one our most serious issues and this policy might help. Robots are here and we need to start addressing their effects on the long-term viability of the economy – this policy is worth a look with some refinements." **Kim Campbell, EMA**
 ● "I'd like to see Gareth intersect legalised cannabis with the HSE legislation. Stuff being a Director or Officer of an organisation at that point! Again, nothing aspirational for the nation here." **Energy sector CEO**

UNITED FUTURE

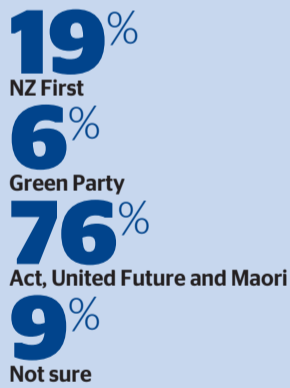
Introduce FlexiSuper, which gives people the option of choosing to receive New Zealand Superannuation at reduced rates from age 60-64 or at increasingly enhanced rates if they hold off until ages 66-70. **3/5**
 Introduce compulsory Kiwisaver. **3.6/5**
 Provide a pathway into home ownership by taking half of the houses being constructed by government and making them rentals, with a portion of the rental payment going towards a deposit on the house. **2.7/5**
What they are saying
 ● "Gone burger." **Automotive boss**
 ● "At least they are beginning to think of ways to increase housing ownership for those less able to do so." **Don Braid, Mainfreight**
 ● "Nothing aspirational for New Zealand here. Though I do support compulsory savings a la CPF in Singapore." **Energy sector CEO**

BEST FOR BUSINESS?

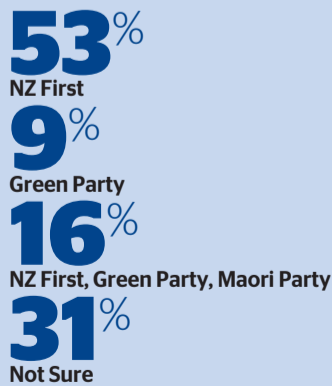
Which parties have the best election policy mixes for business?



If National has to form a coalition after the election which would be best for business?



If Labour has to form a coalition after the election which would be best for business?



A place to call home

As Auckland is rated the world's fourth least affordable city, CEOs express concern

Housing affordability featured highly the *Herald* CEO survey, rating as the fourth greatest domestic factor impacting business confidence.

CEOs scored the issue at 7.1/10 (where 1= no concern and 10 = extremely concerned).

This year the annual Demographia International Housing Affordability Survey rated Auckland as the world's fourth least affordable city for housing, behind Hong Kong, Sydney and Vancouver.

In Auckland, the median house price is around 10 times the median household income, which is considerably higher than the threshold for affordable housing (three times median income), and as a result, home ownership rates are at record lows.

Housing unaffordability was also mentioned by most chief executives when asked more generally to outline the top three issues that are currently facing the nation.

But they are divided on whether there needs to be further intervention to constrain house price growth: 41 per cent say Yes, 55 per cent say No, and 4 per cent were in the don't know camp.

Many respondents, including MinterEllison's Cathy Quinn, believe the market is self-correcting: "The market is and will address itself."

A real estate boss agrees, "the restrictions have proved successful and in my mind first home buyers need to be relaxed now."

Business NZ CEO Kirk Hope says funding and demand factors must be aligned to ensure development can occur. "Measures to constrain demand do not fix the problem, they may provide more time to increase supply whilst restraining house price inflation," he says.

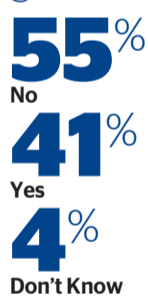
When asked the best way to constrain house price growth, the top three options were: funding a major Government housing programme to provide affordable housing in Auckland – favoured by 50.5 per cent, bringing in a Vancouver-style foreign property buyers tax/stamp duty on all residential property transactions in Auckland (48.6 per cent) and giving urban authorities power to bypass local politicians to ensure new supply (40.0 per cent).

Infrastructure New Zealand CEO Stephen Selwood believes current



In Auckland, the median house price is around 10 times the median household income.

