

The Treasury

DEV Quarterly Progress Report on the CPC Priorities: April to June 2019 Information Release

April 2021

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Cabinet Document Details

Title: **Cabinet Paper DEV-19-SUB-0185: DEV Quarterly Progress Report on the CPC Priorities: April to June 2019**

Date: **24 June 2019**

Creator: Office of the Minister of Finance

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Office of the Minister of Finance

Chair, Cabinet Economic Development Committee

DEV Quarterly Progress Report on the CPC Priorities: April to June 2019

Proposal

1. This paper provides a quarterly progress report on the Government's priorities for which the Cabinet Economic Development Committee (DEV) is responsible.

Context

2. The Cabinet Priorities Committee (CPC) agreed a refreshed set of priorities and quarterly reporting requirements in April 2019 [CAB-19-MIN-0081].
3. These priorities have fed into the work DEV has been doing to refresh our economic strategy, the latest update of which is set out in a companion paper (*Update on the Economic Strategy*). The Economic Strategy will be instrumental in further developing and advancing our economic priorities.

The DEV Quarterly Progress Report

4. Cabinet Committees are now due to provide their first quarterly report on their progress towards the refreshed priorities for the April to June 2019 quarter. DEV previously reported on the original set of CPC priorities. The quarterly progress reports will be discussed at the Cabinet Business Committee (CBC) meeting on 1 July 2019, at 1:00pm.¹
5. My officials have now collated information from agencies to produce a progress report for the initiatives that DEV is responsible for (Annex one). The self-reported progress on each initiative is outlined in the annex. Nine initiatives have been rated amber, the remaining are rated green.
6. I propose that we discuss the report, and in particular the initiatives that have been rated amber, with a view to identifying where we can collectively take action to support the progress of these initiatives.

¹ Note that CBC is considering the quarterly updates in lieu of CPC as there is no CPC meeting scheduled for that week. In future CPC will consider the quarterly reports whenever possible.

7. The nine initiatives rated as amber are:
- a. Green Investment Finance
 - b. Trade (EU Free Trade Agreement)
 - c. Fair Pay Agreements
 - d. Pay Equity
 - e. Overseas Investment Act Review: Phase 2
 - f. Three Waters
 - g. Crown Minerals Act Review: Phase 2
 - h. Auckland Light Rail
 - i. Urban Development Authority Legislation

Consultation

8. Reporting of progress on initiatives outlined in the annex was provided by the Ministry of Business, Innovation and Employment, Ministry of Transport, Ministry for the Environment, Ministry of Primary Industries, Ministry of Foreign Affairs and Trade, Inland Revenue, Ministry of Housing and Urban Development, Pike River Recovery Agency, and Department of Internal Affairs. The Department of the Prime Minister and Cabinet was informed.

Financial Implications

9. There are no financial implications arising from this paper.

Regulatory Impact Analysis

10. A regulatory impact assessment is not required.

Publicity

11. I do not propose any publicity. Any publicity on the progress of the Government's overall priorities will be co-ordinated by the Prime Minister.

Proactive Release

12. Pending any publicity decisions from the Prime Minister I intend to proactively release this paper and the attached quarterly progress report within 30 business days.

Recommendations

The Minister of Finance recommends the Committee:

1. **note** the quarterly progress updates on the CPC priorities for which DEV is responsible, as outlined in the annex to this paper.
2. **note** that the Minister of Finance intends to refer this quarterly report to CBC for discussion on Monday 1 July 2019.
3. **discuss** how DEV Ministers can collectively take action to support the progress of the initiatives listed in paragraph 7.

