

Report of the Ministry of Economic Development

for the year ended 30 June 2009

Presented to the House of Representatives
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30 September 2009

Minister for Economic Development

Minister of Energy and Resources

Minister of Tourism

Minister of Commerce

Minister for the Rugby World Cup

Minister for Communications and Information Technology

Minister for Small Business

Minister for Regulatory Reform

Minister of Consumer Affairs

Report of the Ministry of Economic Development for the year ended 30 June 2009

Pursuant to Section 44 (1) of the Public Finance Act 1989, I have pleasure in enclosing the report of the operations of the Ministry of Economic Development and its audited financial statements for the year ended 30 June 2009.



David Smol
Chief Executive – Ministry of Economic Development

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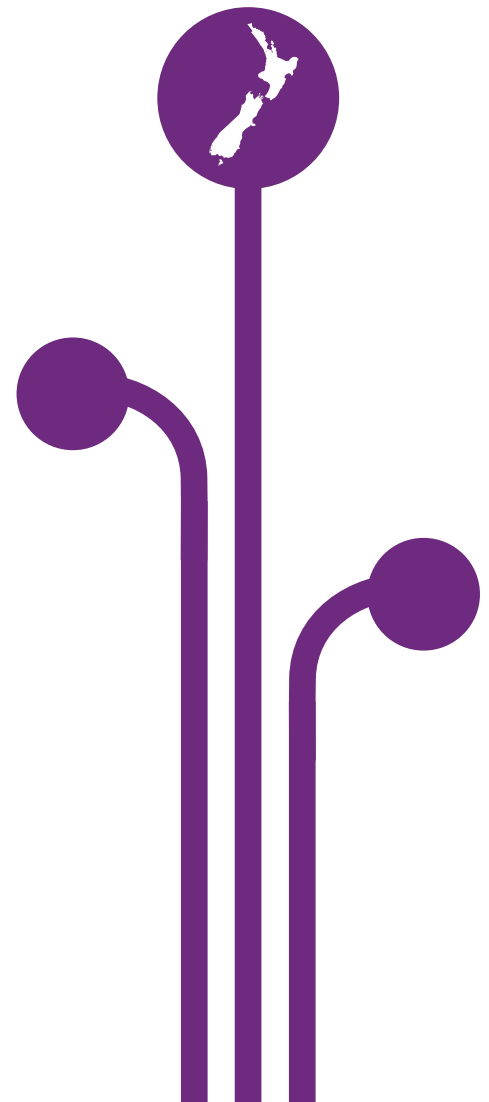
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Chief Executive introduction

The Ministry's overall purpose is to foster economic development and prosperity for all New Zealanders.

This year has been a busy one for the Ministry as we've worked to respond swiftly to the priorities of a new Government, the impact of a worldwide recession, and a greater focus on delivering value for money for taxpayers.

In this context, the Ministry's people have worked hard to deliver on a range of key work projects, including work to improve business support programmes, reduce trade and investment barriers, lighten the regulatory burden on business, deliver better business services, begin implementation of the ultra-fast broadband network, review electricity market performance, and help improve Auckland infrastructure and governance.

We also reviewed the Ministry's structure and made a number of changes to ensure we were well positioned to respond to Government priorities, and to provide better value for money.

As a result of this work, we have continued to achieve high standards in our delivery of services to business, maintaining New Zealand's high ranking as one of the easiest countries in the world to do business in. Our Ministers have also been satisfied with our performance, as reflected in their ratings of how well the Ministry has met their expectations. However, increasing the cost-effectiveness of our services, and getting better at showing how the Ministry's work impacts on New Zealanders, remain ongoing challenges for us.

The achievements outlined in this report demonstrate the high calibre of the Ministry's people – their hard work, commitment, and flexibility. I'd like to thank all of them for their contribution to the year's work.



Part

The Year's Key Achievements

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Measuring our progress

In this *Annual Report*, we have attempted to show as clearly as possible how the Ministry of Economic Development contributed to each of our six high-level outcomes and helped the Government achieve its priorities over the past year.

Identifying the difference we make isn't always easy: given the complexity of the areas we work in, there is rarely a direct link between the work we do and the outcomes we aim for. Nevertheless, it's critical that we're able to demonstrate what we're delivering for the taxpayer dollars we receive.

We have therefore done a great deal of work over the past year to identify the results we are aiming to achieve and the measures that will help us assess the impact we're having over the long term. We use these refined results and measures – which appear in our *Statement of Intent 2009–2012* – to help us assess our progress over the past year throughout this *Annual Report*.

In addition, to ensure transparency, we have set out the objectives we defined for ourselves in our *Statement of Intent 2008–2011* (which this *Annual Report* reports against) and noted where these have changed significantly during the year – generally as a result of implementing the new Government's priorities, and responding to the impact of the global recession.

Although many of the measures we use are high-level and long-term, we believe that they, along with the more detailed information contained in the Statement of Service Performance and Financial sections of this report, will help give our stakeholders an accurate picture of the Ministry's performance over the past year.



Enterprising and innovative businesses ... improving the drivers for success and productivity in firms

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objectives of ensuring that there is business growth in New Zealand's areas of competitive strength relative to the rest of the world; and that New Zealand firms can operate sustainably, and use environmental integrity for economic advantage. More specifically, we aimed to deliver policy advice to help New Zealand business build their capability to become globally-competitive firms; focus the government's support for enterprise and innovation on where the greatest gains can be made; and encourage innovation and investment among firms and within the community.

Late in 2008, in the context of a deepening global recession, we refined these objectives, focusing on helping develop enterprising and innovative businesses that will prosper, raise their productivity, and support the New Zealand economy's recovery from the global downturn, through:

- ... well-managed and competitive New Zealand businesses that have the capability to survive the economic downturn and take advantage of the economic recovery
- ... businesses that are better able to become global leaders in New Zealand's areas of competitive strength, particularly in the pastoral, food, tourism, and niche manufacturing sectors.

Work was also done in the area of firms' environmental performance throughout the year, and is reported on below.

Much of our work in this area is done in partnership with New Zealand Trade and Enterprise (NZTE).

What we did to achieve this

We worked on initiatives aimed to support firms through the recession...

We gave advice to Ministers on supporting successful New Zealand firms to survive the global economic downturn. This included an assessment of whether and how to intervene in critical areas such as credit availability and impacts of fiscal stimulus.

We also closely monitored the impacts of the global economic downturn on New Zealand firms from late 2008 onward.

...by offering targeted, effective support to firms...

A major focus over the year was consolidation of business support programmes to reduce fragmentation and make it easier for business to access the support they need.

This work was supported by the Ministry's programme of evaluations to examine the effectiveness of our economic development programmes. Evaluations undertaken this year include the Market Development Growth Services Range (complete); provision of assistance to domestically focused small to medium enterprises (in particular training and support for early stage firms); and the Government's interventions into the venture capital market (both pending).

...and lifting their capability...

Another key focus during the year was on the development of firm management capability. This involved working with NZTE and other agencies to develop an international management education programme to fill a gap in current provision of management capability services in New Zealand.

We also worked with NZTE and other agencies to develop a health check to assist businesses and agencies determine what help a business needed to survive through the economic downturn.

...as well as encouraging them to innovate

We continued work on encouraging firms to innovate through appropriate protection of intellectual property rights – while also allowing new ideas to spread and be absorbed by others. In this area, we supported the passage of the Copyright (New Technologies and Performers' Rights Amendment) Bill, which came into force on 31 October 2008. We also supported the introductions of the Patents Bill and Trade Marks (International Treaties and Enforcement) Amendment Bill, and participated in Anti-Counterfeiting Trade Agreement negotiations.

We worked to support small business...

Much of our work in this area was specifically targeted at small business. We conducted an evaluation of Government assistance to small business, the findings of which will inform policy development and implementation over the 2009/10 year. We produced the *2009 Structure and Dynamics Report* – a comprehensive report on the composition, activity and output of small businesses in New Zealand, which aims to give us a better understanding of small businesses.

We also worked with stakeholders to implement the Assistance for Small Business package and the agreed actions arising from the Job Summit.

...and to better target resources to New Zealand's areas of competitive strength

A key focus for the year was to ensure government's overall support for enterprise and innovation was well-focused on where the greatest gains are made. Our evaluations assisted with assessing the impact of our work relative to intended outcomes and the results informed the direction of our 2009/10 work programme.

We led the development of a work programme across the Votes Economic Development, Research, Science, and Technology, and Tertiary Education to support areas of competitive strength, with a particular focus on the food, pastoral, tourism and niche manufacturing sectors.

We also developed initiatives that more effectively link research, development and commercial activities in the primary sectors and address impediments to economic growth – in particular the Fast Forward initiative (now replaced by the Primary Growth Partnership), and the assessment of the merits of proposals to create a network of food research development and commercialisation centres.

Other work through the year in this area included supporting the Growth and Innovation Advisory Group (which was disestablished in January 2009), and working on proposals to establish an innovation centre in Auckland.

We also undertook initiatives to improve firms' environmental performance

We developed a number of online tools and applications to be used by businesses and business advisers to improve business environmental performance.

In particular, in July 2009 we launched the Envirostep online environmental management tool to provide New Zealand businesses with a nationally standardised approach for assessing and reporting business environmental performance.

We supported Qualmark New Zealand to develop and launch its environmental accreditation programme including Enviro – bronze, silver and gold ratings. We also implemented the Sustainable Tourism Advisors in Regions (STAR) Programme, in partnership with nine regions, with an emphasis on assisting businesses to prepare for Qualmark environmental accreditation. Environmental accreditation is now integral to the tourism quality accreditation criteria of over 2,000 businesses.

How we measured this achievement

Over the year, we continued to refine the way we measure our progress in the innovative and enterprising firms area.

The resulting performance measures are set out in our 2009–2012 *Statement of Intent*. These refined measures cover similar areas to the measures set out in our 2008–2011 *Statement of Intent*, while reflecting a shift in our focus towards greater support for firms through the economic downturn, in keeping with current government priorities.

Although we will monitor and report on these measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures and our plans for monitoring them below.

There is a lift in New Zealand's productivity relative to other countries

OECD estimates of labour productivity levels (based on GDP per hour worked) placed New Zealand 22nd in the OECD in 2008, the same position it has been in for the last few years.

Increasing investment in productive capability of businesses, as evidenced by increasing levels of R&D expenditure and capital investment.

New Zealand's business expenditure on research and development in 2008 was 0.51 percent of GDP. This compared with 0.48 percent in 2006. We will monitor movements in research and development expenditure in the biennial research and development survey, next to be published in April 2010.

Average capital investment in fixed assets (2001–2008) was 20 percent of GDP.

Improved access to finance for growth, as evidenced by Business Operations Survey data

The 2008 survey suggested that in 2008, 89 percent of those businesses that sought debt finance obtained it on acceptable terms (down from 93 percent in 2007) and 78 percent of those that sought equity finance were able to obtain it on acceptable terms (down from 81 percent in 2007).

We will continue to monitor data on this in the Business Operations Survey, the results of which are published in April each year.

New Zealand firms' strategic and management capabilities are improved, as evidenced by the Business Operations Survey data.

We will monitor this in the 2009 Survey. Past data suggest that 53 percent of businesses provided management/supervisory training in 2005/06, and 21 percent planned more than two years ahead in 2005.

New Zealand's competitive strengths (particularly food, pastoral, tourism and niche manufacturing) make an increasing contribution to the New Zealand economy.

We will monitor exports in these areas annually, using "Exports of Main Commodities in Statistics New Zealand Overseas Merchandise Trade" data. For the year ended December 2008, New Zealand's total merchandise exports were valued at \$42.9 billion (including re-exports). This compared with \$36.6 billion in 2007.

The largest increases in export values were in dairy (up 22.9 percent), mineral fuel (up 102 percent), and meat (up 18.4 percent). During the first half of 2008, high world commodity prices were offset by a strong New Zealand dollar. During the second half of the year a dramatic weakening of the New Zealand dollar coincided with decreasing world commodity prices.



A key focus for the year was to ensure government's overall support for enterprise and innovation was well-focused on where the greatest gains are made.



International linkages → improving the linkages that allow New Zealand firms to benefit from trade, and the flows of investment, skills, and technology

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objective of helping to create an environment where New Zealand firms can thrive in a global setting. Specifically, we wanted to increase the incentives for firms to innovate, help firms overcome scale disadvantages in the domestic market, and help them achieve higher productivity through access to new export markets, technologies, knowledge, skilled labour, and best work and management techniques.

Late in 2008, we refined these objectives in the context of the new Government's priorities and the impacts of the global recession – aiming to work towards:

- reducing trade, investment and regulatory barriers between New Zealand and its trading partners, particularly Australia
- maintaining and, if possible, enhancing the position of New Zealand businesses in global markets
- maintaining or increasing New Zealand's competitiveness as an international tourism destination
- creating lasting benefits for New Zealand from hosting the 2011 Rugby World Cup.

What we did to achieve this

We worked to reduce barriers to trade and investment in relation to Australia...

Over the year, our work helped make significant progress towards a Single Economic Market (SEM) with Australia. This included working with Australian officials to develop a new framework of principles and outcomes to accelerate the achievement of a SEM. This framework will help strengthen both countries' commitment to regulatory harmonisation and alignment, which in turn will stimulate business and create jobs.

We also made substantial progress in negotiations with Australia towards achieving more liberalised rules of origin to allow more access to tariff-free trans-Tasman trade.

We worked with our Australian counterparts on a number of legislative changes and other initiatives to ensure that the Trans-Tasman Mutual Recognition Arrangement principles are more easily understood, complied with, and remain relevant as regulatory practices evolve, particularly in relation to the regulation of occupations.

In other areas, we continued to work jointly with Australia on increased coordination of cross-border insolvency, financial reporting, and accounting and auditing standards. Our work saw agreement to joint trans-Tasman enforcement, product safety, and information initiatives in relation to consumer law.

We also worked with Australia on developing a joint bid for the Square Kilometre Array to ensure New Zealand and Australia can benefit from this significant global science project.

...and other trading partners

Alongside the Ministry of Foreign Affairs and Trade, we participated in the successful negotiation of two free trade agreements (FTAs), one with Australia and the ten ASEAN countries, and the other with Malaysia. We are involved in ongoing FTA negotiations with the Gulf Cooperation Council, Hong Kong, and Korea. We also worked towards further planned FTAs with the Trans-Pacific Group and India, and continued working to implement the China-New Zealand FTA.

These FTAs will lift returns from existing export markets; open new market opportunities for both goods and services for New Zealand firms; lower the costs of imports for New Zealand consumers, manufacturers and exporters; reduce regulatory and compliance costs; and provide market scale.

In addition, we completed negotiations with the European Union for an updated Mutual Recognition Arrangement, which will potentially allow more products to enjoy the benefits of mutual recognition.

We introduced the Commerce (International Cooperation and Fees) Bill in September 2008, which aims to facilitate greater coordination and cooperation between the Commerce Commission and equivalent overseas regulators, therefore encouraging more efficient and effective enforcement of competition and consumer law.

We focused on supporting New Zealand firms operating internationally

As the result of the review of business support programmes, we consolidated existing New Zealand Trade and Enterprise (NZTE) business assistance schemes that are focused on internationalisation into a smaller but better targeted single scheme – the International Growth Fund. This new scheme aims to better target support to those firms most able to operate internationally, and therefore deliver increased benefits to the New Zealand economy as a whole.

We also worked on deepening our relationship with Australia, focusing on harmonising policy to support New Zealand businesses operating in Australia. This was done through our involvement in a range of Australian decision-making bodies – in particular Ministerial Councils for infrastructure, procurement, small business, consumer affairs, regulatory development, and innovation.

We worked to help promote New Zealand as an international tourism destination...

A key focus over the year was on helping to support the tourism industry through the global recession.

As part of this, we began work on the New Zealand Cycleway Project – one of the initiatives arising from the Job Summit – and held initial consultations with local government. This project is designed to create a high quality tourism asset that will enhance New Zealand's competitiveness as a tourism destination, provide employment, and stimulate economic development opportunities in regional economies.

Cabinet approved additional funding for the marketing of New Zealand and Australia. The funding was used to increase New Zealand's share of Australian outbound travel, maintain New Zealand's brand awareness, and stimulate arrivals in the short term.

We established an international aviation programme to coordinate cross-government policy activity, provide a focus on critical routes during the downturn, and determine strategic economic development priorities for international aviation linkages.

Our tourism research provided the tourism sector with information and analysis to understand and respond to risks and opportunities stemming from the downturn.

We re-established a Māori Tourism Mentoring programme to increase the presence and performance of Māori tourism businesses in the tourism distribution chain.

...and to maximise the benefits from the Rugby World Cup

Through the year we worked towards the development of a Rugby World Cup leverage and legacy plan. This plan includes government taking a lead role in coordinating a New Zealand festival around the Rugby World Cup and in coordinating a business showcasing and hosting programme. This will enable New Zealand to capitalise on the scale and significance of the event to showcase the best of New Zealand arts, culture, and business.

Through the latter half of the year, the Ministry worked with NZTE and Tourism New Zealand, in consultation with the Minister for the Rugby World Cup, to develop a master brand for New Zealand based on the silver fern. We intend to use the international exposure generated by the Rugby World Cup to raise the awareness and profile of New Zealand and the New Zealand brand.

Seed funding was also secured for the establishment of a New Zealand 2011 (Showcase) Office that will work with key stakeholders including RNZ 2011, government agencies, regions, the private sector and industry bodies to coordinate and drive the Government's Rugby World Cup leverage and legacy programme – helping to ensure a positive experience for our international visitors and capturing lasting benefits for all New Zealanders.

How we measured this achievement

Over the year, we continued to refine the way we measure our progress in the international linkages area.

The resulting performance measures are set out in our 2009–2012 *Statement of Intent*. These refined measures cover similar areas to the measures set out in our 2008–2011 *Statement of Intent*, but have been extended to cover our work on tourism and major events more fully.

Although we will monitor and report on these measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures below.

Trade and investment flows increase within the trans-Tasman Single Economic Market and with other countries with which New Zealand has negotiated trade agreements

The New Zealand-Singapore Closer Economic Partnership agreement entered into force on 1 January 2001. New Zealand's merchandise exports to Singapore increased from \$438 million in 2000 to \$802 million in 2008.¹

The New Zealand-Thailand Closer Economic Partnership agreement entered into force on 1 July 2005. New Zealand's merchandise exports to Thailand increased from \$362 million in 2004 to \$802 million in 2008.

The Trans-Pacific Strategic Economic Partnership agreement entered into force on 1 May 2006 for Singapore and New Zealand, in June 2006 for Brunei and in November 2005 for Chile. Merchandise exports to Chile increased from \$53 million in 2005 to \$77 million in 2008. Exports to Brunei increased from \$3 million in 2006 to \$3.8 million in 2008.

The China-New Zealand FTA entered into force on 1 October 2008. Merchandise exports to China in 2007 were \$1.9 billion and have increased to \$2.5 billion in 2008.

New Zealand's merchandise exports from Australia increased by 25 percent from \$7.3 billion in 2007 to \$9.2 billion in 2008.

Maintenance and, if possible, growth in the value of New Zealand exports and outward investment as a percentage of GDP, and of New Zealand's share of world trade

Merchandise and service exports were NZ\$41.2 billion and NZ\$12.5 billion respectively in 2008. Exports of goods and services amounted to 31.2 percent of GDP (in current prices). New Zealand's share of world trade has been roughly constant at around 0.36 percent since 1990. The country's total investment abroad at the end of March 2009 was \$124.6 billion compared to \$121.9 billion a year earlier.

Firms accessing relevant business support achieve higher levels of business growth, productivity, and added value than would otherwise have been the case

The review of business assistance considered the current suite of business support programmes. The review has confirmed the rationale for business assistance programmes. The evaluation of the Growth Services Range (now consolidated into the new International Growth Fund) has demonstrated that these interventions generate positive benefits for the firms involved and the wider economy. The evaluation found that the total additional value-added of Growth Services Range (GSR) compared to the cost of the programme is about 130 – 200 percent. Firms receiving GSR assistance have on average \$102,000 higher sales per year compared with similar high performing firms not receiving GSR support in the evaluation control group. The evaluation report has been reviewed by internationally recognised experts, including the World Bank, who commented that this evaluation was the best of its type they had seen.

New Zealand improves its ranking against selected criteria from international tourism competitiveness measures such as the World Economic Forum's Travel and Tourism competitiveness report

New Zealand was ranked 20th out of 133 countries with a score of 4.94 overall out of six in the 2009 World Economic Forum's Travel and Tourism Competitiveness Report. This compared to a ranking of 19th out of 130 countries in the 2008 report. We will be developing selected criteria from such measures to enable us to assess our progress more fully.

International tourism was affected over 2008/09 by the global recession, resulting in a drop in international arrivals. The impact was most severe for long-haul markets (Europe, America, and Asia), while Australia actually performed strongly to compensate for the weakness in the markets above. At year end June 2009, international arrivals were down 2.8 percent.

A 2011 RWC post-project review indicates that the Rugby World Cup will have a lasting economic benefit to New Zealand

Data on this measure will only be available when this review is carried out.

¹ These and subsequent figures in this section are all in nominal prices and exclude re-exports



Dynamic and trusted markets ... improving the competitiveness, integrity, and effectiveness of New Zealand's markets

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objective of ensuring that government support improves the competitiveness, integrity, and effectiveness of New Zealand's markets by providing a policy and legal framework that penalises anti-competitive behaviours; promotes informed and confident consumers; fosters creativity and innovation; protects intellectual property; and delivers the inputs firms require.

Late in 2008, in the context of the worldwide recession and the new Government's priorities, we refined these objectives, focusing on helping develop markets that drive economic productivity and growth through:

- restored and increased confidence in the financial market
- well-informed and adequately-protected consumers
- effective competition and incentives that encourage business investment
- easier access to capital for New Zealand businesses.



We worked to increase investor confidence, empower consumers, increase effective competition and investment, and ensure New Zealand firms can easily access finance.

What we did to achieve it

We worked to increase investor confidence....

We supported the passage of a range of financial market legislation including the Financial Advisers Bill, the Financial Service Providers (Registration and Dispute Resolution) Bill, the Securities (Disclosure) and Financial Advisers (Amendment) Bill and the Settlement Systems and Futures Bill (which was still before the House at year end). This legislation aimed to ensure the timely disclosure of information to investors, while reducing costs and time for companies raising capital.

We also began a review of the Securities Act. This review is designed to modernise this key piece of financial market regulation, including taking into account lessons from the global financial crisis, and local finance company collapses. The review includes work on a trustee supervisory model that will increase accountability and competence standards for trustees.

...empower consumers...

We began a review of existing consumer legislation to ensure that it is up-to-date and relevant. In particular, the review aims to identify any opportunities to simplify and clarify the legislation to make it easier for consumers to understand their rights, and access redress mechanisms.

We supported the introduction of the Motor Vehicle Sales Amendment Bill which will reduce compliance costs for the industry and enhance the transparency of, and consumer access to, the Motor Vehicle Disputes Tribunal.

We provided public information programmes on the provisions of the Motor Vehicles Sales and the Credit Contracts and Consumer Finance Acts, Fraud Awareness, and Powerswitch (a comparative website for domestic consumers of electricity). Subsequent evaluations demonstrated an increasing public awareness of the Powerswitch and Scamwatch (Fraud Awareness Week) campaigns. The response to the Motor Vehicles Sales and the Credit Contracts and Consumer Finance Acts publicity was sufficiently positive to warrant developing the awareness-building campaign further.

In addition, we completed a survey of the safety of a number of consumer products to help us enhance the way in which consumer product safety risks are managed. The results are currently being analysed and will be used to benchmark New Zealand practice to that of overseas jurisdictions.

...increase effective competition and investment...

We supported the passage of the Commerce Amendment Bill in September 2008, which provided more robust regulatory regimes for specific airports, electricity line and gas pipelines businesses.