Do we need more interventions to constrain house price growth?



Auckland plans allowing house construction to occur throughout the city have been a failure. "We need urban

development at scale, by way of a satellite city to the south linked to the city by rail and high-density development centred on rail and busway stations," he says. "The faster we build houses on current plans the worse our transport system will become."

"As both Bill English and Phil Twyford understand (and of course David Seymour), the outrageous prices of housing in most New Zealand cities are a direct result of restraints on the availability of land, and the way we have chosen to fund infrastructure," says ICBC chairman Don Brash.

A major banking boss remarked: "The current LVR restrictions have seen many mum and dad investors leave the Auckland market, which is good. First home buyers have come back into the market in the suburbs that were having their prices increased previously by those investors."

Some of the lowest scoring options

to constrain house price growth included extending the current two-year "bright line" test (32.4 per cent) and introducing a capital gains tax (27.6 per cent) – both of which are likely outcomes of a tax working group under a Labour-led government.

"We need to fix the tax arrangements in New Zealand that favour investment in houses over investment in productive businesses," says Carolyn Luey, MYOB GM, Enterprise Solutions & New Zealand.

This year's survey reveals that retaining workers due to housing affordability is becoming of increased concern (43 per cent of the CEOs responded yes, compared to 39 per cent last year).

Although most said it is only an issue in Auckland and Queenstown, several said they anticipated this would be an increasing concern in coming years. – Tim McCready

Let's have a level playing field for investment

Taxing the profits made on a family home makes sense from an economic perspective but it would never happen because of the political fall-out, says Westpac boss David McLean.

Introducing a capital gains tax has become a political hot-spot this election with Labour's Jacinda Ardern opening the door to the idea, although she has ruled out including the family home.

Despite a slow-down in the Auckland property market, houses remain highly unaffordable for first home buyers in New Zealand's largest city.

But McLean, who presides over one of the country's largest banks, says even if a capital gains tax was introduced on investment properties it wouldn't solve the housing issues on its own. "Just look at Sydney," he says pointing to its rising house prices despite there being a capital gains tax in place.



David McLean's top three

- Regulatory compliance
- Productivity
- Innovation

"There is a no simple quick fix. It's about supply and demand – and having a wider range of policies to deal with that." But he says it is also important to make sure we have a level playing field for investment. The tax advantages of property mean that is where money is going – not into the capital markets or being invested directly into local businesses.

He is supportive of the Reserve Bank having a wide range of tools to help manage bank lending, but says nothing more needs to be done at this stage – backing a view across the sector that debt to income ratio limits should not be applied any time soon. "I think the evidence shows there is no need for more tools to be applied. There is no evidence there is a burning platform that needs to be addressed."

Loan-to-value ratios which limit lending to those with a low deposit are said to be part of the reason the market has slowed in recent months prompting calls by the real estate industry to exempt first home buyers who purchase cheaper houses.

McLean believes the rules will need to be lifted at some point but not right now. "There is no point in slavishly implementing rules forever."

"From the Reserve Bank's points of view and our own view as a lender when you have had a strong period of inflation – it does increase the risk of a down-turn. There hasn't been a long enough period of stability to justify taking them off."

But he admits it is hard for first home buyers. "It makes it harder to get into houses. It increases the disparity between those in and those out." But he says the worse thing would be to have a massive correction – a drop of 30 to 40 per cent. "That would be a disaster for the New Zealand economy."

– Tamsyn Parker

Time to tidy up our property

Peter Thompson, Barfoot & Thompson chief, anticipates the Government's bright line test on residential property will be extended, whatever parties make up the ruling coalition.

"It's an area that needs to be looked at."

"Yes there's true investors and then those who just use residential property to write off losses and taxes. It's an opportunity to tidy it up a little. Extending it would make people hold property more and give tenants more surety of tenure."

The bright line test now applies for investors who buy and sell within two years but Thompson says that could be extended by three to five years soon.

Asked if extending it was against the agents' interests as it would encourage fewer investors to sell, Thompson said the change could be perceived as having that effect.

"But I'm also realistic and yes, it would be nice to see property turning over the whole time but I want a more steady market rather than an up and down market."