Authorised for lodgement
Hon Grant Robertson

Minister of Finance

Annex one: DEV Progress Report

Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables	
Priority Outcome: Grow and share more fairly New Zealand’s prosperity						
Policies of Focus						
Green Investment Finance	-	A	Build investment pipelines and finalise.	Green Investment Finance (GIF) is expected to make its first investments towards the end of 2019.	Four additional appointments were made to GIF’s board. It now has its full complement of six Directors.	GIF to provide its draft statement of intent and statement of performance expectations.
Trade	-	A	Visit to China by PM completed. Singapore Closer Economic Partnership (CEP) signed. Update on EU trade negotiations.	The target [1], [38] for substantial conclusion of the EU Free Trade Agreement (FTA) by the end of [1], [38]	PM visit to China completed, and Singapore CEP signed. China FTA Upgrade round held in Wellington. Round 4 of EU negotiations held in Wellington.	Singapore CEP ratification. [1], [38] China FTA Upgrade rounds scheduled for August and if necessary September.
Tax Working Group report	-	G	Response to the TWG report agreed and released.	The Tax Policy Work Programme for 2019/20 (including responses to the recommendations of the TWG) is expected to be considered by Cabinet in July 2019.	The Government has decided not to proceed with an extension of capital gains taxation. The discussion document <i>Options for taxing the digital economy</i> was released in June 2019.	Public release of the Government’s Tax Policy Work Programme for 2019/20.
Fair Pay Agreements	-	A	Key policy options presented to Cabinet for agreement.	[33]	Advice provided to the Minister on the proposed model.	Proposed model presented to Cabinet, seeking agreement to consult. Public consultation to be released.

	Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables
Priority Outcome: Grow and share more fairly New Zealand's prosperity						
Other key initiatives						
Pay equity	-	A	<i>[quarterly deliverables only exist for policies of focus]</i>	In light of Council of Trade Unions comments following the report back from the Select Committee, officials are doing more work on some minor and some more fundamental questions. This risks delaying the Bill by a further few months.	<p><i>Legislation</i></p> <p>Changes to the Bill were unanimously agreed by select committee.</p> <p><i>Settlements</i></p> <p>The Sector Working Committees have been tasked with developing and implementing sector plans to facilitate the management, financial planning and settlement of pay equity claims in a timely and efficient manner. The sector plans for Health, Education, and the Public Service (other), are to be reviewed by the Oversight Committee and relevant Ministers in July 2019.</p>	-
Overseas Investment Act review: Phase 2	-	A	-	<p>On track, although timeframes for the reforms remain ambitious.</p> <p>The Treasury has not yet been able to fully resource the development of a call-in power to screen transactions not already covered by the Overseas investment Act (OIA) for national security/public order risks.</p>	<p>Consultation document released in April.</p> <p>Stakeholder engagement: 19 meetings including public meetings, hui and round table sessions with key users of the OIA.</p> <p>Submissions closed on 24 May.</p>	-
Capital markets policy	-	G	-	Legislation enabling the Guardians of the NZ Super Fund to own and monitor the new early stage capital fund will be passed later in 2019.	A new \$300 million venture capital fund has been announced as part of Budget 2019.	-

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Priority Outcome: Grow and share more fairly New Zealand's prosperity						
Rail policy development of options.	-	G	-	<p>Work is progressing to deliver the second and third Cabinet papers. The second paper will be lodged on 19 July 2019, with the third being lodged in August/September 2019. An initial Rail Plan is being worked on with the intention of it being released in September 2019.</p> <p>Officials are working with Ministers to determine the possible revenue sources to fund rail beyond 2021 (National Land Transport Fund, Crown, track user charges), which will be considered in paper two.</p>	<p>Cabinet has made initial decisions on the Rail Review, and now the second Cabinet paper is due in July 2019.</p> <p>As part of Budget 2019, the Government has committed the first of a series of significant funding instalments to rehabilitate the rail network and KiwiRail's freight and ferry assets.</p>	-

