

# MOOD OF THE BOARDROOM

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100 business leaders have their say

# Time to pivot



CEO **confidence** up  
across board

Rating **Prime  
Minister's** KPIs

**Nicola Willis**  
makes strong start

**Energy** concerns  
heighten

Ground shifting  
on **capital gains?**



**MOOD OF THE BOARDROOM**

# Regaining the old Kiwi initiative

As the economy slowly recovers, companies need to start thinking about taking risks again, Katherine Rich tells **Graham Skellern**

**C**ompanies need to regain the confidence and courage to take risks, make investments and help get the economy cracking, says new BusinessNZ chief executive Katherine Rich.

The economic downturn has gone on for so long and made business people far more conservative. They are putting off projects and not investing in certain areas, she says.

"Business entrepreneurship is about the ability to take on risk and new ideas. For New Zealand's future, business has to lean in and play its part. Business has a leadership role.

"The government can't solve the problems on its own – it's a case of all hands-on-deck to turn around the really poor financial statistics."

Rich says she's old enough to have watched and lived through other downturns and "I do think this one is the worst. My experience is more from the food, grocery and manufacturing sector, and the downturn that came off the back of Covid. "Businesses took their financial nest eggs and spent them as a buffer (during the Covid pandemic). The wage bills were mostly covered but the other costs of doing business were impacted. That's why there's been a lag – we got through Covid and then we faced a recessionary environment.

"There's been high inflation, high interest rates and rising costs for inputs such as wages and energy and in many cases, businesses have not had the ability to pass on costs and are squeezing margins."

She says BusinessNZ asked its members about capital expenditure intentions for the next 12 months. "In the past they've said they are going to do more; but in the last one they said there were doing the same or less. We felt that was significant."

Rich says going into business is not for the faint-hearted and some businesses have failed through no fault of their own. There have been a number of closures in the hospitality and retail sectors. "There's a short block of retail in Dunedin. It was



vibrant, and now there are 11 front-facing stores that have closed."

Rich, the former three-term National MP and chief executive of the New Zealand Food and Grocery Council, has been in her new role for three weeks, and says she is very much in listening mode and looking forward to hearing what members think. She says the *NZ Herald's* Mood of the Boardroom survey is like gold. "You have a group of informed people answering questions that don't get asked by anyone else, and they are thinking not just about New Zealand but globally as well."

Rich wants BusinessNZ to increase the amount of advocacy it does and become a stronger, powerful voice. "I will make sure the policy work is evidence based and completely reflects the members' views.

"I have enjoyed over the years working on ideas to support business projects and I'm interested in expand-

ing the small business discussion by feeding their concerns into advocacy and policy.

"They make up most of the business people in New Zealand and they have been the ones hammered by the latest economic conditions – the tradespeople and other small businesses. They have to think twice about buying a new ute or whatever."

Rich says "we want to put ambitious plans to government – we have to play our part in helping to improve economic indicators."

One of the plans is to promote a reduction in the corporate tax rate (presently 28%) to at least match Australia's 25% for small and medium-sized businesses. "We aren't competitive with Australia and business is always looking at the best place to put investment," Rich says.

She says the recent high electricity prices and spikes in costs rattled some heavy energy users and the

## Opinions from the top NZ CEOs

The Herald's Mood of the Boardroom 2024 CEOs Survey attracted participation from 103 respondents.

They include leaders of New Zealand's biggest companies ranging across agribusiness, banking and finance, manufacturing, aviation and tourism, transport and logistics, education, telecommunications, environmental services, energy, insurance, professional services, and more.

The survey was in field from August 30-September 25. Results from a BusinessNZ survey taking the pulse on some key issues from Mood of the Boardroom attracted 131 respondents.

The Herald's CEOs survey was launched in 2002 within a State of the Nation report.

A huge thank you to everyone who has taken part in this year's survey. We appreciate your effort.

*Fran O'Sullivan*  
Executive Editor

## Mood of the Boardroom presentation



**Nicola Willis**



**Barbara Edmonds**



**Murray Kirkness**

country needs to maintain good access and certainty to the energy supply.

"When multi-nationals are looking at different locations around the globe to locate their factories, it would be disappointing if the concerns of electricity costs (in New Zealand) are putting them off investing here."

Reducing red tape is also in the sights of BusinessNZ.

Rich says so many regulatory processes are not fit for purpose for a population of 5 million. "Take an agribusiness that wants to launch a crop protection solution. It comes to New Zealand with a product that is registered everywhere else and the company faces a two-year registration period and increased costs just to put it on the shelf.

"We need to look at streamlining regulation while maintaining safety and good processes. But we don't have to pretend we are the European Union and re-do assessments that have already been made."

Rich says "I'm looking forward to continuing the detailed policy work using the best sources and contributing to decisions being made by the public service and government."

● *BusinessNZ is a sponsor of the Herald's Mood of the Boardroom project.*

The debate between the finance minister and their opponent is a feature of the annual launch breakfast. It has featured Finance Ministers: the late Sir Michael Cullen, Sir Bill English, Steven Joyce and Grant Robertson. This is the first time the debate features two female politicians, Finance Minister Nicola Willis and her Opposition, Labour's finance spokesperson Barbara Edmonds, moderated by NZME Editor-in-Chief Murray Kirkness.

**Mood of the Boardroom**

**Executive Editor:** Fran O'Sullivan

**Writers:** Bill Bennett, Duncan Bridgeman, Liam Dann, Andrea Fox, Tim McCready, Graham Skellern

**Subeditor:** Isobel Marriner

**Cover:** Richard Dale

**Graphics:** Richard Dale, Isobel Marriner

**Proofing:** Tim McCready, Natalia Rimell, Graham Skellern

**Online:** Tennessy Weir

**Advertising:** Neil Jackson

**Event Director:** Katy Riddell

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## Inside Mood of the Boardroom 2024



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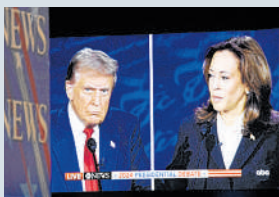
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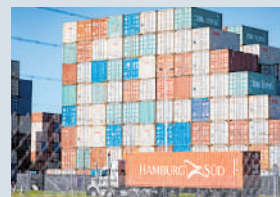
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# It's time to pivot



**Mood of the Boardroom**  
**Fran O'Sullivan**

Government should focus positively on the road ahead, say business leaders

Christopher Luxon's Coalition Government has completed "The Great Unwind". It's now time to pivot hard and focus on bold moves necessary to spur economic growth. That's the prevailing sentiment in the 2024 Mood of the Boardroom CEOs survey which attracted 103 respondents.

"Christopher Luxon has outperformed in terms of what's been delivered so far vis-a-vis expectations generally held," said Forsyth Barr managing director Neil Paviour-Smith.

The NZ Herald survey disclosed business leaders want the government to move on from blameworthy Labour predecessors for the economic environment it inherited.

Many of Labour's initiatives have been unwound and it's now time to focus positively on the road ahead, not keep looking through a rear view mirror.

"Fiscal restraint is right for the times but where good investment stacks up we should get on with it," said an industry association chief. "Labour did spend way too much and profligately so, but New Zealand doesn't have a significant public debt issue relative to other nations; we have productivity and growth ones that require sensible investment. Finally, let's see more policy boldness.

"It doesn't need to be full Rogernomics or Ruth Richardson style, but more than English or Robertson incrementalism is required given New Zealand's serious problems."

Despite lingering recessionary effects, CEOs are predominantly optimistic, rating their confidence in the economy at 3.23/5.

This is the highest score for optimism in the New Zealand economy since 2016, when the previous National-led Government was in power under the prime ministership of Sir Bill English (3.6/5).

There is broad consensus that the fall in interest rates should lead to a more favourable domestic business environment with many wanting the



Christopher Luxon, Nicola Willis and Coalition leaders head for the debating chamber for the reading of the 2024 Budget.

Photo / Mark Mitchell.

The Government has mastered the Science of Politics: getting agendas moving, momentum in the House and delivering. It now needs to fulfil the other side of the coin – the Art of Politics. Having a horizon, painting a future, taking the public with them toward what New Zealand could be, should its full potential be realised.

Finance sector chief

Reserve Bank to get on with it.

Business leaders caution that the journey to full recovery is far from over. But they would like to see a more upbeat presentation from leading Cabinet Ministers which capitalised on their own optimism.

Mainfreight managing director Don Braid acknowledges smaller businesses are still doing it tough.

But his own sales calls in New Zealand in recent weeks indicated the initial small adjustment that the Reserve Bank made to interest rates had "lifted the mood of the marketplace."

"People are feeling more positive about it. It might mean we've reached the bottom of that cycle and we actually can see our way forward.

## PM finds right balance on geopolitical tightrope

**Fran O'Sullivan**

Prime Minister Christopher Luxon has walked a tightrope when it comes to striking a balance by aligning New Zealand with partners such as Nato and the United States on security at the same time as protecting New Zealand's economic interests with its largest trading partner, China.

But 72% of respondents to the NZ Herald's 2024 CEOs survey believe he has struck the right balance; 8% say he hasn't and 20% are unsure.

Luxon went to Washington DC in July for the Nato meeting where he chaired a meeting of Indo-Pacific Four (IP4) countries – Australia, Japan, the Republic of Korea and New Zealand. The Prime Minister has yet to make an official visit to China. But this year he hosted Chinese Premier Li Qiang for a successful visit.

"Communicating clearly to both China and our Western allies that New Zealand is an independent state that has multilateral interests is critical," says NZ Windfarms' Craig Stobo.

Together with Foreign Minister Winston Peters and Defence Minister Judith Collins, Luxon has repositioned New Zealand closer to traditional security partners.

"New Zealand has long had to manage this difficult balancing act, and I think the PM has got it about right," said a major retailer. "His approach is pragmatic on maintaining peace and stability in the Asia-Pacific, while noting the co-operative and enduring relationship we have – and must continue to have – with our largest trading partner."

Barfoot & Thompson managing director Peter Thompson said there is no harm being part of each camp as both major countries play a significant part for New Zealand. We can be independent when certain issues rise and but still maintain credibility with trade negotiations.

But companies with exposures to China were more unequivocal.

"He does need to be careful to play too much to US interests," said an exporting chair.

Craig Bonner, who runs the Cordis hotel in New Zealand, said Luxon was "too hawkish".

**Aukus or not?**

CEOs are less certain when it comes to the big question of whether New Zealand should join technology-based Aukus Pillar 2. A bare majority – 53% – support New Zealand collaborating in the second phase of a defence partnership between the US, Australia and the UK, 12% are opposed and 35% unsure.

The Defence Capability review, expected to be in front of Cabinet in the early part of 2025, will likely look at the benefits to New Zealand.

Air New Zealand chair Dame Therese Walsh is in favour: "We are too small to lose the protection of these nations".

Foodstuffs North Island CEO Chris Quin agrees: "With the shifting power dynamics globally and in our region, stability has never been more important. We're also dealing with new threats like cyber terrorism that could

Communicating clearly to both China and our Western allies that New Zealand is an independent state that has multilateral interests is critical.

Craig Stobo  
NZ Windfarms

impact both our economic and social interests.

"Joining this alliance would give New Zealand access to cutting-edge technology and intelligence, which is crucial for managing our security and keeping our people safe."

"Definitely not without an FTA with the US and a security guarantee," urged a trade organisation chief.

A major exporter noted: "I do think overall this is the right thing for New Zealand to do; however this needs to be carefully managed given the im-

"So there's definitely more positivity than what there was, you know, in the previous six months."

Throughout the survey leading CEOs – and some chairs – have put forward their ideas to address some major issues facing the nation.

The survey demonstrates that the ground is shifting in several key areas, among them capital gains taxes.

It might be anathema to the Beehive, but the sentiment in this year's survey demonstrates that CEOs are at least prepared to have an open conversation about broadening the tax base.

As a departing salvo, Treasury Secretary Caralee McLiesh warned that structural changes are required to address the Crown structural deficit such as a capital gains tax and a more efficient superannuation scheme.

Some 77% of respondents to the NZ Herald survey agreed; 13% didn't.

More than half of the 41 respondents who put forward their own suggestions as to what should be considered to plug the structural deficit mentioned a capital gains tax.

Other suggestions included making KiwiSaver fully compulsory and putting it at the same rate as that of Australia.

"Capital gains tax, Public Private Partnerships, lessons from Australian Super and its success wouldn't go amiss," said Braid.

From Becca executive chair David Carter: "Our ageing population plus settings which incentivise investment in unproductive assets seem unlikely to be able to deliver the tax revenues required for our nation's future needs."

A finance chief observed New Zealand is an international outlier not having a capital gains tax or some form of wealth tax. "So, we shouldn't be surprised that we have rising levels of social disparity, particularly after a long period of asset price inflation.

"If we want to have a strong sustainable public health and public education system, we can't just keep taxing people's work and lifting GST."

Institute of Directors CEO Kirsten Patterson spoke for many when she said "we need to be able to have courageous conversations and debate ideas about unpopular realities".

But there are sceptics.

"Economically, a capital gains tax makes sense. Politically, probably no," said Enviro NZ's Chris Aughton.

From Deloitte chair Thomas Pippas whose own article appears later in this report, "the capital gains matter is a red herring with the bigger issue being Treasury doesn't appear to have had the visibility it should have during this last period – put another way, it's unclear what the legacy of this last period is."

importance of China as our number one export market."

**Increase defence spend?**

Some 64% of CEOs believe that New Zealand should increase its defence spend given the security outlook; 23% don't and 13% are unsure.

Many see a heightened risk to regional security which is also reflected in the fact that CEOs rated geopolitical instability the most significant international risk to business confidence.

Said Foodstuffs' Quin: "While we're a long way from any regional conflict, it's important that New Zealand has a well-resourced defence force and partnerships that can act as a deterrent and do its bit supporting peace and crisis elsewhere in the region and the world – the way we hope our friends and allies would support us."

"Defence is also a pathway to a good career for many of our young people – giving them skills, values and a sense of purpose that benefits them, their communities and the wider economy."

## MOOD OF THE BOARDROOM

# Christopher Luxon

CEOs rate the Prime Minister's KPIs

**Keeps Cabinet focused on delivery 4.30**

Leverages his brand for NZ **3.91**

Builds confidence with business **3.76**

Stands up for NZ's values **3.69**

Ensures strong security partnerships **3.69**

National Security and Intelligence portfolio **3.68**

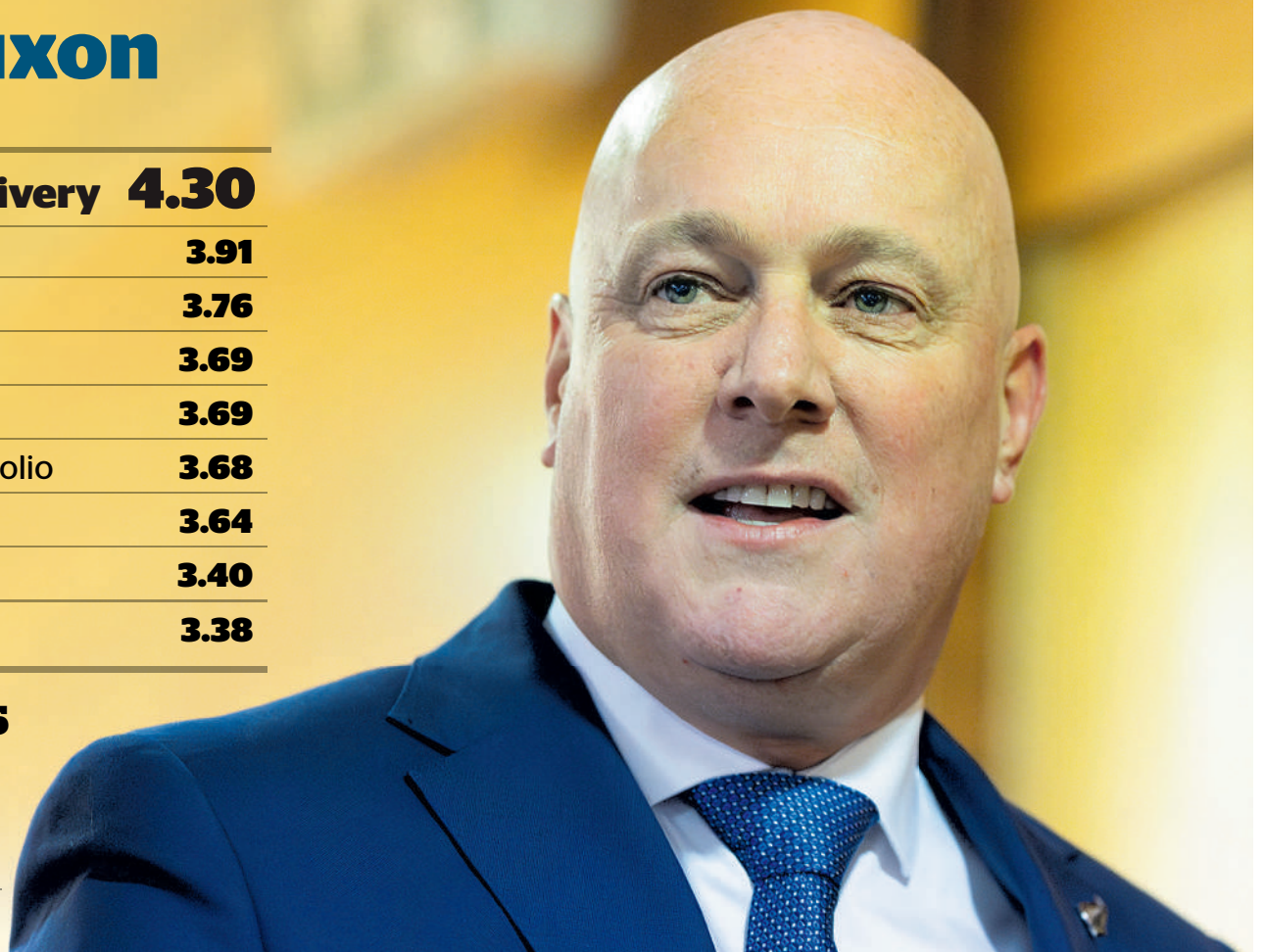
Maintains Coalition cohesion **3.64**

Delivers transformative change **3.40**

Political performance as Prime Minister **3.38**

1 ←————→ 5  
**Not impressive**                      **Very impressive**

Photo / Marty Melville.  
 Herald Mood of the Boardroom CEOs Survey 2024 / Herald graphic



# CEO skills come to the fore

Respondents rate PM highly on his formation and management of the Cabinet, writes **Fran O'Sullivan**

**T**op CEOs highly rate Prime Minister Christopher Luxon's own performance at keeping his Cabinet Ministers focused on delivery.

Respondents to the *NZ Herald's* 2024 Mood of the Boardroom survey gave Luxon an average rating of 4.3/5 on his top-ranked performance indicator (KPI).

This was on a 1-5 scale where 1="not impressive" and 5="very impressive". Some 43% of respondents marked him at 5/5 on this measure.

A former CEO himself at Air New Zealand, Luxon has introduced a corporate-style management ethos into his Cabinet. Each Minister has agreed KPIs and regular performance reviews with Luxon to ensure their delivery on promises is up to scratch. Every 100 days a new list of deliverables is made public.

Says Windfarms NZ's Craig Stobo: "Christopher has managed the Coalition well and has got his ministers on tight delivery programmes. His focus on solutions to the cost of living and economic growth are appropriate priorities".

A leading investment firm boss chimes in: "He hired a great Cabinet, the economy is growing and they have been credible on the world stage again. There needs to be a continuation of current policies which are seeing the US move to lower inflation and growth."

"It feels like there's good rapport with the business community," says Silvana Schenone, managing director and co-head of investment banking at Jarden. "But I'm not sure about 'winning people's hearts' in many sectors – which matters in politics!"

This sentiment is reflected in the 3.38/5 rating CEOs give Luxon on his own political performance as prime minister. Just 7% rated him as "very impressive" on this KPI. This was the lowest ranked of the nine KPIs rated by survey respondents.

Luxon admits he has yet to reach his full development on the political side and still has much to learn. His has been a swift rise to power. He entered Parliament at the 2020 election as the MP for Botany, becoming National's leader a year later.

He then melded a fractious Nati-



Christopher Luxon meets US President Joe Biden in Washington.

He's well-focused on the international aspect of job, however leadership legacy is about the connection and impact inside the borders. Work to do.

Energy CEO

onal caucus into a unified group before becoming prime minister in late 2023 – just a mere three years after entering politics.

An energy CEO says Luxon has done well on forming the Coalition. "He's well-focused on the international aspect of job, however leadership legacy is about the connection and impact inside the borders. Work to do."

The prime minister's performance on leveraging his own personal brand for New Zealand was rated at 3.91/5. He has led three major missions offshore this year to Southeast Asia, Japan, and Malaysia/South Korea, with a focus on forging stronger security partnerships, developing business and luring investment.

Morrison CEO Paul Newfield took

part, joining Luxon in talks with high-profile investors.

"I joined the PM on his visits to Singapore, Thailand, the Philippines, Japan and South Korea," says Newfield. "We are now developing renewable energy projects in every one of those markets."

"We're also building relationships with institutional investors in those markets who are interested in investing in New Zealand's infrastructure. It's really powerful to be engaging internationally alongside the PM and the New Zealand government, particularly in Asian markets where governments play a more active role in economies."

"It's now on us to invest our time and resources to turn those connections into results for our shareholders and New Zealand".

Newfield suggests Luxon is in his element, saying investors "love the fact the prime minister comes and that he's open and genuinely asking them for advice and input."

"They now need a really clear pipeline of investable opportunities of scale. They need us to do that work and build a relationship of trust so that when the opportunities come, they will be there."

## Results matter

"This is a difficult environment to be a leader," says Deloitte chair Thomas Pippas. "It will be important to be able to evidence tangible wins by the next election – accepting that this is an environment inherited not created."

Says an energy boss: "Work in progress, objectives and 90-day plans are fine and deal with the hygiene aspects of government. But 90 plans need to evolve. Leadership is about transformational journeys."

Kevin O'Brien from OfficeMax says Luxon had made a good start. "He now needs to hold the Coalition together and accountable and deliver a plan we can all believe in."

However a senior chair warned there is a risk that in a weak economy where New Zealanders are struggling that all politicians succumb to political expediency.

## Change in tone?

Though Luxon is rated relatively

highly for building confidence with business at 3.76/5, there are niggles.

A key lobbying firm head says Luxon's style isn't warm, like that of a John Key or Jacinda Ardern.

Luxon freely admits that's not his forte. But recent polls show New Zealanders are warming towards him.

That said, several CEOs were concerned about the tone from the top.

"Still stuck in negative election mode and seems to have forgotten who the Opposition is," says a CEO with insight into the replacement of the KiwiRail and HealthNZ boards. "It's not the New Zealand public and it's not New Zealand business."

"His leadership style is diminishing of others. It does not inspire confidence and a positive dynamic," said a trade-related CEO.

There were other grumbles about a focus box-ticking KPIs and not enough on the big picture.

"The government needs to maintain a focus on the policies that will drive NZ's long term success and not get dragged into small-minded and divisive issues," says a finance sector boss. "Luxon is better than that."

## Making headway

CEOs ranked the government's performance in key areas. Topping the list was the maintenance of strong international relationships at an average 3.96/5 where 19% of respondents said performance was "very impressive".

Other rankings include: Maintenance of tight fiscal settings (3.77/5); execution and delivery of policies (3.62/5); formation of foreign, defence and security partnerships (3.59/5); progress on international trade agreements (3.48/5); consultation with business (3.34/5); economic transformation (3.15/5); regional development (3.02/5), addressing transport constraints (3.03/5); addressing climate change challenges (2.39/5) and supporting Māori and Pasifika aspirations (2.29/5).

Says Stobo, "the Coalition continues to deliver 'The Great Unwind' of atrocious policy settings of the last government. Moving from uniform expenditure cuts to better government programme design and delivery is where the opportunities lie."

# Early days, but a strong start

**T**he Mood of the Boardroom 2024 reveals that 78% of top CEOs and directors responding to the NZ Herald's Mood of the Boardroom survey are confident in Finance Minister Nicola Willis' economic leadership, while 8% are not, and 14% remain uncertain.

Willis has had a swift rise to one of the government's top jobs.

She entered Parliament in 2018, after holding senior management roles at Fonterra focused on global trade strategy. Following Judith Collins' ousting as National leader in 2021, Willis became deputy leader under Christopher Luxon.

In 2022, she took over the finance portfolio from Simon Bridges, and following the 2023 election was appointed New Zealand's 43rd Minister of Finance in the new Coalition Government.

Willis also serves as Minister for the Public Service, Minister for Social Investment, and Associate Minister of Climate Change.

She delivered her first Budget in May, calling it the "clean-up job New Zealand needs". Despite critics from some quarters, she upheld National's key campaign promise of tax cuts. Funded through significant public sector savings and targeted revenue measures, Willis' approach was seen as a balancing act between fiscal responsibility and delivering on voter expectations.

Jarden managing director Silvana Schenone says she brings a refreshed and realistic perspective to the challenges New Zealand faces.

"She is competent and confident, but has major challenges ahead of her," says a lobbyist, capturing the general sentiment of cautious optimism.

Others are reserving judgment, citing the early stage of her tenure.

"Almost a third of the way in, and I still want to say 'early days,' so perhaps that means I'm not confident yet," says the head of a professional services firm, reflecting a wait-and-see attitude among certain business leaders.

Deloitte CEO Mike Horne echoes this sentiment: "Tentative at this point."

"She has faced into some of the fiscal issues that she inherited but as yet, we haven't seen a clear direction on how to move forward to a more sustainable, longer-term solution."

Willis' dedication and work ethic have not gone unnoticed.

"She is an extremely hardworking minister who has taken the tough, politically risky calls," comments Freightways chair Mark Cairns, a member of the Ministerial Advisory Group tasked with providing independent advice on the future of KiwiRail's inter-island ferry service.

The issue remains unresolved, with two rail-enabled ferries initially scheduled for delivery in 2026 under a plan agreed to by the Labour-New Zealand First coalition in 2018. Since the Coalition Government required KiwiRail to cancel the ferry contract nine months ago, the future of the country's inter-island ferry service remains unresolved.

Willis' focus on fiscal discipline is applauded. Her efforts to cut government spending and seek efficiencies in public service delivery are seen as necessary first steps.

"The Finance Minister inherited a hospital pass from the previous government," explains Roger Partridge, chair of The New Zealand Initiative.

"After two decades of cross-party support for fiscal responsibility, her predecessor threw that consensus

Nicola Willis is earning the confidence of the business community, with a significant majority of executives expressing trust in her management of the economy, writes **Tim McCready**



out the window with his post-Covid budgets."