"Certainly if Labour gets in, it's one of the first things they will bring in."

Extending the timeframe of the tax is not something he wants.



Peter Thompson's Top Three

- Support our salespeople in a declining market
- Remain the market leader in our industry
- Remain optimistic whichever party gets in after the election.

exceptions.

Thompson has long advocated for the Reserve Bank's loan to value ratio limits to be removed from first-home buyers purchasing for under \$600,000 and he reiterated that stance, rejecting criticism from some sectors that he just wanted to drive more sales.

Rather, he said, he wanted to encourage initial home ownership because he said that was in this country's interests.

He also wants Auckland water transport to be extended, and after returning from Sydney cheering the All Blacks' victory over the Wallabies for the Bledisloe Cup, he was full of the benefits of an efficient public transport system.

He has one very definite route in

mind: ferries leaving from Pine Harbour/Beachlands to dock at Maraetai, Half Moon Bay, Glendowie, St Heliers, the Tamaki Yacht Club for Kohimarama passengers, then berthing at Downtown.

"Auckland narrows to about 2km from one coast to the other. Trying to get all the crowds through via train and road is going to be very difficult. I don't think we use the waterways enough."

For the Shore, he wants a Takapuna ferry connection and further capacity from West Harbour.

"We also need to utilise the park-and-rides and keep cars out of the city."

Yet he rejects a CBD vehicle congestion charge. "People need to be able to get to work. I bring a car in every day. I'm in and out of the office."

"A congestion charge would just be another tax. Years ago, we wanted people to come back to the heart of the city. If you start charging them, people won't come to the city."

He questioned the practicality of Labour's Kiwibuild 100,000 new 10-year residential construction plan.

"Where are they going to get the money for that?"

– Anne Gibson

"But I think about what's good for the country – whether it's five years or extending it to three – three would be my preference."

The current test requires investors to pay their full applicable income tax rate on any gains they make from residential property sold within two years of acquisition, subject to some

Water, water everywhere

The cleanliness of our water has become a hot button issue, reports **Tim McCready**

Many CEOs raised the state of New Zealand's water quality as one of the top issues currently faced by the nation. "We are risking killing the goose that's laid the golden eggs due to our complacency around water quality," says Theresa Gattung, AIA Australia Chair.

A staggering 93 per cent of CEOs agree more should be done to ensure New Zealand has clean water in the future (3 per cent said we are doing enough, 4 per cent are unsure).

CEOs suggested the current government was under-performing in tackling water quality and the environment, scoring 2.51/5 (where 1 = not impressive and 5 = very impressive).

"We need to be far more aspirational with our targets," suggests a food and beverage boss.

Added Gattung: "What we have collectively allowed with regard to water degradation is a disgrace and we cannot accept the current timeframes to get back to swimmable waterways."

Business leaders are concerned New Zealand's "100% Pure" slogan may not be sustainable unless corrective action is taken. Last month, the Al Jazeera channel launched a two-part investigation into New Zealand's water quality. The documentary – *Polluters Paradise* – focuses on the impact dairy farming has had on rivers and lakes, and asks whether New Zealand's waterways are "as sparkling as the tourist ads suggest?"

The investigation claimed there were "troubling questions about what

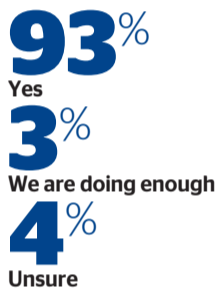
can happen when a nation's desire for economic growth, however understandable and justifiable it may be, takes undue precedence over the environment".

This is a significant worry for many CEOs, who say if decisive action is not taken soon, we could blow New Zealand's unique environmental position and perception, causing far-reaching economic impact. Several respondents thought water ownership was a major issue. "We need to reach agreement on the ownership of water with Maori, with regard to the Treaty of Waitangi provisions," says an agribusiness leader.

An independent director agreed: "There needs to be a national conversation on water ownership, management and protection."

Perhaps offering some perspective

Should we do more to ensure clean water in the future?



“What we have collectively allowed with regard to water degradation is a disgrace.”

