Mood of the BOARDROOM

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150+ CEOs share their views

Comment & analysis

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VOTE 2020

THE COVID ELECTION

Mood of the Boardroom 2020

The *Herald's* Mood of the Boardroom 2020 Election Survey attracted participation from 165 respondents. This year there were some 141 chief executives including CEOs of some of NZ's biggest companies, some publicly owned institutions, heads of several influential organisations and several directors.
The *Herald* survey is conducted in association with BusinessNZ. A summary of the Deloitte/Chapman Tripp election survey of BusinessNZ's members is included in this report.
The *Herald* survey is now in its 19th year having been launched in December 2002 within a State of the Nation report.

Watch the Debate
Finance Minister Grant Robertson and National's Finance Spokesperson Paul Goldsmith will debate the survey results at a breakfast at the Cordis Hotel in Auckland this morning. The debate will be chaired by NZME managing editor Shayne Currie.
nzherald.co.nz will feature video from the debate and interview with leading CEOs attending the breakfast which is being held under Alert level 2 restrictions.

Mood of the Boardroom 2020
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MOOD OF THE BOARDROOM

Business, not bureaucrats

Election is now Jacinda Ardern's to lose. But business wants more engagement if Labour gets its second term.

Mood of the Boardroom
Fran O'Sullivan

Business has had almost enough of "9th floor" reign and wants a full seat at the table as the Covid-19 pandemic continues to impact their firms.

Despite their admiration for Prime Minister Jacinda Ardern's outstanding leadership during the white heat of the Covid-19 crisis earlier this year, there is a sense that the private sector's own ideas are not filtering through sufficiently to either Ardern or Finance Minister Grant Robertson. Nor are they being acted upon.

Mainfreight chief executive Don Braid says it's time for the Prime Minister to embrace the business community rather than relying on the bureaucrats for advice and execution.

"There are many willing to devote time, energy and ideas in areas that allow New Zealand to find the right environment to operate in a post-lockdown economy.

"The Prime Minister's personal performance has been impacted by the lack of support in implementation during the Covid crisis.

"The fiefdoms of bureaucracy are alive and well with the weight of them weighing heavy on the nation."

A leading company chair agrees. "The PM has the opportunity to access the best brains in the country".

"She has paid scant attention to their inputs, as evidenced by the recent treatment of her business adviser Rob Fyfe and the disillusionment of her Prime Minister's Business Advisory Council."

The *Herald's* Mood of the Boardroom 2020 Election survey — taken in association with BusinessNZ — provides an in-depth barometer of CEO opinion at what is the most concerning time in the survey's history.

Some 165 respondents took part in this year's survey, comprising 150 chief executives and a group of high-profile directors from across the spectrum.

Jacinda Ardern and Judith Collins in the televised leaders' debate. Photo / Getty Images

The Covid-19 pandemic has had a huge impact on business confidence.

In this year's Mood of the Boardroom Optimism Index, business confidence is at its lowest level in nearly two decades and well down on that following the 2008 Global Financial crisis.

The wipeout of major export earners like tourism and export education has had an effect.

But NZ's leading chief executives have come up with plenty of ideas for industries to take their place.

On the latest opinion polls, Ardern looks certain to lead Labour back into power, possibly unhobbled by the need for a formal coalition partner.

With less than three weeks to go before the October 17 election, National Leader Judith Collins has to garner voter support for her party's tax cuts stimulus package and raft of business-friendly policies.

> It is time for the Prime Minister to embrace the business community rather than relying on the bureaucrats for advice and execution.
>
> Don Braid

Collins has overcome snafus — like Finance spokesperson Paul Goldsmith's error over the fiscal impact of National's tax cuts package — and soldiered through.

But Labour Finance Minister Grant Robertson has increased his cachet with business.

Robertson was the highest-rated Cabinet Minister in this year's survey. He is seen as "capable, calm and credible" by CEOs.

Deloitte chief executive Thomas Pippos says though Labour's proposal to increase the highest personal tax rate doesn't impact on the majority, National has upped the ante by helicoptering in temporary tax relief across the board to stimulate economic growth.

"Tax therefore promises to be a very complicated and emotive topic, that will either be centre-stage this election or not far from it."

CEOs are, however, looking to the bright side.

Barfoot & Thompson managing director Peter Thompson says New Zealand is much better off than many other countries in the world. "It will go from strength to strength whilst we are coronavirus-free."

● **B34-B36 More than 1000 BusinessNZ members talk their election priorities**

TOP THREE ISSUES
Pip Greenwood
Professional director

- **Covid-19:** The Government needs to be looking at ways to safely encourage sectors of the economy effected by the pandemic to return to some sort of levels of activity. That is clearly difficult with tourism but, for example, there should be ways to achieve international students returning to NZ safely using carefully designed isolation techniques.
- **Covid-19:** We need to have our border controls better organised to limit the spread of New Zealanders returning with Covid-19. My view is we should run the isolation facilities out of one of the army camps. We also need to look closely as to how the workers at these facilities are not able to spread the disease. I would seriously recommend that New Zealanders returning home need to test negative before boarding a flight. Our economic recovery is reliant on our internal economy functioning as well as possible. We also need to ensure that if there are outbreaks of the disease which seems inevitable that they can be controlled extremely quickly and efficiently. Our contact tracing needs to be more real time. Testing and tracing are key to keeping the virus under control. Every day counts in the spread of this disease.
- **Covid-19:** The rising debt of our Government and its plans for the repayment of that debt. Going into this election we need to understand the policies of each party for addressing this issue. These are thin on the ground at present.

'Both parties lacking in policies to give us confidence'

Labour 2.44/5 **National 3.42/5***

Labour and National took a long time to finally put more details of their economic policies in front of the electorate.

When Labour released its personal tax hike package and National countered with temporary tax cuts, the *Herald* went back to the 165 chief executives and directors who responded to the Mood of the Boardroom 2020 Election survey for their views.

The 68 respondents rated National's economic policies at 3.42/5 and Labour at 2.44/5.

BusinessNZ CEO Kirk Hope said Labour's economic policy response to Covid has underpinned the economy in a challenging time. "However the long term plans are less well understood. They will need to do a hard sell.

"National's plans are slightly more pro-business. But both parties need to talk about how quantitative easing enables them to maximise a reduction in borrowing costs to help grow the economy."

A high-profile company chair was caustic: "Both parties are seriously lacking in any policies to give us confidence they can stimulate economic recovery by opening the borders safely. Just one example is the foreign students who are worth $5 billion — why are we not urgently investigating how we safely open our 'doors' to this economic activity with decent testing, tracking, tracing and private quarantine options?"

Mainfreight managing director Don Braid said the policy in general from both main parties was weak and uninspiring. "This is the perfect environment to be bold and adventurous."

Said a retailer: "National's policies are focused on stimulating the economy, allowing more freedom at the border and infrastructure improvements. There appears to be little in the way of support for low income workers. Through this difficult time Labour's policy around continued minimum wage growth will create significant challenges for business, which will result in further redundancies, as businesses look to find ways to mitigate this cost."

ICBC chair Don Brash — a former leader of both the National and Act parties — rated Labour's policy as poor because "it is proposing to substantially discourage employers from taking on more staff (a further significant increase in the already high — relative to the median wage — minimum wage, extra sick days, and the Matariki holiday), while its proposed changes to the RMA look likely to create still further bureaucracy and delays".

"National has a better policy on tax, is not proposing the disincentives to hiring which Labour is proposing and proposes to reintroduce the ability to end an employment contract within 90 days of its commencement. Its RMA reform proposals are also, I understand, more radical than those proposed by Labour."

The criticism was not one-way.

A high-profile chair predicted another three years of Labour Government.

"So what policies are enunciated now will probably not represent the moves they make once they are emboldened by a categorical win and a second term."

> We are in for another three years of Labour Government. So what policies are enunciated now will probably not represent the moves they make once they are emboldened by a categorical win and a second term. I am dismayed by National's performance. This latest 'Goldsmith Gaffe' is evidence that the party has been reamed out of any real competence. To see how far it has fallen since Key resigned is heartbreaking.
>
> Professional director

"I am dismayed by National's performance. This latest 'Goldsmith Gaffe' is evidence that the party has been reamed out of any real competence. To see how far it has fallen since Key resigned is heartbreaking."

A property management boss said they were astonished to be marking down National in favour of Labour. "It's like National have given up, published a policy aimed at their base and decided to give up on the rest of the electorate. I may be wrong, but I think they have misread the room (again). These are tax cuts nobody was asking for, and I think most of us know we got lucky and dodged an almighty cannonball.

"We had to lockdown because our health system is weak at the knees. We can't afford tax cuts that don't have a huge multiplier effect, and I don't think the electorate is in the mood to fall for such a cynical trick.

"I could well be wrong, but I guess we'll see in a month's time."

Among other comments:

- Have these parties really responded with policies to match a once in one hundred year event?
- I like Act's even better because it focuses on ridding waste and allocation of expenditure where there are demonstrable and measurable benefits.
- Both parties need to come out with more policies so not to surprise us once elected.

There was more in a similar vein with several survey respondents saying both parties lacked vision and neither were transformative.

**Scale: 1-5 where 1=poor and 5=excellent*

MOOD OF THE BOARDROOM

Leadership in our most challenging times

Prime Minister Jacinda Ardern is admired by chief executives for her leadership during a challenging term in government, writes **Tim McCready**

Jacinda Ardern's leadership has been tested over the past three years: the Christchurch terror attack, Whakaari/White Island disaster and pandemic are front of mind for respondents to the *Herald's* 2020 Mood of the Boardroom Election survey.

They rate her leadership at 3.88/5 on a scale where 1= not impressive and 5=very impressive.

A property CEO says what Ardern has coped with in her three years at the helm is nothing short of unbelievable: "It's hard to think of anyone who could have handled these challenges with the same deft touch as she has demonstrated."

"Would I rank her as highly without those extraordinary events? Possibly not — but that's hypothetical and irrelevant. Does she have some huge challenges in front of her as far as the 'new normal' is concerned? Goodness yes. Does that change how much credit she must be accorded for her performance to date? Not in my view."

"It is hard to imagine a more difficult term for a first-term Government that has been out of power for three terms," says Deloitte CEO Thomas Pippos. "The Prime Minister's leadership in some of the key challenges the country has faced has been without a doubt very positive."

CEOs rate Ardern's integrity (3.57/5) and courage (3.67/5) among her top capabilities, along with her ability to adeptly communicate and demonstrate empathy. They say these are attributes that can be leveraged internationally to help New Zealand in its recovery following Covid-19.

"She has led the country through some of our most challenging moments in recent history, and her empathetic style has clearly resonated both locally and globally," says Spark CEO Jolie Hodson.

The PM's ability to form a coalition is also rated highly by CEOs among Ardern's capabilities (3.51/5), having successfully negotiated her way into power following the 2017 election. Alongside this is her rating for political management (3.33/5) — demonstrated by her ability to lead a stable

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>
> Jolie Hodson

Government over three years — which many previously considered unachievable with Winston Peters' involvement.

But executives say Ardern has been let down by her MPs and Labour's inability to deliver on 2017 election promises including KiwiBuild and Auckland's light rail.

"An outstanding leader on all fronts, sometimes let down by members of her team," says the NZIBF's Stephen Jacobi.

A healthcare boss says she is great at leadership in a crisis, but "lacks plans for a future pathway forward and has no credibility on implementation of any policy".

This worries CEOs, as they say the "hard stuff" for New Zealand is only starting now and her ability in this is yet to be proven.

Ardern's lowest scoring capabilities from CEOs are for her vision and strategy for New Zealand (2.56/5) and economic management (2.17/5).

Beca Group CEO Greg Lowe says when coming into power, the Prime Minister promised to govern for all New Zealanders. "While she has handled some situations very well, we are still lacking a long-term plan for New Zealand that we can all get behind and make progress on."

Key Performance Indicators

The highest scoring KPI for the Prime Minister from CEOs is her management for the response to the Christchurch terrorist attack (4.50/5).

Says director Anne Walsh: "The Christchurch Call showed international leadership in bringing change globally as to how multinational digital companies operate differently in the spread of terrorism and misinformation".

The handling of the two other major crises over the past year also rate among Ardern's top KPIs: Whakaari / White Island (3.94/5) and the Covid-19 crisis (3.90/5).

"No one would wish them on any PM. Jacinda has demonstrated genuine compassion towards her constituents," says Precinct Properties chair Craig Stobo. "She is an outstanding politician who may be able to govern New Zealand without a coalition partner."

The Government's Covid response is a key part of Labour's election campaign, with Ardern pointing out that relative to other countries, New Zealand is more open. She says our recovery is on track to be better than Australia's with lower debt and unemployment levels and fewer deaths.

Ardern's charismatic performance has received admiration on the international stage this year, with stark contrasts made between her Covid-19 response to the likes of US President Donald Trump and UK Prime Minister Boris Johnson.

Her ability to leverage her brand for New Zealand's international advantage has again rated highly with CEOs scoring this 4.23/5. Says Erica Crawford, "She is one of New Zealand's best assets on the global scene, she needs to cheerlead New Zealand."

Another high-scoring KPI for Ardern is her political performance (3.84/5).

It will be disappointing to Ardern that child poverty reduction, a portfolio for which she is responsible for and has expressed a strong desire to address, was her second lowest KPI, receiving a score of 2.10/5.

But one of the most troubling KPIs for executives is Ardern's ability to build confidence within the business community — for that they rate her 2.13/5. They say that Ardern's repeated calls for kindness and empathy in politics alone do not make a great leader: "you need a workable plan and know-how to deliver it with and through others". A director says "she does not inspire confidence that she understands business — but she does need business to succeed to generate jobs and pay taxes."

They say her success as leader is driven mostly by the figurehead aspects of the role. But notes a professional director: "the hallmark of great leadership is having a superb team around you — and apart from Robertson — she just does not have that".

"Labour has a very superficial engagement with the business community," says a multinational boss. "They do the bare minimum and have no ministers outside of Grant Robertson who really understand business at all."

Jacinda Ardern

Labour Party leader

Rating out of 5

Leadership	3.88
Integrity	3.67
Courage	3.67
Ability to form a coalition	3.51
Trustworthiness	3.38
Political management	3.33
Puts NZ's interest over party's	3.03
Vision and strategy for NZ	2.56
Economic management	2.17

Taxing time for the '2 per cent'

Labour's decision to impose higher personal income taxes on just 2 per cent of New Zealanders has received mixed reviews from business leaders.

Some slammed the policy as "tokenistic" and targeting a group who can likely shift incomes.

"Labour's tax policy does very little — it's just virtue-signalling with little impact," said Paul Glass of Devon Funds management. BusinessNZ CEO Kirk Hope said a lot of Labour's Covid-related tax policy has been useful for small business. "Increasing the rate over $180,000 is probably neither here nor there — it looks a bit like they are pandering to ideology."

But high-profile company chair Rob Campbell said on balance it was sound. "It is conservative and I would like to see more emphasis on environment and equality, but stability and consensus is important now."

"Unsure how they are going to repay debt other than taxing top income earners who I don't think will object too much," said Peter Thompson of Barfoot and Thompson. "What other ways will they get the debt repaid?"

Is Labour's tax policy appropriate in the current economic climate? (A new top tax rate for income over $180,000, commitment to no new taxes, closing loopholes for multinational corporations, provisional tax threshold lift for companies, reinstatement of building depreciation, writing off interest on the late payment of tax.)

Yes
36%

No
48%

Unsure
16%

Said a sector leader: "The tax policy is pretty "safe" from an election perspective. But it is unlikely to either generate revenue to pay down debt or stimulate the economy in a meaningful way.

Finance Minister Grant Robertson forecasts the lift in the personal rate to 39 per cent on incomes over $180,000, will bring in an additional $550 million in taxation revenue.

The *Herald* went out with a snap survey to respondents to the Mood of the Boardroom election survey seeking views on both Labour's and National's tax policies. Some 68 chief executives and directors responded.

"The amount of tax take at the upper end seems too small for the trouble," observed Mainfreight's Don Braid. "Is this a political tax rather than an effective economic tax? Building depreciation implemented already."

A company chair was dismissive: "This policy lacks strategy and will not generate the funding required to counter the enormous debt".

Nevertheless, just over one-third of respondents to the *Herald's* 2020 CEOs Election Survey thought the policy was appropriate in the current environment.

Apart from the tax hike on the "2 per cent", Robertson has committed to no new taxes — specifically ruling out capital gains taxes. He also plans to close loopholes for multinational corporations, ensure a provisional tax threshold lift for companies, the reinstatement of building depreciation and writing off interest on the late payment of tax; the latter three in response to the impact of the Covid-19 pandemic on companies.

Foodstuffs North Island CEO Chris Quinn was broadly in agreement. "The issue is will all earners over the

> Unsure how they are going to repay debt other than taxing top income earners who I don't think will object too much.
>
> Peter Thompson

new top rate be included in the rate?

"No increase in tax for the great majority of people makes sense in current circumstances," said a banker.

Others took a sharper view. "The Government (Labour) should be looking to cuts its costs rather than raise more taxes," said a company chair.

"It is not aggressive enough" said a casino operator.

MOOD OF THE BOARDROOM

Judith **Collins**

National Party leader

Attribute	Score
Courage	4.2
Economic management	3.88
Political management	3.69
Leadership	3.55
Vision and strategy for NZ	3.45
Puts NZ's interests over party's	3.25
Integrity	3.21
Trustworthiness	3.08
Ability to form a coalition	2.99

Rating out of 5

Party antics impacted Collins' momentum

Business leaders believe Judith Collins has made an improvement to National's election chances but some feel she has she left her run too late, reports **Graham Skellern**

Business leaders rate National leader Judith Collins highly for her courage in leading a disjointed National Party into next month's general election. But they believe her run for the ultimate power is too little, too late.

An insurance boss responding to the Mood of the Boardman Election survey said Collins has been impressive; her party hasn't. "The behaviour of her MPs and party has let her down and impacted her momentum.

"Expect to see Judith shine during the election campaign and shine a spotlight on Labour's tax plan, declared and undeclared, and the impact that will have on Kiwi households and businesses. The polling will close up."

The latest *1 News* Colmar Brunton poll — released one week ago — didn't make for a good start. The Labour Party dropped five points to 48 per cent and National slipped one percentage point to 31 per cent. As preferred Prime Minister, Jacinda Ardern was on 54 per cent — holding her high popularity — and Collins had dropped slightly from 20 to 18 per cent.

An experienced corporate director said Collins is "too little, too late" for National. She has improved on the abysmal rankings of the two previous incumbents but "I doubt she has the ability to galvanise the swinging centre vote and will possibly alienate even diehard National supporters."

Collins, an MP for 20 years, first for Clevedon and then Papakura, almost accidently became the second female leader of the National Party on July 14 this year when Todd Muller surprised the nation by standing down after just 53 days in the top role.

Muller was fresh from toppling previous leader Simon Bridges. Muller said: "I am not the best person to be Leader of the Opposition and Leader of the National Party at this critical time for New Zealand." The mantle and challenge fell to Collins. A former commercial lawyer, Auckland District Law Society president and Housing New Zealand director, she served as Minister of Corrections, Police, Justice and for ACC under the Key and English-led governments.

In the *Herald*'s survey, a technology leader was impressed with Collins' confidence, her knowledge of business and her ability to address the media. "She clearly demonstrates an aptitude for leadership."

> If anyone in the National Party can pull it off, I think Judith has the greatest ability. Time will tell.
>
> Thomas Pippos

David Cunningham, chief executive of The Co-operative Bank, said Collins is smart, gets business and the economy, and is an effective leader.

A real estate leader said considering the issues she had at the beginning, Collins is coming into her own and will get stronger as election day approaches. A banker observed Collins' leadership qualities were obvious from her first press conference as Leader and the way she ranked her front bench, incorporating both Bridges and Muller.

The 165 respondents in the survey were asked to rate Collins' leadership in the short time she since she was elected as National's leader. She scored an overall rating of 3.52 out of five, based on a range of 1=not impressive to 5= very impressive.

Ruth Richardson, former National Finance Minister and Synlait Milk director, said "Judith has been pitch perfect from the get-go. She has a great head on her shoulders and is clearly having fun. She can do 'a Jacinda' and, ace an election victory in seven weeks."

Deloitte CEO Thomas Pippos said the election will in the end turn on the outcome of a 100m sprint, with the Opposition starting a little behind the line. "If anyone in the National Party can pull it off, I think Judith has the greatest ability. Time will tell."

An experienced lobbyist said Collins was in full flight before the Andrew Falloon (resignation) issue which cost National dearly. "She is still not totally back on track but will rally the troops better than most and can tackle Ardern better than any other."

Mainfreight chief executive Don Braid took an ironic view: "Well, we know who is in charge."

> Judith has been pitch perfect from the get-go. She has a great head on her shoulders and is clearly having fun. She can do a Jacinda and ace an election victory in seven weeks.
>
> Ruth Richardson

Where is Collins' vision and aspiration?

Decisive, capable and brave, but has National Leader Judith Collins the vision and aspiration to be an effective Prime Minister?

The business leaders in the 2020 Mood of the Boardroom survey were asked to rate Collins' capability to be the next Prime Minister.

She was rated highly on attributes such as courage, economic management and political management. But other attributes such as integrity, trustworthiness and the ability for National to form a coalition were lower on the list.

Beca Group CEO Greg Lowe said Collins is coming into her own as a leader. "New Zealand needs a clear vision and she has started to articulate her view of that — which is good for the quality of political debate."

Precinct Properties chairman Craig Stobo said Collins has the capability to be Prime Minister but needs real discipline in her own ranks.

"National is a compete shambles," said a business entrepreneur. "Labour may be criticised for management of Covid, but God forbid the Nats were in charge."

Simplicity chief executive Sam Stubbs agreed that a decisive Opposition leader is what is needed right now.

"But I ask myself, after so many years in Parliament, what does she stand for? Nothing I can recall."

Complicating business perceptions of Collins has been the late rollout of National's policies. Don Braid, chief executive of Mainfreight, asked: "Where is the vision and core policy initiatives?

A real estate chief executive said she will always face questions after the "China saga years ago".

Another countered: "I give Collins the benefit of the doubt on integrity/trustworthiness but I really want her to be more aspirational with her plans."

The Cooperative Bank CEO David Cunningham, said unfortunately it is very unlikely Collins will be able to form a government — "especially if the media is infatuated by personality and crisis rather than ability to deliver".

Economy push or sugar rush?

National's temporary tax cuts that will result in those earning more than $90,000 annually getting $4026 more in their pockets have resonated with the business sector. It is one arm of a policy suite including doubling the depreciation rate for businesses, loosening the debt target and trimming Government expenditure.

BusinessNZ CEO Kirk Hope says changing the debt reduction timeframe makes sense in this environment and reducing taxes to promote growth is consistent with policies undertaken in many developed economies after the GFC. "The key will be to improve the effectiveness and efficiency of public expenditure."

Former politician turned banker again, Don Brash (ICBC) said encouraging private sector consumption spending by providing a temporary tax cut, and stimulating private sector investment by doubling depreciation rates, seems a desirable way to encourage private sector activity.

The *Herald* went out with a snap survey to respondents to the Mood of the Boardroom election survey seeking views on both Labour's and National's tax policies. Some 68 chief executives and directors responded.

Is National's tax policy appropriate in the current economic climate? (Temporary tax cuts, doubled depreciation rate for businesses, loosened debt target and cuts to the government's day-to-day spending.)

Yes 69%

No 19%

Unsure 12%

Mainfreight CEO Don Braid said the tax cuts were supposedly to stimulate the economy. "I am very unsure if this will work at the upper end of earners.

"A more targeted tax rate cut to lower incomes would likely stimulate the economy better and quicker. Reducing the number of bureaucrats working for Government is overdue.

"Plenty of savings are available by getting rid of the bureaucracy."

National has pledged 16 months of income tax cuts stepping right back from the debt reduction target it earlier campaigned on to get core Crown debt down to 30 per cent of GDP within 10 years or so.

"The policy is ill-advised," said company chair Rob Campbell. "It is not hard to see that some will benefit from it in the short term. But responsible policy today is not about short term sugar rushes and later regret."

NZIBF executive director Stephen Jacobi agreed it was not the time to be cutting taxes. "Cutting the rate of GST would be a better way to stimulate the economy across the board."

Some criticised the tax thresholds. "Other than it should have maximised out at $3000, top earners did not need another benefit," said an insurance boss. A retailer was in a similar vein. "Lower income earners do not benefit enough and higher income earners benefit too much.

Although the intent is to stimulate spending, it is just as likely in times of uncertainty that higher income earners will save more of this benefit, rather than spending.

"I would have liked to have seen an increase in the tax threshold combined with temporary tax cuts, which would have re-distributed the benefit and offset the proposed postponed minimum wage increase."

> Responsible policy today is not about short-term sugar rushes and later regret.
>
> Rob Campbell.

The proposals had their champions: "The depreciation changes are excellent and will encourage investment," said a property management CEO. "The removal of ring fencing of losses and the change to the bright line test are bizarre. It's giving away money nobody is asking for. The tax cuts are not structured to boost spending given they mostly benefit higher income earners who tend to spend a smaller proportion of additional income."

MOOD OF THE BOARDROOM — BANKING

Covid-19 has cast a pall over CEO confidence

Coronavirus-related issues dominate the domestic concerns in this year's survey, writes **Tim McCready**

Confidence has plunged in the 2020 Mood of the Boardroom survey to the lowest levels seen since the *Herald* began surveying the nation's leading chief executives.

CEOs are particularly concerned about the maintenance of a strong border against Covid-19, which they rated at 8.52/10 on a scale where 1=no concern and 10=extremely concerned. A suite of Covid-related issues dominates the domestic concerns in front of CEOs.

These have pushed out traditional concerns like skills and labour shortages into a secondary position.

Cumulatively, the 165 respondents to the *Herald*'s CEOs Election survey rated their optimism in the New Zealand economy at 1.36/5. When it comes to the global economy, where many nations are being ravaged by Covid-19, their combined rating was 1.16/5. Typically for this survey, they rated their optimism in the general business situation in their own industries at a higher level — 1.90/5.

"2021 will be a challenging year for many," says KPMG executive chairman Ross Buckley. "Those that have solid foundations, in the right sectors, using technology and that are agile will do well."

Those in heavily impacted industries are realistic about the future. "Our business is heavily dependent on tourism, so the impact of Covid will be significant," says one CEO.

However, there are pockets of optimism from those who have seen an increase in business resulting from the crisis, such as shipping and logistics firms — they point out reduced commercial aviation "means more demand for our services".

Another beneficiary of the pandemic has been grocery retailers. Foodstuffs North Island CEO Chris Quin says: "We are privileged to be in an in-demand category, but New Zealand can't replace its second biggest industry overnight — and the global economy cannot recover quickly from the discretionary spend being removed."

One respondent says although their industry is having to make huge changes due to Covid, it is providing the impetus to finally digitise and modernise — and the New Zealand economy will be better off in the long term because of it. "I'm optimistic we can actually come out of this with a fresh approach and a more knowledge-based economy if we play this right."

But many recognise that despite New Zealand being a good position relative to many other parts of the world, the unpredictability of the coronavirus pandemic and long-term uncertainty means it will be a while until we can return to more optimistic levels.

"I suspect we are well shy of fully understanding the long-term economic impact of Covid and various political responses globally. We are quite exposed to political shifts in terms of trading and supply chain," says a top recruiter.

Domestic concerns

The top six concerns are all Covid-related, although as Dame Alison Paterson points out: "In this uncertain environment, it is hard to assess. What is normal? In Covid alert levels three and four Auckland's congestion disappears."

"I am deeply concerned over the hopeless border, testing and isolation management we currently see that causes real concerns about the impact this may have on essential service workers and the ability to deliver these services," says a CEO in the energy sector.

"Before focusing on being kind, let's be competent."

There is also heightened concern over the level and quality of Government spending (8.40/5). There is also significant concern over the impact and direction of current or proposed Government policies, which received a score of 7.96/10.

Deloitte CEO Thomas Pippos says "people are looking to the Government for a clearly articulated strategy that the population can get behind that will include changes to the existing policy settings."

Beca CEO Greg Lowe says there needs to be a more co-ordinated effort to develop a plan that ensures we have a strong economy and achieve economic growth over the next three years "to generate government revenues that are sufficient to start repaying the debt incurred in this crisis".

One of those looking for a clear strategy is an IT boss: "There do not appear to be any policies from the current Government for moving forward — there is no current plan that would provide any business person with any confidence whatsoever. Sprinkling money like confetti is a short-term unsustainable approach."

But others are more upbeat, and say the Government and its agencies have been swift to respond in a way that has boosted confidence — particularly when compared to the response of other countries.

"The Government response has been incredibly thorough," says a software CEO. "As a business owner, I feel very supported and that they're moving mountains to provide support and keep us moving."

International concerns

Covid also features among the top rated international concerns — with the fear of further waves of the virus receiving a score of 8.22/10 and a slowdown in world trade growth due to fallout from the pandemic scoring 7.64/10.

"The challenges of the international environment are daunting and our ability to remain agile and leverage of New Zealand's well-respected trading legacy cannot be underestimated in our response," says Downer CEO Steve Killeen.

Powered by Flossie CEO Jenene Crossan proposes New Zealand leverage the Prime Minister's celebrity on the world stage as part of our response.

"Jacinda Ardern is very highly respected due to her leadership style. Let's use this to increase our exports — especially in the tech industry."

Increased protectionism and trade wars also rates high in terms of concern at 7.71/10, as does the lack of international leadership at 7.49/10.

The a2 Milk Company CEO Pip Greenwood notes: "The escalating tensions between the US and China and Australia are of concern for us as a small export reliant nation."

"Volatility in world trade markets — whether they be politically motivated or as a result of health responses — will inevitably impact New Zealand as an export trading nation," says one CEO. "New Zealand must respond in an agile way to ensure our own national success."

"The international political situation is dire!," deduces NZ International Business Forum executive director Stephen Jacobi.

Supermarkets are one of the businesses that have benefited during the pandemic.

> It is hard to imagine a time where businesses have had to reflect on so many variables both domestic and international that will challenge their traditional business assumptions looking out into the future. For many industries, it's a fine line between being cautious to creating an environment where that cautiousness becomes a self-fulfilling prophesy. Recognising all of this, it's hard to have anything other than a negative global view and a muted to negative NZ view in the short term — accepted that sectors and regions are more or less exposed given different contexts.
>
> Thomas Pippos, CEO Deloitte

> I can see the financial challenges coming New Zealand's way, encouraging our industry to work together more often on more efficient ways to deploy capital while maintaining wholesale and retail competition. I am concerned that the temporary government funding up until the election has hidden the true economic impact of Covid on NZ, and we will start to experience a significant decline in our economy from early next year. Globally, Covid will continue to have a massive impact for many years to come.
>
> Jason Paris, CEO Vodafone

> If you were not living through this it is almost incredible to believe that we have moved from an open and free society to a protected autarchy where Wellington decides what is essential and price signals in product, labour and securities markets are distorted.
>
> Craig Stobo, chair Precinct Properties

The big questions

Are you more optimistic than you were a year ago about:

	Out of 5
General business situation in your industry	1.9
New Zealand economy	1.36
Global economy	1.16

CEOs were asked to rate each factor on a scale of 1-5:
1 = much less optimistic and
5 = much more optimistic

Herald Mood of the Boardroom Election Survey 2020. Herald graphic

Top domestic concerns

CEOs rate the impact of the following domestic concerns on business confidence in NZ:

Scale: **1 = no concern** to **10 = extremely concerned**

Covid related

	Out of 10
Quality border protection against Covid-19	8.52
Level and quality of Government spending	8.4
International trading environment	7.98
General uncertainty about the impact and direction of current or proposed Government policies	7.96
Potential for community transmission of Covid-19	7.79
Level of Government debt	7.61

Traditional concerns

Regulation	7.43
Infrastructure constraints	7.40
Immigration restrictions	7.07
Disappearing jobs	7.01
Skills and labour shortages	6.63
Labour productivity	6.44

Infrastructure issues

Congestion in Auckland	6.37
Restrictions on resource management/land use	6.35
Water use policies	6.18
Housing unaffordability	6.09
Implications of emissions reduction policies	5.91

Economic settings

Competitiveness of corporate tax rate	5.79
Quality Reserve Bank policies	5.66
Exchange rates/ level of the NZ dollar	5.57
Wage increases	4.85
Access to capital	4.84
Electricity pricing	4.79
Interest rate decreases	3.44

Herald Mood of the Boardroom Election Survey 2020. Herald graphic

MOOD OF THE BOARDROOM

The goalposts are shifting daily

Mood of the Boardroom
Duncan Bridgeman

Like all things, business confidence needs perspective.