We also completed a review of the merger and trade practice clearance and authorisation processes under the Commerce Act, and recommended changes to the rules surrounding them.

...and ensure New Zealand firms can easily access finance

We prepared advice on improving access to capital for New Zealand businesses, notably through enhancements to current venture capital funding and a possible loan guarantee scheme.

We also supported the establishment and ongoing work of the Capital Market Development Taskforce – whose role is to identify the issues adversely affecting our capital markets. This work initially focused on developing urgent measures in response to the global financial crisis, and made recommendations to government aimed at reducing costs while increasing the speed of accessing capital for New Zealand firms.

How we measured this achievement

Over the year, we continued to refine the way we measure our progress in this area.

The resulting revised performance measures are set out in our 2009–2012 *Statement of Intent*.

The impacts on much of our work, particularly around legislative changes, take time to be seen in markets. For example the financial advisors regime delivered this year does not take effect until 2010. Therefore, for much of our new legislation we are establishing baselines now against which we will be able to measure whether the new regimes are achieving the desired outcomes.

Although we will monitor and report on our specific performance measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures below.

We see improvements in New Zealand's position on the OECD product market regulation and competition index and in the overall development of New Zealand's financial markets

New Zealand's business regulatory environment generally has maintained a high ranking on the World Bank Ease of Doing Business survey. New Zealand was ranked second to Singapore in the World Bank's *Doing Business 2010* report for overall ease of doing business.

It was ranked 12th out of 27 countries on the OECD 2008 product market regulation index – which measures the degree to which policies promote or inhibit competition in product markets where competition is viable – although this represented a fall from the previous 2003 index when New Zealand's performance was among the highest in the OECD.

It was ranked 23rd in the OECD in terms of relative financial market size in 2003–2005. And an OECD 2006 report, *Economic Policy Reforms*, ranked it first in the OECD both in terms of having regulation that is more conducive to financial development and less competition-restraining in the banking sector.

New Zealand also increased its ranking on the IMD's assessment of competitiveness in the IMD 2009 World Competitiveness report to 15th place out of 57 economies from 18th in the 2008 report.

Surveys of financial sector customers show an improvement in confidence in financial markets

We will be contracting Consumer New Zealand to carry out a survey of customers of financial advice. This will create a baseline against which we will measure progress in three years' time.

Surveys of consumers and traders show an increasing knowledge of and compliance with consumer law

Baseline surveys of consumers in 2005 and traders in 2006 indicated good general recognition of consumer law but low levels of specific understanding regarding refunds and warranties. We will be carrying out a 2009 National Consumer Survey to establish whether any identifiable changes have happened. This will also be evaluated alongside other relevant surveys to obtain a fuller picture of consumer understanding and awareness of their rights. In the meantime, evaluations of the Powerswitch and other information campaigns have demonstrated the successful reach of these modest awareness-raising exercises.

There is increased investment in industries covered by the implementation of the new regime for the regulation of natural monopolies

For 2009/10, the focus of monitoring and evaluation activity is on the Commerce Commission's progress in implementing the new regimes for airports, electricity lines and gas pipelines within the statutory timeframes. When the regimes have been implemented, the Commission will assess the impact on investment in the electricity sector through changes to Asset Management Plan compliance ratings. The Commerce Commission will be developing impact measures for gas and airports regimes later in 2009/10.

New Zealand's ranking increases on the Milken Institute's Capital Access Index that ranks countries in terms of their ability to support entrepreneurial activity by providing access to capital

New Zealand was ranked 19th on this in 2009, down one place on 2008.



New Zealand was ranked second to Singapore in the World Bank's Doing Business 2010 report for overall ease of doing business.



Ease of doing business → improving the way public agencies and the regulatory environment interact with business

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objective of ensuring high-quality interactions with public agencies and the regulatory environment, which directly contribute to firms’ – and therefore New Zealand’s – economic success by working towards:

- an efficient regulatory environment that does not unnecessarily impose burdens on business
- more streamlined business-government interactions that allow businesses to transact with government quickly, cheaply, and effectively.

With many firms struggling with the impacts of the recession, lightening the regulatory burden for, and providing high-quality services to, business became even more critical over the year.

What we did to achieve it

We focused on lightening the regulatory burden on business...

A major focus of our work for much of the year in this area was on helping the new Government implement its priority of reducing the regulatory and compliance burdens on business in the context of a deepening worldwide recession.

As part of this, we led a process for identifying inefficient and superfluous regulation which will result in changes in a number of areas of regulation during 2009 and 2010.

In conjunction with the Treasury, we developed a programme of reviews of major regulatory regimes, and provided input into a number of these reviews. These reviews covered a wide range of areas including building and housing, resource management, employment law, telecommunications, and overseas investment.

We also provided advice to other agencies on how to think about business compliance costs of regulation early in the policy development stage, including developing a draft guidance document *Regulating for Success: A Framework*. This document sets out a comprehensive regulatory framework to improve the way government

regulates, improve government’s effectiveness, and remove unnecessary and excessive costs. In addition, we facilitated the Small Business Advisory Group’s input into government policy development to ensure the views of small business were taken into account throughout the policy development process.

We evaluated and updated the Business Consultation website, which allows business to have their say on how regulation affects them.

We obtained Australian agreement to New Zealand’s participation in the Australian Productivity Commission’s 2009 benchmarking studies on the costs imposed on business by occupational health and safety regulation and food safety regulation. The Ministry will lead New Zealand’s involvement in these studies.

We also focused on how we could reduce the regulatory burden placed on business by the Ministry’s own activities. As part of this, we developed a system for identifying regulations administered by the Ministry that require review in order to remain fit for purpose.

...and improving government services to business

Continuing to deliver high-quality, low-cost services to businesses under pressure from the global economic downturn was our focus over the year. The impacts of the global recession on firms were clearly illustrated by a 51 percent increase in the number of insolvencies we administered.

To help improve the quality of the services we provide, we delivered a number of enhancements to our online services. The Radio Spectrum Management Group, for instance, enhanced its Spectrum Management and Registration Technology system (SMART) which has significantly improved electronic interactions between businesses and the group.

ISO certification gives us independent verification of adherence to quality processes underpinning the services we deliver. We maintained certification across a range of business units, such as Radio Spectrum Management, Business Registries, Energy Safety and began work to introduce ISO certification across the rest of our businesses.

We also completed an evaluation of the spectrum management business based on an independent review that included feedback from industry and government stakeholders. This review concluded that the performance of this regulatory agency was very good. However, it did recommend further investment on strategic spectrum planning capability, as well as a shift to a more targeted auditing regime based on robust risk profiling.

We completed a review of radio spectrum management licence fees and recommended that any further changes in fees be deferred for two to three years, in consideration of the current financial difficulties facing many firms.

Two of our business units won awards for delivering excellent levels of service. The Insolvency and Trustee Service was the Supreme Winner at the Vero Excellence in Business Support Awards in May 2009 for its work implementing changes to the Insolvency Act. This included establishing an online one-stop-shop for users. The service also was the Networked Government Award Category Winner at IPANZ Gen-I Public Sector Excellence Awards for this work.

In addition, the Intellectual Property Office won the Vero Excellence in Business Award for Government Services in May 2009 for its revamped website and its work to educate New Zealanders about how to protect their bright ideas.

Increasing businesses' awareness of the services offered by government agencies, and how to use them, was a continuing focus. We ran a series of information seminars for small businesses around New Zealand to inform them of the tools and services available from government agencies. And we took over the management of www.business.govt.nz – the government's business website – which provides an online business advice, a gateway to business resources, and advice on regulations.

How we measured this achievement

Over the year, we continued to refine the way we measure our progress in this area

The resulting performance measures are set out in our 2009–2012 *Statement of Intent*. These refined measures cover similar areas to the measures set out in our 2008–2011 *Statement of Intent*, while reflecting the refocus of our work through the year.

Although we will monitor and report on these measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures below.

We maintain and, if possible, improve our position in the World Bank Ease of Doing Business survey

In the 2009 World Bank 'Doing Business' survey (covering the period June 2007 to May 2008) New Zealand was ranked second behind Singapore out of 181 countries for overall ease of doing business. In the World Bank *Doing Business 2010* report (covering the period June 2008 to May 2009 and published on 9 September 2009) New Zealand maintained this ranking.

We maintain and, if possible, improve our position in relation to the opening and closing a business indicators in the World Bank survey

New Zealand was ranked first for starting a business and 17th for closing a business in the 2009 survey (covering the period June 2007 to May 2008). In the World Bank *Doing Business 2010* report (covering the period June 2008 to May 2009) New Zealand maintained these rankings.

The Ministry's service delivery units maintain or improve their position in the annual Business New Zealand/KPMG compliance cost survey.

The Companies Office has led as the most helpful government agency since the Business New Zealand/KPMG Compliance Cost Survey began in 2003. It maintained this position in the 2008 survey published in October 2008. The Intellectual Property Office of New Zealand (IPONZ) was included for the first time in this 2008 survey and was rated the tenth most helpful agency out of 17 agencies.



The Insolvency and Trustee Service was the Supreme Winner at the Vero Excellence in Business Support Awards for its work implementing changes to the Insolvency Act including establishing an online one-stop-shop for users.



Efficient, reliant, and responsive infrastructure services → improving the quality and reliability of key infrastructure services that support growth

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objective of achieving high-quality, reliable infrastructure services that have a positive impact on growth, with a particular focus on information and communications technology (ICT) and energy. This included ensuring that ICTs make a significant contribution to productivity improvement and quality of life; that New Zealand has a reliable and resilient energy system that delivers sustainable, low-emissions energy at a reasonable and efficient cost; and that business can generate economic benefits sustainably from Crown resources such as the mineral estate and the radio spectrum.

Late in 2008, we refined these objectives, focusing on supporting the new Government's goal of achieving a step up in infrastructure investment to support increased productivity and economic growth, by working towards:

- an ultra-fast broadband network, covering 75 percent of the population
- a more competitive communications market
- competitive and secure energy supplies
- improved energy and health outcomes through increased energy efficiency
- increased contribution of New Zealand's mineral and petroleum resources to economic development.



A major focus for the year was our work on the Government's planned ultra-fast broadband network – aimed at increasing productivity and growth by delivering high speed broadband to 75 percent of New Zealanders over the next ten years.

What we did to achieve this

Our advice focused on the Government's ultra-fast broadband network...

A major focus for the year was our work on the Government's planned ultra-fast broadband network – aimed at increasing productivity and growth by delivering high speed broadband to 75 percent of New Zealanders over the next ten years. This included advising on establishing a Crown-owned entity to drive the government's investment in broadband and identifying any regulatory changes to the telecommunications regime to facilitate the rollout of this network.

We also worked with the Ministries of Education and Health to help ensure that the education and health sectors are ready to take advantage of the benefits of ultra-fast broadband to deliver better services.

Advice was also provided on options to increase digital literacy and the readiness of the population to use the broadband network.

...and increasing the competitiveness of the communications market

We provided advice on the identification of regulatory changes to the telecommunications regulation to facilitate the rollout of an ultra-fast broadband network. In particular, policy advice was provided on urban fibre investment; rural schools and communities; reform of Telecommunications Service Obligations; and complementary initiatives to facilitate the rollout, such as access to poles and ducts.

During 2008/09 the remaining components of the Telecom Separation Undertakings regime were also implemented.

In the broadcasting area, we completed the Digital Broadcasting Regulatory Review in conjunction with the Ministry for Culture and Heritage. The review concluded that the current market appears workably competitive and that there was no strong case for the introduction of specific new regulation for the broadcasting sector.

We also completed a review of the administrative radio licensing regime which aimed to assess whether the regime is continuing to meet changing user demands and support competitive outcomes. It concluded that, on the whole, current arrangements are working well.

We worked to help ensure competitive, secure energy supplies...

A Ministerial review of electricity market performance began in early April 2009. This review aims to identify ways to increase the contribution of the electricity sector to economic growth by providing security of supply and efficient prices. Findings from the review will also be used to minimise the cost of regulation, and improve the investment environment for new electricity transmission and generation. A discussion document on the review was approved for release by Cabinet in early August 2009.

We supported the Senior Energy Officials Group that led the production of the First (interim) Progress Report on the New Zealand Energy Strategy. We also began work to help the new Government refocus the strategy to place more emphasis on security of supply and affordability, with the overriding goal of maximising economic growth.

Other work to support security of supply included the Oil Emergency Response Strategy work programme and developing and maintaining long-term scenarios for energy supply.

We continued to monitor the performance of the Electricity Commission, including assisting the Government to issue a revised policy direction for it, with the aim of accelerating investment in the national grid.

We further progressed the consultation and development of new electricity and gas safety regulations.

We also undertook work to ensure we can meet our international obligations, including work on a phased approach to the implementation of the Emissions Trading Scheme Register; facilitating a new grants scheme for biodiesel production to reduce greenhouse gas emissions as well as provide jobs for New Zealanders; and developing and maintaining long-term scenarios for greenhouse gas emissions to support work in this area.

....and improve the energy efficiency of New Zealand households

Following the Job Summit, we worked with the Energy Efficiency and Conservation Authority (EECA) to develop a broad action plan to help lift energy efficiency in New Zealand housing, with a focus on home insulation. As part of this, we provided advice on the development of the Government's home insulation scheme – Warm Up New Zealand: Heat Smart – which aims to help homeowners to insulate and install clean heating in more than 180,000 New Zealand homes over the next four years.

In addition, we continued to monitor EECA's performance as the agency tasked with encouraging, supporting, and promoting the uptake of energy efficiency initiatives.

We advised on how to increase the contribution made by mineral resources

Exploration permits were awarded over the Northland and deepwater Taranaki basins, and successful blocks offers were held in the East Coast and Great South Basins.

We identified and reported on key areas that would most likely maximise economic and social gains from the petroleum and minerals sectors in New Zealand.

In addition, funding was secured in Budget 2009 for seismic surveys. These surveys will improve understanding of New Zealand's oil and gas potential and promote further private sector investment.

We also advised on how to improve the quality and reliability of infrastructure

Through the year, we contributed to selected transport and water projects led by other departments, with a particular focus on how infrastructure can be used to enhance New Zealand's economic development.

We also worked with the Ministry of Civil Defence and Emergency Management and other government agencies to help increase national emergency preparedness in the infrastructure sector.

How we measured our achievement

Over the year, we continued to refine the way we measure our progress in the infrastructure area.

The resulting performance measures are set out in our 2009–2012 *Statement of Intent*. These refined measures cover similar areas to the measures set out in our 2008–2011 *Statement of Intent*, while reflecting the refocus of our work through the year.

Although we will monitor and report on these measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures below.

Increase in perceived quality of New Zealand's infrastructure as assessed in WEF global competitiveness reports

In the WEF 2008-2009 Global Competitiveness report published in October 2008, New Zealand was ranked 50th out of 134 countries on quality of overall infrastructure. In the 2009-2010 report, published on 8 September 2009, this ranking improved to 45th out of 133 countries.

An ultra-fast broadband network is available to a substantial proportion of priority users – businesses, schools, health services – by 2015 and to 75 percent of the population by 2019 at internationally competitive prices

We will be monitoring our progress towards this target, and will report as information becomes available.

Electricity system interruption indices continue to reduce at the current rate, and New Zealand's position in the OECD league table for electricity prices remains the same or improves

The electricity system average interruption duration index measures the total amount of time the average customer is without electricity over the course of a year. Since 1995, when this index was around 220 minutes, it fell steadily to about 150 minutes in 2006. In the year to March 2007 a combination of severe snow in the South Island and a major power outage in Auckland resulted in the index peaking at 250 minutes. In the year to March 2008 it remained high at 236 minutes mainly as a result of a severe weather event in the upper North Island in July 2007.

Up-to-date information on international electricity prices is of variable quality and no longer exists for some of our major trading partners such as Australia. Broadly speaking, in 2008, industrial electricity prices in New Zealand were well below the OECD average and residential electricity prices were similar to the OECD average.

New Zealand generates more value per unit of energy consumed, measured on a sector-by-sector basis

In 2007, New Zealand used an estimated 3.8Gj of energy per thousand dollars of GDP. In 2008, the equivalent figure was 3.7Gj of energy per thousand dollars of GDP. This figure represents the overall energy intensity of the economy and can be affected by changes in energy efficiency and the sectoral make-up of the economy.

There is an increase in New Zealand petroleum and mineral exploration, appraisal, production, and associated government revenues

\$557.7 million in Royalties and Energy Resource Levies were collected in the 2008/09 financial year, an increase of \$420.4 million over the 2007/08 financial year.

Oil condensate and Naptha production in the 2008 calendar year was 21.298 million barrels, an increase of 6.428 million barrels over the 2007 calendar year.

Exploration and prospecting activity was, however, lower than in the previous year. Expenditure on exploration and prospecting in 2008 calendar year was \$1.28 billion for petroleum and \$17.88 million for minerals and coal. This compared with \$1.56 billion and \$38.2 million respectively in 2007. And there were 34 petroleum wells drilled in the 2008 calendar year compared to 43 in the previous year.



New Zealand generates more value per unit of energy consumed, measured on a sector-by-sector basis.



Auckland, a world-class city ... improving Auckland as a world-class city that attracts firms, investment, and skills

What we were seeking to achieve

Our 2008–2011 *Statement of Intent* outlined our objective of helping to ensure that Auckland becomes a truly world-class city to help drive New Zealand's economic development. To be seen as a world-class city, Auckland needs to have economic diversity with specialisation in key sectors; a good supply of skilled workers; high quality physical and electronic infrastructure; effective strategic decision-taking capability; an effective local innovation system; high-quality lifestyle and urban environment; and ready access to capital.

Late in 2008, we refined these objectives in keeping with the new Government's strategy for Auckland. Our overall aim is now that Auckland becomes a more productive and competitive city, driving wider national economic development. We will achieve this by working towards:

- more efficient and productive Auckland infrastructure
- improved governance that leads to more effective decision-making.

What we did to achieve this

We advised on how to improve Auckland's infrastructure...

During the year, the Ministry advised on a number of initiatives aimed at improving Auckland's infrastructure, through its participation in the Government's Urban and Economic Development Office (GUEDO).

We contributed to work by Auckland's councils on an Auckland regional infrastructure inventory and guidelines, to help ensure this work aligns with national priorities.

We contributed to specific infrastructure development, working with Auckland City Council to investigate the feasibility of an international convention and exhibition centre. We worked with the Auckland Regional Council, on the joint purchase of Queen's Wharf from the Ports of Auckland Limited, and commenced a process for the

redevelopment of the wharf as an international cruise ship terminal, Rugby World Cup live site and public open space by September 2011. We also facilitated the redevelopment of Auckland's waterfront by providing advice on the form and function of the Waterfront Development Agency.

In addition, we worked with Auckland councils to ensure that broadband activity is regionally coordinated and aligns with national objectives.

... and its governance...

We provided advice on the Auckland governance reforms arising out of the work of the Royal Commission on Auckland. We also worked with Auckland's councils and other government departments to prepare a single overarching action plan for Auckland (the Auckland 'One Plan'), covering the Rugby World Cup, transport, the waterfront, broadband, Tamaki transformation and skills development. This work aimed to enhance effective strategic decision-taking and action by local and central government.

...as well as other work to increase Auckland's contribution to economic growth

We built a fuller evidence base on the Auckland economy and its contribution to New Zealand's economy to help improve the quality of advice on how Auckland can make a greater contribution. This included research on industry success factors, agglomeration and productivity performance in the region, and the impact of the economic downturn.

We reviewed strengths and weaknesses in the Auckland innovation system, including recommending opportunities to develop key sectors in Auckland. We also contributed to the development of business cases for the establishment of a health innovation hub in Auckland, a food innovation centre in Manukau and a science and technology park in Tamaki. This work aimed to contribute to a more effective local innovation system and critical mass in key sectors.

What these activities achieved

Over the year, we continued to refine the way we measure our progress in this area

The resulting performance measures are set out in our 2009–2012 *Statement of Intent*. These refined measures cover similar areas to the measures set out in our 2008–2011 *Statement of Intent*, while reflecting the refocus of our work through the year.

Although we will monitor and report on these measures annually, we can only expect to see movements in them over the long term. We set out the latest data on these measures below.

Auckland improves its ranking relative to comparable international cities on quality of living; average income; labour productivity; and employment in high/medium-tech manufacturing and knowledge-intensive services.

Auckland was ranked fifth out of 215 cities in the Mercer 2008 quality of living index. This increased to fourth equal place in the rankings published on 28 April 2009.

Auckland GDP per capita is less than in Brisbane, Vancouver, and Melbourne, although more than in Adelaide.²

Auckland's labour productivity according to the *OECD Territorial Reviews: Competitive Cities in the Global Economy, 2006* report was US\$58,800 output per worker per year, putting it 54th out of 78 metro regions.

Employment in high/medium-tech manufacturing is 3.15 percent, which is relatively low by international standards. In knowledge-intensive services, it is 3.68 percent, slightly below the median of comparator cities.³

The quality of Auckland's infrastructure improves relative to other major international cities.

Auckland was ranked 43rd in the 2009 Mercer city infrastructure rankings⁴, below all Australian cities. This was a new feature of the Mercer study in 2009 so comparable data for 2008 is not available.

Planned spend on infrastructure by Auckland's eight councils has been substantially cut or deferred in their latest long-term council community plans for 2009–2019 (according to a PWC assessment commissioned by the New Zealand Council for Infrastructure Development). However the councils have prepared a regional infrastructure inventory for the Auckland Council to develop a long-term infrastructure plan. We will monitor intended improved outcomes from this.

Key business stakeholders think that Auckland's governance has improved leading to more timely and effective decision-making.

The Government has taken many of the decisions necessary to enable the Auckland Transition Agency to put in place radical new governance arrangements in Auckland by October 2010. We will be monitoring key business stakeholders on their perceptions of Auckland's governance over the next two to three years.



Auckland was ranked fifth out of 215 cities in the Mercer 2008 quality of living index. This increased to fourth equal place in the rankings published on 28 April 2009.

² (Demographia, GDP estimates: Metropolitan regions, April 2007).

³ Economic Development Indicators 2007.

⁴ Based on electricity supply, water availability, telephone and mail services, public transport provision, traffic congestion and the range of international flights from local airports.

How we ensured the cost-effectiveness of our work

The Ministry continued to ensure we provide efficient and effective services to Ministers and third party fee-payers through the year by:

- ensuring our support structures were delivered efficiently and effectively
- investing in people and systems to develop the skills needed to deliver
- continuing to improve the efficiency of our processes and systems to reduce costs to purchasers of our services
- carrying out evaluations to assess and improve the impact of specific work
- ensuring efficient decision-making and effective identification of financial implications and capital expenditure.

We aimed to increase cost-effectiveness by reviewing our structure and spending...

In March 2009, the Ministry began work to review its organisational structure, with the objective of better aligning the Ministry's work with the Government's priorities, and becoming more efficient, effective, and flexible. The review resulted in changes to align our organisational structure more closely with our Vote structure, and to exploit greater synergies between key work areas. We will continue pursue increased efficiency across the Ministry and, where possible, to create further opportunities for realising value for money.

The Ministry also undertook an assessment of its longer term financial situation. As part of this process, we examined the efficiency and effectiveness of the Ministry's operational spend. The Ministry was able to return significant savings against Supplementary Estimate appropriations, reflecting work undertaken as part of the line-by-line review to minimise spending in lower priority areas, and recent decisions by the Government in areas

such as the broadband investment fund, the ongoing role of the Growth and Innovation Advisory Board (GIAB), and emissions trading. These reviews are part of an ongoing focus on achieving greater value for money, not a one-off exercise, and the Ministry will continue to focus on how it can deliver future savings.

We continued to review the efficiency of government non-departmental funding being paid through the Votes administered by the Ministry (which makes up around 83 percent of the Ministry's total expenditure) identifying potential areas for further savings to be offered up or reallocated to higher priority areas.