Theresa Gattung



Theresa Gattung's Top Three

- Ending up with a deeply divided society like we are seeing play out in the US
- Killing the goose that's laid the golden eggs due to our complacency around water quality
- Maintaining what's special and cohesive about us – no tolerance for corruption, tendency towards a respectful, practical approach

to the water debate, one chief executive pointed out that such a high percentage calling for more to be done with respect to water quality is not unexpected: "for context, you would tick yes for every other country in the world too".

Peak cow

A significant percentage of chief executives believe dairy intensification in New Zealand has gone too far (43 per cent say yes, 27 per cent say no, 30 per cent don't know), suggesting it is time to move up the value chain event to plant-based milk.

Several business leaders say expansion on to marginal land that is unsuitable for dairy farming is causing lasting damage: "We are doing things with some land that is not naturally aligned. Long term, that will have an impact," says a capital markets head.

"New Zealand has reached peak cow," says a major banking chief executive. "The focus should move to creating more added value from

dairy, rather than increasing the number of commodities we put on the international market."

Policies

Several policies relating to water have been announced during the election campaign.

Labour wants to charge for the large scale commercial use of water. The royalty for bottled water would be charged per litre, whereas irrigation would be charged per 1000 litres. Revenue from the royalties would go to regional councils, with the expectation it would be used to keep waterways clean.

Labour's finance spokesman Grant Robertson says the likely rate for irrigators would be somewhere between 1 or 2 cents per 1000 litres.

The Green Party also wants to charge for the sale and export of bottled water, putting a 10 cent levy on its sale and export, which would be applied at the point of manufac-

ture. The revenue from the levy would be distributed between councils and mana whenua, with councils expected to use the revenue for environmental programmes and drinking water management.

Though many respondents indicated they are in favour of a water tax, the varied responses from CEOs demonstrate it is not a simple task:

● "Labour's water policy is a good start to rethinking how to allocate a valuable resource. Would water bottle sales be a more economically sustainable export than dairy?" **Craig Stobo, Chair, Local Government Funding Agency**

● "Focus on where water is used and/or polluted – agriculture rather than the small percentage in bottled water." **Food and beverage boss**

● "This is not just a rural issue. Many cities have woeful sewage management and this needs to be addressed as well." **Agribusiness chief.**

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It's time.



Businesses are softening

The conditions that led to Brexit, Trump and the rise of populism are becoming issues here, say leaders

Access to skilled staff and more support for research and development are two of the concerns of businesses, as highlighted in the Deloitte BusinessNZ Election survey.

The survey prompted 575 responses across a broad range of business sizes, regions and industries within BusinessNZ's membership.

Business respondents were relatively satisfied with current policies for economic growth and international trade but want some key changes in other areas. Particularly lower tax, more access to skilled staff, better performance from the education system, and more help with research and development.

They also want better outcomes from local government and the Resource Management Act, more spending on infrastructure and more focus on regional development.

BusinessNZ chief executive Kirk Hope said the call for changes relate to the current growth environment. "New Zealand's positive GDP performance is good for business and employment growth, but it's also a stress factor. Many businesses can't fill job vacancies and want to see more skilled New Zealanders coming out of the education system.

Infrastructure

60% say more should be spent on infrastructure

64% want public-private partnerships to build new infrastructure

"Positive economic growth has also brought strains on transport and other infrastructure, and on planning processes that are felt acutely by business. Businesses want policies that help them take advantage of the growth environment."

Deloitte chief executive Thomas Pippos said business was softening its views around a number of social issues. "A majority of those surveyed say the conditions that led to Brexit, Trump and the rise of populism in Europe are becoming an issue in New Zealand. More respondents say socio-economic wellbeing is a key indicator of economic performance than at the last election.

"A number of business leaders indicated they would support an increase in taxation if those funds were used to fund social investment," said Pippos.

Election 2017 – what business wants

The BusinessNZ-Deloitte Election Survey asked over 500 NZ businesses about the issues that matter most to them. Their answers give a clear picture of the business environment desired by many companies:

Business wants: low tax, better education and free trade. They want the RMA fixed or replaced, and local government focused on funding needed infrastructure.