Partridge emphasises the need for the government to restore New Zealand's reputation for fiscal prudence while ensuring economic resilience in the face of potential future challenges.

An executive from the energy sector describes Willis' start as "solid," acknowledging her limited executive experience but recognising she has been quick to get up to speed.

"Cost-cutting and getting the government house in order is a hygiene factor. She is developing fast and there is much to be hopeful about. She has great presence countering for the Prime Minister's absence within the business community."

#### **A balancing act: caution vs ambition**

Despite the strong support for Willis, CEOs and directors do not hold back feedback that recognises her accomplishments while also highlighting areas that need more focus.

The boardroom is calling for more than just fiscal prudence. Business leaders want a more ambitious, clearly articulated plan and a more engaged approach with the business community.

Chris Quin, CEO of Foodstuffs North Island, appreciates Willis' efforts to curb excessive government spending but adds: "It would be good to hear more from the government about their economic growth story. New Zealand doesn't feel like an easy place to do business right now."

An agribusiness leader agrees, highlighting the need for a growth strategy: "Cutting costs in wasted areas is one thing, but we need to grow the economy. Be clear on those spend areas and how they will contribute to growth."

This call is echoed by a major law firm CEO, who believes that Willis needs to have a greater focus on growth areas, not just cuts in government spending.

"The five pillars are good, but where is the meat on the bone?" asks one public sector CEO, referring to the

government's economic strategy – building infrastructure for growth and resilience; lifting educational achievement and skills; strengthening trade and investment; promoting innovation, science, and technology; and improving regulation – but pointing to a lack of detailed plans to back them up.

KiwiRail CEO Peter Reidy urges Willis to "engage and listen – be open to alternative perspectives to help government make considered choices that impact international reputation and exporter/importer confidence."

This is a sentiment shared by many who believe that more decisive communication and transparency on key issues are critical to building trust.

A construction boss advises: "Communicate the steps of the plan, this is critical to gaining confidence in the plan for improvements."

However, there is also criticism of recent policy decisions, particularly around tax cuts and property investment incentives. The reinstatement of full interest deductions for residen-

tial property, costing \$2.9 billion – over \$800 million more than what National had originally budgeted – has been contentious.

"Prioritisation of property investment versus investment in the productive economy is concerning," says Uno Loco CEO Blair Glubb, who wants to see more pragmatic incentives for business growth.

"Infrastructure vs tax cuts?" asks Bagrie Economics managing director Cameron Bagrie. "The choice was pretty simple, but populism dictated."

#### **Long-term investment and social responsibility**

Willis has established a Social Investment Agency, charged with working across government departments to intervene early and break cycles of dependence, intergenerational poverty, and disadvantage.

It is also responsible for ensuring that the \$70 billion in government spending on social services delivers

The boardroom is calling for more than just fiscal prudence. Business leaders want a more ambitious, clearly articulated plan and a more engaged approach with the business community.

meaningful results and ensuring a focus on the government's public service targets.

From 2025, the agency will have \$12 million annually to fund services from community groups, iwi, and NGOs.

Last month, Police Commissioner Andrew Coster was appointed as head of the new agency, a role considered highly influential due to the agency's significance to both the government and Willis.

The need for further investment in infrastructure and social areas is a recurring theme among respondents.

Morrison CEO Paul Newfield sees a broader scope for Willis' vision, advocating for policies that will improve New Zealand's long-term economic and social wellbeing over the next two decades.

"Better education, increasing savings rates and high-quality density in our major cities that will result in more affordable housing with better infrastructure," he suggests as priorities.

Harcourts Group managing director Bryan Thomson wants a clear path for investment in social housing and support for those less fortunate. "The economic reforms won't work if people are left behind," he warns.

As Willis navigates the complexities of her role, the business community remains optimistic, hopeful that her actions to date will evolve into bold, transformative action.

They say with the right balance of fiscal discipline and visionary leadership, there is potential there for her to drive lasting positive change in New Zealand's economic landscape.

An extremely hard-working Minister who has taken the tough politically risky calls.

Mark Cairns, Freightways

A year from now, government needs achievements, and an improving economy.

Director

'Safe' and cautious but lacking in ambition and the deeper structural change we need.

CEO

MOOD OF THE BOARDROOM

# Green shoots showing, but



**Mood of the Boardroom**  
Tim McCready

Despite optimism, many business leaders caution the journey to full recovery is not over

**S**enior business leaders' optimism on the New Zealand economy has surged. Respondents to the Herald's 2024 Mood of the Boardroom survey rated their confidence in the New Zealand economy at 3.23/5 on a scale of 1-5, where 1 signifies 'much less optimistic' and 5 represents 'much more optimistic'.

This year's score is a significant improvement from last year's 1.82/5.

In fact, this is the highest score for optimism in the New Zealand economy since 2016, when the previous National-led government was in power under the prime ministership of Sir Bill English (3.6/5).

There is broad consensus that the fall in interest rates should lead to a more favourable domestic business environment. However, many business leaders caution that the journey to full recovery is far from over.

"Survive to 2025 has become survive through 2025," says Kirsten Patterson, chief executive of the Institute of Directors. "There are some green shoots showing but I am not sure the national and global economic environment is right to nurture those properly yet."

Many of the country's top professional directors echo this cautious optimism.

A retail sector director acknowledges the positive signs but remains wary: "There are definitely some green shoots but discretionary spending will continue to be constrained

## The big questions

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

**The general business situation in your industry?**

3.34

**The New Zealand economy?**

3.23

**The global economy?**

3.06



Herald Mood of the Boardroom CEOs Survey 2024 / Herald graphic



The real estate industry topped the list for optimism.

and unemployment will lift in the short-to-medium term".

A similar sentiment comes from a tech sector director: "I see green shoots with the policies the National government is starting to implement, but I still believe there is a long way to go to remedy some of the economic struggles and societal division that we are facing into."

Despite the current economic difficulties, there is hope that things will soon improve.

Morrison CEO Paul Newfield is optimistic: "New Zealand is doing it tough at the moment, but we seem to be getting inflation under control, so hopefully that flows through to lower interest rates and more supportive economic conditions."

Deloitte chair Thomas Pippas shares a similar outlook.

"The sense is that we have bottomed out and while we may bounce around the bottom over this next period, the expectation is that

trading conditions will improve."

CEO optimism in the global economy has also seen a boost, climbing to 3.06/5 from 2.23/5 in 2023. Though again, this is tempered by caution, as global uncertainties persist.

"The geopolitical and economic uncertainties globally mean we are not immune from further headwinds," warns Dame Therese Walsh, chair of Air New Zealand and ASB.

A professional director shares this

concern, citing major international factors: "It's hard to feel comfortable when two of the biggest economies in the world – China and US – are (for differing reasons) continuing to be sluggish."

The geopolitical and economic uncertainties globally mean we are not immune from further headwinds.

Dame Therese Walsh, Air New Zealand and ASB

As is typical in this survey, chief executives expressed more optimism about their own industries than they did about the broader New Zealand or global economy, with a weighted average score of 3.34/5.

This is a significant rise from last year's 2.47/5, indicating that while broader economic concerns persist, many industries are seeing a potential pathway to growth.

### Optimism varies across sectors

The real estate industry topped the list with an average score of 4.33/5, a substantial jump from last year's 2.60/5.

Barfoot & Thompson managing director Peter Thompson explains,

Growing prosperity and potential

BusinessNZ

# can we grow them?

## Three main concerns for the business leaders



### Dame Therese Walsh, ASB and Air New Zealand

- 1. The health system in NZ is clearly in crisis. It needs further investment albeit this is hard to achieve in current financial situation.
- 2. Infrastructure deficit – the 3 year election cycle and lack of bi- or multi-partisan planning is leaving us in a difficult situation. We need to de-politicise this.
- 3. AI – I think this country is lagging in this area. We need to get a New Zealand strategy and key talent pointed at it to help unlock productivity gains.



### Les Morgan, Sudima Hotels

- 1. NZ continues to walk a fine line with the China v USA relationship. We have to remain careful with our rhetoric.
- 2. Job growth is a key headline for any government. We need to see some initiatives to stimulate this issue. The immediate start of big infrastructure projects would aid this.
- 3. Our tourism international industry or NZ Inc is in danger of losing market share. The government must intervene more directly.



### Kirsten Patterson, Institute of Directors

- 1. We need more cross-party planning on key national strategies like infrastructure investment and the structure of our national institutions.
- 2. Size and scale. We need more people to scale our businesses and our country. Improve immigration settings. Greater size and scale would allow us to address some of the issues like housing.
- 3. Changing demographics and social cohesion with ageing population and changing ethnic makeup. Greater national unity messaging.



### Mike Horne, Deloitte

- 1. Need for more ambition and long term planning and direction, greater international connectivity and investment attractiveness, stronger cross-party infrastructure planning.
- 2. Falling education standards and the need for greater focus on STEM. Start with more prescriptive building blocks, focus on equity of access to technology and the need for far clearer pathways into careers.
- 3. Greater productivity. Need for greater incentivisation of R&D, capital investment, FDI, and more flexible regulatory settings.

"Whilst we are positive with the outlook for sales, people are still struggling with paying their current high interest rates and it will take some time for this to come back to levels where they will be free to look at either upgrading or downgrading, without breaking their current mortgages."

Healthcare and pharmaceuticals, as well as utilities, energy, and extraction, also showed strong confidence, each scoring 4.00 out of 5. The agriculture and agribusiness sector followed closely with a score of 3.86.

In the retail and consumer goods sector, optimism reached 3.33/5.

Foodstuffs North Island CEO Chris Quin is hopeful, saying, "We are optimistic about inflation continuing to fall – food was the first major category to show near or below zero price increases".

Though he recognises that we are not out of the woods yet.

"Our industry is impacted by many issues, including ongoing global supply chain disruptions, elevated energy costs, and the potential for overseas economic shocks that put pressure on costs – orange juice is the latest."

The construction and entertainment/leisure sectors recorded some of the lowest levels of confidence,

both at 2.00/5. Tourism Holdings Limited CEO Grant Webster remarked: "Having been in several of our key trading countries in the past few weeks, it is evident NZ is more depressed than anywhere else."

Education received the lowest optimism score of all, at just 1.80/5, reflecting ongoing challenges and uncertainties in the sector.

### Domestic concerns

Executives were asked to assess their concerns on various domestic issues, and despite the improved optimism in the economy, several high-scoring challenges persist.

Energy-related concerns have surged to the forefront of business anxieties this year.

Energy price increases topped the list of domestic concerns, scoring 7.55/10 on a scale where 1="no concern" and 10="extremely concerned", with executives troubled by the rapid escalation and volatility in energy costs. Closely following, with a score of 7.45/10, is the reliability of energy supply. The interconnectedness of these concerns underscores the pressure businesses face from the energy market.

Inflation and cost of living pressures remain significant, scoring 7.48/10.

Blair Turnbull, CEO of Tower, highlights the ongoing challenges: "Cost of living is an immediate concern and something we're very focused on. We're seeing continued strong retention as New Zealanders value their insurance and are prioritising premium payments. We're helping customers with ways to lower premiums and improving business efficiencies to remain competitive. As inflation has begun to settle, we've already adjusted our pricing, and we expect to see pricing increases ease further toward the end of the year."

Interest rate levels are also a pressing issue, scoring 7.14/10 and the Reserve Bank's management of the Official Cash Rate (6.76/10).

An agribusiness chair noted, "Due to New Zealand debt levels, the economy is shrinking faster than expected and the Reserve Bank have been too slow to cut interest rates. The next year will see massive drops to stimulate the economy."

Other notable domestic concerns include cyber threats (7.01/10), rising insurance costs (6.97/10); and climate change policies (6.72/10).

Paul Newfield, CEO of Morrison, offered a broader perspective on the factors holding New Zealand back: "In global terms, we benefit from a rela-

tively open economy, low levels of corruption, and high levels of transparency.

"What's really holding us back is lack of capital, short-term thinking, and not enough global ambition. That's more on business leaders to solve than it is on politicians."

### Long-term and collaboration needed

"Lack of long-term thinking and joint public-private sector engagement on options is impacting business confidence," notes KiwiRail chief executive Peter Reidy.

The lack of societal cohesion and its impact on economic stability was also raised as another point of concern.

Bagrie Economics managing director and chief economist Cameron Bagrie warns of the "division across society," describing it as "economically and socially corrosive."

AUT Chancellor Rob Campbell adds that the "instability and uncertainty of social, economic, and environmental conditions dominate."

Concerns directly related to government and its policies have receded compared to last year.

The level and quality of government spending, for instance, scored 6.60/10 this year, down from 8.17/10

### Top domestic concerns

What impact do you feel the following **domestic concerns** have on business confidence in NZ?

Top concern:

**Energy price increases 7.55**

Inflation/cost of living pressures	7.48
Security of energy supply	7.45
Interest rate levels	7.14
Cyber threats	7.01
Rising insurance costs	6.97
Reserve Bank management of OCR	6.76
Climate change policies	6.72
Quality of Govt spending	6.60
Resource management constraints	6.52
Housing affordability	6.34
Rates increases	6.32
Govt policy uncertainty	6.30
Level of Govt debt	5.95
Traffic congestion	5.89
Immigration settings	5.69
Increased water use charges	5.49
Skills and labour shortages	5.42
Cost of carbon	5.40
Availability of capital	5.30
Supply chain problems	5.01
Exchange rate uncertainties	4.97

1 ← → 10  
No concern ← → Extremely concerned

Herald Mood of the Boardroom CEOs Survey 2024 / Herald graphic

in 2023. "The volume of public sector spend has reduced significantly as expected following the change in Government and as countries seek to balance accounts following the additional spend during Covid," says Beca executive chair David Carter.

Foodstuffs' Quin says he sees some promising signs with a new government now in office:

"There's a renewed focus on investing in critical infrastructure, a stronger emphasis on law and order (which our store teams know firsthand is much needed), and a more thoughtful approach to how public money is spent."

"One positive lesson from Covid was that New Zealanders would align and act as a team."

"Business needs to do this, speak up, and focus to play its part in the solution."

## Skills shortage easing, but challenges remain for NZ businesses

Finding suitably skilled staff remains a significant challenge, though the situation is showing signs of improvement. The Mood of the Boardroom survey asked executives how easy it has been to recruit a suitably skilled and qualified staff member.

On a scale of 1-5 where 1="very hard" and 5="very easy", the average score was 3.37/5. Despite the relatively high score, responses varied depending on the sector and the specific roles being filled.

For some sectors, the recruitment landscape has seen marked improvements, largely due to recent redundancies in the market.

The head of an engineering

consultancy observes "There are great people in the market because of the rightsizing that is happening across the economy. The challenge is that with the downturn in the infrastructure market, we are seeing more people looking to head overseas for the larger projects."

Carrie Hurihanganui, CEO of Auckland Airport, agrees, noting that conditions have "improved considerably from last year, but still challenging to get some of the highly skilled roles we are looking for."

In hospitality, Craig Bonnor from Cordis Auckland says "things have improved from the same time last year." Freightways Director Mark

Cairns echoes this sentiment: "much better than last year."

Paul Newfield, CEO of Morrison, says though New Zealand continues to produce great talent and attract investment, the small investment management ecosystem presents challenges. "We often need to look to Australia to recruit highly specialised roles. Ultimately that's a consequence of New Zealand's low retirement savings rates and small capital pools," he explains.

Dame Therese Walsh, chair of Air New Zealand and ASB, highlights the ongoing difficulty in sourcing specific skill sets: "Certain cohorts of skilled labour such as engineers and data

scientists still hard to come by. In other areas key issues for attracting talent are culture and wages."

The CEO of a major research firm says that it is hard to attract both technical/specialist staff as well as those for corporate roles. "We are getting a lot of applications, but usually lower quality than desirable. We are struggling to reconcile candidate pay and benefit expectations versus our assessment of their skills and qualifications."

KiwiRail CEO Peter Reidy highlights a persistent issue in his industry, stating, "Technical rail expertise is a global issue, with New Zealand's attractiveness reducing for offshore

recruitment compared to Australia."

Chris Quin, CEO of Foodstuffs North Island, believes the situation is improving, but underscores the need for New Zealand to remain an attractive destination for global talent.

"Access to skills and talent has gotten better. While New Zealand is increasingly open to talent we need to keep working on being an attractive option for people who have the skills we need and want to make New Zealand a home for them and their families. If we're going to have more open immigration policies, we need to respect, value and welcome the people who choose to live and work here."

## MOOD OF THE BOARDROOM

## Hard or soft landing? The verdict.



**Mood of the Boardroom**  
Liam Dann

The survey results around hard and soft landing aren't quite a slam dunk

**N**ew Zealand business leaders are downbeat on the state of the post-pandemic economy but are confident we have inflation beaten.

Asked if they were confident inflation was now past its peak, 90% of respondents to the Herald's 2024 CEOs Survey said "Yes".

Just 3% said "No", with the rest "Unsure".

The outliers may well represent those in sectors struggling with high energy prices this winter. Topline inflation has declined steadily since it peaked at an annual rate of 7.3% in June 2022. It currently sits at 4% and is tipped to fall back into the Reserve Bank's target band, below 3%, before the end of the year.

But there have been pockets of stubborn inflation. Respondents noted that power prices, insurance costs and council rates have all risen sharply this year putting businesses under pressure. Others noted that services (or non-tradable inflation) remained more persistent.

There was a message there for local government: "Councils need to get their spending under control and focus on basics, not nice to haves."

Even respondents who answered "Yes" were wary. "In the short term, Yes, but there remain major risks to upside," one warned. "For this cycle anyway," said another.

"We're yet to see the entire impact of higher energy costs flow to the domestic economy," another warned.

There was also a high level of economic uncertainty and tension globally that meant this was not over yet and election uncertainty in the United States meant it was too soon to relax, said one.

The slow decrease in inflation across the past two years has been driven by Reserve Bank monetary policy which pushed up interest rates rapidly – to a peak at 5.5% by May 2023 – and then held them until August's rate cut.

The government has been quick to take some credit for the success, highlighting a change it made to the Reserve Bank's mandate – removing its dual focus on unemployment and inflation.

Last year the Mood of the Boardroom survey asked: Could we have avoided some of the post-pandemic interest rate pain if we had retained a Reserve Bank mandate requiring a singular focus on inflation?

The decision to add employment to the Reserve Bank's focus was made by Labour in 2018 – bringing it into line with dual mandate policies in the United States and Australia.

National campaigned on reversing that decision, which it argued has been one factor behind allowing inflation to rise so far outside the target band of 1-3%.

In 2023 a sizeable majority of the survey respondents – 56% – said "Yes".

Just 30% said "No" and the rest were "Unsure".

This year, with the sole focus of the mandate restored, the survey asked: Do you support the government's decision to remove the requirement that the Reserve Bank support maximum sustainable employment when making monetary policy decisions (the removal of the dual mandate) to concentrate on



**Reserve Bank Governor Adrian Orr during his OCR press conference in Wellington.**

Photo / Mark Mitchell

We are in the midst of a very hard landing. They were too slow and were hearing that from business two quarters ago.

Tourism sector CEO

reducing inflation to 1-3% alone?

The results were even more emphatic: 76% said yes, just 10% said no, with the rest unsure.

Increased support for the single-mandate has likely been underpinned by the successful results in reducing inflation, but that hasn't necessarily translated into confidence about the strength of the economy.

#### Hard or Soft?

This year we asked business leaders to deliver a verdict on the Reserve Bank's handling of the economy as

it has emerged from the shadow of the pandemic.

The survey asked, Has the Reserve Bank managed to achieve a soft landing?

Most respondents (63%) said "No". "Quite the opposite," said one business organisation chief.

"The severe downturn is visibly obvious in the stats, business closures and the main streets of towns and cities where record numbers of shops are closed and empty.

"The economic therapy has killed many business patients."

By the traditional definition of 'hard and soft landing', it is hard to argue with that view.

Technically when economists talk about hard and soft landings they are referring to whether policymakers have succeeded in bringing down inflation by lifting interest rates without putting the economy into recession.

The economy has dipped into recession twice since the Reserve Bank started lifting rates and, based on the bank's own forecasts, is probably in a third recession right now. Then there's per-capita GDP, which has been going backwards for

two years.

While the hope for a soft landing is still very much a live issue in the United States, where the Federal Reserve has just cut interest rates, things certainly meet the criteria for a hard landing here

But, nothing in the pandemic era is straightforward.

Though some specific business sectors have felt the slowdown more acutely than others, relative to the economic cycles of the past few decades, we haven't seen the dramatic collapse of the economy.

The recessions so far have been shallow (albeit propped up by high net migration).

Unemployment is still below 5%, a historically low level. And despite some grim headlines and high-profile business failures, the statistics for credit arrears, mortgage sales and business liquidations remain lower than they were during the GFC and immediate years after.

So despite a sizeable majority calling it a hard landing, perhaps it's not such a surprise that the survey results around hard and soft landing aren't quite a slam dunk.

Some 15% of respondents said we

Liam Dann is Business Editor-at-Large for the *New Zealand Herald*. He is a senior writer and columnist and also presents and produces videos and podcasts. He joined the *Herald* in 2003.

have achieved a soft landing and a further 22% "Unsure".

"It depends whether you are landing or being landed on," quipped senior director Rob Campbell.

"Too soon to tell," said an executive with an import business.

"It will depend on how high unemployment climbs and the economic implications of that over, say, 6%."

But broadly, there is no question that business is doing it tough this year and the bulk of comments reflect that pain and some genuine frustration with the central bank.

"The current environment does not feel like a soft landing. Many business owners would say they have hit rock bottom with a thud," said Mainfreight CEO Don Braid.

"We are in the midst of a very hard landing. They were too slow and were hearing that from business two quarters ago," said a tourism CEO.

"Overcooked at both ends," said an energy sector CEO.

"The RBNZ has overdone it on both sides of the cycle," said one senior executive. "They were too dovish during Covid and too hawkish on this end of things."

"Any soft landing was 'pure luck', said a manufacturing executive.

"The RBNZ seems to have very little idea of what is happening in the economy."

On an upbeat note though, Peter Thompson, managing director at real estate group Barfoot & Thompson noted that we may be finally on our way back to some better economic times. "Still a bit of hurt for many businesses and individuals to go through, though the light is now back in the tunnel and getting stronger," he said.



## Supermarket chief on inflation fight

"While we've seen positive signs that inflation is easing (and food prices were the first category to see zero or near zero increases), we're not out of the woods yet," says Foodstuffs chief executive Chris Quin.

"We are a small economy that is sensitive to changing global conditions. Our industry is impacted by many issues, including ongoing global supply chain disruptions, elevated energy costs, and the potential for overseas economic

shocks that put pressure on costs (orange juice is the latest)."

"I think the return to the low interest rate environment pre-Covid will be a long haul, and we might not get to those levels again. Our best chance to strengthen the economy and lower interest rates is to ensure we're match fit with strong economic management, a clear vision for the future, an ambitious, achievable plan and an unwavering joint focus on making it happen."

# Better times foreseen, challenges remain

**O**ptimism is creeping in to the minds of New Zealand's chief executives with more expecting higher revenue and profit over the next 12 months, compared to their expectations a year ago.

But businesses are still under pressure and bosses are expecting to hire less staff while cutting back forecasts on IT expenditure, according to NZ Herald's 2024 Mood of the Boardroom survey.

The country's top company executives are most worried about managing profit expectations and achieving revenue growth, while also mindful of regulation, something David Seymour has promised to address with the new Ministry for Regulation.

Notwithstanding the Reserve Bank's recent move to ease monetary policy and reduce finance costs, economic growth remains tepid. "It's effectively a recession that's lasted two years," Kiwibank chief economist Jarrod Kerr said in reaction to GDP



**Mood of the Boardroom**  
**Duncan Bridgeman**

falling 0.2% in the June quarter and a 2.7% annual decline on a per capita basis.

However, while the economy is weak, further OCR cuts should help spur some economic growth, ASB senior economist Kim Mundy said.

This environment shone through in the Herald's survey of chief executives.

On the positive side, 61% of those surveyed said they expected to report more revenue over the next 12 months with 18% saying less. That's better than this time last year when 55% said more and 23% said less. The same can be said for profit expectations with 56% forecasting more, compared to 44% last year, and 20% saying less (28% last year).

There's still a reluctance to commit

to capital and IT expenditure, with 33% expecting more capex and 40% saying they would invest more in technology. Hiring intentions are less rosy with just 16% of CEOs expecting to hire more staff and 46% saying less. Last year the numbers were 25% more and 30% less.

Asked which issues are most likely to keep them awake at night, 31% said achieving top-line revenue growth and 31% said managing profit expectations. Those are similar figures to last year. Managing regulatory challenges was ranked the third biggest concern with 30% highlighting that issue. Another interesting feature of this year's survey is that sourcing and retaining skilled staff has dropped out of the main worry basket with just 14% of CEO's saying it keeps them awake at night, compared to 37% last year. This may reflect the softening jobs market following the prolonged slowdown in the economy over the past two years.

The recent listed company reporting season highlighted the

difficult challenges many firms are dealing with, although the shift lower in interest rates is giving cause for optimism. According to a Forsyth Barr analysis, only five firms out of 31 reported results ahead of earnings-per-share expectations, with six in

"Downgrades have again been made across the board from revenue through to the bottom line. Once again, the main theme of the season is the continuation of the downgrade cycle."

The results covered the 12 months to June 30, and some interim six-month periods, so there was an element of "old news" to them, Craigs Investment Partners portfolio manager Mohandeep Singh told NZ Herald's Jamie Gray. "Once we get through the next couple of months – through the hard stuff for the economy – it does turn quite aggressively the other way," he said.

"Interest Rates coming down makes a big difference for people, but it just takes time for that to fall into our pockets."

Once that happens, and every other central bank around the world does the same thing, it will be a matter of 'a rising tide lifts all boats', and we will see some of our more beaten-up sectors start to come to life," he said.

Many firms face difficult challenges although the shift lower in interest rates gives cause for optimism.

line and 18 below expectations. "Unsurprisingly, growth for the period concerned was poor. It was the actual level of growth which disappointed, coming in below our expectations with a record number of misses versus beats.

CEOs expectations over the next 12 months

Capital expenditure:

33% more  
37% same  
29% less  
1% unsure

IT expenditure:

40% more  
38% same  
22% less  
0% unsure

Revenue

61% more  
20% same  
18% less  
1% unsure

Profit

56% more  
22% same  
20% less  
2% unsure

Staff

16% more  
34% same  
46% less  
4% unsure

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**Simon Power**  
CEO, Fisher Funds

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MOOD OF THE BOARDROOM

# New Zealand businesses navigate geopolitics

Tim McCready

**A**s global instability grows, New Zealand boardrooms are increasingly focused on assessing and mitigating geopolitical risks.

