

The Treasury

DEV Quarterly Progress Report on the CPC Priorities: July to September 2019 Information Release

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Office of the Minister of Finance

Chair, Cabinet Economic Development Committee

DEV Quarterly Progress Report on the CPC Priorities: July to September 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. DEV provided its last quarterly progress report to CBC on 1 July 2019, covering the April to June quarter [DEV-19-MIN-0185].
4. Since the last quarterly progress report, the Minister for Economic Development and I have finalised and released the Government's *Economic Plan* [DEV-19-MIN-0244].

The DEV Quarterly Progress Report

5. Cabinet Committees are now due to provide a quarterly report on progress towards the refreshed priorities for the July to September 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 30 September 2019, at 1:00pm.¹
6. My officials have 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. Seven initiatives have been rated amber, the remaining are rated green.

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. 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.
8. The following initiatives were rated as amber:
 - a. Trade
 - b. Fair pay agreements
 - c. Pay equity
 - d. OIO Phase 2
 - e. Three Waters
 - f. Just Transitions work programme
 - g. Warmer Kiwi homes investment

Consultation

9. Reporting of progress on initiatives outlined in Annex One 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.
10. The Department of the Prime Minister and Cabinet was informed.

Financial Implications

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

Regulatory Impact Analysis

12. A regulatory impact assessment is not required.

Publicity

13. 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

14. 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 the period July to September 2019, 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 30 September 2019.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

DEV

	Previous Status	Current Status	Quarterly Deliverable (July - September 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverable (October - December 2019)
Priority Outcome: Grow and share more fairly New Zealand's prosperity						
Policies of Focus						
Green Investment Fund	-	G	Build investment pipelines. GIF to provide its draft statement of intent and statement of performance expectations.	New executive team has been established and is engaging with the market. NZGIF's first investment will be a critical milestone and send a strong signal to the market.	Financial powers approved.	Expected to make its first investments towards the end of 2019. Moving into new premises in November.
Trade	-	A	Implement China visit commitments, and Singapore CEP.	Aim to conclude China FTA Upgrade [33] President Juncker's target of conclusion of the EU FTA by the end of [33]	8th China FTA Upgrade round held. Minister O'Connor bilateral visit to China. [33] Singapore CEP Treaty presented to House on 23 July, FADTC report completed and Regulation making process underway. 5th EU FTA round held.	Seek to conclude China FTA Upgrade. Aim to complete Singapore CEP regulation drafting process. A further EU FTA round has been proposed for November / December but is not yet confirmed.

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Priority Outcome: Grow and share more fairly New Zealand's prosperity						
Tax Policy Work Programme	-	G	Release of multinational tax discussion document	Policy papers on land and business tax proposals will come to Cabinet by end-2019.	Public release of the Government's Tax Policy Work Programme for 2019/20. First tranche of tax proposals to support business productivity announced in September. Multinational tax discussion document released in June.	Policy papers on multinational tax and business tax package. Loss continuity discussion document developed. Progressing options for tranche 1 and 2 of land reforms & Cabinet paper for tranche 1. Progressing options for infrastructure tax settings, GST and telecommunications, and a GST issues paper.
Fair pay agreements	-	A	Policy options presented to Cabinet	Approval to be sought from DEV on 25 September to release a consultation paper, seeking input on a range of design details for a Fair Pay Agreements system.	-	Consultation paper open. MBIE prepare advice to Minister on final proposals.
Other key initiatives						
Pay equity	-	A	<i>[quarterly deliverables only exist for policies of focus]</i>	Following CTU comments after the report back from the Select Committee, officials are continuing work on some minor and some more fundamental questions. This risks delaying the Bill by a further few months.	-	<i>[quarterly deliverables only exist for policies of focus]</i>