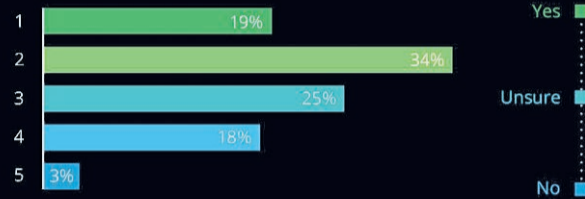
Certainty and stability for business

Business also wants to know the governance of the country is in capable hands and that the Government has a consistent set of principles guiding decision making and is a safe pair of hands.

- 96 per cent want the Government to have a consistent set of principles to guide decision-making
- 60 per cent say the current Government does have a coordinated plan

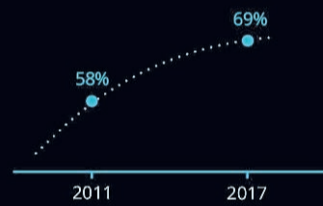
Business is open to policy change, especially when it supports greater social cohesion

1 Are the economic and social conditions that have led to Brexit, Trump and the rise of the right in Europe becoming an increasing issue in New Zealand?

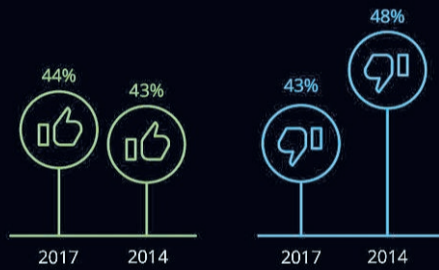


What's changed

2 Socio-economic wellbeing as an indicator of higher economic performance has been steadily rising since 2011



3 Do you support the concept of the a living wage?



What hasn't changed

4 The majority of businesses thought that the Government had a coordinated plan of action focused on raising New Zealand's economic performance



5 Support for putting more resource into providing 'better connections between science and business' to lift R&D stayed roughly the same



Living Wage

44% of respondents support the living wage concept (\$20.20 per hour for unskilled workers)

43% are against.

Tax – simpler and lower

Businesses have clear views on tax. There is wide support for the current NZ tax structure, which is broad-based and reasonably flat with few exemptions. There is little support for increasing the top rate of tax or for a capital gains tax. A slim majority would like business tax cut to 20 per cent.

- 75 per cent don't want any increase to the top rate of tax (compared with 73 per cent last election)
- 59 per cent don't want a capital gains tax
- 55 per cent said NZ should have a reasonably flat tax structure with few exemptions or tax breaks
- Business tax could be lower – 48 per cent support business tax being cut to 20 per cent; 39 per cent don't.

Employment issues for business

Employment agreements have come to the fore since recent amendment to the Employment Relations Act requiring all businesses to have written employment agreements. Employers are not supportive of the undue focus on collective employment agreements in the Employment Relations Act, preferring the productivity and flexibility benefits of individual agreements.

- 69 per cent don't want too much focus on collective bargaining in employment law

The Holidays Act has proved a problem for some employers in the state sector, with allegations of widespread under-calculation of holiday pay. Many employers in the private sector have said the Holidays Act is difficult to interpret and implement, however a majority in the Deloitte-BusinessNZ Election Survey say the Act is okay.

Living wage is a concept that has divided businesses. The policy would replace NZ's minimum wage (\$15.75 per hour) with a wage of \$20.20 per hour for unskilled workers. Businesses supporting the policy say the minimum wage is too low to support a dignified lifestyle. Those opposed to the policy say unskilled workers should not get the same pay as skilled workers as over time this would

cause relativity wage claims, forcing up all wages. The survey shows businesses split on the issue with 44 per cent supporting the living wage concept (\$20.20 per hour for unskilled workers); 43 per cent against.

Skills lacking

Many companies say the education sector isn't delivering the technical and other skills needed for their business, and not enough is being done by the education system to address skill shortages. Many businesses are reliant on migrant labour and would not want to see immigration unnecessarily curtailed.