Now in its third year, the Russia-Ukraine war, alongside the ongoing Israel-Hamas conflict and rising tensions in the South China Sea, has made geopolitical challenges an unavoidable point of discussion.

These crises are affecting trade, sparking regional conflicts, and driving regulatory changes, with 72% of New Zealand's top executives in the Mood of the Boardroom survey confirming that their businesses regularly assess vulnerabilities to these risks at the board level.

A further 27% of respondents say they do not have this on their risk matrix, and 1% remain unsure.

The growing complexity of global challenges has led New Zealand companies to adopt a more rigorous approach to risk assessment.

For some, like investment fund Morrison, the conversation has become a constant fixture in its strategy sessions. CEO Paul Newfield explains, "We spend part of every board meeting discussing geopolitical risks and we get great external perspectives to challenge our thinking."

Air New Zealand Chair Dame Therese Walsh echoes this approach, noting that "as a global airline, the business is impacted by international regulations and global trends, and these are always contemplated".

Similarly, Beca Group chair David



International crises such as that in the Middle East, are affecting trade, sparking regional conflicts, and driving regulatory changes.  
Photo / Getty Images

The constant sabre rattling could turn at any time to conflict.

CEO

Carter says that this used to be an annual review, "however this has been increased in response to the rising geopolitical uncertainty".

This heightened awareness reflects the global nature of supply chains, with one logistics CEO pointing out that "Offshore supply chain disruptions and delays impact

our operational performance."

Respondents say that the global supply chain crisis, exacerbated by geopolitical tensions, has placed pressure on businesses to diversify their sourcing strategies and assess vulnerabilities in real time.

Deloitte chair, Thomas Pippas, says that the discussion in the boardroom is done "more in the sense that we discuss the extent of geopolitical risks canvassed globally that get materially less airtime in New Zealand than overseas," suggesting that New Zealand's relative isolation can lead to a lack of attention to global issues.

While most respondents report regularly assessing geopolitical risks, there remains a significant portion

who do not, but recognise the need for more proactive risk management, particularly in light of rising global uncertainty.

"Not currently – but it should be, and we have discussed that it must go on the agenda," notes an agribusiness director.

Others feel geopolitical risks are not a pressing concern for their businesses, with the CEO of an investment firm stating, "This is not really a risk for us." However, the overwhelming majority agree that even businesses that feel insulated today should be assessing the long-term effects of global instability. "The constant sabre rattling could turn at any time to conflict," says a CEO.

## Top international risks

What impact do you believe the following international risks have on business confidence in NZ today?

Top concern:  
**Geopolitical volatility 7.32**

Political tension between China and the US	7.17
International Cyber attacks	7.05
Protectionism	7.02
Rising nationalism	6.88
Climate change imperative	6.80
Major weather events	6.66
Energy prices including oil	6.58
Russian-Ukraine war	6.03
Energy security	5.99
Gaza-Israel conflict	5.91
Natural disasters	5.91
Access to FDI- international capital	5.76
Supply chain issues	5.71
Sustainability of freight costs	5.59
Shortage of available talent/skills	5.35
Future pandemics	5.35
Unfavourable currency realignments	5.25
Level of US debt	5.21
Food security	4.91



Herald Mood of the Boardroom CEOs Survey 2024 / Herald graphic

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# A credible future Finance Minister?

Many business leaders rate the Opposition Finance Spokesperson highly, writes **Tim McCready**

**B**arbara Edmonds, Labour's first female finance spokesperson, has stepped into the spotlight as she begins to reshape the party's economic vision.

She is known for her pragmatic approach, clear communication, and ability to connect financial policy to real-world outcomes.

The *NZ Herald's* Mood of the Boardroom survey asked New Zealand's top executives whether Edmonds presents herself as a credible future Minister of Finance. The results show that she is in a formative stage of her political journey.

Just over 32% of respondents say Edmonds is a credible future Minister of Finance, with a similar number either unsure (35%) or unconvinced (33%).

While some business leaders applaud her approach and genuine engagement, there is still a perception that she remains untested and relatively unknown in the public eye; hardly surprising after a mere seven months in the role.

Several highlight her ability to connect with business leaders and demonstrate a strong grasp of economic issues.

"She's a breath of fresh air," says one CEO.

Described as possessing both "smarts and empathy," she has been praised for reaching out to business figures in ways Labour has struggled to in recent years.



Barbara Edmonds is an absolute class act who possesses an equal balance of smarts and empathy. Quite the unicorn. She will be forced to sell their tax reform idealism, and will be completely distracted by that. But at least she knows tax inside out and should use her skills to bring business pragmatism to the discussion, rather than be forced to sell an ideological fantasy.

Banking sector CEO

Her professional background in tax is also noted as a key strength, positioning her as a pragmatic counter to the ideological bent that some

felt defined the last Labour government.

Comments such as "I met Barbara recently and she showed an impressive grasp of the issues," from Foodstuffs North Island CEO Chris Quin, and "She asks, 'What is the worst thing we could do?', which is highly unusual but also refreshing and rebuilding confidence," from a lobbyist, illustrate that Edmonds can win over sceptics with her approach.

However, Edmonds has hurdles to overcome.

A recurring theme from the boardroom is her lack of visibility. Many respondents say they haven't seen enough of her to form a full opinion.

Some note that while Edmonds shows potential, she is still in the learning phase and has yet to fully define her economic stance. "Untested" and "unknown" are words used frequently from respondents, with an energy CEO asking: "What does she stand for economically?"

**Executives tell Edmonds where to focus**

Edmonds says her background has profoundly shaped her political perspective.

After her mother died when she

was just four, her father left his job to raise his children on a benefit. Now, as a mother of eight, she draws on her lived experience to connect with the struggles of many New Zealand families.

In her post-Budget speech earlier this year, Edmonds described her pathway to finance spokesperson through her experience at three different tables: the kitchen table, where she balanced the family budget while completing university assignments; the boardroom table from her career in the private sector; and the Cabinet table, where she was responsible for managing taxpayer dollars.

As Edmonds takes on a central role in shaping Labour's renewed policy agenda, the boardroom is clear about where they feel her focus should be.

A consistent theme was the need for Labour to embrace economic growth as a priority.

A retail boss notes: "Labour needs to talk more about growing the size of the pie, improving New Zealand's economic performance so we can enjoy high living standards."

There was a strong feeling that Edmonds must move away from policies focused solely on redistribution of wealth and instead look to boosting productivity and innovation, which many feel has been neglected in recent years.

Labour's relationship with the business community also came under scrutiny, and rebuilding trust remains a significant task.

Barfoot & Thompson managing director Peter Thompson advises: "Labour needs to become more business dominant than it has been under previous finance ministers."

The message from the boardroom is clear: Edmonds needs to show that Labour is not at war with business but rather working alongside it to foster a competitive economic environment. As Pernod Ricard commercial managing director, Kevin Mapson, puts it: Labour should aim for "creating a business environment that stimulates growth."

## Tax reform

Tax reform emerged from executives as one of the most talked-about issues when asked what should be on Edmonds' agenda. Several business leaders say Edmonds' background in tax policy is a strength, though some were concerned about how Labour will sell reforms like a capital gains tax to the electorate.

"A capital gains tax could be sold, but it would require real deftness and a tax-switch that looked pro-business," one CEO comments.

A banking boss warns: "She will be forced to sell their tax reform idealism but needs to bring business pragmatism to the discussion."

Fiscal responsibility and the efficiency of government spending also feature prominently, with frustration with what some view as excessive spending from Labour in the past.

"Government's wasteful spending programmes, public sector bloat," notes a logistics boss, while another calls for "sensible use of public funds" and a clear plan to address productivity gaps.

Edmonds will need to present Labour as a party that can manage the economy with discipline.

As Bagrie Economics' Cameron Bagrie sums up: "Rebuilding Labour's credibility as reasonable economic managers – that credibility has been lost."

Beyond economic and tax policy, other respondents urged Edmonds to tackle some of New Zealand's most pressing issues.

"She needs to focus on infrastructure, education, and productivity," advises the head of an industry association, reflecting a wider sentiment that Labour must address core public services without ideological distractions.

This pragmatic approach was echoed by chair of The New Zealand Initiative, Roger Partridge: "Move away from centralisation. Empower local governments and communities while ensuring proper incentives and accountability."

There is also a growing call for Labour to take a longer-term view of New Zealand.

KiwiRail CEO Peter Reidy suggests that Labour outlines "what we need for New Zealand in 2040. A 15 to 20-year vision," rather than falling into the trap of short-term political fixes.

A professional director urges Labour to focus on "multi-period challenges for New Zealand," demonstrating leadership where the current Coalition Government has been seen as weak.

With Labour facing a pivotal period of repositioning, Edmonds has an opportunity to redefine the party's economic narrative.

Business leaders say her empathy, expertise, and fresh perspectives could help Labour connect more meaningfully with the business community and the broader electorate.

However, to solidify her credibility as future finance minister, she will need to step into the public eye more prominently and clearly communicate Labour's economic vision.

As a banking sector CEO puts it: "Barbara is an absolute class act who possesses an equal balance of smarts and empathy."

"Quite the unicorn."  
But as Labour prepares for 2026, Edmonds will need to show she's not only unique but ready to lead.

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PREMIUM



## MOOD OF THE BOARDROOM

## Top issues facing nation – Chiefs have their say


**Craig Stobo**  
**NZ Windfarms**

- Multiple interpretations of the Treaty of Waitangi. Bring on the Treaty Principles Bill debate.
- Trading with a communist nation, while a member of Western defence alliances. Take the Aukus Pillar Two technology.
- Declining long-term productivity. The era of big macroeconomic reforms are over. Microeconomic reforms are our next opportunity.


**Justine Smyth**  
**Spark**

- Transitioning out of recession and into growth, supported by continued OCR reductions and stable Government policy that incentivises business investment.
- Improving low levels of productivity through greater use of advanced digital technologies, such as AI.
- Our health system is in crisis. We must double down on investment in digitisation to drive better outcomes and efficiency; invest in preventive measures and medicines to get ahead of the curve.


**Dame Joan Withers**  
**The Warehouse**

- Productivity – the elephant in the room is the unknown impact working from home is having on our already poor relative global performance.
- Education/truancy – the government is making good moves on the curriculum and charter schools but in areas such as South Auckland, truancy levels are shocking.
- How we deal with the challenges and opportunities that AI presents. There needs to be cross-party agreement to ensure we have a coherent and sustainable strategy.


**Silvana Schenone**  
**Jarden**

- Inflation/cost of living: some government intervention is needed.
- Infrastructure deficit: Government needs to incentivise investment and welcome foreign investment with stable policies and regulatory environment.
- Social “unrest”: Many issues. Relationship with Māori, crime, youth education, drug use. We need to heavily invest in education, opportunities in New Zealand for young people. We need to encourage all sectors to work together.


**Paul Newfield**  
**Morrison**

- Widening social division: We need to move away from small-minded divisive issues and focus on building a better New Zealand together.
- Short-termism: We need to focus on the things that will change New Zealand's trajectory over decades and generations – investing in education, increasing retirement savings, generating wealth by exporting products and services to the world.
- Climate change: We have to be a global leader in this area.

Survey respondents were given the opportunity to comment on the top issues and how they would resolve them

**Craig Bonner**  
**Cordis**

- Cost of living. As well as a reduction in government spending, improve the quality of spending. Embrace PPPs for projects that create construction jobs and deliver much needed infrastructure.
- The impact of foreign policy alignment on tourism earnings growth. With the US out and Australia not as appealing as it was to Chinese visitors, NZ could turbo-charge tourism earnings. With the recent sharp increases in visa fees, removal of the ability for documents to be submitted in Mandarin, slow processing times and an increase in the international visitor levy from \$35 to \$100 in October 2024, we are increasingly appearing unwelcome.
- Talent shortage. Starting with education reform, into economic prosperity, boosting KiwiSaver and making New Zealand more compelling to live, work and play for the long term.

**Malcolm Johns**  
**Genesis Energy**

- Intergenerational economic strength – bipartisan agreement on the enduring fundamentals for long-

term economic strength to ensure future generations have the fiscal resilience to deal with their generational natural disasters.

- Intergenerational infrastructure development – bipartisan agreement on long-term infrastructure development. We have lived on the infrastructure built by previous generations, we owe it to future generations to build our share of infrastructure.
- Intergenerational democratic governance models – two issues: MMP with three-year terms is sub optimal, and how does local government evolve over the next 50 years?

**Mike Cronin**  
**Fonterra**

- Economic stability. Fight harder on inflation and interest rates, address longer-term tax settings, drive productivity, incentivise innovation.
- Get health back on track. Find out what is really going on. Refocus on holistic patient outcomes. Back out of unnecessary bureaucracy.
- Find ways to take a longer-term (possibly less partisan) approach to key economic building blocks including infrastructure and education.

**Blair Glubb**  
**Uno Loco**

- Three-year flip flopping of government direction on core issues such as infrastructure.
- Lack of willingness from government and regulators to address monopolistic and oligopolistic business practice.
- Divisive social policies which weaken New Zealand as a brand and as a society.

**Jason Paris**  
**One New Zealand**

- Negativity and looking backwards. We need a clear and ambitious strategy focused on long-term growth and success in education, health, infrastructure and housing.
- Infrastructure deficit. Borrow more and make bold long-term infrastructure moves now to ensure that we can attract and cope with significant population growth.
- Hospitals being overrun. Invest more in primary healthcare.

**Don Braid**  
**Mainfreight**

- Education: Lifting the training/ education standards of our teachers

- Health: Get rid of the bureaucracy. Have decisions and funding prioritised as close to the front line as possible.
- Government debt.

**Victoria Courtney**  
**Flight Centre**

- Cost of living pressures. We need to continue to see inflation and OCR decline.
- Immigration. We need to attract higher quality immigrants. Net NZ citizens leaving and migrants arriving is not growing the economy. We need to address the immigration settings.
- Crime. We need to continue to drive crime down and improve safety especially in downtown Auckland. New Zealand has a poor reputation making it unattractive to tourists, students and migrants.

**Simon Limmer**  
**Indevin**

- Infrastructure and technology, RMA reform, bipartisan alignment, favourable foreign direct investment.
- Geo-political instability and the impact on trade and security – maintain our independent foreign policy, spread our exposure, focus on our global credentials with regard to

food production, technologies and climate management.

- Climate Change – progressive policies and investment to stay ahead of our obligations and be a reference for our trading relationships.

**Leonard Sampson**  
**Port of Tauranga**

- Lack of execution. We need to move to delivery phase of key policy initiatives and move away from consultation and discussion.
- Failing national infrastructure. We need an agreed bipartisan pipeline and priority of projects.
- RMA legislation – its interpretation and scope is now used as a proxy for treaty settlement process resulting in national infrastructure deficit. There is an urgent need for replacement of legislation.

**Simon Bennett**  
**Accordant**

- Inequality. We need social cohesion and incentives for people to get a lift up.
- Low productivity. Our best talent will leave if we can't afford to pay them.
- Separatism. We need one country one people

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# The ecosystem perspective

Bipartisan approach to infrastructure can't wait, the Westpac CEO tells **Bill Bennett**

**A** bipartisan agreement on infrastructure cannot come too soon for Westpac CEO Catherine McGrath.

"The Treasury tells us that the infrastructure deficit is \$200 billion," says McGrath.

"We saw that our infrastructure badly needs investment during the Auckland's anniversary weekend flood and Cyclone Gabrielle.

"We know that we need external investment to help address the infrastructure deficit, because we can't fund all of it ourselves. If we're going to give people overseas the encouragement and confidence they need to invest in New Zealand we're going to need bipartisan support."

McGrath has spoken to leaders from both of the main political parties and says they recognise that while there will be different projects they each want to deliver, there is much where bipartisan agreement could be forged.

She says there is no time to lose with the deficit becoming increasingly apparent and impacting on everyday lives in ways it did not five years ago.

"Getting clarity about what we need to do and in what order is becoming critical for all of us."

McGrath says the government has been clear that it wants the business sector to come up with solutions to problems the nation faces and that they want problem solvers to think



Getting clarity about what we need to do and in what order is becoming critical for all of us.

Catherine McGrath

about matters from a total ecosystem perspective.

Banks like Westpac have a clear role to play when it comes to helping fund infrastructure investment. "We can bring the benefit of seeing how alternative funding models have worked in other countries, particularly in terms of public private partnerships that might work in New Zealand. We are able to work alongside other industries.

"There are useful conversations happening today that might be able to help and demonstrate possible paths forward."

The lack of a bipartisan approach means that overseas investors might see New Zealand as a riskier destination. "We need to think about this in terms of how we can make ourselves the most attractive place for overseas investors to come and help us close the infrastructure gap faster".

#### Housing affordability

McGrath sees housing affordability as one of the main issues facing the nation. She says it is real issue for many people but addressing it comes with a challenge. "The people who own houses would like them to continue to grow in value. That's what we are used to here. If you don't own a house, you want the value to come down because that will make it more

affordable and let you get into the market."

McGrath says we need to be more open minded about the ways people can get into home ownership. "There are some real opportunities for that, whether it is shared equity or whether it is leasehold. The community housing providers have a big role to play here. As a country we should step in and help more people get into homes faster because it has benefits for society as a whole. There are many good things that come if you are in a stable home environment."

This is something that European nations do so much better. McGrath says she was surprised when working in Europe that, as a renter, she was able to paint the walls or do something with a carpet while in New Zealand renters can barely put a nail in a wall.

It's another issue where the bank-

ing sector has a key role to play. McGrath says banks need to better understand how to lend over a range of different housing models. "There are a number of things the industry can do to step in and help whether it is over leasehold land or manawhenua land. There's particularly a role with community housing, and there's also a role for government, it can offer a longer term view about cash flow and support.

"Organisations like the Queenstown Lakes Community Housing Trust do an amazing job at having several different models of helping people into homes. They recognise that for different segments of the market, a different approach can be right. Having that breadth of ideas and models is important."

#### Cyber threats

McGrath lists cyber threats as one of the business confidence issues she is most concerned about and an issue that is likely to keep her awake at night. Given how essential banks and the payment system are to the wider economy, it's an understandable concern. She says at a time of heightened geopolitical uncertainty, such concerns are elevated and that keeping our infrastructure protected has to be a top priority.

"For me, I worry about the things that I can't control. I can make sure our defences are as good as they can be. However, there are many others outside New Zealand with far deeper pockets than we've got. They are the people we are defending against.

"If your infrastructure is targeted, that is quite problematic. It is incumbent on anybody who is in a role that's in a critical part of infrastructure, and banks definitely are part of that, to put security at the top of the list of things to worry about.

● Westpac is a sponsor of the Herald's Mood of the Boardroom project.

## Lasting change needs long-term leadership

**W**ith the country facing significant challenges both domestically and internationally, one of the country's most influential lawyers believes that New Zealand, more than ever, needs leaders willing to take decisive action and implement big ideas.

New Zealand chairman and the global vice-chairman of Dentons, Hayden Wilson, says to do this, it is important the country's leadership understands that there are big differences between managing a business and running a government.

"Governments are complex," he says. "Compared to business, you don't have all the same levers to pull – and the lag time between pulling a lever and getting tangible progress is much longer."

He argues that simply applying a corporate mindset focused on short-term wins and quarterly goals isn't sophisticated enough, on its own, to manage the complex challenges that the country faces.

#### Truce on infrastructure

Wilson is frustrated with the approach to major projects that has persisted in New Zealand over successive governments.

"Every person you speak to in the infrastructure space in New Zealand recognises that we have got to end the stop-starts and flip-flops on projects."

He says there is a critical need for political leadership that thinks beyond election cycles.

"New Zealand has significant infrastructure demands over the next 5, 10, 15 years and beyond," he says.

"We've got an ageing population, increasing healthcare costs, and a

New Zealand's political leaders need to adopt a longer-term view and embrace bold, visionary ideas that go beyond slogans and bumper-sticker politics, Hayden Wilson tells **Tim McCreedy**



changing global environment.

"We cannot just rely on the same old solutions."

Wilson says the tendency of new governments to scrap their predecessor's projects is a waste of time, money, and planning effort, pointing to the Government's decision to shelve Auckland Light Rail and the Three Waters reform when it came to power.

"The economy and business community would be better served if both parties took an approach of improving or adapting what's already there instead of throwing it all out and

starting from scratch."

Wilson suggests bipartisan agreement on infrastructure is not realistic, because political parties legitimately have different ideas. Instead, he suggests a "truce" on infrastructure.

"Parties are always going to have different ideas. But there needs to be some understanding that governments should be allowed to do the things they want, and once a project starts, it gets finished, no matter who's in power."

He references Bent Flyvbjerg's *How Big Things Get Done*. Flyvbjerg is an expert on large-scale projects

We've got an ageing population, increasing healthcare costs, and a changing global environment. We cannot just rely on the same old solutions.

Hayden Wilson

who advocates for "thinking slow, acting fast."

Wilson explains: "We need to spend more time on planning and testing ideas before breaking ground. Once we start, we should be able to complete it efficiently and quickly."

He says that New Zealand, and others around the world, tend to do the opposite.

"We rush the planning phase because we know that, in political reality, once shovels are in the ground, projects rarely get stopped.

"This leads to poor planning, underestimating costs, and exposes

us to risks like political changes or global events."

#### Efficiency over cuts

Wilson also sees room for improvement in the government's approach to public sector spending.

He believes there has been too much emphasis on cost-cutting, and not enough on making the system more efficient.

"I don't think you could find anyone who would say that there isn't waste in the public sector and that it is delivering efficiency," he says.

"But while the wholesale reduction in spending might be the fastest way to give the government something it can point to and say it has done, it is perhaps not the best way to go about it."

Instead, Wilson argues for a more strategic approach that balances the number and quality of public servants, the use of consultants, and the government's ability to achieve its priorities. "You can have two of those three things, but not all of them at once," he explains. "If you want to reduce the size of the public sector while also cutting down on consultants, then you're going to struggle to achieve all of the Government's priorities because the capacity to do the work simply won't be there."

He suggests a more collaborative effort between the public and private sectors would be more effective in delivering on the government's goals.

"It's about delivering value over the long term, not just making immediate savings. It may be a slower process, but it would yield better outcomes in the end."

● Dentons is a sponsor of the Herald's Mood of the Boardroom project.

## MOOD OF THE BOARDROOM

# Bring on the debate

**W**e have an ageing population. The Government is running structural deficits and projections of returning to surplus are based on frugal spending assumptions that stretch credibility.

Health pressures are not going away. If we are serious about a world class education system, teachers' pay needs to lift, a lot.

Add into the mix the need for geopolitical driven rises in defence spending, infrastructure deficiencies that need to be addressed and the cost of decarbonisation, the potential for continued natural disasters, a divided society, and the need for structural changes in many areas and the need for more government revenue is apparent and along with that a deeper discussion on where to find it.

If you accept that basic equation, and this year's Mood of the Boardroom survey shows a majority 77% agree with the proposition that we need structural changes, then the questions become what changes, and/or who pays?

The 2026 election looks set to be feisty with tax a central issue. Sentiment appears to be shifting on a capital gains tax.

We can aspire about getting a better public service and value for money but the maths of what we are facing is huge.

Tweaking New Zealand Superannuation (NZS) lessens the pressure but does not change the government's need for more income, and that is before issues of fairness and equity come into play on the tax burden.

Tax is not just about funding expenditure needs. Businesses are aware of the corrosiveness a divided society has on the economy, recognising a key role of government in wealth inequality is ensuring minimum levels of welfare and income (67% of respondents), and favouring taxing realised gains on assets in addition to income (41%).

Local authorities are at the coalface of the need for more revenue, pulling the double-digits rates rip cord, hitting property owners. With an operating deficit around 22% of rates income, this year's 15% rise is not even sufficient to return into the black, and that is before inflation, and infrastructure needs are accounted for. With local authority employee costs up 13.2% in the past year, the "cut your cloth" message has yet to sink in.

The tax burden is already rising but via the local government sector for now, with rates income rising 10.2% in the 12 months to June 2024, and 30% since 2021. The rate increase in September 2024 is around 15%. Society will voice displeasure in next year's elections, forcing other options to be canvassed.

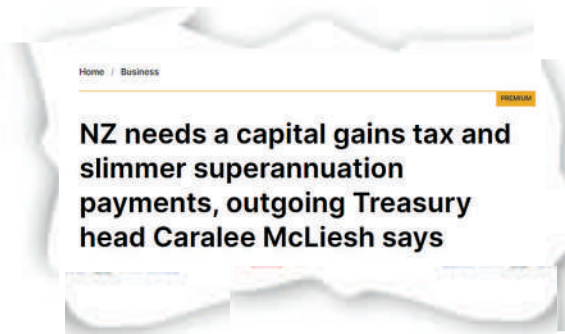
## The holes are getting more pressing

The Government's Policy Statement on Land Transport included a \$6 billion unfunded gap between expenditure intentions and the current net revenue forecast. That is around 1.5% of the current economy, and a non-trivial amount of revenue to find. The document warns of additional revenue from alternate funding sources including new tolls, time of use charge and value capture mechanisms.

Funding for Three Waters remains unclear. A lot more borrowing is on the agenda, but that also requires more income to service it. We are replacing dilapidated infrastructure, which does not have the same revenue capture as new infrastructure (if the new infrastructure is aligned with growth, built cost-effectively and managed well, which we do not tend to do).

Treasury's 2021 Statement on the Long-Term Fiscal Position projected

Our biggest hole is the economy – and fanciful assumptions about the economic base and productivity, upon which our wellbeing is premised, writes **Cameron Bagrie**



Any politician saying the status quo is sustainable or affordable needs a refresher in maths.

Cameron Bagrie

NZS expenses would increase from 5.0% of GDP in 2021 to 7.7% by 2061, due to demographic changes. Health expenditure is projected to rise from 6.9% of GDP in 2021 to 10.6% in 2061. The latest IPSOS Issues Monitor has shown health rise to be households' second largest concern, behind inflation. If tax is shaping as one election issue, health promises to be another.

The combined rise in healthcare and NZS as a share of the economic pie (GDP) over 40 years is 6.4 percentage points. To fund the status quo based on historical spending trends, you need another tax generating revenue equivalent to the income sourced from Goods and Services Tax, to more than double the company tax rate or lift income taxes by 50%.

Company and individual incomes taxes need to fall to attract investment including people, not go up. But that's infeasible financially unless revenue is sourced from elsewhere, including the likes of a

# 77%

of survey respondents agree with the call for changes like a capital gains tax and a more efficient superannuation scheme to address the Crown's "structural" deficit.

realised capital gains tax as an option and other revenue broadening measures.

