

Information Supporting the Supplementary Estimates

Vote Economic Development

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister for Economic Development (M25),
Minister for Small Business (M62)

ADMINISTERING DEPARTMENT: Ministry of Economic Development

MINISTER RESPONSIBLE FOR MINISTRY OF ECONOMIC DEVELOPMENT: Minister for Economic
Development

Part 1 - Summary of the Vote

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2008/09				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	195,772	843	1,425	2,268	198,040
Benefits and Other Unrequited Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	161,789	-	(16,400)	(16,400)	145,389
Capital Expenditure	47,164	(3,572)	21,082	17,510	64,674
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Total Appropriations	404,725	(2,729)	6,107	3,378	408,103
Crown Revenue and Capital Receipts					
Tax Revenue	-	N/A	-	-	-
Non-Tax Revenue	-	N/A	-	-	-
Capital Receipts	-	N/A	-	-	-
Total Crown Revenue and Capital Receipts	-	N/A	-	-	-

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Policy Advice - Small Business (M62)

Scope of Appropriation

This appropriation is limited to policy advice on issues relating to lifting the capability and performances of Small to Medium Enterprises (SMEs), including ministerial servicing and advice on the development, coordination and implementation of policies and programmes that affect SMEs.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,646	84	1,730
Revenue from Crown	1,636	30	1,666
Revenue from Other	10	54	64

Reasons for Change in Appropriation

This appropriation increased by \$84,000 as a result of a \$254,000 expense transfer from 2007/08 related to the Business Compliance Cost Calculator project. This was partially offset by an expense transfer of \$50,000 from 2008/09 to 2009/10 for Research in the Capability of Small Businesses to Comply with Government Regulations project, and savings of \$120,000 being returned for reprioritisation during the Budget 2009 process.

Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development (M25)

Scope of Appropriation

This appropriation is limited to policy advice and ministerial servicing in relation to the development, evaluation and overview of sustainable, economic, industry and regional development policies and initiatives. It also includes ownership and purchase advice on Crown-owned entities.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	17,193	759	17,952
Revenue from Crown	17,063	711	17,774
Revenue from Other	130	48	178

Reasons for Change in Appropriation

This appropriation increased by \$759,000 as a result of expense transfers totalling \$2.149 million from 2007/08 as well as Cabinet policy decisions for \$2 million for the Implementation of the New Zealand Innovation Centre and Assistance Packages for Small and Medium-Sized Enterprises facing difficulties in the current economic circumstances. This is partially offset by savings of \$3.390 million being returned for reprioritisation during the Budget 2009 process.

Part 2.2 - Non-Departmental Output Expenses

Analysis and Development Services for Firms (M25)

Scope of Appropriation

The appropriation is limited to customised advice and support to firms based on analysis of opportunities, issues and risks facing them in their growth and internationalisation, including advice and support for firms to access business assistance grants.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	22,530	(2,602)	19,928

Reasons for Change in Appropriation

This appropriation has decreased by \$2.602 million as a result of a Cabinet policy decision for \$1.469 million in funds to be transferred from this appropriation to Vote Commerce to reflect the relocation and responsibilities of the Business Portal (Business.Govt) from New Zealand Trade and Enterprise (NZTE) to the Ministry of Economic Development. A further reduction to this appropriation of \$1.500 million is a result of savings being returned for reprioritisation during the Budget 2009 process. This was offset by \$367,000 as a result of a technical adjustment being approved as a result of foreign exchange movements.

Identification and Coordination of International Market Opportunities (M25)

Scope of Appropriation

This appropriation is limited to the identification and coordination of international market opportunities for firms through market analysis and intelligence, facilitation into international business networks and marketing and support of New Zealand's presence at significant international events.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	68,446	1,972	70,418

Reasons for Change in Appropriation

This appropriation increased by \$1.972 million. A technical adjustment for \$3.827 million was approved as a result of foreign exchange movements, expense transfers for the delays in the Asia Strategy Expansion project for \$800,000 and the development of the NZTE Website for \$750,000 and a \$345,000 fiscally neutral adjustment for the Growth and Innovation Framework resources to support World Trade Organisation and Free Trade Agreement / Closer Economic Partnership negotiations. These increases were partially offset by savings of \$3 million being returned for reprioritisation during the Budget 2009 process and \$750,000 was transferred to assist with Transformational Initiatives Projects.

Implementation of the New Zealand Innovation Centre (M25)

Scope of Appropriation

This appropriation is limited to contributing to meeting the operating costs incurred by the body corporate that owns the New Zealand Innovation Centre.