- 61 per cent are unhappy with the skills and workplace competencies of young people
- 55 per cent say not enough is being done to address skill shortages
- 40 per cent say immigration processes are effective in getting skills for industry, while 37 per cent say they are not; 32 per cent say Immigration NZ is letting the right amount of skilled people into NZ, while 28 per cent say too many people are being let in.

Innovating for competitiveness

Many companies now compete through innovation: satisfying customers' desires for new products, new services and new experiences. Many also operate IT-based businesses, with the same focus on innovation. Business wants better connections between science and business to improve access to technology and skilled staff. It also wants help with innovation, in the form of practical assistance and funding.

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- Innovation: everyone wants it –
- 58 per cent want better connections between science and business
- 52 per cent want practical assistance to innovate
- 40 per cent want project funding or loans or tax credits to assist with innovation

Businesses surveyed say they appreciate work by the Ministry of Foreign Affairs and Trade negotiating free trade agreements in key markets.

Cutting tariffs

NZ exports are often primary-sector based and attract heavy tariffs in overseas markets. Free trade agreements reduce tariffs and achieve better terms of trade between NZ and other countries. Businesses surveyed say they appreciate work by the Ministry of Foreign Affairs and Trade negotiating free trade agreements in key markets.

- Keep fighting tariffs –
- 82 per cent want a trade agreement with the UK
- 70 per cent want a trade agreement with the EU
- 47 per cent want a trade agreement with the US
- 63 per cent want to keep trying for the Trans Pacific Partnership (TPP) without the US

Regional development good for business

Businesses surveyed say there is a need for an economic development strategy for regional NZ, as some regions lag far behind NZ overall in business and job growth. Business would like to see an economic plan for development in regional NZ.

- 77 per cent want an economic development strategy for the regions

Taxes

59% don't want a capital gains tax

48% support business tax being cut to 20%

Infrastructure demand

Business would like to see greater investment in new infrastructure including intelligent transport systems and supports the use of public-private partnerships and joint ventures to build modern infrastructure that supports growth.

- 60 per cent say more should be spent on infrastructure
- 64 per cent want public-private partnerships to build new infrastructure

RMA needs attention

The Resource Management Act continues to bring difficulties for business. The RMA authorises local councils to develop District Plans to govern development in local areas, but does not give firm enough guidance on developing Plans, and as a result many Plans are over-detailed and prescriptive, restricting property rights, business development and regional growth. Restrictive planning in Auckland and other areas has contributed to housing shortages and increased house prices. The RMA was meant to enable development but over 25 years has largely served to

MOOD OF THE BOARDROOM

on social issues

restrict it, and business is now calling for it to be fixed or replaced.

- 95 per cent say the RMA should be changed or replaced, to better guide councils and achieve better planning processes

Local government encroaching on business

The Local Government Act sets broad rules around what activities councils may undertake, allowing councils to get involved in a wide range of activities and enterprises. Business would like to see the Local Government Act amended to make it clear that councils should stick to core functions such as providing infrastructure, and should only get involved in selling goods and services that can't be more efficiently provided by businesses. They say goods and services legitimately provided by councils should be subject to commercial disciplines and user charges.

- 65 per cent want local government to stick to core functions, especially infrastructure, and only provide goods and services that businesses can't provide more efficiently

- 60 per cent say water, wastewater and roading services provided by councils should be subject to greater commercial discipline and user charges

Sustainability

Sustainability continues to build momentum in NZ businesses. Companies are more aware than ever of the need to proactively address issues such as greenhouse gas

emissions, diversity, waste and inequality, and many are using sustainability to create long term value. Businesses surveyed say sustainability issues are important to them, citing customer expectations, reputation and the need for future proofing. Many businesses would like monetary incentives to help the path to sustainability.

- 58 per cent say customers expect them to act sustainably

- 55 per cent say sustainability is a reputation issue for their business

- 51 per cent want monetary incentives to help with cleaner production and resource efficiency

Effects of climate change

Businesses surveyed say climate change will impact them in a variety of ways, including costs, resource use and innovation. Fourteen per cent say climate change is one of the top three issues for government, and nearly a third thought Government could support more sustainable business practice by engaging with business on how to transition to a low emissions economy.