Where there is a need to mitigate fiscal risks and meet ongoing work programme demands, the Ministry continued to reprioritise across its baselines by seeking fiscally-neutral adjustments across output expense appropriations.

...and evaluating the cost-effectiveness of our programmes and services

Some of the Ministry's programmes lend themselves to specific measures of cost-effectiveness. A key objective for the Ministry is to provide effective services to business at least cost, and our results in this area are reported in more detail in the *Ease of doing business* outcome discussion on page 16.

As discussed earlier, we are also developing a stronger evaluation capability to rigorously measure the net impacts of business assistance on firm performance. Comparison of these net impacts with programme costs enables value for money conclusions to be reached. This information is then applied to improve programme targeting.

The Chief Executive and Strategic Leadership Team monitor all these issues on a quarterly basis.

How we managed in a changeable operating environment

Managing risk is critical to the Ministry achieving its outcomes. The Ministry maintains a risk management and assurance work programme, and operates internal controls across the Ministry.

Our Risk Management and Assurance Committee is responsible for monitoring all aspects of our risk management framework, and meets four times a year. The Committee has a membership of seven, four of whom are external members (including the Chair). The role of the Committee is to support and advise the Chief Executive on whether the Ministry has fully considered key risks and has an approach to risk management and assurance that appropriately manages and mitigates those risks. Its focus is primarily on “whole-of-organisation” system interests of the Ministry and operational functions within the Ministry.

The Committee has oversight of the rolling three-year business assurance work programme, which evaluates and tests the adequacy and effectiveness of the Ministry’s governance, risk management processes, systems of internal control, and overall quality of performance.

Complying with legal obligations is the responsibility of every person in the Ministry. Over the past year the Ministry’s legal team worked with managers to ensure staff were aware of our legal requirements and were able to identify legal risk, particularly through each manager’s assessment of legal compliance. This approach complements the Ministry’s wider risk management approach.

The Ministry undertakes an internal quarterly operating review, which provides our strategic leadership team with a regular assessment of organisational performance, and assurance on compliance with statutory and internal policy requirements. This helps the Ministry to manage its key risks as it works towards its intended outcomes, including highlighting areas for further management action.



The role of the Committee is to support and advise the Chief Executive on whether the Ministry has fully considered key risks and has an approach to risk management and assurance that appropriately manages and mitigates those risks.

How we developed our organisational health and capability

What we were seeking to achieve

The objective of our organisational development strategy is to build a high-performing organisation that delivers value and uses its resources in an efficient and effective way – to support the Ministry as we work towards our long-term outcomes.

Strengthening our organisational health and capability to increase value for money, lift productivity, and respond swiftly to implement the incoming Government's new priorities, has been our focus throughout 2008/2009.



Strengthening our organisational health and capability to increase value for money, lift productivity, and respond swiftly to implement the incoming Government's new priorities, has been our focus throughout 2008/2009.

What we did to achieve this

Investing in our people

Tightening fiscal constraints have increased the importance of using our existing staff flexibly, maintaining high levels of motivation, and increasing productivity wherever possible.

Promoting staff engagement remained a priority for us over the year. The annual staff survey was completed in March. Each branch and team then considered their survey results and developed an action plan aimed at increasing staff engagement.

To build both capability and engagement we focused on offering targeted, cost-effective development opportunities to our staff. We continued to implement a career development framework that includes regular career development conversations between each employee and their manager. We also continued to offer a core programme of internal training courses covering topics such as the policy development process, presentation skills, and coaching.

Increasing the capability of our leaders has also remained important. Throughout the year, we ran a leadership excellence development programme for our senior staff. Participation in the programme was followed by ongoing development initiatives – for instance, action learning groups. We also took advantage of opportunities offered by the Leadership Development Centre – including participation by Ministry staff in the Advanced Leadership Programme for senior managers in the public sector – and implemented a range of other opportunities for managers to enhance their skills and knowledge, including running workshops on core managerial skills.

In August 2008, we completed a pay and equity review, which concluded that, overall, while there were no significant issues in this area, there were some actions we could take to improve our performance in this area. We will also continue to monitor this area through specific questions in our staff survey.

Figure one provides some more detailed Human Resources data, including staff numbers, turnover, and remuneration.

Figure one

Staff Resources as at 30 June 2009

	2008/09 Actual	2007/08 Actual	2006/07 Actual
Ministry Staff (expressed as full-time equivalents – FTEs)			
Chief Executive's Office	0 ⁵	2 ⁶	1
Organisational Development and Support	103	109	90
Industry and Regional Development	83	80	82
Business Services	355	362	335
Competition, Trade and Investment	63	54	59
Energy and Communications	72	66	73
Effective Markets	50	53	53
Economic Strategy	28	32	32
Total	754	758	725

The Ministry continued to be a member of the EEO Trust and comply with the principles of being a good employer. Examples of this include the provision of good and safe working conditions and impartial recruitment and selection processes, as well as fair and responsible employment practices and policies for all employees.

The Ministry continues to have low levels of work-related accidents and injuries.

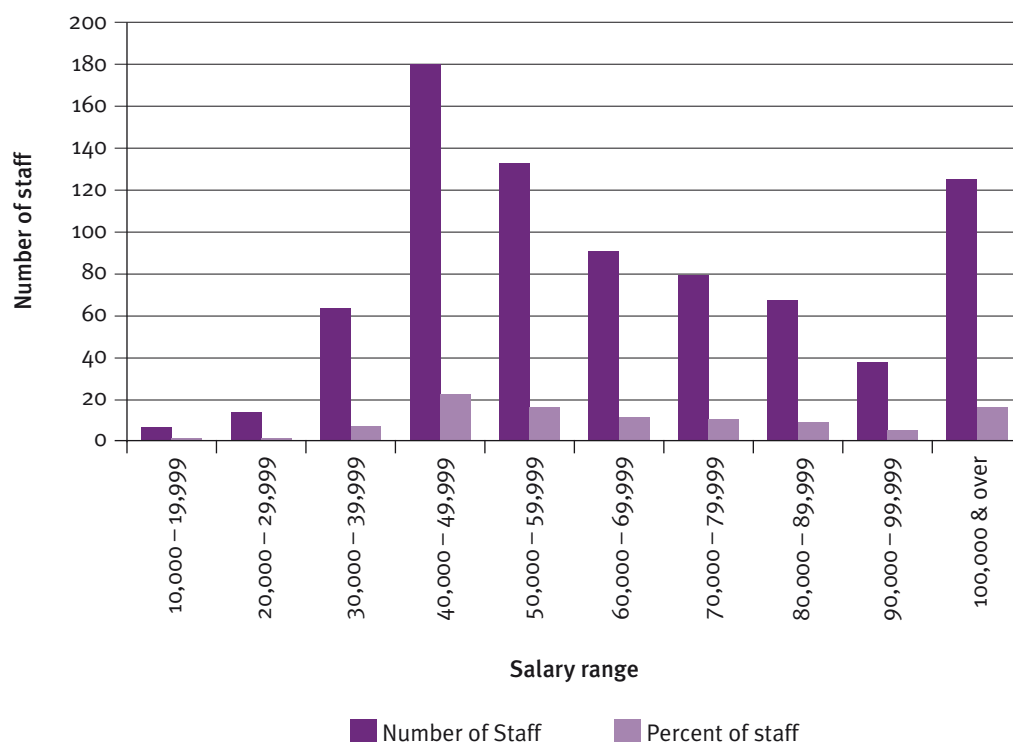
Staff turnover reduced to 11 percent. This significant reduction probably reflected the downturn in the economic environment. Programmes investing in staff and management development through scholarships, study awards and in-house training remained in place. Opportunities to develop staff by exposing them to other experiences continued. This included job rotation, assignments within the Ministry and secondments to and from other agencies.

	2008/09 Actual	2007/08 Actual	2006/07 Actual
Staff (FTEs)	754	758	725
Permanent (headcount)	779	777	696
Fixed term (headcount)	37	45	47
Women staff as a percentage of total FTEs	55%	54.4%	53.52%
Men staff as a percentage of total FTEs	45%	45.6%	46.48%
Average annual leave liability per FTE (\$)	4,813	4,823	4,273
Average annual leave liability per FTE (days)	16	17	15
Annualised turnover (%)	11%	18%	18.9%
Average training spend per FTE (\$)	1,800.64	2,059	2,014

⁵ Chief Executive support staff are included in the branch totals for ODS (1) and ESB (1).

⁶ Includes the Acting Chief Executive.

Staff remuneration



Focusing on priorities

As well as undertaking the organisational structure review discussed above in the *How we ensured the cost-effectiveness of our work* section, we also put in place initiatives to encourage people to move flexibly across the Ministry to ensure resources are targeted to priority work. This included setting up an internal database to store staff details, resource internal projects, and help staff across the organisation broaden their experience.

We have improved the links between our strategy, planning, monitoring and risk management systems, leading to clearer linkages between Government priorities, the Ministry's outcomes, and our day-to-day work programme. We also made improvements in how we develop our strategy, aimed at helping us to more effectively factor in stakeholder views and engage more staff in the development process.

Building stronger external and internal relationships

Our focus for a large part of the year was on establishing close working relationships with our new Ministers, supporting them in working with a wide range of stakeholders – for instance, through our work on the Job Summit – and continuing to build good links in particular to the business community so that we can take account of their views in the development of policy advice.

We continued to work closely with other agencies to help the Government develop a comprehensive growth and productivity agenda.

We also continued to strengthen our internal communications, using an intranet newsletter to ensure staff across the Ministry are aware of what's happening in other work groups, and redeveloping the Ministry's intranet. Survey results in the year show improvements in our sense of common purpose, our commitment to our roles, and our understanding of the work of others in the Ministry.

Enhancing our productivity through technology

Our organisational review included a review of our information technology arrangements to ensure we were using our information technology as effectively as possible to help lift our productivity and deliver value for money. The review examined the current governance and structural arrangements, and recommended the establishment of a new information technology group, headed by a Chief Information Officer reporting directly to the Chief Executive.

These new arrangements are designed to increase value for money, provide more flexibility, assist better management of risks, and ensure most effective use of the full range of information technology resources and capabilities across the Ministry. They also recognise the centrality of information technology to the Ministry's future performance.

Over the year, we also delivered a number of key projects aimed to help staff work more collaboratively, efficiently, and productively – such as the Business Desktop Rollout – a new computer working environment that is being installed on all PCs and laptops to standardise the operating environment for all Ministry users.

Taking responsibility for the environment

The Ministry continued to focus on how we can reduce our carbon footprint, along with the associated costs. While the gains in our environmental performance were not as large as those made the previous year, we made some notable progress including a six percent reduction in Trans-Tasman and international air travel, a 13 percent reduction in domestic travel, and an eight percent reduction in electricity usage.

Measuring our progress

Over the year, we worked on improving our ability to measure and assess our performance so we can take better informed decisions about what activities are most likely to give us the best gain, and meet our statutory accountability requirements more fully.

One major part of this has been developing the fuller and more meaningful set of results we are seeking to achieve, along with associated indicators, that are reported against in each of the outcome discussions in this *Annual Report*.

We also focused on streamlining reporting systems – ensuring we're capturing the right information so we can more accurately assess our performance across the organisation, and report more meaningfully on the results of this assessment.

In September, we established a Research and Evaluation Committee to help us improve the efficiency and effectiveness of the Vote expenditure administered by the Ministry by taking a more coordinated approach to research and evaluation across the Ministry.

How we measured our achievement

We set out a number of performance measures in our 2009-2011 *Statement of Intent* for our organisational strategy. Given that we only recently finalised these measures, we do not have specific data for all of them. However, we attempt below to provide some information under each to give a sense of the Ministry's performance over the past year.

We will see an increase in positive responses across all the critical engagement questions of our staff survey.

We had an extremely high response rate of 91 percent in our latest staff survey, held in May 2009. The results showed improvement in nine of the 13 areas in the survey – including our sense of common purpose, our commitment to our roles, and our understanding of the work of others in the Ministry – and maintenance of our position in the other four. Levels of engagement rose and are now significantly better than the average for the eight public sector organisations against which we have benchmarked ourselves. Engagement is defined as the level of connectedness that employees feel towards an organisation, and their willingness to expend discretionary effort to ensure the organisation reaches its goals.

Our lowest-rating areas were management of poor performance, rewards and recognition and sense of common purpose. While these are still relatively good compared to similar organisations, we will be continuing to put a strong emphasis on ways to lift our performance in these areas.

We maintain and improve our Ministers' view of our performance, as reflected in six-monthly Ministerial ratings of the Ministry's performance.

The Ministers who have rated our performance in 2008/2009 provided the following ratings:

- The Minister for Economic Development rated us as "3 – met my expectations."
- The Minister of Tourism rated us as "3 – met my expectations."
- The Minister of Commerce rated us as "3 to 4 – met/ met and sometimes exceeded my expectations."
- The Minister of Energy and Resources rated us as "4 – met and sometimes exceeded my expectations."
- The Minister for Communications and Information Technology rated us as "4 – met and sometimes exceeded my expectations."
- The Minister of Consumer Affairs rated us as "3 – met my expectations."
- The Minister for Small Business gave no rating but did comment that he was happy with the Ministry's performance.

The average length of service of our staff increases more than in similar public sector organisations

As at 30 June 2009, our average length of service was six years employed by the Ministry. This compares to five years as at 30 June 2008. We do not yet have information from similar public sector organisations.

We achieve a ten percent reduction in the Ministry's departmental costs for 2009/2010, without any decline in our other performance measures.

While this measure is for 2009/2010, we took a number of steps through the 2008/2009 year to identify areas for savings across the Ministry. This resulted in savings of approximately \$18 million against Supplementary Estimate appropriations. More information on this work is set out in the section *How we demonstrated our cost-effectiveness*.

Feedback from stakeholders demonstrates that we are in touch with key issues and responding appropriately.

We did not carry out a stakeholder survey, or formally collect information on stakeholder engagement in the 2008/2009 year. For the 2009/2010 year, we will be putting in place some initiatives to take a more proactive approach to engaging with our stakeholders at a senior level, and to foster a more outward-looking culture across the Ministry more generally. We will report on the results of this work in our 2009/2010 *Annual Report*.

In addition, each of our external business units has a stakeholder management plan, which involves regular engagement with stakeholders to talk about issues and seek feedback on our performance. We will collect information on these engagements over the 2009/2010 year, and will report more fully against this measure in our 2009/2010 *Annual Report*.

Independent benchmarking continues to indicate that the Ministry's core IT systems are delivering good value and above-average performance.

Independent benchmarking of the Ministry IT systems in January 2008 compared the Ministry's IT environment to organisations of similar size and function in New Zealand and Australia, and across the public and private sectors. This benchmarking indicated that the Ministry's core IT systems are delivering good value and above-average performance.

While this exercise was not repeated in the 2008/2009 financial year, a number of other checks were carried out on the Ministry's IT systems – including security audits, and a review of how well vendors were servicing the Ministry's needs. These checks all showed that the Ministry's systems were functioning satisfactorily.



We achieve a ten percent reduction in the Ministry's departmental costs for 2009/2010, without any decline in our other performance measures.

Financial highlights for the year ended 30 June 2009

	2009 Actual \$'000	2008 Actual \$'000
Revenue Crown	81,036	78,392
Revenue Other	50,344	53,167
Output Expenses	136,067	131,940
Net Surplus/(Deficit)	(4,687)	(381)
Taxpayers' Funds	18,394	21,523

The following explains the most significant movements in actual results between 2008/09 and 2007/08 for departmental activities.

Revenue Crown (\$2.644 million)

Revenue Crown earned for departmental outputs has increased by \$2.644 million, mainly due to additional funding being provided for:

- Standard Business Reporting, one contact point to all government agencies, activity that was introduced in 2008/09 (\$2.937 million)
- Business.Govt, one portal for contact to government agencies, associated with Standard Business Reporting (\$1.344 million)
- additional activity relating to Rugby World Cup 2011 (\$0.997 million)
- additional activity relating to Emissions Trading following some delays in the 2007/08 year (\$0.912 million)
- establishment of the Capital Markets Development Taskforce and Financial Regulation Infrastructure in 2008/09, Commerce Act review of Airports, review of Crown Entity funding, KiwiSaver evaluation and Government Electronic Tenders Service (GETS) review and contribution to National Strategy work on Health procurement offset in part by eco-verification projects relating to Life Cycle Analysis, Life Cycle Management and eMission (\$0.907 million)

- various energy-related projects (including AUPEC review and evaluation of New Zealand's petroleum fiscal regime, electricity market review, Bbiofuels consumer awareness campaign) and monitoring of Energy Efficiency and Conservation Authority (EECA) transferred to the Ministry from 1 July 2008 (\$0.882 million)

- full implementation of the Insolvency Act 2006 and corresponding activity (\$0.868 million)

- administration of Broadband Investment Fund activity that was introduced in 2008/09 (\$0.797 million)

- additional funding and work carried out in relation to the National Cycleway, Workforce Skills programme, sponsorship funding for Tourism Industry Rendezvous New Zealand, and Tourism Resource Consultants (TRC) strategic advice work (\$0.740 million)

- standards and conformance activity that was introduced in 2008/09 (\$0.514 million).

Offset in part by reductions for:

- termination of the Buy Kiwi Made programme and the Growth and Innovation Advisory Board part way through 2008/09 (\$5.846 million)
- the transfer of the Regulatory Impact Analysis Unit to the Treasury from 1 November 2008 (\$0.573 million)

- the Crown funded portion of petroleum monitoring following the petroleum monitoring levy rate being increased from 0.025c/litre to 0.045c/litre during 2008/09 to fund testing and monitoring requirements for new fuel types (\$0.453 million) – (refer Revenue other (increases) below)
- projects (Auckland regional Innovation system review and Innovation Concepts for Digital Content and Health Solution Sectors) in 2007/08 only (\$0.360 million)
- transition of the International Visitor/Domestic Travel surveys conducted in-house, effective from 2008/09 (\$0.350 million)
- lower auction and spectrum sales activity (\$0.249 million).

Revenue Other (-\$2.823 million)

Revenue Other earned for departmental outputs has decreased by \$2.823 million mainly due to reductions in:

- company registrations, Financial Reporting Act fees and retirement villages fees (\$1.747 million)
- Personal Property Security Register and motor vehicle traders registration activity (\$0.567 million)
- both patent and trade marks activity (\$0.762 million)
- activity across mining permits and revenue for the biannual conference that was held in 2007/08 (\$0.665 million).

Offset in part by increases for:

- the petroleum monitoring levy rate, which was increased from 0.025c/litre to 0.045c/litre during 2008/09 to fund testing and monitoring requirements for new fuel types (\$0.477 million)
- additional activity from liquidations and summary installment orders following introduction of the Insolvency Act 2006 (\$0.324 million).

Output Expenses

Output expenses have increased by \$4.127 million, mainly due to the corresponding expenses associated with the changes referred to above.

Net Surplus/(Deficit)

This mainly reflects the forecast impact of a long-term strategy to reduce memorandum account balances administered by the Ministry.

Memorandum accounts are operated in the Registration and Provision of Statutory Information, the Registration and Granting of Intellectual Property Rights (both in Vote Commerce), Management and Enforcement of the Radiocommunications Act 1989 (Vote Communications), Motor Vehicle Traders Registration activities (Vote Commerce and Vote Consumer Affairs) and Management of the Crown Mineral Estate (Vote Energy).

More information on how the Ministry is working towards reducing surpluses further is outlined in the Memorandum Accounts statement that forms part of the financial statements.

Equity

Taxpayers' Funds have decreased by \$3.109 million, as a result of the planned capital repayment net of capital injections (\$3 million) and transfer to the Treasury of the Regulatory Impact Assessment Unit from 1 November 2008 (\$0.109 million).

In addition, while there is a decrease to the equity position, additional capital was provided, totalling \$4.949 million, to fund the forecast deficits noted above in the memorandum accounts operated in Registration and Provision of Statutory Information (Vote Commerce), including the Motor Vehicle Traders Register and Information Programme and the Management and Enforcement of the Radiocommunications Act 1989 (Vote Communications).

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Section

1

Departmental Financials



Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Economic Development, for the preparation of the Ministry's financial statements and statement of service performance and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

On this basis, in my opinion, the information contained in the following statements and the attached notes, which should be read in conjunction with those statements, fairly reflects the operations of the Ministry of Economic Development for the year ended 30 June 2009 and the financial position of the Ministry at that date.

Signed by:



David Smol
Chief Executive

28 September 2009

Countersigned by:



Graham Durston
Director of Finance

28 September 2009

Audit Report

To the readers of the Ministry of Economic Development's financial statements and statement of service performance for the year ended 30 June 2009

The Auditor-General is the auditor of the Ministry of Economic Development (the Ministry). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Ministry for the year ended 30 June 2009.

Unqualified opinion

In our opinion:

→ The financial statements of the Ministry on pages 38 to 71:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry's financial position as at 30 June 2009;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2009.

The schedules of non-departmental activities on pages 128 to 146 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.

→ The statement of service performance of the Ministry on pages 72 to 127

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 28 September 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009. The financial statements must also fairly reflect the Ministry's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2008 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.

The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments during the reporting period in the areas of providing assurance over Crown funds provided to the Eden Park Redevelopment Board and Crown fund investment. These assignments are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Ministry.

Other than the audit, we have no relationship with or interests in the Ministry.



Clare Helm
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Accounting Policies

for the year ended 30 June 2009

Reporting entity

The Ministry of Economic Development is a government department as defined by the Public Finance Act 1989.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements are prepared pursuant to the Public Finance Act 1989, and cover all the activities of the Ministry of Economic Development as set out in the 2008/09 Estimates of Annual Appropriations and Departmental Budgets, including Votes: Economic Development, Commerce, Communications, Consumer Affairs, Energy, and Tourism.

In addition, the Ministry has reported the Crown activities and trust monies that it administers.

Basis of preparation

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical basis modified by the revaluation of certain items of property, plant and equipment and certain financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Ministry is New Zealand dollars.

Standards and interpretations issued but not yet effective

The Government has elected to early adopt all NZ IFRSs and Interpretations that had been approved by the New Zealand Accounting Standards Review Board as at 30 June 2009 that are not yet applicable, except NZ IAS 1: Presentation of Financial Statements (revised) approved by the Accounting Standards Review Board in November 2007. This standard becomes effective for periods commencing on or after 1 January 2009, and was adopted in the forecast financial statements presented with the 2009 Budget, but not those presented with the 2008 Budget, against which these financial statements are compared. Adoption of NZ IAS 1: Presentation of Financial Statements (revised) results in presentation changes only.

The early adoption of these standards and interpretations did not have a material impact on the financial statements.

Accounting policies

The following particular accounting policies that materially affect the measurement of financial results and financial position have been applied:

Budget figures

The budget figures are those presented in the Budget Estimates (Main Estimates) and those amended by the Supplementary Estimates, and associated forecasts included in the Main Estimates and Supplementary Estimates and reflected in the Statements of Financial Performance, Financial Position, Cash Flows, and Movement in Taxpayers' Funds.

Revenue

Revenue is measured at the fair value of consideration received.

The Ministry derives revenue through the provision of outputs to the Crown and for services to third parties.

Revenue from the supply of outputs to the Crown is recognised when earned.

Revenue from levies is recognised when the obligation to pay the levy is incurred.

Revenue from application fees is recognised to the extent that the application has been processed by the Ministry.

Revenue from publications is recognised on sale.

Revenue from annual fees is recognised on a straight line basis over the 12 months to which the fee relates.

Expenditure

Expenses are recognised in the financial period to which they relate.

Cost allocation

The Ministry has derived costs shown in these statements using a costing system that directly charged 81.6 percent of 2008/09 actual costs and indirectly allocated the remaining 14.4 percent (2007/08 82.9 percent, 17.1 percent).