But trying to put some context around this year's Mood of the Boardroom survey in terms of how our top business executives see the future is extremely difficult.

Covid-19 has put everyone on an uncertain playing field and the goalposts are shifting literally on a daily basis.

One thing is clear: business bosses are much less optimistic about their firm's situation than they were a year ago. And they are twice as gloomy as they were back in 2009 following the Global Financial Crisis.

As the survey shows, some 40 per cent of all respondents are much less optimistic about the general business situation in their industry. That compares with 21.35 per cent 11 years ago, when we were last in recession.

When it comes to their views on the New Zealand economy as a whole, the gap is wider with 69.70 per cent in the much less optimistic camp versus 24.72 per cent in 2009.

And that gap is wider still when asked about the global economy — 87.27 per cent against 25 per cent.

The latter is concerning given New Zealand's place in the world and the Government's elimination response to the pandemic through the use of hard lockdowns.

Finance Minister Grant Robertson has said the biggest risk to New Zealand's recovery comes from the failure of some of its trading partners to tackle the spread of Covid-19.

"In the short-term, New Zealand is better than was expected," he said following the recent GDP result that saw the economy shrink by 12.2 per cent.

"But the medium and long-term is more challenging and we put that very squarely at the feet of the global economy."

With New Zealand's international borders not expected to reopen until January 2022, according to Treasury forecasts, the country is more isolated than ever, perhaps even cut off from the rest of the world until a vaccine is developed. Meanwhile, here at home people are losing their jobs at the fastest rate in a generation. The next Government will need a comprehensive economic recovery plan.

This is reflected in the survey with 40 per cent of respondents "extremely concerned" about the level and quality of Government spending, 24 per cent extremely concerned about the direction of Government policy and 28 per cent extremely concerned about the level of Government debt.

Latest data suggests economic activity has bounced back since the first lockdown restrictions were phased out.

But much of that can be put down to a sugar rush from urgent stimulus and support packages.

"The New Zealand economy has a long way to go to navigate this crisis," ANZ Bank economist Sharon Zollner said after a preliminary read of the September ANZ Business Outlook that showed a widespread improvement in forward-looking activity indicators.

"Fiscal and monetary policy are certainly working their magic. But come year end, far fewer firms will be supported by wage subsidies, and the loss of tourists will be more sorely felt. But for now, things appear to be firmly in the 'could be worse' basket," Zollner said.

As expected, the Mood of the Boardroom survey is dominated by Covid-related concerns.

Many businesspeople will be concerned that the elimination strategy means that whenever there is a new community case of Covid-19, then a whole city has to go into lockdown, as happened in Auckland last month.

The question is how difficult politically is it to reverse course without a change of Government?

New Zealand could be cut off from the world until a vaccine is developed. Photo / AP

> NZ has managed Covid magnificently, and when we were at Level 1 it was almost normal — except for overseas travel. Throughout the period post-lockdown, I have been astounded at the pessimism of economists. They have consistently had to positively upgrade their forecasts.
> All the signs (retail spending, housing activity, discussion with small businesses) were that NZ was performing strongly, yet it took them a month to change their view. Perhaps they'll be right in the next 6 months? But I doubt it.

David Cunningham, The Cooperative Bank

> New Zealand has navigated the crisis extremely well. If we can establish a bubble with Australia this will be very advantageous. However, our big trading partners in USA and UK/ Europe have ugly outlooks — both current wave and next wave. Asia looks OK, but they too will ultimately be impacted by anaemic demand in the USA.

Mark Wynne, Ballance Agri-Nutrients

MOOD OF THE BOARDROOM

We need a technologically-driven plan

The government should establish a tripartite Economic Transformation Group after the election, EMA's Brett O'Riley tells **Graham Skellern**

Business leaders are anxious to see the government plan for the future economic transformation that New Zealand needs to get back on track following the Covid-19 disruption, says EMA chief executive Brett O'Riley.

"When I say back on track, I don't just mean a plan for recovery. It has got to be more significant than that.

"We have a unique opportunity at this moment to achieve the fundamental and longstanding changes for our economy and our communities that the EMA and its members have been calling for over recent years.

"We want to see transformation of New Zealand into a more productive and resilient economy that is capable of generating the returns we will need to repay the Covid mountain of debt. This will take a new approach grounded in technology-driven change," O'Riley says.

The opportunity is that hand in hand with the productivity growth can come the development of higher-skilled and consequently higher-paid jobs in globally competitive sectors.

An integrated plan should be led by the private sector and iwi — as inter-generational investors — in partnership with government.

Brett O'Riley
CEO EMA

"We need to decide where we want our productivity to be and purposefully invest towards that goal."

The late Sir Paul Callaghan set out some of this direction. Sir Paul's vision for New Zealand was a place where talent wants to live, with a strong focus on growing technology penetration in traditional sectors and growing the high-tech sector itself.

History also records New Zealand being willing to make bold calls on infrastructure that has enabled growth. The EMA and the BusinessNZ Network have advocated hard over recent years to get this long-term thinking back on the table and it has been pleasing to see this a big part of the election policies to date, says O'Riley.

"So we have some of these pieces of the transformation jigsaw taking shape, but we need an integrated plan that brings it together. It should be a plan led by the private sector and iwi — as inter-generational investors — in partnership with government. The plan should also attract third party investment and skills from investor migrants and returning Kiwis.

"We also need a plan that addresses the productivity challenge across multiple sectors, including a skills development regime that develops workforce capability and reduces social inequity.

"The Reform of Vocational Education changes are part of this, but it will require a more dynamic approach."

O'Riley says as the next step EMA has called on the Government to bring a group together to drive this transformation, but the election has intervened. "Rob Fyfe continues to play a key role in some of these areas, so too does the BusinessNZ Network and the many associations and businesses we represent.

"We believe we need a tripartite Economic Transformation Group that is formed immediately after the election to lead this activity. The group requires a long-term mandate and serious support resources from the private and public sector to develop and implement its thinking.

"Here we can take a leaf out of the approach taken in Australia, with their Covid-19 Commission chaired by Neville Power."

O'Riley says a transformation framework will provide a roadmap for what needs to change to drive growth in the sectors that will sustain the economy into the future — namely infrastructure, health, manufacturing, agritech, high-value food, creative technologies, and other technology. "Then it's up to businesses to be really purposeful about capitalising on this opportunity for change.

"They need to access all the assistance they can to recover quickly, and then move equally swiftly into the transformation stage.

"Now that really would change the mood of not just the boardroom but the country."

Brett O'Riley's top issues

- **Top three issues facing New Zealand**

Our border: we need to make our border and immigration policy and processing a strategic advantage, through partnership with the private sector, using technology and best operational practice.
Our productivity: we need to improve business productivity across all sectors, requiring a rapid increase in the use of technology with incentives encouraging capital investment in hardware and software, retraining staff, and greater investment in research and development.
Our infrastructure: we need to develop new infrastructure faster, requiring fast-track RMA, procurement and more flexible project implementation such as operating projects 24/7.

- **Top three business priorities for the next six months**

Cashflow: we need as many businesses as possible to be allowed to operate during the Covid-19 alert levels.
Immigration: businesses need a properly functioning system that provides certainty in accessing skilled labour, either already onshore or through the border.
Ongoing operational issues: within the public sector response to Covid-19.

MOOD OF THE BOARDROOM

Subsidy a jobsaver for many

Some sectors have even taken on staff writes **Tim McCready**

We are taking the approach of investing through this crisis. This means providing permanent roles for contractors and recruiting more people.

Vittoria Shortt

Business leaders say the wage subsidy the Government implemented to support firms that had taken a revenue hit from Covid-19, was an important step to keep people in work and the economy going.

The Mood of the Boardroom 2020 survey revealed 41 per cent of respondents accessed the first round of the subsidy, and 15 per cent — the second round.

The subsidy was received across myriad industries, and those that took it up say it was a quick and sharp response that bolstered confidence and saved jobs. "I think this saved many jobs," says a healthcare boss. "We did not make people redundant because of this, and they remain employed post the subsidy ending."

"It was a significant help during times of extreme uncertainty to support staff and give them surety of employment," says Fulton Hogan CEO Cos Bruyn.

There have been reports of some companies rorting the system and claiming wage subsidies they may not have been entitled to but some survey respondents say although they may have been eligible for the support, their businesses chose not to take it up.

LIC chief executive Wayne McNee says given how the business performed for the full year, the firm chose not to use it. A tech CEO says, "we felt it was a badge of honour not to need or use the wage subsidy in the first or second round".

Chief executive Don Braid says Mainfreight applied and received $10.6m — qualifying under the rules. "But we returned the full amount when we recognised we were better off than others and could see improvement occurring."

One CEO says their company accessed the first round, but repaid it in full as soon as it was clear the impact of Covid was less than projected. "It was hugely helpful in giving us the confidence to maintain full employment and remuneration at a time when some competitors were cutting one or both."

But business leaders caution: "We need business to adapt to the tough new environment and the Government — and indeed New Zealand — can't afford to keep subsidising business indefinitely."

Business resizing — not just down

The buffer provided from the subsidy has no doubt saved jobs. Exactly half of the survey respondents say they haven't had to downsize staff during the pandemic.

But even so there have been a significant number of casualties from the crisis — some 17 per cent say they have had to downsize by more than 10 per cent. Although some note the full impact of job losses will be revealed once the ventilator of the wage subsidy wears off.

The most dramatic reduction in staff numbers has been in the tourism industry..

But 8 per cent of respondents say they have upsized due to the impact of the pandemic. These are from a range of sectors, including food and agribusiness, banking, investment, professional services and IT firms. There have been several reasons for the staffing increase.

"We are taking the approach of investing through this crisis," says ASB CEO Vittoria Shortt. "This means providing permanent roles for contractors and recruiting more people into our business."

Chapman Tripp chief executive partner Nick Wells says there have been fewer departures from the firm: "Few want to leave for overseas, so we have grown slightly compared to what we would typically expect."

A professional director says one of her companies initially pushed pause on recruitment — "however it very quickly became apparent that the needs of our customers required us to accelerate progress in order to continue to help with their evolving needs."

CEO Chris Quin says Foodstuffs North Island upsized 6 per cent at peak due to panic-buying and growth in online.

Mixed impact on production levels

CEOs were asked how Covid will impact production levels within their businesses. The result is mixed over the coming two quarters, with a few (4 per cent) expecting a significant decline of more than 80 per cent, but others expecting no impact or even growth in production levels.

A law firm head: "We saw a decline over the past three months that averaged out at 20 per cent. A trend in the right direction is now evident — but still down year-on-year."

Most in primary industry and food and beverage say they don't expect to see a significant impact in the coming months. "Demand persists for premium infant formula in the China market," says director Ruth Richardson. "Demand signals remain very positive," says an agribusiness boss. "But we do have a lingering concern — perhaps through our approach of being constructively paranoid — that the music will stop and there won't be enough chairs."

As has been the case for many aspects of Covid-19, CEOs say in many cases production levels will depend entirely on the pandemic — and therefore the future remains uncertain.

"It depends totally on expectations of further Covid incursions, shutdowns and the opening of borders to both shows, sports teams, artists and tourists," says non-executive director Joanna Perry.

From a food and beverage boss: "This is a hard question to answer looking forward as it all depends on the Government's ability deliver on its elimination strategy."

Production is clearly not just a domestic issue. A slowdown in world trade growth (which CEOs score among their highest international risks at 7.64/10 on a scale where 1= no concern and 10=very concerned) contributes to general uncertainty and nervousness in the business community in terms of future production levels.

MinterEllisonRuddWatts' Lloyd Kavanagh: "We need to plan for each of the scenarios, and be agile in adapting depending on what unfolds. We can't project one outcome when there are so many variables."

Top international risks

CEOs rate the impact of the following international risks on business confidence in NZ:

Scale: **1** = **no concern** to **10** = **extremely concerned**

Risk	*Out of 10*
Further waves of Covid-19	8.22
Increased protectionism and trade wars	7.71
Slowdown in world trade growth	7.64
Lack of international leadership	7.49
Slowdown in the Australian economy	7.41
Unsustainable debt	7.39
Cyber attacks	7.38
More health pandemics	7.2
Disappearing jobs	7.12
Slowdown in the Chinese economy	7.06
Failure to implement structural reforms	7.01
Rising nationalism	6.93
Slowdown in the US economy	6.82
Climate change	6.71
Skills and talent shortages	6.58
Supply chain issues	6.57
US Presidential election outcome	6.53
Sharp fall in asset prices	5.93
Rising freight costs	5.86
Unfavourable currency realignments	5.85
Natural disasters	5.48
Increasingly restrictive digital environment	5.46
Food security	5.08
Fluctuating oil prices	4.79
Energy security	4.55

Herald Mood of the Boardroom Election Survey 2020. Herald graphic

Covid changes

The disruption in the way businesses operate as a result of Covid-19 has been a catalyst for businesses to adopt new technologies more quickly than they expected and accelerate their use of existing technologies. McKinsey estimates this rapid migration to digital technologies has seen us vault five years forward in consumer and business digital adoption in a matter of around eight weeks.

The Mood of the Boardroom survey asked CEOs how the Covid-19 crisis has changed the way in which their business is conducted.

On a scale of 1 to 5, where 1= strongly disagree and 5=strongly agree, the top-rated changes to businesses are: increased use of online meetings (4.63/5), increased use of technology (4.45/5), more flexible working (4.36/5), accelerated growth of e-commerce (4.33/5) and reduced international business travel (4.31/5).

Beca's CEO Greg Lowe said he was surprised during the initial lockdown at the effectiveness of working from home both for Beca and for its clients.

"The increased use of virtual meeting technology has not only increased the skill levels of all of us, we have realised that we can be more productive from remote locations and carry out more of our business activity remotely than we thought."

Beca managed to maintain its delivery to its clients with thousands of people working from home — but that this is not a sustainable business model in the long term.

"Building relationships, developing people, creating more effective teams, increasing productivity all needs some form of person to person engagement. While undoubtedly we will see more flexible working (for many reasons) and less travel, I do not believe that large numbers of people want to work permanently from home."

The adoption of flexible working saw one energy CEO reduce their organisation's footprint and rethink the use of office space. But an investment fund boss reckons the importance on office space from more people working from home is overrated — "but this will be impacted by economic factors".

Precinct Properties chair Craig Stobo says "the Covid wave has accelerated the digital wave". Another executive in the tech sector says New Zealand should "use this to become a digital nation!"

A property CEO says Covid has given their organisation a greater appreciation of the critical importance of business continuity planning. "It is no longer a 'nice to have when we get to it' item on the board agenda."

An increased focus on staff wellbeing and social purpose was also mentioned from executives spanning various industries as a major change from Covid.

"We have had a complete rethink on the role of HR and how teams work — including salary and incentive structures," said one CEO in the utilities sector.

— Tim McCready

The increased use of virtual meeting technology has not only increased the skill levels of all of us, we have realised that we can be more productive from remote locations and carry out more of our business activity remotely than we thought.

Greg Lowe

Ruth Richardson's top three issues

● Fiscal and monetary madness

Address the level and quality of public expenditure and produce a credible plan to restore net worth and prudent levels of debt. The Reserve Bank should be returned to its price stability mandate and cease QE and other so-called modern monetary theories.

● The shape of the NZ economy

This is ill-equipped to power up productivity and new wealth creation, lacking the broad base of skills and personal motivation of many to plough new furrows and to invest and employ.

● The state of NZ society

Too many are non-participants, have never experienced functional, motivated families, don't see themselves as part of the future, retreat into drugs and dependency and beat and murder their women and children. This is the No 1 Kiwi shame.

Covid has grounded the global economy. The next six to 18 months will be grim once fiscal and monetary madness runs out of steam, and everything depends on adjustment to the new normal. NZ has only two wings on which to fly: what we can produce and sell from the soil and the sea, and what we can commercialise using our smarts. The tourism and foreign student sectors are knackered. The Government refuses to swim in two lanes: securing health and wealth concurrently; it is pursuing a consecutive strategy — nail the Covid risk and the economic risk can wait. We are like a grounded wide body jet; while the 5 million passengers are shielded from the worst of Covid they will suffer high unemployment, an enormous debt burden and falling prospects. The Government offers no clue as the how the 5 million will adjust to the new normal beyond throwing short term money at the problem. The trick is to manage in an optimum way the risks we can control. In the face of constrained global trading it is scandalous much of our valuable producefrom the soil leaves our shores as a commodity, not at premium price.

MOOD OF THE BOARDROOM

The financial challenge:

Grant Robertson: Capable, calm, credible

Mood of the Boardroom
Tim McCready

Chief executives send a clear message to Minister of Finance Grant Robertson: You've done well, but the real test is yet to come. It is testament to his performance in the wake of Covid-19 that, asked whether Robertson has been a credible Minister of Finance, an overwhelming majority of CEO respondents to the *Herald*'s 2020 survey — some 91 per cent, said Yes. Just 5 per cent said No; 4 per cent were unsure.

This rating is up considerably from last year. Robertson's rating in the 2019 Mood of the Boardroom survey had 54 per cent of respondents say Yes to that same credibility question and 29 per cent unsure.

He is the highest-scoring minister, receiving a rating from respondents of 4.18/5 for ministerial performance. To put this score into perspective, this is the highest rating a Minister has received in the Mood of the Boardroom Survey since then-Finance Minister Bill English in 2016, where he received a rating in John Key's Cabinet of 4.51/5.

On his performance as finance minister, the word "capable" was frequently used. Fletcher Construction CEO Peter Reidy says he is "capable, calm and credible".

> Thank goodness he is influential in Cabinet.
>
> Transport executive

NZ International Business Forum executive director Stephen Jacobi describes Robertson as "a source of strength and stability for the Prime Minister and the Government". Says a transport executive: "thank goodness he is influential in cabinet".

Beca CEO Greg Lowe says that Robertson has a good grip on the economy, its drivers and what makes it succeed. "He is a hardworking and capable minister," he says. "Engagement with business is good but we could improve the teamwork between government and business."

It was this influence that saw him fulfil Labour's 2017 campaign promise to reduce net core crown debt to below 20 per cent of GDP in 2018.

"Robertson has done a superb job for three years," says a government relations firm boss. "Where are the loony lefties now who cried out for him to spend spend spend when New Zealand had a sizeable surplus? He stared them down — thank God!"

Since the early days of the Covid-19 crisis, Robertson has proven his mettle in the eyes of New Zealand's business elite. He has grown into this role and was superb throughout Covid — "whether we agree with his policies or not", says a real estate boss.

He rolled out the wage subsidy just days after the Government's response to the pandemic was put in place. The subsidy was initially for 12 weeks over the lockdown period, then extended a further eight weeks for businesses still experiencing a significant hit to revenue. A third extension was announced when Covid re-emerged in August.

The Government also introduced a temporary 12-week income relief payment for those who had lost jobs, low interest and interest-free loans for businesses, and changes to the tax system to encourage investment.

Many top business leaders responding to the 2020 Mood of the Boardroom survey say their companies accessed the wage subsidy — 41 per cent received the first iteration, 16 per cent received the second. "This was an excellent initiative. Quick and sharp response," says a healthcare chief.

Some see it differently. A banking chair says "as Minister of Finance, he has held the line in a number of areas, but has allowed Government spending to run riot over the pandemic".

Independent director Cathy Quinn says the wage subsidy was "an important step to keep people in work and the economy going."

But she says we now need business to adapt to the tough new environment as the Government can't afford to subsidise indefinitely.

An executive in the transportation sector says "the real test will be if he gets back and whether he can drive quality spending as opposed to a lolly-scramble".

Mainfreight CEO Don Braid says Robertson has performed well under the conditions — but notes "the real challenge now lies ahead".

That challenge is New Zealand's economic recovery, and the hefty Government debt. According to the Budget, Government debt will peak at 2024 when it hits $219 billion (just under 60 per cent of GDP).

Robertson insists New Zealand will pay down its increased debt over time, through growing the economy. He has ruled out cutting significant public services and income support.

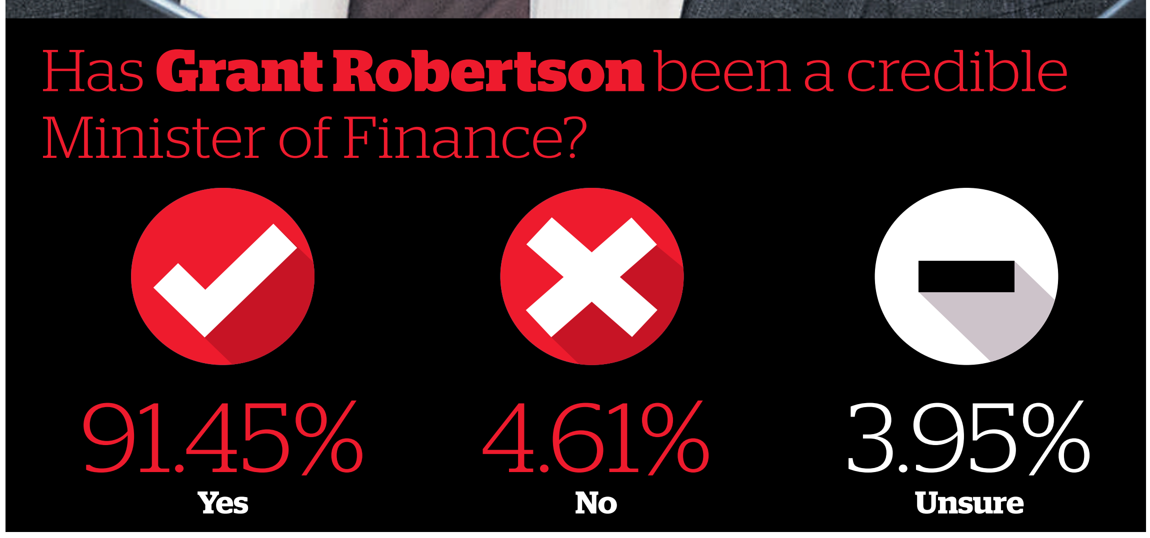
"When I look back to the late 80s and early 90s I saw a different kind of approach to recovery from a downturn, one that was more of an austerity-based one — it was young people who bore a lot of the brunt of that. I am determined we won't allow that to happen."

The Government's approach was to invest in young people now through training and job support.

Chair of Precinct Properties, Craig Stobo, says Robertson has been "unruffled and steady," adding "the spectre of the 80s economic reforms informs his policy preference".

It is unsurprising most CEOs focused on Robertson's performance in relation to the Government's Covid-19 economic response. However, there is underlying disappointment that he has — so far — lacked long-term vision, and hasn't used his position to deliver on the transformational change Labour campaigned on in 2017. A real estate boss says: "he lacks depth and strategic focus — it is all about the now." Adds an executive recruiter: "I have severe concerns over his lack of focus and long-term thinking."

The chief executive of an investment firm says: "He did a sound job in his first two-and-a-half years but he had the opportunity to create a massive lasting legacy and transformational change with the big spend up and appears to have wasted the opportunity on instead spreading money in every direction."



Herald Mood of the Boardroom Election Survey 2020 / Herald graphic

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>
> Greg Lowe, Beca

> He has held the line in a number of areas, but has allowed Government spending to run riot over the pandemic.
>
> Banking chair

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>
> Government relations boss

> The real test will be if he gets back and whether he can drive quality spending as opposed to a lolly-scramble.
>
> Transportation executive

MOOD OF THE BOARDROOM

CEOs compare the rivals

Has **Paul Goldsmith** presented himself as a credible future Minister of Finance?

53.25% Yes

22.08% No

24.68% Unsure

Paul Goldsmith

Needs confidence, clarity

Tim McCready

New Zealand's top chief executives want Paul Goldsmith to find confidence and clarity.

National's finance spokesperson has yet to make a major impact with many top business leaders, perhaps because he has been overshadowed during National's leadership turmoil.

"Paul, like many in the opposition have been starved of oxygen in terms of public voice or debate," says Deloitte CEO Thomas Pippos. Precinct Properties chair Craig Stobo has a similar view: "He has emerging credibility but low share of voice."

The 2020 *Herald* Mood of the Boardroom survey asked executives whether Goldsmith presented as a credible future minister of finance. Fifty-three per cent of respondents said Yes; 22 per cent said No.

The remainder — a significant 25 per cent — say they are still unsure, with many noting Goldsmith has lacked visibility at a time where strong opposition is needed.

"He's been meek," says an executive in the wine industry.

"He should have had a field day with this Government," says an investment banker. "But he has been very quiet in Opposition." Another high-profile banker says: "I haven't seen enough to suggest he is a credible future minister of finance, but give him the benefit of the doubt."

"Based on what little I have seen, he seems to be okay — but I am not ready to say 'yes, he's a credible future minister of finance'," adds a recruiter.

This morning, Goldsmith will debate with Finance Minister Grant Robertson at the launch of the Mood of the Boardroom Election Survey. Several of New Zealand's top bosses note that compared to Robertson — who received a positive response from 91 per cent of CEOs — Goldsmith lacks credibility.

Grant Samuel managing director Michael Lorimer says Goldsmith does not have a good grasp of the issues: "This was evidenced at last year's breakfast debate and he has not improved since," he says. "He needs to put up ideas — not just point out the faults in the Government," says a healthcare boss. "While I don't like Labour's policies, I think Grant Robertson is a far better and more credible Minister of Finance."

"He's not as strong as Grant, but he has made some excellent suggestions and would be tested if he became minister, which would give him the chance to raise his credibility," says an executive in the real estate sector.

But Goldsmith should take heart. The Opposition finance spokesperson is typically challenged when compared to an incumbent who has become established in the role.

Robertson also faced a hurdle connecting with the business community prior to taking the helm.

In the 2016 Mood of the Boardroom survey — when Robertson was up against Bill English — one banker suggested Labour should replace him with "someone who understands the portfolio, like David Parker". In the eyes of CEOs, Robertson is now their top performer.

Goldsmith took on the finance portfolio in June last year and was elevated to third in the party's parliamentary rankings under Simon Bridges' leadership.

He won praise as Opposition finance spokesperson in the early days of the Covid-19 pandemic.

Goldsmith commended the Government for the wage subsidy package and its Covid leave support. But he also called for more targeted and specific support for business with more rigorous measures around it if a wage extension was introduced — something that is now being debated as it comes to light that some large, profitable companies likely took advantage of the subsidy.

The tone he used to deliver his criticism of the detail in the Government's economic response was in stark contrast to then-leader Simon Bridges, which drew strong condemnation and ultimately led to his demotion.

"Paul has continued to work hard and push on detail," says a transportation boss.

Goldsmith retained the finance portfolio under Todd Muller's brief stint as leader but dropped in ranking to number five — bouncing back to number three when Judith Collins assumed the leadership.

> He has emerging credibility but low share of voice.
>
> Craig Stobo, chair Precinct Properties

Despite his backing in the role by three leaders, CEOs say Goldsmith is still yet to prove he's got the chops to run the government books. But they also acknowledge he is in an unenviable position, following in the footsteps of some high-performing predecessors — former National Party finance minister Bill English consistently rated top of cabinet during his tenure as finance minister.

"I compare him to Bill English — a hard act to follow," says a CEO in the agricultural sector.

"I like Paul — and he is smart," says a top lawyer. "But scratch beneath the surface and he can't answer follow up questions."

Another major concern raised by CEOs is Goldsmith's lack of ability when it comes to communicating and connecting with the business community and the broader public.

"He is not really a retail politician, but he is extremely bright and is a very fast learner," says a professional director.

"He is not yet credible, but he has the brain, if not the communication skills — he's very dry," says a lobbyist. A CEO in the transportation industry says he lacks mana and presence — "too much IQ and not enough EQ!". Another CEO shares a similar view: "He's dry, but capable."

The head of an investment firm sends the following advice to Goldsmith: "He needs to command the key points and deliver them with more confidence and clarity."

A real estate boss gives a backhanded compliment — referring to Goldsmith's extracurricular interests: "He's an excellent art historian."

> Paul, like many in the Opposition has been starved of oxygen in terms of public voice or debate.
>
> Thomas Pippos, Deloitte

> He's been meek. He should have had a field day with this Government but he has been very quiet in Opposition.
>
> Wine industry executive

> Based on what little I have seen, he seems to be okay — but I am not ready to say 'yes, he's a credible future Minister of Finance'.
>
> Recruiter

> He's not as strong as Grant, but he has made some excellent suggestions and would be tested if he became minister, which would give him the chance to raise his credibility.
>
> Real estate executive

MOOD OF THE BOARDROOM

Towards a more connected world

Spark CEO says the pandemic has accelerated the move from physical to digital business

Bill Bennett

CEO Jolie Hodson says Spark's 2020 financial year was a year of two parts. "In the first six months we were off to a good start with a strong result. Our last quarter reflected what was happening in the rest of New Zealand with the impact of Covid-19. For us the main impact was on international roaming and store closures", she says.

Spark posted a solid result for the year to June 30 with a 4.4 per cent rise in profit to $427 million and a 2.5 per cent lift in revenue to $3.6 billion.

Hodson says the pandemic wiped $25m from the year's profit. There's no change to the company's forecast for next year. Although Hodson says Spark expects to take a Covid-19 hit of around $75m.

There's some uncertainty around this figure. "We're waiting to see the implications of the end of wage subsidies and other support packages. When that happens, we'll get a real sense of the economic impact on small and medium businesses."

The pandemic has changed much about the business. Hodson says the company made a decision early on not to enforce broadband data caps. This is where users pay an extra charge for consuming more than a set amount of data each month. About a third of Spark customers are on capped plans. These cost less than uncapped plans. Hodson says Spark missed the opportunity to up-sell broadband plans during lockdown.

Hodson says Spark noticed considerable changes in the way customers used broadband. Customers now make much greater use of collaboration, cloud and the other advanced online technologies that demand better broadband. "Businesses were already on a digital transformation path, but the lockdown acted like a catalyst," she says. "It's not only New Zealand, the trend is global. We are seeing an acceleration in the shift from physical to digital. Companies are now thinking more about how to engage with their customers, suppliers and export markets. This is more important when you think about what has happened to traditional channels." For Hodson these all depend on having fantastic connectivity and a digital front end that eases customer engagement.

She worries about digital equity. She says Covid shone a light on the inequity in NZ.

"This is a risk with more public services and more private services going online if we're not closing the gap. It's not only about access, it's about literacy and it's about people feeling safe using the internet. It's seniors as well as people on low incomes. This is why we shifted our Skinny Jump (a subsidised low-cost broadband programme) to cover more parts of the community that are not existing users. It comes back to having more New Zealanders and more of our society contribute."

