

ANSSR: Economy Priorities and Progress Assessment Measures

New Zealand

Structural reform is a core feature of New Zealand's approach to building a stronger economy. New Zealand is committed to the APEC New Strategy on Structural Reform and welcomes the opportunity to highlight some of our goals within the ANSSR priority areas.

New Zealand has considerable experience with structural reform. Among our more recent innovations is the inaugural 2010 Investment Statement of the Government of New Zealand, which was supplemented in 2011. The Investment Statement provides information of all significant assets and liabilities on the Government's balance sheet, how they have changed over time and how they are forecast to change over the next five years. Because the Investment Statement enhances the Government's ability to monitor the performance of its balance sheet and to identify and implement options for improvement, it is invaluable in furthering an effective structural reform agenda. Investment Statement style reporting will continue to be a part of New Zealand's financial reporting framework.

The New Zealand Government's priorities are well aligned with the ANSSR priority of promoting more open, well-functioning, transparent, and competitive markets. Among the measures that New Zealand is investigating or implementing are:

- extensive and ongoing reviews of regulation, to ensure an internationally competitive regulatory environment;
- continuous improvement to the infrastructure environment, building on the recent release of our second *National Infrastructure Plan*;
- incentives to accelerate development and increase business expenditure on R&D and improve the science system, including achieving greater economic and other benefits for New Zealand from the Government's investment in the science system; and
- investigations by New Zealand's newly established Productivity Commission into housing affordability and international freight transport services.

Promoting better functioning and effectively regulated financial markets will continue to be a priority for New Zealand. In 2011, we have established a new Financial Markets Authority to be the consolidated market conduct regulator for New Zealand (consolidating functions previously spread across four different regulatory bodies).

We have also introduced a new licensing and supervision regime for financial advisors to increase competence and to support decision making by unsophisticated investors through greater disclosure. It sets minimum standards of professionalism and a role for the Financial Markets Authority in regulating financial advisors. The Auditor Regulation Act 2011 will introduce Financial Markets Authority oversight of auditor regulation from July 2012. This step acknowledges that independent oversight promotes audit quality and increases market confidence. Our ANSSR plan outlines further steps to build on this progress by further enhancing financial markets regulatory oversight and increasing the resilience of the financial system.

To support SMEs, New Zealand will introduce more streamlined financial reporting requirements. In the closely-related areas of education, skills and social welfare, New Zealand will be implementing a number of new strategies, starting with a particular focus on young people.

ANSSR Priorities

| Promoting more open, well-functioning, transparent, and competitive markets | |
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| Priority: | An internationally competitive regulatory environment. |
| Progress assessed based on: | <ul style="list-style-type: none"> Complete reviews of current regulation under the Regulatory Reform Programme, in the following areas – local government; Accident Compensation Scheme; Emissions Trading Scheme; regulatory barriers to export; the Building Act; Resource Management Act (Phase II) and securities law. These reviews are in addition to 13 reviews already completed to date in the following areas – consumer law consolidation; air quality; Climate Change Response Act 2002; Dairy Restructuring (Raw Milk) Regulations 2001; electricity institutional arrangements; Employment Relations Act 2001; Food Act 1981; Foreshore and Seabed Act 2004; Holidays Act 2003; Overseas Investment Act 2005 Regulations; Resource Management Act (Phase I); Telecommunications Service Obligations; and Weathertight homes. Identify further regulatory reform opportunities through government-wide scanning of the stock of regulation. Extend regulatory planning from 1 to approximately 3 years. Apply a regime-based approach to both regulatory scanning and planning. Provide quality assurance for the development of new regulation through enhanced Regulatory Impact Analysis requirements. Application of RIA is becoming more deeply embedded in government agencies and driving improvement of policy and regulatory processes. Lift competency of people working in government agencies with regulatory or compliance functions through the Common Compliance Capability Programme, including a <i>National Compliance Qualifications</i> framework and a guide to achieving compliance. Various changes to oversight and product requirements will ensure better regulated financial markets, as further detailed in the section below. |
| Priority: | Investment in economic and social infrastructure – public and private – where existing infrastructure is better utilized and more efficiently managed, while new investment is based on robust analysis of demand, considers alternative funding mechanisms and prioritises economic growth. |
| Progress assessed based on: | <p>Complete implementation of ultra-fast broadband network and roads of domestic significance programs, and advance goals set under the <i>National Infrastructure Plan</i> including:</p> <ul style="list-style-type: none"> Implement a 3-year action plan, which puts the agreed vision and principles from the <i>National Infrastructure Plan</i> into practice and moves towards the next edition of the <i>National Infrastructure Plan</i> in 2014. Central government will develop and publish a ten year Capital Intentions Plan for infrastructure development, including exploring alternative sources of funding and funding tools to manage the current portfolio more effectively. Improve access to information on current infrastructure performance and develop performance indicators for each sector on the stock, state and performance of central and local government infrastructure assets as well as those managed by the private sector. Improve scenario modeling to more accurately project likely infrastructure investment requirements and work with regions to develop more strategic infrastructure planning at a regional level. <p>Fund for research, science and technology informed by an infrastructure research framework and supported by infrastructure providers.</p> |
| Priority: | Accelerate development and increase business expenditure on R&D and improve the science system, including greater economic and other benefits for New Zealand from the Government's investment in the science system. |
| Progress assessed based on: | <p>Implementation of recent measures to incentivise business innovation and technology transfer and to improve the science system, including:</p> <ul style="list-style-type: none"> Primary Growth Partnership to invest in primary sector growth and innovation (9 agreements to date worth NZ\$477m, with \$70m per year of Government investment, matched by private investment). Investment of \$321m in new science and innovation initiatives over four years, including Technology Development Grants, Technology Vouchers, a network of commercialisation centres and other technology transfer initiatives, and investment in science research infrastructure. Complete implementation of recommendations of task-force to improve performance of Crown Research Institutes. |

