

The Treasury

Budget 2016 Information Release

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[40]	Not in scope	

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Reference: T2016/75

BM-2-4-2016-10



THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 12 February 2016

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

BGA Export Ministers

CC: Associate Minister of Finance
(Hon Paula Bennett)

Deadline: BGA Export Ministers Meeting on 17 February at 4pm

Aide Memoire for Budget 2016 - BGA Export Markets Ministers

Purpose

- 1 The purpose of this note is to support a discussion amongst Export Markets Ministers on the relative priority of Budget initiatives that relate to the Export Markets workstream.
- 2 The Treasury assessments focus on the merits of the initiatives and are informed by the supporting information that has been provided by agencies. Once each of the Business Growth Agenda (BGA) Ministerial groups has discussed the initiatives relevant to their sectors, Ministers English and Joyce will consider options for prioritised packages across the BGA to fit into the available allowance, with advice from the BGA Leadership Group. Budget Ministers are yet to make a call on the quantum available for the BGA.

Context

- 3 The emphasis of Budget 2016 is on analysis and use of evidence to support investments that achieve results for New Zealanders as well as a continued focus on public sector performance.
- 4 [33]

- 5 The BGA sets out recommended actions required to strengthen our economy, improve productivity and create jobs. The Export Markets workstream achieves these ends through the following priorities:
- an ambitious free trade strategy
 - maximising the benefits to exporters of our trade agreements
 - developing the world's most efficient and cost-effective border management system to support trade and people flows
 - growing New Zealand Trade and Enterprise's portfolio of export-active companies
 - growing international education
 - increasing value to New Zealand from tourism, and
 - developing and grow New Zealand's international marketing brand.
- 6 Within this workstream, operating initiatives of approximately [33] per annum have been submitted. Funding all initiatives would require active reprioritisation, significant savings and/or revenue increases. To support a discussion on priorities we outline some suggested discussion points on options and key trade-offs below.
- 7 This advice has been informed by discussions with the Ministry for Foreign Affairs and Trade, and the BGA Leadership Group.

Key themes emerging

Improving Relationships in the Asia/Pacific Region

- 8 The initiatives this year recognise the importance of improving both government and private sector relationships in Asia and South America. Improving these relationships will ensure businesses are able to seize the opportunities increasingly present in these two regions. The initiatives were submitted by agencies with the objective to strengthen our presence and to deepen trade links in the Asia-Pacific region. These include the proposed Embassy in Bogotá and FTA implementation.

Improving Government Capability to Support Exporters

- 9 Another major theme is building internal government capability to reduce transaction costs and improve support for businesses. This is driven by feedback from businesses themselves. The initiatives are focused on better utilising the New Zealand Story programme, removing barriers to uptake of free trade preferences, and improving the efficiency and effectiveness of the border.

Strengthening the border

- 10 The Border Sector has presented a joint initiative with a suite of proposals intended to improve efficiency and effectiveness at the border. While some components of these proposals relate to cost-recovered areas for Border agencies, the fixed levy rates for both the goods and passenger clearance streams mean the costs of these proposals cannot be recovered until the Border Clearance Levy review is completed in mid-2018.

Following the review, new activities within the scope of the Levy could be incorporated into levy calculations. [33]

Cost-Pressures

- 11 Finally, there is also an element of enabling government to continue and improve business as usual operations. [33]

Suggested points for discussion

Initiatives mentioned below are outlined further in the appendices.

- 12 In general, looking across the recommended initiatives, do Ministers agree that the emerging themes reflect your current priorities and level of ambition for Export Markets? If not, what needs to be added?
- 13 Ministers might also want to consider the following points in discussion on initiatives related to improving government capability:
 - There is an opportunity to join up in initiatives that are related to selling New Zealand overseas, such as the New Zealand Story and Attracting International Screen Productions to New Zealand. Do Ministers want to make more of this opportunity?

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Appendices

The following tables outline the relevant initiatives and the Treasury's advice on their value for money, links to BGA objectives, and the degree of pre-commitment or discretion over progressing the initiative.

There are four appendices attached to this document.