The "baseline" of no policy change has government gross debt rising to 200% of GDP, an obviously unsustainable position. A strong economy scenario (via better productivity growth) is not sufficient to alter a rising debt trend either which leaves two options; lessen the entitlements or find more revenue.

Expect pressure from our Aukus "friends" to lift defence spending.

We are not going to have a world class economy unless we have a world class education sector, and one key outcome we need to see is paying teachers more, a lot more, with the catch of measurement. That will not be cheap.

The Treasury has come about as close as they could possibly could to saying the fiscal forecasts are fanciful in the 2024 Budget with "caveat emptor" warnings everywhere and the departing Secretary of the Treasury has recently called for changes to NZ Super and a capital gains tax.

Heavy hitters such as the OECD and International Monetary Fund have consistently favoured revenue broadening measures including a capital gains tax, with both coming out in favour again in their 2024 economic assessments for New Zealand.

Some business heavyweights are expressing a similar view, one being Mainfreight co-founder Bruce Pledst, subject to any additional revenue being wisely spent.

## The biggest hole

Our biggest hole though is the economy and fanciful assumptions about the economic base and productivity, upon which our wellbeing is premised.

As if by magic, a declining trend in productivity is expected to reverse. Productivity for the whole economy averaged 1.4% per annum between 1993 and 2013 but averaged only 0.2% per annum over the last 10 years. Treasury is still assuming an improvement in productivity growth over the next few years towards our long-run productivity growth assumption of 1% per year.

Exports as a share of GDP have been on a worrying downwards trend. Tourism is at 83% of pre-Covid levels and the primary sector has been hammered. Vangelis Vitalis, New Zealand's Chief Trade negotiator talks of the end of the golden era for trade. The energy situation is turning into a crisis undermining manufacturing competitiveness. Seasonally adjusted sales for the electricity, gas, waste, and water services industry in New Zealand increased to \$7.9 billion in the June 2024 quarter, up 36% on June 2023.

Lacking a firm economic base, government revenue is going to face more pressure.

## The conversation

This year's Mood of the Boardroom survey is another nail in the coffin for a much-needed debate on tax and sacred cow entitlements such as NZ Super. If we could maintain Super at the current share of the economy for the next decade, it would free up \$54 billion for infrastructure. Those are the sort of trade-off discussions that we face. Bring on more debate.

Any politician saying the status quo is sustainable or affordable needs a refresher in maths.

● Cameron Bagrie is principal of Bagrie Economics.

The Treasury has come about as close as they could possibly could to saying the fiscal forecasts are fanciful in the 2024 Budget with "caveat emptor" warnings everywhere and the departing Secretary of the Treasury has recently called for changes to NZS and a capital gains tax.

Cameron Bagrie

# Time for a super conversation

**W**ith the country entering an interest rate cutting phase, now is the time to have a conversation about the make-up of ongoing retirement savings, says Simon Power.

"At the high-level, the cuts will provide relief for borrowers and mortgage holders. Given the large number of small businesses and the way they are financed, there's the opportunity for benefits (of the cuts) to flow through.

"Such as relieving the pressures on business owners who have used their houses as security," says Power.

"We are still seeing applications for financial hardship in KiwiSaver schemes – in the seven months I've been here the applications have increased.

"We are still trying to deal with sticky inflation and every day pressures such as rates, insurance premiums and healthcare – all non-discretionary core services.

"It will be interesting to see how long it takes for the risk appetite to recover – maybe it will take a little longer."

He says the good news for investors is that the normalisation of interest rates will benefit returns on well diversified investment portfolios.

Power says he is worried that because of the cost of living crisis policymakers are not prepared to have a discussion on the long-term retirement savings plan and what it will look like.

This is the right time to do it to help people think about what they might do with any discretionary income that comes their way when the economic cycle turns, he says.

"I have great confidence that New

Kiwisaver schemes and the NZ Super Fund can play larger role in smoothing out the cost of superannuation, Fisher Funds' CEO Simon Power tells **Graham Skellern**



The good news for investors is that the normalisation of interest rates will benefit returns on well diversified investment portfolios.

Simon Power, Fisher Funds Chief Executive

Minister of Justice, Minister of Commerce, Consumer Affairs and Deputy Leader of the House in the 2008-11 term.

Power says it's more important than ever for New Zealand to press its case on the global stage.

"If you look at the US election and the rise of de-globalisation and the unrest in Ukraine and the Middle East ... these global events make it less certain and more volatile for an outwardly trading nation like New Zealand.

"Kudos to our Prime Minister (Christopher Luxon) for spending as much time as he can in other markets – that's been the right thing to do. Our place in the global economy has to be more understood.

"Our Foreign Minister (Winston Peters) is also spending more time in

the markets and is doing a good job. As a senior politician, he's leapt into promoting our case on opportunity and flow of capital."

Power says the Covid pandemic splintered social cohesion in this country. Where New Zealand had those advantaged and disadvantaged intersecting, these groups are now running parallel to each other.

"Strengthening the education system and the opportunities it offers can unlock this situation. Covid had a bigger impact on some parts of the New Zealand population than others, and we have to make sure the opportunity is there for everyone to tighten social cohesion.

"It's pleasing to see core competencies such as maths in schools being put in place, and discussions about the role of tertiary education in trades training.

"We are starting get on the right track dealing with social cohesion but there's more work to do," says Power.

"To some extent Fisher Funds is in the education game regarding financial literacy because of its involvement with KiwiSaver. Financial education can be part of the discussions on the affordability of retirement settings.

"The idea that financial knowledge is to be shared remains one of our important principles and true to the core of founder Carmel Fisher," Power says.

● Fisher Funds is a sponsor of the Herald's Mood of the Boardroom project.

Zealanders are really smart and policymakers should not shy away from having conversations that are sophisticated and multi-faceted. They should not be short sentences and sound bites."

Power says the KiwiSaver Schemes and NZ Super Fund have reached a scale where they can have a smoothing effect on the cost of universal superannuation.

"We need to have a tripartite discussion on what retirement savings will look like. The construction of the conversation has changed because of the size of the funds."

The NZ Super Fund has reached \$76 billion in value, having posted a return of 14.94% for the year ending June.

KiwiSaver, introduced on July 1, 2007, has 3.25 million members who have invested nearly \$100 million across 38 schemes.

Power says KiwiSaver came in with the broad idea of being used to smooth the cost of superannuation – and likewise the NZ Super Fund. Now they should play a significant rather than subsidiary role in the conversation. The discussions can include the settings for KiwiSaver.

Power arrived in his new role in February after being chief executive of TVNZ and before that he was acting chief executive and general manager institutional and business banking with Westpac.

He represented Rangitikei as National MP for 12 years and was the

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## MOOD OF THE BOARDROOM



From left: Christopher Luxon waves goodbye to Manila after a week-long SEA mission; Zespri chair Nathan Flowerday (left of Luxon) at the kiwifruit exporter's Global Health launch in Tokyo.

# Flying the flag for New Zealand business

Fran O'Sullivan

Prime Minister Christopher Luxon is warmly praised by CEOs for the "high energy" he brings to international missions.

In his first year as PM, Luxon has led missions to Southeast Asia, Japan, Malaysia and South Korea. These missions not only lifted New Zealand's profile but also that of companies taking part.

The *Herald* 2024 survey sought feedback from CEOs.

Air New Zealand chair Dame Therese Walsh co-led the business delegation for the SEA mission and led a later mission to Japan: "It has helped to reinforce and strengthen current relationships," she says. "I think going more often and deeper into particular markets would be helpful."

Simon Limmer, CEO of the Indevin Group, joined the latest mission to Malaysia and South Korea last month.

Limmer says the mission provided a direct focus and deeper understanding for him of these markets.

"It enhanced the top-to-top relationship which provides a stronger platform and allowed us to leverage the occasion with key in-market partners and cement relationships."

Limmer says it also allowed Indevin's in-market partners to leverage their credentials with key stakeholders, provide greater clarity as to how to prioritise these markets and the role of government and industry to work together.

In the absence of more comprehensive FTA relationships the 'government to government' occasions allows industry to develop deeper strategic business-to-business relationships, he says.

Sudima Hotels' Les Morgan joined the SEA mission: "We have received direct investor interest, and the mission opened up pathways for future discussions with previously unrealised potential partners."

"We require now a formal follow up from government agencies to review outcomes and develop a joint private/government sector strategy to apply learnings."

Zespri chair Nathan Flowerday, who joined the Japan mission, said it gave credence to customers, and so "gives us a talking point on how important the country/market is to Zespri".

New Zealand Food Innovation Auckland Limited's Grant Verry said taking part in a mission provided profile for strengthening international relationships and supported the creation of the Asia-Pacific Food Innovation Network which delivers NZ business a regionally connected network of value-added food innovation services in market – "reducing bottlenecks of geographical and compliance borders for export growth."

Several CEO commented that one of the bonuses was increased connectivity between fellow delegates – building trust which leads to more collaborations.

Beca executive chair David Carter said his company's profile was enhanced within Australia and New Zealand as a result of taking part in the PM's recent Sydney visit to study infrastructure developments where he also gained valuable insights into competitor activities" including confirmation of markets not to pursue".

NZTE reports the missions have built in-market connectivity and reputation and improved deal flow. A leading official said unlike a number of other countries which the visit regularly, New Zealand still feels in a bit of a "funk". "We all need to own a more positive outlook as we look to improving our economy. I do worry at times that this negative sentiment does spill over into our international trade and how we can show up. We have a great brand and a great story to tell."

"I have loved seeing the PM and many ministers getting out and about and flying our flag. This is important work."

## On a mission to strengthen trade ties

**W**e're continually looking for new ways to strengthen our existing relationships with global customers and partners and build new relationships to unlock further value from our farmers' milk.

Fonterra has participated in several of the business missions led by the Prime Minister to Asia this year.

These missions provide a way to raise New Zealand's profile in key markets and are a valuable platform for New Zealand businesses, including Fonterra, to connect with customers, clients, and each other.

They are an opportunity to showcase work already underway, as well as develop new relationships and understand evolving market trends in this dynamic region.

In Malaysia, our foodservice team hosted the business delegation to a pop-up showcase of our Anchor Food Professional customer channels, including bakery, street food, a pizzeria, and a local coffee house.

The delegation was able to see first-hand how we are partnering with customers to adapt the goodness of New Zealand dairy to suit local preferences, and how our recent announcement of the \$150 million expansion of our Edendale cream plant will support future growth in our foodservice business across Asia.

Our sustainability credentials and the role of dairy as a source of high quality nutrition are an important part of our value proposition with key customers.

In South Korea, I was pleased to sign a Memorandum of Understanding (MOU) with one of Korea's largest food conglomerates, witnessed by the Prime Minister, signalling our intention to partner on emission reductions and innovation in products that support health and wellbeing.

Fonterra's **Miles Hurrell** spells out why as an exporter to more than 100 markets around the world, strong trade relationships are vital to his co-op's success



### Japan

Japan has long been a highly valued export market for New Zealand dairy and a strong protein ingredients market.

Any visitor to Japan who steps into a 7-Eleven store has a good chance of finding protein-fortified drinks and yoghurts containing Fonterra farmers' milk.

It would seem in the eyes of the consumer, the more protein that can

be included in a product, the better.

Research shows Japanese consumers are willing to pay a premium of up to 50% for products that have added health and nutrition benefits, and with one in three people in Japan estimated to be over 65 years old by 2030, there's an increasing appetite for products that support wellbeing and mobility, and combat cognitive decline.

Fonterra is well placed to meet this growing demand. Our proteins are designed to help people maintain muscle mass for better quality of life, our dairy lipids help to improve mood and our probiotics support immunity and digestion.

We see North Asia as a growth market for high value proteins.

The recently announced expansion of our Studholme site will allow us to increase production of such high value products and ultimately grow returns to farmers.

### Southeast Asia

Southeast Asia is shaping up as the next growth market for Fonterra's Foodservice business outside of China. Growth over the last three years in the region has been underpinned by a strong return of tourism in the region.

The Co-op's Foodservice business in Southeast Asia is focused on bringing New Zealand dairy to everyday staples. Beyond pizzas and pastas, our dairy goes into egg tarts in Thailand, banh mi in Vietnam, ube jam in the Philippines and local crepes in Indonesia. We've seen growth in the bakery channel too, with the rise of

specialty bakery and lifestyle cafes across the region.

We are leaning into the hyper convenience trends, in particular in Thailand, with our dairy ingredients going into ready-to-eat and ready-to-drink foods as they increase in popularity. These products made by our customers are sold in Seven-Eleven stores throughout the country.

### Malaysia

Fonterra has a thriving Foodservice business in Asia where demand is growing by integrating dairy into traditional foods such as laksa and milk tea. In Malaysia, Fonterra is looking to build on solid foundations where half of New Zealand exports to the country are already dairy. The recently announced UHT cream expansion at our Edendale site will help support this growth opportunity.

### Philippines

Fonterra is a market leader for foodservice in the Philippines and the number one choice in butter, milk, cheese, and UHT cream. Our foodservice products are used by thousands of bakeries, beverage houses, hotels, restaurants, caterers and industrial kitchens across the Philippines.

Cheese consumption in the Philippines is increasing due to growing consumer awareness and preferences for cheese-based dishes and snacks. This provides a promising growth opportunity for our ingredients brand NZMP, as cheese already represents a large portion of our business in the country.

# Education Minister is top of the class

Business leaders rate Erica Stanford's communication skills and the 'back to basics' revolution, writes **Fran O'Sullivan**

**E**rica Stanford is the Cabinet standout as far as leading CEOs and chairs are concerned.

In the 2024 Mood of the Boardroom rankings of the Executive, she scored 4.01/5 on a scale where 1=less impressive and 5=most impressive.

Stanford holds both the education and immigration portfolios. A clear communicator, she is overseeing a "back to basics" revolution in education which is already posting results.

Some 37% of survey respondents marked her performance "most impressive".

Stanford is not a member of the Prime Minister's "kitchen Cabinet" but is deeply respected by him.

Simeon Brown who holds a suite of portfolios – Energy, Local Government, Transport and Auckland – came in next rating 3.89/5.

Labelled "golden balls" by caucus colleagues – both as a reflection of his relative youth and work load – Brown is highly rated by Luxon.

CEOs rated Nicola Willis (Finance, Public Service and Social Investment) at 3.88/5 equal with Chris Bishop (Housing, Infrastructure, RMA Reform, Sport and Recreation).

Other Ministers with a heavy workload to rank highly include Judith Collins (Attorney-General, Defence, Digitising Government; Science, Innovation and Technology and Space) and Winston Peters (Deputy Prime Minister, Foreign Affairs and Racing).

Prime Minister Christopher Luxon was ranked 6th. Mark Mitchell, Brooke van Velden and Todd McClay rounded out the top 10.

McClay had a major success last week in cementing a trade deal with the UAE – the first on his watch.

Despite the relatively high rankings for Cabinet's top 10 there are reservations.

"I worry they are not focusing on the biggest issues for New Zealand's future prosperity by getting distracted by stuff that won't shift the dial and disenfranchising talented experienced directors from taking up positions," said a legal firm boss.

"Examples such as the disestablishment of two boards – the appointment of Lester Levy to run HealthNZ and the treatment of KiwiRail – made no sense."

An energy CEO noted it was early days, but just a few Cabinet Ministers were lifting a lot currently.

"Very limited executive experience within this group and that is evident in early engagements."

Uno Loco's Blair Glubb noted, there appeared to be three distinct and disconnected agendas largely driven by industry and lobby groups.

"Divisiveness as a vote driver should not be a core part of coalition policy."

A leading director said David Seymour has become too extreme in his views and is "losing support from many of those who may have voted for him in his electorate. This divisive approach needs to end."

Freightways' Mark Cairns said: "I guess it is a vagary of MMP, but it seems odd to me that the Minister of Commerce is a Minister outside Cabinet."

## Government reforms

CEOs rated the forthcoming infrastructure reforms, such as creating a National Infrastructure Agency and developing a 30-year project pipeline, as the most important of a suite of reform measures rating them at 4.4/5. Not surprisingly, given its import-

## How the executive fared

CEOs ranked the performance of Cabinet Ministers and others outside Cabinet on a Cabinet Ministers on a scale where 1 = Not impressive – 5 = Very impressive

1. Erica Stanford (Education) 4.01/5
2. Simeon Brown (Transport) 3.89/5
3. = Nicola Willis (Finance) 3.88/5
3. = Chris Bishop (Infrastructure) 3.88/5
5. Judith Collins (Defence) 3.74/5
6. Christopher Luxon (Prime Minister) 3.73/5
7. Winston Peters (Foreign Affairs) 3.66/5
8. Mark Mitchell (Police) 3.62/5
9. Brooke van Velden (Internal Affairs) 3.60/5
10. Todd McClay (Trade) 3.50/5
11. Andrew Bayly (Commerce) 3.48/5
12. David Seymour (Regulation) 3.40/5
13. Simon Watts (Climate Change) 3.18/5
14. Shane Reti (Health) 3.17/5
15. Tama Potaka (Māori Crown Relations) 3.14/5
16. Shane Jones (Regional Development) 3.13/5
17. Louise Upston (Social Development) 3.11/5
18. Paul Goldsmith (Justice) 3.06/5
19. Andrew Hoggard (Biosecurity) 2.94/5
20. Matt Doocoy (Mental Health) 2.88/5
21. Chris Penk (Construction) 2.88/5
22. Karen Chhour (Children) 2.78/5
23. Nicole McKee (Courts) 2.71/5
24. Mark Patterson (Rural Communities) 2.65/5
25. Nicola Grigg (Women) 2.61/5
26. Casey Costello (Customs) 2.55/5
27. Penny Simmonds (Environment) 2.35/5
28. Melissa Lee (Economic Development) 2.12/5

ance to business and the top-ranking CEOs have accorded Minister Erica Stanford, the importance of the education reforms were rated at 4.24/5. The high profile clampdown on gangs and crime rated at 4.14/5.

How other reforms rated: Focus on building international connections (4.12/5); repeal of Labour's RMA legislation, and the introduction of the fast-track consenting regime (4.07/5); public sector reforms (3.92/5); changes to foreign investment settings (3.88/5), transport reforms such as congestion charging (3.78/5); appointment of a Commissioner to lead Health NZ reforms (3.77/5); moves to accommodate genetic engineering

This is an impressive Cabinet. The performance of key Ministers (especially Chris Bishop, Simeon Brown, Judith Collins, Winston Peters, David Seymour etc) in their portfolios has been outstanding. It gives hope as to what may come over the next 4-5 years. Nicola Willis has the toughest job. I hope she will keep driving public sector reforms and fiscal change – these areas are fundamental to our economic prospects. Her job is difficult given the need to build capabilities in key agencies: Treasury, MBIE and there is still no Public Service Commissioner.

Neil Paviour-Smith, Forsyth Barr

(3.62/5); the repeal of Three Waters and replacement with 'Local Water Done Well' (3.6/5); reform of the Holidays Act (3.4/5); changes to greenhouse gas policy settings (3.21/5); disestablishment of the Māori Health Authority (3.09/5), Māori related policy shifts (2.94/5) and the repeal of NZ's smokefree laws (1.97/5).

Many of these policies were focused on repealing measures put in place by the prior Labour Government. "Reading this list of 'The Great Unwind' you realise how long the Coalition has been looking in the rear vision mirror," said NZ Windfarms director Craig Stobo.

Chris Quin, boss of Foodstuffs North Island, says business has welcomed moves on infrastructure, transport, planning and industrial relations reforms as well as the drive to cut waste from the public sector.

"It is critical to hear more about a longer term economic growth strategy to revive the country's sense of optimism and confidence."

"The HealthNZ reforms are fundamental for our future, however Lester Levy's is not a solo leadership journey," says KiwiRail's Peter Reidy.

Several respondents noted the absence of meaningful Climate Change measures which, along with biodiversity loss, are two of our largest challenges. Said Jarden's Silvana Schenone.

"I would be delighted to see policies that help achieve the goal of making New Zealand the place for people to live and develop professionally as opposed to the place to grow up and retire, while living most of your working life and paying taxes offshore."

Others noted repealing the smoke-free law was a mistake which created confused signalling. Māori-related policy shifts were also divisive and distracting.

The consensus was that, a year from now, the Government needs to post achievements of its own and an improving economy.

## Cabinet KPIs

Cabinet Ministers ranked on their performance

1 **4.01**

**Erica Stanford**  
Education

3.89

2 **Simeon Brown**  
Transport

3.88

**Nicola Willis** 3=  
Finance

3=  
**Chris Bishop**  
Infrastructure

3.74

**Judith Collins** 5  
Defence

3.73

6 **Christopher Luxon**  
Prime Minister

3.66

**Winston Peters** 7  
Foreign Affairs

3.62

8 **Mark Mitchell**  
Police

3.60

**Brooke van Velden** 9  
Internal Affairs

3.50

10 **Todd McClay**  
Trade

1 ←

Not impressive

→ 5

Very impressive



Republican presidential candidate Donald Trump and Democrat Vice-President Kamala Harris at the election debate last month.

Photos / Getty Images

# CEOs weigh in on US election

Many highlight their support for Vice-President Kamala Harris as the 'best of bad options,' writes **Tim McCready**

**N**ew Zealand business leaders have expressed a clear preference for Vice-President Kamala Harris over former President Donald Trump in the upcoming United States presidential election.

When asked in the Mood of the Boardroom survey who they believe would be the best politician to lead the US, 82% of respondents favour Harris, while only 4% support Trump, with a further 10% unsure and 4% opting for "other."

This compares to 2020 where 66% of respondents backed Joe Biden and 5% supported Trump. In the 2016 election, Hillary Clinton was the clear favourite with 92% support, compared to 5% for Trump.

Harris officially became the Democratic presidential nominee two weeks after President Joe Biden dropped out of the race in July, marking a dramatic turn in US politics. As the first woman of colour to lead a major party's presidential ticket, Harris could be on the cusp of becoming the first female President of the United States. Despite this strong preference for Harris, the excitement for her from New Zealand's business community is subdued.

Many respondents highlight their support for Harris as the "best of bad options" available. As NZ Windfarms chair Craig Stobo puts it: "It is a toss-up between the unpredictable and the uncertain."

Others note that, while Harris presents a "less risky" option compared to Trump, she has yet to prove herself as a strong leader on the global stage.

"Harris would bring a more balanced approach due to having a more

balanced team supporting her," said one transport CEO, reflecting a widespread view that her administration would provide greater stability than Trump.

There is a shared concern among many about the broader geopolitical context in assessing the potential impact of the US elections on New Zealand. "The world requires a global and outward-looking United States," noted the director of a major bank, reflecting a desire for the US to play a constructive role on the international stage.

A professional director echoed this sentiment, warning that "in the current period of vulnerability, the huge volatility that a Trump victory would introduce is very concerning for countries like New Zealand."

For some, Harris is seen as the least disruptive option. "In saying Kamala Harris would be best placed as president, one is hardly giving a ringing endorsement," says a public sector chairperson.

"Nothing she has done previously in her career suggests strong presi-

The huge volatility that a Trump victory would introduce is very concerning for countries like New Zealand.

Professional director

dential material. That said, she presents less risk of blowing up the world, and more chance for steady, predictable leadership than Trump. Therefore, she has to be New Zealand's preferred candidate."

However, not all are convinced. Jason Paris, One New Zealand CEO, would have preferred to see former Republican candidate Vivek Ramaswamy win the nomination and go on to win the presidency. "I don't necessarily agree with all of his politics, but he has a clear plan," he says.

## Concerns Over Trump's trade policies

The survey highlights concerns from the boardroom over Trump's proposed economic policies, particularly his plan for a 10% across-the-board tariff on all imports into the United States.

Trump argues that this will protect American jobs and generate revenue to offset the proposed extension of his 2017 tax cuts. He has also indicated he would impose a levy of 60% or more on Chinese imports.

Economists warn that this would likely backfire, essentially acting as a tax on US consumers and potentially adding around US\$1700 (NZ\$2700) a year in additional costs.

Among New Zealand CEOs and directors, 30% say the tariff would directly impact their businesses.

This is particularly concerning given New Zealand's growth in trade with the United States.

In 2023, bilateral trade between the two countries grew 16% to reach \$14.6 billion, and saw the United States surpass Australia to become New Zealand's second-largest export mar-

It's up to us to be proactive whoever gets in.

Peter Thompson  
Barfoot & Thompson

ket in the year ending March 2024.

Although 65% of respondents say their business would be unaffected, many highlight the potential for indirect consequences through their clients and the broader economic climate. "This will have an impact on every business in the world because it's seriously inflationary for the US and will therefore drive-up interest rates there and globally," says an investment boss.

An independent board member with experience across broad sectors notes, "where possible, the costs for this would need to be passed on to the (American) consumer."

An agribusiness leader suggests "this would make the US unattractive as a market," warning that it could cause massive instability globally. Anne Gaze, founder of Campus Link Foundation, sums up the general sentiment: "Such a policy would likely prompt us to explore alternative markets while navigating the added costs of US trade."

## Trade benefits possible with Harris

When asked whether a Kamala Harris-led US administration would open doors further for New Zealand trade, the response was divided: 28% believe it would, 26% say it would not, and 46% are unsure.

While some respondents believe Harris would be "more open to free trade" compared to Trump and "not as protectionist," they also point out that she is relatively untested in the area of international trade.

"Compared to a Trump-Vance-led administration, she would open doors further," says one professional director. "But compared to the current administration, I am unsure much would change."

Business leaders emphasise the need for New Zealand to be prepared, regardless of the election outcome.

"It's up to us to be proactive whoever gets in," one participant said, underscoring the importance of strategic engagement with any future US administration.

With significant economic and geopolitical stakes in play, New Zealand's business leaders are hoping for a US Administration that can balance domestic priorities with global responsibilities – whoever the next president may be.

Though there is hope that a Harris administration could be more favourable to trade compared to a Trump-Vance ticket, business leaders emphasised that New Zealand needs to be proactive, regardless of the election outcome.

"It's up to us to be proactive whoever gets in," says Barfoot & Thompson managing director Peter Thompson.

With significant economic and geopolitical stakes in play, business leaders are hoping for a US administration that can balance domestic priorities with global responsibilities – whoever the next president turns out to be.

## China and ... the growth of diversification strategies

Despite concerns over China's potential geopolitical moves, New Zealand businesses remain intertwined with the Chinese economy.

Prime Minister Christopher Luxon has made the case for growing New Zealand's trade and investment opportunities offshore. That is the basis for the government's "China and..." approach, building the trade and economic relationship with China, but also developing new partnerships offshore, to build resilience and diversify opportunities for New Zealand businesses.