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| Priority: | Examine possibilities to increase housing affordability. |
| Progress assessed based on: | <p>New Zealand productivity commission to complete a review to:</p> <ul style="list-style-type: none"> Identify and analyse all components of the cost and price of housing. Identify mechanisms to improve the affordability of housing, with respect to both the demand and supply of housing and associated infrastructure. Identify any significant impediments to home ownership, and assess the feasibility and implications of reducing or removing such impediments. |
| Priority: | Examine possibilities to improve the accessibility and efficiency of international freight transport services available to New Zealand firms and opportunities to increase the accessibility and efficiency of these services. |
| Progress assessed based on: | <p>New Zealand productivity commission to complete a review to:</p> <ul style="list-style-type: none"> Identify and analyse the cost of all components of the international freight transport supply chain for New Zealand importers and exporters. Identify any impediments to the accessibility of the international freight transport services, and to competition within and between the components of the international freight transport supply chain. Identify mechanisms available to improve the accessibility and efficiency of the international transport supply chain. |

Promoting better functioning and effectively regulated financial markets

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| Priority: | Enhance regulatory oversight of financial markets and enhance outcomes for investors by improving disclosure to strengthen incentives for good behavior. |
| Progress assessed based on: | <ul style="list-style-type: none"> Implement prudential regulation regime under the Reserve Bank for non-bank deposit takers, including finance companies, building societies and credit unions. Continue establishment of a new prudential regulation and supervisory regime for insurers under the Reserve Bank. The Reserve Bank is currently in the process of licensing insurers under the new regime. Introduce a new trustees' licensing and supervision regime to lift trustee competence and sharpen their incentives to monitor on behalf of investors. Introduce Financial Markets Authority oversight of auditor regulation from July 2012. Reform securities law, including a requirement for new short product disclosure statement to enable prudent, but non expert, investors to understand and compare products, improved definitions ensure securities treated in line with their economic substance, a new system to regulate all securities exchanges, and a licensing regime for financial sector participants (such as fund managers and derivatives dealers). |
| Priority: | Promote financial stability by increasing resilience of the financial system to absorb losses in future. |
| Progress assessed based on: | <ul style="list-style-type: none"> Wind down the Retail Deposit Guarantee scheme (introduced during the financial crisis) with no permanent replacement and consider other options to manage future financial difficulties. The Reserve Bank consults with registered banks on technical pre-positioning for its 'Open Bank Resolution' policy, to provide government with a further option for resolving a bank failure. Reserve Bank to consult on changes to its capital adequacy and liquidity requirements in light of recommendations from the Basel Committee (Basel III) to improve banks' resilience to future financial difficulties. |

Promoting sustained SME development and enhanced opportunities for women and vulnerable populations

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| Priority: | Improve the operating environment for small and medium-sized businesses. |
| Progress assessed based on: | <ul style="list-style-type: none"> Enact and implement a new Financial Reporting Amendment Bill, so that small and medium sized companies (SMEs) will be asked to prepare targeted reports for tax purposes, rather than financial statements under the Companies Act. This will reduce the number of companies required to prepare general purpose financial reports from 460,000 to less than 10,000, expected to cut business compliance costs by \$90 million a year. More broadly, the government's regulatory reform agenda improves the operating environment for SMEs. For example, reform of the food, employment and holiday, resource management and consumer law regulatory regimes reduce compliance costs for SMEs. The introduction of the ultra-fast broadband network will also support SMEs. |

| Promoting labour market opportunities, training, and education | |
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| Priority: | A supply of skills from the school system that shows improvements in overall skill levels over time, including a significant reduction in the rates of poorly-achieving school leavers, and a tertiary system that meets the skill needs of a growing economy on a sustainable and affordable basis. |
| Progress assessed based on: | <ul style="list-style-type: none"> • Establish clearer pathways and more flexible and responsive provision at the secondary-tertiary interface (e.g. Trades Academies, free tertiary education places under the Youth Guarantee, NCEA vocational pathways) to improve the educational participation and attainment of 16 and 17 year olds, and support progression to further education/training. • Implement an effective case management system for disengaged young people, in order to reduce the proportion of young people who are NEET (not engaged in education, employment or training). • Review provision of careers information, advice and guidance provided to young people, to facilitate informed career and study choices. • Implement <i>National Standards</i>, so that classroom practice and resource allocation in schools are informed by an ongoing assessment of children's progress and attainment. • Implement the Tertiary Education Strategy, with a focus on increasing the number of young people participating and achieving tertiary qualifications, and improving literacy, language and numeracy outcomes in Level 1-3 tertiary programmes. |

| Promoting effective and fiscally sustainable social safety net programs | |
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| Priority: | Reform the social welfare system to reduce long-term benefit dependency and ensure sustainability of the system, including through a focus on young people. |
| Progress assessed based on: | <ul style="list-style-type: none"> • Complete consideration of the recommendations presented by the Welfare Working Group to the Government in February 2011. • Set a clear direction for welfare reform, including a series of policy announcements focusing on better opportunities. The reform programme will start by focusing on young people who are not in education, training or work, because this group faces high risks of long-term benefit dependency. |