- 41 per cent say it will affect the cost of inputs, products or services

- 25 per cent say it will directly impact infrastructure or assets

- 20 per cent say it will create opportunities for new products or services

**The BusinessNZ-Deloitte Election Survey was conducted in May 2017, surveying 575 businesses in all sectors and regions in NZ.*



Nearly a third of businesses surveyed thought Government could support more sustainable business practice by engaging with business on how to transition to a low emissions economy.

PRIORITIES

**Mark Cairns
Port of Tauranga**

1. Housing affordability: Apply appropriate zoning and location of land for higher density housing. Appropriate taxation to remove incentives for property investment/speculation to see investment back into the productive sector of the economy.

2. Auckland congestion: A better Metro-rail commuter service. Obviously I have a vested interest, but the location of the port and its declining use of rail needs some scrutiny. This has shifted back on to road through an extremely congested motorway network.

3. Our poverty levels are an embarrassment. We need policies to get these people into the workforce with dignity rather than cash or benefit handouts.

**Roger Partridge
The New Zealand Initiative**

1. Education outcomes: We need to broaden the partnership schools to get serious contestability in the provision of state-funded education.

2. Infrastructure funding: Change the incentives on local government so that it has a direct fiscal benefit from growth, which will encourage pro-growth decision-making and fund infrastructure needed to support it.

3. Planning reform. Re-write the RMA to streamline urban planning and respect property rights

**Simon Mackenzie
Vector**

1. Creating a New Energy Future. Vector will continue to utilise technology to deliver new solutions to customers.

2. Disrupting the traditional energy system models and investment paradigms.

3. Staff. Being part of leading a revolution and working with like minded businesses whether global or local is the benefit for staff who are attracted to our vision.

Key findings

Corporate tax – 48% are in favour of reducing business tax to 20%, while 39% are opposed

Capital gains tax – 28% are in favour of a capital gains tax; 59% are opposed

Income tax – 76% are against increasing the top rate of tax (but 66% would support an increase if spent on transport infrastructure and 55% would support an increase if spent on social investment)

Foreign investment – 53% are satisfied with policies for attracting foreign investment; 23% would like to see more foreign investment

Immigration – there is a split in opinion on whether ImmigrationNZ has got the balance right in letting skilled people into New Zealand (28% say too many are being let in, 19% say not enough are being let in, and 33% say the balance is about right)

Resource Management Act – 36% say the RMA is broken and should be replaced; 30% say it could work if it constrained what councils can regulate; 28% say it could work if planning processes were shorter

Infrastructure – 60% say more should be spent on infrastructure; 64% want infrastructure provided by public-private partnerships

Local government – 65% want councils to focus on core services (local infrastructure and goods & services that can't be provided more efficiently by business)

Skills – 61% unhappy with the skills of young people coming out of the education system

Regional development – 77% want a regional economic development plan

Sustainability incentives – 51% want the Government to provide incentives for cleaner production and resource efficiency

Wage bargaining – 69% do not agree with the focus on collective bargaining in the Employment Relations Act:

Living wage (i.e. a minimum wage of \$20 per hour) – 91% would be prepared to pay this in the near future

Source: 2017 Deloitte-BusinessNZ Election Survey

Let's begin planning reform in earnest

The new government should begin a planning and regulatory review as soon as it is formed, says EMA's Kim Campbell

Kim Campbell, chief executive of the Employers and Manufacturers Association (EMA), has one simple but strong message to the next government: Please get cracking on planning and regulatory reform.

The EMA has been part of a coalition with Property Council New Zealand, Infrastructure New Zealand and Environmental Defence Society looking at reviewing the Resource Management Act (RMA), Land Transport Management Act and Local Government Act.

"There are so many places in the acts where there's conflicts of interest and this creates unnecessary bureaucracy and inefficiency. There are too many gatekeepers. And you put the Overseas Investment Office on top of that and you wonder why we get foreign investment," says Campbell.

He says any large piece of infrastructure in New Zealand in the past 30 years has been through an Act of Parliament. "In some way the projects get caught up with the functions of the RMA, and the way city spatial and built environment plans are developed is very expensive – with no certainty of



outcome. It's a disincentive. You can spend a lot of money and get nowhere."