> Businesses were already on a digital transformation path, but the Covid-19 lockdown acted like a catalyst.
>
> Jolie Hodson
> CEO, Spark

Meanwhile Spark, like the rest of the telecommunications sector, continues to invest in increased network capacity. Hodson says the focus is smart infrastructure. "We continue to invest in our own fibre and our optical transport network. There's 5G and more capacity for the Internet of Things."

That should pay off in the long-term. With many more New Zealanders working from home, broadband and connectivity are even more important. Customers now value their connections more than ever. When the time comes, many will invest in bigger and better broadband plans. Hodson points to New Zealand's low productivity. She says this is a time for the nation to stand back and think about making the investing in the infrastructure needed to support economic recovery.

"We need to be thinking about building future-proof infrastructure. We don't want to spend billions, then come back in a decade's time and say; 'I wish we did X, Y and Z'. We also need to invest in the skills so that people can operate safely and more productively in a more connected world."

As for Spark's own people — a priority for Hodson — she says the company has seen huge benefits from the shift to more flexible ways of working. "We want to build on this and find our 'new normal', somewhere between how we used to be and how we work during lockdown.

"We will continue investing behind our people's learning and development, helping them pivot to a future of work where they need to be more adaptable than ever before. And we will maintain our focus on diversity and inclusion — so our people feel they can bring their whole selves to work."

Jolie Hodson's top 3 issues

- **Recovery from Covid-19:** The pandemic has fundamentally shifted the way New Zealanders work, learn and connect and the global recovery could take a number of years. Therefore our recovery needs to be focused on building for the 'new normal', and accelerating New Zealand towards the opportunities it presents, versus simply rebuilding what we have known in the past.
- **Social inequality:** Covid-19 shone a light on the inequities that exist within our society, and we should be doing everything we can to 'lock in' any improvements we are able to make during a time of crisis and ensure we bring everyone with us as we move forward. For Spark, our focus is very firmly on lifting digital equity. It has never been more important to ensure that every New Zealander can be connected than it is now — when the shift to digital ways of working, learning and connecting has accelerated globally.
- **Productivity:** This is a long-term issue we have faced as a small island nation and something that will continue to drag on the economy until we resolve it. For our part we are focusing our capital expenditure on investing behind New Zealand's recovery, specifically through infrastructure that will improve productivity and enable Kiwi businesses to innovate and grow. This includes our 5G roll-out, and targeted investments in rural connectivity.

MOOD OF THE BOARDROOM

Government on a fiscal tightrope

The country is now moving into 'a global economic crisis' and business leaders are looking for a well-managed government plan that still creates growth and prosperity

Mood of the Boardroom
Graham Skellern

The Minister of Finance after the general election will need to walk a financial tightrope to create a credible Covid economic recovery plan that benefits both business and households, and cuts into mounting debt.

The Mood of the Boardroom asked CEOs and directors: What should the major priority be for the next Minister of Finance?

The 165 respondents argued for a clear, well-articulated plan that stimulates activity, introduces economic reform and provides a stronger, brighter future.

"It's a balancing act," said a business entrepreneur. "The Minister needs to carefully stimulate the economy, support business and individuals/families through Covid impacts, while minimising the debt that needs to be cleaned up out the other side of this. Expenditure has to be well targeted."

Cameron Bagrie of Bagrie Economics said beyond the challenges of Covid, "we need to embrace change on multiple levels. If we can't embrace some real economic reform during this crisis, then we never will. People and businesses need confidence in the ability of the government of the day to execute. Without it, they'll be cautious about putting their own balance sheet to work."

Mark Cairns, Port of Tauranga chief executive, said "we have to shift from managing a global pandemic crisis to managing our way through a global economic crisis. We are going to have a mountain of debt that we have to plan our way through repaying."

Simon Bennett, chief executive of AWF Madison, said "we need a return on investment from the Covid-response spend." Fonterra chief executive Miles Hurrell said the recovery plan must strike the right balance between investment and fiscal discipline.

The next Finance Minister will face rising unemployment, peaking at 7.8 per cent in March 2022, and a government deficit of $23 billion this year, according to the Treasury's Pre-Election Economic and Fiscal Update.

The deficit is expected to hit $12b in 2024 compared with the previous estimate of $5b. Net core Crown debt is forecast to peak at 55.3 per cent of gross domestic product (GDP) in the 2024 financial year.

The latest ANZ Bank NZ Insight report says the economy is in the midst of a deep recession, the brunt of which is yet to be fully felt. Consistent with its mandate, the Reserve Bank has provided monetary stimulus to help stabilise the economy — including cutting the official cash rate (OCR) and embarking on a programme of quantitative easing.

> The recovery plan must strike the right balance between investment and fiscal discipline.
>
> Miles Hurrell
> Fonterra CEO

The report said the bank was looking at other options in its toolkit to stimulate the economy further, and its monetary policy committee has expressed a preference for taking the OCR into negative territory and combining that with a Funding for Lending Programme.

Former Finance Minister and Synlait Milk director, Ruth Richardson, had suggestions for a multi-faceted economic recovery plan: "Restore fiscal responsibility and measured monetary policy; power up the private sector; embrace tax reform that gets rid of fiscal drag; be courageous on super reform; insist on proper cost-benefit analysis for all public expenditure; embrace the social investment approach; tackle the scandalous under-performance of our major agriculture co-ops; bring down the Berlin Wall of failing health and education regimes; initiate major regulatory reform; and dismantle the xenophobic investment barriers."

A financial services leader said if New Zealand is going to massively expand its indebtedness, then there has to be value from this beyond the immediate buy-groceries situation. "This is the biggest spend in our history and should be matched with the same level of vision and controls."

Mark Wynne, Ballance Agri-Nutrients chief executive, wants structural reform to stimulate growth by reforming the Resource Management Act for ease of doing business; introducing compulsory superannuation for long-term wealth building and funding; and promoting infrastructure investment, particularly green infrastructure.

A real estate leader suggests using the tax system to encourage expenditure and investment, and build greater resilience to future shocks — while "breaking our dependence on the sugar hits of immigration and low-rent tourism jobs. That means directing investment in physical and human capital, and infrastructure".

Brett O'Riley, EMA chief executive, wants New Zealand to transform the performance of the economy and build the sustainable growth required "to maintain our standard of living".

Nick Wells, chief executive partner at Chapman Tripp, wants ongoing stimulus on better infrastructure and sustainability aimed at the longer-term needs of New Zealand.

Jolie Hodson, Spark chief executive, said the economic recovery must achieve balance between investing behind "our rainy day" moment while not burdening future generations with debt that is not manageable. "We should be focused on investments that will accelerate New Zealand into the future and position us to succeed in our new normal."

Stephen Jacobi of Jacobi Consulting was more direct. "For recovery, we need high quality investment, spending and regulation. We need politicians to put the country first and to embrace good ideas wherever they come from. And we need urgently to stop the pork barrel."

Craig Stobo, Precinct Properties chairman, said "if we agree that the Government's policy to the pandemic has led to our economic malaise, then the major priority of the Finance Minister is the restoration of an open and free economy".

The final word came from a transport and logistics director. The PM has to work out how to rebuild the economy while people stay safe. Small business is a critical component in the rebuild of the commercial landscape, and "we need a Prime Minister and government that has an understanding of how businesses really work and how they can work with small business. We have an economic calamity heading our way — a debt mountain — we are going to need an experienced government to help all New Zealanders balance our priorities on this extremely rigid tightrope."

Cameron Bagrie
Bagrie Economics
Top 3 Issues

- Dealing with disruption including Covid-19. There is too much complacency. We need to shake the tree on the 'she'll be right' attitude.
- Government. A for aspiration. E for the ability to execute. We need more quality people in politics.
- Long game vs short game. Too much focus on the latter. Stakeholder capitalism is just a fancy name for being more long-term focused. At the epicentre of the long game is people.

Paul Glass
Devon Funds Management
Top Issues

- The increase in Government debt is one of my biggest worries for New Zealand. It took us 30 years to get debt down to prudent levels and it's only going to take 18 months to blow it right back out. Much of the expenditure is of very poor quality and won't result in a better NZ in the long term. We are also very vulnerable if another disaster was to occur.
- Our infrastructure, particularly in Auckland, is simply not coping with the population growth we have had over the last decade. Congestion is having a seriously negative impact on productivity and also the quality of life. With the Government balance sheet now stretched we need to partner with private capital to provide infrastructure.
- Inequality is likely to become even more problematic if the RBNZ moves to negative interest rates. This would result in asset prices continuing to rise well in excess of income growth. Our taxation structure needs to be reviewed by an independent and non-political group.

Don Brash
ICBC
Top 3 Issues

- The pressure we are already under to choose sides in the increasingly tense relationship between the US and China.
- The very slow (and persistently slow) rate of productivity growth. No simple solution, but "fixing" the RMA in a way which doesn't make matters worse is one important component of encouraging investment, and therefore productivity growth.
- The severe social pressures caused by wildly unaffordable housing, the direct result of local government failure to free-up land zoning and expedite resource and building consents. (The current Government committed to solving this problem in the Speech from the Throne in 2017, but has failed to deliver.)

Michael Barnett
Auckland Business Chamber
Top 3 Issues

- That those sectors hardest hit by Covid do not go back to normal as they knew it. The longer these sectors are left believing that there is a return to normal, the longer it is before they face some harsh realities. At that point they can either reinvent or reimagine but at least they can stop sitting there believing the change they need is going to occur.
- Closed borders. Locked in or locked out will not tell the Government if they have the capability to manage a resurgence. They can take small steps if they want. But they do have to take some steps. Over one-quarter of our economy is dependent on open borders and having dealt with the health crisis they now need to address the economic crisis. Claiming success and not testing that success is not a win.
- Short-term jobs. Turn MSD database of unemployed into a jobsite and provide an environment for business in which it is easy to employ, short-term; long-term; part-time and fulltime. Don't be afraid of debt if it's intelligent spend.

MOOD OF THE BOARDROOM

Covid-19 restrictions are

New Zealand's border controls have become a major handbrake on business across most sectors and must be addressed, writes **Tim McCready**

From top, Fletcher Building's Ross Taylor, Mercury's Vince Hawksworth, City Rail Link's Sean Sweeney and ICBC NZ's Don Brash.

Chief executives agree that New Zealand business needs to do everything possible to support economic recovery in the wake of Covid-19.

But hindering this is the capacity constraints at the border, preventing many overseas workers with essential skills and expertise from entering the country.

Some 48 per cent of respondents to *Herald*'s Mood of the Boardroom 2020 Election survey said that border restrictions have slowed business operations due to the inability to bring essential skilled executives, investors and workers into the country.

Companies can request to bring critical workers into New Zealand through Immigration New Zealand (INZ), with applications considered on a case-by-case basis. INZ says the bar for exemptions is set high to help contain the disease and protect the health of people already in New Zealand — but some of our top executives describe these exemptions as a "bit of a lottery".

In early August — just prior to the re-emergence of Covid-19 in the community, Prime Minister Jacinda Ardern said the Government was looking at loosening the strict visa regime.

Since then there has been little change, although Ardern said at the recent BusinessNZ election conference that Labour would look to allocate a 10 per cent quota at managed isolation facilities to allow critical workers into the country, and would "keep looking at our ability to grow capacity" for a greater number of people to enter the country.

Executives agree that water-tight borders are critical, but they say this allowance for critical workers must be urgently addressed or there will be a very real risk to key projects, businesses and to the economy.

The lack of transparency in the process to determine whether an exemption will be granted or not is troubling to many executives who also raised questions on prioritisation following exemptions granted to America's Cup syndicates, the Avatar film crew and to workers for a synthetic horse-racing track in Waikato.

Says one director: "It has taken weeks of negotiations and significant cost for the company (which is an essential industry). Perhaps most frustrating is the sense that those with the ears of the Ministers or those with PR value or high net worth can jump the queue — as we have seen on a number of occasions."

There seems to be some merit in this claim, with some respondents saying they prefer to not go on the record in this story as they are using "back channels" to facilitate visas.

Workers in limbo

Ross Taylor, chief executive of Fletcher Building, says that businesses have a growing number of key people who would normally be able to come into the country, now stuck in limbo with no timeline of when or if they will be let in.

"These are not low skilled people, but people that bring key skills that are either not available here or are in short supply," he says. "As such they do not displace potential jobs for Kiwis — they in fact allow us to keep growing and providing employment and development for Kiwis."

The restriction on movement is acutely challenging for some of New Zealand's leading professional services firms. KPMG relies on internal international hires to augment the lateral and graduate recruitment of its New Zealand staff.

Godfrey Boyce, KPMG chief executive, says overseas hires in 2018 and 2019 accounted for about 28 per cent of KPMG's total lateral intake, but so far this year overseas hires are just 15 per cent of total recruitment — and none of these people have been able to enter the country due to the border.

"These overseas hires augment our significant domestic recruitment and are pivotal to us being able to service our clients and train and develop the significant number of New Zealand university graduates we recruit each year."

He says this situation is impacting the two largest parts of KPMG's business — audit and consulting.

"As a result of the economic consequences of the global pandemic our audit division is responding to the most challenging financial reporting season in decades and the vast majority of audits are taking considerably more time than prior years and our audit teams are working significantly longer hours," says Boyce.

The inability to bring in overseas hires into the consulting division has put constraints on undertaking work in key industry sectors for New Zealand's recovery, including financial services, government and infrastructure.

Deloitte chief executive Thomas Pippos says his firm has sought to bring 23 internationally-based people into the firm since the border restrictions began, and has now stopped progressing any more.

"Of these, a small number have been able to join our firm while still overseas and have been able work from international locations," he says. "Slightly more roles are now having to be being reconsidered, but the vast majority of these roles are sitting in limbo until we have a clearer steer as to the way forward."

Another CEO in the property sector gives an example of a recently appointed chief technology officer who is based offshore. "He is making it work and will continue to do so but not an easy situation to assess differing market needs without a visit — he only recognises his team from Zoom!"

For corporates with offices in other parts of the world, the border restrictions have brought additional challenges. ICBC — which opened its New Zealand office in 2016 — has key personnel seconded to New Zealand from its China-based head office that can't get into the country.

ICBC NZ chair Don Brash says the deputy general manager position is one example: "The previous person in this role was transferred to another position in China at the beginning of the year. Her replacement was appointed months ago but of course can't get into the country."

The border restrictions have also been tough on the bank's New Zealand-based expatriate staff who have had to get used to long periods of separation from their China-based families.

"Their China-based families can no longer visit New Zealand," says Brash. "And when family members in China become seriously ill, the expatriate staff in New Zealand cannot visit them, since they would be unable to get back into the country."

This is a growing concern for many survey respondents. They say employees who are citizens of other countries and cannot visit family members may instead choose to return home overseas. This will leave critical roles vacant, with no suitable skilled workers to recruit from within New Zealand.

> Perhaps most frustrating is the sense that those with the ears of the Ministers or those with PR value or high net worth can jump the queue — as we have seen on a number of occasions.
>
> Professional director

Major projects and infrastructure at risk

New Zealand's top CEOs are concerned that this lack of skilled workers will put at risk high-profile infrastructure projects and other critical services.

The City Rail Link — the largest transport infrastructure project ever undertaken in New Zealand — is one of those major projects heavily reliant on skilled overseas workers. Chief executive Sean Sweeney says border restrictions will be a big issue for the project:

"We have a large number of specialist overseas workers who we need to get into the country, and the project also has a large fly-in fly-out (FIFO) cohort which has been effectively grounded, as well as a large group of overseas specialists who have relocated here for the project but do need to get home every so often to see family."

This sentiment is echoed by another boss in the construction industry, who says the construction market relies heavily on skilled labour from offshore and the lack of skilled workers has impacted all of their major projects.

Vince Hawksworth, Mercury CEO, uses the current construction of the Turitea Windfarm and medium-term hydro generation upgrade programme as examples.

"These projects rely on access to multinational companies with key personnel required on site at critical times," he says.

"The situation is further complicated where such resources are required for an extended period and there is a need to bring family through the border. This is relevant for projects with long duration. We are currently experiencing challenges in this regard."

Beca CEO Greg Lowe says Beca is an NZ headquartered regional multinational, which means its people often travel widely across the Asia-Pacific region in support of projects and clients to make sure the right people are in the right place. "Some of this can be done remotely in the short term, but not all of it," he says.

Transpower chief executive Alison Andrew says her company is facing similar challenges and it simply isn't possible to acquire all the skills needed in the New Zealand market.

"For example, we need people with highly sought-after skills in lines engineering, operations planning engineering and other specialist skills. We need to be able to recruit from overseas," she says.

Andrew says Transpower also has specialised equipment provided by large international companies, and relies on their specialist resources to come in from overseas to install and

MOOD OF THE BOARDROOM

bordering on ridiculous

Transpower's Alison Andrew, top and Ātihau Whanganui's Mavis Mullins.

commission, repair and maintain the equipment.

Some executives say they have been able to use technology to help mitigate this skill shortage in some instances. Said one construction sector CEO: "We've recently had instances where works are being completed while instructions are forthcoming via Facetime!"

Critical skills needed

The need for skilled workers is far reaching across nearly all industries. Agricultural companies' huge demand for seasonal workers is expected to challenge the sector in the coming months.

Turner and Growers director Carol Campbell says these workers — many from the Pacific Islands — are highly skilled in performing vital technical and sometimes physically demanding work such as thinning, harvesting and plant training.

"While some of these workers have been unable to return home given border restrictions, right now New Zealand is facing a serious shortage of trained agricultural workers for the forthcoming harvest," she says. "This is a major concern and could result in produce being left on trees and reduced exports."

Campbell says businesses are actively recruiting to fill this gap but the reality is that the loss of deep expertise and knowledge will significantly affect the sector this year.

Mavis Mullens, who chairs the massive Māori farming company Ātihau Whanganui Incorporation, says sheep shearing will be impacted by this loss of expertise too. Her business has relied on overseas shearers for the past three decades. She says that roughly 20 per cent of the nation's shearers through the main shearing season come to New Zealand from overseas.

"It normally takes three to four years for shearers to become skilled economic units," she says. "As their

> We've recently had instances where works are being completed while instructions are forthcoming via Facetime!
>
> Construction sector boss

competency lifts, they will often travel the world shearing where their ability to earn can be doubled."

Sirma Karapeeva, chief executive of the Meat Industry Association says we have a major issue heading our way. "Eighty out of the 103 migrant halal workers currently in New Zealand on visas will have to leave with no certainty that companies will be able to recruit into those roles in the near future," she says.

"Halal Certified exports account for $3 billion of export revenue. We cannot recruit sufficient numbers from a small pool of a tiny minority in our local community — we need to look to migrants to fill those roles."

Pernod Ricard Winemakers says its top challenge will be finding the people to take on seasonal vintage workers due to the current border controls, but operations director Tony Robb is taking a pragmatic approach:

"Whilst these roles have historically come from all over the world and brought people to New Zealand, we are always keen to attract New Zealanders to these roles, and particularly for the coming season," he says.

Responses to the survey show the demand for critical workers is also evident in the tech sector. Xero director Susan Peterson (who chairs Xero's people and remuneration committee) says that while there is a strong pipeline of candidates in the New Zealand market for entry level and intermediate roles, it becomes difficult at a senior level.

"We struggle finding the critical skills required for these roles in the New Zealand market alone and have actively spoken and hired candidates from overseas in the past to fill these roles," she says. "As a result of Covid and the New Zealand border restrictions we have had to pause at the 'final offer' stage a number of highly skilled overseas-based candidates keen to join Xero in New Zealand."

Peterson says if the restrictions remain in place, Xero may need to look to source and base those people with senior and critical skills in other locations around the world.

Border rethink essential

What's clear from the responses to the survey is that we must think of solutions to the current capacity constraints at the border, to allow in essential skills that are needed in our economic recovery.

Sir John Key told business leaders at the Covid-19 recovery summit in Auckland that there are things we can do faster, including "letting a bunch of other people come in that companies would happily pay for because they would create jobs."

He said there was "huge accommodation" available that could be used for quarantining.

"You could use stuff that is Government-owned, like Whenuapai. I mean, there is no particular reason why we can't scale it up... Just do more of it!"

At the same summit, Helen Clark said that major private sector partnerships are needed to scale up the quarantine system.

"If post-election the thinking can go to how to try to remove this choke point which is existing quarantine capacity that would help a lot, even on the existing two-week quarantine setting," she said.

Sir Peter Gluckman and Rob Fyfe, who together with Helen Clark coauthored the paper 'Re-engaging New Zealand with the world' asked "Do we need to start exploring alternative strategies that might at the appropriate time allow increased border flow, thus allowing more of New Zealand to flourish?

"And when would that be? What would be the criteria?

"The internet and video conferencing can take us only so far. We will need face-to-face contact if we are to maintain and grow the flow of goods and services into New Zealand. This country needs its global connectivity.

"We have gained significant advantage through our stringent lockdown and early elimination of the virus allowing the domestic economy to reactivate."

They said we will rapidly progress to a position of relative disadvantage if our trading competitors are able to engage with our customers and suppliers in ways that are not possible for us.

"The alternative would be to remain in a state of effective national isolation, which could even last into 2022 or beyond. That may be our best option now, but that won't always be the case, and we need at least to explore alternatives."

Clearly, CEOs agree. Fletchers boss Ross Taylor says there needs to be a parallel border entry process put in place for businesses that allows the movement of a limited number of key people.

"It should provide additional capacity above the current levels so it does not compromise the ability for New Zealanders to return home. And it should be user-pays — so at no cost to taxpayers," he says.

This approach would resonate with most top executives. They are happy to meet the costs associated with a fast-track process and the associated health and safety requirements.

And if that's a win for their business, that's a win for the economy, and ultimately a win for New Zealand.

What we are seeing — EMA

It's pretty clear that Immigration NZ is overwhelmed but that problem has been made worse by the Covid-19 pandemic. There was already a significant backlog pre-Covid, which Immigration was failing to address.

Since Covid, the issues have been magnified but again aren't being addressed. As far as we are aware few, if any additional resources, have been put in place. The one exception would be the business exemption process added to try and get critical skilled migrants into the country. But that too is being overwhelmed.

Our members are increasingly frustrated and angry at the long delays and most basic failures in customer relations. Applications frequently go unacknowledged. Rejections come through an email that basically says nothing more than: "Your application has failed, you have no right of appeal, do not respond to this email."

The current mantra is hire New Zealanders here or hire from the flood of skilled New Zealanders coming home. This fails to acknowledge the skills shortages that already exist and the time needed to train up New Zealanders to properly fill those roles.

Are there alternative solutions? We have examples of MSD and IRD who deal with highly sensitive information both being able to automate programmes and drive significant efficiencies and customer satisfaction, surely the same can be accomplished with immigration with a purposeful approach.

We believe the private sector and organisations like ours can help with some of these issues but Government just does not seem to want to engage with business and the private sector in solving the problems.

They acknowledge them, but they don't get resolved.

MOOD OF THE BOARDROOM

Robertson impresses the business leaders

Finance Minister and PM top *Herald* poll of CEOs, writes **Fran O'Sullivan**

Finance Minister Grant Robertson is the top performing Cabinet Minister in the eyes of New Zealand chief executives.

In the *Herald*'s 2020 Mood of the Boardroom Election Survey, chief executive respondents rated his performance as finance minister at 4.18/5. This is the highest rating in the *Herald* survey since 2016 when CEOs scored then National Finance Minister Bill English at 4.51/5.

Just one respondent rated his performance as "not impressive".

Drilling down into the survey results, more chief executives scored Robertson's performance as "very impressive" — some 39.6 per cent, than any other Cabinet Minister, including Jacinda Ardern who was second-rated on this survey with an overall average of 3.91/5 with 33.7 per cent of respondents scoring her performance as "very impressive."

The Ministers — which included Ministers outside Cabinet — were rated on a score of 1-5 where 1=not impressive and 5=very impressive.

Commerce Minister Kris Faafoi, who was the highest rated Minister in 2019, came in this year at third place with a 3.46/5 rating. "Faafoi has saved the blushes of the Government by listening to the business community," said a lobbying firm boss.

There has been an element of Ministerial crowd-out due to the Covid-19 crisis where the Prime Minister and Finance Minister have had more media time than colleagues.

"Most Ministers beyond Ardern and Robertson (and perhaps Parker) are generally over-shadowed and have little presence in the public media," said a wine firm boss. "That is not a criticism but rather a function of the significant events dominating media and public attention."

An investment funds firm boss summed up: "The PM struggles from having a weak team, with only a couple of standouts.

"They will be better for the experience however and with stronger leadership driving accountability from the PM, they can improve."

"Reflecting on my ratings it is clear there is daylight between the performance of the PM and most of her Ministers," added Precinct Properties chair Craig Stobo.

Irrespective of the dominance of key Ministers there are criticisms.

Mainfreight chief executive Don Braid said, "not enough of these Ministers have acted with energy or decisiveness, nor supported or backed the leadership team well enough."

"I don't see a wide range of Cabinet Ministers making progress in their portfolios. Some of the stronger Ministers are very capable but look overloaded with multiple portfolios," added Beca CEO Greg Lowe.

The Cooperative Bank CEO David Cunningham maintained there were just five capable Labour politicians: Ardern, Robertson, Faafoi, Little and O'Connor.

National Party rhetoric about the Coalition Cabinet containing "17 empty seats" appears to have resonated with some CEOs. "The kitchen cabinet has been stuck with the fools and the bewildered. This is a Cabinet seriously lacking in depth," said an investment firm boss.

A tech firm head commented there was an overwhelmingly disappointing line-up of ineffectual, inexperienced and incompetent ministers."

Winston Peters has slipped down the Cabinet rankings in 2020, rated at 2.47/5 on his performance as deputy PM and Minister of Foreign Affairs.

This year he was out-rated by two NZ First colleagues Ron Mark (Defence) at 2.69/5 and Tracey Martin (Children) 2.60/5.

But in 2018, the CEOs taking part in that year's *Herald* survey ranked him at number three in the Cabinet on 3.23/5 behind top-ranked Grant Robertson (3.62/5) and Jacinda Ardern (3.3/5). By 2019, Peters' ranking had slipped to sixth place at 2.92/5.

The Green Party has no MPs within the Cabinet — they are in a support and confidence arrangement with Labour.

But several of their Ministers "outside the Cabinet" rate higher with the business sector than some Labour Cabinet Ministers. Co-leader James Shaw is fifth-ranked Minister overall on the 2020 *Herald* CEOs Survey, Eugenie Sage is 13th and Julie Anne Genter is 17th.

How the Coalition fared

This full list includes both Cabinet Ministers and Ministers outside the Cabinet:

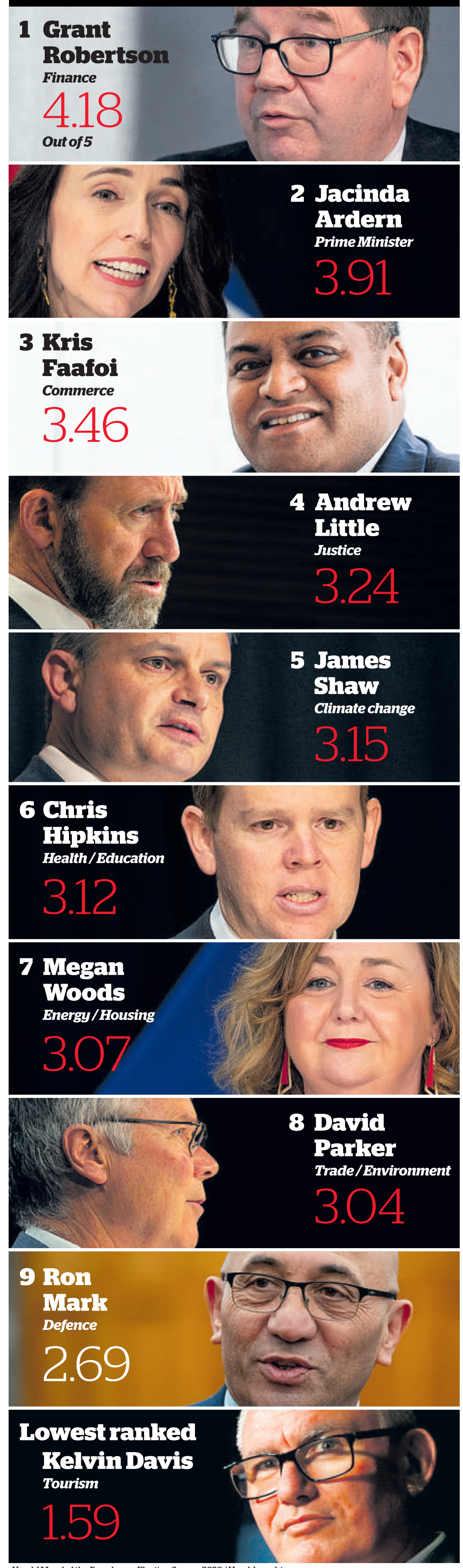
1. **Grant Robertson** (Finance) 4.18/5
2. **Jacinda Ardern** (Prime Minister) 3.91/5
3. **Kris Faafoi** (Commerce) 3.46/5
4. **Andrew Little** (Justice) 3.24/5
5. **James Shaw** (Climate Change) 3.15/5
6. **Chris Hipkins** (Health/Education) 3.12/5
7. **Megan Woods** (Energy/Housing) 3.07/5
8. **David Parker** (Trade/Environment) 3.04/5
9. **Ron Mark** (Defence) 2.69/5
10. **Damien O'Connor** (Agriculture) 2.67/5
11. **Stuart Nash** (Revenue/Small Business) 2.66/5
12. **Tracey Martin** (Children 2.60/5)
13. **Eugenie Sage** (Conservation) 2.57/5
14. **Winston Peters** (Deputy PM/Foreign Affairs) 2.47/5
15. **Peeni Henare** (Civil Defence) 2.38/5
16. **Carmel Sepuloni** (Social Development) 2.37/5
17. **Julie Anne Genter** (Women) 2.37/5
18. **Nanaia Mahuta** (Local Govt.) 2.2/5
19. **Jenny Salesa** (Building & Construction) 2.16/5
20. **Aupito William Sio** (Pacific Peoples) 2.15/5
21. **Poto Williams** (Community & Volunteer) 2.06/5
22. **Shane Jones** (Regional Development /Infrastructure) 1.89/5
23. **Willie Jackson** (Employment) 1.80/5
24. **Phil Twyford** (Transport) 1.61/5
25. **Kelvin Davis** (Tourism) 1.59/5

> The PM struggles from having a weak team, with only a couple of standouts.
>
> Investment funds firm boss

Cabinet KPIs

Cabinet Ministers and Ministers outside cabinet ranked by CEOs

Scale: **1** = **not impressive** to **5** = **very impressive**



Herald Mood of the Boardroom Election Survey 2020 / Herald graphic

Covid response seen as Coalition's big success

The Coalition received its highest marks from CEOs for its management of New Zealand's response to the Covid-19 pandemic.

In the 2020 Mood of the Boardroom CEOs Election Survey, chief executive respondents rated the Coalition's Covid-19 response at 3.59/5 on a scale where 1= not impressive and 5= very impressive. They were asked to assess the Coalition's performance on a range of indicators over its three-year term in office.

Managing the response to Covid-19 is also one of Prime Minister Jacinda Ardern's key KPIs where she was scored highly by chief executives.

Vector chair Dame Alison Paterson said the events of 2020, the mosque attacks and other extraordinary events tended to swamp other assessments.

"Had it not been for Covid, which is distorting the picture, the Government's performance on delivery in three years has been poor," added a funds firm head.