Reasons for Change in Appropriation

A Cabinet policy decision was made during 2008/09 to introduce the above appropriation. However funding allocation to this appropriation commences in the 2009/10 financial year and has been returned to the Crown for reprioritisation during the Budget 2009 process.

International Investment Facilitation Services (M25)

Scope of Appropriation

This appropriation is limited to coordination and analysis of opportunities for investment into New Zealand and investment by New Zealand firms into international markets.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	16,724	(696)	16,028

Reasons for Change in Appropriation

This appropriation decreased by \$696,000 as a result of savings of \$700,000 being returned to the Crown. This was partially offset by \$4,000 as a result of reflecting movements in foreign exchange via a technical adjustment.

New Zealand's Participation at Expo 2010 Shanghai, China (M25)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
New Zealand's Participation at Expo 2010 Shanghai, China (M25) This appropriation is limited to New Zealand's participation at Expo 2010 in Shanghai, China. Commences: 1 July 2008 Expires: 30 June 2011	Original Appropriation	26,600
	Adjustments to 2007/08	-
	Adjustments for 2008/09	9,756
	Adjusted Appropriation	36,356
	Actual to 2007/08 Year End	-
	Estimated Actual for 2008/09	7,051
	Estimated Actual for 2009/10	24,345
Estimated Appropriation Remaining	4,960	

Reasons for Change in Appropriation

This appropriation increased by \$1.451 million as a result of an expense transfer of \$878,000 from 2007/08 due to delays as well as a technical adjustment for foreign exchange movements for \$573,000.

Regional and Sector Development Services (M25)

Scope of Appropriation

This appropriation is limited to customised advice and support to regional institutions for the development of regional economic development strategies, and to sectoral industry bodies and groups of firms for the development and implementation of plans to improve the performance of sectors.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	44,906	2,250	47,156

Reasons for Change in Appropriation

This appropriation increased by \$2.250 million as a result of a Cabinet policy decision for the Allocation of Food and Beverage Taskforce Funding Contingency of \$3.250 million and a technical adjustment of \$1.050 million to reflect foreign exchange movements. Expense transfers from 2007/08 were approved for the Health Innovation Summit of \$500,000, Aquaculture NZ for \$250,000 and Global Manufacturing Initiative and Study of Algae Biofuels programmes for \$200,000. These increases to the appropriation was partially offset by savings of \$3 million being returned to the Crown.

Standardised Training and Advisory Services (M25)

Scope of Appropriation

This appropriation is limited to standardised training and advisory services provided by third parties to firms on a range of business development needs including business incubation, capital acquisition, finance brokering and exporting.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	16,137	(950)	15,187

Reasons for Change in Appropriation

This appropriation decreased by \$950,000 as a result of savings of \$1.300 million being returned for reprioritisation during the Budget 2009 process. This was partially offset by a Cabinet policy decision for \$350,000 as part of an assistance package for small to medium-sized enterprises facing difficulties in the current economic circumstances.

Summary of Service Providers for Non-Departmental Outputs

Provider	2008/09			Reporting Mechanism	Expiry of Resourcing Commitment
	Estimates \$000	Supplementary Estimates \$000	Total \$000		
New Zealand Innovation Centre	-	-	-	MED Annual Report	Discontinued

The above table summarises funding to be allocated through Vote Economic Development to non-departmental providers, along with an indication of the mechanism to be used for reporting actual performance and (where determined) the length of the funding commitment.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: A world-class multi-yacht regatta is established in Auckland 2009, in partnership between Louis Vuitton and NZ Yacht Squadron.	Louis Vuitton Pacific Series
Outcome: Implementation of policy on transformational initiatives	Transformational Initiatives Fund
Outcome: Improve the environment for enterprise and growth. Objective: Increase productivity in parts of the manufacturing sector where New Zealand has a competitive advantage	Trilateral Projects

3D Digital Graphics Cluster (M25)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
3D Digital Graphics Cluster (M25) To research and develop commercial projects that build on New Zealand's existing strength in 3D digital graphics technology. Commences: 1 July 2007 Expires: 30 June 2010	Original Appropriation	7,000
	Adjustments to 2007/08	-
	Adjustments for 2008/09	-
	Adjusted Appropriation	7,000
	Actual to 2007/08 Year End	3,000
	Estimated Actual for 2008/09	2,000
	Estimated Actual for 2009/10	2,000
	Estimated Appropriation Remaining	-

Impairment of the Loan to the New Zealand Innovation Centre (M25)

Scope of Appropriation

This appropriation is limited to the impairment to the fair value of zero of the Crown's loan to the New Zealand Innovation Centre.