Campbell says previous attempts at reform have been "a dog's breakfast".

"The RMA has been around 27 years and been reformed 20 times. The 2010 reform came to 700 pages. I have read it and it's completely unintelligible.

"Now Nick Smith (Environment Minister) has a set of changes he's tinkering with."

Kim Campbell's Top Three

- Continue to grow. "Businesses have to grow by exporting or getting a greater market share; if they don't grow, they will disappear."

- Building leadership team competence. "We need to build owner/management capability and ambition – to enable their business to grow."

- Change New Zealand's planning system. "This will affect everyone in business."

After three years of discussion, the coalition agrees that the planning system should be reformed so the market can respond – and that the need for change is an election issue.

Campbell says a review process, lasting 18 months, should begin as soon as a new government is formed, and by the end of next term the legislative change should be marching through the House.

He says the coalition is now looking for a device to conduct the review – whether it's a



We have a Building Code where 30 inspections are made for one new house and they still leak ... give me a break

Parliamentary Inquiry or a Royal Commission "without the baggage of lawyers and judges. We want practitioners – a mix of business, planners and infrastructure providers – to complete the review with advice from the legal fraternity."

Campbell suggests that a parliamentary sub-committee should trawl through all the building standards and come up with regulatory reform.

"Why do we build houses that leak, repair them and they still leak. That's a national disgrace.

"We have a Building Code where 30 inspections are made for one new house and they still leak ... give me a break."

Campbell claims institutions such as government departments and quangos that support the economy

are lagging behind the changes in the world, particularly in technology.

"People's behaviour changes more quickly than the institutions supporting them.

"Technology may be eroding the way we collect revenue (taxes) or look at regulating competition. Are we responding in a commercially sound way?

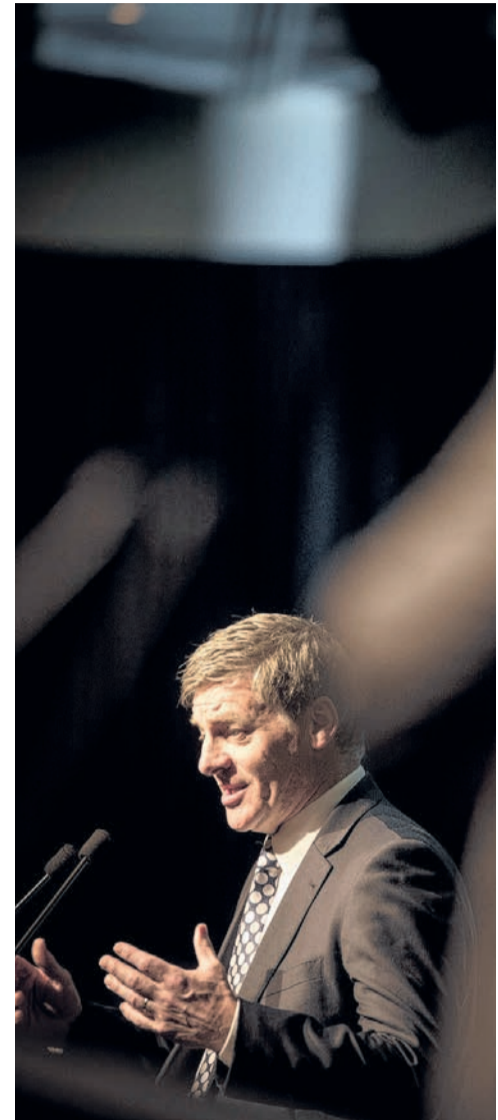
"We need to speed up the conversation about the way institutions are operating. It should be a monthly agenda item for the civil service."

Campbell says the current Local Government funding from rates and debt ceiling are insufficient to maintain and enhance infrastructure investment, so finding alternative funding for the region is essential.

– Graham Skellern

MOOD OF THE BOARDROOM

IN THE MOOD FOR DEBATE



Snapshots from previous Mood of the Boardroom Breakfast Debates



‘ In an election one needs both hope and audacity. ’

Francois Hollande, Former French President

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