Predictably, the Coalition was marked down on its inability to make progress on two of Labour's 2017 campaign promises: Addressing the housing shortage and affordability issues (1.63/5) and progressing light rail in Auckland (1.54/5). "This is where the Government has not lead well," said a tech head. "The housing commitment of three years ago, fail. The child poverty stats and suicide rates are at an all-time high."

"On most of the policy issues the Coalition Government asked to be rated on they have done very poorly — most obviously child poverty and housing affordability," said a bank chair.

Finance Minister Grant Robertson was rated the Coalition Government's highest individual performer (see above). When it came to maintaining fiscal responsibility — an area which is seen as Robertson's core strength — CEOs rated the Coalition 2.98/5), slightly down on last year's rating.

"Grant Robertson's fiscal performance pre-Covid was good," said a tech director. "However, the government support for Covid needs to be more focused on building sustainable economic performance and not just funding consumption."

Other areas where the Coalition received pass marks were taking mental health seriously (3.01/5, supporting Maori and Pasifika aspiration (2.96/5) and addressing the climate change challenge through the Zero Carbon legislation (2.77/5)

The Labour-NZ First coalition were also rated well on their maintenance of strong international relationships coming in at 3.25/5 in a nod to the work of Ardern and Foreign Affairs Minister Winston Peters. Ardern, as NZ's chief diplomat, has focused on maintaining a workable relationship with China. Peters has made significant inroads with the US. Making progress on international trade agreements — a tough ask in the protectionist environment — was marked 2.78/5 despite the difficulties of actually nailing deals.

Overshadowing the Coalition's performance are questions of competency and the ability to execute where it received a 1.84/45 rating. "The Coalition has been weak in the delivery of their key policy priorities — to some extent excused by Covid," said an F&B director. "A major weakness is the ability to engage and mobilise the private sector. Statist tendencies are very strong and will greatly limit NZ progress if continued."

Ardern did not expect to form the Government and it shows," said company director and former National Finance Minister Ruth Richardson. "The bench is thin, the rookies have been abysmal and the rabid have had too much sway.

The core promises of transformation have not been met, most damagingly in child welfare and housing. "Budget slogans trumpeting welfare are sick spin in the face of mounting poverty and homelessness."

There is some sentiment that there is not sufficient consultation with business compared to the prior National-led Government and that the difficulties of coalition politics between Labour and NZ First had hampered implementation — particularly on Labour's core policies.

Coalition performance in key areas

Top performance
Management of NZ's response to Covid-19 pandemic: 3.59/5

NZ's place in the world
Maintenance strong international relationships: 3.25/5

Core business
Maintaining fiscal responsibility: 2.98/5

New agenda
Addressing climate change challenge: 2.77/5

Room for improvement
Transforming the economy: 1.76/5

2017 election commitments
Addressing housing shortage: 1.63/5

Ratings: NZ's response to Covid-19 (3.59/5); Strong international relationships (3.25/5); Mental health (3.01/5); Fiscal responsibility (2.98/5); Maori and Pasifika aspiration (2.96/5); International trade agreements (2.78/5); Climate change (2.77/5); Regional Development (2.46/5); Immigration policies (2.29/5); Children's wellbeing (2.27/5); Consultation with business (2.12/5); move to fairer tax (2.12/5); Policy execution (1.84/5); Transport constraints (1.77/5); Economic transformation (1.76/5); Housing shortage (1.63/5) and Auckland light rail (1.54/5).

MOOD OF THE BOARDROOM AGRICULTURE

Hurrell: 'NZ has goodness in spades'

Fonterra's CEO talks to the Herald about Covid-19 and his company's comeback

Herald: What score would you give New Zealand in its handling of Covid-19?
I haven't got a school-teacher bone in my body, so I'm not going to land on a grade. But I would say, I believe the overall health response has been effective, and the immediate economic response, fair. I think the opportunity from here lies in being able prioritise quality thinking on the right longer-term economic recovery initiatives and of course, continued discipline, and balance, required to manage health risk at the border.

Herald: As CEO of Fonterra, how do you see business playing a role in the recovery?
Kiwi businesses rely on thriving regions and economies across the country. As an export nation, customers around the world are relying on us, too — so I think we can, and absolutely should, be keeping New Zealand's Covid-19 recovery top of mind in business planning. As a food export business (and country), I do see some leverage developing for New Zealand in the wake of how we've managed Covid-19.
As a Kiwi co-op through and through, it's important to me that we create some advantage for New Zealand in the climb ahead.

Herald: Not exactly like for like, but can you share any learnings from your own recovery? Fonterra has made quite a come-back over the last year.
I have been reflecting on this. I agree it's not like for like by any means, but I'll apply some of the same general thinking around what's required for a successful business turnaround or recovery.

> On the world stage, with the exception of the odd critic, the Government's handling of Covid-19 has highlighted we're a safe and responsible country.
>
> Miles Hurrell

I'll rattle you through the main things that are working for us.
It comes down to us focusing on our strengths. For us, that's our unique pasture-based farming systems here in New Zealand and the nearly 150 years of dairy knowhow of our people. These together are capable of producing and making some of the highest quality and most nutritious food in the world.
We are pretty happy with what we have right here at home. Our scale and efficiency and global customer relationships have proved their resilience. When we're facing disruption, like with Covid-19, they enable flexibility to keep us productive at home and agile around in-market hotspots.
Another lesson is the importance of managing debt. Major discipline and tough calls around paying down debt sure have put us in a better position to weather any storms, and by getting onto this early, it has allowed us to focus on managing Covid-19.
Regarding the strengths we leveraged in our business reset, they're not unique to Fonterra.
Much of New Zealand's primary food sector has these attributes. Think about horticulture, red meat and the wine industry for example — we all share the same provenance story.
Covid-19 has built currency in the New Zealand food brand. On the world stage, with the exception of the odd critic, the Government's handling of Covid-19 has highlighted we're a safe and responsible country, which is good for export businesses. In terms of international recognition of New Zealand's unique provenance story, I reckon we've fast-forwarded a good few years.
It's an example of the accelerated prosperity that can come when business and Government are singing from the same song sheet.
New Zealand export businesses are out there every day promoting New Zealand's unique offering to world. That same message needs to be echoed from here domestically, for it to be credible and to translate into export revenue.
Yes, the country has some areas to improve, but let's focus just as much on what we have going for us — there's goodness in spades.

Herald: What are your hopes for the relationship between business and Government following the election? Does business have any reason to feel confident?
If I take anything out of this year, it is the value of people coming together around a challenge, good partnerships and the need for aligned goals between New Zealand owned business and Government, to support and grow a successful and more productive country.
We've come together pretty well over the health response to Covid-19, now we need the same determination and alignment on the economic response, so we as a country can harness any opportunities and come out of this thriving.
Ultimately, we want the same thing — New Zealand's success.

Blue Miles Hurrell's top issues

Top 3 issues facing the nation
1. The post-Covid economic recovery — Government and industry should work hand in hand to stimulate investment, jobs and growth.
2. Ensuring exporters have access to markets and customers — working with industry and like-minded governments to keep supply chains open and promote open markets.
3. Maintaining a strong & proud New Zealand. Leverage the NZ Brand and provenence credentials, including strong sustainability positioning and progress. Get everyone on the same page and promote NZ's unique place in the world.

Top 3 business priorities
1. Keeping our people safe and supported in the broadest sense
2. Navigating the uncertain global outlook, staying close to our customers, and keeping focused on delivering our business targets and performance promises in the short & long term.
3. Playing our part to support New Zealand — taking care of communities and the environment.

MOOD OF THE BOARDROOM

Sell to Kiwis to reduce national debt

A bipartisan plan detailing the timing of infrastructure projects will provide a boost to the economy, Forsyth Barr's Neil Paviour-Smith tells **Graham Skellern**

The Crown has myriad properties and assets and the Government should consider making some of them available for private investment to help reduce the national debt, says Neil Paviour-Smith, CEO of financial services firm Forsyth Barr.

"The sole focus seems to be simply on debt to GDP, but Crown net worth is significantly positive and deserves to be considered. The Crown has an enormous portfolio of assets," he says. The Treasury's Pre-Election Economic and Fiscal Update indicated net core Crown debt is forecast to peak at 55.3 per cent of gross domestic product in the 2024 financial year compared with 53.6 per cent outlined in the May in the Budget. As a result, net debt in dollar terms is expected to rise by $143 billion to $201 billion.

Paviour-Smith said one way of addressing the growing amount of debt is making some of the assets available for savers and investors who are struggling to find investments that have a reasonable yield.

He suggested health properties could be made available for private investment. "I'm not talking about privatising the health sector and selling hospitals. The properties that support the hospital operations could be freed up — the admin block, the outpatient blocks and other buildings.

"They would provide a very dependable yield that would be attractive to investors, and the investment could help with the upkeep of hospitals to help avoid issues like Middlemore. A whole range of properties and other Crown assets can be made available — investors are hungry for a place to channel their investments. Money is pouring into housing and the stockmarket.

"The mixed ownership model has highlighted how it can be done, keeping majority Crown ownership."

Paviour-Smith questioned whether the NZ Super Fund, which holds $47.5b, should continue. "It is worth debating whether to borrow money to invest in the fund despite the Crown's obligation to superannuation. The trade-off is a higher level of debt on the Crown's balance sheet. "At a personal level, if you found yourself in difficulty, out of work, borrowing money to fund living expenses and trying to pay off the mortgage, would you continue to own your holiday house and boat?

"Many people would sell them to reduce debt and consolidate."

Paviour-Smith said the Government and Opposition were trying to "out-infrastructure each other" with policies. This sounds good, but business and the public were keen to see investment accelerated and projects delivered. "New Zealand doesn't have the capacity to deliver all that is promised straight away — we should develop a prioritised, integrated plan.

"International parties would come to New Zealand to help accelerate the national infrastructure programme if they could see a carefully thought-out five to 10 year plan. If we are spending $30-40b over that period, it would be great to know how much is going to be spent each year and on what.

"It doesn't mean the plan is locked in place — it can be continually reviewed, but it would have the effect of taking away the political machinations and the lack of progress.

"The Labour Party has had to balance the challenge of having two coalition partners with competing views of what the priorities are. It makes it difficult to set out a clear, long-term pathway — but that could be the role of the Infrastructure Commission or a new Futures Council to solve it."

During the Covid-19 crisis, Paviour-Smith's firm increased staff numbers by about 5 per cent because of the growth in business. "We are on the front foot and there's quite a range of opportunities in our industry.

"We don't hold the view that the tough times will prevail. The factors driving our business haven't changed and people want advice on how to invest in the low interest environment. During the lockdown we took on clients at a faster rate than we have done before. Maybe people had time on their hands and they decided they wanted to do something with their investments and consolidate.

"For good reason people were uncertain. There was significant volatility and in that environment, advice is valuable."

Paviour-Smith said his firm would continue to invest in digital. "We want our clients to connect with their investments anywhere, any time on any device. We build strong relationships around investment advice, and data science is a growing opportunity to provide better outcomes."

He is also hoping, post-Covid, that regulations will be simplified to encourage innovation and growth. "Take the anti-money laundering regulations, which are important. 'But once you are checked, identified and verified by the provider or bank, then why do we burden people with the same process with another financial services provider?

"It's an example of a barrier to change and efficiency in the system. We can be doing things a lot more simply," he said.

> We can reduce national debt, while creating investment opportunities for New Zealanders.
>
> Neil Paviour-Smith CEO Forsyth Barr

Neil Pavior-Smith's top issues

Top 3 issues facing the nation

1. Re-entering the world post-Covid — a different approach is needed: maybe adopt the smart Taiwan-style approach. (New arrivals in Taiwan can quarantine at hotels, Airbnbs or a private home, but are electronically monitored and face steep penalties for breaches).
2. Lack of progress on infrastructure investment — produce an integrated, 10 year rolling, time-lined construction programme to create certainty and enable planning
3. Collapse of large chunks of the economy — particularly tourism and international education — adopt a measured approach involving the private sector in managing border issues and isolation.

Top 3 business priorities

1. Expand the company's base further, taking advantage of opportunities in the financial services sector.
2. Reset regulatory expectations — make processes more simple and strike out inefficiencies to help investment and growth.
3. Digital investment — responding to the evolving needs of customers.

MOOD OF THE BOARDROOM

CEOs grade the National leaders

Collins tops the poll, Muller's appointment is seen as a mistake, but there is praise for Bridges' performance

Tim McCready

National enjoyed stable leadership, with John Key serving just over 10 years, followed by Bill English, serving one year 77 days until he stepped down just months after the 2017 election.

Tauranga MP Simon Bridges was chosen to replace English as National leader in February 2018. He battled poor individual ratings but maintained popularity for National at around 40 per cent in political polls until the Covid-19 pandemic struck.

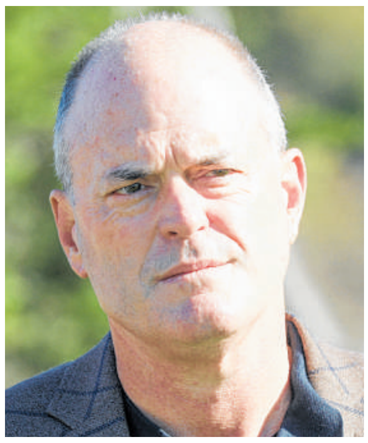
In the *Herald's* 2020 Mood of the Boardroom survey, CEOs gave Bridges' leadership of two years 85 days a rating of 2.40/5.

"Bridges was highly ineffectual as a leader and did not engender confidence," says one company director.

A government relations firm boss said that despite Bridges being a good person, he had little personal connection with voters – "but he got National into a superb position before Covid-19".

Bridges chaired the cross-party epidemic response committee during the alert level four lock down, receiving praise for his handling of the daily online forums which covered issues from health, media, tourism and the economy.

But he was also heavily criticised for his decision to commute between Wellington and his home in Tauranga during the lockdown to conduct the committee via Zoom. Bridges said then: "I don't take these things lightly, but I am the leader of the Opposition, I've got constitutional duties, I'm running a committee in extreme circumstances where there is no Parliament.



From left: Simon Bridges, Todd Muller, Judith Collins.

"I have to do that in the best way possible and it seems to me that does mean doing it in Parliament where I have the resources, where I can do it in a professional way, and I'm available to media."

A Facebook post from Bridges in April also received wide condemnation from the public."The decision for New Zealand to stay locked down in Level 4 shows the Government hasn't done the groundwork required to have us ready," he wrote.

"New Zealand is being held back because the Government has not used this time to ensure best practice of testing and tracing and the availability of PPE hasn't been at the standard it should have been."

Of 29,000 Facebook responses the majority were negative. In retrospect, Bridges' post had merit, but his delivery showed he seriously misread the mood of the nation at that point.

Said a transport CEO: "Bridges was probably an effective leader of the Opposition, but not well liked enough to get elected Prime Minister".

By May a Newshub-Reid Research Poll showed National's support had fallen to 30.6 per cent with Labour drawing ahead on 56.5 per cent. An emergency caucus meeting saw the swift removal of Bridges and deputy Paula Bennett as the little known Bay of Plenty MP Todd Muller and former Auckland Central MP Nikki Kaye were elected as leader and deputy respectively.

How they rated

- Simon Bridges 2.40/5
- Todd Muller 1.77/5
- Judith Collins 3.52/5

CEOs rated the National's three leaders on a 1-5 scale 1-5 where 1=not impressive and 5 =very impressive

Muller has been a staffer in former Prime Minister Jim Bolger's office. He later worked for Zespri and Fonterra. In a letter to MPs ahead of the caucus vote, Muller said it was "essential" that National win the 2020 election.

"I share the view of a majority of colleagues that this is not possible under the current leadership," he wrote. "I believe I am best placed to earn the trust of New Zealanders by September 19."

But Muller's stint in the top job was short-lived – at 53 days the shortest in modern National Party history. "Unfortunately – a number of misfires with Todd materially challenged through time in the role," says Deloitte CEO Thomas Pippos.

These included criticism of a lack of diversity on his front bench, distractions over his Donald Trump 'Make America Great Again' cap, and the leak of confidential information of Covid-19 patients to media by former National Party president Michelle Boag and National MP Hamish Walker.

A company director said it is difficult to assess Muller because "he was obviously in the middle of a toxic and tumultuous period for the party." Another wrote he "was pushed by inexperienced colleagues and self-serving advisers into a job he wasn't up to and that mistake severely damaged National."

At the time of his surprise resignation he said that the role had taken a heavy toll on him personally and "has become untenable from a health perspective".

"It has become clear to me that I am not the best person to be leader of the Opposition and leader of the New Zealand National Party at this critical time for New Zealand."

CEOs rated his performance at 1.77/5.

His successor, Judith Collins, placed both Muller and Bridges on her frontbench as spokespeople for trade and foreign affairs, respectively.

The head of a fund manager probably best sums up sentiment among respondents: "No point going over old ground. That's in the past now."

With Judith Collins receiving a significantly higher rating compared to both her predecessors for the same question of 3.52/5 and just 19 days until the election, perhaps that is right.

Top-rankers suffer from a spell of invisibility

Tim McCready

CEOs say the majority of National's top 10 need to raise their profile.

"I don't know them," says the CEO of an IT company. "Hardly heard of most of these people," says another. An agricultural boss reckons "many of them are not visible." From a winemaker: "It is not appropriate to comment – I am unfamiliar with their efforts."

For this reason, a high proportion of respondents gave "Unsure" votes to National's highest ranked MPs.

For example, MPs including Shane Reti, Chris Bishop, Louise Upston and Scott Simpson all received "Unsure" responses from over 20 per cent of respondents.

Some of this will likely be due to the fact that the leader inevitably overshadows the rest of the caucus – Judith Collins received the top score with an average rating of 3.55/5.

"She is more decisive and articulate than her two immediate predecessors," says a top lawyer.

"Her leadership qualities were immediately obvious from her first press conference as leader, and from the way in which she ranked her front bench, incorporating both Simon Bridges and Todd Muller," says a director.

Recently appointed health spokesperson Shane Reti has clearly benefited from the ongoing Covid-19 health and border response coverage. Those who know who he is have given him the second highest score of 3.29/5 – almost eclipsing Collins.

Meanwhile National's deputy leader Gerry Brownlee received a score of 2.79/5 – taking a hit due to the comments he made around the Government's Covid-19 response.

In a press conference last month alongside Collins, Brownlee outlined several events and said they were an "interesting series of facts". They included the Government's plea to the public to prepare for a possible outbreak, Prime Minister Jacinda Ardern's visit to a mask factory, and Director General of Health Ashley Bloomfield's public Covid-19 test just hours before announcing the community outbreak in Auckland.

> I don't know them.
>
> IT company CEO

> Hardly heard of most of these people.
>
> IT company CEO

> Many of them are not visible.
>
> Agriculture boss

> I am unfamiliar with their efforts.
>
> Winemaker

How Boardroom rates National's 'Top 10' front bench

(Scale 1-5 where 1=not impressive' and 5=very impressive')

	1	2	3	4	5	Unsure	Weighted average
Judith Collins Leader	3.25% 5	5.19% 8	32.47% 50	48.05% 74	8.44% 13	2.60% 4	3.55
Shane Reti Health	2.61% 4	14.38% 22	26.80% 41	20.26% 31	10.46% 16	25.49% 39	3.29
Paul Goldsmith Finance	3.25% 5	20.13% 31	33.12% 51	32.47% 50	8.44% 13	2.60% 4	3.23
Chris Bishop Infrastructure	4.55% 7	16.88% 26	33.77% 52	20.78% 32	3.90% 6	20.13% 31	3.03
Todd McClay Economic Development	4.58% 7	18.30% 28	36.60% 56	20.26% 31	1.31% 2	18.95% 29	2.94
Gerry Brownlee Deputy leader	12.99% 20	20.78% 32	35.06% 54	22.08% 34	2.60% 4	6.49% 10	2.79
Simon Bridges Foreign Affairs	9.74% 15	28.57% 44	31.17% 48	25.97% 40	0.00% 0	4.55% 7	2.77
Louise Upston Social Development	8.44% 13	22.08% 34	27.27% 42	8.44% 13	0.00% 0	33.77% 52	2.54
Scott Simpson Environment	9.09% 14	22.73% 35	22.08% 34	8.44% 13	1.30% 2	36.36% 56	2.53
Todd Muller Trade	19.61% 30	33.33% 51	21.57% 33	7.19% 11	0.00% 0	18.30% 28	2.20

"Gerry Brownlee didn't do himself any favours by coming across as a conspiracy theorist," says the head of a commercial law firm. "There is enough of that sort of nonsense around and an apparent endorsement from the deputy leader of the opposition is unhelpful."

Heading into the 2017 election, Bill English's top 10 combined received an average rating of 3.34/5 in the Mood of the Boardroom survey. This year, the combined average is 2.99/5.

Some of National's most high-profile talent have departed politics this term – including Anne Tolley, Paula Bennett, Nikki Kaye and Amy Adams – and comments from some respondents suggest that this may have contributed to to the lower score for the top 10 this time around.

"This weakened team hardly fills me with confidence," says a fund manager. "I see no depth in this party and no ability to sing from the same song sheet. I have no idea what they stand for, other than negativity and dirty politics," says an IT CEO.

"There are pockets of ability and lots of some who haven't quite worked out where they are going at the moment," says a lobbyist. "They are a party in transition who – like Labour numerous times in the Key era – panicked over leadership when confronted with a PM with charisma and talent."

Suggests one professional director: "We need to see the energetic young Nats coming through – Nicola Willis, etc."

MOOD OF THE BOARDROOM

Seymour a single-handed success

CEOs say Act leader David Seymour has been a standout in Parliament and a de facto leader of the opposition, writes **Tim McCready**


David Seymour has come a long way since Dancing With the Stars.

When asked whether Act leader David Seymour has been an effective leader of Act over the past three years, 91 per cent responded, Yes. Just 3 per cent said No, with 6 per cent unsure.

"No matter what your political persuasion it would be hard to go past Seymour as the most effective minor party leader," says a transport boss.

A telecommunications CEO says: "I have never rated him, but he has come from nowhere to be the most impressive MP — after the Prime Minister."

"The surprise this year has been the development of David Seymour who can look back on this last term with a degree of satisfaction around achieving some tangible outcomes from an unenviable position in the House," says Deloitte CEO Thomas Pippos.

CEOs were asked to rate Seymour's political performance over the past three years on a scale where 1= not impressive and 5= very impressive. He received a score of 4.03/5 — the highest of all minority political party leaders.

"David Seymour has been most impressive over the last year," reckons Precinct Properties chair Craig Stobo.

"David Seymour continues to impress on a regular basis. He is not afraid to take a stand on controversial matters," says an IT service provider. Though another says they disapprove of his "unfortunate association with NZ's version of the NRA".

A strength that came through repeatedly from respondents in the 2020 Mood of the Boardroom survey was his ability to communicate effectively. "He can deliver a crisp soundbite with authority (and sometimes humour) reflecting the views of his voter base," says the head of a Crown entity.

His abilities were demonstrated during the lockdown. He impressed during the epidemic response committee hearings, praising Prime Minister Jacinda Ardern for the initial response but also forensically examining aspects of the response — including the management of data, issues with PPE, testing rates and contact tracing capabilities. Though he was supportive of the lockdown, he opposed certain aspects — including the shutdown of Parliament — and called for the allowance of safe activities. "David was magnificent on the epidemic response committee during lockdown," says professional director and former minister of finance Ruth Richardson.

"He represents the finest political leadership — lucky us that a person of his calibre, especially as a one-man band, is so dedicated to his mission to make New Zealand a better country."

De facto leader of the Opposition

The tone he struck during lockdown has been praised — in contrast to that of then-Opposition leader Simon Bridges — and led to some executives suggesting Seymour has become the de facto leader of the Opposition.

"David Seymour has really developed and thrived in this environment," says a top winemaker. "He is concise, clear and asks questions that the Nats should."

A real estate CEO reckons he "is a one-man leader of the Opposition."

"He has shown up the Opposition Party," says a leader in the healthcare industry.

Adds another: "He is growing in his effectiveness to present alternative arguments. We need that for good government."

"David Seymour is beginning to act like a real alternative with sound and pragmatic policy and comment," says Mainfreight CEO Don Braid.

A professional director says "Seymour comes across as someone who does the hard work, thinks about issues and is willing to challenge. We need Opposition parties to do exactly that. "

A bolstered party

The recent *1 NEWS* Colmar Brunton poll puts Act at 7 per cent (compared to the 2017 election result of 0.5 per cent), and indicates Seymour will return to Parliament with an additional eight MPs.

"He is measured, constructive and principled and the voting public notice and appreciate — look for a 10 per cent vote for Act," predicts Richardson.

A fund manager says: "Seymour has hung in there but will do well this election only because of the protest votes against National where centre/right voters have little else to go."

One respondent suggests "Life will be different for Seymour next term if he has a caucus to lead and unite, and he has some interesting characters in there. He will need to work hard to ensure he doesn't have the same experience as Peter Dunne."

> He has come from nowhere to be the most impressive MP — after the Prime Minister.
>
> Telecomms CEO

End of Life Choice

Seymour's major success has been the introduction of the End of Life Choice Bill. The bill — which will give people with a terminal illness the option of requesting assisted dying — passed its final reading in Parliament last year, four years after Seymour put it into the ballot box. The binding referendum will take place this month in conjunction with the general election.

CEOs credit the ability of Seymour to get the bill through the hurdles of Parliament and say it speaks to his hard work, tenacity, and willingness to tackle the important issues as he seems them — and not "yoyo for political gain".

"It has been an impressive outcome for the euthanasia bill," says The Icehouse CEO Gavin Lennox.

"He has been willing to take a position when convinced that it was the correct position to take," says a professional director. "This allowed him to successfully get the End of Life Choice Bill through Parliament — despite being only a single MP."

The Green Party: A tale of two leaders

Tim McCready


Green Party leaders James Shaw and Marama Davidson.

CEOs struggle with the Green Party's co-leader model and the differing styles of their two leaders James Shaw and Marama Davidson.

Shaw's centrist, corporate style is representative of the modern climate activist and is well received in the business community. He was rated at 3.21/5 for his individual performance — although his recent missteps with funding the Green School did not go unnoticed.

He was forced to apologise for an "error of judgment" over funding for the privately-run environmentally-focused school in Taranaki where he signed off an $11.7m grant — despite the Green party's exclusion on funding for private schools.

Says an agri sector boss: "James Shaw is impressive, with the exception of the Green School decision." A real estate CEO counters, Shaw "has been unfairly thrown under a bus on the recent Green School row. Madness. How much are we talking about $70m for race tracks?"

In stark contrast to Shaw, Davidson received a rating from business leaders of just 1.85/5.

"James Shaw has good leadership on climate change, little else has resonated especially from Marama Davidson," says Federated Farmers CEO Terry Copeland.

Davidson entered Parliament in 2015 after a 10-year career at the Human Rights Commission that brought life to her activist and social justice foundations. She is reminiscent of the Green Party of old — not the slicker political machine they have become.

She became co-leader following the controversial departure of Metiria Turei just prior to the 2017 election. Her selection was strongly supported by more than 75 per cent of the Green Party membership, which demonstrated a strong desire to reinforce the party's social priorities and have an opposing force to Shaw's co-leadership.

Clearly the two-pronged approach comprising social and environmental priorities, does not resonate well with New Zealand's top business leaders. But this is a deliberate strategy by the political leadership to play to their strengths. Davidson has said the leadership split means she is able to focus on the party and ensure the full delivery of their confidence and supply agreement, while maintaining unity across party membership.

"With one leader as a Minister and one not we are able to avoid the pitfalls other parties entering Government have experienced who have seen their support fall," she said.

A banking chair believes "Shaw has had a positive impact on how many NZ voters see the Green Party; Davidson has had a negative effect.

Green issues

Deloitte's CEO Thomas Pippos says although he can't see it happening, "I would expect the Green Party would be more successful if it focused primarily on Green issues for which there is a broad constituency." An independent chair was more on the nose, suggesting: "They are not Green. They are just diehard socialists."

Another suggests "James Shaw again demonstrates why he should quit the Greens and form a (real) Green party."

But a real estate boss reckons the Greens are doing well to tiptoe a difficult line between Green Party members and Green Party voters. "I'm not a Green Party supporter or voter, but believe that we need their voice."

In 2016, when John Key was Prime Minister, the Mood of the Boardroom CEOs suggested an alliance headed by Jacinda Ardern and Shaw could be a "dream team".

Shaw as a possible Deputy Prime Minister is a real possibility if the Greens form a coalition government with Labour following the election. His elevation would be applauded by many business leaders. But the greater visibility would undoubtedly bring its own challenges — for both the Greens and the electorate.

Leadership

Business leaders are divided over whether Shaw and Davidson have been effective leaders of the party over the past three years. Some 38 per cent of respondents to the Mood of the Boardroom election survey said Yes; 40 per cent said No; 22 per cent were unsure.

The Green Party says in its three years as the Coalition's support partner it has led the way in tackling climate change, reducing inequality and protecting nature.

One of its most significant policy wins was the passing of the Climate Change Response (Zero Carbon) Amendment Bill. The Greens say the landmark legislation "provides a framework to support New Zealanders to prepare for, and adapt to, the effects of climate change... and is a key part of the Government's plan to tackle the long-term challenge of climate change."

The party was also responsible for a $1.1 billion environmental investment in this year's Budget, which it says will create thousands of green jobs and help jump start a sustainable recovery from the Covid-19 crisis.

Its influence in government ended new offshore oil and gas exploration and saw the banning of single-use plastic bags.

But despite these achievements, comments from New Zealand's top business executives demonstrate the challenge minor parties have to retain distinct identities and receive credit for their successes while in coalition government.

The chief executive of a food distributor says the Green leadership "don't appear to have been able to leverage their position in the coalition to advance too many of their causes".

"They have not found the traction they should have," says Mainfreight CEO Don Braid.

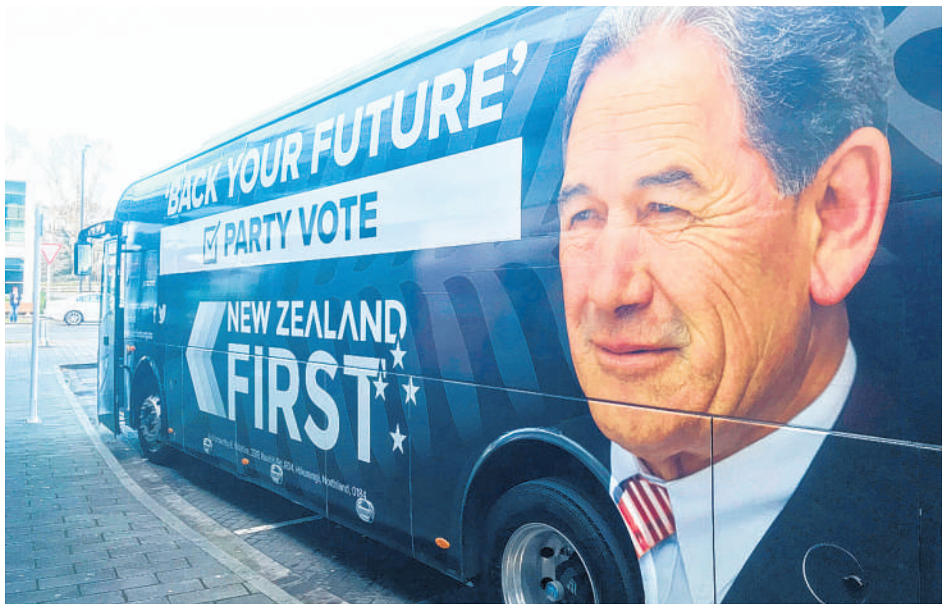
A Crown entity boss says, "James Shaw has been highly impressive and is right to state that his party — alongside Labour — has done more to address climate change this term than any other government in passing the Zero Carbon Act."