Reasons for Change in Appropriation

A Cabinet policy decision was made during 2008/09 to establish the above appropriation, however this funding has been returned for reprioritisation during the Budget 2009 process.

International Biotechnology Partnerships (M25)

Scope of Appropriation

Facilitation of joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	4,000	(2,000)	2,000

Reasons for Change in Appropriation

This appropriation decreased by \$2 million as a result of savings being returned for reprioritisation during the Budget 2009 process.

Large Budget Screen Production Fund (M25)

Scope of Appropriation

Assistance to film and television productions that spend over \$15 million in New Zealand, if that expenditure equals or exceeds 70% of the production's total budget.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	35,556	12,346	47,902

Reasons for Change in Appropriation

This appropriation increased by \$12.346 million as a result of an adjustment to reflect the anticipated demand.

Louis Vuitton Pacific Series (M25)

Scope of Appropriation

This appropriation is limited to a payment to Emirates Team New Zealand for the purposes of holding the Louis Vuitton Pacific Series in partnership with Louis Vuitton and hosted by the Royal New Zealand Yacht Squadron.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	0	750	750

Reasons for Change in Appropriation

A Cabinet policy decision was made during 2008/09 to establish the above appropriation with funding of \$750,000 transferred from the non-departmental other expense "Promotion of New Zealand Associated with the America's Cup" appropriation.

Expected Results

	2008/09		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Terms and conditions of the funding agreement in relation to brand visibility are met.	100% met	100% met	100% met

Management Development Fund (M25)

Scope of Appropriation

Assistance to address the management capability gap in New Zealand, through the commissioning of research, stimulation of business interest and supply of management development services.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	756	(480)	276

Reasons for Change in Appropriation

This appropriation decreased by \$480,000 as a result of \$580,000 in savings being returned to the Crown. This increase is partially offset by an expense transfer of \$100,000 from 2007/08 for delays in the work around the Web Based Business Capability Tool project.

Market Development Assistance Fund (M25)*Scope of Appropriation*

Encouragement for the integration of more New Zealand businesses into global markets by facilitating the creation, development and expansion of overseas markets for New Zealand goods, services, intellectual property and know-how.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	54,341	(9,404)	44,937

Reasons for Change in Appropriation

This appropriation has reduced by \$9.404 million as a result of Cabinet policy decisions to transfer funds to assist with other initiatives. \$2.830 million was transferred to Vote Tourism to assist with the implementation of the New Zealand Tourism Strategy 2015, \$3 million was transferred to assist with Transformational Initiative Projects, and \$3.574 million was transferred to assist funding of the acquisition of Petroleum Data in Vote Energy.

Promotion of New Zealand Associated with the America's Cup (M25)*Scope of Appropriation*

This appropriation is limited to meeting costs associated with the proposed sponsorship of Team New Zealand's participation in the next multi-challenger America's Cup.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	26,000	(13,750)	12,250

Reasons for Change in Appropriation

This appropriation decreased by \$13.750 million as a result of an expense transfer from 2008/09 to 2009/10 (\$13 million) due to delays caused by the legal proceedings brought by the Golden Gate Yacht Club against the current holders of the America's Cup Alinghi, and funding to assist with the Louis Vuitton Pacific Series (\$750,000) during 2008/09.

Regional and Industry Development Fund (M25)

Scope of Appropriation

Support of industry and regional specific projects that are likely to have the ability to contribute to government economic objectives and to unlock high growth potential, including support of Buy Kiwi Made sectoral and regional initiatives.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	2,274	(514)	1,760

Reasons for Change in Appropriation

This appropriation decreased by \$514,000 as a result of \$260,000 in savings being returned for reprioritisation during the Budget 2009 process and a fiscally neutral adjustment of \$254,000 for Buy Kiwi Made.

Regional Partnerships and Facilitation (M25)

Scope of Appropriation

Provision of advice and grants to support the development of business incubators and regional clusters, and to support regional partnerships to develop and implement sustainable economic growth strategies.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	18,182	(5,346)	12,836

Reasons for Change in Appropriation

This appropriation decreased by \$5.346 million as a result of \$10.450 million in savings being returned for reprioritisation during the Budget 2009 process and a further reduction of \$1.780 million through a Cabinet policy decision to assist with Transformational Initiatives Projects. This was partially offset by expense transfers from 2007/08 for delays in work on the Enterprising Partnerships Fund (\$3.350 million), Regional Strategy Fund (\$2.534 million) and the Enterprise Auckland Fund (\$1 million).