The survey results show that of

those already engaged in business with China, 65% have either diversified or are planning to diversify into other markets to reduce risk.

"We already have diversified market engagement, including China," says Auckland Airport CEO, Carrie Hurihanganui.

Companies are increasingly looking to regions beyond China.

OfficeMax Managing Director Kevin Obern notes: "Some diversification of supply is already under way – however still mostly in Asia," while Mainfreight CEO Don Braid highlights his business's efforts to diversify into

the wider Asian region to build resilience. "We have our own business within China, and seeing that grow is a priority. Likewise, we have diversified into the rest of the Asian region to assist our network intensity and access to other attractive country markets and opportunities."

Similarly, the exploration of additional markets is seen as attractive. A professional director in the retail sector highlights: "We are now sourcing from India and Bangladesh in addition to China," as part of their diversification strategy.

Despite efforts to explore new

We will work hard to diversify out of China, but let's acknowledge it's easier said than done.

CEO

markets, diversification is not without its challenges.

One CEO candidly admits: "We will work hard to diversify out of China, but let's acknowledge it's easier said than done."

China's scale and growth opportunities remain unmatched, making it difficult for businesses to reduce their dependency on the country.

"China is where the growth opportunities exist," says Cordis Managing Director Craig Bonnor, underscoring why businesses remain committed to the market, even as they explore alternatives. – Tim McCready

# 'In his sweet spot. Smart, strategic and vital to our interests.'

Winston Peters has been lauded as 'the best Foreign Minister New Zealand has ever had', writes **Fran O'Sullivan**

**W**inston Peters has won strong praise from CEOs for his foreign affairs prowess and the way he is also handling his responsibilities as Deputy Prime Minister.

In the 2024 Mood of the Boardroom survey, some 20% of respondents rated his performance as "very impressive". This was on a 1-5 scale where 1=not impressive and 5=very impressive. A further 48% rated his performance at 4/5; 21% at 3/5.

But it's his foreign affairs record which has sparked the most comment. Several respondents labelled him "the best Foreign Minister New Zealand has ever had".

Said a leading investment CEO: "He is in his sweet spot. Smart, strategic and vital to our interests."

From Windfarms NZ's Craig Stobo: "An impressive saddlebag to National's bike. Great on rebuilding our global relationships, great on his focus on the needs of New Zealanders, not their identities."

Adds Mainfreight CEO Don Braid, "his international trade and relationship acumen continues to surprise".

Back as Foreign Minister for the third time, Peters has set a cracking pace. In the interests of regional security, he has lifted New Zealand to play a greater role in the Indo-Pacific and reinvigorate its relationship with the Five Eyes partners (the United States, Australia, Canada and the UK), and Japan and South Korea as other members of Nato's Indo-Pacific 4 (IP4).

In New York last week, he launched New Zealand's campaign for a seat on the United Nations Security Council in 2039.

The use of the veto powers held by the council's permanent members – China, France, Russia, the United Kingdom and the United States – has long been a point of frustration for New Zealand.

No more so that when confronting the current conflicts in the Gaza and Ukraine.

He told the UN General Assembly: "We small states need today's superpowers to talk more, seek better understanding between them, and develop ways of compromising more."

"Rather than a zero-sum game, effecting better relations between today's "Great Powers" only enhances global stability, and that is what we smaller nations seek."

In total, Peters has visited 31 countries since taking on the portfolio in late 2024: Fiji (twice), Australia, Tonga (twice), Cook Islands, Samoa, India, Indonesia, Singapore, Egypt, Poland, Belgium, Sweden, United States (twice), Türkiye, Solomon Islands (twice), Papua New Guinea, Vanuatu, Tuvalu, Vietnam, Malaysia, Philippines, Timor-Leste, Nauru, Niue, Republic of Korea, Japan, Laos, Marshall



**Foreign Minister Winston Peters addresses the United Nations last week; Peters catches up with US Deputy Secretary of State Kurt Campbell during UN week; Peters meets Palestinian Authority Prime Minister Mohammad Mustafa to reiterate New Zealand's support for an immediate ceasefire in Gaza.**

Islands, Federated States of Micronesia, Palau and French Polynesia.

He has placed a strong emphasis on the Pacific which is the subject of complex geo-strategic manoeuvring by China and the United States.

Peters has visited 15 of the 17 Pacific Islands Forum members – with the goal to get to all of them this year. Still outstanding are New Caledonia, and Kiribati (the latter subject to the Kiribati Government allowing diplomatic visits once the election process is completed – these are currently on hold).

Peters is well-networked in the

Pacific and was instrumental in persuading the United States to engage strong in the region as part of a Pacific Reset.

Visiting US Deputy Secretary of State Kurt Campbell did not single out Peters directly in his formal comments at a recent media roundtable in Auckland, but he acknowledged New Zealand's role in advising how to listen carefully and how to execute efficiently and effectively. He was "not at all shy" about saying that New Zealand has been the central ingredient in the US step-up in the Pacific.

"I would say that with the highest of respect and acknowledgement and

Stability was always going to be a challenge with a three-way coalition of very different parties, each with a leader with a strong personality and profile. At the moment, New Zealand needs stability and clear leadership, and Winston Peters is playing ball with a strong focus on growing industry, jobs and the economy. Good on him. The risk is that the coalition harmony comes under pressure near the election when the smaller parties have to distinguish themselves to their constituents. As Foreign Minister, Winston is a natural. A proven performer with gold-plated relationships.

Chris Quin, Foodstuffs Northern

appreciation." But Campbell did acknowledge Peters informally before heading up to the Foreign Minister's Auckland

home for refreshments.

Peters' officials say that part of his undoubted success is he is indeed a "great listener."

Peters is also a good host and entertains many visiting foreign ministers and politicians at his home.

Former Prime Minister Helen Clark first appointed him Foreign Minister in October 2005 – this makes him an old hand and known quantity among the international club of foreign ministers.

That Peters has hit the ground running is also due to his good sense in reappointing key advisers from his last rodeo in the portfolio from 2017-2020.

Jon Johansson, his former chief of staff, is back as a special adviser and along with returnee and senior Foreign Affairs adviser Michael Appleton has accompanied him on many of his offshore visits.

Helen Lahtinen has returned as his senior private secretary.

Former parliamentary colleague Darroch Ball is his chief of staff and minds the ship while Peters and his team are offshore.

Said Freightways' Mark Cairns. "Winston is a very statesman-like Minister that I am happy to have representing NZ in overseas markets." And Cameron Bagrie of Bagrie Economics says "he is the right person for Foreign Affairs given the 'Switzerland' role we are trying to fill."

Peters has already attended the following forums.

- New Zealand – Australia Foreign and Defence Ministers '2+2' meeting (ANZMIN) – Melbourne.
  - Nato Foreign Ministers Meeting – Brussels.
  - UN General Assembly – New York.
  - Anzac Day commemoration – Gallipoli.
  - Japan-Pacific Islands Forum Meeting (PALM) – Tokyo.
  - Asean Foreign Ministers Meeting – Vientiane (Laos).
  - Pacific Islands Forum Foreign Ministers Meeting – Suva.
  - Pacific Islands Forum Leaders Meeting – Nuku'alofa.
- He will attend the Commonwealth Heads of Government meeting in Samoa later in the month, then fly to Peru in mid-November for the ministerial meeting which precedes the Apec Economic Leaders Meeting.

## Some criticism

Several CEOs commented that Peters' role as leader of New Zealand First seemed to bring him into conflict with journalists.

"While I recognise Winston Peters is very good in the international setting, he undermines his performance by being unreliable and unwilling to work constructively with others, including the media," says a CEO.

## 'Our two biggest trading partners at war would be a nightmare'

**Tim McCready**

Executives were asked whether they are concerned that China-Taiwan conflict could escalate into war that would impact on New Zealand's interests.

Some 68% of business leaders say they are concerned. The remaining 22% are not, while 10% say they are unsure.

China's significance to New Zealand's economy means that any disruption to trade would have far-reaching effects.

Barfoot & Thompson managing director Peter Thompson reflects this concern.

"China is a big player for New Zealand business, and if war broke out, trade deliveries would be slowed, having a huge impact on businesses back here, similar to during the Covid period."

Complicating matters further is the delicate geopolitical balancing act New Zealand faces.

"Our two biggest trading partners at war with each other would be a nightmare for New Zealand," warns

NZ Windfarms Director Craig Stobo, referring to the United States, which last year overtook Australia to become New Zealand's second-largest trading partner, and highlighting the complexity of New Zealand's position.

Despite this anxiety, some respondents are confident that the situation will not escalate.

Les Morgan, who runs the Sudima hotel chain in New Zealand, trusts that "the economic impacts of such action will temper any desire to pursue formal action," while a logistics

executive suggests that "China will not invade Taiwan, they will get control economically over the century".

Some have broader concerns over inadvertent escalation.

"I worry about the likelihood of a proxy conflict or miscalculation leading to conflict," says a public sector CEO.

The long-term implications of such a conflict go beyond mere trade disruptions.

"The risks associated if China and Taiwan go to war extend far beyond

the region, with profound economic, military, humanitarian, and diplomatic consequences," says the New Zealand head of a US-headquartered multinational.

Others note that while New Zealand may not be directly involved, the country must be prepared for the fallout from any escalation.

Deloitte chair Thomas Pippas warns, "This is a real risk, with care required to ensure matters don't escalate to that level – accepting that New Zealand will not be the cause or protagonist."

## MOOD OF THE BOARDROOM

## Seymour strikes right note with CEOs

**A**ct Party leader David Seymour's performance since the 2023 general election has been met with mostly positive reviews from the business community.

Rated at 3.4/5 by respondents to this year's Mood of the Boardroom survey, on a scale where 1 represents "not impressive" and 5 "very impressive," his clear, pragmatic approach resonates with many executives.

However, not all are supporters. A professional director believes that Seymour has become too extreme in his views and is losing support from many of those who may have voted for him in his electorate.

"This divisive approach needs to end, this is not the Kiwi way," she says.

Business leaders have provided a cautiously positive response to Seymour's establishment of a Ministry of Regulation, intended to improve the quality and performance of regulatory systems across government.

The ministry's new Strategic Intentions document outlines its mission as "improving the regulations imposed by the Government, making them better, more streamlined, and easier for New Zealanders to navigate."

Scoring the Ministry's importance at 3.51/5, many respondents see it as a potential driver of future economic growth and something that is urgently needed in New Zealand.

"Cut the red tape and let us get on with turning the economy around," comments a logistics boss.

A professional director acknowledges that "intelligent management of regulation is very challenging but critically important."

Deloitte chair Thomas Pippas echoes this sentiment, noting that New Zealand's over-regulation "creates a

There are mixed reactions to the Act leader's Ministry of Regulation, writes **Tim McCready**



New Zealand's overregulation creates a deadweight cost on the economy.

Thomas Pippas Deloitte

Business leaders rated David Seymour **3.4/5**

Others emphasised the need for a balanced approach to regulation.

Foodstuffs North Island CEO Chris Quin stresses that regulation is crucial for keeping high standards, ensuring there are safeguards, and making sure everyone is playing fair.

"Good governance gives us credibility and reassures investors that we're a good place to do business and to invest in," he says. "The key is striking the right balance – regulation should benefit consumers and boost

competition, without scaring off investment.

"We don't want to be the Wild West, but we don't want to be so regulated we stifle growth and innovation either. Robust cost-benefit analysis of key regulatory decision is key."

Despite support for the ministry's mandate, there are concerns about its implementation and Seymour's broader political agenda.

"The Ministry of Regulation feels like a way to justify having a voice on all major legislation," says an investment executive.

"If Seymour was really focused on long-term economic growth and productivity, that would be fine, but his obsession with divisive social issues that energise people on the fringes of the New Zealand political debate make him the wrong person to wear that badge."

The head of a professional services firm suggests there is a need for a more comprehensive approach.

"I wouldn't have set this up as a ministry that cherry-picks sectors for review and change. I would have required every agency of government to outline why certain regulations are still necessary and drive system-wide multi-sector change at pace with economic growth and productivity the determining factor."

There has also been criticism over the Ministry's average salary of \$154,500 for its staff, which some view as contrary to the Coalition Government's pledge to reduce back-office spending.

"I am truly appalled at the news of pay rates within the ministry," says a public sector CEO.

deadweight cost on the economy".

However, the boardroom is reserving judgement on the ministry's effectiveness, citing a lack of progress.

"It is important, but it hasn't achieved anything yet – there should have been some quick wins by now," says a professional director.

An infrastructure executive agrees, stating: "It is moving too slow and needs to act with more urgency. Bureaucracy is costing New Zealand a significant amount."

There were also calls for the ministry to focus on significant economic issues rather than what some perceive as minor concerns.

The ministry's first two sector reviews are currently under way, considering early childhood education and agricultural and horticultural products.

A law firm CEO asks: "Probably important, but hasn't achieved anything. Why prioritise early childhood education?"

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# Hipkins keeping low profile

Labour still appears to be regrouping after the election loss, writes **Tim McCready**

**A**fter Jacinda Ardern's unexpected resignation in early 2023, Chris Hipkins was the sole nominee for Labour's leadership.

Following nine months as Prime Minister, Labour was swept out of power, but Hipkins has held on, continuing as party leader and Leader of the Opposition. His performance in this role has been met with lukewarm reviews from business leaders in this year's Mood of the Boardroom survey. They give him a score of 2.26/5 on a scale where 1 represents "not impressive" and 5 "very impressive."

The feedback underscores the challenges facing Hipkins and his frontbench as they try to regain credibility and relevance following the 2023 election defeat.

## A tough position in the political cycle

Several executives acknowledge the inherent difficulties that come with the job of Opposition leader during the first term of a new government.

"It is always hard to get media cut-through in the first term," observes KiwiRail CEO Peter Reidy, noting that Hipkins is beginning to position Labour's view of the future and address tough choices related to increasing superannuation costs.

However, there is a sense that his efforts have yet to resonate widely.

"Being Opposition leader isn't easy, and the media chipping machine has started on him," observes an industry association CEO. "But laying relatively low for now isn't silly. Criticism too early on just looks like sour grapes and gets the valid response, 'Well, why didn't you do it then?'"

Others echo this sentiment, believing that Hipkins is taking a measured approach and biding his time until the political winds shift.

"He can only make limited headway and will be focused on where the party positions itself in the future," says Foodstuffs North Island CEO Chris Quin. "I wouldn't expect him to be making serious inroads into the coalition's programme at this point in the cycle."

Despite this pragmatic approach, concerns persist regarding Hipkins appearing disconnected and struggling to gain traction on critical national issues: "Chris who?" quips a professional services CEO. "I understand the difficulty of getting media share in Opposition, but he is missing in action on key messages and issues."

This sums up a common feeling among respondents. Describing him



as "failing to fire" and noting it is "hard to tell if he is enjoying life at the moment," many suggest there is a lack of enthusiasm and leadership presence.

"It's a tough job, but you get the sense he's just another Wellington bureaucrat," adds a banking boss.

However, not all feedback is negative. "He is quite effective in Opposition," says a professional director.

## Still reeling

The consensus is that the party is still reeling from the election loss and has

yet to regroup effectively. Labour received just 26.9% of the vote, compared to National's 38%.

"The Opposition has yet to accept the reasons for its defeat in 2023,"

yet to regroup effectively. Labour received just 26.9% of the vote, compared to National's 38%.

Industry association CEO

says NZ Windfarms director Craig Stobo. "Until they digest that result, they will struggle to articulate what Labour now stands for."

To regain credibility by the next

## Expecting more from the frontbench

Labour's highest-ranking MPs have also struggled to make an impression, with key figures within the party receiving relatively low ratings across the board. Respondents rated the political performance of Labour's frontbench on a scale where 1 represents "not impressive" and 5 "very impressive":

**2.76/5**

Kieran McNulty (Housing, Local Government, Regional Development)

**2.74/5**

Barbara Edmonds (Finance, Infrastructure)

**2.40/5**

Ayesha Verrall (Health, Public Service, Wellington issues)

**2.33/5**

Chris Hipkins (Leader, Ministerial Services, National Security and Intelligence)

**2.26/5**

Carmel Sepuloni (Social Development, Pacific Peoples, Child Poverty Reduction)

**2.23/5**

Megan Woods (Climate Change, Energy, Resources)

**2.15/5**

Ginny Andersen (Police, Prevention of Family and Sexual Violence, Social Investment)

**1.94/5**

Willie Jackson (Māori Development, Broadcasting and Media, Employment)

**1.93/5**

Willow Jean Prime (Children, Youth)

**1.86/5**

Jan Tinetti (Education, Women)

election cycle, some business leaders advise that Labour adopt a more moderate policy approach.

"Moderation in policies, not lots of race-based ideas or 'soak the rich' type agendas to impress their base," says one CEO, recommending Labour take cues from UK Labour Leader and new Prime Minister, Sir Keir Starmer.

They emphasise the importance of laying the groundwork: "Labour needs to do the policy mahi now so that in 2026 they have a suite of credible things to campaign effectively."

## Constructive policy needed from Te Pāti Māori and Greens

**Tim McCready**

Survey respondents to the Mood of the Boardroom have given mixed ratings to the leaders of New Zealand's minor opposition political parties, highlighting a range of concerns and criticisms.

The Green Party has been through significant turmoil since last year's election. In January, Golriz Ghahraman resigned amid shoplifting allegations. A month later, Fa'anāna Efeso Collins tragically collapsed and died at a charity event in Auckland.

In August, Julie Anne Genter was found in contempt and censured for shouting at a Cabinet minister during a parliamentary session in May. In June, Darleen Tana was suspended by the party following a damning report into her knowledge of alleged migrant exploitation at her husband's business.

That same month, co-leader Marama Davidson announced her diagno-



**Chlöe Swarbrick**

sis of breast cancer.

Green Party co-leader Chlöe Swarbrick receives a rating of 2.48/5, with some executives describing her handling of the Darleen Tana issue as "impressive," but overall, her performance is seen as lacking depth. "Swarbrick appeals to the young,

but her thinking is full of simplistic slogans," notes Jarden managing director Silvana Schenone.

The business community appears less convinced by Davidson's leadership, who receives a score of 1.82/5.

Many respondents to the survey express nostalgia for former co-leader James Shaw, who was frequently mentioned in the survey despite his departure from politics this year.

"The Greens haven't dealt with their issues very well. There's a lack of leadership, and they miss James Shaw," says Barfoot & Thompson managing director Peter Thompson. Another CEO adds, "Without James Shaw, they are a protest group without any grip on reality."

NZ Windfarms director Craig Stobo suggests: "The Greens are losing the climate debate as unrealistic political aspirations meet the economic reality of transition costs."

Te Pāti Māori co-leaders, Debbie

## Minor party leader ratings

**2.48/5**

Chlöe Swarbrick

**1.82/5**

Marama Davidson

**1.69/5**

Debbie Ngarewa-Packer and Rawiri Waititi

Ngarewa-Packer and Rawiri Waititi, received the lowest ratings among the minority party leaders in the Mood of the Boardroom, both scoring 1.69/5.

Respondents expressed concerns over their approach to politics, particularly regarding divisiveness.

Last month, Te Pāti Māori MP Tākuta Ferris was referred to the Privileges Committee for remarks

made in the House.

Mariameno Kapa-Kingi also drew significant attention in May when she accused the government of aiming to "exterminate Māori" and described its policies as "racism and Pākehā supremacy."

Her comments were swiftly condemned by New Zealand First leader Winston Peters, who called them "ignorant and offensive" and warned of a "race-based rabbit hole." Prime Minister Christopher Luxon echoed the need for more measured rhetoric across the political spectrum.

"Te Pāti Māori have zero interest in the economy and are only interested in their voter base," said one lobbyist.

Silvana Schenone comments: "Te Pāti Māori leaders have brought a number of unnecessarily aggressive (and divisive) perspectives with respect to non-Māori and politics in general, without clear objective substance."

## MOOD OF THE BOARDROOM

# MFAT comes out on top

Change of guard under way this year at the top of many government organisations, writes **Fran O'Sullivan**

**T**he Ministry of Foreign Affairs and Trade (MFAT) was rated by business leaders as the most effective government ministry or department in the 2024 Mood of the Boardroom survey.

CEOs and directors were asked to rate the effectiveness of key departments on a scale ranging from 1="not impressive" to 5="very impressive".

MFAT came out on top scoring an average 3.73/5 and was rated "very impressive" by 9% of respondents.

It was closely followed by the Department of Prime Minister and Cabinet (DPMC) which scored an average 3.6/5.

Other top rating organisations were New Zealand Trade and Enterprise (3.47/5), Inland Revenue (3.43/5) and the Ministry for Primary Industries (3.34/5). MPI was rated as "very impressive" by 25% of CEOs, a reflection of the high regard its CEO, Ray Smith, is held by business. Each of these five organisations has close contact with the business sector.

A change of guard has been under way this year at the top of many government organisations.

In July, Bede Corry moved to head MFAT after a successful sojourn as New Zealand's Ambassador to the US. At DPMC, Ben King – a former top MFAT executive and career diplomat – holds the reins. A predecessor at DPMC and MFAT, Brook Barrington,



**Bede Corry is the new head of MFAT.**

is Secretary of Defence.

Notably, the Treasury which advises Finance Minister Nicola Willis on economic and fiscal policy was rated at 3.01/5 with 24% of respondents putting its effectiveness at 2/5. "Treasury is improving but it's a pale imitation of the quality ideas shop it was a decade ago," was one comment.

Treasury Secretary Caralee McLiesh did not seek reappointment when her term expired last month. She has since taken a role as Auditor-General for Australia and a new Treasury head is being sought.

A respondent suggested it is "tough to be too harsh" as these departments have been developed to support the Government of the day "whether they agree with these policies or not". "Early days to truly reflect on each

of these departments as they need to look at areas to reduce costs, introduce new systems/plans, and then measure performance," said another.

When it comes to hiring a new Treasury Secretary expectations are clear. Willis is known to favour a successor who has the policy chops and verve of a Graham Scott or Murray Horn who led Treasury through the major economic reforms of the 1980s and early 1990s.

A Public Service Commission advertisement said, "this is a rare opportunity to lead at a crucial time as the Government looks to turn around the performance of the New Zealand economy and improve fiscal management across the public service. The Secretary is expected to be a change agent who will challenge the status

quo to lift economic performance, improve public service fiscal management, and extract better value for money from Government investments".

Respondents also downrated the Ministry of Business, Innovation and Employment (MBIE) at 2.56/5; it was 10th out of the 13 departments rated.

Other low performers were the Ministry of Transport and the Ministry of Education. The Ministry of Health was rated the lowest with an average score of just 2.07/5.

"The Ministry of Health needs to support HealthNZ to achieve the health reforms needed in New Zealand – not get in its way or constrain it," was one comment.

Other government chiefs to exit include Kāinga Ora chief executive Andrew McKenzie, Public Service Commissioner Peter Hughes, Defence Secretary Andrew Bridgman, Chief of Defence Air-Marshal Kevin Short, and Productivity Commission chair Ganesh Nana, whose agency was disbanded.

Nicole Rosie who is CEO of NZ Transport Agency Waka Kotahi, has not sought reappointment when her term runs out. Change is also under way at the Ministry of Education.

"The Ministry of Education needs a cleanout.

"How we have let education settings deteriorate so far needs some accountability," said a respondent.

How the ministries rated

MFAT

**3.73/5**

Department of Prime Minister and Cabinet

**3.6/5**

New Zealand Trade and Enterprise

**3.47/5**

Inland Revenue

**3.4/5**

Ministry for Primary Industries

**3.34/5**

Treasury

**3.01/5**

Ministry of Business, Innovation and Employment

**2.56/5**

Ministry of Health

**2.07/5**

## Public service cuts well-received in survey

**Bill Bennett**

**F**inance Minister Nicola Willis' edict to public sector chiefs to cut spending by 6.5% has been well received by business leaders.

Some 83% of respondents to NZ Herald's Mood of the Boardroom survey support the move; 13% don't.

Economist Cameron Bagrie agrees with the move, but says: "The 6.5% number is incidental. We obviously need a stronger focus on the quality of spend. It will be a fine line between cutting the fat and potentially chopping into muscle."

Several respondents commented that the government's approach was too much of a blunt instrument. There was a need for a more focused or nuanced approach with targeted cuts.

National went into the 2023 election campaigning on slashing back-office government spending. When it released its fiscal plan shortly before the election, it promised to lower taxes, reduce net debt and bring discipline to government spending.

The public service had expanded during the Labour Government's six years in office from 2017-2023.

Meanwhile, there had been concern about inefficiencies, high administration costs and an over reliance on expensive consultants.

The counter-argument is that the public service faced unprecedented demand during those years, not least as a result of the Covid-19 pandemics.

Party leaders Christopher Luxon and Nicola Willis said they would deliver a Budget surplus by 2027-2028 and get there by cuts to government spending and reducing bureaucratic costs.

In December, Willis, now Finance Minister, said she would write to public service leaders, asking for non-front-line departments to find between 6.5% and 7.5% in savings. The higher target was for departments where staff numbers climbed fastest during the two Labour governments. By the time the Budget rolled



We obviously need a stronger focus on the quality of spend. It will be a fine line between cutting the fat and potentially chopping into muscle.

Cameron Bagrie

around in May 2024, she was able to announce that the public sector savings target of \$1.5 billion had been met, although a few agencies did not reach their goals.

While the current government insists that its cuts are focused on backroom areas and will not affect front-line delivery, there are concerns that the depth and suddenness of the cuts will inevitably impact those at

the sharp end. Some say the move had been poorly executed and while targets have been met, savings made this way are not necessarily fully sustainable.

For a significant number of respondents, the cuts did not go far enough. A finance sector leader says: "It should have been more like 15-20% – about half the 6.5% were existing vacancies. Unambitious and tinkering . . . we need structural reform."

Many departments, most notably health and housing, continue to face significant challenges.

**Economic growth priority**

During the election, National Party leaders talked about the need for public service departments to have a greater focus on improving the economy, boosting productivity and more broadly supporting business.

There's a clear preference among business leaders for business-focused government departments like Treasury to make economic growth their number one priority.

Two-thirds of respondents (66%) want to see growth become the priority, while 15% don't and 19% are unsure. Survey respondents sug-

gested productivity and sustainability should also be in the mix.

The National-led Coalition Government has emphasised a need for greater fiscal responsibility in the public sector. Both Prime Minister

It should have been more like 15-20% – about half the 6.5% were existing vacancies.

Unambitious and tinkering . . . we need structural reform.

Finance sector boss

Christopher Luxon and Finance Minister Nicola Willis have supported recruiting more private sector professionals into senior positions in the public service to inject greater efficiency, agility and adaptability into the government workforce. The idea is popular with the boardrooms.