The CEO of a professional services firm agrees saying the Greens "have survived the three-way coalition and got the Zero Carbon Act passed. Well-placed for just a Labour-Greens coalition at the election."

● Page B24: Green's proposed wealth tax not supported by CEOs

MOOD OF THE BOARDROOM

Winston Peters switches from brake to accelerator



The NZ First bus outside the campaign launch in Highbrook, East Tāmaki.

Fran O'Sullivan

Chief executives are divided on whether Winston Peters has been an effective leader of NZ First over the past three years.

Some 45 per cent of respondents to the Herald's 2020 CEOs Election Survey said he had; 42 per cent disagreed and 13 per cent were unsure.

Balance Agri-Nutrients chief executive Mark Wynne said Peters has been a balancing force in the coalition. "But I don't think he has done much to build the NZ First brand and they will suffer as a result at the election."

Peters was effective in the sense he has pulled his coalition partner back on some unpalatable policies, explained a funds firm boss. "The acid test will be whether NZ First is back in Parliament after the election."

Peters is now fighting for his party's political life. He is strenuously campaigning throughout New Zealand in an effort to boost NZ First's flagging popularity in the hope it can net more than 5 per cent of votes and make it back into Parliament.

Sentiment towards the NZ First leader among senior business leaders has changed over the past three years. In 2018, 59 per cent of CEOs credited Peters as being a "better than expected" acting PM while Jacinda Ardern was on six weeks maternity leave; with a further 40 per cent saying he performed to expectation. In 2019, he was credited as a "voice of reason". Some two-thirds of CEO said Peters' moderating influence on Labour within the Coalition had produced better outcomes for business and farming communities.

"NZ First does great work behind the scenes to protect the country from mad policy calls," added a government relations firm boss.

"He's certainly had quite a significant impact on Government policy — in foreign policy, in blocking the capital gains tax, in blocking light rail in Auckland, in blocking a settlement of the Ihumatao dispute," said a bank chairman. But his party's very low polling suggests he hasn't been "an effective leader".

Being the Coalition handbrake comes with a cost. With just weeks to the October 17 election, some question whether he has lost some of his appeal to his traditional fan base. "He may have been okay for NZ First but not for New Zealand, the polls will tell the story," was a typical comment.

Some criticism was pungent.

A marketing chief said, "he is too emotional — putting his own personal grievances ahead of the needs of the country eg, the High Court case vs National ministers (over the leak of his National Super overpayments at the time of the 2017 election).

"The continued questions around the NZ First Foundation and his personal lawyer's involvement lacks transparency. This is more 1980s behaviour than 21st century."

An investment firm boss added, Peters has caused NZ's reputation for transparency and low corruption to be sorely tested.

Countering these comments was approval of him as an effective Foreign Minister, said a leading banker. A funds firm boss summed up: "Personally, I don't have any time for Mr Peters, but he is always true to label and he does an incredible one man job keeping the party afloat over many, many years."

Provincial Growth Fund

The $3 billion regional development fund was an NZ First policy win during its coalition negotiations with Labour in 2017. But Peters' decision to put it under NZ First MP Shane Jones' wing has been problematic.

The NZ First leader was criticised over his "inability to clearly direct and control Shane Jones and delegate consistently to other members of his caucus".

Beca Group CEO Greg Lowe said the PGF targeted regional investment which is needed, particularly in infrastructure. "The scale of investment needed however, and the speed with which it needs to be delivered, is greater than the mechanism."

A legal firm boss said it was a mixed bag so far. "Some projects are worthwhile but the fund is open to criticism for being a tool designed to generate political benefits for NZ First rather than a government initiative designed to benefit regions."

Other CEOs were unkind: "A slush fund to garner votes", "pork barrelling on a breathtaking scale", "ill-focused lolly scramble with no apparent business case", and "a disaster reeking of 3rd world politics" were typical comments.

Others said it was the right idea but poorly executed and with a lack of rigorous accountability mechanisms in place."We needed a fund but the criteria for decision-making has allowed too much discretion for ministers and not enough focus on merit," said a legal firm boss.

"Much more could have been done. The shovel-ready projects put forward to Crown Infrastructure Partners were the result of an urgent call to get the economy going after Covid-19. The same ambition should have been in play straight away for the PGF," said Sanford's outgoing CEO, Volker Kuntsch.

Said a company chair: "this 'bauble of office' has been a money spray with little or no accountability and a shocking indictment of those involved in agreeing to this during coalition negotiations."

Labour has said it will replace the PGF with a $200 million Regional Strategic Partnership Fund.

RBNZ facing historic challenges

Most business leaders see current monetary policy conditions as sufficient to get NZ through the crisis

Mood of the Boardroom
Liam Dann

Should the Reserve Bank cut interest rates below zero? Should it print more money to stimulate the economy?

There are some historic challenges facing Reserve Bank Governor Adrian Orr and his team this year as they assess the damage being done the economy by Covid-19 and moves to contain the spread of the virus.

Although the Mood of the Boardroom survey results suggest solid support for the actions taken so far, business leaders are divided about the next moves.

67%
of respondents were against negative interest rates
15%
in favour
18%
unsure.

The global pandemic has already seen the Reserve Bank slash the official cash rate by 75 basis point to just 0.25 per cent.

It has also launched a Quantitative Easing programme, following the lead of the US and Europe, in an attempt to maintain liquidity in the local bond market and support the Government's massive Covid-19 borrowing plans.

The Reserve Bank now has scope to buy up to $100 billion of Government bonds in the secondary market by June 2022.

It has also put on hold a policy move to increase the capital requirements of our major banks.

That was one of the most divisive issues for the RBNZ last year.

But the decision to put it on hold was widely supported by business leaders with 81 per cent of Mood of the Boardroom respondents saying it was the right call.

Adrian Orr remains confident the RBNZ has enough policy options .

Last year the survey found more than 43 per cent of respondents saw the capital ratio increase as a sound move to protect the New Zealand financial system.

Just 17 per cent of business leaders believed the increase would be a major impost on bank shareholders and nearly 35 per cent said they would be affordable given the level of banking profits.

But with banks having already made good progress towards the target and the need to ensure short term liquidity, the RBNZ didn't hesitate to put the capital ratio increases on ice.

"Regulatory Bank capital increases are a long structural game," said Ballance Agri-nutrients chief executive Mark Wynne.

"We need strong banks and provided this "hold" is relatively short, it was a good thing to do.

"However, it can't be put off indefinitely — there will be plenty more bank challenges ahead."

Business leaders were more divided over the RBNZ's next moves.

The decision to put a policy move to increase the capital requirements of our major banks was widely supported

81%
of Mood of the Boardroom respondents said it was the right call.
43%
of respondents last year saw the capital ratio increase as a sound move.
17 %
of business leaders believed the increase would be a major impost on bank shareholders
35%
said they would be affordable given the level of banking profits.

The prospect of negative interest rates did not appeal to 67 per cent of respondents. Just 15 per cent thought they were a good idea while 18 per cent were unsure.

When comes to expanding the RBNZ's quantitative easing respondents were more positive.

Nearly half (43 per cent) were in favour of further QE, 29 per cent were against and a similar number (28 per cent) were unsure.

Overall the results suggest a significant portion of business leaders see current monetary policy conditions as sufficient to get New Zealand through the crisis.

But they may also reflect a belief that monetary policy is reaching the limits of its power.

Reserve Bank Governor Adrian Orr has remained confident that the RBNZ has enough more policy options at its disposal — including cutting rates into negative territory.

The Reserve Bank has warned the banks to be ready for negative interest rates before the end of the year.

All the major bank economists now expect to see negative rates deployed early next year as the economic downturn drags on.

Westpac economists, the first to make the call, sees the RBNZ cutting the OCR to -0.5 per cent in April.

But Westpac chief executive David McLean isn't convinced.

While the bank would be ready for them he did not think they were effective.

"Negative rates would have adverse effect on confidence and be anti-stimulatory," he said.

Independent economist Cameron Bagrie is also sceptical. "I'm not a believer in negative rates. More effective (better executed) fiscal policy is a far better option."

But others felt it was important for the RBNZ to keep all the available tools on the table.

On the QE front there is still a long way to go before the RBNZ hits its current policy limit.

As at the last Monetary Policy Statement, the RBNZ had purchased $23 billion worth of Government bonds.

It also has options to purchase a wider range of assets including local government bonds and internationally issued bonds.

Whether that will ultimately be needed depends to a large extent on how long the pandemic drags on and how deep damage to the local economy runs.

That no doubt explains the large proportion of respondents who are unsure about the need for more.

Governor Orr has been cautious to emphasise that any moves the RBNZ makes depend on the conditions and economic context at the time.

Whether further monetary policy easing is required remains to be seen.

But we should hope it isn't.

Not just because of concerns about policy tools reaching their limits, because that would represent another slide in the economic conditions.

Opposing views

"Given banks have managed the live stress test of Covid-19, the question is why increase bank capital levels (and decrease funds available to businesses) to such globally high levels."
— Media firm boss

"Orr is misreading the underlying strength of the economy. The last thing New Zealand needs is still lower interest rates — it will support a housing price surge and lead to limited or negative economic benefit."
— David Cunningham, CEO The Co-operative Bank

"Orr should keep all of the above on the table, and use as necessary. The power of suggestion is as important in the role of a central banker as the power of actually doing things. I also think the responsible lending code needs to be reviewed; banks are reluctant to lend despite all Orr & Robertson are doing to encourage it."
— Property management CEO

Pandemic has accelerated change

Tamsyn Parker

The banking industry is preparing to wear the impact from the economic down-turn caused by Covid-19 but one major bank boss says the full pain won't become clear until early next year.

David McLean, chief executive of Westpac New Zealand, believes the country will carry on a slow decline through the spring housing market, the election and Christmas.

"It won't be until the first quarter of next year, we will see how deep the pain will be."

Fortunately banks entered this crisis with strong balance sheets and have continued to lend to both business and retail customers. But credit has tightened and mortgage brokers say getting a loan requires answering more questions than ever before.

Nearly 150,000 consumers loans — mainly home loans were either on deferred or reduced payments adding up to $50.6 billion as of August 31 — 17 per cent of total consumer loans.

Banks have also put aside large provisions for expected loan defaults. The percentage of non-performing loans has crept up but remains low — under 1 per cent for most of the major banks.

David MacLean says the Covid downturn is something the industry has to live with.

McLean said the economic downturn was something the industry just had to live with and it was trying to see Covid as a disruptive event and look at how it can harness the benefits.

The lockdowns have also accelerated underlying trends that were already happening such as the move to digital.

McLean said New Zealand's first nationwide lockdown in March showed banks that Kiwis were largely able to cope without having to go into a branch. "The first lockdown showed people were able to continue banking with branches largely being shut."

Westpac was only allowed to open around 30 branches for one day a week and McLean said there was no sign of queues at the time.

The pandemic has also seen cash become more scarcely used as it is viewed as unhygienic, along with the rise of contactless payments.

Banks temporarily dropped fees for contactless debit payments for small businesses although most have brought them back now at a lower level than they were pre-Covid.

The Labour party has also promised to regulate the fees to bring them down further if they are re-elected to Government.

And cheques will virtually disappear next year with all the major banks signalling they will follow Kiwibank in stopping the acceptance of them.

McLean said many of the changes were already happening in banking but Covid accelerated them. "I think it will accelerate not just closures but how bank branches look."

He said in the past branches were there to give people access to cash and to bank it and because of that they were built near where people were. But a branch was now somewhere people were more likely to go to talk about a more complicated financial decision like getting a mortgage or business loan.

"This happens far less often."

That meant people might be prepared to travel further for something they don't need to do on a regular basis.

Instead of queues to see a teller, branches could involve more meeting rooms with the role of the banker more about giving guidance, he said.

But the caveat was while that worked for 85 to 90 per cent of the population there was still an older demographic which didn't trust technology and another group that for poverty reasons did not have access to a smartphone or internet access which allowed them to bank online.

"We in banking need to think about how do we help those people."

But McLean said he did not believe the solution lay in keeping a whole lot of branches open. "That is a cop-out way of dealing with it."

He would rather come up with solutions like finding ways to get smartphones to those who need it.

He also questions whether banking products are currently suitable to helping those in a more vulnerable financial position.

"If you want to buy a house we have a suitable product. If you are struggling and using a payday lender, probably we don't have the product for you and can't even get to you."

He said some banks had moved to help people in that position but more needed to be done.

Rural and small town branch closures have upset many customers in recent years with some having to travel long ways to access banking facilities.

The banks came to an arrangement with the Government to put a pause on those closures and trial regional banking hubs instead.

The opening of the first was due to happen in April but was delayed because of Covid and is now targeted for November.

MOOD OF THE BOARDROOM | BANKING

The mood is against MMT

Business leaders aren't buying into debt writeoff, finds **Liam Dann**


Jim Bolger

As New Zealand's sovereign debt mountain grows, so too do calls to simply write it all off.

The most prominent advocate for what's known as Modern Monetary Theory (MMT) is former National Party leader Jim Bolger who has argued that we should cancel our debt.

"Since most of this money we're spending now has just been created by the Reserve Bank, its owed to nobody, we should look seriously at writing most of it off," Bolger told TV3's *AM show* last month.

Reserve Bank Governor Adrian Orr has pointed out the Reserve Bank buys government bonds on secondary markets rather than directly from the Crown.

The purchases are retained on the central bank's balance sheet with the assumption (and expectation of global financial markets) that it will be repaid by the Crown.

On that basis any decision about repaying it — or not — rests with the Government.

For the record, Finance Minister Grant Robertson has ruled out any prospect of a sovereign debt write-off.

And for the most part, business leaders aren't buying into the idea either — although opposition was not as overwhelming as it might have been in previous years.

The Mood of the Boardroom 2020 survey found just 20 per cent of respondents agreed with Bolger that it was a viable option.

Just under half (47 per cent) were opposed. Another 33 per cent said they were unsure.

Those against were certainly emphatic with their opposition.

"The road from central bank monetisation of government finance leads to Zimbabwe and Venezuela," declared Roger Partridge, chair of The NZ Initiative.

"Social credit style craziness," said an investment firm boss. "If that worked then just borrow $1 trillion and do the same."

"Unfortunately, Mr Bolger doesn't understand much about the way the Reserve Bank works. Most government debt is owed to banks, insurance companies, KiwiSaver accounts and others who need the debt repaid." said a banking sector chair.

There was notably not much more enthusiasm from those who said they were unsure: "There is no such thing as a free lunch, so someone pays eventually!" said Ballance Agri-Nutrients chief Mark Wynne.

"Sounds appealing but there must be a catch," said the boss of legal firm.

With the prospect of up to $100 billion in new Government debt being funded on to the Treasury books by the Reserve Bank's Quantitative Easing programme, the calls to consider MMT aren't likely to down anytime soon.

But business leaders — even relatively liberal ones — are going take more convincing it seems.

As Simplicity founder and chief executive Sam Stubbs puts it: "Debt is debt and it needs to be repaid."

> "There is no such thing as a free lunch, so someone pays eventually!"
>
> Mark Wynne
> Ballance Agri-Nutrients CEO

Opposing views

"The increase in Government debt is one of my biggest worries for NZ going forward. It took us 30 years to get debt down to prudent levels and it's only going to take 18 months to blow it right back out. Much of the expenditure is of very poor quality and won't result in a better NZ in the long term. We are now also very vulnerable if another disaster was to occur.
— Paul Glass, Devon Funds Management

"We have the ability of pivot our economy to the new opportunities and grow our way out of the debt mountain, but only if business and Government can work more effectively together and align on the key enablers that needs to be put in place. The conversation is there, but not the alignment. Without the alignment, private sector investment will be too slow.
— Infrastructure boss

MOOD OF THE BOARDROOM | TAX

Greens' wealth tax 'too difficult to implement'

An overwhelming number of CEOs — 76 per cent — in the *Herald* election survey — do not support a wealth tax.

Green co-leader James Shaw has not made a wealth tax a "bottom line" for post-election negotiations, but he has called it a "top priority".

The Greens' proposed tax would see those with net assets over $1 million face a 1 per cent annual wealth tax. This would be used to fund a sweeping new welfare policy that would guarantee a weekly income of at least $325. Shaw has said the Greens are prepared to forgo a coalition or confidence and supply arrangement and sit on the cross-benches if post-election talks do not go their way. However Labour Finance Minister Grant Robertson has categorically ruled out adoption of the Greens' tax policy.

Nearly a quarter of survey respondents said they would support a wealth tax — with eight per cent saying Yes to the Green policy as proposed; 3 per cent saying Yes but with a five-year sunset clause (as part of the Covid-19 response), and 13 per cent saying Yes, but only at materially higher levels than proposed. They say the wealth tax seems to be poorly thought through and would be difficult to measure and implement.

"If it is not linked to income or a transaction, where will the money come from to pay the tax?" asks Beca CEO Greg Lowe. "This is an unworkable burden on anybody who owns an asset, including family homes."

A similar view from an agricultural boss: "It is a tax on the elderly who have worked to build an asset base but who in retirement may have little cash flow — will they sell their assets to pay the tax?"

Others say it will drive people away from New Zealand and lead to behaviour that will reduce an individual's tax burden. "It will lead to a flight of capital needed to promote economic growth and prosperity and at the same time reduce the incentives to work," says one CEO. An infrastructure executive: "All it will do is drive talent and to Australia and discourage wealth creation."

A food distributor reckons a wealth tax is too difficult to measure and implement. "In reality, wealthier individuals would find ways of protecting their wealth from such taxes, leaving the bulk of the tax burden on middle class taxpayers."

— Tim McCready

Debt mounts in wake of Covid-19

CEOs are sceptical the Government can build a sustainable, added-value economy, writes **Tim McCready**

Chief executives are highly concerned over mounting government debt and forecast deficits as a result of dealing with the economic impact of Covid-19.

They scored the issue at 3.91/5 on a scale where 1=not concerned and 5=extremely concerned in the 2020 Mood of the Boardroom survey.

Finance Minister Grant Robertson has defended the increased debt: "The whole point of us saving for a rainy day, the fact that our Government kept net debt below 20 per cent, was to use it when the rainy day arrived. That's what we're doing here. Our debt levels still remain low compared with the rest of the world."

Despite the 3.91/5 rating, NZ's top executives are relatively sanguine when it comes to their comments: "Even with the projected increase in government debt, New Zealand's government debt will be modest by international standards," says a banking chair. "But given our vulnerability to geological and geopolitical shocks, that seems very desirable."

"At interest rates only just above zero, as long as enough goes into infrastructure, we will earn our way out," says Simplicity boss Sam Stubbs.

Robertson says it will be important to build a sustainable economy that adds value. Some 81 per cent of CEO respondents were concerned about New Zealand's ability to achieve this; 16 per cent are not. Just 3 per cent are unsure. "Growth in GDP per capita has been challenging pre-Covid. I can't see any change mid-Covid," says Precinct Properties chair Craig Stobo.

A Crown entity head noted, "to do this requires significant investment and transformation by our business sector who are struggling to do this at the speed required. The Government don't produce a sustainable economy, businesses do."

A real estate chief executive adds, "free up some of the restrictions — but not to the detriment of our health and risk of spread of coronavirus — and I think he would have greater chance of success."

"Great soundbite, but we just haven't seen the plan," says a banking chief executive.

Others are less sceptical. A food industry executive says New Zealand has the ability to add much more value through its natural resources and services. "The challenge will be to act with speed!"

Weak support for tax increase

Respondents were asked if as part of the economic response to Covid-19, the Government should look to raise additional tax revenue through an expansion of the tax base or an increase in current rates (in any form).

The Labour Party has proposed increasing tax on the country's highest two per cent of earners, with a new top tax rate of 39 per cent on earnings over $180,000.

Almost two-thirds — 65 per cent — oppose an increase in tax. But 25 per cent responded positively and 10 per cent are unsure. Of all the taxation questions, this one garnered the most responses from survey respondents, with most choosing to explain why they chose a "No" response: "Investment in growth is the only long-term answer and the opportunities are substantial," says a food producer chief executive.

"We are going through a once-in-a-lifetime event, and should be prepared for a temporary increase in deficits to stimulate economic growth and then we have to transition to normalised settings of a balanced budget," says a fund manager. "Tax should not be on the agenda for this year or next."

Suggested a transport boss: "They should first look to cut wasteful spending, reapply those funds to grow and then if that doesn't work look to reshape the tax base."

There should be probably be some form of increased tax take for those that can afford it!

Joanna Perry

The chief executive of a healthcare provider was more open to the idea. "I am happy to pay a little more." A food distributor CEO was not adverse to a temporary increase in tax to meet specific goals around the reduction of debt — "similar to how Germany raised money post-unification to pay the cost of creating one Germany".

"The taxing of highest income earners is clearly necessary," says independent director Anne Walsh. "In Europe I was on a 48 per cent tax rate to match my high income which allowed for this. In NZ there are high incomes with too low tax rates."

"There should be probably be some form of increased tax take for those that can afford it!," adds non-executive chair and director Joanna Perry.

Executives were asked where additional revenue should be spent if the Government were to raise tax. Some 62 per cent said it should be used to pay down debt, 55 per cent to increase government spending to stimulate the economy, 6 per cent said it should go toward funding other government expenditure.

"It depends where we are in the crisis response — debt should be paid down after that response not during it," says Chapman Tripp's chief executive partner Nick Wells.

Not a time for tax reduction

The National Party has abandoned its original debt target and proposed a temporary reduction of tax rates which it say will help to stimulate the economy.

Executives were asked whether they support the Government reducing taxes (in any form), as part of an economic response to Covid-19.

The majority — 64 per cent — said no. One quarter, 25 per cent, said yes, and 11 per cent were unsure. "We are not in a position to reduce tax revenue," says Mainfreight CEO Don Braid. Adds an investment fund boss: "Current tax settings are largely conducive to fostering a growth mindset."

A banking chair suggested there could be a temporary reduction in GST, to encourage consumer spending in the short-term. Anne Walsh says "removing GST on fresh meat, fruit and vegetables may be a fast way to improve nutrition and decrease health inequities in New Zealand."

No to capital gains, no to wealth tax

The Labour party has campaigned on implementing a capital gains tax for three elections, and last year the Tax Working Group's final report included a recommendation for one. But after failing to reach a consensus in Cabinet, Prime Minister Jacinda Ardern ruled out a CGT while she is Prime Minister.

"Under my leadership, we will no longer campaign for, or implement a capital gains tax — not because I don't believe in it, but because I don't believe New Zealand does," she said.

The Tax Working Group projected revenue from a CGT would increase tax revenue by $400 million in the first year to $5.9 billion by 2030/31.

Executives were asked whether the current fiscal situation warrants the decision by the Prime Minister being revisited. The majority — 59 per cent said no, 30 per cent said yes, and 11 per cent were unsure.

"As I recall, most of the positive revenue projected for the CGT arose from the assumption property prices would continue to increase faster than general inflation," says a banking chair. "Because of that I am dubious about the projected revenue gain."

A banking chief executive said capital gains taxes made sense from a pure economic perspective, but "the cost of compliance and the actual outcomes make them pointless."

The taxing of highest income earners is clearly necessary. In NZ there are high incomes with too low tax rates.

Anne Walsh

A fund manager acknowledged that at some point there needed to balance taxation of land versus other assets would need to be aligned. "But whether that is the tax working group's proposal or another is not clear," they say.

A similar rebuff was seen in relation to a wealth tax. The Greens have proposed taxing those with net assets over $1 million at 1 per cent, and using revenue to help fund a new welfare policy that would guarantee weekly income of at least $325.

An overwhelming 76 per cent of CEOs do not support it, saying it would drive talent away from New Zealand and would be difficult to measure and implement. The remainder, some 24 per cent, would support a wealth tax, but many would want to see changes to the Greens' proposal — such as materially higher thresholds than that proposed or a Covid sunset clause.

NZ First moderation unlikely?

CEOs were asked if they believe NZ First would moderate the tax rates if a Labour-Greens coalition government sought to raise them. A clear majority — 74 per cent — said Yes, 12 per cent said No, and 14 per cent said they were Unsure. But there was strong scepticism from respondents over whether that would eventuate:

"They need to hold the balance of power first," says Stobo.

The gender gap ... on tax

The Mood of the Boardroom survey revealed differences between New Zealand's leading male and female business leaders, particularly with respect to paying down the level of debt the country is taking on due to the Covid-19 economic response.

The survey showed that more female respondents were concerned about New Zealand's ability to get the debt level under control by growing the economy (90 per cent) compared to males (78 per cent).

Debt level

● Are you concerned about NZ's ability to get the debt level under control by "building a sustainable economy that grows, that adds value"?

78% yes	men
90% yes	women

"Of course, I think we should all be concerned. This isn't easy, and we are all struggling for answers," says one female respondent..

"It is the right goal — but we need to see it rapidly supported with policy and execution," says another. "We need strong commercial thinking with empathetic leadership. Trust + Accountability = Growth."

When it comes to paying down the country's debt level, there is also a difference between men and women.

A higher proportion of women believe that expansion of the tax base or an increase in the current tax rates should be used by the Government as part of the Covid-19 economic response (32 per cent) compared to the men (22 per cent).

The difference in response is more apparent when considering capital gains tax and wealth tax. Forty-one per cent of women say a capital gains tax should be revisited, compared to just 25 per cent of men. Wealth tax garners a similar response, with 38 per cent of women in favour of a wealth tax (of some kind), compared to just 19 per cent of men in favour.

Raise tax?

● Do you believe the Government should raise tax revenue through an expansion of the tax base or an increase in the current rates as part of an economic response to Covid-19?

22% yes	men
32% yes	women

Wealth tax?

● Do you support a wealth tax?

19% yes	men
38% yes	women

Capital gains

● Should capital gains tax be revisited?

25% yes	men
41% yes	women

The ups and downs of debt

● In the wake of Covid-19, the Government has borrowed billions of dollars to fund the wage subsidy and jobs programmes and buffer New Zealand against the global economic crash. This includes a further extension to the wage subsidy following the second wave of Covid-19.

● Net core Crown debt of $83.4 billion is forecast to climb to $201.1 billion — or 55.3 per cent of GDP — by 2023/24.

● In the leadup to the 2017 election, Labour campaigned on reducing net core crown debt to below 20 per cent of GDP. It achieved this when debt fell to 19.9 per cent in 2018, and then to 19.2 per cent in 2019 — the lowest since 2010.

MOOD OF THE BOARDROOM

Tax will either be centre-stage in this election, or not far from it

For over a decade, Deloitte has worked with Fran O'Sullivan and the wider team to shape the Mood of The Boardroom tax questions, writes **Thomas Pippos**

Each year we review and revise the questions to bring out current tax sentiment and explore central topics.

Past questions have dug into taxation topics that include investment (outbound and inward), capital gains, evasion and avoidance; accepting that tax is a complicated topic that doesn't lend itself to a broad discussion outside of rates.

Each year we see businesses evolve their position on tax. These shifts tend to be incremental and range from a general comfort in tax settings, to a desire for a reduction over time; with a notable contrarian shift playing out before the last election with capital gains tax, which has generally been viewed negatively, other than in late 2016 , when challenges around housing affordability thawed business' resistance to the concept at that time.

The most emphatic business view of tax to date

Accepting this context, the 2020 survey presents the most emphatic business view of tax to date; with minimal appetite for tax increases (circa 25 per cent), notwithstanding the high (80 per cent plus) levels of concern from those same respondents to the anticipated levels of Government debt.

Indeed, if there were to be an increase in taxes, small increases across the entire tax spectrum were the least unattractive option — leaving the Government with little space to manoeuvre with business support.

Not even a sunset clause that looked to repeal a tax increase after a period carried favour with respondents. In fact, most (circa 60 per cent) would not soften their view on tax increases even if they were minor across the board and then also limited to an explicit period.

Juxtaposing this, is that there is still high demand for Covid-19 related Government spending, including a material take up of business-related Covid-19 relief like the various wage subsidy schemes.

> What's proposed is therefore more symbolic than substantive. Not taxing the "rich" but rather people with incomes that are not able to be diverted into lower tax structures. The effect is more redistributive in nature than revenue gathering.

The clear implication being that businesses show a resounding preference for growing the economy over raising tax settings, as part of any Government economic response. But unfortunately for the Government, confidence around the Government's ability to grow the economy and get control of the Government debt levels remains low at circa 16 per cent.

On the "left" and on the "right"

Consistent with this general sentiment, Labour's tax plan (that includes oscillating back to a 39 per cent personal income tax rate but on incomes over $180,000) is only finding favour with the minority of respondents (circa 37 per cent), noting that respondents also specifically rejected (circa 76 per cent) the wealth tax measures proposed by the Green Party in June 2020 (with only circa 8 per cent supportive of those measures and the balance either unsure or showing some support but only if the proposed measures were considerably softened).

Green's co leader James Shaw wouldn't say what the Greens' bottom lines in any coalition talks were; but said a "wealth tax" was a "top priority". In the same interview he stated that if the Greens held the balance of power it was "always a possibility" that they would walk away from negotiations with Labour if they could not get the gains they wanted; fuelling the "stalking horse" sentiment raised by National.

Most respondents (circa 74 per cent) also believe that New Zealand First materially moderated the tax outcomes that would otherwise be applied by a Labour-Green coalition Government; which polling suggests is an unlikely possibility going forward.

By contrast, National's proposed helicopter tax relief (through broadening all existing tax brackets with a sunset clause and expanding the immediate deductibility of certain assets), has found majority support (circa 68 per cent) and livened up the tax debate.

Is capital gains tax back on the radar?

Unsurprisingly no. By a vote of nearly two to one, respondents are not interested in revisiting the capital gains debate, accepting that the view is less extreme if any capital gains tax was at a significantly reduced rate.

It also remains a bridge too far for the Government Labour majority; who initially took their misstep campaigning on a capital gains tax under Phil Goff's leadership in 2011 and continued to push the unpopular measure under both David Shearer and David Cunliffe's leaderships. They then revived the debate through the Tax Working Group under the current Government but couldn't garner popular support even for the limited regime proposed by the minority of that group, and thereby also lost the support of its coalition partner when it approached the finish line.

A rocky tax path ahead

The Government's safest step would have been to leave well enough alone; which Labour couldn't get themselves to, preferring to increase the highest personal tax rate at a threshold that doesn't impact the vast majority.

What's proposed is therefore more symbolic than substantive. Not taxing the "rich" but rather people with incomes that are not able to be diverted into lower tax structures. The effect is more redistributive in nature than revenue gathering, impacting those who already bear the highest tax burden; with the taxation of capital and wealth being too hard (for now?).

Juxtaposing this, National has upped the ante by helicoptering in temporary tax relief across the board (to stimulate the economy) while also promising a material reduction in net core crown debt.

Tax therefore promises to be a very complicated and emotive topic, that will either be centre stage this election or not far from it.

The bet being placed by Labour is that it's worth waking up a few of the sleeping dogs, that are no doubt viewed as unfriendly, leaving the taxation of capital and wealth in the too hard basket.

National on the other hand is betting on offering a path to nirvana — lower taxes and crown debt, while still enhancing services, in part through curbing what they view as wasteful spending and suspending Super Fund contributions.

Game on.

● *Thomas Pippos is chief executive of Deloitte New Zealand.*

Public funding — or private donations?

Fran O'Sullivan

Donations to political parties have been in the spotlight in the wake of multiple Serious Fraud Office (SFO) investigations.