Sector Strategies and Facilitation (M25)

Scope of Appropriation

Assistance with the facilitation of specific sector initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies and guarantees for significant projects to access funding through other government programmes and cash grants.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	3,218	(1,718)	1,500

Reasons for Change in Appropriation

This appropriation decreased by \$1.718 million as a result of Cabinet policy decisions for funding of \$1.261 million to be transferred out to assist with the Transformational Initiatives Project and \$957,000 for the Implementation of the New Zealand Innovation Centre. This was partially offset by an expense transfer from 2007/08 for \$500,000 to ensure that the full benefit of the grants were to be utilised in 2008/09.

Transformational Initiatives Fund (M25)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Transformational Initiatives Fund (M25)	Original Appropriation	9,766
Funding for the implementation of policy on transformational initiatives as agreed by Cabinet.	Adjustments to 2007/08	-
	Adjustments for 2008/09	-
Commences: 1 March 2009	Adjusted Appropriation	9,766
Expires: 30 June 2013	Actual to 2007/08 Year End	-
	Estimated Actual for 2008/09	2,466
	Estimated Actual for 2009/10	1,000
	Estimated Appropriation Remaining	6,300

Reasons for Change in Appropriation

A Cabinet policy decision was made during 2008/09 to establish the above appropriation.

Expected Results

	2008/09		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of small number of large scale economic development opportunities in accordance with TI methodology and criteria.	-	1	1

Trilateral Projects (M25)

Scope of Appropriation

This appropriation is limited to administration of and support for Trilateral industry development projects that involve New Zealand Trade and Enterprise, the Foundation for Research, Science and Technology, and the Tertiary Education Commission.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	1,250	1,250

Reasons for Change in Appropriation

A cabinet policy decision was made during 2008/09 to establish the above appropriation.

Expected Results

	2008/09		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Develop a commercial business plan and undertake research and development in relation to the applications of titanium powder and high temperature superconductor technology.	N/A	Business plan completed	Business plan completed

Reporting Mechanisms

Appropriation	Reporting Mechanism
Trilateral Projects	Annual Report - NZTE
Transformational Initiatives Fund	Annual Report - MED

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental other expenses appropriation.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Ministry of Economic Development - Capital Expenditure PLA (M25)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Economic Development, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	5,000	1,056	6,056
Intangibles	10,850	(4,628)	6,222
Other	-	-	-
Total Appropriation	15,850	(3,572)	12,278

Reasons for Change in Appropriation

This appropriation decreased by \$3.572 million due to Departmental Capital transfers from 2008/09 to 2009/10 for the New Zealand Emissions Trading Scheme (\$3.006 million), Enterprise Project (\$2 million), Eclipse Project (\$1 million) and the Financial Regulation Infrastructure (\$1.500 million) offset by an increased forecast of capital expenditure for 2008/09 of \$2.178 million and a Departmental Capital transfer of \$1.756 million for the New Zealand Emissions Trading Scheme from 2007/08 to 2008/09.

Part 6.2 - Non-Departmental Capital Expenditure

Loan to the New Zealand Innovation Centre (M25)

Scope of Appropriation

This appropriation is limited to a loan to the body corporate that owns New Zealand Innovation Centre, to assist with infrastructure costs of the New Zealand Innovation Centre.

Reasons for Change in Appropriation

A Cabinet policy decision was made during 2008/09 to establish the above appropriation, however the funding of \$4 million is being offered up as savings and returned for reprioritisation during the Budget 2009 process.

New Zealand Trade and Enterprise (M25)

Scope of Appropriation

To increase NZTE's in-market assistance for New Zealand firms in China, India and Japan.

Capital Expenditure

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	3,314	2,707	6,021

Reasons for Change in Appropriation

This appropriation increased by \$2.707 million as a result of an expense transfer from 2007/08 for the Asian Strategy Project of \$1.420 million and a \$1.287 million technical adjustment for reflecting foreign exchange movements.

Seed Co-investment Fund (M25)

Scope of Appropriation

Support the development of the market for early stage equity finance.

Capital Expenditure

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	8,000	4,674	12,674

Reasons for Change in Appropriation

This appropriation increased by \$4.674 million as a result of an expense transfer from 2007/08.

Venture Investment Fund (M25)

Scope of Appropriation

Capital Investment to accelerate the development of the New Zealand Venture Capital Market. Public funds will be co-invested with the private sector to increase the rate of formation of new businesses based on high added value goods and services.

Capital Expenditure

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	20,000	13,701	33,701

Reasons for Change in Appropriation

This appropriation increased by \$13.701 million as a result of an expense transfer from 2007/08.