

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

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BRIEFING

Budget 2017: New Zealand Business Number (NZBN) Initiative

Date:	20 March 2017	Priority:	High
Security classification:	In Confidence	Tracking number:	2834 16-17

Action sought		
	Action sought	Deadline
Hon Simon Bridges Minister of Economic Development	Agree to the recommendations Forward this briefing to the Minister of Commerce and Consumer Affairs for her information	20 March 2017
Hon Jacqui Dean Minister of Commerce and Consumer Affairs	Note information about the 2017 Budget Bid and implications of scaling.	At your discretion

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Ross van der Schyff	GM Business Integrity Services & NZBN Registrar	[23]	[23]	✓
Joanne Hogan	NZBN Programme Director	[23]	[23]	

The following departments/agencies have been consulted [double click box & click 'checked']					
<input type="checkbox"/> Treasury	<input type="checkbox"/> MoJ	<input type="checkbox"/> NZTE	<input type="checkbox"/> MSD	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> MPI	<input type="checkbox"/> MfE	<input type="checkbox"/> DIA	<input type="checkbox"/> TPK	<input type="checkbox"/> MoH
<input type="checkbox"/> Other:		N/A or [Insert agency]; [Insert agency]			

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:



BRIEFING

Budget 2017: New Zealand Business Number (NZBN) Initiative

Date:	17 March 2017	Priority:	High
Security classification:	In Confidence	Tracking number:	2834 16-17

Purpose

This brief provides further background on the status of the New Zealand Business Number (NZBN) within the context of current Budget 2017 discussions.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the investment in NZBN to date has delivered the infrastructure required to deliver NZBN. Focus now needs to turn to ensuring businesses actively use their NZBN in order to extract the known benefits.
Noted
- b **Note** the proposed Budget bid can be scaled to two years or dropped, but the expected benefits to business more than proportionately fall.
Noted
- c **Agree** to pursue the approval of the NZBN Budget bid of ^[33]
[33]
Agree / Disagree
- d **Agree** to forward this briefing to the Minister of Commerce and Consumer Affairs for her information.
Agree / Disagree
- e **Indicate** whether you would like to meet with officials to discuss the NZBN Initiative in more detail.
Yes / No

Ross van der Schyff
**General Manager, Business Integrity
Services & NZBN Registrar**
Market Services, MBIE

Hon Simon Bridges
Minister of Economic Development
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Hon Jacqui Dean
Minister of Commerce and Consumer Affairs
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Summary

1. The NZBN is a 13-digit, globally unique business identifier linked to Primary Business Data (PBD) such as location, phone numbers, address and trading name. NZBN has the potential to revolutionise the way New Zealand businesses interact with each other and with government.

Benefits

2. At the simplest level, the NZBN means businesses only need to update their primary business data in one place, rather than with each agency they deal with. This is a core plank of Result Area 9 – Better for Business, and research suggests is one of the key bug bears of business in dealing with government. It results in savings in terms of time and effort, as well as the costs when managed within a business or outsourced to agents.
3. In addition to the direct business cost savings from only updating information in one place when dealing with government, there are significant further time and cost savings if businesses adopt NZBN for their dealings with suppliers and customers. When information changes instead of remembering to tell all the relevant government agencies and your key business relationships – this only has to be done once. It also becomes a trusted source of truth that can be relied upon.
4. There are clear network benefits from high levels of NZBN adoption. The greater the extent of adoption, the more useful it becomes for a wider range of businesses to use it in their internal systems and processes, thereby increasing its usefulness and the benefits that flow from it. Until full adoption is achieved, both in businesses using the NZBN to identify themselves and maintain their key business information, and in large businesses and agencies using the NZBN to identify and be the source of truth for businesses they work with, there will remain multiple business identifiers and multiple sources of truth. Benefit is achieved by removing these multiple processes and identifiers.
5. An example of how business might use NZBN with their customers is ^[25]

6. The original NZBN business case identified savings of \$60m annually to business could be achieved. This required that all NZ businesses are allocated a business number, their associated core data is kept up to date **and** this is embedded into both government and business systems in a way that utilises the NZBNs. At that stage broader benefits arising from business to business transactions were not quantified but understood to be a multiple of the above. The business case also set out the approach necessary to achieve the outcomes by separating foundation activities from adoption activities.
7. The original business case related to the then 8 Result Area 9 agencies to use the NZBN when providing services to businesses. This was subsequently expanded to require 94 agencies to use NZBN when providing and consuming services from businesses by 2020.