- Appendix One: this table details the initiatives we recommend progressing for Budget 2016
- Appendix Two: this table shows those initiatives that may have merit , but are not judged to be as high priority as the initiatives in Appendix One
- Appendix Three: this table shows those initiatives that we recommend are not funded and are included here for visibility.

- Appendix Four: This diagram shows our assessment of the relative value for money and strategic fit across the Export Markets workstream.

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Matthew Gilbert, Team Leader, Economic Performance & Strategy, [23]

[23]

Simon McLoughlin, Team Leader, Fiscal and State Sector Management, [23]

Appendix One: Recommended Initiatives (amounts are in \$ million)

Vote	Initiative	Description		OPEX 2015/16	OPEX 2016/17	OPEX 2017/18	OPEX 2018/19	OPEX 2019/20	CAPEX (over 4 years)	Comment
TOTAL			Sought	[33]						
			Recommended							
Foreign Affairs and Trade	FTA Implementation : Maximising the Benefits (discretionary)	Expanded FTA implementation activity to enable exporters to access increased benefits of existing FTAs, including the recently agreed TPP.	Sought	[33]						The case for this initiative is compelling given the large impact for businesses relative to the size of the initiative, although in outyears reprioritisation from negotiation to implementation may be possible. Propose a tagged contingency unless sufficient detail on governance arrangements can be provided before budget decisions.
			Recommended	0.000	1.300	1.500	1.800	0.000	0.000	
Foreign Affairs and Trade	Establishment of a New Zealand Embassy in Bogotá, Colombia (agreed initiative)	Opening a New Zealand Embassy in Colombia in order to deepen our economic and trade relationships with Latin America and forge closer relations with the dynamic Pacific Alliance regional grouping.	Sought	0.000	[33]		3.626	3.719	6.708	The case for the establishment of an embassy in Colombia is convincing, however, MFAT has not provided sufficient evidence for why the operating costs for this embassy should not be funded from reprioritisation within the network (i.e. why it is lower value than lowest value existing post). [1]
			Recommended	0.000	0.000	0.000	0.000	0.000	6.708	
Foreign Affairs and Trade	Antarctica New Zealand Cost Pressures (discretionary)	Antarctica New Zealand's cost pressures are at the point where core services can no longer be maintained through savings and efficiencies alone, or by utilising reserves.	Sought	0.000	3.035	4.179	4.635	4.896	0.000	[33]
			Recommended	0.000	3.035	4.179	[33]		0.000	There is a related bid in the BGA Innovation workstream for increased funding for the RV Tangaroa which includes a two-yearly trip to Antarctica.
Business, Science and Innovation	Attracting International Screen Productions to New Zealand (discretionary)	The provision of activities to promote and market New Zealand as an international screen production destination and to provide specialist screen business services and information to the international clients, the New Zealand screen industry and screen-related agencies.	Sought	[33]						This funding would maintain the base level of outputs
			Recommended	0.000	1.000	1.000	1.000	1.000	0.000	
Business, Science and Innovation	Regional Business Partners (discretionary)	Increase funding for NZTE and Callaghan Innovation's Regional Business Partners Programme (RBP) to enable it to engage with more of each region's growth/exporting-oriented businesses.	Sought	[33]						This initiative is scalable. The highest impact on management capability is through Business Advisors.
			Recommended	0.000	1.500	1.500	1.500	1.500	0.000	