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Priority Outcome: Grow and share more fairly New Zealand's prosperity						
OIO Phase 2	-	A	-	<p>A Cabinet paper is being drafted for ministerial consultation in the first half of October.</p> <p>The Cabinet paper will likely seek authority for a group of Ministers to make decisions on some outstanding policy questions, including whether issues relating to tax minimisation should be considered in the screening regime. It is unlikely that a preferred approach will be finalised before the reform package is submitted to Cabinet.</p>	Submissions analysed, and policy proposals finalised.	Substantive policy decisions are expected to be considered by DEV late October.
Capital markets policy	-	G	-	The new Venture Capital Fund should be ready to start investing by early 2020. Royal assent by mid-December enables implementation from the Guardians and NZVIF.	<p>Venture Capital Fund legislation introduced in August 2019.</p> <p>Completed industry consultation on the Government's policy statement for the Venture Capital Fund.</p> <p>Consultation completed on the Kiwisaver Default Provider Review.</p>	Finalise the Government policy statement and complete the select committee process for the Venture Capital Fund Legislation by 2 December.
Rail policy development of options	-	G	-	Decisions on structure and Track User Charges are yet to be made.	Cabinet has made policy decisions on a new, long-term planning and funding framework for heavy rail, within the Land Transport Management Act (2003).	-

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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	Plans covering all regions are under development and will be completed by July 2019.	Regional transport summaries published	-
PGF Implementation - this is the subject of a separate report to CBC	-	-	-	-	-	-
Other key initiatives						
Biosecurity overhaul	-	G	<i>[quarterly deliverables only exist for policies of focus]</i>	This work is currently in policy development phase. Ongoing engagement with stakeholders, including workshops with industry, Māori / Iwi, and regional council representatives. Stakeholder engagement continues through to December 2019 (as noted in the authorising Cabinet paper).	8 engagement workshops with stakeholders were held throughout NZ. Early discussions have been had with Ngāi Tahu and hui attended with Ngati Porou.	<i>[quarterly deliverables only exist for policies of focus]</i>

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Priority Outcome: Support thriving and sustainable regions						
One Billion Trees	-	G	<p>This programme is achieving targets set for approving partnerships, grants and joint ventures. To date we have allocated 34% of the total funding (noting that we are one third through the programme).</p> <p>The pipeline has a further requests to the value of \$52m.</p> <p>Recruitment has been completed for the team which has been primarily focused in the regions.</p>	<p>The One Billion Trees Programme is delivering on immediate goals and is on track to reach the one billion trees goal by 2028.</p> <p>There is a risk of a public perception that the programme is encouraging farm to forestry conversion in some areas.</p>	<p>As at 16 September, the One Billion Trees Fund has approved a total of \$15.6m direct land owner grants and \$37.7m partnership projects throughout the regions.</p> <p>An estimated 80 million trees have been planted this winter - up from 68 million trees in 2018.</p> <p>A total of 36 Forestry (33 properties) covering an area of 19,466 hectares have been approved.</p>	<p>Continued engagement with stakeholders.</p> <p>Induct the recent recruits (35 people) into the programme and ensure that they connect into their region.</p> <p>Complete the recruitment for our regionally based staff.</p>
Accelerate rural broadband rollout	-	G	-	This is currently on schedule.	<p><i>Rural broadband coverage</i> 38,662 rural homes and business can access improved broadband, which is 46% of the contracted number of end users complete.</p> <p><i>Mobile tower progress</i> 25 mobile towers are complete (5%). 238km of State Highway with new mobile coverage (17%) and 26 tourism spots covered (16%).</p>	-
Racing reforms	-	G	-	A second Bill later in 2019 will implement the second phase of reforms, including governance changes. Policy work is being progressed at the moment.	The Racing Reform Act (Phase 1 of the reform programme) came into force on 1 July. The Racing Industry Transition Agency has been established.	-

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Priority Outcome: Support thriving and sustainable regions						
Three Waters	-	A	-	Further reporting to Cabinet on structure and functions of a central regulator is expected within the next month. A key risk is continuing local government resistance, driven by concern over the potential cost and capability impacts.	July - Policy decisions on regulatory framework, and fund established to work with regions.	-