The SFO has laid criminal charges against former National MP Jami-Lee Ross and three members of the NZ Chinese community in respect of National Party donations. It has also commenced an investigation into donations made to the Labour Party at the 2017 election.

The SFO had said it expected to report prior to the September 19 election on a separate investigation into the New Zealand First Foundation.

Though the election has been pushed out to October 17, at the time this report was filed, it had yet to eventuate.

Some 27 per cent of respondents to the *Herald*'s CEO election survey favour public funding of elections.

"Public funding reduces the risk of cheating, but the rules are currently clear, and (if) the players involved knowingly flouted the rules (they) should be punished accordingly," said Ballance Agri-Nutrients CEO Mark Wynne.

Foodstuffs North Island CEO Chris Quin said his group had ceased any corporate funding given the various potential issues.

> I like the notion of public funding of political parties even less — especially given that is likely to entrench the status quo permanently.
>
> Property management boss

Port of Tauranga chief executive Mark Cairns was also in favour of public funding saying "there can be no justification for political donations."

"The fishing and racing industries highlights why funding of political parties should be severely curtailed in New Zealand," said Simplicity's Sam Stubbs.

"If New Zealand wishes to remain the lowest corruption nation on earth it is essential," added an aviation boss.

A larger proportion — 48 per cent — were against the introduction of full public funding.

"I really don't like the outcomes of the current system, but I like the notion of public funding of political parties even less — especially given that is likely to entrench the status quo permanently," said a property management boss.

"And I like the US system of PACs even less. I don't think we have a better answer yet, and maybe that's what we need to look at."

NZ Initiative chair Roger Partridge said taxpayers should not fund political parties.

"Political parties should simply comply with the law."

This sentiment was echoed by several bosses who said there is no problem with the way parties are funded.

"Just get the political parties to follow and obey the rules we have in place," said Terry Copeland of Federated Farmers.

Foreign interference in New Zealand elections

Some 36 per cent of survey respondents to the 2020 Mood of the Boardroom survey are concerned at the possibility of foreign interference in NZ elections.

"Beca's Greg Lowe said international players have interests in the political debate in NZ, just as we do with our major trading partners.

"We would all like policies that are friendly to our national interests, but foreign interests in our political debate need to be very transparent."

"It's happening elsewhere, we won't be immune," said a banker.

A funds firm boss was among the 55 per cent who were not concerned: "Elections are always subject to influence from many sources, some of them domestic as well. Influence will happen, however the NZ system to expose this, I have reasonable confidence in. Maybe I am naive!"

"I am sure there will be foreign and domestic 'interference', and I am sure the fourth estate will do its job," said Precinct Properties' Craig Stobo.

Some 9 per cent of respondents said they were unsure on this issue.

The prospect of foreign interference at the 2017 general election was investigated by Parliament's Justice Committee.

Government members said they were concerned about the circumstances surrounding the involvement of a former Minister in the previous National Government in the procuring of a $150,000 donation from the Inner Mongolia Rider Horse Industry (NZ) Ltd that was received by the National Party and declared on May 17 2017.

"We do not believe the National Party or a former Minister in the previous Government has met the spirit or intent of the Electoral Act's restrictions on foreign donations.

"We further note the apparent foreign interference in New Zealand's democracy whereby a Minister has involved himself in the procurement of donations through discussions with a foreign national that has direct interests in the policy area that the Minister has responsibility for.

National replied that the donation had been disclosed.

MOOD OF THE BOARDROOM

Electricity sector reaches exciting time

Tiwai exit provides New Zealand with 'a unique opportunity'

Meridian Energy had always planned for the exit of Rio Tinto and the aluminium smelter, according to its chief executive Neal Barclay.

Closing the Tiwai Point aluminium smelter moves the electricity grid closer to being 100 per cent renewable by at least a decade earlier than otherwise expected, says the Meridian chief executive.

An exit by the smelter owner Rio Tinto is not something "we would have chosen but it was probably inevitable sooner or later. Whilst a bitter pill to swallow for employees and the wider Southland community, a smelter exit does create other opportunities that are likely to be of more value to New Zealand in the long run," Barclay said.

"We think the organic increase in energy demand and the electrification of our economy to achieve our zero carbon goals will over time go a long way, if not all the way, to replacing the current consumption of the smelter."

Barclay says the exit does provide New Zealand with a unique opportunity to accelerate the decarbonisation of the economy. It also creates the chance to establish new industries, ideally in Southland, that see long-term value in being powered by renewable energy. "For the electricity sector, it is a disruptive and exciting time."

Meridian, the country's biggest energy company and third largest listed local stock by market capitalisation, offered support to Rio Tinto to extend the exit period to four years past the smelter closing in August next year. Barclay says to date, the offer has not been accepted.

He says considerable progress has been made at the policy level in supporting New Zealand to meet its zero carbon aspirations. The Climate Change Response (Zero Carbon) Amendment Bill was passed, the Climate Change Commission was established, and a package of Emissions Trading Scheme (ETS) reforms are the key policy tools driving emission reductions.

Neal Barclay's top 3 issues

- **Top 3 issues facing the nation:**
  Our ongoing ability to sell products internationally — advocate for open borders.
  Our ability to attract talent to meet current and future needs — sell New Zealand as a superb place to live in a chaotic world.
  The ease of doing business in New Zealand — streamline regulation and the entities which provide regulatory frameworks.
- **Top three business priorities for the next six months:**
  Manage our relationship with key customers — in our case, that largely translates to Tiwai Point in the short term.
  Ensure our product can get to market — support Transpower's build of transmission to unlock the South Island renewable resources.
  Continue to grow into Australia while managing our cost base effectively.

> We continue to 'flexperiment' to ensure we take advantage of new ways of working.
>
> Neal Barclay

"As a 100 per cent renewable energy generator, we remain focused on helping New Zealand achieve its zero-carbon goals — and for the country to be successful, government and business need to both play their part. The policies are a good start, but we still have a long way to go, and there is most definitely a role for businesses."

Barclay says the industry can and will build the renewable generation and transmission assets required to power growth in electric vehicles on the roads and the electrification of stationary energy uses, ending the country's current dependence on fossil fuels.

"Supply is not the issue. Policy settings need to be targeted at improving incentives for energy users to convert to electric. Whenever central planners try to pick technology winners, they invariably get it wrong, and the ETS would seem like the most sensible way to achieve the outcome. With the right cost signals, businesses and individuals will innovate and invest for the best long-term outcome.

"We need to focus on projects that will help transform our society and economy in the next decade as we reduce our reliance on fossil fuels and transition to clean energy to respond to the climate emergency facing us all. We need to do all this while keeping electricity affordable."

Barclay believes New Zealand is in a good position overall, despite the Covid-19 pandemic. "New Zealand businesses are a resilient bunch looking at how we can adapt and change the way we do business to further help combat climate change and reduce our impact on the planet. Those countries that embrace this challenge will be the most prosperous societies of the future."

Barclay says New Zealand has responded well to the pandemic and businesses are genuinely putting customers first. "As a country, New Zealand is in a fortunate position. And this must make us an attractive and reasonable place for global businesses to relocate key people and maintain their global network with confidence. But we have to find ways, supported by technology, to safely allow more sustainable access through our borders."

Meridian was classified as an essential service and maintained full operational capability during the lockdowns. "We supported customers impacted by Covid by working with them to find payment solutions that suited them and by making sure their power wasn't unfairly disconnected. We also didn't charge any late-payment or credit-reminder fees to customers across our brands in New Zealand and Australia," says Barclay.

"We like most businesses have been very pleased — if not a little surprised — about how effectively we continued to operate through the various Alert Levels. It has opened our eyes to the benefits of allowing staff more flexible working arrangements including the ability to work remotely.

"We continue to 'flexperiment'to ensure we take advantage of new ways of working and don't slip back into the old model."

— — *Graham Skellern*

Spend-up on infrastructure: what the CEOs think

The business leaders were united. Most of the respondents in the Mood of the Boardroom survey — 91 per cent of them — agreed that a focus on infrastructure spend is a useful mechanism to help the economy recover from economic shock. Only 5 per cent disagreed and four per cent were unsure.

What's even more interesting was that 85 per cent of the respondents backed increased user pay charges to help fund infrastructure build; 8 per cent said No to the proposition, and 7 per cent were unsure.

Here's what the business leaders had to say:

"It is generally accepted that infrastructure investment provides stimulus that is beneficial for economic recovery. Perhaps, the bigger debate is the alignment of funding to the social and economic objectives, so that benefits are maximised in the long-term." **— Steve Killeen, Downer NZ**

"As long as spending is well directed with an understanding of the benefits over cost." **— Matthew Cockram, Cooper and Company NZ**

"This is our new deal, if we grasp it. Never let a good crisis go to waste." **— Sam Stubbs, Simplicity**

"Yes of course, but it is not the only answer. Large infrastructure projects take time — shovel-ready versus machine-ready would be more useful in the near term, providing of course that red tape doesn't get in the way." **— Don Braid, Mainfreight**

"Let's do this — let's get on with it now."

On increasing user pay charges:

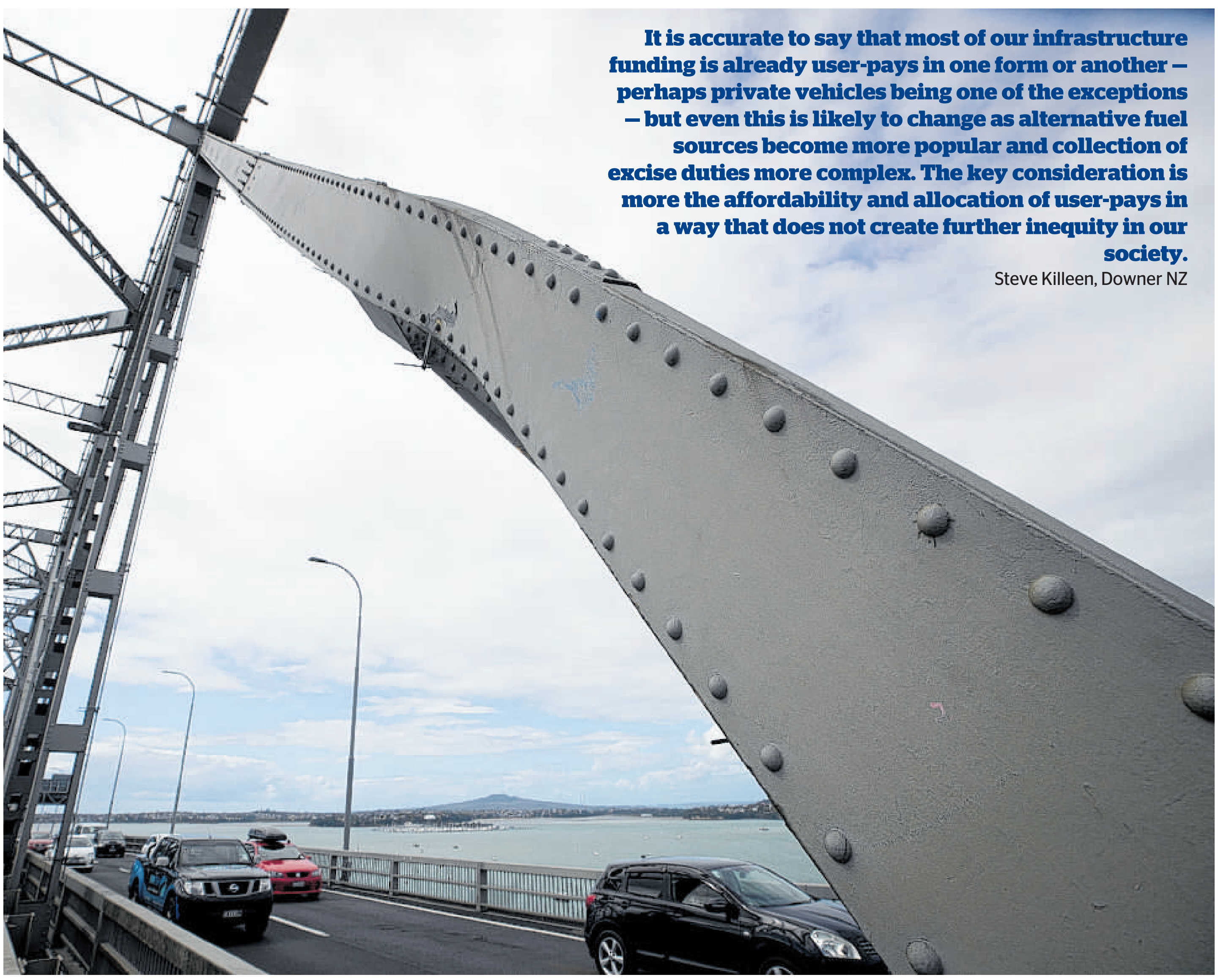
"Tolls on motorways worldwide are common as long as there is an alternative route for those who can't/don't want to pay." **Real Estate boss**

"Why are we different to the rest of the world? Build the roads and toll them." **— Transport and logistics boss**

"Operating and living in New Zealand is expensive, and wages low. Government can't keep taxing people, so need to find alternative ways to fund infrastructure." **— Wine company leader**

"Yes, preferably through congestion charging along the Singaporean lines." **— Banker**

> **It is accurate to say that most of our infrastructure funding is already user-pays in one form or another — perhaps private vehicles being one of the exceptions — but even this is likely to change as alternative fuel sources become more popular and collection of excise duties more complex. The key consideration is more the affordability and allocation of user-pays in a way that does not create further inequity in our society.**
>
> Steve Killeen, Downer NZ



A new harbour crossing to supplement the "broken bridge" is seen as NZ's biggest future infrastructure project. Photo / Dean Purcell

MOOD OF THE BOARDROOM

Tax hike could curb charity spend

Real estate boss Peter Thompson sees Labour's tax raise as a worrying move, writes **Anne Gibson**

Are we actually a team? You just need to walk around downtown Auckland and I would say only 5 to 10 per cent of people on the streets are wearing masks.

Peter Thompson, Barfoot & Thompson CEO

Peter Thompson's top issues

Top three issues facing the nation

1. Another Covid-19 lockdown.
2. Small to medium companies going under.
3. Government potentially increasing taxes on companies to recoup their expenditure.

Top Three business priorities

1. Our people are our first priority.
2. Set-up a contingency financial fund for a similar event as Covid.
3. Keep on track with the incredible sales results we are having in the real estate sector.

Barfoot & Thompson managing director Peter Thompson is concerned that hiking the top personal income tax rate to 39 per cent for top earners may have an effect on philanthropy and charities.

Jacinda Ardern claims Labour's proposed new top tax rate is "best for New Zealand", and is the right thing to do during these times.

The party has pledged a new top tax rate of 39 per cent for $180,000-plus a year earners, a tax it says will hit just 2 per cent of New Zealanders.

Thompson reckons it is better to grow business and "the tax will grow as well".

"Businesses have had so much extra cost like health and safety, minimum wage, anti-money laundering, healthy homes legislation and many other new laws which add to costs, hence profits are down year after year," said the real estate boss. "The cost of compliance is really taking the bottom line.

"We accept health is a priority but these costs are just taking away the profits that companies are making and we can't give back.

"Labour is talking about raising the higher rate but those 2 per cent who would pay it make up the biggest donors to many charities which Government doesn't fund. "It could have an impact on the spare cash that wealthy people give to organisations to stay in existence."

Barfoot & Thompson is a five-star sponsor of the Starship Foundation which it has supported for many years.

Thompson also wants the Government to begin paying down debt accumulated during the pandemic because he worries about potential ramifications for his children and grandchildren.

"How is the Government going to recover the billions of dollars in wage subsidies?" he questions. "It's going to have to come from somewhere so I'm supportive of having to pay a toll charge for new motorways and infrastructure to ensure it's built."

"At some stage the money handed out by the Government has got to come back. Who's going to be paying for that? It's most probably us and the next generations. The wage subsidy has been a saver for Covid but it's going to have to be repaid".

Thompson has put forward some ideas for dealing with the top issues which he believes are facing the nation (see above). If the Covid-19 virus becomes community-oriented, he believes New Zealand should move into lockdown much earlier and police rules tightly to ensure "we follow the rules strongly so we can come out of it much quicker".

He suggests SMEs that are at risk of going under may need Government support on low debt repayment and marketing costs.

He believes New Zealand is much better off than many other countries in the world in the way it's handled the pandemic. "We are only a team of 5 million. But are we actually a team? You just need to walk around downtown Auckland and I would say only 5 to 10 per cent of people on the streets are wearing masks. Shopkeepers say mask wearing has diminished in just a week."

The impact of the Covid-19 pandemic has had impacts on the property market, particularly in Auckland.

As head of a privately-owned agency chain with around 2500 staff working from Kerikeri to Tuakau, Thompson has a unique oversight.

He says the real estate market is on an up as a result of listing shortages, low interest rates, and the fact that people who normally invest in travel are putting this into real estate.

"Many expats are also returning home," he says.

"We're seeing young couples who had saved for their OE now unable to, or deciding instead to put that into their first home. So, the movement in real estate is right across all price bands," he said.

"I'm cautious about people borrowing too much. Low interest rates might stay for the next two years but people are taking on long term mortgages and rates will rise, so don't over-commit yourself, or if you do, try to pay the mortgage off faster."

MOOD OF THE BOARDROOM

What are the top 3 issues facing the nation?

Cathy Quinn, Independent Director

● **The Wage Subsidy** was an important step to keep people in work and the economy going. It has been broadly supported by business as being a positive initiative by the Government. But we do need business to adapt to the tough new environment and the Government (indeed NZ) can't afford to keep subsidising business indefinitely.

* Reopening NZ to the world. Yes, the web is island-helpful re Covid. But we can't remain closed to the world indefinitely. We need international students back, we need tourists back, we need business people to be able to travel to and fro. I would put camper vans at Whenupai and charge those wishing to access these facilities to increase the number of folk who can enter NZ. We need better ways to contact trace. I would access where people went using information on their cellphones. I think we need to 'get over' the privacy issue. For me, it's the quid pro quo for free movement during this Covid time. I trust Government agencies not to inappropriately use my information. Give the right to Crown agencies for say – a rolling 6 month period – while Covid remains an issue.

● **Avoiding our economy going into free fall**. Opening up our borders again (safely) is one aspect of the solution. Why don't we be open to offshore businesses setting up here, and as part of that letting key people in. Let's be selective. Allow in those that will create real jobs here, create export receipts and pay taxes. Let's not rush to increase taxes and tax rates in NZ (yes, tax advisers love the idea . . . guess why . . .). Let's create tax revenue by getting the economy going again, creating jobs and making NZ an attractive place to do business (not just because of its current Covid status).

● **Ensuring New Zealand** is a place with a positive future for our younger generation. That means a place where there are jobs, where they can build a positive future in rewarding work and NZ is attractive to stay including economically. Having policies that create an environment for a strong economy is key to achieving this. We need an environment that creates incentives teamwork hard and be successful

Roger Partridge, NZ Initiative

● **Low productivity growth**. Reverse two-decades-long educational decline that sees the current generation of students leaves towards the bottom of international league tables in literacy and numeracy. We will not have a high wage, high productivity economy when nearly 40 per cent of students leaving school with NCEA level 2 are functionally illiterate.

● **Rising unemployment**. The Government must ease the regulatory restrictions holding the economy back. RMA reform is urgently required (though not the "more-of-the-same-but-worse reforms proposed by the Randerson review). Restrictions on foreign investment must be relaxed. Local councils must be incentivised to streamline consenting processes for new housing. Creative thinking is needed at our border to (a) safely reopen to tourism; (b) develop the operational ability to massively scale up managed isolation and quarantine to enable the export education sector to get under way, businesses to bring in critical workers and to allow the economy to take advantage of its Covid-free status. Significant public spending is needed on infrastructure. But that must be dictated by a project's shovel-readiness, but whether it passes a cost-benefit analysis. The Government must keep an eye on ballooning public debt. Savings with retirement policies look to be the best means of bringing debt under control (indexing age of eligibility for superannuation to life expectancy, suspending payments to NZSF – and ideally winding it up and using the proceeds to repay debt; removing the ineffective KiwiSaver subsidies).

● **Quality of public sector institutions.** The last 10 years has seen a decline in the expertise and effectiveness of institutions critical to the New Zealand economy: Treasury and Reserve Bank. Despite the (welcome) change of leadership at Treasury, it has not provided the leadership needed during the Covid crisis. Nor has the Reserve Bank. Both have seen their technical expertise drastically depleted. Rebuilding the economics capability of both organisations must be a priority. Without that, core public policy decision-making will not be subjected to the kind of rigorous evaluation the country needs.

What keeps CEOs awake at night?

Concern	%
Protecting business and staff from Covid-19	61%
Achieving top-line revenue growth	33%
Sourcing and retaining skilled staff	30%
Meeting customer expectations	26%
Impact of policy uncertainty on business	25%
Regulatory challenges	23%
Managing profit expectations	19%
Competitive pressures	17%
Improving operational efficiencies	17%
Digital disruption	17%
Achieving cost reduction	15%
Changing organisational culture	12%
Motivating key reports	9%
CEO - Board relationship	5%
M&A (threat)	2%

Mood of the Boardroom 2020: Chief executives were asked to nominate their top three concerns.

"I was answering this question without 'protecting business and team from Covid' as no 1 when the alert popped up on my phone advising of the PM's presser to announce the resurgence of Covid in NZ. Nearly two months later, I am still glad to be running a business here in NZ and not anywhere else in the world, for all the constraints L2.5 imposes. This thing is with us until we find an effective vaccine, and we all got incredibly complacent about the pandemic raging outside our doors. No longer. Let's keep learning, keep improving our border controls, while learning from the mistakes made to date. And more importantly, changing the way we operate for the longer term." – Property management chief executive.

A fine balance between economic and health outcomes

Government must get major projects under way to soak up rising unemployment, Chapman Tripp's Nick Wells tells **Graham Skellern**

Nick Wells' top issues

● **Top three issues facing New Zealand:**

1. Rigorous border controls run by government/police/military.
2. Keeping the domestic market trading, while border restrictions are in place, by making use of the levels system to manage Covid outbreaks in the community without locking everyone down.
3. Focused support mechanisms for people in need with preference for getting them back into employment rather than just making social welfare payments.

● **Top three business priorities:**

1. Ensuring we maintain our ability to work remotely as and when needed.
2. Supporting our people and clients with the number of issues – such as childcare – thrown up as a result of the pandemic.
3. Meeting the niche demands of the new environment – such as exporting professional services and advising on company capital raisings – and moving resources into the areas that need it.

Chapman Tripp, New Zealand's largest commercial law firm, moved into its new office taking up three of the higher levels in the Auckland Commercial Bay Precinct on a Monday. The staff didn't have time to organise their working spaces before they were sent home again for the second Auckland Covid lockdown.

The staff of 270 is now settling back into the office that has panoramic views of the Waitematā Harbour. "The assumption is we are office dwellers but over lockdown we showed we can work well from home and work flexibly," says Chapman Tripp chief executive partner, Nick Wells.

"We've made sure we have supported our people and clients, with the number of issues thrown up by the Covid-19 pandemic."

Wells is now looking to the next government for a firm economic direction to get through the upheaval. He says the Government must start the major shovel-ready infrastructure projects as quickly as possible to soak up the rising unemployment over the next six months.

"New Zealand has shown its ability to balance the economy with health and wellbeing, but we have an ongoing issue with jobs. I'd rather play cautious with the Covid border testing and contact tracing, and use that as a mechanism to open up the economy instead of being looser and living with Covid – and the mortality rate that comes with that, like in United States.

"The border restrictions and social distancing could be the new normal for an extended period of time, even another 12 months," he says. "There will be redundancies across education as well as tourism and hospitality. They will have mortgages and there could be an undesirable flow-on effect with the start of mortgagee sales."

Wells, a fan of the compulsory Australian superannuation scheme, doesn't like the idea of people who have lost their job to use $20,000 of their KiwiSaver funds to start a new business. "Starting a business can be quite risky, and I favour a grant scheme, as well as increasing the level of social welfare payments till we get clear of Covid."

Wells predicts unemployment will rise at least 5-10 per cent over the next six to 12 months (to between 9 and 14 per cent), and "we need to get the big projects up and running and re-employ these people as quickly as possible.

"We need to improve our infrastructure deficit and create a more sustainable economy. I'm not just talking roads but rail that can reduce carbon emissions. I don't think green tech private schools are the best initiative."

Wells says the infrastructure projects employ people across the board – not just labourers but also planners, engineers, financiers and other services. He says a problem is that the three-year election cycle has come in the middle of the pandemic and "this will cause a period of delay we don't want in starting projects.

"The election cycle can be costly and three years is too short – four years would be fine."

Wells says the next six months will be volatile but "I feel positive about our Levels system and Covid elimination strategy that strikes a balance between the needs of the economy and the desired health outcomes.

"A lot of countries have struggled to do this in the way we've done it and it has put New Zealand in good stead. It provides a platform to engage with the outside world and it makes us a desirable country to do business with."

Wells says NZ has the opportunity to export professional services and intellectual property, as well as safe food products.

"We can make use of our time zone by helping out overnight in the UK. In the legal profession we could shape an initial draft or provide a piece of advice. The UK is exiting the European Union and we have expertise to help in trade negotiations."

He says many returning Kiwis are quite happy to stay here and provide consulting services back to their employers in the UK.

"The fibre roll-out has helped us work well from home; we couldn't do that a few years ago. We can export our services and get good revenue for the country."

The Covid elimination strategy provides a platform to engage with the outside world and it makes us a desirable country to do business with.

Nick Wells, Chapman Tripp's chief executive partner

MOOD OF THE BOARDROOM **CONSTRUCTION**

Construction faces trying times

Reducing staff numbers and wrestling with a drop in revenue and profit is the new normal for leading construction companies, writes **Graham Skellern**

The country's leading construction and infrastructure companies are scrambling to reset their businesses in the new world created by the Covid-19 crisis.

Fulton Hogan managing director Cos Bruyn said there was huge uncertainty in the project pipeline across local and central government, and commercial works are significantly down through cancellation of jobs.

"We are still trying to understand the short to medium-term impact on our revenue, and right-size the business. We need to get back on our feet operating business as usual to create certainty for staff and shareholders," Bruyn said.

Fletcher Construction chief executive Peter Reidy's priority over the next six months is re-setting "a forward cost base within an uncertain demand profile".

Also, he wants to secure specialist skills despite the border restriction constraints.

Another company leader said his aims were to define small, achievable goals within this period of uncertainty, maintain productivity and manage cash.

The $40 billion construction sector, employing 10 per cent of the country's workforce, was one the hardest hit during the Covid crisis.

The sector's activity slumped 25.8 per cent — more than double the record fall in national activity of 12.2 per cent — for the June quarter when most of the building stopped during the nationwide Covid lockdown, as it wasn't an essential service.

The country's biggest construction company Fletcher Building is reducing 1500 jobs in New Zealand and Australia as new commercial work is expected to drop 15 per cent and infrastructure 10 per cent.

The Fletcher staff were supported by a $67m wage subsidy, and the company lost immediate development work at Auckland Airport when the $1-5b Domestic Jet Hub alliance project was put on hold in April. The work was the largest commercial project to be cancelled due to Covid.

We are still trying to understand the short to medium-term impact on our revenue.

Cos Bruyn, Fulton Hogan

The construction sector has been one the hardest hit during the Covid crisis.

Earthworks for the new Drury South town centre were also delayed, and developer Stevenson Group had to lay off a small group of fixed-term workers.

Westpac economist Satish Ranchhod predicted that up to 20,000 of the 258,000 building workforce could lose jobs.

The Mood of the Boardroom 2020 survey results were not pretty reading for the construction and infrastructure industry.

Half of the 10 company respondents reported their profit will decrease over the next 12 months and 60 per cent said revenue would decrease.

Only one — a design and engineering consultancy — said its revenue would increase, and two indicated their profits would rise.

Again, half of them reduced staff numbers from 5-15 per cent during the Covid crisis and they expected to downsize even further over the next six months. No-one will increase staff over that period.

Only three of the respondents are planning to authorise more capital expenditure over the next 12 months, compared with last year, and four said they would be reducing capex.

However, 60 per cent of the respondents reported they will be spending more on IT.

Six of the companies used the first round of the wage subsidy, while three didn't need it.

The respondents were all in agreement about being "much less optimistic" towards the global economy than they were a year ago, and nine of them felt the same about the New Zealand economy.

However, they kept their chin up about the general business situation in their own industry — five were "slightly less optimistic" and the other five "much less optimistic."

In the survey, the level and quality of government spending, infrastructure constraints and immigration restrictions were three of the leading issues impacting on business confidence in New Zealand.

Glimmers of hope

Health, education and water projects, the national roads upgrade and KiwiRail investment are adding some spark to the revival of the construction and infrastructure sector.

About $9 billion of infrastructure work is in play and the market is growing because of the NZ Transport Agency roads upgrade programme, KiwiRail investment in upgrading tracks and new projects — the Palmerston North freight hub, Picton and CentrePort Wellington upgrades — Auckland Watercare's central interceptor, and the City Rail Link.

Peter Reidy, co-chair of NZ Construction Accord, said all Tier 1 civil firms are recruiting into this space. But international border restrictions were a significant issue for national infrastructure projects' inability to tap into global markets for specialist technical capability — there is a limited pool of resource in New Zealand.

Local council infrastructure capital spend is normally about $5b and there are concerns in the industry about the level of council capital spending over the next two years due to the Covid impact — with reduced developer contribution and pressure on rates.

Reidy said Auckland Council capital projections had reduced from $900m to $650m, and regional New Zealand still appears to be supporting local civil contractors with projects across urban development, local roads and wastewater. Project growth is heavily concentrated to Auckland and lower North Island, with South Island reducing project activity.

Reidy said commercial building construction is expected to fall from $9-10b a year to about $7b, with consents reducing and projects being delayed.

We are starting to see skilled labour look to Australia in 2021 if the (commercial) pipeline does not lift.

Peter Reidy, co-chair, NZ Construction Accord

Developers were holding off hotels and office buildings but the upside was the Government health and education sector, which have pipelines of projects coming to the market over the next two to three years.

"We are starting to see skilled labour look to Australia in 2021 if the pipeline for this part of the market in New Zealand does not lift," said Reidy. He said residential consents were holding but the market was concerned about the trajectory in the early part of next year.

— Graham Skellern

Downer bats through

Downer New Zealand, the country's second biggest construction company, lost $1 billion worth of work and had another $500 million worth delayed because of the Covid-19 crisis.

Steve Killeen, Downer NZ chief executive, said the lost work was largely due to cancellations of infrastructure projects in areas most impacted, such as aviation.

Some development projects at Auckland Airport were put on hold.

The delayed work was in areas such as routine road maintenance, commercial building and local authority infrastructure projects. Downer, which bought Hawkins in 2017, maintains about 25,000km of roading network in New Zealand.

Incredibly, Downer has been able to keep its large workforce of 5900 intact. Killeen said Downer was a provider of essential services like telecommunications, power, gas and water and "we had a commitment to help keep New Zealand connected during the lockdown periods.

"This fortunately kept a number of our people in work.

"While we had some employees unable to work, as soon as we could scale back up again, our teams were redeployed across Downer and Hawkins and into other areas.

"Our employee levels remain reasonably consistent with the previous 12 months," Killeen said.

Together, Downer NZ and Hawkins received $41m in wage subsidy. "To help put this in context, our monthly wage bill is in the order of $50m per month and we have fixed costs of about $25m per month," said Killeen.

Our employee levels remain reasonably consistent.