Business, Science and Innovation	The New Zealand Story (discretionary)	Additional funding for NZ Story to enable activation in target regions for NZ international growth. This includes, evolving NZ's brand, activating greater business use of NZ Story, and enrolling NZ Inc. and influencers, and influencing buyer consideration.	Sought	[33]						This initiative has various components. We support the <i>International Influence Programme</i> only. Any additional programme/project should be funded from within existing baselines.
			Recommended	0.000	0.900	0.900	0.900	0.900	0.000	
Customs	Modernising and transforming Customs workforce (discretionary)	Ensuring that Customs can attract, build, retain and reshape its operational workforce to manage future demand and risk, fast paced technological change and significant remuneration pressures.	Sought	0.784	4.758	4.758	4.758	4.758	0.000	This funding proactively addresses pressures by dispatching remuneration concerns and enabling the large scale Operations Transformation Programme. This initiative will also allow an up-skilling of the Customs workforce to improve border protection capability, while working for efficiency and effectiveness at the border.
			Recommended	0.784	4.758	4.758	4.758	4.758	0.000	
Customs	Improving the efficiency and effectiveness of the border sector (Excise Acts components are non-discretionary but other aspects are)	Delivering joined up border services through new trusted trader and traveller arrangements, ensuring the new Customs and Excise Act is understood by business and developing a stronger understanding of compliance at the border to enable agencies to focus resources on identified risks	Sought	[33]						Support Customs Excise Act implementation and assurance activities as they will have clear impacts on outcomes. Partial support for the Trusted Traveller and Trader, and Research and Innovation components to enable reduced scope time-limited pilots in order to evaluate the long term prospects of these proposals. [33]
			Recommended	0.000	11.121	9.770	5.681	5.681	1.520	

Appendix Two: Initiatives that have merit, but are not high priority (amounts are in \$ million)

Vote	Initiative	Description		OPEX 2015/16	OPEX 2016/17	OPEX 2017/18	OPEX 2018/19	OPEX 2019/20	CAPEX (over 4 years)	Comment
Total			Sought	[33]						
			Recommended	[33]						
Business Science and Innovation	Nga Haerenga, the New Zealand Cycle Trail (discretionary)	A package that will enable co-funding for the completion, enhancement and extension of cycle trails that are the Great Rides of Nga Haerenga, the NZ Cycle Trail (NZCT). Funding will also be provided to NZ Cycle Trail Incorporated to enable the organisation to carry out its governance role for NZCT.	Sought	0.000	6.000	7.000	6.000	6.000	0.000	Out of the three components of this initiative (extensions to existing trails/upgrades to trails in accordance to trail ratings/linking Central Otago trails to establish a network), the Otago trails component may offer the greatest value for money. However, it should be deferred until MBIE has completed a full evaluation of the New Zealand Cycle Trail programme by mid-2016.
			Recommended	0.000	0.000	0.000	0.000	0.000	0.000	
Tertiary Education	International Connections for New Zealanders (PM scholarships have been publically announced but other aspects are discretionary)	A package that will establish virtual 'Centres of Asia Pacific and Language Excellence' (CAPEs) across tertiary institutions, expand Prime Minister's Scholarships, and establish an Outbound Mobility Strategy (OMS) that will support more New Zealand tertiary students to study overseas.	Sought	0.000	6.500	12.000	12.500	12.500	0.000	Defer the cost of a pilot of OMS and CAPEs whilst more information is produced on the look and make-up of the initiative. The value for money of expanding the Prime Minister's Scholarships is unclear.
			Recommended	0.000	0.000	0.000	0.000	0.000	0.000	

Appendix Three: Initiatives that we do not recommend funding (amounts are in \$ million)

Vote	Initiative	Description	OPEX 2015/16	OPEX 2016/17	OPEX 2017/18	OPEX 2018/19	OPEX 2019/20	CAPEX (over 4 years)	Comment
		Sought	[33]						
Total									

[33]

Maori Development	Ministerial-led enterprise missions programme (linked to manifesto)	To support three Ministerial-led trade missions for Maori enterprises, focussing on culture as a strong connector for Maori enterprises. The missions will focus on markets where Maori exporters want to go and are receptive to Maori Culture	Sought	0.000	0.150	0.150	0.150	0.150	0.000	This should be reprioritised from baselines
			Recommended	0.000	0.000	0.000	0.000	0.000	0.000	
Business, Science and Innovation	Accelerate Growth in Emerging and High Potential Markets (discretionary)	Further investment in international visitor attraction through Tourism New Zealand across targeted growth markets can increase the value of the sector, decrease market concentration, increase regional dispersal, and contribute to better off-peak demand.	Sought	[33]						Reprioritisation towards emerging markets should occur within baselines.
			Recommended	0.000	0.000	0.000	0.000	0.000	0.000	

Appendix Four: Strategic Fit/ Value for Money Diagram

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