Direct costs are those attributable to outputs on the basis of resource consumption. Costs that bear no direct relationship to outputs are classified as indirect. These indirect costs are confined to corporate support costs.

The following are the cost drivers employed to assign direct and indirect costs to outputs for the major cost groupings:

Cost Groupings	Cost Driver
Direct Costs	
Accommodation	Amount of floor space occupied
Cafeteria administration	Staff numbers
Depreciation on leasehold improvements	Amount of floor space occupied
Depreciation on furniture and fittings	Amount of floor space occupied
Other personnel and operating	Direct charging
Indirect Costs	
Corporate support costs and time	Assessed usage and staff numbers

Debtors and other receivables

Receivables are recorded initially at fair value less any subsequent provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable and a provision is made accordingly.

Operating leases

The Ministry leases office premises and office equipment, mainly photocopiers. As all the risks and rewards of ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised, and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter. Lease incentives are recognised evenly over the term of the lease as a reduction in rental expense.

Property, plant and equipment

Property, plant and equipment consists of buildings, leasehold improvements, computer equipment, furniture, office equipment, testing equipment and vehicles.

Items of property, plant and equipment costing \$2,000 (excluding GST) or more are capitalised and are initially recorded at cost. An individual asset that is less than \$2,000 but part of a group of similar assets will also be capitalised. Apart from leasehold improvements, the carrying amounts of property, plant and equipment are reviewed annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case any impairment loss is first treated as a revaluation decrease.

Leasehold improvements are stated at net current values determined by an independent registered valuer. Leasehold improvements are revalued at least every five years or whenever the carrying amount differs materially to fair value.

Accumulated depreciation at revaluation date may be either restated proportionately or eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount. The elimination approach is applied unless otherwise indicated.

Realised gains arising from sales of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Unrealised gains arising from changes in the value of property, plant and equipment are recognised at balance date. To the extent gains reverse losses previously charged to the Statement of Financial Performance, the gains are credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of assets.

Realised losses arising from sale of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised losses arising from changes in the value of property, plant and equipment are recognised in the period in which they occur. Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Statement of Financial Performance.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Depreciation

Depreciation of property, plant and equipment, other than leasehold improvements and work in progress, is provided on a straight line basis so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the cost or revalued amount (deemed to be cost upon transition to NZ IFRS), less the residual value. The estimated useful lives are:

Buildings	20 years
Leasehold improvements	10 years
Computer equipment	4 years
Furniture and fittings	5 years
Office equipment	5 years
Testing equipment	10 years
Motor vehicles	5 years

All property, plant and equipment other than motor vehicles (\$5,000) are assumed to have no residual value.

The cost (or valuation) of leasehold improvements is capitalised and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is the shorter.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully operational.

Intangible assets

Intangible assets are initially recorded at cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Bespoke software (custom built in-house major registry applications) developed in-house (including work undertaken by IT outsource partners) with a total development cost of under \$20,000 (GST exclusive) is expensed. In these cases, any expenditure is to be treated as “software - minor enhancements”. Other items of computer software costing \$5,000 (excluding GST) or more are capitalised and recorded initially at cost.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Amortisation

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation of intangible assets is charged to the Statement of Financial Performance on a straight line basis so as to allocate the carrying value of the assets over their useful lives. The estimated useful lives are:

Computer software	4 years
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Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. Any intangible asset with an indefinite life is also tested for impairment annually. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Taxation

The Ministry of Economic Development, as an institution of the Crown, is not required to pay income tax in terms of the Income Tax Act 2008.

Goods and Services Tax (GST)

The Statement of Financial Position is exclusive of GST, except for Payables and Receivables, which are GST inclusive. All other statements are GST exclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors and payables, or Receivables and advances (as appropriate).

Employee entitlements

Provision is made in respect of the Ministry's liability for salaries and wages, performance incentives, and specific training payable, but unpaid, at balance date and annual leave, long service leave and retirement leave.

Annual leave is recognised as it accrues to employees at current rates of pay. Long service leave and retirement leave are determined on an actuarial basis based on the present value of expected future entitlements. The calculations are based on:

- Likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. A weighted average discount rate of 5.75 percent and a salary inflation factor of 2.75 percent were used. These rates are based on historical data.

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

Superannuation schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the statement of financial performance as incurred.

Provisions

The Ministry recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Until 31 March 2008 the Ministry belonged to the ACC Partnership Programme whereby the Ministry accepts the management and financial responsibility of work related illnesses and accidents of employees. Under the Programme the Ministry is liable for all its claims costs for a period of two years up to a specified maximum. At the end of the two year period, the Ministry pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes to ACC.

The Ministry has established a provision based on appropriate ACC sector levy rates to cover any future liability under the Programme. From 1 April 2008 the provision is based on the Ministry's expected liability to the ACC based on current levy rates and is accrued monthly.

Financial instruments

Designation of financial assets and liabilities into instrument categories is determined by the business purpose of the financial instruments, policies and practices for their management, their relationship with other instruments and the reporting costs and benefits associated with each designation. The Ministry is party to financial instruments as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position, and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Financial assets

Receivables and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus transaction costs. No discounting is applied, as the effect is not material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

Financial liabilities

Financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method if material. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised.

Accounting for derivative financial instruments, hedging activities and foreign currency transactions

The Ministry uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its Foreign-Exchange Policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the statement of financial performance.

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

- cash means coins, notes and current accounts;
- investing activities are those activities relating to the acquisition and disposal of non-current assets;
- financing activities comprise changes in the capital structure; and
- operating activities include all transactions and other events that are not investing or financing activities.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent liabilities and contingent assets

Contingent liabilities and assets are disclosed at the point at which the contingency is evident.

Taxpayers' funds

This is the Crown's net investment in the Ministry and is measured as the difference between total assets and total liabilities.

Accounting estimates, assumptions and critical judgements in applying accounting policies

When applying accounting policies in the preparation of these financial statements the Ministry has made estimates, assumptions and critical judgements concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates, assumptions and critical judgements in applying accounting policies are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes in accounting policies

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

Statement of Financial Performance

for the year ended 30 June 2009

2008 Actual			2009 Continuing Activities Actual	2009 Discontinued Activities Actual (refer Note 22)	2009 Total Actual	2009 Main Forecasts ¹	2009 Supplementary Forecasts ¹
\$000	Note		\$000	\$000	\$000	\$000	\$000
Revenue							
78,392	Crown	1	79,201	1,835	81,036	84,601	82,922
53,167	Other	2	50,328	16	50,344	52,257	49,890
131,559	Total Revenue		129,529	1,851	131,380	136,858	132,812
Expenses							
59,788	Personnel	3	62,189	395	62,584	61,972	63,482
62,327	Operating	4	61,945	1,438	63,383	64,216	64,821
107	Restructuring	5	292	-	292	-	-
8,148	Depreciation/amortisation	6	8,184	14	8,198	10,678	8,275
1,570	Capital charge	7	1,606	4	1,610	2,009	1,614
131,940	Total Output Expenses		134,216	1,851	136,067	138,875	138,192
-	Other Expenses		-	-	-	-	-
131,940	Total Expenses		134,216	1,851	136,067	138,875	138,192
(381)	Net Surplus/(Deficit)		(4,687)	-	(4,687)	(2,017)	(5,380)

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

For information on major variances against Main Estimates, Supplementary Estimates and the prior year, refer to the commentary for each Output Expense on pages 72 to 127.

¹ Aggregate revenue and expenditure shown as Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments and may not agree to the totals within the Statement of Departmental Expenditure and Appropriations by Vote, pages 70 to 71.

Statement of Financial Position

as at 30 June 2009

2008 Actual			2009 Actual	2009 Main Forecasts ²	2009 Supplementary Forecasts ²
\$'000	Note		\$'000	\$'000	\$'000
Taxpayers' Funds					
21,523	8	General funds	18,394	32,629	18,523
21,523		Total Taxpayers' Funds	18,394	32,629	18,523
Represented by:					
Assets					
Current Assets					
8,808		Cash and cash equivalents	9,370	10,073	4,027
4,937	9	Receivables and advances	4,995	5,114	3,837
240		Prepayments	216	67	271
12,488		Debtor Crown	8,602	12,000	3,700
-	18	Derivative Asset	191	-	-
26,473		Total Current Assets	23,374	27,254	11,835
Non-current Assets					
15,964	10	Property, plant and equipment	14,137	16,998	16,246
12,612	11	Intangible assets	13,997	19,206	12,953
28,576		Total Non-current Assets	28,134	36,204	29,199
55,049		Total Assets	51,508	63,458	41,034
Liabilities					
Current Liabilities					
16,142	12	Creditors and payables	16,806	17,470	9,063
3,827	14	Unearned income	4,857	2,586	2,606
6,534	15	Provision for employee entitlements	6,691	4,056	6,845
3,035	16	Provision for payment of net surplus	282	2,386	20
-	18	Derivative Liability	205	-	-
29,538		Total Current Liabilities	28,841	26,498	18,534
Non-current Liabilities					
3,532	15	Provision for employee entitlements	3,940	4,025	3,682
456	13	Provisions other	333	306	295
3,988		Total Non-current Liabilities	4,273	4,331	3,977
33,526		Total Liabilities	33,114	30,829	22,511
21,523		Net Assets	18,394	32,629	18,523

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

² Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments.

Statement of Cash Flows

for the year ended 30 June 2009

2008 Actual		2009 Continuing Activities Actual	2009 Discontinued Activities Actual (refer Note 22)	2009 Total Actual	2009 Main Forecasts ³	2009 Supplementary Forecasts ³
\$000		\$000	\$000	\$000	\$000	\$000
Cash Flows from Operating Activities						
Cash was provided from:						
Supply of outputs to :						
71,769	Crown	85,035	1,835	86,870	82,301	91,710
1,928	Departments	1,940	16	1,956	1,830	3,186
51,620	Other	48,901	-	48,901	49,339	46,571
Cash was disbursed to:						
Cost of producing outputs:						
(58,540)	Personnel	(61,829)	(388)	(62,217)	(59,065)	(63,021)
(62,446)	Operating	(60,985)	(1,438)	(62,423)	(66,560)	(72,071)
(1,570)	Capital charge	(1,606)	(4)	(1,610)	(2,009)	(1,614)
2,761	Net Cash Flows from Operating Activities	11,456	21	11,477	5,836	4,761
Cash Flows from Investing Activities						
Cash was provided from:						
113	Sale of property, plant and equipment	71	-	71	-	-
Cash was disbursed to:						
(3,674)	Purchase of property, plant and equipment	(3,172)	-	(3,172)	(5,090)	(5,099)
(2,840)	Purchase of intangible assets	(4,696)	-	(4,696)	(13,100)	(3,808)
(6,401)	Net Cash Flows from Investing Activities	(7,797)	-	(7,797)	(18,190)	(8,907)

³ Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments.

Statement of Cash Flows

for the year ended 30 June 2009 (continued)

2008 Actual	2009 Continuing Activities Actual	2009 Discontinued Activities Actual (refer Note 22)	2009 Total Actual	2009 Main Forecasts ⁴	2009 Supplementary Forecasts ⁴
\$000	\$000	\$000	\$000	\$000	\$000
Cash Flows from Financing Activities					
Cash was provided from:					
584 Capital contribution from Crown for Emissions Trading Implementation	-	-	-	4,590	-
- Capital contribution from Crown for Financial Regulation Infrastructure	-	-	-	1,500	-
- Capital contribution from Crown for Enterprise Project	500	-	500	3,500	500
- Capital contribution from Crown for Standards and Conformance Infrastructure Review	50	-	50	700	50
- Capital contribution from Crown for Eclipse Project	-	-	-	1,000	-
- Capital contribution from Crown for IVS and DTS Project	370	-	370	400	370
4,279 Memorandum Account deficit prior year	-	-	-	-	-
3,416 Memorandum Account deficit current year	3,000	-	3,000	4,403	5,400
Cash was disbursed to :					
(3,320) Payment of net surplus to Crown	(3,035)	-	(3,035)	(1,423)	(3,035)
- Capital repayments to Crown	(3,920)	-	(3,920)	-	(3,920)
- Asset/liability transfers between departments	-	(83)	(83)	-	-
4,959 Net Cash Flows from Financing Activities	(3,035)	(83)	(3,118)	14,670	(635)
1,319 Net increase/(decrease) in cash held	624	(62)	562	2,316	(4,781)
7,489 Add opening cash balance	8,808	-	8,808	7,757	8,808
8,808 Closing Cash	9,432	(62)	9,370	10,073	4,027

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

4 Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments.

Reconciliation of Net Surplus to Net Cash Flow from Operating Activities

for the year ended 30 June 2009

	2009 Actual		2008 Actual	
	\$000	\$000	\$000	\$000
Net deficit from Statement of Financial Performance		(4,687)		(381)
<i>Add (less) non-cash items:</i>				
Depreciation/amortisation	8,198		8,148	
Memorandum Account funding debtor Crown	1,948		-	
Memorandum Account 2008 reversal	-		(4,279)	
Bad debts written off	26		20	
Increase/(decrease) in provision for impairments/doubtful debts	66		2	
Increase in non-current employee entitlements	408		207	
Increase/(decrease) in non-current onerous contracts/rent provisions	(123)		101	
Unrealised FX losses	14		-	
		10,537		4,199
<i>Add (less) movements in working capital items:</i>				
Decrease/(increase) in receivables and advances	(517)		427	
Decrease/(increase) in debtor Crown	3,886		(2,344)	
Decrease/(increase) in prepayments	24		(143)	
Increase/(decrease) in creditors and payables	1,045		(14)	
Increase(Decrease) in unearned income	1,030		(46)	
Increase in current employee entitlements	157		1,041	
		5,625		(1,079)
<i>Add (less) items classified as investing activities</i>				
Net loss on sale of property, plant and equipment		2		22
Net Cash Flows from Operating Activities		11,477		2,761

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Statement of Movements in Taxpayers' Funds

for the year ended 30 June 2009

2008 Actual			2009 Actual	2009 Main Forecasts ⁵	2009 Supplementary Forecasts ⁵
\$000		Note	\$000	\$000	\$000
20,939	Taxpayers' funds as at 1 July		21,523	20,939	21,523
(381)	Net deficit (equals total recognised revenues and expenses)		(4,687)	(2,017)	(5,380)
-	Asset/liability between departments		(109)	-	-
584	Capital contribution from Crown		920	11,690	920
3,416	Memorandum Account deficit funding		4,949	4,403	5,400
-	Capital repayment to the Crown		(3,920)	-	(3,920)
(3,035)	Provision for payment of surplus to the Crown	16	(282)	(2,386)	(20)
21,523	Taxpayers' Funds as at 30 June	8	18,394	32,629	18,523

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

⁵ Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments.

Statement of Commitments

as at 30 June 2009

The Ministry has long-term leases on its premises in New Zealand. The annual lease payments are subject to three-yearly reviews. The amounts disclosed below as future commitments are based on the current rental rates.

Other operating commitments include non-cancellable contracts for building services, plant and art rentals and consulting services.

	2009 Actual \$000	2008 Actual \$000
Operating Commitments		
Accommodation leases	24,888	31,281
Other operating commitments	46	150
Total Operating Commitments (as detailed below)	24,934	31,431
Capital commitment – IT infrastructure projects and website redevelopment	553	498
Total Commitments	25,487	31,929
Term Classification for Operating Commitments		
Not later than one year	6,464	6,863
Later than one year and not later than five years	18,470	23,201
Later than five years	-	1,367
Total Operating Commitments	24,934	31,431

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements.

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2009

Quantifiable contingent liabilities of the Ministry are \$150,000 for 2008/09 (\$150,000, 2007/08).

The 2007/08 and 2008/09 amount is for a Trade Remedies Judicial Review arising from the Ministry's application of the legislation relating to anti-dumping duties and investigations.

The Ministry has no contingent assets (Nil 2007/08).

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Statement of Trust Monies

for the year ended 30 June 2009

The Ministry of Economic Development operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances at 30 June 2009 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2009 were as follows:

Trust Account	Opening Balance 1 July 2008 \$000	Contributions Received \$000	Distributions Made \$000	Cash Receipts \$000	Cash Expenses \$000	Closing Balance 30 June 2009 \$000
Patent Co-operation Treaty Fees Trust	220	1,277	1,223	14	2	286
Petroleum Deposits Trust	1,087	-	1,003	1	-	85
Radio Frequencies Tender Trust	225	-	-	1	-	226
Coal and Minerals Deposits Trust	250	10	100	-	-	160
Official Assignee's Office Trust	10,724	18,276	7,477	654	6,261	15,916
Proceeds of Crime Trust	4,793	9,417	3,260	360	1,013	10,297

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Patent Co-operation Treaty Fees Trust Account

This trust account was established in December 1992 to collect and distribute fees under the Patent Co-operation Treaty Rules. The fees are collected from International Patent Authorities and remitted to the World Intellectual Property Organisation (WIPO), which administers the Treaty.

Petroleum Deposits Trust Account

This trust has been administered by the Ministry of Energy (and subsequently by the Ministry of Commerce) since the 1970s to hold deposits pursuant to sections 8, 16, and 47 (h) of the Petroleum Act 1937. Applicants are required to lodge a deposit or bond for all petroleum prospecting and mining licences issued under the Act. These deposits or bonds are returned with interest once the licence has expired or ceased, provided that all conditions of the licence have been complied with.

Radio Frequencies Tender Trust Account

This trust was established in February 1990 to hold deposits paid by persons bidding for allocation of radio frequencies and monies pending assessment of a resource rental for a radio frequency licence. Once a successful tender or licence holder is established for a particular frequency, the deposit made by the tenderer is then deemed to be Crown money and is therefore transferred to the Crown account. All unsuccessful tenderers have their monies refunded with interest.

Coal and Minerals Deposits Trust Account

This trust was established in its present form following the introduction of the Crown Minerals Act 1991. Pursuant to the Mining Act 1971, the Coal Mines Act 1979 or the Crown Minerals Act 1991, all existing mining and exploration licensees are required to lodge a deposit or bond with the Ministry. These deposits or bonds are returned with interest once the licence has expired, cancelled or declined provided that all conditions of the licence have been complied with.

Official Assignee's Office Trust Account

This trust was established to hold monies in respect of individuals or companies that are subject to bankruptcy or liquidation proceedings. All financial matters of declared bankrupts and companies in liquidation are required to be handled by the Official Assignee's Office. All distributions and settlements are processed through this account.

Proceeds of Crime Trust Account

This trust was established following the introduction of the Proceeds of Crime Act 1991 to manage the financial arrangements of restraining and forfeiture orders made by the courts. Under the Act, the court has the power to seize certain assets of individuals and companies that are accumulated through the proceeds of criminal activities and place them in the authority of the Official Assignee. These assets are then sold or disposed of by the Official Assignee. At the completion of this task, all of the resulting monies are transferred to the Crown.

Statement of Unappropriated Expenditure

for the year ended 30 June 2009

The Statement of Unappropriated Expenditure details the amount of expenditure incurred above appropriation.

2008 Unappropriated Expenditure \$000		2009 Actual \$000	2009 Appropriation Voted \$000	2009 Unappropriated Expenditure \$000
	Vote: Commerce			
	Departmental Output Expenses			
-	Administration of Insolvencies	13,568	13,410	158
	Vote: Economic Development			
	Departmental Net Assets (change in 2008)			
584	Capital Injection	-	-	-
	Non-Departmental Other Expenses			
-	Large Budget Screen Production Fund	47,869	47,902	12,313
14,000	Eden Park Stadium Development Loan Write Off	-	-	-
	Vote: Energy			
	Non-Departmental Output Expenses			
16,763	Maintenance and Operation of Whirinaki	-	-	-

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Vote: Commerce

In completing the Annual Accounts for the Ministry of Economic Development the Administration of Insolvencies appropriation, within Vote Commerce, actual costs incurred has exceeded the value of the appropriation by \$158,000 or 1.178 percent of the appropriation.

The numbers of matters in the hands of the Insolvency and Trustee Service have been increasing at a very rapid rate since the beginning of the period, and in the last quarter, April to June 2009, matters have reached a critical point where our staff struggled deal with the volumes before them. The September 2008 quarter saw 502 new bankruptcies. The December 2008 quarter saw 603 new bankruptcies which was a 20 percent increase over the September 2008 quarter. The March 2009 quarter saw 661 new bankruptcies which was a 10 percent increase over the December 2008 quarter. The June 2009 quarter again saw a growth in insolvency numbers with 788 new

bankruptcies which was a 19 percent increase over the March 2009 quarter. Comparing the June 2009 quarter to the September 2009 quarter this is a 57 percent increase.

To deal with this increase in numbers of files, additional resource has been contracted in to the administration, accounting and legal areas. Unfortunately in the timeframe that assistance was required this has proved to be very expensive, which has contributed significantly to the unappropriated expenditure

Additionally, the Official Assignee has been required to provide custody and control over a significant number of assets in the biggest Proceeds of Crime order ever made in New Zealand. The assets subject to this order are difficult and expensive to maintain and the costs in the June 2009 quarter alone exceeded \$90,000.

Vote: Economic Development

A Budget Bilateral meeting held on 11 March between the Minister of Economic Development and the Minister of Finance agreed a technical forecast change as allowed by Cab Min (03) M22/14 in obtaining additional funding to make payment of the application against the non-departmental appropriation – Large Budget Screen Production Fund.

The Ministry of Economic Development, in knowledge of the decision, then made actual payment amounting to \$12.3 million.

The Treasury and Audit New Zealand advised the Ministry of Economic Development that the Budget Bilateral minute decision did not constitute a valid Joint Minister

approval to allow the payment, as it did not contain the appropriate statement relating to the “agreement in the interim to incur the expenses under Imprest Supply”, and additionally the minute states that it would be agreed as part of the 2009 March Baseline Update.

The total appropriation for the Large Budget Screen Production Fund as at 30 June 2009 was under spent by \$0.033 million. However because of the process adopted and timing, the payment resulted in a technical breach of the appropriation and required a section 26C approval for unappropriated expenditure.

Memorandum Accounts

for the year ended 30 June 2009

Memorandum accounts are notional accounts to record the accumulated balance of surpluses and deficits incurred for outputs operating on a full cost recovery basis. They are intended to provide a long-run perspective to the pricing of outputs.

	Opening Balance 1 July 2008 \$000	Movement During 2008/09 \$000	Closing Balance 30 June 2009 \$000
Memorandum Account			
<i>Vote: Commerce</i>			
Registration and Provision of Statutory Information	4,508	(3,548)	960
Registration and Provision of Statutory Information – Motor Vehicle Traders Register and Information Programme	914	(185)	729
Registration and Granting of Intellectual Property Rights	9,065	124	9,189
<i>Vote: Communications</i>			
Management and Enforcement of Radiocommunications Act 1989	3,933	(1,216)	2,717
<i>Vote: Consumer Affairs</i>			
Policy Advice and Support on Consumer Issues – Motor Vehicle Traders Register and Information Programme	107	73	180
<i>Vote: Energy</i>			
Management of Crown Mineral Estate	88	174	262

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Action taken to address surpluses

Registration and Provision of Statutory Information

The impact of changes in volumes within the Companies Office has been incorporated into the ten-year strategy model to address the impact of the shift from annual to electronic services and the fees adjustments required to meet the long-term strategy to balance the memorandum account. New initiatives, volume considerations and a revised pricing schedule are considered annually as part of the strategy to maintain the account in a balanced state.

Motor Vehicle Traders Register and Information Programme (Vote Commerce and Vote Consumer Affairs)

A fee strategy was agreed to whereby the amortised costs associated with establishing the register and undertaking a mixed-media education campaign and on going client communication and training was recovered over a five-year period to 2007/2008 through registration fee surpluses. Since this time there has been a program of monitoring the fee structure and associated revenues in line with the activities.