Steve Killeen

"I have personally seen the impact the wage subsidy has had on our business and our people, and I am incredibly grateful for the support to keep our people in meaningful employment."

In return, Downer has implemented a training programme with the Ministry of Social Development to help people transition into employment in infrastructure from affected sectors such as tourism and aviation.

Killeen said since June Downer and its sub-contractor network have employed more than 80 people, in regional areas like Gisborne and Nelson as well as in the main cities.

— Graham Skellern

MOOD OF THE BOARDROOM

Primary sector a shining light,

Agriculture, and horticulture, have battled through the Covid crisis but sector leaders are keen to see a long-term, co-ordinated recovery plan, writes **Graham Skellern**

Over a 48 year period, agriculture's share of the national economy has gradually shrunk. But during the Covid-19 crisis, the industry sector proved its resilience, after being classified as an essential service.

Agriculture, partnered by horticulture, showed it can still be relied on to attract important foreign exchange earnings. Often described as the backbone of the economy, the agricultural industry reacted quickly as Covid took hold — production and primary exports continued to flow while supply chains were disrupted and markets were switched.

In 1972, agriculture was the leading industry contributor to the national gross domestic product (GDP), producing wealth of $660 million, 12 per cent of the $6.85 billion economy. Food, beverage and tobacco product manufacturing was third with $491 million. By 1992, agriculture had shifted to third with $3.99b or 8 per cent of the $76 billion New Zealand economy. Food and beverage moved to second with $4.55b.

In 2018, things had turned. The national GDP was $289b (it's now $314b) and the leading industry contributor was professional scientific and technical services at $23.15b. Agriculture was 10th with $12.46b or 7 per cent, and food and beverage had fallen to 12th with $10.6b.

But while many of New Zealand's workers were stuck at home during the lockdowns, the meat, milk and dairy product processing plants and the apple and kiwifruit picking and packing operations churned on. Agriculture/horticulture and the food and beverage sectors became the shining lights of the Covid disruption.

We all know the impact will be felt in the next two financial/trading sessions. It's going to be hell.

Traci Houpapa, FOMA

Global kiwifruit marketer stands out, saying it will increase its staff by

7-10%
over the next six months.

8
companies held staff numbers during the Covid crisis;

4
expect to take on more staff in the next six months.

11
of the 14 agri companies didn't take the wage subsidy; a meat company used the first round and a Māori organisation used both rounds.

50%
of agriculture CEOs say Covid has had no impact on their company's production.

As Traci Houpapa, Federation of Maori Authorities (FOMA) chairman, said: "Overall, the primary sector has held up well against Covid-19 given the lockdown happened in the second quarter and the majority of the industry was deemed essential and continued to trade."

But like other business leaders surveyed in the Mood of the Boardroom, Houpapa warned: "We all know the impact will be felt in the next two financial/trading sessions. It's going to be hell."

She said though the government subsidy and other financial support were welcome during Level 4, the true cost on employment and business will be uncovered once the subsidies are lifted.

"Businesses have some way to go before they have any confidence of business turnaround, and the further uncertainty about impending lockdowns if Covid-19 cannot be contained and managed is palpable. We need a co-ordinated approach which allows New Zealanders to live, work and pay within the Covid context — the lockdown approach is simply not sustainable."

This was the strong feeling amongst business leaders in the agriculture sector: We've got through so far, but what of the future?

Sirma Karapeeva, chief executive

All's not well in food and beverage

Graham Skellern

Quality food and beverage products based on the green and clean mantra is seemingly the way forward for New Zealand exports. But all is not rosy in the sector because of the disruption caused by the Covid-19 virus.

The 20 food and beverage respondents in the 2020 Mood of the Boardroom survey painted a contrasting picture on the state of their businesses, ranging from no impact by Covid to expecting a decline in production of 20-50 per cent in the next six months and this year.

Erica Crawford, founder of Marlborough-based Loveblock Vintners, is worried about the continuous intermittent lockups to "eliminate" Covid. "Kindness does not heal the economy," she said.

Kevin Mapson, managing director of Pernod Ricard NZ, said "The Australian Government has a plan for business. In New Zealand we lack government engagement, let alone a plan."

Among respondents, five leading food companies reported business as usual — and even growth — in the past three months and one to six months from now; while three beverage firms including two wine exporters followed the same line.

A beverage multi-national had less than 10 per cent decline in production during the past three months, and from now on expects no impact and/or growth. Two food manufacturers, a food services business and a fishing company are also on the same recovery path.

One wine company had 50-80 per cent decline in production in the past three months and it expects this situation to come back to a 20-50 per cent decline over the next six months.

Two other food services companies and a fast food operator had 20-50 per cent falls in production in the last three months and are forecasting less than 10 per cent declines over the next six months. A food certifier also expects the same decrease in the next six months.

Nine respondents said they reduced their staff during the Covid crisis, ranging from 5-15 per cent. But only three would decrease staff over the next six months, while three others were unsure, and one reported it would increase staffing numbers.

The resilience and recovery timing and speed is unknown and not easily mapped to earlier economic events.

John Freeman, of Delegat Group

In NZ we lack government engagement, let alone a plan... Australia has a plan for business.

Kevin Mapson, of Pernod Ricard

Kindness does not heal the economy.

Winemaker Erica Crawford on the intermittent Covid lockups

Our exporters must be able to continue to trade and the government must be able to assist in any regulatory hurdles

Pip Greenwood, director a2 Milk

Eleven food and beverage companies intend to spend more on IT in the next year and eight will be authorising more capital expenditure. Another eight companies said their capital expenditure will be less.

Nine businesses expect to increase their revenue and profit over the next year, but another nine estimated their revenue and profit will fall. Two companies — iconic names in New Zealand business — predicted their revenue would stay the same.

Twelve of the respondents did not apply for the wage subsidy, while six collected the first round of the subsidy and two went the full distance, also collecting the second round.

Pip Greenwood, an independent director with The a2 Milk Company, said favourable international trade relations are going to be extremely important for the recovery of New Zealand's economy in a Covid and post-Covid world.

"Our exporters must be able to continue to trade with our international markets and the Government must be able to assist in any regulatory hurdles such as visits by overseas regulators. Escalating tensions between US and China, and Australia and China are also of concern for us as a small export-reliant nation."

A food company executive said government spending was heading towards creating a welfare economy. Too much was being spent on benefits and not enough to create skills and to encourage people to seek employment.

John Freeman, managing director of Delegat Group, summed up priorities of food and beverage leaders for the next six months: Maintain revenues and profit; maintain full employment where possible; seek the growth opportunity within the noise.

"We feel it is obvious there will be an impact on global productivity, consumption and economy, but the resilience and recovery timing and speed is unknown and not easily mapped to earlier economic events."

On the question "Are you more or less optimistic than you were one year ago?" half of the 20 respondents said "slightly less" about the general business situation in their industry. Seven were "much less" optimistic, two were "slightly more" and one wine company said its optimism is the same as last year.

Fourteen companies felt much less optimistic about the New Zealand economy, six were slightly less, but the respondents were adamant about the global economy — 19 said they were much less optimistic, with another wine company being more confident with a "slightly less" response.

Volker Kuntzsch, former chief executive of fishing company Sanford

As producers of a healthy and sought-after protein, our industry should look into the future positively. This does, however, necessitate an enabling, collaborative environment. The challenge of bringing foreign workers in to perform jobs at sea that we cannot fill with domestic workers is an example where we quickly need to find pragmatic solutions. Internationally, issues between our major trading partners, trade and freight implications and repercussions of Covid-19 will create more uncertainty.

MOOD OF THE BOARDROOM

concern over global outlook

I suspect we have not yet seen the full impact on world prices and consumption patterns.

Sirma Karapeeva Meat Industry Association

Covid offshore is likely to have an impact on New Zealand protein exports, both volume and value and in the near term this still looks minimal.

Mark Wynne, Ballance Agri-Nutrients

It is scandalous that much of our valuable produce from the soil leaves our shores as a commodity, not at a premium price point.

Ruth Richardson, agricultural director

of the Meat Industry Association, said exports had remained strong despite global disruption, but the global market is softening and "I suspect we have not yet seen the full impact on world prices and consumption patterns."

Simon Limmer, chief executive of meat processor Silver Fern Farms, said the problem was in judging the global economic outlook and knowing where the markets will go next. "We won't have a good sense of that till the livestock numbers creep up in November and December and the pressure goes on to move the product through the export markets."

Another issue for primary exporters like Silver Fern Farms is adapting to the new foreign exchange rate with the NZ dollar rising from 58c, in March, to above 67c against the US greenback. The big meat processors, Silver Fern Farms and the Alliance Group, experienced production declines of 20-50 per cent during the past three months, but expected no impact in the next four to six months and thereafter. T&G Global had a less than 10 per cent decline in the past three months and expects production growth to resume from four months on and after.

When it comes to the future, agricultural companies are not so positive. They were asked: "Are you more or less optimistic than you were one year ago?" Ten firms were slightly optimistic about the general business situation in their industry, one was much less optimistic and three said it would be the same as last year. On the New Zealand economy, 11 were much less optimistic, two slightly less optimistic and one felt it was the same as last year.

On the global economy, three were slightly less optimistic and 10 much less optimistic. And that's the catch. Most agricultural leaders commented about the future uncertainty.

Ballance Agri-Nutrients CEO Mark Wynne said New Zealand had navigated the crisis extremely well. "If we can establish a bubble with Australia, this will be very advantageous. However, our big trading partners in US and Britain/Europe have ugly outlooks — both the current wave and next wave. Asia looks okay. But they too will ultimately be impacted by anaemic demand in the US.

"For fertiliser, demand is driven more by global dairy, meat, fruit prices and weather conditions than direct impact from Covid. But Covid offshore is likely to have an impact on New Zealand protein exports, both volume and value and in the near term this still looks minimal."

Former Finance Minister Ruth Richardson — a Synlait Mik director and NZ Merino Co-chair — didn't hold back. "Covid has grounded the global economy — the next six to 18 months will be grim once fiscal and monetary madness runs out of steam and everything depends on the adjustment to the new normal. New Zealand has only two wings on which to fly — what we can produce and sell from the soil and sea, and what we can commercialise using our smarts. The lucrative tourism and foreign student sectors are knackered."

She suggested the trick is to manage in an optimum way the risks we can control.

In the face of a constrained global trading environment, she says it is scandalous that much of our valuable produce from the soil leaves our shores as a commodity, not at a premium price point.

"It is imperative to address the drag on the economy from Fonterra in particular and the co-operatives in general which account for much of our soil-base businesses," she said.

Among the top 10 issues impacting on business confidence in New Zealand, the agricultural leaders highlighted strong concern about the international trading environment. Other concerns were: skills and labour shortages; government regulation; level of government debt; level and quality of government spending; quality of the border protection against Covid; potential for community transmission of Covid; water use and emission reducing policies; restrictions on resource management/land use; and immigration restrictions.

Exchange rates and infrastructure constraints were also a big worry, but 11 of the business leaders also scored highly the general uncertainty around the impact and direction of current or proposed government policies.

Sirma Karapeeva, chief executive Meat Industry Association

The combined impact of increased regulations and regulatory cost, land use changes, lack of skilled labour due to immigration settings, and international market disruptions could have a significantly negative impact on the meat industry. It could mean reduced stock numbers, the inability to fully process all products to capture the greatest market value, and lower global prices. It's critical government policy is carefully considered and regulations do not impose unnecessary costs and compliance burdens that stifle innovation, have unintended consequences, and not lead to the desired outcomes. We also need to find a sustainable solution to Halal migrant workers who collectively contribute $3 billion of export earnings but are here on visas that are due to expire early to mid next year with no clarity on whether they will be able to return to New Zealand.

In 1972

agriculture was the leading industry contributor to the national gross domestic product (GDP), producing wealth of

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By 2018

things had turned. The national GDP was $289b (it's now $314b) and the leading industry contributor was professional scientific and technical services at $23.15b. Agriculture was 10th with

$12.46b

or

7%

and food and beverage had fallen to 12th with

$10.6b

Together, however, they nudged the tech sector.

Terry Copeland, chief executive of New Zealand Federated Farmers

With the reliance on agriculture to make the biggest gains in export earnings vital for the economy, heavy-handed environmental policies are going to reduce the amount of product available. There won't be a premium paid for our products because the heavy legislation makes the minimum standard the highest quality amongst world peers — so they won't have to pay more if we have to produce it that way anyway. De-carbonising the economy is also vital, and incentives to move away from fossil fuels are imperative.

Carol Campbell, independent director of T&G Global

Campbell asks three questions:

1. Which party do we trust to rebuild a viable ongoing economy complete with public health strategies that will allow us to stay safe?

2. Who do we have that has the vision and skills to lead us into a decade that looks like being tougher than we have ever had before?

3. How do we get top class quarantine facilities at our borders so we can allow skilled returning New Zealanders plus skilled foreigners to enter the country and contribute to our economic recovery?

Ruth Richardson, Synlait Milk director and chairman of The NZ Merino Co

The Government refuses to swim in two lanes: securing health and wealth concurrently.

Instead, it is pursuing a consecutive strategy — nail the Covid risk and the economic risk which mounts by the day can wait.

We are like a grounded wide body jet, and while the five million passengers are shielded from the worst of Covid, they will suffer high unemployment, face an enormous debt burden and will suffer falling prospects.

The jet must fly if New Zealand is to not just survive but thrive, and relies on two wings — what we can sell from the soil and the sea, and how well we can sell our smarts.

The Government offers no clue as the how the five million will adjust to the new normal beyond throwing short term money at the problem and hasn't a clue how we as an island nation can take flight successfully into a pandemic planet.

MOOD OF THE BOARDROOM

Hi-tech contact-tracing in favour

More can be done to minimise the economic impact of Covid, writes **Tim McCready**

Some 91 per cent of executives responding to the *Herald*'s CEOs survey want greater emphasis on intensive contact tracing using best-in-class technological capabilities.

The CEOs also want New Zealand to establish secure airbridges with other nations such as China, Taiwan and Australia — so long as their response is also under control.

"Air bridges should be considered only when Covid-19 is truly under control and contact tracing technology is truly best in class and traces beyond the border," says a dairy chief executive.

An experienced chairperson reckons that many — particularly older people — will want to resume international travel as soon as possible. "It should be possible on a user pays basis to allow technology enabled devices (such as ankle bracelets) to allow returning residents and citizens to quarantine in their own homes on return from overseas."

Public-private partnerships

There is high support — 78 per cent — for public-private partnerships (PPP) for quarantine facilities where essential workers can be quarantined at their company's cost. PPP isolation facilities for international education students were backed by 75 per cent of respondents; a much higher level of support than PPP isolation facilities for international tourists — only 48 per cent of respondents said that should be a focus.

"The tourist isolation facility idea is similarly impracticable because tourists are unlikely to want to come to NZ and stay in such a facility for 14 days at their expense (not much of a holiday)," says a legal firm boss. "Isolation facilities for students sound good in theory but the numbers involved would make this impracticable."

Some questioned NZ's reliance on export education as an economic driver.

"How much was international education just a feeder to the incredibly high immigration levels over the past ten years?," asks a property boss.

"I really think we have to critically examine this sector's contribution — painful as that might be."

A lobbyist believes PPPs would alleviate some of the constraints around capacity.

"Our Ministry of Health isn't up to handling this pandemic, they have dropped the ball so many times and are very economical with the truth. A future inquiry will not be pretty for some who we rate very highly now."

Beca Group CEO Greg Lowe emphasised the pandemic is not a short-term problem, calling for a "smart" approach to a safe border. "The Prime Minister called for 'the smartest border in the world' early in the crisis but we are not seeing much progress towards this," he says.

"We have three problems currently: getting an effective system of border control robustly in place, getting a contact tracing system in place that uses technology not people to capture contact data, and developing a plan that increases safe border processing capacity."

"Maybe we can build world-class Covid management businesses out of this," suggests Precinct Properties chair Craig Stobo.

Others differ.

"Government run facilities have had their challenges, and they're just the issues you get when you need tens of thousands of people to follow processes where, if it goes wrong, people die," says a real estate boss.

"Add the inherent risk of lots of people and processes to a profit motive and I just can't see the Melbourne situation not happening again."

Opening the door to new industries

The Covid-19 crisis has had a severe impact on two of New Zealand's leading service export industries: international tourism and education.

Professional director Pip Greenwood says "now is the time to leverage NZ's attractiveness as a place to live and work to attract investment."

CEOs were asked what alternate areas New Zealand should look to increase investment in.

Agritech is the most promising area say NZ's top executives. A fund manager says Covid could allow New Zealand to "double down" on its premium food producing status. "Move up the quality/pricing curve to drive greater yields from our premium production and sell direct to consumers via digital gateways

Technologically-led businesses were also supported.

Spark CEO Jolie Hodson says rather than making big bets behind a small few we should be investing in building the capability, productivity and effectiveness of all businesses. "Particularly small and medium-sized businesses who would benefit significantly from going digital," she says.

Decarbonisation of the economy and the development of a green hydrogen industry received 3.62/5 and 3.54/5, respectively. New forms of public transport such as electric planes, received a score of 3.07/5.

The latter was the top pick for Green co-leader James Shaw at the recent BusinessNZ election conference.

He said there were NZ companies doing this, including those involved with the America's Cup.

"We do have a niche industry that is starting to emerge here, which I would like to see grow."

"Our biggest opportunity for decarbonisation is electric vehicles. We have enough consented and existing generation to power the nation's vehicular fleet at circa 30c per litre," says one professional director.

"What has happened to Helen Clark's 'knowledge economy'?" asks Beca Group's CEO Greg Lowe.

"Development of alternative transport solutions, the potential of alternative fuels like hydrogen to provide a new export market, export of digital solutions and services — we should be working to build a stronger national plan to advance all of them."

But respondents caution New Zealand not be too quick to write off our traditional export earners.

One said that realism is important in this situation, noting that tourism and export education will return.

"There is no real strategy to transform the economy either from a production perspective or around decarbonisation — it's all hopes and dreams currently."

It's time to leverage our attractiveness as a country says Pip Greenwood.

What should the Government be investing in / focused on to minimise the impact of the coronavirus epidemic?

Intensive contact tracing
91%

PPP facilities for essential worker quarantine
78%

Air bridges with other nations
78%

PPP facilities for education quarantine
75%

Intensive Covid-19 testing
68%

Mental health and individual wellbeing
60%

PPP facilities for tourist quarantine
48%

Resurgence pops plans for transtasman bubble

Support for transtasman travel but only when safe, reports **Tim McCready**

The transtasman bubble proposal should be progressed once the Covid-19 flareup in Australia is under control. That is the message from New Zealand's top CEOs in the *Herald*'s Mood of the Boardroom survey.

The result was overwhelming — 94 per cent of respondents are in favour, 5 per cent are unsure. Just 1 per cent of respondents say we shouldn't continue to progress the initiative.

CEOs placed myriad caveats — "only when safe", "define 'under control'", "risk must be minimal before relaxing".

"It's something we should keep a watching brief on," says a tech entrepreneur. "Nothing in Australia gives me confidence in their capabilities to contain."

Deloitte CEO Thomas Pippos asks: "The question is what does under control mean? At one stage Victoria was considered under control."

"The latest outbreaks seem to show this is less likely and riskier than first envisaged," says Chapman Tripp chief executive partner Nick Wells.

Some CEOs say we shouldn't be progressing until there is no community transmission on both sides of the Tasman.

"We need zero community transmission in each country and rapid tracing technology that crosses borders to even be considered," says a dairy industry boss. "Rapid testing may have a role to play when and if it becomes available."

But others are amenable to travel with cases present in the community — so long as steps are taken to ensure the risk remains low.

"Progress on pandemic management and the use of technology can both be used to provide a quarantine-free system for travel with selected countries," says Beca CEO Greg Lowe. "We just need to get on with solving the technical challenges so we can implement when the health settings are right. No one wants to be unsafe, but we do need to have a plan."

Australian Prime Minister Scott Morrison has said Australia is working on a "hotspot" model that would not necessarily require zero transmission. He said this could also extend to Covid-free parts of New Zealand.

Morrison said all states and territories except for Western Australia had agreed to an update of the roadmap to recovery, with the goal to reopen their borders by Christmas. It will focus on testing regimes, data sharing and interstate borders — rather than issues like hospitality venue capacity.

Jacinda Ardern has said that — so far — Australia's hotspot model will not be reciprocated holus-bolus. "Ultimately, for the hotspot arrangement, it doesn't change the work that we're doing on the bubble which is focused on putting New Zealand and Australia in the position to have quarantine-free on both sides of the Tasman. Right now though, neither country is in a position to offer that in its entirety because it's just not safe.

"If a New Zealander chooses to go to Australia because there is no quarantine, they will know that they'll be covering the cost of their quarantine on return to New Zealand."

Most CEOs agree reciprocal transtasman travel is unlikely to happen soon.

> We need zero community transmission in each country and rapid tracing technology that crosses borders to even be considered.
>
> Dairy industry boss

Back in May when a travel bubble with Australia looked promising, the Trans-Tasman Safe Border Group was established, co-ordinated by the Australia New Zealand Leadership Forum.

The group — made up of 11 government agencies, six airports, two airlines, health experts and airline, airport and border agency representatives from both Australia and New Zealand — submitted a blueprint for transtasman travel to both governments with the objective of removing the need for quarantine.

Auckland Airport CEO Adrian Littlewood was part of the effort, and said at the time "New Zealand and Australia have a great opportunity to really set some potential standards for travel restarting around the world."

Its original aim was to have the bubble operational and flying by the July school holidays.

Prior to the Covid crisis, New Zealand was the most popular outbound travel destination for Australians, with 1.5 million visitors arriving from Australia in 2019, accounting for 40 per cent of all foreign visitors to New Zealand. Australia was the most popular outbound travel destination for Kiwis. New Zealand is Australia's second largest source market for visitors, with 1.4 million visitors in 2019, accounting for 15 per cent of total visitors to Australia.

Unsurprisingly, a travel industry CEO is supportive: "It absolutely should be progressed — our economies and social structures are too intertwined."

Chairman of the New Zealand Initiative Roger Partridge says the open border will be significant: "We all have an interest in Australia succeeding and expanding our 'domestic' marketplace for tourism by an extra 20 million people."

Precinct Properties chair Craig Stobo reckons the industry should be innovative in its thinking. "We had 1.5 million Aussies come last year . . . tourism will have to go for a high-margin value proposition — not a low value volume growth strategy as we have done in the past," he says.

Most CEOs agree quarantine-free travel across the Tasman is unlikely to happen soon.

"With the rate of community transmission and the time it will take to get this under control, we should not expect or depend on this opening up in the next three months," says marketing boss Anne Walsh.

MOOD OF THE BOARDROOM

RMA reform needs to happen quickly

Tauranga port boss Mark Cairns tells **Graham Skellern** the export of premium primary produce will boost the national economy.

Port of Tauranga chief executive Mark Cairns is frustrated. He's got an $80 million shovel-ready infrastructure project that will create 55 additional jobs, but he doesn't know when it will start.

The port company is extending the container wharf (for a fourth berth) at the Sulphur Point terminal by 220 metres towards the south and no reclamation is required. "We've engaged the contractor and the project is designed. We can press the button tomorrow.

"It's been delayed by red tape, and we are lodging the resource consent under the fast-track process. I don't know how long that will take.

"We've consulted for 10 months and it's frustrating how long the whole process takes; it's not for lack of engagement on our part. It took us three years to get our dredging consent," he said.

Cairns, who is retiring in June next year after more than 15 years in the CEO role, is adamant the present Resource Management Act (RMA) is a handbrake on the economy and he welcomes the cross-party support for amending the RMA. "It does need reform. If you look at the piece of legislation and the size of it, it's bigger than my advanced engineering textbook. It's an enormous cottage industry for consultants."

He said infrastructure projects were key to reducing rising unemployment. "We want to tip $80 million into the regional economy by building a new wharf but there are so many impediments to get it under way."

The competitive position of the port can only get stronger and stronger.

Mark Cairns, CEO, Port of Tauranga

Looking at the next six months, Cairns said rising unemployment could reduce consumption, resulting in a marked drop in imports. "The world is always going to need food; Tauranga port is export orientated, and the primary produce trade will carry on and get us out of the mess."

The port handles 80 per cent of the kiwifruit export and "that's going gangbusters — demand is strong because of the vibrancy characteristics of the fruit. Maybe we should be focusing the market potential at the premium end rather than the commodity end of the continuum."

He didn't expect cruise ships to be berthing at the port within three years.

"That's an impact of $6-7m in earnings before interest and tax and a drop of $90m into the regional economy. It will be tough on tourism and hospitality operators."

Cairns said New Zealand should establish air bridges with other countries, such as China, Taiwan and Australia, when they get Covid-19 under control.

His No 1 priority is keeping the business going in a stable fashion and maintaining job security "for a great bunch of people at the port."

The competitive position of the port can only get stronger and stronger and "we run a conservative balance sheet with strong capital discipline. Where we are spending millions of dollars, we have the revenue to pay for it."

Cairns said his teams went the extra mile to get through Covid and "I want them to have jobs in the next 12 months.

"Covid threw curve balls at us when there was not a lot of information available. I was in awe of the bravery of the staff in boarding foreign vessels with (then) no protocols in place to keep the business running.

"Ironically, our productivity improved during that period. A regular weekly shipping service out of Asia was dropped back to fortnightly and we exchanged 9700 containers in one visit. It blitzed the record of 9500 containers and that was an extraordinary amount of cargo to go off and on," Cairns said.

Mark Cairns' top 3 issues

Top three issues facing New Zealand

1. Unemployment — will there be jobs for my children?
2. Level of government debt and the long-term ability to repay. Finance Minister Grant Robertson has done a pretty good job on managing expenditure, but the $3 billion Provincial Growth Fund is a questionable use of taxpayer money in terms of economic outcomes and jobs
3. We have scarce capital and it has to be spent judiciously. Infrastructure projects will be a way of working our way out of the unemployment hole, but are we building the right projects that are prioritised as having the highest GDP enhancing outcomes.

Top three business priorities

1. Retaining full employment at the port and maintaining firm control of costs within company over the medium term.
2. Building infrastructure to cater for the future. The current Resource Management Act is a massive impediment to timely infrastructure development that will provide environmental- enhancing outcomes.
3. Having a 'tight-arse' chief financial officer who has iron-fisted capital discipline and an acute focus on managing the balance sheet over the coming years.

MOOD OF THE BOARDROOM

Business call to action

Tim McCready examines what company leaders are prioritising in a Government response to Covid-19

A reduction of regulatory burdens, a focus on infrastructure and a reversal of the current ban on offshore oil and gas are among the top areas the business community are calling out for Government action in response to the Covid-19 impact on the economy.

BusinessNZ put questions to its membership for the Deloitte/Chapman Tripp election survey which was in the market through June.

There were 1193 responses from a wide range of companies — spanning the construction, tourism, manufacturing, agriculture and tech sectors. The survey provides a snapshot across the full gamut of New Zealand business — from those employing less than nine staff (47 per cent of respondents) to those employing more than 100 staff (15 per cent of respondents).

The survey provides a snapshot across the full gamut of New Zealand business — from those employing less than nine staff (47 per cent of respondents) to those employing more than 100 staff (15 per cent of respondents).

Company heads were surveyed across six topics: economic environment; investment, innovation and sustainability; infrastructure; trade; skills and human capital; and employment environment.

Economic environment

Of the six topics surveyed, the economic environment was by far considered the most important (55 per cent) to achieving sustained economic growth — significantly up from 29 per cent in the 2017 election survey. The second most important topic for sustained economic growth was investment, innovation and sustainability at 21 per cent, down from 23 per cent in 2017.

When asked to choose the top three Government Covid-19 initiatives in relation to their effectiveness for the business community, the highest scoring was the wage subsidy and leave schemes (78 per cent). The subsidy scheme, which began in March, could be accessed by businesses if they could demonstrate a 30 per cent decline in revenue or projected revenue compared to the year before. There were over 780,000 applications received with some $13 billion paid out.

The next most popular initiatives were: the small business cashflow scheme (55 per cent), fast-tracking of RMA consents for shovel ready projects (41 per cent) and the redirection of Provincial Growth Fund funding (30 per cent).

Infrastructure

Infrastructure has been a key battleground in the lead-up to the election.

Does Government need to reduce regulatory burdens on businesses as part of the ongoing post-Covid-19 recovery?

79% Yes
13% No
8% Unsure

National has announced huge transport infrastructure projects with a $31 billion spend-up including $17b for the upper north and $4b for Wellington and the formation of a National Infrastructure Bank. Labour has announced $6.8b in transport projects as part of its NZ Upgrade Programme and over $700m for shovel-ready transport projects to help with the post-Covid rebuild.

Should central and local government borrow to directly fund infrastructure to support business recovery and future growth?

70% Yes
14% NO
16% Unsure

Executives were asked to rank various types of infrastructure as to which has the most potential to contribute to New Zealand's business growth on a scale of 1-5, where 1=least potential and 5=most potential.

On average, transport infrastructure (encompassing roads, rail and ports) received the highest score with 4.19/5 in terms of potential to contribute to New Zealand's future economic prosperity. This was also the case for the survey done in 2017. Telecommunications/broadband received a score of 4.14/5, water scored 3.84/5 and energy (encompassing electricity and gas) scored 3.69/5.

This research found that the current emphasis on infrastructure is strongly supported by business leaders, with 80 per cent agreeing that a focus on infrastructure spend is a useful mechanism to help the economy recover from economic shock. Just 10 per cent said it would not be useful, and another 10 per cent responded that they were unsure.

The BusinessNZ survey also asked respondents to consider the Government's current infrastructure plans — including "shovel ready" projects — and assess whether they will deliver long-lasting economic benefit to New Zealand.

Some 37 per cent said that they will, 20 per cent said they wouldn't. But perhaps most notably, the majority — 43 per cent — said they were unsure whether there would be a long-lasting economic benefit.

RMA reform

The Resource Management Act (RMA) looks to be gone under the next government whichever major party is in power. A government-appointed working group has delivered a report on how to simplify the 29-year-old RMA, recommending it is repealed and replaced with two separate pieces of legislation: a Natural and Built Environments Act and a Strategic Planning Act.

National Leader Judith Collins said the group came up with "almost exactly what National has been saying for three years", although instead of National's suggestion to have one law addressing the environment and the other urban planning and development, the panel has maintained the laws should each cover both areas.

In response to the coronavirus pandemic's impact on the economy, Cabinet approved a law change in May to bypass part of the RMA process which will see consent decisions for eligible development and infrastructure projects temporarily fast-tracked. Instead of going to council with public input, a panel of experts chaired by an Environmental Court judge would determine whether a project can go ahead.

Some 80 per cent of company heads said that this rapid change in the RMA highlights the need for a full overhaul of the Act. Nine per cent said it doesn't, and 11 per cent said they were unsure.

Wellbeing

Last year, the Labour-led coalition government brought the four aspects of community well-being — cultural, social, environmental and economic — back into the Local Government Act. This change means that councils now have a legislative responsibility to promote all four well-beings.

Business leaders were asked which of these four well-beings should receive the highest priority over the next period. The overwhelming majority (86 per cent) said economic. The next most popular was social (7 per cent), followed by environmental (6 per cent). Cultural received just 0.3 per cent.

Sustainable business practice

Colmar Brunton's *2020 Better Futures Report* revealed that 76 per cent of New Zealanders don't think business is doing enough to reduce its environmental impact, and 72 per cent of youth say it's important their future employer is socially and environmentally responsible. Forty-eight per cent of Kiwis say they have deliberately switched over to a brand that is more sustainable.