Budget 2015 and delivery to date

8. In Budget 2015, NZBN received \$12.1m in funding – \$3.5m capital to allow NZBN to be set up, with \$8.6m operating expenditure to 2019 to support the build and provide ongoing funding for operational costs and depreciation beyond 2017. This has been completed.
9. The 2015 Budget initiative enabled completion of the foundation work, namely:
 - a. Delivery of essential legislation.

- b. Infrastructure set up including NZBN Register and application programme interfaces (APIs).
 - c. Whole of Government Directions which require 94 agencies to implement, or give regard to implementing NZBN within their key business customer facing, procurement and finance systems and processes and replacing their business identifiers with the NZBN.
 - d. Ongoing operational costs for the NZBN Register and Registrar functions including depreciation and technical support.
10. All businesses can now be allocated an NZBN or register for an NZBN legally and technically. Government agencies have clear requirements and timeframes on when NZBN must be embedded within their systems and processes.
11. Foundation funding for the basic set up functions expires in June 2017, with operational funding for the maintenance for the NZBN register and Registrar functions in place. Funding to encourage business adoption or support agency implementation was not included in the 2015 Budget bid.

Budget 2017 and proposed activities

12. Having completed the foundation activity it is now timely to consider the work that will be necessary under the adoption phase to entrench the NZBN and to drive the business benefits.
13. In particular, although there are currently over 800,000 businesses allocated an NZBN, the majority of those businesses are not aware the NZBN exists, nor how to use it. A small number of large businesses have started to use the NZBNs in place of Company Number, but they have not yet expanded their processes to include Sole Traders, Partnerships and Trusts (SPTs) as the technology for this was only established in December 2016. To date we have 40 SPTs out of an identified 240,000 that have activated and updated their NZBN details, and in a 2016 survey of large businesses only 34% were aware of NZBN.
14. The registration for and usage of an NZBN is voluntary for businesses, and it is clear from the update rates that there is considerable further encouragement required to achieve the full benefits.
15. The 2017 NZBN Budget bid is for:
- a. Communications and marketing to raise awareness of and encourage businesses to activate and use their NZBN. This includes partnering with large New Zealand businesses to implement NZBN within their key business processes and delivering education and support initiatives to business advisors. ^[33]
[33]
 - b. Agency implementation support: Supports the extended range of agencies to embed NZBN in their processes and operating models. This includes developing guidance for common platforms and processes across agencies that will include NZBN, working with Australia to design and embed mutual recognition processes for the Australian Business Number and NZBN, ensure agencies factor NZBN into future process and system changes across more than just Directions requirements to get maximum benefit. Agencies will also require supporting information and collateral to provide to their business customers and suppliers on the NZBN, its use and its integration. ^[33]
[33]
 - c. Programme support and measuring benefits: Support by MBIE for programme management, identification of specific further potential benefits and how to achieve them, research and reporting on benefits achieved. A review and refresh of the Whole of Government Directions will occur in 2020. ^[33]

16. Result 9: Better for business is aimed at delivering business value from easy and seamless dealings with government. The 2017 NZBN Budget bid is aiming to maximise the benefits to business of the investment that government has made to date in NZBN and help achieve the Result 9 target of a 25% reduction in the effort of dealing with government by 2020. A reduction in business benefits in NZBN will reduce the benefits for R9 as a whole.

Scaling of NZBN budget bid

17. The 2017 Budget bid will enable the capture of forecast annual benefits to business of \$30 million from 2021 to \$59 million by 2031. By 2026 the forecast total net benefit is close to \$180 million. This benefit profile is aligned to that approved by Cabinet and R9 agencies in 2015.
18. The current Budget bid is for ^[33] with estimated ^[33]
19. Scaling back of the bid will reduce these benefits. There are two key options:
 - a. Do nothing: rely on gradual adoption. ^[33]
 - b. Scale back: fund for two years rather than four, and reduce scope of programme support and benefits measurement. After two years assess whether to scale up or scale down efforts to encourage adoption and use. ^[33]

^[33]
20. ^[33]