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Priority Outcome (owned by ENV): Transition to a clean, green carbon neutral economy						
Policies of Focus reporting to DEV						
Just Transitions work programme	-	A	Cabinet noted progress in the Just Transitions work program and proposed next steps, with a particular focus on the Taranaki partnership.	Ministers have agreed to better align the Future of Work and Just Transitions work programmes . Expectations of government support for Taranaki remain high.	Taranaki 2050 Roadmap launched. Development of first tranche of Taranaki Roadmap action plans commenced.	Draft Taranaki action plans for: energy; people and talent; food and fibre; research, science and innovation to be completed.
Other key initiatives reporting to DEV						
CMA Phase 2 reform	-	G	<i>[quarterly deliverables only exist for policies of focus]</i>	Draft discussion document expected to be released in November. Bill introduction anticipated in the first half of 2020.	Terms of Reference for Tranche Two was agreed at the end of June. Draft Resource Strategy released for consultation in August.	<i>[quarterly deliverables only exist for policies of focus]</i>
Electricity Pricing report response	-	G	-	The final report and Government response is expected to be released early in October.	Response considered at DEV on 25 September.	-
Renewable electricity targets	-	G	-	Work is progressing on options to accelerate growth in renewable energy supply, and reduce emissions from process heat. ^[33] [33]	Published the Government's response to the ICCC's Accelerated Electrification report in July.	Options paper prepared for consultation (note that this work is primarily reporting back to the ENV committee).
Low-emission vehicles proposals	-	G	-	Final policy decisions expected by the end of 2019.	Discussion document on proposals for a Clean Car standard and Clean Car discount released in July. Consultation complete.	Workshops with vehicle industry on policy design to take place over October 2019. Final policy decisions by the end of 2019.

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Priority Outcome (owned by ENV): Transition to a clean, green carbon neutral economy						
Auckland light rail	-	G	-	A process has commenced, whereby NZTA and NZ Infrastructure will develop proposals for the financing and delivery of light rail. Cabinet plans to determine its preferred delivery partner in early 2020.	NZTA and NZ Infrastructure issued a response requirements document and confirmed participation in the process. Proposals underway.	-

Previous Status	Current Status	Quarterly Deliverable (July - September 2019)	Comment on Status (including risks and issues)	Achievements this past quarter	Next quarterly deliverable (October - December 2019)
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	-	A	<p><i>[quarterly deliverables only exist for policies of focus]</i></p> <p>The 2019/20 target is to deliver 16,000 retrofits (insulation and/or heating).</p> <p>Interest in the programme has been high with over 10,000 unique address leads generated through the online eligibility tool.</p> <p>Claims for insulation are on-track, with a strong pipeline.</p> <p>Claims for heating are not yet on track:</p> <ul style="list-style-type: none"> - Heating grants are a new component of the programme, delivered by newly-contracted service providers. EECA are working with service providers to improve the efficiency of lead generation and delivery. - There is less third party funding available for heating, meaning the homeowner is often required to pay 33% of the cost i.e. the full non-government grant component. - EECA are increasing marketing activity to stimulate demand. 	As at 8 September EECA have delivered a total of 1,915 retrofits for the quarter comprising 1600 insulation grants and 315 heating Grants.	<i>[quarterly deliverables only exist for policies of focus]</i>

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Priority Outcome (owned by SWC): Ensure everyone has a warm dry home						
UDA legislation	-	G	-	Kāinga Ora is on track to be established on 1 October. The Urban Development Bill, which enables complex development with greater certainty and coordination, is on track for introduction in November.	Kāinga Ora - Homes and Communities Bill, which establishes the entity, passed and received Royal assent.	-
Residential Tenancies Act reform	-	G	-	Policy proposals are being presented to Cabinet in view of legislation being ready to introduce to Parliament in March 2020.	SWC considered proposals to improve tenant's security of tenure and to strengthen compliance with the Act on 25 September.	SWC will consider remaining policy papers on 16 October
Implementation of Healthy Homes Act and standards	-	G	-	Agencies are implementing a multiyear programme of work to inform landlords and tenants of the new obligations.	Regulations giving effect to the healthy homes standards came into force on 1 July.	-

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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	<p><i>[quarterly deliverables only exist for policies of focus]</i></p> <p>On track to progress beyond 170 metres and complete the recovery/examination of the drift (Waiting on results of WorkSafe NZ review before this work starts).</p> <p>Review of progress, timeframes and costs to Cabinet before Christmas.</p>	<p>First 170 metres of the drift recovered, examined forensically, and cleared.</p> <p>Plans for recovering and examining the rest of the drift finalised and submitted to WorkSafe NZ for review</p>	<p><i>[quarterly deliverables only exist for policies of focus]</i></p>