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Priority Outcome: Support thriving and sustainable regions						
Policies of Focus						
Regional transport investment	-	G	Clear regional investment and implementation plans with key milestones.	A consolidated regional investment snapshot is under development and will be completed by July 2019.	Several projects will inform the snapshot. Achievements this quarter include: <ul style="list-style-type: none">• Preparation of the first PGF transport monthly report (May); and• Reprioritisation and communication of the National Land Transport Programme (May).	First consolidated regional investment snapshot prepared. Decision on allocation (in full or part) of \$300 million to regional rail from the PGF.
PGF Implementation – this is the subject of a separate report to CBC.	-	-	-	-	-	
Other key initiatives						
Biosecurity overhaul	-	G	[quarterly deliverables only exist for policies of focus]	Stakeholder engagement and policy development is underway. A discussion document is on-track for Cabinet consideration in February 2020.	Terms of reference on the overhaul of the Biosecurity Act were considered at DEV on 19 June.	-

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Priority Outcome: Support thriving and sustainable regions						
One Billion Trees	-	G	-	<p>The programme is on target with an estimated 65 million trees planted in 2018 and a provisional figure of 80 million trees to be planted in 2019.</p> <p>Although the One Billion Trees Fund is targeted to incentivise native species, planting on more marginal land and trees integrated onto farms, there has been a growing perception from some stakeholders that the programme is displacing productive farmland and will negatively impact rural communities.</p>	<p><i>One Billion Trees Fund</i></p> <p>As at 10 June Te Uru Rākau has entered into 22 partnership projects through the One Billion Trees Fund to help enable tree planting (worth approximately \$36 million) and approved 36 tree planting grants (worth approximately \$2 million) to date.</p> <p>Te Uru Rākau has developed a monitoring and evaluation to framework for the Fund and will be reporting to Forestry Ministers on this every six months.</p> <p><i>Crown Forestry</i></p> <p>Crown Forestry has entered into 22 joint venture agreements to plant up to 11 million trees.</p>	-
Accelerate rural broadband rollout	-	G	-	On track.	<p><i>Rural broadband coverage</i></p> <p>As at the end of April, 2,947 End Users now had access to Government funded improved rural broadband (34,370 end users have improved broadband when commercial mobile coverage is included).</p> <p><i>Mobile tower progress</i></p> <p>Nineteen mobile towers have been erected, and another 7 have civil build underway. As at 27 May, there were 353 sites in the acquisition stage.</p>	-
Racing reforms	-	G	-	On track.	Legislation was introduced into the House in May; Select Committee reported 11 June 2019, and passed on 20 June 2019.	-

Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables	
Priority Outcome: Support thriving and sustainable regions						
Three Waters	-	A	-	<p>There is widespread agreement on the urgent need for reform of drinking water regulation. The local government position with respect to wastewater and storm-water regulation is more nuanced.</p> <p>A key risk is continuing local government resistance, driven by concern over the potential cost and capability impacts.</p>	<p>Targeted engagement on three waters regulation with local government, health, industry, environment, and iwi/Māori sectors to inform policy development.</p> <p>A Cabinet paper with three waters regulatory proposals delivered to DEV for consideration (26 June) and Cabinet decision (1 July), alongside additional strategic contextual paper on Three Waters Reform.</p> <p>Regulatory proposals include formation of new independent water regulator.</p>	-

Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables
Priority Outcome (owned by ENV): Transition to a clean, green, carbon neutral New Zealand					
Policies of Focus reporting to DEV					
Just Transitions work programme	-	G	Just Transitions summit completed including substantive policy announcement. Just Transitions policy work programme agreed by Cabinet.	Our focus is on keeping momentum following Just Transition Summit, and supporting Taranaki's implementation phase for the 2050 Roadmap. Just Transitions summit held in Taranaki in May. Funding for the National New Energy Development Centre announced in May. Taranaki released draft 2050 Roadmap.	Just Transitions policy work programme agreed by Cabinet.
Other key initiatives reporting to DEV					
Crown Minerals Act (CMA) Phase 2 reform	-	A	<i>[quarterly deliverables only exist for policies of focus]</i>	A Resources Strategy, and Phase 2 of the CMA review, are under development. The Terms of Reference for the CMA review is being considered by DEV on the 26 June.	Strategic discussion held at DEV on 12 June. Release of the resources strategy for minerals and petroleum for public consultation (July/August).
Electricity Pricing report response	-	G	-	The Electricity Price Review's final report and the Government response are expected to be released in July/August.	The Review presented its final report to the Minister of Energy and Resources at the end of May. DEV paper proposing responses to the Review.
Renewable electricity targets	-	G	-	The Minister is considering a response to the Interim Climate Change Commissions (ICCC) report and will report to Cabinet shortly.	The ICCC completed their report. ICCC report released. Discussion document being developed.
Low-emission vehicles proposals	-	G	-	Final policy decisions expected by the end of 2019.	Discussion document agreed and approval to consult by Cabinet on 17 June. -
Auckland light rail	-	A	-	Cabinet endorsed a parallel process to take place over the next 4-6 months involving further progressing NZTA's proposal, and development of a proposal from NZ Infrastructure. The Minister of Transport is to report back to DEV in February 2020 on findings of parallel process.	Cabinet decision. The Ministry of Transport has commenced the parallel process. -

Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables
Priority Outcome (owned by SWC): Ensure everyone has a warm dry home					
Policies of Focus					
[None for DEV]	-				
Other key initiatives reporting to DEV					
Warmer Kiwi Homes investment	-	G	<p><i>[quarterly deliverables only exist for policies of focus]</i></p> <p>The original target to deliver 10,000 insulation retrofits in 2018/19 will not be met as insulation installer capacity is currently being absorbed by significant demand in the rental market seeking to meet the 1 July insulation deadline.</p> <p>Warmer Kiwi Homes is a four-year programme and EECA are confident it will be delivered in full over the four-year period.</p>	<p>Over 6,600 insulation retrofits have been completed for eligible low-income households to date in 2018/19 (as at 17 June). Forecast results for 30 June 2019 will see over 8,000 low-income owner-occupied homes insulated and a backlog of accepted quotes at this date exceeding 2,000 homes.</p> <p>Installs of insulation have continued and procurement has been completed for installation of heating devices in qualifying households from 1 July 2019 as part of the programme.</p>	-
Urban Development Authority legislation	-	A	-	<p>The legislation is now being progressed through two Bills – one establishing the new entity, and one providing for urban development. Given the complexity of turning the policy decisions into legislation, introduction of the Urban Development Bill is now planned for October 2019. This timing will still allow for it to be passed in the first half of next year.</p> <p>The Kāinga Ora – Homes and Communities Bill was introduced on 29 May. Submissions close on 11 July.</p>	-

	Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables
Priority Outcome (owned by SWC): Ensure everyone has a warm dry home						
Residential Tenancies Act reform	-	G	-	On track to introduce legislation to Parliament by the end of the year provided Cabinet approval is achieved by mid-August 2019.	The Minister has agreed to a series of policy briefings setting out the direction for the reform. The quality assurance process on the Regulatory Impact Analysis and agency consultation on the Cabinet paper has commenced.	-
Implementation of Healthy Homes Act and standards	-	G	-	MBIE is developing an online heating tool to support landlords to understand how to comply with the law. MBIE is also designing and contracting an information and education campaign.	The Residential Tenancies (Healthy Homes Standards) Regulations 2019 were promulgated in May 2019.	-

	Previous Status	Current Status	Quarterly Deliverable (June 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverables
Priority Outcome (owned by SWC): Deliver transparent, transformative and compassionate Government						
Policies of Focus						
[None for DEV]						
Key initiatives reporting to DEV						
Pike River re-entry	-	G	-	On-track. Good progress being made. The final timeframe for re-entry and recovery will be determined by what can be achieved safely (the overriding priority) effectively and efficiently.	Three mine officials re-entered the Pike River mine drift on Tuesday 21 May 2019, after the 30 metre seal was breached.	-