Registration and Granting of Intellectual Property Rights

A memorandum account was established under this output expense in 2004/2005 to accumulate a surplus balance up to the year 2010 when the impact of changes in the timing of the fee receipts is brought into effect by the Trade Marks Act 2002. From 2010-2017, it is anticipated that there will be fluctuations in revenue levels resulting in deficits during this period.

Management and Enforcement of the Radiocommunications Act 1989

As a result of the review undertaken within the Radio Spectrum Management Group in 2002/2003, a fees review proposing a new fee structure to reflect the shift in strategic direction and business process and accurately assess the cost structure of the new group was undertaken, with a new fee structure implemented in 2005/2006. A revised fees schedule was implemented in 2007/2008. This fee schedule was reviewed in 2009, however it was decided that it was inappropriate to make further fee changes at this time and the current schedule should continue. A further revised fees schedule, based on ongoing reviews and continuation of the longer-term strategy for balancing the memorandum account, is expected to be implemented in late 2012.

Management of Crown Mineral Estate

It is expected that there will be significant swings in revenue earned under this Output Expense and the associated net surpluses/deficits, due to the volatility associated with exploration and production activities and their impact on permit applications.

The establishment of a Memorandum Account was approved in 2006/07 to enable the Ministry to take a long-run perspective on cost recovery and to manage these swings in revenue, in order to avoid the use of erratic fee changes as an adjustment mechanism to manage a particular year's over or under recovery.

Notes to the Financial Statements

for the year ended 30 June 2009

1 Revenue Crown

Revenue Crown represents payments for services provided to the Crown by the Ministry of Economic Development.

2 Revenue other

	2009	2008
	\$000	\$000
Fees and fines	42,267	46,098
Electrical levies	2,613	2,757
Inter-departmental revenue	2,163	1,958
Petroleum fuels monitoring levy	2,218	1,574
Gas levies	678	667
Sale of publications	3	13
Miscellaneous	402	100
Total Revenue other	50,344	53,167

For further breakdown of fees and fines, see information under each output expense in Section Two.

3 Personnel

	2009	2008
	\$000	\$000
Salaries and wages	60,045	56,911
ACC levy	446	412
Pension expenses – GSF	402	398
Pension expenses – SSRSS	1,234	1,175
Pension expenses – KiwiSaver	81	-
Recruitment costs	370	883
Fringe benefit tax	6	9
Total Personnel	62,584	59,788

4 Operating

	2009	2008
	\$000	\$000
Rental and operating lease costs	6,161	6,031
Professional services	8,240	4,933
Tourism sector research	2,706	3,211
IT costs and Technical IT support	19,240	17,089
Technical services	7,754	4,564
Travel – domestic and overseas	3,515	4,178
Premises costs ⁶	1,382	1,275
Staff training	1,358	1,561
Maintenance and repairs of property, plant and equipment	1,058	999
Audit fees to auditors for audit of the financial statements		
Audit New Zealand	202	200
Other fees to auditors ⁷		
Audit New Zealand	46	19
Loss on sale of property, plant and equipment	2	21
Photocopier rental	197	181
Entertainment expenses	99	162
Bad debts written off	26	20
Impairment/doubtful debts provisions adjustments	66	2
Other operating costs	11,331	17,881
Total Operating	63,383	62,327

5 Restructuring

	2009	2008
	\$000	\$000
Knowledge Management	41	-
Industry and Regional Development Branch	92	-
Electricity Safety	-	86
Technology Solutions	159	21
Total Restructuring	292	107

6 Includes rates, power & water, cleaning services and other utility charges.

7 Includes audit disbursements and fees for other assurance services relating to the movements in Crown funds to the Eden Park Redevelopment Board.

6 Depreciation/amortisation

	2009 \$000	2008 \$000
Buildings	-	-
Leasehold improvements	649	657
Computer equipment	3,206	2,545
Furniture	666	666
Office equipment	102	100
Test equipment	219	211
Motor vehicles	88	141
Computer software	3,268	3,828
Total Depreciation/amortisation	8,198	8,148

7 Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 31 December and 30 June each year. The capital charge rate for the year ended 30 June 2009 was 7.5 percent (30 June 2008, 7.5 percent).

8 Taxpayers' funds

Taxpayers' funds comprises:

	Note	2009 \$000	2008 \$000
General Funds			
General funds as at 1 July		21,523	20,939
Net operating surplus/(deficit)		(4,687)	(381)
Provision for repayment of surplus to the Crown		(282)	(3,035)
Capital contribution from the Crown for Emissions Trading Implementation		-	584
Capital contribution from the Crown for Enterprise project		500	-
Capital contribution from the Crown for Standards and Conformance Infrastructure Review		50	-
Capital contribution from the Crown for IVS and DTS project		370	-
Capital contribution from the Crown for memorandum account deficit funding		4,949	3,416
Asset/liability transfers between departments	22	(109)	-
Capital Repayment to the Crown		(3,920)	-
Total Taxpayers' Funds as at 30 June		18,394	21,523

9 Receivables and advances

	2009 \$000	2008 \$000
Third party debtors	2,246	2,430
Less: Provision for impairment	(68)	(2)
Net	2,178	2,428
Inter-departmental debtors	779	659
Accrued receivables and advances	2,038	1,850
Total Receivables and advances	4,995	4,937

All debtors are non-interest bearing and are normally settled on 30-day terms unless specific legislative terms apply, therefore the carrying value of receivables and advances approximates their fair value.

All overdue receivables have been assessed for impairment and appropriate provisions applied, as follows:

	2009			2008		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Current	4,658	-	4,658	4,552	-	4,552
Overdue 1–30 days	15	-	15	52	-	52
Overdue 31–60 days	102	-	102	69	-	69
Overdue 60 days and over	288	(68)	220	266	(2)	264
Total Receivables and advances	5,063	(68)	4,995	4,939	(2)	4,937

10 Property, plant and equipment

	Buildings \$000	Plant & Equipment \$000	Computer Equipment \$000	Furniture & Fittings \$000	Motor Vehicles \$000	Total \$000
Cost or valuation						
Balance at 1 July 2007	43	10,507	18,078	3,583	1,286	33,497
Additions	-	514	2,931	195	-	3,640
Disposals	-	(172)	(676)	(22)	(322)	(1,192)
Transfers	(2)	2	(1,853)	-	-	(1,853)
Balance at 30 June 2008	41	10,851	18,480	3,756	964	34,092
Balance at 1 July 2008	41	10,851	18,480	3,756	964	34,092
Additions	-	732	1,956	129	286	3,103
Disposals	-	(109)	(665)	(77)	(121)	(972)
Transfers	-	-	-	40	-	40
Balance at 30 June 2009	41	11,474	19,771	3,848	1,129	36,263
Accumulated depreciation and impairment losses						
Balance at 1 July 2007	41	3,160	10,804	1,891	881	16,777
Depreciation expense	-	968	2,545	666	141	4,320
Eliminate on disposal	-	(140)	(673)	(22)	(281)	(1,116)
Eliminate on transfer	-	-	(1,853)	-	-	(1,853)
Balance at 30 June 2008	41	3,988	10,823	2,535	741	18,128
Balance at 1 July 2008	41	3,988	10,823	2,535	741	18,128
Depreciation expense	-	970	3,206	666	88	4,930
Eliminate on disposal	-	(106)	(641)	(64)	(107)	(918)
Eliminate on transfer	-	-	-	(14)	-	(14)
Balance at 30 June 2009	41	4,852	13,388	3,123	722	22,126
Carrying amounts						
At 1 July 2007	2	7,347	7,274	1,692	405	16,720
At 30 June and 1 July 2008	-	6,863	7,657	1,221	223	15,964
At 30 June 2009	-	6,622	6,383	725	407	14,137

Plant and equipment includes leasehold improvements, office equipment and testing equipment.

Leasehold improvements are stated at net current values determined by an independent registered valuer. A revaluation of all leasehold improvements was completed by Williams Valuations Ltd on 30 June 2006. Leasehold improvements are revalued every five years.

The total of property, plant and equipment in the course of construction (work in progress) and included in the above carrying amounts is \$1,272,000 (\$2,160,000 2007/08), as follows.

	Buildings \$000	Plant & Equipment \$000	Computer Equipment \$000	Furniture & Fittings \$000	Motor Vehicles \$000	Total \$000
Balance at 30 June 2008	-	224	1,936	-	-	2,160
Balance at 30 June 2009	-	555	717	-	-	1,272

11 Intangible assets

	Computer Software \$'000
Cost	
Balance at 1 July 2007	22,314
Additions	2,839
Disposals	(3,806)
Transfers	1,853
Balance at 30 June 2008	23,200
Balance at 1 July 2008	23,200
Additions	4,696
Disposals	(21)
Transfers	(109)
Balance at 30 June 2009	27,766
Accumulated amortisation and impairment losses	
Balance at 1 July 2007	8,656
Amortisation expense	3,828
Disposals	(3,749)
Transfers	1,853
Balance at 30 June 2008	10,588
Balance at 1 July 2008	10,588
Amortisation expense	3,268
Disposals	(4)
Transfers	(83)
Balance at 30 June 2009	13,769
Carrying amounts	
At 1 July 2007	13,658
At 30 June and 1 July 2008	12,612
At 30 June 2009	13,997

The total of intangible assets in the course of construction (work in progress) and included in the above carrying amounts is \$2,358,000 (\$476,000 2007/08).

12 Creditors and payables

		2009	2008
	Note	\$'000	\$'000
Trade Creditors		3,624	5,937
Levies refundable		1,239	896
Accrued operating expenses		10,662	8,669
Provisions other	13	590	229
GST payable		684	390
		16,799	16,121
Accruals for property, plant and equipment and intangible assets		7	21
Total Creditors and payables		16,806	16,142

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

13 Provisions other

	2009	2008
	\$'000	\$'000
<i>Restructuring Provision</i>		
Opening balance	-	-
Additional provision made in the year	467	-
Charged against the provision in the year	-	-
Unused amounts reversed during the year	-	-
Total Restructuring Provision	467	-
<i>Represented by:</i>		
Current	467	-
Non-current	-	-
Total Restructuring Provision	467	-

The restructuring provision arises from the organisational review conducted in 2009 within the Ministry and is inclusive of anticipated payments in lieu of notice that are not classified as restructuring expenses.

	2009 \$000	2008 \$000
Provision for onerous contracts		
Opening balance	106	288
Additional provision made in the year	-	-
Charged against the provision in the year	(106)	(182)
Unused amounts reversed during the year		
Total Provision for onerous contracts	-	106
Represented by:		
Current	-	106
Non-current	-	-
Total Provision for onerous contracts	-	106

The Ministry had a non-cancellable lease for vacant space in a storage facility at Toop Street in Seaview, Lower Hutt, which it was unable to utilise. The net obligation under this lease agreement was provided for as an onerous contract. The liability for Toop Street expired this year.

	2009 \$000	2008 \$000
Provision for rent		
Opening balance	579	303
Additional provision made in the year	-	853
Charged against the provision in the year	(123)	(577)
Unused amounts reversed during the year	-	-
Total Provision for rent	456	579
Represented by:		
Current	123	123
Non-current	333	456
Total Provision for rent	456	579

The rent provision arises from the rent free period included in the lease of the IPONZ offices at 205 Victoria Street, Wellington.

	Note	2009 \$000	2008 \$000
Provisions			
Represented by:			
Current	12	590	229
Non-current		333	456
Total Provisions		923	685

14 Unearned income

	2009	2008
	\$000	\$000
Radio operations	4,852	3,827
Crown Minerals	5	-
Total Unearned income	4,857	3,827

Unearned income for Radio Operations relates to annual licence fees invoiced at the beginning of the period to which they relate and are received in advance of being recognised as income. Crown Minerals unearned income relates to income received in advance for annual licences and permits.

15 Provision for employee entitlements

	2009	2008
	\$000	\$000
Current liabilities		
Salaries, wages, performance incentives and training accrual	1,677	2,142
Retirement and long service leave	1,202	735
Annual leave	3,812	3,657
Total current portion	6,691	6,534
Non-current liabilities		
Retirement and long service leave	3,940	3,532
Total non-current portion	3,940	3,532
Total Provision for employee entitlements	10,631	10,066

The present value of the retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

The discount rate and salary inflation factor are based on historical data and are not currently varied on an annual basis.

The current liability represents the amount due for potential settlement within the next 12 months.

16 Provision for payment of net surplus

	2009 \$000	2008 \$000
Net surplus/(deficit)	(4,687)	(381)
Add back deficit in:		
Registration and Provision of Statutory Information memorandum account	3,733	1,978
Management and enforcement of the Radiocommunications Act 1989 memorandum account	1,216	1,302
Management of Crown Mineral Estate memorandum account	-	136
Unrealised FX losses	20	-
Total Provision for payment of net surplus	282	3,035

17 Related party transactions and key management personnel

The Ministry is a wholly owned entity of the Crown. The government significantly influences the roles of the Ministry as well as being a major source of its revenue.

The Ministry enters into numerous transactions with other government departments, Crown agencies and State-owned enterprises on an arm's-length basis. These transactions are not considered to be related party transactions.

Apart from those transactions described above, the Ministry has not entered into any related party transactions.

	2009 \$000	2008 \$000
<i>Key management personnel compensation</i>		
Salaries and other short-term employee benefits ⁸	2,567	2,681
Post-employment benefits	-	-
Other long-term benefits	29	4
Termination benefits	14	15
Total key management personnel compensation	2,610	2,700

Key management personnel include the Chief Executive and the seven members of the Senior Leadership Team.

8 Reimbursements to the State Services Commission for the Chief Executive's remuneration are included in this category.

18 Financial instruments

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and foreign currency forward contracts.

	2009 \$000	2008 \$000
Derivative Asset		
FX Contracts – Emissions Trading Implementation	191	-
Total Derivative Asset	191	-
Derivative Liability		
FX Contracts – Emissions Trading Implementation	205	-
Total Derivative Liability	205	-

The notional principal amount of outstanding forward exchange contracts at 30 June 2009 was \$USD125,000 (2008 \$USD nil).

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors and transactions with financial institutions.

The Ministry does not require any collateral or security to support financial instruments with financial institutions that the Ministry deals with, as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

The Ministry uses foreign currency forward contracts to manage foreign exchange exposures. All individual payments above the equivalent of NZ\$50,000 must be made via foreign currency forward contracts. The maximum exposure for all other foreign exchange transactions that the Ministry may have at any one time is NZ\$250,000.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. The Ministry has no significant exposure to interest rate risk on its financial instruments.

Under section 46 of the Public Finance Act 1989, the Ministry cannot raise a loan without Minister of Finance approval, and no such loans have been raised. Accordingly, there is no interest rate exposure for funds borrowed.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected third party revenue receipts and cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

19 Capital management

The Ministry's capital is its equity (or taxpayers' funds), which is comprised of general funds. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

20 Explanation of major variances against budget

Explanations for major variances from the Ministry's estimated figures in the *Statement of Intent* are detailed in the vote sections of the Statement of Objectives and Statement of Service Performance that follow the Department Financials in Section Two.

Significant variances between 2009 actuals and forecasts in the Statement of Financial Position are explained below.

Actual vs Main Forecasts

Debtor Crown is lower as a result of reduced revenue from the Crown due to expenditure savings achieved.

Intangible assets are lower as a result of delays in commencement of information technology projects that were to be funded primarily through capital injections. Taxpayer Funds are lower as a consequence plus are further reduced by a capital repayment to the Crown.

Actual vs Supplementary Forecasts

Cash and Debtor Crown are higher as a result of a greater percentage of annual expenditure being reflected in creditors and payables balances at 30 June than anticipated.

21 Events after balance date

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.

22 Discontinued activities

The activities of the Regulatory Impact Assessment Unit transferred to The Treasury from 1 November 2008.

The Buy Kiwi Made programme finished during the year following the Government's decision in December 2008 that existing obligations would be met but no new media campaign commitments would be entered into.

The Growth and Innovation Advisory Board was disestablished in January 2009 as it was not seen as the most effective forum for engagement with business on economic growth policies. The last full meeting took place in September 2008.

Statement of Departmental Expenditure and Appropriations by Vote

for the year ended 30 June 2009

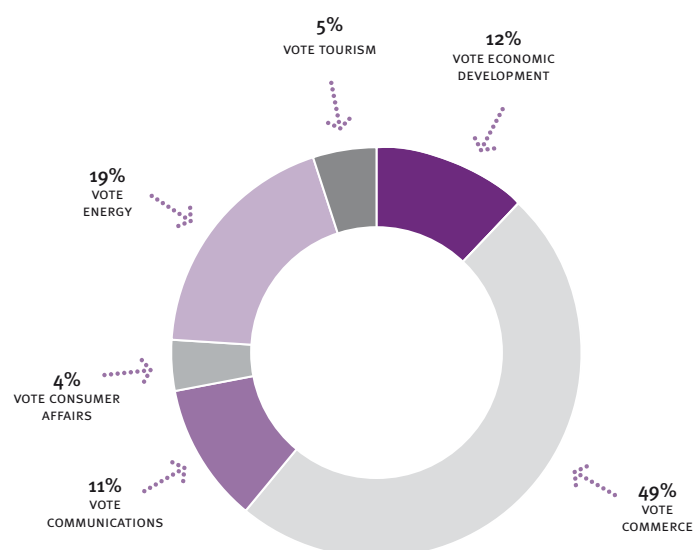
During 2008/09, the Ministry of Economic Development supplied services under 20 departmental output expenses across six Votes.

Appropriations approved for 2008/09 totalled \$154.456 million, and were funded through a mix of Crown (\$95.688 million) and third party (\$55.251 million) revenue.

This funding covered the following types of services:

Activity	2009 Actual \$000	2009 Actual % of Total Funding	2009 Supplementary Estimates \$000	2009 Supplementary Estimates % of Total Funding	2008 Actual \$000	2008 Actual % of Total Funding
Policy advice, Crown funded, relating to strategic priorities (for example, developing, monitoring and overseeing of sustainable economic development policies, business and consumer law, improving regulatory regimes)	53,020	39%	61,152	40%	56,531	43%
Activities principally Crown funded relating to the administration of legislation (for example, trade measurement, trade remedies, insolvencies)	30,230	22%	34,713	22%	28,184	21%
Activities principally third party funded (for example, trade marks registration, Companies Office services, gas and electricity regulation, radio communications)	52,817	39%	58,591	38%	47,225	36%
Total Departmental Output Expenses	136,067	100%	154,456	100%	131,940	100%

The following diagram represents the contribution each Vote makes to the Ministry's total appropriation base.



Departmental Output Expense	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Vote: Economic Development				
Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development	17,193	17,952	15,140	20,382
Policy Advice – Small Business	1,646	1,730	1,536	1,716
Total Vote: Economic Development	18,839	19,682	16,676	22,098
Vote: Commerce				
Policy and Purchase Advice – Business Law and Competition Policy	15,895	16,398	14,653	13,719
Administration of Part II Tariff Concessions	352	352	351	345
Administration of Trade Remedies	1,101	1,100	1,096	957
Registration and Granting of Intellectual Property Rights	13,434	13,447	13,072	11,523
Administration of Insolvencies	13,333	13,410	13,568	12,420
Registration and Provision of Statutory Information	19,453	25,642	22,856	18,804
Total Vote: Commerce	63,568	70,349	65,596	57,768
Vote: Communications				
Policy Advice – Communications	5,794	6,360	4,605	5,123
Management and Enforcement of the Radiocommunications Act 1989	9,853	10,052	9,323	9,856
Administration of Broadband Investment Mechanisms	-	850	797	-
Total Vote: Communications	15,647	17,262	14,725	14,979
Vote: Consumer Affairs				
Policy Advice and Support on Consumer Issues	3,607	3,763	3,639	3,477
Promotion and Enforcement of Measurement and Product Safety	2,210	2,298	2,282	2,151
Total Vote: Consumer Affairs	5,817	6,061	5,921	5,628
Vote: Energy				
Policy Advice on Energy and Resource Issues	6,443	7,108	6,263	5,293
Management of the Crown Mineral Estate	8,114	9,210	9,193	10,203
Administration of Gas and Electricity Regulations	5,609	5,830	4,350	4,239
Provision of Climate Change Unit Register and Information	1,456	1,461	1,199	1,305
Emissions Trading Implementation	4,984	6,384	2,095	1,148
Energy and Resource Information Services	1,328	1,516	1,265	1,328
Energy and Resource Information Services RDA	1,227	1,752	1,600	1,130
Total Vote: Energy	29,161	33,261	25,965	24,646
Vote: Tourism				
Policy Advice – Tourism	7,343	7,841	7,184	6,821
Total Vote: Tourism	7,343	7,841	7,184	6,821
Total Departmental Output Expenses	140,375	154,456	136,067	131,940

Section

2

Statement of Objectives and Statement of Service Performance

Output expense specific performance measures

Details of performance against the generic standards and measures for policy advice provided by the Ministry of Economic Development for the six Votes administered by the Ministry (Quantity, Quality and Timeliness) can be found on pages 123–127.

Vote: Economic Development

Output Expense → Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development

Description

This output expense provides policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development. This includes the development and implementation of the Government's Economic Transformation agenda, Economic Growth agenda; the researching and analysis of factors influencing the capability and performance of firms, industry sectors, and regions; undertaking work on the overall management and adequacy of New Zealand's infrastructure; and the monitoring and evaluation of Crown entities such as New Zealand Trade and Enterprise (NZTE) and the New Zealand Venture Investment Fund (NZVIF).

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress against these priorities.

Improving business support programmes

The Ministry has focused on improving business support programmes by:

- Following an evaluation of NZTE's business assistance grant schemes, these have been consolidated into a smaller, but better targeted single scheme modelled on the Growth Services Fund. This has established clear expectations to firstly, demonstrate that co-funding and related advisory services enables activity that would not otherwise occur, secondly, be well targeted to substantial New Zealand businesses with high growth potential; and thirdly, clearly show net economic benefit to New Zealand. The new fund and associated NZTE services will support firms with the potential for high growth in new or existing markets to build their business capability and develop offshore markets.
- Worked with stakeholders to implement actions arising from the Job Summit and the Assistance for Small Business package.

Developing areas of competitive strength

The Ministry has focused resource on New Zealand's areas of competitive strength by undertaking the following activities:

- Assessed the merits of proposals to create a network of food research development and commercialisation centres. Business plans and cost benefit analyses were completed by 30 June for four regional hubs and a national network entity on which recommendations for Government funding will be developed.
- Worked with Ministry of Agriculture and Fisheries as lead agency on the development of a Primary Growth Partnership to more effectively link research, development and commercial activities in the primary sectors and address impediments to economic growth.
- Established various mechanisms to ensure we are better targeting government support to areas of competitive strength (particularly food, pastoral, tourism and niche manufacturing).
- Provided input into the Aquaculture legislation reforms with a particular focus on economic development.

Bringing an economic development perspective to major government decisions

To June 2009 the Ministry has:

- Provided input into the work on Auckland governance and the review of the Resource Management Act from an economic development perspective.

Progress on work programme set out in 2008 Statement of Intent (SOI)

The information below reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Enterprising and innovative businesses

In the last year, the Ministry has achieved the following:

- Worked actively with the Business Capability Partnership to complete development of the Business Assistance Tool and consider additional initiatives to improve management capability.
- Worked with NZTE to develop an international management education programme to fill a gap in current provision of management capability services in New Zealand.
- Worked to target government resources on New Zealand's areas of competitive strength and helped to ensure research and science institutions are more responsive to business needs and better support business opportunities in our areas of competitive strength.