A clear majority of respondents (81%) support more private sector appointments to the public sector. Only 3% are against; 16% unsure.

Grant Samuel director Michael Lorimer is unsure. He claims: "The Reserve Bank governors appointed from outside have all been failures to various extents." Accordant chair Simon Bennett also has reservations. "They are running terrible processes, it's hardly attractive for private sector CEOs to come on board."

A transport boss notes there is not a great deal of interest from private sector executives wanting to switch over. "There's little enthusiasm for market-based compensation in the public sector sector," says a power industry boss.

Another leader would like to see the public sector offer secondments to private sector executives.

# Education that's focused on the future

**H**igher education is one of the country's most valuable assets, and in a time of economic uncertainty and evolving global challenges we must ensure it is integrated as a critical component of the country's ambition and broader national strategy.

That is the view of University of Auckland Vice Chancellor, Professor Dawn Freshwater, who believes building a future-focused, quality driven education strategy for the country is more vital than ever. She highlights the growing intersection between education, industry and government as crucial to this effort.

Freshwater says that education in New Zealand is often overlooked, and siloed, hampering the country's ability to position itself credibly on the global stage.

"We must be clear on how we differentiate New Zealand on the world stage. We are coming from a strength-based approach in terms of building our economy and engaging internationally for the future.

"But I have not heard a strategy that addresses that."

She says education is not seen as a business and it is not seen as an integral part of NZ Inc, but rather sitting on the outside of it. "The absence of a coherent approach across science, innovation, education, research – that links with immigration settings and future employment skills development – is a concern."

She emphasises the need for businesses to understand their future skills requirements and engage in shaping the conversation.

"Businesses will need more highly qualified graduates with diverse skills for the future, but the reality is they won't need everyone to be a graduate. We need to work in a much more

NZ's higher education sector must evolve to drive business and innovation, Professor Dawn Freshwater tells **Tim McCready**



Dawn Freshwater

cohesive way to drive an agenda that truly meets the needs of business."

Freshwater believes that the era of "massification," or mass participation in higher education, is over.

"That was never a business model that was going to be sustainable, nor does it deliver the right employment outcomes," she explains, calling for a different approach that is integrated into the country's long-term planning.

"We need to shift towards a multi-layered education sector that brings about differentiation for future skills, and the quality required to graduate people into highly skilled jobs."

However, Freshwater cautions against reducing the purpose of higher education to solely prepare students for employment. "It may seem contradictory, but our goal should be to graduate students who can drive

business and innovation. That goes beyond just preparing them for jobs."

#### Quality vs volume

The balancing act between quality and volume in higher education, she notes, is not unique to New Zealand.

She highlights how some international institutions, including some in the Russell Group (the 24 leading UK universities) and the Group of Eight (Australia's leading research-intensive universities), tweak their entry requirements to maintain student numbers – often in relation to cross-subsidies and in response to the challenges of funding research excellence and maintaining and investing in a world class student experience that remains competitive.

For the university and New Zealand, Freshwater favours prioritising

Businesses will need more highly qualified graduates with diverse skills for the future, but the reality is they won't need everyone to be a graduate. We need to work in a much more cohesive way to drive an agenda that truly meets the needs of business.

quality over volume. "As soon as you start to get into volume-driven decisions over quality-driven, you start to lose your credibility internationally and nationally," she explains.

"Access to higher education is both a privilege and a right. The University of Auckland is a comprehensive university, and so it is important that we focus on breadth, but not at the expense of quality, that doesn't drive the right message and send a signal about who we are and what we stand for."

However, focusing on quality at the expense of student volume presents its own risks.

"If New Zealand drops volume and instead focuses on quality, then we are not going to have eight comprehensive universities in this nation," Freshwater warns. "And if you drop volume, you need the sector to work

through what the overall education sector is going to look like to pick up those people to make sure that everybody has access to an education that is relevant and impactful."

#### Forging ahead

In the absence of a clear overarching national strategy, the University of Auckland is taking the lead to do things that will drive the agenda.

"We are really thinking about the innovation strategy for the nation," says Freshwater.

"We are prioritising entrepreneurship, innovation and the commercialisation of research at the highest levels of the university."

This commitment is evident in initiatives like the Business School's Centre for Innovation and Entrepreneurship (CIE), providing students and staff across all faculties with opportunities to develop entrepreneurial thinking and capability.

Another example is the university's newest campus in Newmarket, the centre of a growing innovation precinct. Acquired in 2013, the site focuses on engineering, science and health technologies, and is home to more than 20 start-up and growth companies. The precinct includes purpose-built research facilities and co-location amenities designed to advance the university's broader innovation goals.

By creating an environment that fosters research, innovation, and collaboration, the University of Auckland aims to attract top talent, students, and thought leaders. It's a strategy Freshwater sees as essential to strengthening New Zealand's global competitiveness for the future.

● *The University of Auckland is a sponsor of the Herald's Mood of the Boardroom project.*



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## MOOD OF THE BOARDROOM

# Business feels the pinch of high electricity prices

Businesses are rethinking their operating models under pressure of increased energy costs and uncertain supply



**Mood of the Boardroom**  
**Graham Skellern**

The spectre of three pulp and paper mills closing in the North Island, the announcements made a week apart, highlighted how high electricity prices were impacting the ongoing profitability of business.

Oji Fibre Solutions is closing its Penrose mill "partly due to high power prices".

Winstone Pulp International shut down its two mills in the Ruapehu district, with chief executive Mike Ryan saying: "The nature of our operations means we need competitive pricing to be sustained over a long period; we cannot work around short-term price dips in the market."

"Even though current spot pricing has fallen significantly from August highs, current electricity futures pricing indicates that nothing is going to materially change in the medium-term regarding wholesale market electricity pricing."

Respondents in the Mood of the Boardroom survey were asked: Are current energy issues impacting your business operations?

And then: How affordable are your business costs (electricity, gas, petrol, others)?

A majority of respondents, 60%, said the energy issues weren't impacting their businesses, and 40% said they were. But 77% said business costs were unaffordable at varying levels, 10% said they were easily affordable, and 13% had no opinion.

During the winter, a shortage of gas supply – used as a buffer in power generation when hydro, wind and solar dry up – combined with low hydro lake levels to send wholesale electricity prices to unprecedented highs.

Since September 2021, wholesale prices rose from about \$100 per megawatt hour (MWh) to an average \$700 per MWh, and at one point they spiked to nearly \$1700 per MWh.

Wholesale prices are back to around \$165MWh in the lower South Island and \$200MWh in the upper North Island but still well ahead of the \$20MWh in late September last year.

National hydro storage levels fell as low as 45% of historical average but Meridian said in the month to September 9 the level had recovered to 99% with South Island storage at 104% and North Island 82%.

Contact secured gas from Methanex – the equivalent of 350GWh of electricity – to support security of the power supply to New Zealanders. The supply was settling.

Paul Newfield, Morrison chief executive, said "high short term energy prices have ironically been negative for our domestic energy business (Manawa). But we shouldn't over-react to this."

"Any interventions in what has been an effective and stable long-term market structure could have unforeseen consequences that ultimately leave the public bearing more cost and risk."

A board director said there are mechanisms for well managed businesses to hedge their energy costs against volatility in the spot market.

Les Morgan, chief operating officer of Hind Management which runs the Sudima chain of hotels in New Zealand, said the uncertainty of supply is leading to unplanned and unbudgeted investigation of alternative en-



Workers head into the Winstone Pulp International meeting about the closure of two of its mills in the Ruapehu District. One of the Winstone mills (above).



ergy sources.

"The real risk is that if we cannot move in time to avoid reduction in services, we will need to compromise."

A dairy co-operative executive said it was actively managing access to natural gas and alternatives. Craig Stobo, chair of NZ Windfarms, said "higher energy prices are a strong incentive for us to invest in renewable energy projects."

Another chief executive said implementation of a major solar project has reduced energy costs.

But an energy retailer said the focus on supply security has led to inaccurate use of capital, and the inability to secure competitively priced electricity will lead to less innovation "where we need it most."

A hotel executive said percentage increases were too high to pass on

to customers, hence they impact margins.

A port company chief executive said there were reduced export volumes due to high energy costs and reduced production.

Anne Gaze, co-founder of CampusLink Foundation, said energy costs are having a tangible impact on business operations – price volatility in electricity and fuel markets has led to increased operational expenses, especially in New Zealand's manufacturing and logistics industries.

"Energy prices have risen disproportionately compared to other input costs, driven by global factors of fuel shortages and the transition to cleaner energy."

Unpredictable energy costs make it difficult to budget effectively, and the lack of investment in renewable infrastructure has left New Zealand

vulnerable to energy supply shortages, Gaze said.

Chris Quin, chief executive of Foodstuffs North Island said: "We have more than 500 buildings, most of them well in excess of 1000 sqm and some more than 3000 sqm. Each of those has dozens of industrial fridges and freezers."

"Increased energy costs will add to the range of rising costs that we will either have to absorb, which we can do to a certain extent, or pass them on to customers."

"One of the other cost increases is from suppliers who are often small and have no choice but to pass rising energy costs on to us."

"If you are not hedged or protected, then it's very tough," Quin said.

David Carter, Beca Group executive chair and regional Director Asia,

Any interventions in what has been an effective and stable long-term market structure could have unforeseen consequences that ultimately leave the public bearing more cost and risk.

Paul Newfield, Morrison

Price volatility in electricity and fuel markets has led to increased operational expenses, especially in New Zealand's manufacturing and logistics industries.

Anne Gaze CampusLink Foundation

The closure of the Winstone pulp mills will have a significant impact on our Napier/Palmerston North/Ohakune Rail network and freight operations.

Peter Reidy, KiwiRail

said there were two contrasting impacts. Firstly, many of Beca's industrial clients are suffering and this is negatively impacting their viability and causing projects to be placed on hold. Conversely, as a consultancy operating in the infrastructure sector, helping increase electricity generation represents a substantial opportunity, Carter said.

## What major energy companies say

The major energy companies have a different perspective. One chief executive said too many myths were populating conversations.

Another said regulatory yoyo and political work to avoid tackling the mixed ownership model limitations aren't helpful for opening up major long-term investment opportunities.

Malcolm Johns, chief executive of Genesis Energy, said forecasts indicate long run cost of electricity abating over coming years as new renewables are added, likely to around the \$115MWh in today's dollars.

Demand for electricity has been flat for a decade, and investment has been made to lift the level of renewable generation from 70% a decade ago to more than 80% today.

"Attracting capital is different to making it land, as we learnt post the Christchurch earthquakes. Capital will land with clear demand signals from the economy alongside stable long-term policy and market settings," Johns said.

The last word to Peter Reidy, chief executive of KiwiRail: "We are able to recontact and consolidate energy pricing contracts. The closure of the Winstone pulp mills will have a significant impact on our Napier/Palmerston North/Ohakune Rail network and freight operations."

# Let's have a long-term energy plan

The country's business leaders say there is enough capital available for developing the power network; the problem is how it's deployed, writes **Graham Skellern**



The speed with which they [generation projects] can be consented and the ability to store and transmit the energy once generated seem likely to be the key constraints.

David Carter  
Beca

**A** resounding majority of business leaders believe New Zealand must invest more in electricity generation to cater for new demands on supply.

The leaders were asked: The increased use of artificial intelligence, electric vehicles and data centres will create a demand on electricity – has New Zealand got sufficient investment in the right places to cope with this big shift?

Some 78% of Mood of the Boardroom survey respondents said "No" and 6% said "Yes" with just over 16% unsure.

When asked: Should government do a 'Telecom' and separate retailers from generators in the energy sector to encourage further investment in the generation market, 39% said "Yes" and 23% replied "No" with 38% unsure.

Creating a long-term plan and speeding up the consenting process can unlock investment, the leaders said.

Scott St John, chair of Mercury Energy, said ongoing investment in generation and lines is an opportunity for New Zealand.

David Carter, Beca Group executive chair and regional Director Asia, said a raft of generation projects are currently proposed and the capital exists to deliver these, noting not all will be built.

"The speed with which they can be consented and the ability to store and transmit the energy once generated seem likely to be the key constraints", he said.

Paul Newfield, chief executive of infrastructure investor Morrison, said "we need to fundamentally lift our levels of investment in renewable energy development. Simplifying the resource consent process for new wind and solar is a good step. Getting rid of the overhang of the potential Lake Onslow government project is another good step."

Therese Walsh, chair of Air New Zealand and ASB Bank, said "I believe we do have the right pathways and investment to meet much of the demand if consenting processes were less onerous and time consuming."

Other business leaders said there's lots of investment proposals but capital supply and faster consenting are needed. Policy is not forward-looking enough to date, and needs consistency.

Another leader highlighted "very poor leadership evident in addressing our long-term power needs. Inappropriate corporate structures have prevented timely and innovative responses such as distributed generation."

## Removing obstacle to investment

The Coalition Government quickly axed the \$16 billion pumped hydro scheme in Central Otago because of cost. The scheme would have served as a giant battery storing enough water to produce about 1200MW, equal to 12% of the country's peak generating capacity, and ensuring a consistent power supply rather than using the coal-fired Huntly power station.

Energy Minister Simeon Brown



## Generators spring into action

The long-term supply agreement for the Tiwai Point Aluminium Smelter has spurred the generators into renewable energy development action involving geothermal power stations, wind farms and solar farms.

Mercury Energy has committed \$1 billion to three projects – the expansion of the Nga Tamariki geothermal station near Reporoa, the second stage of the Kaiwera Downs wind farm in Southland, and Kaiwaka wind farm in Northland (waiting

final investment decision).

Contact is commissioning the Tauhara and Te Huka geothermal stations near Taupō, building a 100MW grid-scale battery at Glenbrook near the steel mill and investing in the Kowhai Park solar farm at Christchurch Airport (the last two online in 2026).

Meridian has a target of bringing seven new large-scale renewable generation projects, worth some \$3b, into operation by

2030 – the first is the Harapaki wind farm in Hawke's Bay, operational next year and capable of powering up to 70,000 homes.

A consent has just been granted for Meridian's Ruakaka Solar Farm with 250,000 panels near Whangarei and is expected to be operating in late 2026.

The Government's target of net zero emissions by 2050 requires about \$30b worth of investment in renewable energy generation.

said "our decision to cancel Lake Onslow, and our commitment to making it easier to consent wind, solar and geothermal energy projects will give industry certainty in the direction the government is heading and greater confidence to invest in more energy production in New Zealand."

Brown earlier said demand is forecast to increase by two-thirds by 2050 and "we need to build enough generating capacity to meet that demand. To do this, we're going to need to significantly increase the amount of clean energy we generate from solar, wind and geothermal."

The government is proposing to lift the ban on petroleum exploration beyond onshore Taranaki – the ban was imposed by the Ardern Government in April 2018 – through amendments to the Crown Minerals Act.

The ban shrank investment in natural gas development and the country is feeling a gas shortage. Resources Minister and Associate Energy Minister Shane Jones earlier said "without this investment, we are now in a situation where our annual

natural gas production is expected to peak this year and undergo a sustained decline, meaning we have a security of supply issue barreling towards us."

Japan's new Ambassador to New Zealand, Makoto Osawa, was moved to highlight the plight of foreign investors in an uncertain energy market.

During an introductory courtesy call with Shane Jones and Forestry Minister Todd McClay, Osawa said electricity prices had been "fluctuating and becoming higher and higher before crashing, which had been difficult for investors."

Osawa told the NZ Herald that predictability is very important for Japanese investment and it was important the government heard the perspective of large investors here. "The sudden high price of electricity is hurting."

Japan is New Zealand's fourth-largest foreign investor to the value of \$16.2b in 2023, up from \$10.6b in 2018. Japanese companies such as Oji Fibre Solutions, Pan Pac, Juken, Nelson Pine and Daiken are well invested in the forestry sector here.

Osawa said the future for Japanese investment was bright especially in renewable energy but the investors needed predictability and certainty over electricity prices.

In the Mood of the Boardroom survey, an energy company leader said "the mixed ownership model means you are invited to invest in opposition to the government's own investments."

"Who in their right mind invests in foreign countries against the government's direct investments when the government sets the rules. Even KiwiSavers are asked to invest in opposition to the government's majority ownership of the electricity sector," he said.

Malcolm Johns, Genesis Energy chief executive, said New Zealand has more than enough capital willing to invest – capital will be deployed by all investors in a rational way. So clear demand signals coupled with stable, long-term policy and regulatory settings is key to deploying capital.

A board director said Transpower has been under-invested over many years and has an \$8.5b investment need. This is resulting in material

## Powering your own generation



Don Braid

Global transport and logistics company Mainfreight is taking its power generation and supply into its own hands.

Managing director Don Braid says "we are investing a huge amount of money in our solar and water collection on all new buildings. We've got to face the realistic situation of having higher energy prices."

"It worries us when we see major producers having to shut their plants because of a shortage or a cost of the electricity."

"If we can invest in the long term and in more sustainable producing equipment, then that's helping us. We are going to have to look at what we do in terms of hydrogen use and electric truck use."

Braid says Mainfreight is busy trying to convert some of its fleet in New Zealand to electric. "We are struggling to get long haul electric vehicles to work, but we certainly are introducing more electric vehicles for round town delivery, and they seem to work. It's just not working for the long haul."

Braid says Mainfreight is building two new facilities in the United States, both with solar and water collection. "In Texas they are looking at us in a very strange way, wondering why we are putting solar on the roof when they point to the ground and suggest there's plenty of gas in the ground to use."

"It's what we stand for and what we've got to do. We are a large user of fossil fuel in terms of rail, air and sea freight, road and diesel. Therefore, we will do whatever we can to lower our own carbon footprint."

"What we are finding interesting is that when we place our sustainability report in front of new customers, particularly in the US and Europe, they are very interested as to the amount we've managed to do so far."

"It's aligning with their principles and the regulations they are facing in each of their countries, and it's helping us win some business," Braid says.

## MOOD OF THE BOARDROOM

# The heart of the modern economy

Spark CEO Jolie Hodson says data centres are a highly attractive growth opportunity. “Cloud uptake is scaling in New Zealand, but we can also look at it from a global point of view where we see artificial intelligence as a driver that is significantly increasing capacity demand,” says Hodson. “If we look at Australia, we can see they are probably five years ahead of us in data centre development and they are also ahead in demand.

“It’s a good place to look to see where the market is going.”

Spark’s data centre business was a standout performer in this year’s financial result, growing revenue 54.2% to \$37 million. Spark also completed the expansion to its flagship Takanini data centre campus on time and on budget.

Digital infrastructure sits at the heart of the modern economy. Data centres are a critical part of that infrastructure. They will grow as more and more organisations go through digital transformations and move to cloud-based computing.

“AI is a key part of this, it requires more services and more processing than traditional computing applications and most of the heavy lifting for that will be handled by data centres.

“We already own data centre assets and have done so for a long time,” says Hodson.

“We have around a 25% share of the local market. This year we laid out our development pipeline for the first time and that for a total of about 118 megawatts.

“The New Zealand market is set to grow, we think it will be about 500 megawatts by 2030 that will leave us with a material share of a large, growing market.”

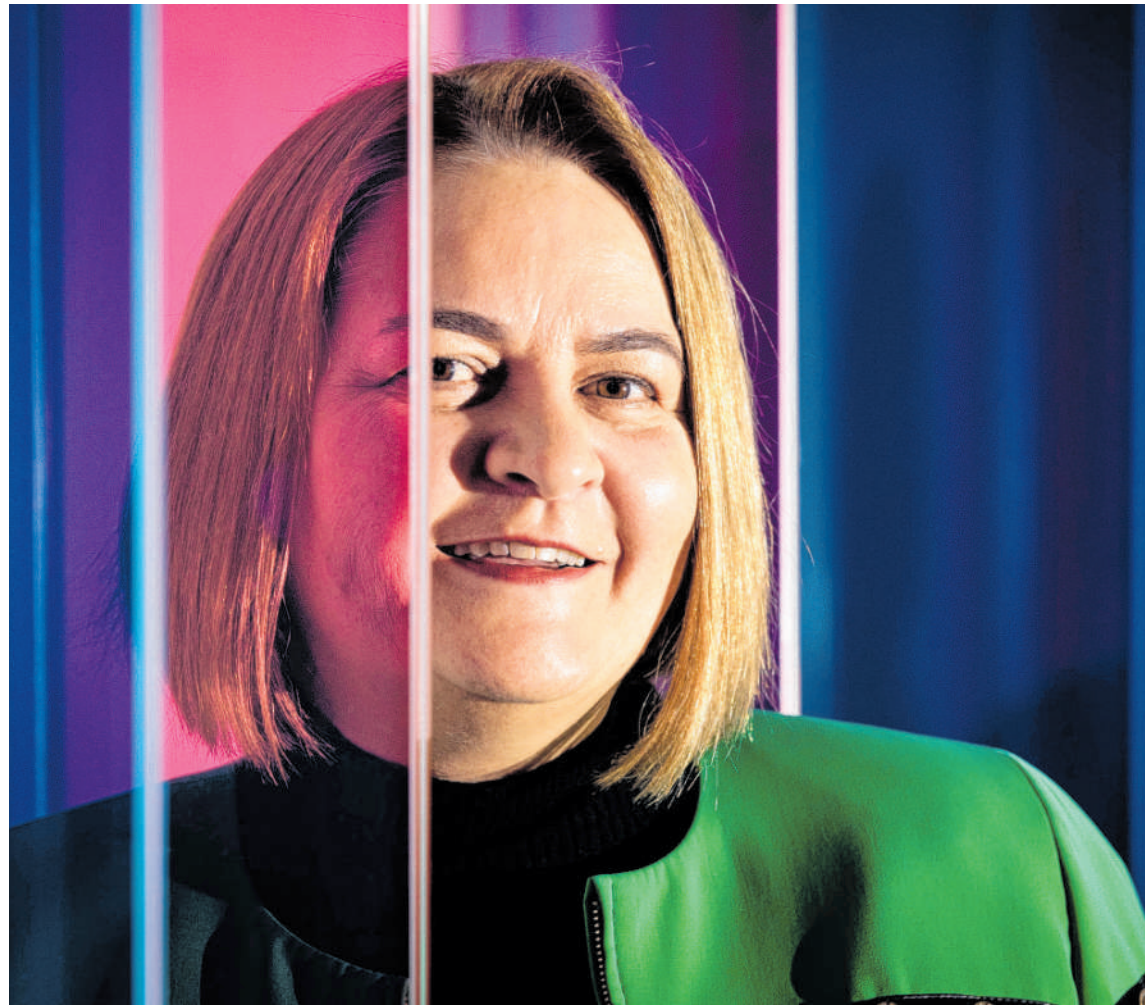
To put these numbers in context, today’s total market sits at around 90 megawatts with Spark operating around 22 megawatts with another megawatt under construction.

## Expansion plans

Spark’s data centre expansion plans are well advanced. To build new capacity you need land, resource consent, fibre connectivity and power.

Hodson says Spark has three strategic sites in Auckland. It also has the necessary relationship with the power sector including Transpower

Spark sees AI fuelling data centre demand, writes **Bill Bennett**



Investing in existing renewables doesn't do much to change our emissions, but investing in new renewable sources helps.

Jolie Hodson

and Vector: “We have a 10 year power purchase agreement with Genesis Energy which underwrites 60% of our current energy usage - this is with the Lauriston solar farm in Canterbury.”

Renewable energy is set to play a major role as Spark expands its data centre operation.

Says Hodson: “We want to grow our business, but we need to separate business growth from emissions growth.

“Our biggest source of emissions is electricity, that’s both from a mobile network perspective and from a data centre perspective.

“Investing in existing renewables doesn’t do much to change our emissions, but investing in new renewable sources helps.”

The move to greater use of renewable power also helps Spark’s data centre clients meet their emissions goals.

Data centres are a natural fit with Spark’s wider business. Like the core business of fixed telecommunications networks and mobile networks, data centres are a form of digital infrastructure.

“You can go up a layer where there are products and services all sitting

above the digital infrastructure they need to work with.

“Infrastructure is something we’ve always had a focus on in terms of the core. There are some other services that are complementary, such as Cloud Collaboration. You get different returns in different parts of the business.

“There will always be choices for us about whether we are getting appropriate returns and whether they made sense. Do they continue to make sense over time?

Internet of Things is another digital infrastructure that fits into this picture and it is also fast growing.

“It has grown to around 10 times as many connections as we had when we started five years ago. It’s around solving problems and has a particular role to play in sustainability. It can deliver information on water compliance so you can understand how you are using the natural resource and whether you are meeting the requirements of different legislation. It has become a much bigger part of our business.”

Hodson says the company’s data centres have international customers as well as local ones.

Much of that comes back to AI’s seemingly insatiable appetite for processing and data storage.

AI already plays an important role for Spark. “We’ve been using it for a long period of time, particularly in our marketing and with the customer focused parts of our business but we also see it playing a role supporting various areas of the organisation. We find it has the ability to turn up information very quickly. It means we can help customers faster and get better outcomes.”

She says in the four or five years since Spark began investing in its AI capability, the technology has made dramatic changes in key areas. “With customer retention we can make the right offers. We have a tool called made-for-you, which looks at a customer’s usage across all services. It considers all the plans a customer currently has and determines if that is the right mix, then it gives recommendations on the back of that information. We delivered that last year and customers have been using it. It gives them a better service, but it also helps us better understand a customer’s needs.”

## Businesses want a long-term energy plan

continued from B25

increases in lines charges to the gentailers which then pass them on to the end-customer.

The public is unaware that the return on capital for the gentailers is barely covering cost of capital. The challenge is due to the rapidly increasing lines costs and the legacy of the Labour Government decision to legislate against the gas market without giving any thought to peaking risk for dry years. A national disgrace, the director said.

A member organisation chief executive said, “We have two basic problems in energy today – too little supply and too much cost. The government’s basic rhetoric bagging Labour’s stupid petroleum ban is fine as far as it goes, but it’s also basically a red herring.

“Rather than populism, let’s see some substantive policies which solve the big issues in the medium term.

“Otherwise, let’s continue to say goodbye to New Zealand industry and energy intensive innovation,” he said.

An investment adviser said the electricity distribution network is not configured to handle the demand that will be placed upon it by a large fleet of electric vehicles, likewise the “industrial” demand of data centres and artificial intelligence will be chal-



lenging on generation.

Mark Cairns, Freightways chair said demand is increasing in the North Island particularly with data centres and “we have transmission constraints getting electrons across the Cook Strait link when we have dry hydrology in the North Island.”

Thomas Pippas, chair of Deloitte, said the impression is that New Zealand will continue to be challenged, particularly around the affordability of new solutions.