BusinessNZ asked their membership whether these consumer demands for evidence of sustainable business practices have impacted how their business operates. Over half (53 per cent) of company chiefs said they haven't impacted their operations — but most likely will in the future. This is up from 45 per cent from the survey results from the last election year in 2017. Interestingly, only 21 per cent responded yes, which was down from 35 per cent from 2017 and 27 per cent in 2014.

Despite this reduction in sustainable practices impacting business operations, the survey showed that sustainability issues are recognised by executives as important to their business. When asked why, the most popular response — chosen by 65 per cent of respondents — was down to customer expectations. Sixty per cent said sustainability issues are important because of reputation, and 53 per cent said for future proofing their business. Just 12 per cent of respondents said that sustainability issues are not at all important to their business.

Transport infrastructure, such as the Auckland city rail tunnel (top) received the highest priority from business leaders who were concerned whether "shovel-ready" projects would have a long lasting benefit.

Should there be increased user pays charges to help fund infrastructure build?

59% Yes
28% No
13% Unsure

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MOOD OF THE BOARDROOM

The show must go on — online

In any normal time, the political leaders would have been put through their paces and challenged by business chiefs on their election policies.

The 2020 election is like no other.

The Covid-19 restrictions in Auckland saw BusinessNZ move the conference online.

Instead of a pumping crowd, there was a sea of empty chairs. Mask-wearing journalists and a guy who sanitised the lectern in between four political leaders: James Shaw (Green Party), David Seymour (Act), Judith Collins (National) and Jacinda Ardern (Labour).

Winston Peters (NZ First) appeared through video-link and BusinessNZ's members watched online.

Tim McCready summarises the show.

Jacinda Ardern

Labour Leader Jacinda Ardern was positive. She highlighted everything her Coalition government had done to support business through Covid, and reiterated "the best economic response is a strong health response."

"Ours is a response I will defend as being among the very best in the world, because not acknowledging that would be a disservice to five million new Zealanders who made it happen," she said.

2020 has not been easy: "For business it has been hard and disruptive – a pandemic sweeps away business as usual. It is incredibly hard for business to plan in a global pandemic."

But she said there was a limited window of opportunity to leverage our reputation as a "clean, green, and safe nation".

"We will launch an investment attraction strategy... and compete to win the global companies we want to invest in New Zealand and locate part of their business here."

Ardern said New Zealand could use its standing to attract more investment like Microsoft's plant establish its first data centre in New Zealand.

"We have a plan and we are rolling out that plan . . . "Supporting our people, our businesses, and our international reputation".

Judith Collins

National leader Judith Collins spent a significant time pointing out the flaws in the current government – beginning with its response to Covid.

The prospect of yoyo-ing in and out of lockdown is a significant impediment to business, and she criticised what she called the "mind-blowing stupidness" that saw the Government allow corner dairies to open during lockdown period but not the butchers and greengrocers next door to them.

"Let's put essential industries aside. We should be looking at what's a safe industry."

She was also vehement in her denunciation of Labour's failure to fulfil its promises.

"We would not promise to build 100,000 houses in ten years. We would not promise light rail up Dominion Road and then not do it. We would not cancel or delay 15 roads. We will deliver on what we promise," she said.

Collins spoke of her vision for New Zealand in the wake of Covid-19.

"It's an opportunity for New Zealand which we can either ignore and worry about everything that might go wrong, or we can seize the opportunities.

"It is a time for vision. That vision does not mean going back to the past."

Winston Peters

New Zealand First Leader Winston Peters joined via video link from his hotel room, while on his bus tour of the South Island. He started by criticising the Labour-led Government asking "what are we doing in lockdown in the South Island when [the re-emergence of Covid-19] is an Auckland issue?"

He said New Zealand is entering a completely new era – "we are not going to revert back to how things were just a few months ago".

The Greens also came in for criticism. "If you are sceptical that 'woke' is a problem, let me say: 'Green school'." Labour's proposed Matariki holiday was also slammed, along with its proposal to increase the top personal income tax rate to 39 per cent – "taxing people will not regain our prosperity."

As for New Zealand First, Peters said it is standing on several platforms, "one is the experience we bring to office and the moderating presence we have in Government. And if you doubt that, just two words: capital gains tax."

He wrapped up saying he cannot believe the level of carelessness about the election: "Don't stuff the country. That's what the election is about. Don't stuff the country. You've got two votes – buy some insurance."

James Shaw

The Greens don't always get an easy run with business. But many have an affinity with Greens co-leader James Shaw who was in his element at the BusinessNZ election conference.

He laid out three areas he thinks the NZ economy can expand on, which don't require the physical movement of people.

Shaw pointed to NZ's growth in weightless exports over the last couple of decades – particularly in the ICT sector.

He wants to establish a digital export office at NZTE to give the sector focus and significantly boost exports.

Sustainable agriculture was another opportunity with "value over volume" sitting nicely alongside environmental sustainability. "We need to move more towards supporting farmers and growers to enable them to take advantage of that and support them through the transition," he said, adding that he'd love to finally be rid of the false narrative of town versus country.

But if he had to pick a winner for New Zealand, Shaw said it would be the development of electric transport. He said NZ has an advantage here – including using technologies developed for the America's Cup: "We have a niche industry that is starting to emerge here that I think we could encourage and grow – that will ultimately lead to significant exports as the whole planet addresses the need to decarbonise."

David Seymour

Act leader David Seymour opened up by likening the Government's borrowing to "fiscal child abuse," due to the amount of debt that future generations will have to deal with.

He told the BusinessNZ audience that New Zealand needs to stop comparing itself to Victoria and Sweden, and instead seek to do better. "Why are we not Taiwan?," he asked. Seymour suggested we'd have a better outcome if we relied on both the public and private sector in our Covid-19 response, and not just the Ministry of Health.

In terms of encouraging future growth to our recovery, Seymour said we need to allow businesses to grow without restriction.

He said the current regulatory environment is unattractive to value-added tech – citing genetic engineering as an example – and thinks we could make good progress in this area if not for the "medieval superstitious genetic engineering rules". It was a similar situation for fintech: "we might be able to get Kiwis back if our regulations weren't so hostile."

Foreign investment restrictions should also go: "We desperately need capital to raise productivity, we need to strengthen relationships and investment connections with democratic OECD countries."

"There is no better vote you can give to raise the standard of debate in parliament and ensure we come out stronger as winners."

Business call to action: Covid-19

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Executives were also asked what the Government should do to support sustainable business practice in New Zealand. Of the options provided, almost half (49 per cent) said it should look at providing incentives for cleaner production and resource efficiency. The next most popular responses were building stronger links between New Zealand regional economics, services and products (44 per cent) and providing better services for commercial and industry waste management (40 per cent). Also proving popular with over a third of support from respondents were suggestions that the Government engage with business on how to transition to a low carbon economy (36 per cent) and that it commits to purchasing products and services from businesses that integrate sustainability (35 per cent).

Oil and gas exploration

In 2018, the Coalition Government passed the Crown Minerals Amendment Bill, putting an end to new offshore oil and gas exploration. While strongly supported by environmentalists, the ban was widely criticised for being done with limited consultation and without respect for proper standards of due process.

A majority of respondents said the oil and gas ban should be reversed.

This criticism was supported in a report done earlier this year by the Parliamentary Commissioner for the Environment Simon Upton, who wrote: "When the ban was announced, limited analysis was offered and the stakeholder consultation process was truncated." The National Party has pledged to reverse the ban if returned to government.

When asked whether the ban should be reversed in light of current events, some 59 per cent of respondents said the ban should be reversed, while 34 per cent said it shouldn't. Seven per cent were unsure.

Support for free trade

Business leaders were asked to rate Government policies and programmes provided to New Zealand businesses in regards to international trade on a scale of 1-5, where 1=poor and 5=excellent.

Trade agreements delivered by the Ministry of Foreign Affairs and Trade (Mfat) received the highest score of 3.82/5, which was on par with the average score given in 2017. Other policies and programmes rated highly include non-trade barriers (via Mfat and the Ministry of Primary Industries) at 3.58/5 and information, advice and guidance (via NZ Trade and Enterprise) which scored 3.39/5.

Asked whether the Government should devote any resources toward achieving a free trade agreement with the United States given the Trump administration's sentiments towards free trade, just under half of respondents - 49 per cent - said yes. Thirty-two percent said no, and 19 per cent were unsure.

A follow-up question asked which other countries New Zealand should pursue a free trade agreement with.

How is climate change impacting your business?

42% Not at all

26% Affecting the cost of inputs to my business

23% Creating opportunities for new products or services

21% Affecting the cost of my products or services

12% Affecting my business resource use

11% Directly impacting infrastructure or assets

8% Impacting attractiveness for investment

6% Affecting my investment in R&D

5% Affecting the location of my business

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MOOD OF THE BOARDROOM

Business needs a clear path, with no surprises

Kirk Hope wants Government to develop a pragmatic way ahead for businesses in what could be a lengthy pandemic, writes **Gill South.**

The BusinessNZ CEO is adamant that for business confidence to be restored, the current Labour-led Coalition Government and whichever party/parties comprise the next government must be clear and certain about the path it's going down.

"The best way to boost business confidence is a 'no surprises' approach," says Hope.

The challenge with creating something new is all well and good but unless you have signalled it for a period of time, it will reduce confidence, he adds. The more certainty across markets, sectors and within industries, the more confidence and investment there will be from businesses.

"It's not rocket science," he says.

Only 18.9 per cent of the 1193 respondents to a Deloitte/Chapman Tripp survey of BusinessNZ's members taken in June thought the current Government has a co-ordinated plan post Covid-19 of raising New Zealand's economic performance.

While Hope describes Finance Minister Grant Robertson, as "very stable, strong and effective" he is concerned about the new debt levels.

The Government's ability to clearly communicate its short, medium and long term plans will encourage businesses to invest, argues Hope.

"There needs to be a coherent economic framework to stimulate investment and growth from the current government," he says.

The business community has seen elements of the political parties' plans. But they have not been presented as a coherent whole.

"Labour has a tendency to engage, consult and talk to people which is a useful feature and allows businesses to add their input into what the framework looks like. But we also need some very clear decisions if Labour is to lead and the same advice would go for National," he says.

> There needs to be a coherent economic framework to stimulate investment and growth.
>
> Kirk Hope
> BusinessNZ

From a business perspective, there is an immediate need for a more responsive training/skills environment. Long-term skills mismatches have been the reason New Zealand businesses have had to rely so much on immigration, he says.

Education Minister Chris Hipkins, can be credited for recognising this and taking action on vocational training. Hope is extremely concerned about the international trading environment.

He notes free trade agreements with the EU and the UK will be very important to New Zealand and help insulate it against any challenges, economic and political. New Zealand's relationship with its biggest trading partner, China, is delicate and it must tread carefully, he warns.

The international environment is very intense with China and the US essentially "at war", he adds.

"We rely on China a lot, they don't rely on us at all.

"We sell a lot of our produce and goods and services into that market and we have a lot of investment coming into New Zealand from China. They have been, and remain, very important."

Kirk Hope's top 3 issues

Jobs: there needs to be a better skills-matching process.
Infrastructure: execution of projects at pace.
Investment: maximise the opportunity provided by NZ's reputation and allow high-quality investment into New Zealand.

As countries the world over struggle to pull themselves out of the ever-present Covid mire, New Zealand's relationship with Australia, remains crucial.

There is clear political commitment between the two, exemplified by the Transtasman bubble and that work needs to continue despite cluster breakouts, says Hope.

"NZ companies list on the ASX because it's an opportunity to tap into more capital and Australia is a massive source of capital for New Zealand.

"By and large we've taken the same approaches to Covid and we want them to be successful and to be successful ourselves."

Business call to action on Covid-19

continued from B35

The majority said the United Kingdom (83 per cent), followed by the European Union (78 per cent) and India (58 per cent).

Unsurprisingly, in response to whether New Zealand should continue to seek international trade where possible or instead be more domestically focused, some 82 per cent of company heads were in favour. Only 16 per cent said New Zealand should be more domestically focused, and 2 per cent were unsure.

Skills and human capital

Earlier in its first parliamentary term, the Coalition Government announced reforms of the vocational education sector and the merger of 16 of the country's institutes of technology and polytechs into one national body.

Education Minister Chris Hipkins has said the reform will lead to better outcomes for students, industry and the regions, whereas National's then-tertiary education spokesperson, Dr Shane Reti, said the reforms will gut New Zealand's regional education.

Executives were asked whether the Government's reform of vocational education will result in better skills pipelines for business. They had mixed feelings — the majority, some 37 per cent, said they were unsure. A similar number, 34 per cent, said they would result in a better skills pipeline, and 29 per cent said no.

Supply of labour was another key concern highlighted by the BusinessNZ survey.

A majority, 51 per cent, said that the Government is not doing enough to support businesses with their changing staffing needs.

Just 17 per cent said enough is being done, while 32 per cent said they were unsure.

Expanding on this, the business leaders were also asked which skills and human capital issues the Government should be focusing on.

Business leaders rated the wage subsidy scheme as the top initiative in response to the Covid-19 pandemic.

Are you confident in getting the skills needed for your business under current migration settings?

43% Yes
42% No
15% Unsure

Have you experienced any difficulty in terminating an unsatisfactory employee's employment?

52% Yes
44% No
4% Unsure

Of the options provided, the most popular said incentivising business to take on apprentices and/or provide more training (44 per cent).

The next most popular responses were: focus on science, technology, engineering and maths (STEM) at all learning levels (32 per cent), stimulating the economy to get people into jobs quicker (31 per cent) and taking a more company and industry-oriented approach towards developing solutions to skill gaps and labour market constraints (29 per cent). Lowest scoring options included focusing on the aging workforce (10 per cent) and increasing support for speakers of English as a second language (2 per cent).

Backing the 90-day trial

The 90-day trial period was introduced under the National government, which allowed employers to dismiss new employees within the first three months if they didn't work out.

A Treasury study published in 2016 found no evidence that the trial periods had an impact on the number of people hired and the trials were subsequently watered down by the current government in 2018, so that only those firms with fewer than 20 employees could hire new workers on trial periods.

In the midst of the Covid-crisis, the National Party called on the Government to "urgently restore" the 90-day trial period for new employees, saying that it would help those who have lost their jobs during the pandemic get back into work.

The majority of those surveyed agree, with 73 per cent saying reintroducing the trial period would be of benefit to their business operations.

Some 20 per cent said no, while the remaining 7 per cent were unsure.

The survey also asked business leaders to indicate from a range of employment issues which are currently of greatest importance to them. The top-rated issue is access to skills and talent, with 31 per cent of respondents choosing this option. The next most popular responses were: managing employee costs/cost cutting (18 per cent) and employment relations legislation such as minimum wages (13 per cent).

The lowest scoring issues at the moment for respondents are emerging technology such as increased artificial intelligence and automation (7 per cent), the Holidays Act (3 per cent) and pay equity claims from employees (1 per cent).

Emerging technology

There was scepticism from respondents on whether there will be significant impacts on the size and composition of their workforce as a result of emerging technology.

Just over half, 51 per cent, said there will not be a significant impact from the likes of artificial intelligence and robotics — which is a near identical response to the same question in 2017.

Some 40 per cent said there would be, and 9 per cent were unsure.

The election policy grid

LABOUR

- Targeted subsidy of up to $22,000 for employers to hire or keep someone at risk of long-term unemployment (average expected to be $7500). **3.25/5**
- A $30 million fund for those at risk of long-term unemployment to begin a small business (starting capital while business gets going). **2.70/5**
- Fast track critical job-rich infrastructure projects through changes to the Resource Management Act. **4.02/5**
- On the question, does Labour have a co-ordinated plan of action which is focussed on ensuring New Zealand's sustainable economic performance in the wake of Covid-19: **78.57% said No and 6.49% Yes.**

What they are saying

- "Please get the Resource Management Act changed and quickly. It is one of the poorest pieces of legislation that provides the bureaucrats the perfect environment to do nothing." **Don Braid, Mainfreight**
- "Need to be real about what is shovel-ready and what can be fast-tracked. Lack of focus on long-term benefits is concerning." **Matthew Cockram, Cooper and Company NZ**
- "The benchmark against which infrastructure projects are measured is wrong. The focus should not be the number of jobs a project creates but whether its benefits exceed its costs. The government must do more to ensure key spending decisions are properly evaluated against their overall benefit to New Zealanders' welfare and wellbeing." **Roger Partridge, the New Zealand Initiative**
- "Many central and local government organisations seem mired in internal process/governance constraints and need to be better focussed on delivering timely outcomes. Time is of the essence at this point of time. Fixing the current constraints around the RMA will help, but it won't fix the problem of fast-tracking projects." **Cos Bruyn, Fulton Hogan**
- "Unfortunately, there doesn't seem a correlation between the infrastructure projects being approved and the necessary timeframes, or a match to the skills becoming unemployed." **Investment banker**
- "Unemployed people starting and failing in business at taxpayer expense is not a very attractive spectacle." **Food company executive**

Regarding co-ordinated action plan:

- "Lots of aspiration and a lot of it I agree with in principle. But it lacks substance. Some of this is understandable because Covid-19 is moving so fast. We still need an executable vision which is lacking." **Cameron Bagrie, Bagrie Economics**
- "Labour's policy seems to focus entirely on health aspects and how well they have guided the country through the lockdown." **Food services executive**

NATIONAL

- Spending $31 billion on transport projects over the next decade (about half going towards projects in the upper North Island). **3.94/5**
- Spending $4b on transport infrastructure across Wellington. **3.71/5**
- Allowing people who have lost their jobs after March 1 to use $20,000 of their KiwiSaver savings to start a new business. **3.23/5**
- On the question, does National have a co-ordinated plan of action which is focussed on ensuring NZ's sustainable economic performance in the wake of Covid-19: **50% said No and 14.94% said Yes.**

What they are saying

- "KiwiSaver idea is good but must be surrounded with services to help do it well or will just destroy savings." **Chris Quin, Foodstuffs North Island**
- "Why do politicians keep interfering with KiwiSaver?" **Craig Stobo, Precinct Properties chairman**
- "Dipping into KiwiSaver for business start-ups will be good sales of utes, but that's all." **Sam Stubbs, Simplicity**
- "Having run start-ups for 22 years, the idea of having $20,000 out of hard-earned savings thrown up against the wall is a terrible idea — start-ups have a 96 per cent fail rate." **Business entrepreneur**
- "The massive roading spend-up may be the right thing but on its own looks one dimensional and lacking in thought. The KiwiSaver proposal is a joke and very destructive to the integrity of the scheme." **Financial Services CEO**
- "While transport projects particularly in Auckland could ease congestion and improve productivity, I'd like to see both major parties focus on other infrastructure needed across NZ such as water storage and sewage systems." **Cathy Quinn, non-executive director**

Regarding co-ordinated action plan:

- "They need to have the political courage to discuss the health and economic trade-offs with the public." **Craig Stobo, Precinct Properties chairman**
- "Policies not fully formed — many of those that have been released look very ropey." **Banking leader**
- "The Opposition is starting to talk about longer-term infrastructure investment plans which is a positive step." **Greg Lowe, Beca**

BEST FOR BUSINESS?

Which parties have the best policy mixes for business?

14% Labour
59% National
0% NZ First
18% Act
0% Green Party
9% Unsure

If Labour has to form a coalition, which parties would be best for business?

29% NZ First
12% Green Party
42% National
39% Act

If National has to form a coalition, which parties would be best for business?

11% NZ First
17% Green Party
11% Labour
83% Act

Party policies were rated on a 1-5 scale where 1=very poor and 5=very good. Source: Herald Mood of the Boardroom 2020 Eelection Survey

ACT PARTY

- Establish a permanent National Public Health Service to streamline epidemic responses. **3.88/5**
- Return to surplus by 2024 through cutting $7.6 billion wasteful spending and delivering $3.1b tax cuts (reduce 30% tax rate to $17.5%, and cut GST to 10% for 12 months). **3.43/5**
- Repeal the Zero Carbon Act and the oil and gas ban. **2.66/5**

What they are saying

- "Act is the only party so far to focus on the quality of government expenditure." **Craig Stobo, Precinct Properties chairman**
- "A flat rate is attractive for equitable approach and its ability to increase spending in the private sector and the effect it will have in supporting businesses through consumption growth. Private sector will allocate benefits more effectively than public sector. This said, not sure if the maths works." **Dairying leader**
- "Cutting wasteful spending is easy to say but it depends on the definition of 'wasteful'. This is where the great majority of people will disagree with Act as major spending cuts will increase social problems and end up costing the country more than the short term gain." **Law firm partner**
- "Don't think I agree with the shape of the tax cuts but agree on refocusing spending and setting up National Public Health service." **Aviation leader**
- "While I believe the Labour oil and gas ban was very badly thought through and nothing more than a gimmick, it would be sad to think our future should be tied to oil and gas when over the next 20 years there have to be other options. We do want to look forward, not back." **Financial services leader**

GREEN PARTY

- Scale up State house building programme over next five years to clear the waiting list (18,000 houses). **3.15/5**
- Clean Energy plan: Upgrade homes with solar panels; ban industrial coal burners; end coal use in New Zealand by 2030. **2.85/5**
- Guaranteed minimum income funded by wealth tax and two new top income tax brackets. **1.59/5**

What they are saying

- "The Greens need to seriously re-think their definition of wealthy. They are out of touch with middle New Zealand." **Sam Stubbs, Simplicity**
- "The wealth tax suggestion seems to be poorly thought through and would simply result in the erosion of value at the rate of 1-2 per cent per year. If it is not linked to income or a transaction, where will the money come from to pay the tax? This is an unworkable burden on anybody who owns an asset, including many family homes." **Greg Lowe, Beca**
- The wealth tax/guaranteed minimum income policy will do more harm to the economy than almost any other policy option. It will lead to a flight of capital needed to promote economic growth and prosperity, and at the same time reduce incentives to work." **Roger Partridge, The New Zealand Initiative**
- "2020 is a year of surprises. I find myself astonished to be giving Green Party policies better rankings that those announced to date by National and Labour." **Property executive**

NZ FIRST

- Heavy rail plan for Auckland. **2.89/5**
- A 20-year deal for the Tiwai Point aluminium smelter, with 10-year review based on cost of electricity supply and "respectable" margin. **2.29/5**
- Cap of 15,000 immigrants each year, limited to highly-skilled workers. **1.90/5**
- On the question, do you believe Provincial Growth Fund, which was a Coalition requirement by NZ First, has been an effective spend: **79.35 per cent said No; and 9 per cent Yes.**

What they are saying

- "We need to train New Zealanders better; where is the policy around upskilling Kiwis? **Don Braid, Mainfreight**
- "Agree with triple, and quad, tracking mainline train network to open up access to land supply." **Aviation executive**
- "The heavy rail option is eminently more sensible than the light rail option proposed by Labour." **Financial Services executive**
- "The obsession with migration runs counter to New Zealand's best interests. Foreign workers enable our health and rest home sector to survive, and dairying and viticulture wouldn't be feasible." **Government relations consultant**
- "Taxpayers shouldn't be subsidising the smelter. **Business entrepreneur**

Regarding the Provincial Growth Fund:

- "I believe in the focus on the provinces to unlock our resources and opportunities, but these take time to set up, establish and start to generate growth, employment and opportunities. Covid-19 will have disrupted and delayed. Results/reviews should be two to three years after execution. " **Anne Walsh, Everyday Marketing**

My top issues facing the nation: CEOs have the final word

- The Government is trying to do it all itself with all the responses been led by bureaucrats. Where is the openness and trust in the private sector? Entrepreneurs are job creators and we are being stymied at every turn. I have never seen a time in NZ when capable, talented business people are being pushed back at every turn, by well-intentioned, but inexperienced bureaucrats, who are suffering from a cult of the heroics. No one disputes that NZ has done excellent things in keeping Covid at bay, but our geographic and island nation status gave us a massive advantage. But we are supposed to be one nation and the current response approaches are excluding the following: the very large diaspora who want to contribute and be loved and noticed — the vulnerable communities where the inequality and inequity gaps are growing wider. Women who have taken the biggest brunt of Covid stress; in the caregiving roles and in job losses — entrepreneurs who want to create jobs and well-being.
- We need a government that is truly open to all people; brave enough to set targets for poverty reduction, child wellbeing, education, care of the vulnerable and sustainable job creation. Money is being thrown around and not landing in a way that it will drive sustainable wellbeing change. A lack of trust in business and the many great Kiwis who are job and wealth creators.
- Public sector unscrupulously luring staff with massive public sector salaries way our of kilter with global equals, which the private sector can't meet in Covid times. There needs to be a partnership for recovery where public and private sector work together to design new futures and address skills shortages.

— Entrepreneur

- Learning to live with Covid through adaptation, better medical processes and facilities.
- Getting the economy moving after Covid stabilises and becomes the new normal.
- Maintaining an open, outward looking New Zealand.

— Marc England, Genesis Energy

- Build truly capable domestic health security (testing, tracing, health capacity) to prepare our country to live with Covid. Use the existing experience in animal health management and extend to human health. MPI/BioNZ has been doing contact tracing, testing, isolation for years and does a good job.
- Support the Infrastructure Commission to do its job in becoming a strong and truly independent voice on infra planning.
- Safely re-open the border to critical skills workers, then countries that are safe to connect to recognising complex problems require sophisticated answers and there is no single silver bullet to protect NZ in a post-Covid world. *— Tourism boss*

- Lack of a plan to benefit from our Covid-free status.
- Lack of a plan/timeframe/clear conditions for more people to be able to safely get to NZ — let private organisations get involved.
- Infrastructure deficit — now is a good time to borrow, just need to have a clear business case for the projects that go ahead. *— Banker*

- Unemployment: work for benefit on approved projects of National importance
- Lack of Manufacturing in NZ for basic needs: incentivise businesses to establish scalable factories in key products/ geographies
- Infrastructure: get ahead of the curve with rail and road, water and electricity.

— Kevin Obern, Office Max

- Government spending in consumption rather than investing in production. The Government needs to work closer with business.
- The diversity of wealth in our population. Keep our unemployment levels low.
- Lack of foreign investment. Incentivise overseas business to invest in New Zealand and stimulate the economy.

— Ross Buckley, KPMG

- Covid-19 eradication as the goal when the rest of the world learns to live with it — NZ becomes effectively "closed for business"and out of step with the other major developed economies. Solution is to accept there will be clusters and plan to progressively open borders and manage covid-19 — isolate vulnerable communities rather than the nation
- Facilitating an unsustainable attitude to Covid-19 through ongoing subsidies and spiralling debt. Stop the subsidies over the coming months and force a reality check on balancing health and economic outcomes — major risk of a material economic shock is building
- Government needs to pivot from trying to do stuff and focus on enabling industries — need a logical segmentation of the economy and then strategies that encourage industries segments to grow.

— Manufacturing CEO

- Allow business to trade whilst managing Covid effectively. Allow retail and hospitality to trade but make masks and social distancing mandatory.
- Put in place effective processes to ensure a mandatory vaccine can be rolled out as quickly as possible.
- Maintain strong international relationships in a world where relationships are becoming highly dysfunctional. Influencing world leaders to be less nationalistic and more collaborative. As a country with respected leaders such as Helen Clark operating in this space, maybe it is time for NZ to play a role in knocking heads together of the big boys' egos!!

— Retailer

- Disconnectedness from the global economy.
- US/China trade war and the impact on our national economy.
- A crash of the national economy.

— Clive Ormerod, Les Mills International

- Poor quality political leadership.
- Too much debt.
- The nation is too PC.

— John Manley, Nissan

- Shift the Covid discussion to how we will adapt to a very different environment, and redefine the NZ economy to focus on technology and productivity growth.
- Climate Change: Address with equal vigour, how we do our share of mitigation by moving to a lower carbon economy (eg make the ETS work), and also adapt preparing for the reality of a world that is on track to be three to four per cent warmer within the lifetimes of some being born now.

— Lloyd Kavanagh, MinterEllisonRuddWatts

- The Australian Government has a plan for business. In NZ, we lack government engagement, let alone a plan.
- The growing national debt — we need to be fiscally responsible.
- Focus on what will grow the economy (eg. we lived without a cycleway over the Auckland harbour for 40 years, is that really smart spending for the current environment?
- Welfare culture & declining productivity — we need to employ people in meaningful work.

— Kevin Mapson, Pernod Ricard

- Covid — lock the borders properly; not the last six months of poorly managed controls. If this was a public company, the CEO would have been fired months ago.
- Uncontrollable debt taken on by Government to cover up mistakes. Stop spending for votes.
- Water shortages in Auckland in a country that receives over 1m of rain in a bad year. Government is to to blame for not spotting the obvious and questioning Watercare and council years ago about the strategy for a growing city.

— FMCG boss

- Border restrictions are necessary for reducing risk of community transmission, but we are not taking a sufficiently risk-based approach. If this was a business issue, we would mitigate the inherent risk to an acceptable residual level. At present we are not allowing sectors like international education to recover or limit access to international talent that is needed to drive aspects of the economic recovery.
- Poor quality or insufficiently strategic spend funded through borrowing creates a short term sense of confidence but a material economic risk in the medium term.

— Mike Bennetts, Z Energy

- Employment — transition plans for industries and regions most impacted.
- Carbon transition — identify and prioritise lowest cost carbon abatement.
- Affordable energy — plan to reduce total electricity and gas prices to consumers. "New Zealand has some of the highest electricity and gas prices in the world, making it uncompetitive globally. We need to develop an economic plan to lower our emissions, which keeps economic activity and jobs in NZ — affordable energy is key".

— Naomi James, Refining NZ

- Strategically reposition NZ to be more economically relevant in a Covid world — we need make the country more resilient when tourism will be challenged for the foreseeable future — NZ needs a mandatory digital competency certificate for all school leavers (we need to democratise access to enable all our children to participate in future ways of working) and Government can look to the policies successfully adopted in other countries to incentivise businesses to accelerate their move to digital trading.
- Quality border management and quarantine — so NZ can confidently bring in foreign talent as needed — private sector can help! Move Government subsidies away from consumption and into investing .

— Professional Director

- Continuous intermittent lockups to "eliminate" Covid 19 unsustainable. The PM is an outstanding manager of grief and kindness, and three consecutive crisis have assisted her. She is currently one of NZ's best assets on global scene. Repeating my comment of last year, she needs to find her "Bill English" and cheerlead NZ". I like and admire the PM, but lately it has become quite apparent that she is a politician first and will do whatever to appease the polls. *— Erica Crawford, Wine exporter*

- Job Creation: As we move toward the end of the wage subsidies, I expect to see more job losses and business closures. We must look at how we link the need for labour to payment of welfare. Having thousands on welfare, while we can't find workers to complete much needed projects, or seasonal work previously completed by international workers, is not the answer.
- Living with Covid-19: Elimination appears to be impossible. We desperately require a plan to live with this virus without shutting down our economy. We cannot continue to lock down parts of NZ until we have a vaccine. The government needs to be much clearer with business around how they plan to deal with Covid long term.
- Mental Health. I sense that we are only just starting to see the impact of continued lockdowns on the mental health of our nation. People are under enormous pressure. I am concerned that our business community and mental health system is inadequately prepared to deal with a sudden rise in mental health issues. *— Gerard Morrison, Coda Group*

MOOD OF THE BOARDROOM


Grant Robertson, Minister of Finance

The 2020 Mood of the Boardroom Election debate features Finance Minister Grant Robertson & National's Finance Spokesperson Paul Goldsmith


Paul Goldsmith National Finance Spokesperson


Shayne Currie, NZME

Fran O'Sullivan, NZME


Kirk Hope, BusinessNZ