International linkages

In the last year, to advance economic productivity and international competitiveness the Ministry has achieved the following:

- Worked closely with the Department of Labour to develop a strategy for attracting entrepreneurial migrants.
- The Ministry carried out a Review of Business Assistance, which reviewed the current configuration, effectiveness and delivery of business assistance across MORST, Ministry of Economic Development, NZTE and FRST as well as NZVIF.
- Worked with Australia to examine the economic benefits that may be available regarding participation in the Square Kilometre Array project (global science project) with Australia by examining the economic benefits that may be achievable.
- Participated in the Australian Government's Small Business Ministerial Council to support harmonisation of policy to support New Zealand businesses operating in Australia.
- Worked with Australian officials to develop a new framework of principles and outcomes to accelerate the achievement of a Single Economic Market (SEM). This included working with ministerial councils (regional procurement) and participating in the Commonwealth State and Territory Advisory Council on Innovation (CSTACI).

Efficient, reliable and responsive infrastructure

In the last year, the Ministry has achieved the following:

- Worked with the Ministry of Transport on economic development issues following on from the Freight Study.
- Contributed to resource management reform processes, including the amendment of the Resource Management Act and potential changes to the management of freshwater.
- Worked with Ministry of Civil Defence and Emergency Management (MCDEM) to ensure our respective roles and responsibilities in relation to emergency resilience in the infrastructure sectors are well aligned and understood.

Auckland, a world-class city

In the last year, the Ministry has achieved the following:

- Provided advice on the Auckland governance reforms.
- Facilitated the redevelopment of Auckland's waterfront including through working with the region on options for the release and redevelopment of Queens Wharf.
- Contributed to work by Auckland's councils on an Auckland regional infrastructure inventory and guidelines so that this aligns with national priorities.
- Worked with Auckland City Council to investigate the feasibility of an international convention and exhibition centre.
- Reviewed strengths and weaknesses in the Auckland innovation system, including recommending opportunities to develop key sectors in Auckland.
- Built an evidence base on the Auckland economy and its contribution to New Zealand, including research on industry success factors, agglomeration and productivity performance in the region, and the impact of the economic downturn.

Other activity set out in the 2008 “Information Supporting the Estimates”

The following reports by output on progress with other work, as set out in the 2008 “Information Supporting the Estimates” including (where relevant) assessing our performance against other significant activities of interest.

Growth and Innovation Advisory Board (GIAB)

Provided advisory/secretarial services to GIAB up until its disestablishment in January 2009.

Sector and regional development – Work on the factors that influence the level and quality of economic growth from an industry and regional development perspective. The Ministry Implemented a Buy Kiwi Made Programme through:

- Completion of a successful media campaign which meets stakeholder expectations and programme objectives by 31 March 2009.
- Administration of grants from the Buy Kiwi Made Sector and Regional Initiatives Fund.

The Ministry effectively operated the Enterprising Partnerships Fund (EPF) by:

- Advising Cabinet on preferred projects for the EPF, in liaison with the NZTE Board and other government agencies.
- Finalising contracts for the EPF with successful applicants, including milestones, risk mitigation and payment schedules.

Crown Entity Monitoring – In conjunction with the Ministry of Foreign Affairs and Trade, monitor and report on the financial and non-financial performance of NZTE.

The Ministry has:

- Supported delivery of core Crown entity accountability documents (output agreements, SOIs, annual reports etc) including providing advice on performance measures, funding issues and risk.
- Provided advice and administration on statutory appointments to the NZTE Board in relation to the reappointment of two NZTE Board members and appointment of three new members.
- Advised on the establishment of performance standards for NZTE and monitored delivery against agreed standards provided in accountability documents.

Infrastructure advice – Research and analysis of infrastructure issues not covered under Votes Energy or Communications and directed to improving the contribution of the transport and water sectors, and of infrastructure generally, to economic development.

Provided advice to the Government on overarching infrastructure issues not covered under Votes Energy and Communications such as implementing a new policy framework for the management of utilities in road and rail corridors. The Bill was tabled in the House in August 2009.

Major events and Rugby World Cup – Provision of secretariat services to the Inter-Agency Events Group (IAEG) and the outputs associated with the Major Events Development Fund. The output also covers the ongoing coordination of the Government’s involvement in supporting the successful delivery of the Rugby World Cup tournament in 2011.

Major events

- A major events policy review was undertaken and the Minister was briefed on the outcomes in May. Outcomes and results are expected to be reported to Cabinet in September 2009.
- A major events “landscape” project was completed in May 2009 that involved consultation with regional stakeholders and mapped out a major events calendar to inform planning over the next 10 years.

Rugby World Cup 2011

- A paper was submitted to Cabinet in June 2009 outlining the Government’s high level approach to planning and preparations for the Rugby World Cup.
- The June Cabinet paper outlined the Government’s high level aspiration for a Rugby World Cup legacy and leverage programme and included a progress update on other key Rugby World Cup initiatives.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	17,063	17,774	14,943	20,211
Other	130	178	197	171
Total Revenue	17,193	17,952	15,140	20,382
Expenses:				
Annual appropriations	17,193	17,952	15,140	20,382
Other appropriations	-	-	-	-
Total Expenses	17,193	17,952	15,140	20,382
Net Surplus/(Deficit)	-	-	-	-

Revenue other was derived from inter-departmental recovery.

Major variances

The variance between 2007/08 and 2008/09 for actual expenses mainly reflects increased costs related to the Rugby World Cup legacy and leverage work offset by termination of the Buy Kiwi Made Campaign and Growth and Innovation Advisory Board (GIAB) part way through 2008/09.

The Supplementary Estimates increase reflects increased funding related to the New Zealand Innovation Centre \$3 million, the Rugby World Cup Legacy Project \$650,000, costs for Buy Kiwi Made Project \$601,000, the Transformational Initiatives Pilot \$600,000, the Client Relationship Database Project \$100,000, the Statistics New Zealand Longitudinal Business Database Project \$100,000, the Dialogue and Skilful Conversations Project, \$50,000 and KiwiSaver and SSRSS SSC reimbursement \$48,000 offset by savings achieved through the value for money review \$3.390 million which includes \$2.250 million

from stopping the implementation of the New Zealand Innovation Centre and funding given up to assist Small to Medium Enterprises (SMEs) facing difficulties in the current economic climate.

The variance between Supplementary Estimates and Actual results of \$2.812 million reflects further savings from stopping the implementation of the New Zealand Innovation Centre, \$728,000, the development of a programme of work on the national interest legacy of the Rugby World Cup 2011 which has progressed more slowly than originally planned \$633,000, some projects working with large firms to develop and implement initiatives which meet Government objectives have been postponed, \$600,000, a reduction on policy advice in cross-sector infrastructure issues, \$488,000 and the delay in commencing projects related to the Auckland Research Programme, \$233,000.

Output Expense ➡ Policy Advice: Small Business

Description

This output expense provides policy advice on issues relating to lifting the capability and performance of Small to Medium Enterprises (SMEs), including development, co-ordination and implementation of policy advice concerning SMEs,

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress against these priorities.

Supporting small businesses through the economic crisis

- ➡ Produced the 2009 Structure and Dynamics report – a comprehensive report on the composition, activity and output of small businesses in New Zealand.
- ➡ Developed, with NZTE and BIZ networks, a health check to assist businesses and agencies determine what help a business needed to survive through the economic downturn.
- ➡ Contributed to the development of the Small Business Package which was announced in February 2009.

Improving the regulatory environment for small business

- ➡ Implemented technical changes to the Business Cost Calculator (BCC) to enhance the consistency of calculation of compliance costs imposed on businesses by new regulation.
- ➡ Delivered training and provided ongoing support to agencies using the BCC.

Improving government agency-small business communication

- ➡ Organised 12 SME related events at which information relevant to SMEs was disseminated and/or gathered to improve the communication between SMEs and government.
- ➡ Administered the Small Business Advisory Group (SBAG) and facilitated their input into a range of government policy initiatives including taxation, employment law and occupational health and safety.

Develop better understanding of the impact of the economic downturn on small businesses (job summit initiative)

- ➡ Developed an employment and credit survey which was run in February and May.
- ➡ Results of survey and informal intelligence gathered and presented to Ministers in May 2009.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Enterprising and innovative businesses and ease of doing business

To better understand the international business environment for SMEs the Ministry:

- Organised and participated in two APEC seminars on the business environment for SMEs, including hosting a seminar on "Trading Across Borders" in New Zealand.

To improve the quality of business interactions with government the Ministry:

- Evaluated and updated the Business Consultation website.
- Ran a series of information seminars for small businesses around New Zealand to inform them of the tools and services available from government agencies.
- Facilitated SBAG input into government policy development.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	1,636	1,666	1,518	1,687
Other	10	64	18	29
Total Revenue	1,646	1,730	1,536	1,716
Expenses:				
Annual appropriations	1,646	1,730	1,536	1,716
Other appropriations	-	-	-	-
Total Expenses	1,646	1,730	1,536	1,716
Net Surplus/(Deficit)	-	-	-	-
Sources of Revenue Other			\$000	\$000
Inter-departmental cost recovery			17	14
Miscellaneous			1	15
Total Revenue Other			18	29

Major variances

The Supplementary Estimates increase reflected the transfer of work from 2007/08 to 2008/09 relating to the Business Cost Calculator project \$200,000, an inter-departmental transfer of funding for the Ease of Doing Business Seminars \$33,000 and an adjustment relating to the State Sector Retirement Savings Scheme \$21,000, partially offset by an expense transfer from 2008/09 to 2009/10 due to a delay in the current year relating to Research into the Capability of Small Businesses to Comply with Government Regulations \$50,000 and savings of \$120,000.

The decrease between Supplementary Estimates and actual expenses was primarily due to further delays on the Business Compliance Cost Calculator project. This resulted in an under-spend of \$194,000. An expense transfer has been approved to allow carry-over of funding into 2009/10 of up to a maximum of \$110,000.

The decrease between the 2008/09 and 2007/08 actual expense is primarily due to additional funding received in 2007/08 only relating to the small business seminar.

Vote: Commerce

Output Expense → Policy and Purchase Advice – Business Law and Competition Policy

Description

This output expense provides advice on the effective and low-cost regulation of economic activity. It includes strategic and technical policy advice on the creation and maintenance of a regulatory environment that provides greater certainty for, and positively encourages business innovation and growth.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress against these priorities.

Confidence in the Financial Market

Implementation of the Financial Advisers Act 2008 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008

The Ministry implemented parts of the Acts pertaining to the register of financial service providers and the reserve scheme for consumer dispute resolution, prepared various regulations and commencement orders, secured the necessary funding for the regime, and supported the Minister in the search and appointment of the Commissioner for Financial Advisers.

Report from the Capital Market Development Taskforce

The Ministry supported the work of the Capital Market Development Taskforce, including by supporting a number of short term measures to allow firms to more easily raise capital, such as amendments to the Securities Act to provide for a simplified disclosure prospectus and amendments to securities regulations and to NZX listing rules.

Advancement of international linkages

The Single Economic Market (SEM)

The Ministry progressed work under the Memorandum of Understanding on Business Law Coordination. The Ministry worked with Australian officials to develop a new framework of principles and proposed outcomes for the achievement of the SEM. The Ministry also participated in the Cross Jurisdictional Review Forum to help shape recommendations to Heads of Government on the review of the Trans-Tasman Mutual Recognition Arrangement (TTMRA).

Negotiation of Transpac

Substantive preparations have been undertaken for the planned Trans-Pacific Partnership negotiations.

Effective Competition Law supported by strong governance

Implementation of Commerce Amendment Act 2008

The list of consumer-owned electricity lines businesses under Part 4 of the Commerce Amendment Act was gazetted in March 2009. Levy regulations under the Act came into effect in June 2009.

Capability building within the Commerce Commission

The review of the Commerce Commission's baseline was completed to determine the level of resources and funding the Commission needed to perform the full range of its statutory functions in an effective manner. The Ministry also supported the Commission in a review of its performance measures.

Work in partnership with the Treasury to develop and implement a regulatory review programme and provide the Government with advice on general and specific improvements to the regulation-making system (including advice on international best practice)

The Ministry worked with Treasury (lead) to produce the Cabinet paper *Regulatory Review Programme for 2009 and 2010* seeking approval for a programme of reviews of significant and pervasive regulatory regimes. Together with Treasury, the Ministry reported to the Minister of Finance and Minister for Regulatory Reform on how to achieve the Government's regulatory goals (improvements to the regulatory system).

Eliminating redundant, ineffective and unnecessary regulation and red tape affecting business

The Ministry (lead) worked with Treasury to produce the Cabinet paper *Removal of Inefficient and Superfluous Regulation - Immediate Reforms and Reviews*. This paper obtained agreement to progress a range of immediate/discrete regulatory reforms to reduce red tape and compliance costs. It will be the first of a series of papers to address these objectives. The Ministry provided ongoing advice to the Minister for Regulatory Reform on progressing issues identified in the Cabinet paper *Removal of Inefficient and Superfluous Regulation - Immediate Reforms and Reviews*.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Enterprising and innovative businesses

A number of online tools and applications were developed to be used by businesses and business advisers to improve business environmental performance. The Envirostep online environmental management tool for SMEs was developed and launched on 15th July 2009. This tool provides New Zealand businesses with a nationally standardised approach for assessing and reporting business environmental performance. The merits of a certification regime are being evaluated.

The Australian and New Zealand Government Framework for Sustainable Procurement, category standards and targets and training programs for government procurers was implemented across government agencies throughout 2008/2009.

On 18 May 2009 Cabinet agreed to a reform agenda to transform government procurement policy and practice. The focus of the four-year reform programme is to improve state sector productivity and efficiency, increase the opportunities for New Zealand businesses to participate in government contracts, and to release fiscal savings for use in other priority areas.

International linkages

The Australia-ASEAN-New Zealand Free Trade Agreement (FTA) negotiation, and also the FTA with Malaysia were concluded. The Ministry has continued to implement the China FTA aimed at reducing compliance costs of trade

Regulatory Reform Omnibus Bill

The Regulatory Improvement Bill had its first reading in May 2009.

The legislative bid for the 2009 Regulatory Reform Omnibus Bill was submitted in February 2009. The Bill was given a Category 3 priority on the 2009 Legislation Programme.

and providing better assurance of the safety of imported products from China. FTA negotiations are ongoing with Hong Kong, Korea and the Gulf Cooperation Council. Substantial progress was also made towards updating the Mutual Recognition Arrangement (MRA) with the European Union.

Dynamic and trusted markets

Various pieces of legislation were passed during the year, including the Financial Advisers Act, Financial Service Providers (Registration and Dispute Resolution) Act, Commerce Amendment Act and the Companies (Minority Buy-out Rights) Amendment Act. The Copyright (New Technologies and Performers' Rights Amendment) Act came into force. The following bills were introduced and The Ministry continues to support their passage through the House – Patents Bill, Trade Marks (International Treaties and Enforcement) Amendment Bill, Securities Disclosure and Financial Advisers Amendment Bill, Settlement Systems and Futures Bill, Trade (Safeguard Measures) Bill, and the Standards and Accreditation Bill.

The Ministry completed a review of the merger and trade practice clearance and authorisation processes under the Commerce Act, and commenced the review of the financial reporting framework and auditor regulation.

The Ministry participated in Anti-Counterfeiting Trade Agreement negotiations and attended two sessions of the World Intellectual Property Organization - Inter-Governmental Committee on Intellectual Property, Traditional Knowledge and Folklore.

The Ministry concluded the first phase of the traditional knowledge work programme (capacity building and information sharing) and contributed to a cultural redress package as part of the Ngati Toa settlement.

Ease of doing business

To achieve this objective the Ministry has:

- Developed a system for identifying Ministry administered regulation that requires review in order to remain fit for purpose.
- Provided advice to other agencies on how to think about business compliance costs of regulation early in the policy development stage.
- Worked with the Treasury to develop a programme of reviews of major regulatory regimes. The Ministry has a joint role with the Treasury in providing oversight and quality assurance for all of the reviews under the government's Regulatory Review Programme. The Ministry has provided input into reviews of the Building Act 2004, Overseas Investment Act 2005, Food Act 1981, Holidays Act 2003, Employment Relations Act 2000, Resource Management Act 1991

(Phase 2), Climate Change Response Act 2002, Dairy Restructuring (Raw Milk) Regulations 2001, Electricity Institutional Arrangements, Telecommunications Act 2001, and Weathertight Homes Resolution Services Act 2002.

The Ministry prepared the guidance document *Regulating for Success: A Framework*, which sets out a comprehensive regulatory framework to remove unnecessary and excessive costs and improve the way government regulates. Work has continued to refine the document.

The Ministry obtained Australia's agreement to New Zealand's participation in the Australian Productivity Commission's 2009 benchmarking studies on the costs imposed on business by occupational health and safety regulation and food safety regulation, and is leading New Zealand's involvement.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Business Environment, Business Law and Competition Policy – The provision of policy advice on corporate and commercial law

Corporate and Competition Policy

The Ministry released a discussion paper on franchising and analysed 32 submissions before providing advice to the Minister. Cabinet made the decision not to introduce franchise specific regulation in May 2009.

The Ministry reported to the Minister and sought Cabinet's decisions on proposals for a governance framework for mutual financial institutions. A legislative bid for a Mutual Financial Institutions Bill was submitted and given a Category 4 priority on the 2009 Legislation Programme. Work is ongoing to further develop the Bill.

Intellectual Property Law Reform

The Ministry progressed stage 1 of the review of the role of the intellectual property system in driving productivity; coordinated the World IP Day event to raise awareness of intellectual property, including attendance of Ministers and key industry stakeholders and is currently reviewing section 92A of the Copyright Act.

Crown Entity Monitoring – Monitor and report to the Minister on the financial and non-financial performance of six Crown entities and various statutory Boards.

The Ministry supported the Minister in monitoring the Crown entities under the Commerce portfolio by providing quarterly and six-monthly reports, completing baseline reviews of the Commerce and Securities Commissions a review of the financial performance of the Standards Council, and completing the following appointments:

- Accounting Standards Review Board (ASRB) – 1
- Commerce Commission – 5
- Copyright Tribunal – 1
- Joint Accreditation System of Australia and New Zealand (JAS-ANZ) – 1
- Securities Commission – 4
- Takeovers Panel – 4
- Temporary Safeguard Authorities – 2

During the year the Ministry supported the Crown entities in developing their budget bids, statements of intent and key performance indicators.

Business Facilitation Policy – The provision of strategic, economic and technical policy advice on enhancing the effectiveness of and reducing the costs to business from compliance with laws and regulations.

Regulatory Policy

The Ministry reported to the Minister of Commerce on 3 December 2008 on the nature and scope of the Regulatory Reform portfolio and the relationship between that portfolio and work undertaken on reducing the regulatory burden under other portfolios. This report contained the Ministry's recommendations for priority areas for further review of existing regulations. The Ministry also reported to the Ministers of Commerce and Finance on 4 December 2008 on possibilities for immediate regulatory reform in response to a request from the Minister for Regulatory Reform.

Regulatory Impact Analysis

The Regulatory Impact Analysis function transferred to Treasury on 1 November 2008. A secondeed from the Ministry Regulatory Impact Analysis Unit assisted with the transition for three months and ongoing assistance is provided to the Treasury on an informal basis.

Standards and Conformance

Agreement was reached with China to amend the Electrical and Electronic Equipment Mutual Recognition Arrangement to include electrical products of export interest to New Zealand. This will be effected through an exchange of letters. The Ministry facilitated the participation of the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) and International Accreditation New Zealand (IANZ) in a training course on the China Compulsory Certification mark system.

The Ministry provided the Secretariat for the Regulator's Forum. The Forum met four times over the year, including a workshop on standards based regulatory systems, co-hosted with the Law Commission and Standards New Zealand.

JAS-ANZ, IANZ and the National Association of Testing Authorities are developing a memorandum of understanding regarding acceptable areas of cooperative work. The three accreditation bodies are also undertaking a pilot project in the area of electrical product certification in New Zealand and Australia.

Trade Policy and Rules – Policy advice on New Zealand's tariff and trade remedies positions to support industry competitiveness.

The Ministry has continued to actively participate in the WTO Doha Round negotiations on trade remedies to support New Zealand policy positions in relation to the interests of both New Zealand manufacturers and exporters. A Ministry official supports the Chair of the WTO Rules Committee.

Environmental Policy – Provide policy advice on the impact of environmental measures on economic development with a particular focus on the Hazardous Substances and New Organisms Act (HSNO) and multilateral environmental agreements that impact directly on New Zealand businesses.

The Ministry participated in a working group and attended a Meeting of Parties of the Montreal Protocol to progress discussions on the management of quarantine and pre-shipment uses of methyl bromide. Discussions are still ongoing. The Ministry attended two Implementation Committee meetings to continue to fulfil New Zealand's role in this forum as the JUSCANZ (Japan, United States, Canada, Australia and New Zealand) representative.

- ➔ During 2008/09, 18 export permits, 37 import permits and 3 transit permits were processed reflecting the marked increase in this trade over the past few years, especially in waste electronic equipment.
- ➔ Over the 2008 calendar year, 291 import permits and 41 export permits were issued for movement of ozone depleting substances.

Ozone: A report was produced and sent to the Secretariat for the 2008 calendar year. Imports: 587 tonnes. Exports: 21 tonnes.

Hazardous waste: Reporting data was issued to the Ministry for the Environment as part of their 2007 report to the Basel Secretariat. Imports: 14,519 tonnes. Exports: 12,909 tonnes.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	15,650	16,036	14,442	13,499
Other	245	362	211	220
Total Revenue	15,895	16,398	14,653	13,719
Expenses:				
Annual appropriations	15,895	16,398	14,653	13,719
Other appropriations	-	-	-	-
Total Expenses	15,895	16,398	14,653	13,719
Net Surplus/(Deficit)	-	-	-	-
Sources of Revenue Other			\$000	\$000
Inter-departmental cost recovery			211	187
NZAID Programme			-	33
Total Revenue Other			211	220

Major variances

The \$503,000 increase between the Main Estimates and the Supplementary Estimates reflects \$1.425 million of expense transfers into 2008/09 for KiwiSaver evaluation, cooperation trips to Japan and China, baseline review of Commerce Commission, eco-verification projects, investment strategic priority project, sector studies and business cost assessment and Ozone Layer Protection Act permits database. Additional increases of \$688,000 related to the growth and Innovation Fund (GIF) Travel fund and NZ Aid programme and \$70,000 for KiwiSaver and the State Sector Retirement Savings Scheme (SSRSS). These increases are partially offset by \$1.360 million for expense transfers to 2009/10 for sector advisory boards, eco-verification, free trade agreements, Capital Market Development Taskforce and delay in implementation of Part 3 of the Financial Service Providers (Registration and Dispute Resolution) Act and \$320,000 for the transfer of the Regulatory Impact Analysis Unit functions from the Ministry to the Treasury.

The \$1.745 million variance between the Supplementary Estimates and the Actual reflects reduced activity in the review of occupational regulation, GIF resources travel for trade negotiations, hazardous wastes and ozone databases and the Financial Advisers Act Assessment System Development.

The \$934,000 increase between the 2008 and 2009 Actuals reflects the establishment of the Capital Market Taskforce, the Financial Regulation Infrastructure and Standards & Conformance Infrastructure Review in 2008/2009, Commerce Act review of airports, review of Crown Entity funding, KiwiSaver evaluation and Government Electronic Tenders Service (GETS) review and contribution to National Strategy work on Health procurement offset in part by Eco-verification projects and the transfer of the Regulatory Impact Analysis unit to Treasury.

Output Expense ➔ Administration of Trade Remedies

Description

This output expense provides investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges. The investigative service is conducted under the Temporary Safeguard Authorities Act 1987 and the Dumping and Countervailing Duties Act 1988 in relation to dumped and subsidised goods.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Dynamic and Trusted Markets

The Ministry has achieved this by providing WTO-based trade remedies to New Zealand producers against injurious unfairly-traded imports. This has allowed New Zealand producers to compete against imported goods on a level playing field. Over the year the Ministry worked on 10 investigations based on applications from New Zealand manufacturers.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Administration of Trade Remedies

Quantity

During the year, 10(9) product-by-country investigations, reviews and re-assessments resulting from applications from New Zealand industries were actioned.