## Telecom type split?

Asked whether the electricity companies should be split into separate generation and retail entities – aka a “Telecom” separation – business leaders were wary that this would

The problem is not one of competition between the gentailers. The underlying problem is poor regulatory settings and government policy.

Scott St John

improve investment and the energy market.

Roger Partridge, chairman of The New Zealand Initiative, said the problem is not one of competition between the gentailers. The underlying problem is poor regulatory settings and government policy.

The 2018 offshore exploration ban more or less meant existing offshore reserves were “all there would ever be”.

This has had disastrous consequences for energy security – not to mention emissions, with the consequential need to use more coal.

The last government’s Lake Onslow project then hung over the industry, muting private investment decisions. More heavy-handed regu-

lation is the last thing the sector needs, he said.

Pippas said it’s not intuitive that this (‘Telecom’ separation) would solve the problem given that customers can move providers currently. “What problem are we fixing – investment in generation or integrated business models and pricing. Doesn’t supply help with price?” asked an investment executive.

“Retail gives gentailers a hedge, reducing the risk of investment. The government should sell its stakes in the mixed ownership companies and have these entities truly unshackled but also at the mercy of the market,” he said.

Cairns said the distribution networks are already regulated and this is where there is a high proportion of cost increases in the electricity bill. “The squeaky wheels of the retailers that gamble on financial instruments and whinge when they don’t get their bets right is amusing to say the least.

“Get them to take some financial risk in investing in long run generation assets and seeking a quasi-regulation return on these investments.”

New Zealand does need new investment in renewable generation but the current Resource Management Act is the biggest handbrake to this being achieved, Cairns said.

St John said the level of investment in renewable electricity genera-

tion currently under way is measured in the billions of dollars and will continue for some time. It is difficult to see how separating the retailing arm of generators would assist the build out of generation capacity.

Chris Quin, chief executive of Foodstuffs North Island, said the key was cost benefit analysis and industry structure. The Telecom story was often misquoted and was driven by an investment opportunity and a monopoly copper network and new fibre technology. “The situation and cause need to be properly understood, not emotionally charged.”

Another energy company chief executive said 10 years of no demand growth in New Zealand, the shadow of Lake Onslow, the sovereign risk impact of the gas ban, aluminium smelter uncertainty, and the capital limitations imposed by the Public Finance Act and the government’s fiscal position created a context of ongoing risk – capital was deployed rationally within this context.

Unlike the electricity sector, Telecom was a single player in an effective monopoly market with minimal ongoing political tinkering of market rules and risk.

“There is no evidence of irrational capital deployment by any party within the electricity sector. The better question may be: what is needed to encourage increased rational capital deployment?” he said.

# Port in an economic storm

**W**ith Port of Tauranga having to turn away shipping line offers of extra services for exporters and importers this year because of red tape, it's no surprise "extremely frustrated" chief executive Leonard Sampson rates regulatory settings as New Zealand's biggest economic challenge.

"First and foremost for me would be the regulatory framework – it's been holding back New Zealand for the past decade," says the boss at the country's biggest and busiest port and main export gateway.

The NZX-listed port has been waiting six years for regulatory consent for an extension to its bulging container terminal and a wharf at Sulphur Point.

Last year it warned it was running out of capacity and in February confirmed it had no space to accept any new container shipping services to Europe and the United States. Now halfway through a 17 month-long application process with the Environment Court, while awaiting news as to whether it will win a fast-track consent from the year-old Coalition Government, the port estimates the cost of project has risen from \$68 million to more than \$90m.

The glacial progress of what is considered by the supply chain industry to be a project of national economic performance has been likened to "a train crash in slow motion" by NZ Council of Cargo Owners chair Mike Knowles, who represents exporters and importers.

For port leaders the wait has been "extremely frustrating" and put the port three to five years "behind where it should be," says Sampson. "We would have had this new berth built

Tauranga CEO bemoans the constant battle against red tape, writes **Andrea Fox**



and be taking on new (shipping) services to assist New Zealand exporters and importers. It's unacceptable to spend six years in a consenting process for something that was included in the regional coastal environment plan 30 years ago."

#### Doubling exports by value?

Sampson says the challenge for the broader economy comes with the government's aspiration to double export earnings in the next decade.

"I appreciate (the wish to) double the value ... but when 85% of New Zealand exports are agri-based, it seems difficult to say you're going to double them without the volume.

"As an example, we have significant growth in kiwifruit coming here (in the Bay of Plenty) but we don't have the port infrastructure to be able to support that.

"Lost revenue for the port is one thing but it's insignificant in relation to the opportunity cost for New Zealand importers and exporters."

In the past year shipping route challenges and higher freight costs around Panama Canal and the Red Sea have brought shipping lines to the port's door offering new services, particularly involving the west coast of the US, Sampson says.

"New capacity to and from the west coast of the US would've likely resulted in reduced costs to importers and exporters because it adds more capacity to that market. We've had to turn them away because we don't have the infrastructure to support that.

More generally, "it's been too cumbersome, costly and glacial to be able to build infrastructure in New Zealand," he says.

Lost revenue for the port is one thing but it's insignificant in relation to the opportunity cost for New Zealand importers and exporters.

Leonard Sampson

"We're seeing examples of that playing out now in energy, roading and port infrastructure."

He believes that generally, business views the current government a little more favourably in terms of supporting business.

"But now we need to turn to delivering. The time has come – there's been enough consultation and studies, it's about execution now. We need to get on and get things done."

#### Economy on a knife edge

Sampson thinks the New Zealand economy is "on a knife edge".

On the export landscape, from a port perspective, he says dairy is "relatively flat in terms of total volume. It's probably fair to say we've reached peak cow and peak milk production. We may see some changes in commodity mix.

"Looking at the red meat sector, we're seeing a slight decline, with decreased pricing particularly for sheepmeat. Beef is going strong, particularly to the US. Red meat overall is looking to decline over the next five years.

"Kiwifruit is expected to see 30-40% growth in the next five years. We are very fortunate to have that here in the Bay of Plenty. The forestry sector is going through a very challenging time given commodity prices into China and that flows through into some of the pulp and paper markets.

"Then you overlay that with external market factors – from a supply side costs are really challenging, especially with cognisance of some of the very high energy costs at the moment ... security of energy or electricity supply is crucial in terms of business moving forward. As with all of our infrastructure, we need a greater level of resilience in New Zealand."

Forecasts have New Zealand's GDP dipping back into recessionary territory, he notes.

"We see imports being subdued at the moment but we are hopeful to see an increase in demand as interest rates start to come off (highs) – that might stimulate demand. But then you overlay that with some of the cost pressures like electricity, rates and insurance ... We're cautiously optimistic. But it's a challenging operating market, no question."

● Port of Tauranga is a sponsor of the Herald's Mood of the Boardroom project.



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## MOOD OF THE BOARDROOM

# Pipeline needs to be unblocked

Infrastructure sector is grappling with challenges stemming from the change of government, writes **Bill Bennett**

**A**lmost one year on from the 2023 general election New Zealand's infrastructure sector is still grappling with the challenges stemming from the change of government.

"I don't know if disruption is the right word here, but we're still getting our heads around the change of policies, the change of direction and the flip flopping over projects," says Aurecon New Zealand managing director Tracey Ryan. "Many projects the industry was working on were stopped and now we are still waiting for the government to work through their new policy settings, their focus and direction."

Ryan leads Aurecon, a design, engineering and advisory company, but she also chairs industry body Infrastructure New Zealand.

She notes when there's a big shift in government direction, the entire industry pauses.

"How do you continue to keep a healthy business going, retain your people and attract new talent at times like this? It has hurt the industry and we have all retrenched a little."

"There has been a slowdown with many of the major projects that were in the system, the rapid transit networks and some of the water projects. Even the East Coast Alliance has slowed down."

She says it's hard to move employees to other projects, in part because there is no formal long-term pipeline of projects to fall back on to. Which means parts of the slowdown were more like a hard stop.

"And that's been challenging for



me as a business leader. We know there's a big infrastructure deficit, we know that a lot of work needs to be done, but how do we work alongside government or other clients to unlock that pipeline?"

Ryan fears much talent working in our infrastructure sector will head overseas where there are larger projects. "We invest in innovation, in technology and in digital, but we need to keep people working or we will lose them. The best way to keep the top people is to keep them working on exciting projects. We need to keep the momentum going."

The other issue hurting the sector

is the energy shock. "We have a big business that is in transportation, we have a big business in energy and industrial. Much of the work we are doing in energy and industrial is linked to decarbonisation and the transition to renewable energy: mainly wind and solar. We have projects in water and the built environment."

"Normally in a business cycle you have peaks and troughs to navigate through, but this year we have seen everything slow down."

#### Bipartisanship

Ryan wants to see New Zealand develop a bipartisan long-term vision

Normally in a business cycle you have peaks and troughs to navigate through, but this year we have seen everything slow down.

Tracey Ryan

and plan for infrastructure. "We can't keep kicking the can down the road when it comes to national direction and responding to climate change. It's too expensive, it's unaffordable."

She says there needs to be a pipeline of investment opportunities to attract foreign investment.

The government's commitment to establish a National Infrastructure Agency has the potential to help develop that pipeline. "We're now seeing the impact of decisions that were made 12 months or so ago. It's going to be another 12 months until the National Infrastructure Agency is up and running, then it will take the agency another 12 months or so to sort themselves out. That's a long time in the infrastructure world."

There is no shortage of investment money but getting that money to New Zealand is not straightforward.

Ryan notes New Zealand's legal framework and lack of corruption as pluses. But there still needs to be a guaranteed pipeline of suitable big projects for infrastructure funds to come and invest in.

#### Master planning

Immigration has a huge impact on housing demand. Ryan doesn't think New Zealand has the right immigration settings. "I don't think we have properly defined what New Zealand's immigration setting is".

Ryan says New Zealand has good intent around solving problems to do with housing affordability but as a nation we struggle with the execution. "We need to step back and think systematically about where blockages are in the system. There's a tendency to put the blame on everything being expensive, without looking closer at why that is."

Ryan wants government to think more about strategic master planning. She asks if we are developing greenfield sites for housing because they are cheaper to build on and not because they are places where people want to live.

And when we do build on these sites are we thinking enough about the physical infrastructure and transport systems needed to make them work?

The answer could lie in addressing inner-city developments and creating the types of attractive places that younger people want to live in.

● Aurecon is a sponsor of the Herald's Mood of the Boardroom project.

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# Infrastructure strategy a priority

**A** national infrastructure strategy that prioritises projects based on national interest rather than political cycles can't come too soon for senior business leaders.

Some 88% of respondents to the *NZ Herald's* 2024 Mood of the Boardroom survey rated forming a strategy "very important".

Jarden managing director Silvana Schenone sums up: "Infrastructure projects are by nature long term and large. They need stability."

Barfoot & Thompson's managing director Peter Thompson adds: "Nothing will get done unless we have continuance and this has to happen by all parties".

KiwiRail CEO Peter Reidy, who has skin in the game, warns: "We are drifting as a nation. Attracting skills and the capability for large projects is becoming very difficult."

"We are losing credibility when large projects are cancelled at the change of a government and policy changes reflect a 360-degree shift. Business cannot invest on this short term horizon. Due to the lack of national infrastructure intent, maintenance is not keeping up in sectors subject to the political cycle change and where we do not have clear pricing transparency on the whole of life cost impact."

Mainfreight group managing director Don Braid wants a rethink of political cycles.

"The three-year political cycle has a major influence in our infrastructure planning and delivery. A longer political cycle of four or, even better, five years would allow government to plan and deliver rather than worrying about political consensus."

Some 95% of New Zealand's business elite believe a transparent and consistent pipeline of infrastructure projects would provide industry with the confidence and clarity needed for long-term investment in the New Zealand market.

"Bipartisan agreement on infrastructure pipeline is best practise in many peer countries," noted a health business head.

But a transport CEO warns, business will build the infrastructure the country needs, "if Government gets out of the way and stops fringe groups opposing everything. Government does not need to build everything."

## Can the political parties agree?

There's not overwhelming confidence that the two main political parties will be able to establish sufficient bipartisan support to successfully plan and deliver infrastructure projects.

Mainfreight's Don Braid is not hopeful. "It is not in the nature of the political animal to be bipartisan."

A number of other leaders echoed this view with a waste management leader saying politics will get in the way while a prominent financial sector chairman says: "Politics and common sense are mutually exclusive."

Roger Partridge, chair and co-founder of the New Zealand Initiative, counts himself among the optimists. "I am more confident than many. We have cross-party support on a wide range of issues – free trade, climate policy and, largely, on foreign policy. In the recent past we've had cross-party support on the need for prudent fiscal management."

"It should be possible to get consensus on the country's long-term infrastructure needs, too; or at least on 80% of them."

The jury is out on whether the Government has struck the right balance on addressing New Zealand's infrastructure deficit while also managing public finances. Asked if they think the government has the balance right, 37.5% say "Yes" while 33.9% say "No" and the rest are unsure.

University of Auckland vice-chancellor Dawn Freshwater, Peter Thompson of Barfoot & Thompson and Harcourts managing director Bryan Thomson all say it is "too early

Business leaders believe a consistent pipeline of infrastructure projects would provide the confidence and clarity needed for long-term investment, writes **Bill Bennett**



**An artist's impression of the proposed Dunedin Hospital. An independent review commissioned by the Infrastructure Commission advised the project (as currently scoped) was probably not achievable within budget.**

We are drifting as a nation. Attracting skills and the capability for large projects is becoming very difficult. We are losing credibility when large projects are cancelled at the change of a government and policy changes reflect a 360 degree shift. Business cannot invest on this short term horizon.

Peter Reidy KiwiRail

to tell". Deloitte chief executive Mike Horne says: "It's very much a work in progress. Government is making some of the right noises but we are a way away from being able to see the reality."

Blair Glubb, the CEO of brand and experience agency group Uno Loco notes that: "The boom-bust cycle on infrastructure is incredibly inefficient, but we seem doomed to repeat it."

## Public-private partnerships

Public-private partnerships get a big thumbs up from New Zealand's business leaders.

When asked if they think government should be more open to partnerships (PPPs) as a way of funding critical infrastructure, 95% answered "Yes" with just 3% saying "No". A transport sector leader says: "New Zealand needs to grow up, use PPP and accept tolling to pay for what

we need".

Fittingly, Michael Lorimer, the founding director of Grant Samuel, takes a broad investors' view when he says PPPs are too expensive: "The government will always have the lowest cost of capital".

Lorimer answered an earlier question about whether forming an infrastructure pipeline would give investors confidence, saying: "So long as we don't use PPP to fund them."

A communications sector leader warns that so many projects end in huge legal wrangles.

Construction companies potentially stand to benefit from PPPs. The leader of one construction firm says using PPPs "depends greatly upon the cost of finance and the risk allocation of the agreement".

Fulton Hogan managing director Cos Bruyn says: "The value of PPPs need to be questioned when you have to resort to availability type models. They have their place when a strong element on innovation can be brought to bear".

## NZ Super Fund

Just under half of survey respondents favour the New Zealand Super Fund taking a controlling stake in vital new infrastructure. But a significant 19% are opposed and one third are unsure.

Blair Turnbull, CEO of Tower Insurance, says: "I agree the Super Fund should invest in vital infrastructure but I'm not sure about taking a controlling stake".

Freightways boss Mark Cairns' view aligns with Turnbull: "Not necessarily a controlling stake, but they should be a significant investor".

OfficeMax managing director Kevin Obern agrees, "provided that it generates an income stream for the

Wellington City Council is a total shambles. Wasting huge amounts of money on over-the-top cycleways and roundabouts that add to congestion, and "ethical investment fund" while raising rates 17%. The council system does not work: no one votes and people elected are incompetent. Central government needs to take more control.

Construction sector leader

investment".

## Investment

Boardroom views are balanced when it comes to confidence in New Zealand's ability to secure the necessary investment to meet its long-term infrastructure needs, particularly in areas impacted by climate change.

Morrison chief executive Paul Newfield says: "We have our backs against the wall on this and will need to make fundamental changes if we are going to have the infrastructure we need in the long term."

"We don't have large domestic savings pools to draw on, our government budget is tight and the combination of a growing, ageing population and climate change will create tremendous strains on our infrastructure."

"We need to put KiwiSaver to work alongside the right international capital. We need a pipeline that will attract global builders with the capability and balance sheets to deliver. That pipeline needs to be focused on the infrastructure we need for a 21st century economy, not just laying concrete."

Auckland Airport chief executive Carrie Hurihanganui says: "Securing the investment will depend on the settings that surround it."

Business leaders give the nation a fail mark on infrastructure renewal.

Leaders were asked: How confident are you that New Zealand is investing enough in the renewal of critical infrastructure, such as state highways, local roads and water systems, to maintain these assets for the long term? Rated on a scale from 1, not confident to 5, very confident, they scored 2.09. There wasn't a single taker for "very confident".

Fulton Hogan managing director Cos Bruyn warns: "In summary we continue to kick the can down the road. Current maintenance budgets are inadequate to maintain current assets and we continue to consume our valuable road and water assets. The average age of many assets continue to increase and brings the increased risk of increased cost of repairs and outages."

## Local council performance

Local councils came in for a serve from New Zealand's business leaders. Asked to rate their local council's performance enabling growth and development on a scale from 1 (not well) to 5 (very well), respondents gave an average of 1.98, a clear vote of no confidence. Not a single respondent scored their council's performance as very well.

Thomas Pippos, who chairs the Deloitte board, says: "Local Government is more challenged than central and similarly more eclectic in terms of outcomes."

Kevin Mapson, commercial managing director for Pernod Ricard NZ says: "Councils blaming alcohol for complex societal problems avoid dealing with the real issues."

"Auckland CBD suffers from roadworks, a lack of parking and homelessness, yet hospitality is slapped with restrictions in response to these issues."

Respondents singled out issues in the two main cities.

A finance sector leader describes Wellington City Council as "a shambolic embarrassment" while a construction sector leader expands: "Wellington City Council is a total shambles. Wasting huge amounts of money on over-the-top cycleways and roundabouts that add to congestion, and ethical investment fund while raising rates 17%."

"The council system does not work: no one votes and people elected are incompetent. Central government needs to take more control." The leader of an industry body says: "Wellington is in a bit of a sad state".

Auckland came in for less flak with a media executive reporting: "Too many road cones in the CBD – for too long," while the head of a waste business says: "Auckland Council needs a better long-term plan".

## Leaders give RMA the thumbs down

RMA Reform Minister Chris Bishop says two new laws are on their way to replace the RMA.

There's widespread consensus that the existing legislation has acted as a brake on economic growth and productivity without achieving its aim of improving the environment.

When asked how well the RMA works to enable development on a scale of 1-5 where 1 equals "not well" and 5 "very well" survey respondents scored it an average of two.

The leaders who went on the record offered measured criticisms.

Beca Group executive chair David Carter says: "The RMA has been hampered by the lack of clear national policy statements, insufficient clarity on outcomes sought and the spread of requirements across multiple pieces of legislation". Fulton Hogan's managing director Cos Bruyn notes that it means a lot of "time and cost along with an uncertainty of

outcomes. Bureaucrats find it easier to say no than yes."

Many off-record comments were more damning. An energy sector leader describes the existing RMA as "New Zealand's secret weapon in the decline of wellbeing as a country".

A transport sector boss says: "It is a disaster and needs radical reformation to allow us to build what we need as a nation: housing, infrastructure and productive businesses."

## MOOD OF THE BOARDROOM

# Taxation of capital gaining momentum – Yeah, Nah?

Insanity is doing the same thing over and over again and expecting different results, writes Deloitte Chair **Thomas Pippos**

**I**n terms of tax settings, the government would largely welcome the results of the *Herald's* 2024 Mood of the Boardroom survey.

Respondents were generally comfortable with what has occurred and what has been foreshadowed. This is a markedly different outcome to the results of the same survey last year where respondents evaluated the previous government's performance poorly.

At one level, none of this should come as a surprise, as the previous government's policies lost favour with respondents and, subsequently, with voters. No doubt tainted by the then worsening fiscal and social outcomes, there was a lack of confidence that continuing with the status quo would yield positive outcomes.

Likely also influencing the current results is that the government is still benefiting from being in a grace period since the last election, with an Opposition that has deliberately not provided an alternative view to challenge the path being adopted outside of soundbites. In part this is because it's too early in an election cycle to declare your hand.

## Stark change in sentiment

The change of sentiment is stark when you consider that 67% of respondents feel that the government's priority (and resultant actions) to return to Budget surplus is about right (juxtaposing 80% of respondents last year that were unhappy with the previous government's approach). Similarly stark is that fact that only 16% of respondents have a heightened level of concern around the efficacy of government spending this year, with that number peaking at 85% last year (under the previous government), with one respondent last year stating that "it was out of control". A similar sentiment this year being "the previous government's economic credibility has taken a significant hit as a consequence of ineffective government spending".



From a likely friendly crowd, the survey suggests that the Government's tax policies are reasonable, but without any real emphatic support.

Thomas Pippos

Positive also for the government is that 85% of respondents feel that the government's actions to reduce inflation are about right.

Working down the popularity stack, many of the government's tax policy settings or inherited settings are broadly speaking seen as reasonable, from arguably a friendly crowd, but without any emphatic support. They include increasing certain personal tax brackets for inflation, increasing the In Work Tax Credit, removing the residential interest deductibility rules, introducing a new Family Boast Childcare payment, extending the Independent Earners credit and or even retaining the 39% tax rate on personal income.

In terms of the 39% tax rate, the sentiment seems to be one of acceptance having regard to the current context rather than acceptance per se. When asked in a wealth tax context, only 4% of respondents where supportive of any increase in this area. As one respondent said: "I would like to see the tax rate back to 33%, but now is not the time".

The taxation of capital gains still polarises respondents with a statistically significant number seemingly open to it if it's on a realisation basis, as 4.5% of

respondents are either unsupportive or only somewhat supportive of the reduction in the brightline test from 10 years to two years. That level increases to 59% who are either unsupportive or only somewhat supportive of not introducing any form of Capital Gains Tax. Related, 41% of respondents were open to a realised capital gains tax to help address wealth inequality. Two quite direct comments from respondents included: "We can't leave a capital gains tax conversation to the next generation" and "Get on with a capital gains tax – surely there can be a bipartisan agreement on this".

That as it may, the current government has strongly signalled that the taxation of capital gains is not on its agenda. Something that would be hard to move away from given the Coalition members in the government, but likely only something a National-led government can ever move on.

## Wealth tax unsurprisingly continues to be unpopular.

Last year 90% of respondents looked unfavourably at the wealth tax policies offered by the Green Party and Te Pati Maori. A sentiment that appears to continue this year with only 11% of respondents seeing wealth tax as a solution to wealth

inequality vis a vis the 67% that feel ensuring suitable minimum levels of welfare and income (a heightened safety net) is the main response to the problem.

Linking the discussion back to housing, one responded stated: "The problem is not wealth inequality – it is more 'housing affordability' for aspiring homeowners. That is the 'problem' that needs solving. Our true inequality problem stems from the state's failures in relation to education, housing, and healthcare policies – not income or wealth disparities. Focusing on wealth redistribution won't solve New Zealand's disparities."

The above provides some well-trodden ground for the Opposition to differentiate itself on tax, accepting that in the near to medium term this is likely to be through soundbites.

When the taxation of capital has been fought and lost by Labour four times since 2011 (if you include the policy retreat in 2023 that caused David Parker to step down as the Minister of Revenue), it's not intuitive that they would go for a fifth, either alone or with others, and even harder if it's with a leader connected with the past. Even less intuitive is that Labour would lead with a Wealth Tax or include that in any policy package when they haven't been able to get

the taxation of capital gains over the line.

As the saying goes, attributed to Albert Einstein, "insanity is doing the same thing over and over again and expecting different results"; or as aptly put by legendary investor Sir John Templeton, "the four most dangerous words in investing are – this time it's different".

## Corporate tax rate

But it's not all plain sailing for the government. The call to continue to reduce the corporate tax rate remains pronounced with 63% of respondents concerned around our competitiveness in this area and 67% looking for New Zealand to match Australia 25% rate by 2027.

Similarly, 77% of respondents remain concerned about our ability to successfully compete in attracting capital and labour, including around out tax settings. With this amount rising to 85% of those supportive of developing more permanent rules to attract and retain high net worth individuals in New Zealand who otherwise face challenges with their pre-existing investment structures integrating into the domestic tax rules.

## Groundhog Day

There is certainly an aspect of Groundhog Day watching the political tax protagonists starting to play.

Whether we are lying within the eye of a tax policy storm that will become clearer with the 2026 election is somewhat moot. But there is always a reasonable likelihood that tax policy will once again become a political football with possibly poor policy outcomes. This could be exacerbated given fiscal constraints and if tax policy is sought to be justified through soundbites.

The taxation of trusts at 39% and the removal of tax depreciation of buildings being two examples on point.

The nature of the topic is also one that garners passionately held views at diametrically opposite ends of the spectrum, even before factoring in the political realities of any substantive change.

Again, from a likely friendly crowd, the survey suggests the Government's tax policies are reasonable, but without any real emphatic support.

From the Opposition, their powder remains largely dry, but with a Finance Spokesperson who should have the subject matter expertise to light it – but not in 2024 and probably also not in 2025.

● *Deloitte is a sponsor of the Herald's Mood of the Boardroom project.*

## Tax regime a barrier for wealthy returners and migrants

New Zealand's existing tax regime stands in the way of high net worth individuals looking to move or return to live here.

Transitional residency rules attempt to address this problem by giving individuals a four-year window before paying the full tax.

Yet with a number of people now approaching the deadline and an increased interest in people moving here, it could be a good time for tax officials to develop a more permanent solution to the issue.

Business leaders remain concerned about the impact of tax rules on high net worth individuals with 56.8% of respondents to the *Herald's* CEO Survey saying they have the same level of concern as in the past and 28.4% reporting heightened concern.

Among the most problematic matters affecting incoming talent are the Foreign Investment Fund (FIF) rules. The rules assume anyone holding overseas assets is earning an income from them.

That was a reasonable assumption when the rules were established 40 years ago as a way of tackling the flight of wealth into overseas tax havens beyond IRD's reach. The designers did not anticipate a time when talented Kiwis working overseas would receive some or all of their remuneration in the form of equity that could not immediately be turned into cash. It also affects any would-be immigrants who may have earned wealth that way.

FIF rules assume overseas assets are earning income at a rate of 5%

per year. With the top rate of income tax sitting at 39%, this in effect amounts to a wealth tax of 2%. In many cases, the assets are held in the US, where they are taxed when they are realised. New Zealand's double tax agreement with the US does not cover these circumstances, which means FIF often ends up as a form of double taxation. "This is a major deterrent to the introduction of new capital and personal networks to NZ that must be addressed with urgency," says a director with wide offshore experience.