Quality

Investigations:

- ➔ Were recognised by the parties involved as consistent with the requirements of either the Dumping and Countervailing Duties Act 1988 or the Temporary Safeguard Authorities Act 1987.
- ➔ Provided no grounds for successful court challenges during that period or successful WTO dispute settlement action against New Zealand.

Timeliness

- ➔ Interested parties were advised of essential facts and conclusions on which a final determination was based no later than 150 days from initiation in 100% (100%) of cases.
- ➔ 100% (100%) of final reports were submitted to the Minister of Commerce to enable the Minister to make a final decision no later than 180 days from initiation of an investigation.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	1,084	1,084	1,075	942
Other	17	16	21	15
Total Revenue	1,101	1,100	1,096	957
Expenses:				
Annual appropriations	1,101	1,100	1,096	957
Other appropriations	-	-	-	-
Total Expenses	1,101	1,100	1,096	957
Net Surplus/(Deficit)	-	-	-	-
Sources of Revenue Other			\$000	\$000
Inter-departmental cost recovery			21	15
Total Revenue Other			21	15

Major variances

The \$139,00 increase between the 2007/08 and 2008/09 Actuals reflects a transfer of \$100,000 in 2007/08 from Administration of Trade Remedies to Policy and Purchase Advice to meet fiscal pressures associated with increased legislative reform in the financial services and business regulation areas. In addition unanticipated legal fees were incurred in relation to the Dumping and Countervailing Duties Act in 2008/09.

Output Expense ➔ Administration of Part II Tariff Concessions

Description

This output expense provides for the administration of tariff concessions, as required under section 8 of the Tariff Act 1988, through the timely assessment of applications by importers for exemption from import duties as defined by the tariff concessions policy.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Dynamic and Trusted Markets

The Ministry has achieved this by efficiently administering the Part II tariff concessions system. Over the year the Ministry processed 420 applications, of which 367 applications for the duty free entry of imported goods were approved. These approvals assist New Zealand manufacturers to become more internationally competitive by reducing their input and production costs or provide consumer welfare benefits by reducing the costs of imported goods.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Timeliness

- ➔ Made 96% (90%) of final decisions on complete applications within 60 (60) days of receipt.
- ➔ Made 99% (90%) of initial decisions to advertise or decline an application lodged by an importer within 7 (7) days of receipt.

Administration of Part II Tariff Concessions

Quantity

- ➔ Processed 420 (400) tariff concession applications throughout the year.

Quality

Processes complied with the standards in Ministerial delegations and the policies in the Tariff Concessions Guidance Manual with no (fewer than 1%) review decisions reversed on appeal.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	-	-	-	-
Other	361	361	143	165
Total Revenue	361	361	143	165
Expenses:				
Annual appropriations	352	352	351	345
Other appropriations	-	-	-	-
Total Expenses	352	352	351	345
Net Surplus/(Deficit)	9	9	(208)	(180)
Sources of Revenue Other			\$000	\$000
Inter-departmental cost recovery			141	163
Concession Administration Fees			2	2
Total Revenue Other			143	165

Major budget variances

The variance between the Supplementary Estimates and the Actual Revenue reflects declining revenue from tariff concession application fees from importers for exemption from import duty.

Output Expense ➔ Registration and Granting of Intellectual Property Rights

Description

This output expense provides services relating to the administration of legislation providing for the protection of intellectual property rights in New Zealand by granting patents under the Patents Act 1953, registering trade marks under the Trade Marks Act 2002, registering designs under the Designs Act 1953, granting plant variety rights under the Plant Variety Rights Act 1987, providing registers of information relating to intellectual property, conducting hearings, and acting as a Receiving Office for the World Intellectual Property Organization.

This output contributes to achieving the business outcomes: Dynamic and Trusted Markets and Ease of doing business.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Other activity set out in the 2008 “Information Supporting the Estimates”

The following reports on progress with other work, as set out in the 2008 “Information Supporting the Estimates” including (where relevant) assessing our performance against other significant activities of interest.

Patents – Administration of legislation providing for the protection of intellectual property rights in New Zealand by granting patents under the Patents Act 1953 and providing registers of information relating to intellectual property.

Trade Marks and Designs – Administration of legislation providing for the protection of intellectual property rights in New Zealand by registering trade marks under the Trade Marks Act 2002, registering designs under the Designs Act 1953 and providing registers of information relating to intellectual property.

Plant Variety Rights – Administration of legislation providing for the protection of intellectual property rights in New Zealand by granting plant variety rights (PVR) under the Plant Variety Rights Act 1987 and providing registers of information relating to intellectual property.

Quantity

- ➔ 6,001 (5,500) new patent applications.
- ➔ 9,714 (9,700) patent renewals.
- ➔ 1,273 (1,200) new design applications.
- ➔ 1,148 (680) design renewals.
- ➔ 29,720 (29,600) new applications for trade marks (classes).
- ➔ 13,922 (11,200) trade mark renewals.
- ➔ 134 (150) new PVR applications.
- ➔ 876 (960) PVR renewals.

Quality

- ➔ 99% (99%) of decisions to accept, grant or register intellectual property rights made by the Intellectual Property Office and the Plant Variety Rights Office will be upheld.
- ➔ 99% (99%) of decisions not to accept, grant or register intellectual property rights made by the Intellectual Property Office and the Plant Variety Rights Office will be upheld.

Timeliness

- ➔ At least 98% (98%)¹ of completed applications will be receipted, acknowledged and a filing date confirmed within one clear business day of receipt.
- ➔ At least 95% (95%) of completed trade mark and design applications will be examined, and a compliance or examination report issued, within five clear business days of receipt.
- ➔ At least 95% (95%) of completed standard patent applications will be examined and an examination report issued within 20 clear business days of receipt.
- ➔ At least 90% (90%) of incoming examination correspondence will be responded to within 15 clear business days of receipt².

¹ A completed application is one where all information required by the relevant legislation has been provided, and the prescribed fees have been paid in full.

² Trade Mark examination correspondence is defined as standard trade mark mail and excludes Certification Marks, Rejections and Evidence of Use.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	85	85	85	85
Other	13,554	13,567	13,247	13,947
Total Revenue	13,639	13,652	13,332	14,032
Expenses:				
Annual appropriations	13,434	13,447	13,072	11,523
Other appropriations	-	-	-	-
Total Expenses	13,434	13,447	13,072	11,523
Net Surplus/(Deficit)	205	205	260	2,509
Sources of Revenue Other			\$000	\$000
Trademark applications			2,911	3,572
Trademark renewals			3,381	3,289
Patent applications			1,862	2,105
Patent renewals			3,971	3,979
Other Fees			892	868
Total Fees			13,017	13,814
Interdepartmental cost recovery			75	72
Miscellaneous			155	61
Total Revenue Other			13,247	13,947

Major budget variances

Revenue other is reduced in 2008/09 from both last year's actuals and the Supplementary Estimates as new applications of trademarks and patents have reduced in the latter part of the year as a result of economic conditions.

The expense variance between 2007/08 and 2009 reflects marginal cost increases in processing the carry over of increased volumes from 2007/08.

Output Expense ➔ Administration of Insolvencies

Description

This output expense provides services relating to the administration of bankruptcies and liquidations by the Official Assignee pursuant to the Insolvency Act 2006 and the Companies Act 1993, the management or disposal of property restrained or forfeited under the Proceeds of Crime Act 1991, and provides enforcement functions under the Insolvency Act 2006.

This output expense contributes to achieving the business outcomes: Dynamic and Trusted Markets and Ease of Doing Business.

The Service was recognised for its implementation of the Insolvency Law Reform Implementation Project by being awarded Public-Private Sector Partnership and Supreme Winner at the Vero Excellence in Business Support Awards 2009 and Networked Government Award Category Winner at IPANZ Gen-I Public Sector Excellence Awards 2009.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Other activity set out in the 2008 “Information Supporting the Estimates”

The following reports on progress with other work, as set out in the 2008 “Information Supporting the Estimates” including (where relevant) assessing our performance against other significant activities of interest.

Bankruptcies and Liquidations – Administration of No Asset Procedures, Summary Instalment Orders, Bankruptcies and Liquidations by the Official Assignee pursuant to the Insolvency Act 2006 and the Companies Act 1993.

Proceeds of Crime – Management or disposal of property restrained or forfeited under the Proceeds of Crime Act 1991 and the provision of enforcement functions under the Insolvency Act 2006.

Quantity

- ➔ 2,564 (2,500) Bankruptcy cases administered.
- ➔ 257 (1,200) Summary Instalment Order cases administered.
- ➔ 376 (150) liquidation cases administered.
- ➔ 2,833 (2,000) No Asset Procedure Orders made.
- ➔ 32 (35) Proceeds of Crime orders administered.
- ➔ \$44.4 million (\$27 million) of estates managed.

Quality³

- ➔ The Ministry achieved a level 2 (level 2) rating for administration of insolvencies based on an internal audit programme.
- ➔ The Ministry achieved a level 1 (level 2) rating for the management of proceeds of crime orders based on an internal audit programme.

Timeliness

- ➔ 78%⁴ (80%) or more of insolvency cases that are between six months and one year old were closed.
- ➔ 93% (90%) or more of insolvency cases that are between one and two years old were closed.
- ➔ 98% (95%) or more of insolvency cases that are between two and three years old were closed.
- ➔ 81% (80%) of No Asset Procedure and Bankruptcy applications were reviewed within two working days of receipt of the application.
- ➔ 81% (80%) of Summary Instalment Order applications were reviewed within two working days of receipt of the supervisor’s consent to act.

3 The internal audit programme rates the quality of estate administration on a rating level of 1 to 5, with 1 being the highest and 5 being the lowest. Each rating level is defined as follows: 1 is a high level of compliance; 2 is an acceptable level of compliance; 3 is a marginal level of compliance; 4 is an unacceptable level of compliance; 5 the office does not comply.

4 The increase in volumes (51 percent) and complexity of cases reduced the closure rate this year.

Costs

	2009 Main Estimates	2009 Supplementary Estimates	2009 Actual	2008 Actual
(Figures are GST exclusive)	\$000	\$000	\$000	\$000
Revenue:				
Crown	12,326	12,326	12,326	11,458
Other	1,723	1,800	1,205	971
Total Revenue	14,049	14,126	13,531	12,429
Expenses:				
Annual appropriations	13,333	13,410	13,568	12,420
Other appropriations	-	-	-	-
Total Expenses:	13,333	13,410	13,568	12,420
Net Surplus/(Deficit)	716	716	(37)	9
Sources of Revenue Other			\$000	\$000
Fees and Commissions			1,062	834
Interdepartmental cost recovery			143	137
Total Revenue Other			1,205	971

Major budget variances

The variance between the Supplementary Estimates and actual Revenue Other arises from the Official Assignee managing greater numbers of bankruptcies and company liquidations with insufficient assets, and whilst greater than in 2008, has resulted in lower than forecast commissions being received in 2009.

The variance between 2008 and 2009 Actual is due to the final stages of implementation of the Insolvency Act 2006 and the increasing volumes of matters in the hands of the Insolvency and Trustee Service.

Output Expense ➔ Registration and Provision of Statutory Information

Description

This output expense provides services relating to the registration and provision of a range of documents and information required to be filed on a public record by corporate and non-corporate entities, insurance and superannuation funds including under the KiwiSaver Act 2006, issuers of securities and holders of securities over personal property interests, motor vehicle traders, and the provision of information services related to the same. It also provides a prosecution and enforcement function under the Companies Act 1993, Securities Act 1978 and Corporations (Investigation and Management Act) 1989.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

- ➔ In the 2009 World Bank 'Doing Business' survey (released in September 2008) New Zealand maintained its second place ranking behind Singapore for overall ease of doing business.
- ➔ New Zealand maintained its position in relation to opening and closing a business in the annual World Bank survey.

- ➔ The Companies Office maintained its position as the most helpful government agency in the annual KPMG Compliance Survey.
- ➔ The Business Portal work was transferred from New Zealand Trade and Enterprise (NZTE) to the Ministry in November 2008. The scope of this work changed during the year as directed by the government. The key outcome, however, was a confirmation from both businesses and intermediaries that the focus of such a programme should be on creating a more user-friendly and simplified reporting structure between business and government, in particular, reducing duplication in reporting requirements across government.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Companies Office – Provision of services relating to the registration and provision of a range of documents and information required to be filed on a public record by corporate and non-corporate entities, holders of securities over personal property interests, motor and enforcement functions and the prosecution and enforcement activities under the Companies Act 1993, Securities Act 1978 and Corporations (Investigation and Management Act) 1989.

Quantity

Number of documents filed:

- ➔ 47,897 (55,400) company incorporations of which 100% were electronic.
- ➔ 913 (900) incorporations of incorporated societies, all of which were manual.
- ➔ 1,202 (749) incorporations of other entities, all of which were manual.
- ➔ 88,400 (88,400) name approvals of which 99% (100%) were electronic.
- ➔ 855 (604) prospectuses filed.
- ➔ 461,625 (394,003) annual returns filed of which 99% (100%) were electronic.
- ➔ 476,801 (413,800) personal property security interest registrations and re-registrations.
- ➔ 32,922 (45,000) company dissolutions actioned.
- ➔ 1,220 (1,500) incorporated society dissolutions actioned.

- 2,627,212 (2,330,000) Personal Property Securities Register electronic searches conducted.
- 3,365,290 (6,300,450) free electronic company searches conducted.⁵

Quality

- 99% (99%) of data entered onto the register were free of material errors to meet the required ISO certified quality standards.
- 99% (99%) of images uploaded onto the register meet the required ISO certified quality standards to ensure clarity, accuracy and completeness.
- The Companies Office remained certified to ISO 9001:2000 quality standards.

Timeliness

- The Companies Office websites were available for searching and registration where the legislation permits, 99% (99%) of the time, over a 24/7 base (allowing for scheduled maintenance or an unplanned systems outage).
- 99% (99%) of all online transactions were registered within 35 (45) minutes of receipt.

Insurance and Superannuation Unit – Provision, as appropriate, of services relating to the registration and provision of a range of documents and information required to be filed on a public record by insurance companies and registered superannuation schemes, under the relevant legislation being the Life Insurance Act 1908, Insurance Companies' Deposits Act 1953, Insurance Companies (Ratings and Inspections) Act 1994 or the Superannuation Schemes Act 1989.

Quantity

- 553 (524) Trustee Annual Reports filed.
- 26 (24) new scheme registrations actioned.

Quality

- All (all) Trustee Annual Reports were audited.

Timeliness

- Audits were completed within 5 (5) business days between December and July, and within 15 (15) business days between August and November.

KiwiSaver – Provision of services relating to the registration, prudential supervision and public register requirements for KiwiSaver Schemes registered under the KiwiSaver Act 2006.

Quantity

- 50 (46) KiwiSaver Trustee Annual Reports actioned.
- 0 (8) new or bolt on KiwiSaver scheme registrations actioned⁶.

Quality

- All (all) Trustee Annual Reports were audited.

Timeliness

- Audits are completed within 5 (5) business days between December and July, and within 15 (15) business days between August and November.

⁵ Variance directly related to demand driven activity.

⁶ The variance between actual and forecast reflects the continued growth trend forecast at the beginning of the year not eventuating.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	376	5,995	4,657	457
Other	16,885	17,455	14,607	16,716
Total Revenue	17,261	23,450	19,264	17,173
Expenses:				
Annual appropriations	19,453	25,642	22,856	18,804
Other appropriations	-	-	-	-
Total Expenses	19,453	25,642	22,856	18,804
Net Surplus/(Deficit)	(2,192)	(2,192)	(3,592)	(1,631)
Sources of Revenue Other			\$000	\$000
Annual return fees			90	143
PPSR Internet searching fees			2,119	2,234
Incorporation of companies			6,657	8,113
PPSR registration			1,271	1,605
Name approval			717	865
Motor vehicle trader registration			932	1,050
Late filing fees			371	394
Retirement villages			397	461
Financial reporting act fees			722	679
Other fees			929	987
Total Fees and Fines			14,205	16,531
Inter-departmental cost recovery			175	157
Miscellaneous			227	28
Total Revenue Other			14,607	16,716

Major variances

Revenue Crown has increased from the Main Estimates to the Supplementary Estimates to reflect the inclusion of Standard Business Reporting, \$4.0 million and the transfer of Business.govt (the business portal) from NZTE, \$1.619 million. These new activities explain the variance between the Actuals in 2007/08 and 2008/09.

Expenses increased between the Main Estimates and Supplementary Estimates reflecting the new activities of Standard Business Reporting and Business.govt. However, the deferment of some of the Standard Business Reporting activities and reduced activity levels have resulted in an actual spend less than the Estimates.

Actual Revenue received did not reach the level of the Estimates or the 2008/09 receipts due to the reduced economic activity. Areas of decline were related to the incorporation of companies and personal property securities register activities.

Vote: Communications

Output Expense → Policy Advice – Communications

Description

This output expense provides policy advice on information technology, the Government's Digital Strategy, telecommunications (including broadband), postal services and the allocation and management of the radio spectrum.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress with these priorities.

Broadband Investment

This covers four major policy work-streams: Urban Fibre Investment; Rural schools and communities; Telecommunications Services Obligation (TSO) Reform; and complementary initiatives.

Advice has been provided on the implementation of an ultra-fast broadband network for New Zealand. In particular:

- Funding was secured in Budget 2009 for broadband investment – \$200 million broadband investment; \$48 million rural; \$8 million admin; \$38 million education.
- A Cabinet paper outlining high-level principles for the Government's investment was completed in February 2009. Consultation was undertaken with industry and other stakeholders on the investment model and technical specifications. 105 submissions were received on the draft proposals.
- Input was made into the first revisions of the Resource Management Act (RMA) [March/April]. Ministry officials worked with the Ministry for the Environment (MfE) to look at further potential amendments. A joint report was provided to the Minister in May 2009. A discussion document was drafted, with release expected to be made in August 2009.

Review government use of the ultra-fast broadband network

The initial focus has been on assessing the broadband readiness of both the education and health sectors and identifying opportunities for further action. Progress to date on Education initiatives includes:

- \$34 million appropriated to subsidise upgrading internal school networks to be fibre-ready.
- a report on schools' current broadband readiness, and next steps provided to the Minister for Communications and Information Technology and Minister of Education.
- The Ministry is working with the Ministry of Health on the state of broadband readiness of the health sector. A Cabinet paper with a recommended approach was agreed in August 2009.

Monitor and undertake reviews of the telecommunications regulatory framework & Telecommunications Act

Advice has been provided on the identification of any regulatory changes to the telecommunications regulation to facilitate the rollout of an ultra-fast broadband network, while maintaining regulatory stability to minimise uncertainty for investors.

Work with other agencies to increase digital literacy

The Ministry provided advice to the Minister for Communications and Information Technology on digital literacy options to increase digital literacy. The Ministry is working with the Department of Internal Affairs to provide more detailed advice on the option of additional government funding for the existing programmes of Computers in Homes and the Computer Clubhouse from 2010/11.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Efficient, reliable and responsive infrastructure

- Progressed the previous government's International, Urban and Rural Broadband Investment Fund initiatives.
- Contributed Telecommunications chapters to several Free Trade negotiations/agreements.
- Completed a review of the Telecommunications Services Obligation (TSO).
- Transmitted to the Commerce Commission a Government Economic Policy Statement on International Telecommunications Obligations.
- Implemented the remaining components of the Telecom Separation Undertakings regime.
- Provided ongoing advice to the Minister in relation to research and policy development on the ICT regulatory regime to ensure it keeps pace with technology change and international regulatory best practice.
- In conjunction with other government agencies and industry, completed the Digital Strategy 2.0.

- Provided advice on new spectrum allocations for broadband wireless services and other new wireless technologies, including digital land mobile services.

Ease of doing business

- Completed a major technology platform upgrade to the online public register of radio frequencies.
- Completed an evaluation of the spectrum management business based on an independent review undertaken by PriceWaterhouseCoopers, the review concluding that the business was generally effective and efficient.
- Completed a review of spectrum management licence fees and recommended that any further changes in fees be deferred for two to three years in consideration of the current financial difficulties facing many firms and noting that there are sufficient funds remaining in the Memorandum Account to cover the forecast shortfall in funds.

Auckland, a world-class city

Supported the Auckland Regional Broadband activity in conjunction with the Government Urban Economic Development Office.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Digital Development – Policy advice on cyber security, the ICT skills shortage, and other digital development matters where relevant.

Provide policy advice on cyber security, ICT skills shortage, and other digital development matters.

- In conjunction with other agencies, provided input into the development of a Cyber Security Action Plan (which is scheduled for completion at the end of 2009).

Information and Communications Technology Regulatory Advice – Policy advice on the telecommunications and postal sectors.

Provide policy advice on Telecommunications regulatory regime.

Provided advice to Ministers on all aspects of telecommunications regulatory regime, including fixed and mobile networks. Also participated in a Treasury-led regulatory review.

In conjunction with the Commerce Commission, implement the changes to the regulatory regime following the passage of the Telecommunications Act 2006. In particular finalise the operational separation of Telecom New Zealand in accordance with the Determination of Requirements (IP interconnection) and monitor the establishment of the separated business units of Telecom.

Telecom finalised the operational separation requirements in relation to IP interconnection in February 2009. The Ministry and the Commerce Commission continue to monitor the establishment of the separated business units of Telecom.

Deaf Relay Video Service review

Commenced a review of the need for a Deaf Relay video service including a trial of a video relay service (VRS).

Consumer complaints mechanism

In conjunction with the Ministry of Consumer Affairs, the Ministry monitored the consumer complaints mechanism 12 months following implementation and provided a report on its effectiveness to Ministers.

Monitor compliance by New Zealand Post and other postal operators

Ongoing monitoring was undertaken via the Postal Operators forum and regular advice provided to the Minister on issues such as access pricing and the postal deed of understanding.

Radio Spectrum Policy Advice – Policy advice on the development of legislative and policy frameworks to support the allocation and management of the radio spectrum resource.

Replanning of the 806-960 MHz band to maximise its utility for cellular, broadband, emerging technologies and existing services.

Completed the swap of spectrum between the Crown and Two Degrees Mobile, and released a discussion paper on other options for improving the utilisation of the spectrum in the 806-960 MHz band.

Review of Spectrum Management in the Radio Licensing Regime

Completed a review of the administrative radio licensing regime which aimed to assess whether the regime is continuing to meet changing user demands and support competitive outcomes; and a business evaluation of radio spectrum management, which aimed to assess whether overall spectrum allocation and administration continue to meet changing user demands and maximise the value of radio spectrum to New Zealand society. Both these concluded that, on the whole, current arrangements are working well, and only minor adjustments were needed.

International – Policy advice and monitoring of international developments

Represent New Zealand's interests in international for a, trade negotiations, Ministerial delegations.

- Participated in the development of Korean; ASEAN and US free trade negotiations.
- Participated in a bilateral work programme with Australia on international mobile roaming.

Costs

	2009 Main Estimates	2009 Supplementary Estimates	2009 Actual	2008 Actual
(Figures are GST exclusive)	\$000	\$000	\$000	\$000
Revenue:				
Crown	5,766	6,266	4,551	5,069
Other	28	94	54	54
Total Revenue	5,794	6,360	4,605	5,123
Expenses:				
Annual appropriations	5,794	6,360	4,605	5,123
Other appropriations	-	-	-	-
Total Expenses	5,794	6,360	4,605	5,123
Net Surplus/(Deficit)	-	-	-	-

Revenue other was derived from inter-departmental recovery.