## Time to cut the corporate rate?

Companies in New Zealand are taxed 28% on income. This is at the high end of the range for OECD countries; the 8th highest headline rate. With

other countries looking to reduce corporate tax rates in the future, almost two-thirds (63%) of our business leaders think the existing rate is too high or not competitive enough to attract foreign investment.

Foodstuffs North Island CEO Chris Quin says: "We need to keep an eye on what other countries competing for investment and skilled workers are doing, and make sure we aren't an outlier, because that will work against us. New Zealand has many advantages: relative economic and political stability, access to Asia-Pacific markets, great quality of life, but also downsides: geographical isolation, small market size, high regulatory and compliance costs so taxation will be a key factor."

A leading chair says the competi-

tion for capital is real: "This must be watched". NZ Windfarms' chair Craig Stobo suggests we look at Singapore, which has a headline corporate tax rate of 17%.

More than two-thirds of respondents want government to reduce the headline rate of corporate tax to 25% by 2027 to match Australian rates while one in five (20%) disagree.

An independent director who is against dropping rates, says: "Australia faces other costs like huge employee superannuation contributions that NZ companies don't face".

Economist Cameron Bagrie favours matching the Australia corporate rate, but caution the lost income will need to be balanced by other revenue streams.

# A high price to pay for security

Some small businesses are finding insurance unaffordable, real estate CEO tells  
**Anne Gibson**

**R**ising insurance premiums are a big concern to Barfoot & Thompson managing director Peter Thompson. The agency carries substantial insurance policies worth millions of dollars for cover on its many buildings that are agency outlets and support centres, vehicles used by property managers running the rental portfolio business, as well as professional indemnity policies.

"The increase in insurance premiums has been massive. It is another cost rise that eats into business profits and some small businesses simply can't afford this and reluctantly don't take it up, opening them to major issues if something goes wrong." Last January's floods showed how many people retained insurance.

He says personal insurance premiums are rising too. "I can understand insurance companies' positions with the number of disasters.

"But many of our insurers are overseas-owned, a bit like the banks. This is one of many costs which have risen which I'm worried about," he said.

International cyberattacks were another concern. "With the offshore scams, businesses can be attacked anytime and again, do you take out



We've got to ensure interest rates don't go back to the extremely low levels they were at earlier this decade. If we can get to 2-3%, that's where it should remain.

Peter Thompson

cyber insurance? It's another big expense. It's a real risk that many companies have to work around these days."

Future pandemics are another concern. He wonders about other possible threats to our health and whether this will be on a national or

global level.

Thompson said the agency had introduced three new IT platforms, working on these during the past three years. That had resulted in more efficiencies and systems that gave more up-to-date information to run the company, he said.

"We've put a whole new finance system in, able to give us better and faster results for our managers and sales. Second, we've put in two new CRM (customer relationship management) software systems to store customers' details on. We're trying to provide a better service to our vendors and purchasers."

Peter Thompson's top three issues facing New Zealand are:

- **Cost of living:** "Reduce or simplify some of the unnecessary policies that have been introduced over the past six years that have made cost of living escalate. Rising costs had put many businesses under."

- **High interest rates:** "It's pleasing

to see rates beginning to decline and I expect another two cuts before Christmas. We've got to ensure interest rates don't go back to the extremely low levels they were at earlier this decade. If we can get to 2-3%, that's where it should remain."

- **Traffic congestion:** "Most countries have tolls on motorways and their roads are in superb condition. As long as there is another route for people to take without paying tolls, to give people an option, the sooner we introduce this the better and we can help ease our transport issues."

Thompson wants a relaxation of immigration rules. "This would not only improve relationships with China, but many other countries from around the world, and give us greater opportunities to look into their markets as well as our own," he said.

Connections between the North and South islands are of great concern to him.

"We need inter-island ferries and ones that don't break down. Get one new one under way and once that is launched then get another under way. But they need to review these more regularly so as not to get in the same positions we are in today.

Blame has to be with all governments of the past 10-15 years not keeping KiwiRail to account. It is not the current KiwiRail board where the issue sits – it is the previous ones.

Crime is also a concern: "Anything to clean up the crime many young people are committing. Getting work habits into them may give them a better life at the end of the day and a sense of achievement when they come out of it."

- *Barfoot & Thompson is a sponsor of the Herald's Mood of the Boardroom project.*

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## MOOD OF THE BOARDROOM

# Business prowess hampered by mounting financial pressures



**Mood of the Boardroom**  
**Bill Bennett**

In its 2024 Business Sentiment survey, BusinessNZ found members' top concerns revolved around financial matters: interest rates, inflation and input prices or profitability.

Next on the list are issues surrounding labour productivity and government spending.

Survey respondents said one of their top five concerns was the level and quality of government spending. BusinessNZ says this may indicate they see high government spending as being a cause of their other top worries: inflation and high interest rates.

Close to half (43%) of respondents listed interest rates among their concerns for the wider business community and more than a third (37%) say it affects their own organisation.

There is almost as much angst about input prices or profitability with two in five (41%) of respondents listing it as a concern for their own business and 36% seeing it as a brake on the wider business community.

Inflation may be easing, but it remains a worry for BusinessNZ members with a third (33%) saying it is a problem for the sector and 28% listing it as affecting their organisation's business confidence.

## Best Achievements

These financial concerns showed up strongly when BusinessNZ asked respondents to describe their best achievements over the past year.

Eight of the 134 respondents replied with variations on the theme of managing to survive through a downturn.

For Rick Osborne of Metals NZ, the achievement was: "Minimising losses", while for Ian McPherson of Enterprise Recruitment it was "retention of all staff in tough times".

One leader says staying in business was their achievement and that the idea of holding on until 2025 is real. He was not alone.

Despite the headwinds, 20 of the respondents said their achievement was to grow all or part of their businesses, with many mentioning the difficulties and overcoming them.

Mark Malpass, CEO of Steel & Tube Holdings says strong customer relationships allowed his business to grow in value and services to customers during the year.

At Ventia, executive general manager Damian Pedreschi says the company managed to meet budget and grow the team.

BraveTrace CEO Shaun Goldsbury says the company "achieved significant sales growth from previous year". For Guy Stewart, managing director of Skope Industries: "Last year was our best year, ever."

At Sealord, CEO Doug Paulin says his achievement for the year was to execute a major acquisition at a time when profitability was low and interest was high.

"Securing a large international export contract" was the highlight of the year for Kirsty Grant who is CEO and co-owner of Lane Street Studios.

Looking forward, Zespri's Rachel Lynch says the kiwifruit exporter will prioritise: "Growing supply to meet growing market demand" in the coming year.

A majority of respondents say they intend to invest either the same or less in capital expenditure over the coming year when compared with the last year. Only 22% say they expect to increase their capital expenditure.

Executives' top concerns are mainly around money matters, writes **Bill Bennett**



## Best achievement?

**'Strong customer relationships allowed the business to grow in value and service customers'**

Mark Malpass  
Steel & Tube Holdings

**'Executing a major transaction when profitability was low and interest high'**

Doug Paulin  
Sealord

It's a different story with information technology, with 40% saying they expect to increase their spending and only 24% saying they will authorise less IT spending over the coming year. Mitre 10 CEO Andrea Scown says her business' top priority for the next year is: "Finishing our digital transformation and landing a new 10-year strategy".

For one executive, next year's priority involves dealing with the "increasing digitisation of the New Zealand economy".

For Andrew Hunt, managing director at the Kinetics Group, last year's highlight was developing new cyber services to meet client requirements. One business leader plans to: "Proactively leverage AI safely to improve productivity" while another is looking to: "Automation and AI to position for future investment in infrastructure".

## Corporate tax

Close to two-thirds (64%) of BusinessNZ's respondents are concerned that the headline corporate tax is either too high or not competitive enough to attract foreign investment. The current rate sits at 28% which is the eighth highest of the 38 OECD countries. A quarter (25%) are not

concerned, while 11% are unsure.

BusinessNZ followed this up by asking survey respondents if the government should consider reducing the headline corporate tax rate to 25% by 2027. This would bring it into line with Australia. Almost three quarters of those surveyed (74%) are in favour with 16% disagreeing with the idea.

Although a replacement is being developed, the Resource Management Act continues to rankle the business sector. Respondents were asked to rate how well the existing RMA performs when it comes to enabling development on a scale of one to five, with one being "not well" and five representing "very well". Only two people say the RMA works "very well", while almost a third of respondents (31%) gave a score of "not well". A further 31% gave a score of two. The average score came in at two out of five.

## Council issues

There was a similar lukewarm result when respondents were asked how their local councils perform when it comes to enabling growth and development. Again the scale ranks from one to five with one being "not well" and five being "very well". Once again the average score came in at

**43%**

of survey respondents listed interest rates among their concerns for the wider business community

**37%**

say it affects their own organisation.

**33%**

consider inflation a problem for their sector

**22%**

expect to increase their capital expenditure

**40%**

expect to increase their IT spending

**24%**

will authorise less IT spending over the coming year.

**64%**

are concerned that the headline corporate tax is either too high or not competitive enough

**74%**

favour reducing the headline corporate tax rate to match Australia

two out of five. This time 40% of the sample opted for one out of five.

On a related local note, BusinessNZ members were asked how well the local roading infrastructure in their area met their needs.

Answers were given on a scale of one to five, ranging from inadequate to very good. Around a quarter of responses, 24% and 25% respectively, came in at one and two, with close to a third (30%) sitting in the middle

of the range at three out of five.

The average came in at 2.4.

Business energy costs have been a huge news story in recent months with Winstone Pulp International blaming unsustainable power prices for the closure of two mills near Ohakune. The survey asked respondents to rate their energy prices on a scale ranging from one, "very unaffordable" to 5, "easily affordable".

Answers averaged 2.5, with 11% saying "very unaffordable" and 38% giving a score of two.

One respondent listed "Obtaining a long-term power purchase agreement" as their best business achievement for the year and says that "managing energy price risk" will be their priority in the coming year.

Finding and retaining skilled and qualified employees remains a challenge for BusinessNZ members. When asked to rank the ease of finding people on a scale of one to five, with one being "very hard," respondents gave an average score of 2.7.

Skills feature heavily in next year's priorities for respondents. A number of respondents mentioned either finding or retaining staff as their achievement for the year.

One says: "Retaining all staff through a recession without restructuring."

Enterprise Recruitment chief operating officer Ian McPherson lists "retention of all staff in tough times" as his business achievement.

Staffing issues also feature in respondents priorities for next year. Adele Rose, chief executive of 3R Group, lists hers as: "Retain key employees by remaining competitive with employment packages beyond remuneration and negotiating short term leases for office space that can expand and retract with business demands".

Another leader says their priority will be: "Holding staff for an incoming pipeline of work expected in six months".

# EMA looks to newer pastures and results

**F**our months into his new role, EMA chief executive John Fraser-Mackenzie is intent on changing the culture and making the organisation more commercial and profitable.

An accountant with an entrepreneurial bent, Fraser-Mackenzie wants to generate a surplus and reinvest the money into improved services that meet the needs of its 7500 members, based north of Taupō.

"During the Covid period the EMA had a sugar rush doing a lot of work for the Government, and when the dust settled it had to reset to the new normal and stand on its own feet. We have to make sure we build our business to be financially sustainable.

"At present we are breaking even and that's okay," he said. "But we have to be innovative and make sure we are providing value.

"We may be an incorporated society but we need to be as good as our nearest competitors such as a law firm or training organisation."

Fraser-Mackenzie said the EMA built an overhead structure providing services for government during Covid and that needed to change.

"The EMA has been around for 140 years and it picked up some niche relationships that we can't service well. It was providing services that didn't deliver sufficient margin, and we have reset on the good ones."

He said the employment relations consultancy and learning courses for health and safety, leadership, front-line management and others were going well. "Because of the state of the economy, we are spending time advising and helping businesses on restructuring and redundancies."

On the national front, Fraser-Mackenzie is keen to see the government improve the regulatory frame-

Reforming the Holidays Act, targeting immigration policy and aligning regulatory actions are just three priorities for the employers association, writes **Graham Skellern**



We may be an incorporated society but we need to be as good as our nearest competitors such as a law firm or training organisation.

John Fraser-Mackenzie,  
EMA Chief Executive

work and tidy up the Holidays Act.

"The accrual settings for leave and pro-rating of sick pay are too complicated and the calculations need to be simplified. Many businesses get it wrong.

"In the first 12 months of employment you can't take leave but you accrue it. I don't understand the benefit of that. None of us work for 12 months on the trot and most businesses shut down at Christmas.

"You spend the rest of the time forcing people to take leave. There's the five weeks on top of the two weeks of public holidays – I'm not sure about the logic of setting up the act the way it is."

Fraser-Mackenzie said a lot of bureaucracy is imposed on businesses by local councils on top of

what they have to do for central government. "There are inconsistencies in interpreting and implementing regulations – from the RMA where a local council sets a higher bar, to health and safety where there is regional variation.

"What is acceptable in Auckland may not be the case in Hamilton because someone applies the regulation differently.

"We need to look at the long-term impact of regulations but that's tricky because of the political landscape – politicians are motivated by immediate results."

On education, Fraser-Mackenzie said the content taught at schools should be contemporary – "the world is changing faster than the (education) system. Students on a Gateway

programme are arriving at a trade with no digital training at all but they've done sociology or whatever.

"The education system should be more externally focused and integrated with the needs of business and the community – instead it is wrapped up in its own pedagogy."

On immigration, Fraser-Mackenzie said skilled migrants should be targeted to specific jobs.

"They may not have a degree but they have technical skills to operate a particular machine. Technology changes so quickly and we need these skills to lift productivity.

"That doesn't mean we buy skills all the time – business needs to train more people locally. I don't think there's a broad labour shortage, but it's the specific skills shortage as tech-

nology changes in manufacturing."

Fraser-Mackenzie, brought up in Zimbabwe, moved to New Zealand in 2006 as a skilled migrant.

He followed his parents, brother and sister, whose 4000ha cattle and tobacco farm was compulsorily acquired by the Mugabe Government in 2001.

Fraser-Mackenzie was in London at the time working as an accountant with HJ Heinz (he finished up as head of finance – Eastern Europe).

"The farm had been in the family since 1903 and we almost got to 100 years. My parents weren't paid anything for it and the final straw was being threatened with jail for at least two years if they didn't leave the farm.

"There are guys back in Zimbabwe still toiling to get people paid for their farms.

"My parents decided they weren't going to take their dignity away and moved to New Zealand in 2003.

"The tragedy was that the livelihood of 200 people working on the farm was all gone."

Fraser-Mackenzie was finance director for Goodman Fielder NZ and interim chief executive and chief finance officer for Metro Performance Glass.

He became a business coach and with his wife Hayley bought North Shore-based Pacific Harvest five years ago. The company processes edible seaweed into a health supplement, packing the product in flake, powder and leaf form and selling to retail outlets in Australia and New Zealand.

## WHAT DOES IT TAKE?

### ... to create a resilient Asia Pacific?

Asia Pacific remains the fastest growing region in the world, marked by economic development, technological advancements, and increasing global influence. Its resilience is critical.

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## MOOD OF THE BOARDROOM

# The mood at a glance – Bill Bennett

## Future of Kiwibank

When Kiwibank was set up a generation ago, the plan was for a locally-owned bank that could compete on a level with the four major Australian-owned banks. Today it remains the fifth largest bank with less than 10% of the market. It's widely recognised that Kiwibank needs a substantial capital injection if it is to grow and compete in the market.

Government ministers have asked Kiwibank's board to explore possible paths for an expansion. This could potentially include investment from

the private sector or a Crown entity.

When asked about their support for a potential part-privatisation of Kiwibank, the response was resoundingly positive with 82.6% saying they are in favour of the idea with just 7.6% saying they are not. The remaining 9.8% are unsure.

One bank CEO supports the move, but questions whether such a move would deliver cheaper banking to consumers.

Economist Cameron Bagrie is unsure about a part-privatisation

saying he "doubts it would materially change the bank's competitive settings".

A number of business leaders think part-privatisation does not go far enough. The head of an investment business says it should be more than part-privatisation: "Government should perhaps retain a small stake". A couple of respondents questioned the need for Kiwibank's existence, with one suggesting: "We are over-served by banks for population" and another asking why the Government

should need to own a bank.

For others the part-privatisation makes sense. A communications sector boss says: "Building the balance sheet to challenge the Australian banks would be impossible without that move", while the head of a consulting business is in favour because: "In part as this would further encourage greater market disciplines". The head of a legal firm says: "Kiwibank needs capital to remain competitive. It shouldn't be owned 100% by the Government."

Illustration / Getty Images



## Generative AI

An overwhelming majority (85%) of business respondents to the *NZ Herald* survey are investing in generative AI or machine learning projects.

AI promises huge rewards for companies investing in the technology. It can boost productivity and efficiency by automating routine tasks, leaving human workers to focus on more strategic matters.

It can also be used to deliver personalised customer experiences, but perhaps its greatest potential lies in pulling useful information from vast amounts of data and generating new ideas or solutions to problems.

There are risks. Generative AI sometimes 'hallucinates', which can mean embarrassing or costly errors. It uses vast amounts of data which can include sensitive information, so guarding against privacy breaches is essential. And there are intellectual property concerns that could lead to litigation.

As CEO of a technology-focused business, One New Zealand's Jason Paris is a keen advocate of AI. He says: "We have been one of the leaders in this space for over a decade, have a chief data and AI officer on our executive and have more than tripled our investment in this area over the last five years to keep ahead of the game."

Paris is not the only boss to have already enjoyed the benefits of AI. The leader of a large investment business says: "AI is a massive driver of our business. It's creating enormous opportunities for our data centre businesses already and this will flow into fibre, telco towers and subsea cables as AI applications expand across the economy."

The leader of a credit business says the business already has had patented machine learning models and technologies for decades and is now moving towards AI.

A power industry boss describes the technology as a fundamental disruption.

An infrastructure sector chair says: "We have been exploring successfully and applying generative AI and machine learning within the software side of our business and more recently on the design side."

At the same time he is aware of the risks: "We remain very selective in terms of choice of AI tools in order to protect company and client data."

Other leaders say they either already have completed projects or that they are moving forward with the technology.

A consulting CEO explains: "It is core to how we are refining operating and delivery models."

A handful of comments came from leaders of businesses where AI is not yet fully embedded, but they talked being at the reviewing or training stage.

## Insurance

Recent years have seen a clear trend towards risk-based insurance pricing.

In the past insurers would spread risks across their entire portfolio. Increasingly premiums are tailored towards the specific risks properties face. This approach can be particularly difficult for policy holders operating in areas where there are increased risks from floods, cyclones or from seismic activity.

Tower Insurance CEO Blair Turnbull says risk-based pricing is a fairer way of pricing insurance: "Because it means you only pay for the risks that may impact you and your property. It sends important market signals about where to buy and invest and means Tower can offer sharp pricing for properties with lower risks."

He says risk-based pricing ensures the continued availability of reinsurance at a reasonable price. "Tower has prioritised transparency with customers. Our online tool shows how earthquake and flooding risks influence the premium for individual homes. We have had positive feedback from customers since launching the tool and our research shows that 87% of Kiwis think risk-based pricing is a fair way to price insurance."

"Ultimately to keep insurance affordable and accessible for the long term, New Zealand must stop building in stupid places immediately. And we must do more to mitigate the risks from natural hazards. The adaptation framework under way is a positive step towards ensuring New Zealand's resilience through climate change."

"It's worth noting that insurance premiums are influenced by a range of factors including inflation, supply chain constraints and the cost of reinsurance."

Some 45% of your premium is made up of taxes and levies collected

on behalf of the government."

When asked how risk-based pricing has affected premiums, six out of 10 (60%) business leaders say the affect has been negative. Only one in 20 say the change affected them positively. A quarter of respondents said their premiums have stayed the same.

CampusLink CEO Anne Gaze says the change has had a negative impact on her premiums "particularly in sectors with elevated risk exposure such as natural disasters and cybersecurity". Premium increases have required businesses to reassess coverage and implement additional safeguards.

"In the context of New Zealand's current political climate, there are additional factors influencing risk assessments – significant changes in control and ownership in resource management, water control, and local governance structures, which impact insurance risk calculations and subsequent premiums for businesses operating in New Zealand."

David Carter, executive chair of the Beca Group, notes that the advent of risk-based pricing has made it harder to get project insurance. Other leaders commented that insurance is increasingly unavailable, while KiwiRail CEO Peter Reidy says the increases for infrastructure insurance premiums means that other risk mitigation strategies are being considered.

A leading banker observes a side effect of the change. He says: "Risk-based pricing is important to appropriately value risk so that it is managed, for example, climate adaptation."

The CEO of a major tourism business notes the insurance situation is "worse than here in New Zealand and that the worst is yet to come".



## BUSINESS REPORTS

**MOOD OF THE BOARDROOM** is one of a series of seven premier Business Reports published annually in the New Zealand Herald.

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*Coincides with the Infinz awards*
- Agribusiness (PUBLISHED) Thurs 25 July
- Infrastructure (PUBLISHED) Wed 28 Aug  
*Coincides with Infrastructure NZ's Building Nations Summit*
- Mood of the Boardroom (PUBLISHED) Thurs 3 Oct  
*Coincides with the Mood of the Boardroom breakfast & finance debate*
- Sustainable Business & Finance Thurs 14 Nov
- Dynamic Business Fri 6 Dec  
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Managed & edited by Fran O'Sullivan:  
[fran.o'sullivan@nzme.co.nz](mailto:fran.o'sullivan@nzme.co.nz) | 021 986 145

Commercial enquiries to Neil Jackson:  
[neil.jackson@nzme.co.nz](mailto:neil.jackson@nzme.co.nz) | 021 944 825

# Top issues facing the nation – CEOs have their say

Survey respondents were given the opportunity to comment on the top issues and how they would resolve them

**Peter Reidy**  
**KiwiRail**

- Compelling growth ambition for our nation. What defines New Zealand in 50 years in the world and our investment strategy to harness our strengths requires cross party alignment on these issues.
- Preparing our workforce for the future. We have an ageing population, a declining ability to fund this and global impact of disruptive technologies. We need to invest for a changing skill set required for the future.
- Failing social and physical infrastructure (including health). A longer term vision and plan requires both macroeconomic wide effects coming from productivity gains and externality benefits that consider the real bottom up benefits that affect individual New Zealanders who are not involved in the decision or transaction. This requires policy and regulation development, delivery agencies and the private sector to realise that this involves trade-offs/risks that have to be recognised. We cannot make decisions in a silo. Infrastructure is an enabler for an end-to-end system of social and economic outcomes. The externalities have to be valued, adopted or forgone in our decision making regime. An absence of rail in NZ would lead to 8 more road deaths and 202 additional serious and minor injuries combined through road crashes each year. One hopes that logic will ultimately prevail and that this is not the case.

**Chris Quin**  
**Foodstuffs North Island**

- Adopting a wider outlook. New Zealand's isolation has given us a fierce

individualism and this shapes how we see ourselves and interact with the world. To grow our economy and create a better future, we need to embrace that we're part of a global community, and there are enormous benefits to a small country like ours in tapping what that has to offer – particularly investment and skilled people.

- Facing the hard issues. We face some hard issues and big decisions that we can't keep kicking for touch. Intergenerational poverty, law and order, investment in infrastructure, growing our economy and wealth, strengthening the value of education, improving productivity... all require political courage, a change in mindset and a willingness to tolerate some sacrifice while the work gets done.

- A long-term vision. We need a long-term vision from our leadership that people can buy into and unite to make a reality. A high standard of living, great healthcare, good education for our kids, safety on the streets, are basic things but the Government needs to be precise about how we achieve them, takes accountability for them and makes the pathway non-negotiable and long term in its nature.

**Thomas Pippas**  
**Deloitte**

- Economic fragility and the social consequences that flow.
- Divisiveness across society fuelled in part by political agendas.
- Law and order.

**Mike Hearn**  
**Amcham**

- Health. Complete reform of the healthcare sector, greater funding for

What's our elevator pitch for the future? Are we still going to be an agricultural and tourism nation, or should we be aiming and planning for something else? We should know what's going to make us successful.

Blair Turnbull  
Tower Insurance

all areas of healthcare, digital innovation being introduced, more outcomes based funding decisions than cost ones.

- Immigration and investment reform. Making it easier for FDI. Investment migrant visas need to be revamped and made easier, tax reform of foreign investors (FIF tax).
- Inflation and the economy. Government reforms, improved regulation, breaking duopolies allowing for a more competitive

marketplace, attracting more overseas businesses to invest in NZ.

**Anne Gaze**  
**Campus Link Foundation**

- Co-governance models of race entitlement and the radicalisation of minority groups. The introduction of unelected Māori representatives into decision-making across sectors is deeply divisive. A return to democratic principles, where governance is based on merit and electoral mandates, is essential to restoring national unity. New Zealand is experiencing a dangerous shift where minority groups, particularly those advocating for co-governance models, have gained significant political influence. To address this, we must ensure that the High Court's decisions regarding land and resource allocation are based on the rule of law rather than political activism.

- Economic inequality. Growing economic disparity has led to racial disharmony and social unrest. Policies should focus on economic growth that benefits all New Zealanders, including tax reforms that incentivise productivity and reduce the burden on low-income earners. Policies which disproportionately favour one ethnic group over others are creating economic divisions. Economic reform must focus on equality by promoting opportunities for all New Zealanders without racial preferences.

- Leadership competency and accountability. New Zealand still lacks strong, competent leadership in critical sectors such as fiscal policy and international relations. We need to attract and retain highly qualified individuals who can manage the

Reserve Bank and other key institutions with a long-term view towards sustainable growth. Greater transparency and accountability are needed.

**Stephen Jacobi**  
**NZIBF**

- Political uncertainty arising from weakness in coalition government structure – greater control over coalition partners required.
- Social disruption arising from policy towards Māori – kill the bill.
- Lack of balance in foreign policy – stop talking about Aukus.

**Blair Turnbull**  
**Tower Insurance**

- We need a clear and compelling vision for New Zealand's future economy. Other markets have this – London is the financial capital; China is a manufacturing giant... What's our elevator pitch for the future? Are we still going to be an agricultural and tourism nation, or should we be aiming and planning for something else? We should know what's going to make us successful, get clarity on our competitive edge and the key drivers our future state economy. Then sell the vision and rally around the actions. We can't do everything – we should focus on some key industries then incentivise R&D and start-ups in that field.

- We need a more entrepreneurial spirit – I'd like to see more support for local businesses. Let's direct a portion of KiwiSaver funds to home grown business opportunities.

- Education is key – we need to get the basics right and lift our performance to ensure we thrive as a nation.

## THE BUSINESS REPORTS

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