Major variances

This appropriation increased by \$566,000 mainly as a result of a one-off expense transfer of \$1 million from 2007/08 to the 2008/09 financial year for delays encountered within projects including Bridging Engagement (local government), an Auckland broadband business case and other broadband issues, as well as a Cabinet policy decision for reallocating unused funds from the Broadband Challenge Fund to support Digital Strategy projects of \$700,000. These increases to the appropriation were partially offset by \$1.2 million returned to the Crown

as savings in Budget 2009. The savings arose from cessation of funding for the Digital Development Council and Forum, and Connected New Zealand, along with the early completion of the digital broadcasting review.

The change of government during 2008/09 saw changes in the work programme to ensure alignment to government priorities and objectives, along with a commitment to achieve further savings following the “value for money” exercise.

Output Expense ➔ Administration of Broadband Investment Mechanisms

Description

This output expense was limited to developing mechanisms and administering and monitoring grant funding to deliver increased investment in broadband infrastructure.

This initiative was replaced by the Broadband Investment Budget 2009 initiative.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

The Ministry provided advice to the Minister on improving the level and availability of broadband to support growth, and on how to maintain a high quality regulatory environment that supports investor confidence, and ensures access to world class ICT at reasonable prices.

Costs	2009 Main Estimates	2009 Supplementary Estimates	2009 Actual	2008 Actual
(Figures are GST exclusive)	\$000	\$000	\$000	\$000
Revenue:				
Crown	-	850	797	-
Other	-	-	-	-
Total Revenue	-	850	797	-
Expenses:				
Annual appropriations	-	850	797	-
Other appropriations	-	-	-	-
Total Expenses	-	850	797	-
Net Surplus/(Deficit)	-	-	-	-

Revenue other was derived from inter-departmental recovery.

Major variances

A Cabinet policy decision during 2008/09 established the above appropriation. The original appropriation was \$3.250 million of which \$2.400 million was returned for reprioritisation during the Budget 2009 process.

Output Expense → Management and Enforcement of the Radiocommunications Act 1989

Description

This output expense provides services in relation to the management of the Radiocommunications Act 1989 by establishing technical arrangements for the allocation of radio spectrum, including international co-ordination and representation; issuing licenses; providing licence registration services and access to the information held on the register of radio frequencies; assisting with the resolution of radio spectrum interference complaints; ensuring compliance with, and enforcement of, the statutory responsibilities of all spectrum users and suppliers of interfering equipment; and management of radio spectrum sales.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

The Ministry enhanced its Spectrum Management and Registration Technology system (SMART) which has significantly improved electronic business interactions

with this regulatory agency in addition to other capability objectives. Significant progress has also been made towards using the Business Portal (business.govt.nz) to make regulatory information relating to electrical/electronic products available to business from a single electronic source. In addition the Ministry has maintained ISO certification covering all spectrum management procedures to ensure consistency of service delivery to business.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Radio Spectrum Planning – Engineering and technical advice to support the allocation and management of the radio spectrum resource, including conducting the sale of spectrum rights, as required, and in accordance with legislation, Government policy and radio spectrum planning frameworks.

Conduct sales of radio spectrum rights.

- Auctions of sound broadcasting licences were held on 30 October 2008 (Auction 10a) and 31 March 2009 (Auction 11).
- The offer process for the renewal of sound broadcasting licences was completed in July 2008, and initial planning has been completed for the transition from the current FM frequency plan to the 2011 frequency plan.
- The final settlement for the renewal of Vodafone's 900 MHz spectrum rights was completed in February 2009.

Develop and represent New Zealand's Radiocommunications interests in international forums such as the ITU (International Telecommunications Union).

- The Ministry participated and represented New Zealand's radio spectrum interests in ITU and APT (Asia-Pacific Telecommunity) intergovernmental forums in preparation for the 2012 ITU World Radio Conference, with a focus on digital dividend spectrum planning and frameworks for new technologies. The Ministry also participated in multi-lateral discussions on best practice spectrum management issues with Australia, UK, USA, Hong Kong and Canada (host).

Planning of new spectrum allocations

- Completed initial planning for the repackaging of the UHF television band after the switchover to digital television.
- Finalised arrangements for the introduction of digital land mobile radio technologies in the 800 MHz band and prepared a discussion paper for introducing similar technologies in the other VHF and UHF bands.

Licensing, Compliance Management, and Registration

The radio spectrum licensing, compliance management, and registration services facilitated the assignment of rights to users of the radio spectrum resource, including:

- The engineering and issuing of licences to individual users.
- The provision of licence registration services and access to the information held on the Register of Radio Frequencies.
- The investigation and resolution of radio spectrum interference complaints.
- Monitoring compliance with, and the enforcement of, the statutory responsibilities of all spectrum users.
- An ongoing work programme to improve and promote the value of the services provided under this output, including customer satisfaction reviews, the publication of an annual report, providing regular reports to the Minister.

The Ministry provided the following (estimated) number of demand-driven services:

Quantity

Numbers Actioned:

- 4,039 (3,000) new radio licence applications.
- 1,225 (1,000) modifications to radio licences.
- 1,452 (500) new spectrum licences.
- 5,667 (2,000) instrument registrations in Crown and private management rights.
- 170 (200) commercial interference investigations.
- 48 (60) public safety interference investigations.
- 304 (450) TV/broadcasting interference investigations.

Audits conducted:

- Undertook 628 (850) product standard compliance audits⁷.
- Undertook 3.8% (6%) licence audits.

The release of the initial PriceWaterhouseCooper report on 14 July 2008 recommending redirection of RSM auditing activity resulted in fewer but more specifically targeted audits being done through the year.

Quality

- All licences 100% (100%) were issued with granting/registration completed in accordance with established ISO 9001 processes.
- All compliance audits were made in accordance with established ISO 9001 processes.

Timeliness

- All correctly completed, paid and engineered planned licenses were granted/registered within an overall mean turnaround time of five working days.

Documented interference complaints were responded to and remedial action commenced as follows:

- Public safety services, within two hours of being lodged in 100% (95%) of cases.
- For commercial radiocommunications, within one working day of being lodged in 100% (95%) of cases.
- For radio and television broadcasting, within two working days of being lodged in 98% (95%) of cases.

⁷ All electrical and electronic products supplied in New Zealand are required to meet standards protecting the radio spectrum, with suppliers subject to audit of the documentation and product labelling confirming compliance.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	320	520	422	671
Other	7,097	7,096	7,686	7,883
Total Revenue	7,417	7,616	8,108	8,554
Expenses:				
Annual appropriations	9,853	10,052	9,323	9,856
Other appropriations	-	-	-	-
Total Expenses	9,853	10,052	9,323	9,856
Net Surplus/(Deficit)	(2,436)	(2,436)	(1,215)	(1,302)
Sources of Revenue Other			\$000	\$000
Spectrum licence fees			2,658	3,592
RAL – telecommunications			247	190
RAL – radio and mobile			4,000	3,350
Other fees			153	147
Total Fees			7,058	7,279
Inter-departmental revenue			570	548
Inter-departmental cost recovery			58	56
Total Revenue Other			7,686	7,883

Major variances

This appropriation increased by \$199,000 as a result of an expense transfer from 2007/08 for delays relating to the radio spectrum sales work. Further reprioritisation of sales along with delays during 2008/09 resulted in about half of this transferred funding being required.

Vote: Consumer Affairs

In this part of the Annual Report, 'The Ministry' refers to The Ministry of Consumer Affairs which operates within the Ministry of Economic Development.

Output Expense → Policy Advice and Information on Consumer Issues

Description

This output expense provides policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers⁸

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers and priorities resulting from the Job Summit. The following reports on progress with these priorities.

Implementation of Part 3 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008, concerning the development of the reserve dispute resolution scheme and the process for considering applications to become approved dispute resolution schemes.

The Ministry released two discussion papers in June 2009:

- Draft Guidelines to Assist Schemes Applying to Become an Approved Dispute Resolution Scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008
- Proposed Reserve Dispute Resolution Scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

A review of consumer legislation with the aim of achieving principle-based legislation covering all trading transactions and a consolidation and simplification of existing legislation.

Work commenced on this review which builds on previous work reviewing the Fair Trading Act 1986 and the Consumer Guarantee Act 1993. The review also covers the Door to Door Sales Act 1967, the Layby Sales Act 1971, the Auctioneers Act 1928, the Unsolicited Goods and Services Act 1975, the Carriage of Goods Act 1979, and the Sale of Goods Act 1908.

Achieving "One Door" for the provision of consumer information, particularly related to seeking redress.

Terms of Reference for the review were agreed with the Minister. An initial options paper has been prepared for Minister's consideration.

Completion of the review of the operation of the Credit Contracts and Consumer Finance Act

Substantial progress was made on this review. A discussion paper will be published in September 2009.

Motor Vehicle Sales Act Amendment Bill 2009

The Bill was introduced and had its First Reading.

⁸ These work priorities sit alongside the important day to day work in the measurement and product safety area and in providing advice on consumer issues especially through working with community organisations.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Dynamic and Trusted Markets

The Ministry of Consumer Affairs has:

- ➔ Begun initial work reviewing consumer legislation to ensure that it is up to date and relevant. As noted above the work was identified by the Minister of Consumer Affairs as a key priority.
- ➔ Continued to place emphasis on working with 'front line' community agencies including Citizens Advice

Bureaux, Budget Advisory Services and Community Law Centres who help provide these agencies with training, user-manuals, and a hotline for back up support.

- ➔ Provided public information programmes on the Motor Vehicles Sales Act and the Credit Contracts and Consumer Finance Act, Fraud Awareness, and Powerswitch (a comparative website for domestic consumers of electricity).
- ➔ Completed a survey of the safety of a number of consumer products to improve management of risks related to product safety. The results of this survey will be available later in 2009 and will be used to undertake a risk assessment for ongoing product safety compliance monitoring.

Other Activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Consumer Policy – Advise the government on legislation and issues affecting consumers, and on international consumer issues relevant to New Zealand

The passage through Parliament of the Commerce Commission (International Cooperation and Fees) Bill

The Bill was tabled in the House in September 2008.

New consumer information standards water efficiency labelling regulations

Work has progressed on the drafting of the water efficiency labelling regulations.

The passage through Parliament of the Financial Service Providers (Registration and Dispute Resolution) Bill.

This Bill was passed in September 2008. Since this time the Ministry has been working on the establishment of the Reserve (Dispute Resolution) Scheme and guidelines for those seeking to become Approved Dispute Resolution Schemes. As noted above, discussion papers were released on these matters in June 2009.

Gas Industry Company (GIC) and Electricity Commission (EC) proposals affecting consumers.

The Ministry has been involved in the work to determine an approved electricity and gas industry consumer dispute resolution scheme. This work has included working with

both the GIC and EC and also liaising with industry. This work did not have any agreed timeframes; however, the need to have speedy resolution of issues has been recognised in the Ministry's contribution to this work.

Consumer representative appointments.

Cabinet papers were prepared for the Minister for consumer representative appointments to the Telecommunications Dispute Resolution Service, the Insurance and Savings Ombudsman Scheme and the Banking Ombudsman Scheme. Advice on the appointments was provided within the timeframe of at least two months prior to the expiry of a current appointment.

Additionally, the Ministry supplied names in response to 34 requests for nominees for other boards and committees. Of the Ministry's nominations, 8 were subsequently appointed to positions as consumer representatives.

Advice on the Ministerial Council of Consumer Affairs (MCCA).

Advice was provided on a number of out-of-session papers. A full briefing of issues was provided to the Minister to support her attendance at the May 2009 MCCA meeting. Advice was also provided on a New Zealand relationship clause that was included in the Australian National Consumer Law Intergovernmental agreement.

Consumer Information and Capability – Support the effectiveness of consumer policy and legislation through the provision of information to consumers, community agencies and businesses regarding their legal rights and obligations and access to remedies and redress.

Support 'front line' community agencies including Citizens Advice Bureaux, Budget Advisory Services and Community Law Centres who help consumers seeking information and assistance

The Ministry provides these agencies with training user manuals and a hotline for back-up support. 17 training seminars for Citizens Advice Bureaux were provided in 2008–09 and a national consumer training day provided for a wide range of other organisations such as community law centres, Māori Women's Welfare League and budget services. For the year, 918 complex consumer enquiries were escalated, primarily from community agencies, to the Ministry for more assistance.

Provide public information programmes on the Motor Vehicle Sales Act 2003, Credit Contracts and Consumer Finance Act 2003 (CCCFA), mass marketed scams and Powerswitch.

Completed three public information programmes on:

1. Motor Vehicles Sales Act and the Credit Contracts and Consumer Finance Act.
2. Fraud Awareness.

3. Powerswitch (a comparative website for domestic consumers of electricity).

Provide print and web-based information for consumers and business on Consumer Law.

Completed re-publication of Ministry's range of print information for consumers.

Completed a survey of the safety of a number of consumer products to improve management of risks related to product safety. The results of this survey will be available later in 2009 and will be used to undertake a risk assessment for ongoing product safety compliance monitoring.

Completed stage one of the redevelopment of the Consumer Affairs' website to better meet the needs of users for accessible information.

Motor Vehicle Sales Act (MVSA) 2003 – The promotion, education on, and evaluation of the effectiveness of the MVSA.

A Public information campaign on the MVSA was undertaken between June and August 2009.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	3,234	3,384	3,272	3,116
Other	473	479	441	460
Total Revenue	3,707	3,863	3,713	3,576
Expenses:				
Annual appropriations	3,607	3,763	3,639	3,477
Other appropriations	-	-	-	-
Total Expenses	3,607	3,763	3,639	3,477
Net Surplus/(Deficit)	100	100	74	99
Sources of Revenue Other			\$000	\$000
Electrical levies			248	248
Annual return fees to fund MVTR			166	188
Interdepartmental cost recovery			27	23
Miscellaneous			-	1
Total Revenue Other			441	460

Major variances

The Supplementary Estimates increase reflected the transfer of work and associated funding from 2007/08 to 2008/09 relating to the EPIserver migration, Powerswitch Online Facility and amendments to the Fair Trading Act.

The variance between Supplementary Estimates and actual expenses was due to the deferral of work on the development of the MCA Website and the completion of the National Consumer Survey commenced in the last quarter of 2008/09. This resulted in an under-spend of (\$124,000).

Output Expense ➔ Measurement and Product Safety Compliance and Enforcement

Description

This output expense is limited to compliance and enforcement activities to ensure a supportive measurement and product safety infrastructure for business and consumers.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister. Performance standards and forecast volumes are in brackets where applicable. Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Dynamic and Trusted Markets

The Ministry responded to approximately 384 consumer complaints and enquiries. Information and advice provided, where necessary, on improving compliance for businesses and informing consumers.

Other activity set out in the 2008 "Information Supporting the Estimates".

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates," including (where relevant) assessing our performance against other significant activities of interest.

Measurement – The management of New Zealand's trade measurement environment to meet international standards in relation to goods sold by weight, measure or number.

Represent New Zealand and facilitate New Zealand's input into developing international standards for legal metrology.

The Ministry:

- ➔ Actively participated, contributed and presented New Zealand's perspectives as part of the International Organisation of Legal Metrology (OIML).
- ➔ Attended Technical Committee 6 on Pre-packaged Goods to help facilitate trade in packaged goods and reduce technical barriers to trade.
- ➔ Represented New Zealand's interests through participation and attendance at the OIML Conference and International Committee of Legal Metrology (CICLM) meeting and at the Asia-Pacific Legal Metrology Forum (APLMF) annual meeting.
- ➔ Chaired and effectively led the APLMF Working Group on Goods Packed by Measure.

Quality

Completed 100% (95%) of measurement surveillance, accreditation, type approval and enforcement activities, where applicable, in accordance with the Weights and Measures Act 1987, ISO 17025 laboratory accreditation and with Measurement and Product Safety Service Complaint and Procedure Manuals.

Surveillance, education and enforcement activities to be undertaken with traders to check the correctness of weighing and measuring equipment and pre-packaged goods promoting compliance with the Weights and Measures Act 1987:

- ➔ 324 (400) inspections of volume measuring instruments including: fuel dispensers, LPG dispensers and measuring instruments supporting retail, dairy and manufacturing industry transactions.
- ➔ 822 (800) inspections of weighing instruments including: retail scales, light industrial instruments and weighbridges in support of trade transactions.
- ➔ 428 (400) visits to traders or suppliers to check for compliance with the Weights and Measures Act 1987 including: the use of weighing and measuring equipment, sales of goods by weight or measure, labelling, the activity of Accredited Persons' and administrative requirements.
- ➔ 219 (60–80) responses to consumer complaints or enquires concerning measurement.

- 26 (20) Average Quantity System reference tests on packaged goods with a focus on primary producers and wholesalers.
- 220 (200) surveillance inspections of a targeted selection of packages consisting of Average Quantity System sample assessments and catch weight packages with a focus on retail products.

Promotion and enforcement of a supportive measurement infrastructure for businesses and consumers through the administration of the Weights and Measures Act 1987:

- participated in the development of and dissemination of 9 OIML International Recommendations and International Documents through a consultative process with industry.

Administration of the Weights and Measures Act 1987 provisions relating to the Accreditation Scheme:

- Calibrate and verify 208 (100-150) Accredited Persons' working standards (mass, length or volume) and issue Verification Reports.
- Process 5 (2-4) new applicants for accreditation.
- make 28 (10-20) extensions and additions to accreditation.

(Output is demand driven)

Maintenance of a type approval regime that ensures measuring instruments do not facilitate fraud, by complying with ISO 17025 accreditation and OIML recommendations:

- Administered 63 (30-40) applications for type approval of weighing and measuring instruments in accordance with the Weights and Measures Act 1987, OIML recommendations and ISO 17025 accredited procedures. Output is demand driven and consisted of 24 overseas based approvals, 14 in-situ approvals and 25 variants to existing approvals.

Product Safety – Provide product safety services to promote an environment in which consumers are supplied with safe products and have information as to their safe use.

A product safety risk assessment project designed to provide an initial assessment of New Zealand's risk profile with respect to high risk consumer products in light of global trends, in order to provide advice of the robustness of the current regime was commenced in 2009. Results are currently being analysed.

Develop international linkages with regulators in other economies to facilitate the identification, prevention and resolution of product safety issues

The Ministry:

- Opened a dialogue with Chinese Product Safety Regulators in support of the China/New Zealand Free Trade Agreement.
- Completed Initial work on development of a Memorandum of Understanding in relation to the exchange of product safety information with China.
- Represented New Zealand's interests through participation and membership of the International Consumer Products Health and Safety Organisation and International Consumer Product Safety Caucus.

Promotion and enforcement of a supportive product safety infrastructure for businesses and consumers through the administration of the product safety provisions of the Fair Trading Act 1986:

- 375 (300) visits to traders, suppliers or manufacturers to check product safety and respond to emerging issues and high risk products.
- 165 (80-100) responses to consumer complaints.
- 72 (60) responses to product safety enquiries from traders, consumers and other stake holders.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	2,033	2,083	2,141	2,011
Other	177	215	141	140
Total Revenue	2,210	2,298	2,282	2,151
Expenses:				
Annual appropriations	2,210	2,298	2,282	2,151
Other appropriations	-	-	-	-
Total Expenses	2,210	2,298	2,282	2,151
Net Surplus/(Deficit)	-	-	-	-
Sources of Revenue Other			\$000	\$000
Approval, testing and accreditation fees			112	100
Interdepartmental cost recovery			29	29
Miscellaneous			-	11
Total Revenue Other			141	140

Major budget variances

The Supplementary Estimates increase reflected the transfer of work from 2007/08 to 2008/09 relating to work on Toy Regulations.

Vote: Energy

Output Expense ➔ Policy Advice on Energy and Resource Issues

Description

This output expense provides policy advice, ministerial servicing, and decision support in relation to the operation of energy and resource markets (electricity, oil, gas, geothermal, coal, minerals and other natural resources) and energy efficiency and conservation issues, including Treaty of Waitangi issues in relation to natural resources in particular mineral and energy resources. It also includes purchase of ownership and purchase advice on Crown entities.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress against these priorities.

Complete the electricity market performance review, recommend improvements to market design and governance, and implement decisions taken

A Ministerial review of electricity market performance was formally commenced in early April 2009, including formation of a technical advisory group. The review is addressing both market design and regulatory governance arrangements, drawing on previous work (including the Commerce Commission investigation). The outcome of the review should see an increase in the contribution of the electricity sector to economic growth by providing enhanced security of supply and efficient prices. It should also remove any unnecessary duplication, minimise the costs of regulation, and improve the investment environment for new electricity transmission and generation. Cabinet approved the release of the discussion document on 5 August 2009.

The Ministry has participated in Phase 1 of the Resource Management Act (RMA) reform (a Bill is currently before Select Committee) with Phase 2 now also underway. This work ensures that sufficient consideration is given to energy policy requirements within the broader review of the RMA.

Update the New Zealand Energy Strategy (NZES)

A draft NZES was provided to the Minister in July 2009. A decision was made that the New Zealand Energy Efficiency and Conservation Strategy (NZECS) would be updated as part of the NZES update and released for public consultation, by the end of 2009.

The update of the NZES will ensure that it is aligned with the Government's security of supply, economic growth, and affordable electricity priorities, while maintaining a focus on energy efficiency, the development of renewables and the impact of the energy sector on the environment.

Improve value for money on the delivery of energy efficiency initiatives

The Ministry (and the Energy Efficiency and Conservation Authority (EECA)) have provided a number of briefings on ways to help industry, small business, and New Zealanders to be more energy efficient. To date the focus has been on developing a broad action plan for energy and environmental initiatives for housing. This is linked to the Job Summit and has had a particular focus on home insulation, with the New Zealand Insulation Fund being established. Further consideration was also given to energy efficiency opportunities across all sectors.

The Ministry is leading a value for money review of EECA in order to provide assurance that EECA is as effective as it can be in achieving Government goals.

Improve access to Crown owned land for energy mineral resources

A joint Ministry/DOC briefing paper was provided to the Minister of Conservation and Minister of Energy and Resources in July 2009. This outlined proposed improvements to processes for access arrangements and a review of conservation areas in which exploration and mining activity is prohibited. Work by officials is underway and enhanced processes for access are expected to be completed by March 2010. The Ministry also provided input into Treaty settlement processes (e.g. the Waikato River settlement) in relation to energy and resources issues, in particular the administration of the Crown mineral estate.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Efficient, reliable and responsive infrastructure

- ➔ The Ministry supported the Senior Energy Officials Group which led the production of the First (Interim) Progress Report against the NZES. Work commenced on up-dating the NZES – (refer “progress on priorities” for further detail).
- ➔ A new grants programme for biodiesel production was announced in May 2009.
- ➔ Amendments were made to the Electricity Industry Reform Act 1998 to facilitate greater investment in electricity generation by electricity lines companies.

Enterprising and innovative businesses

- ➔ The Ministry provided advice to the Minister on alternative approaches to improve the promotion of end-use energy efficiency, such as energy efficiency obligations.
- ➔ The Ministry also worked with EECA on energy efficiency options across all sectors which are linked to opportunities to boost energy efficiency initiatives to assist recession mitigation and improve productivity. These options include those which would assist businesses in particular, e.g. Warm Up New Zealand: Heat Smart.

Other activity set out in the 2008 “Information Supporting the Estimates”

The following reports on progress with other work, as set out in the 2008 “Information Supporting the Estimates,” including (where relevant) assessing our performance against other significant activities of interest.

Electricity – Monitor and advise on effective governance and operation of the electricity market and implement regulations as required.

The Ministry:

- ➔ Assisted with the passage of the Commerce Amendment Bill 2008 to provide more efficient and credible regulation of monopoly markets, including electricity and gas lines services which was passed in 2008.
- ➔ Assisted with the passage of the Electricity (Continuance of Supply) Bill 2008, which provides certainty that electricity distributors will continue to maintain supply to remote rural connections. The Bill was introduced in September 2008.
- ➔ Amended the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations to reflect regional variations in average consumption levels.

Crown Entity Monitoring – Monitor and report on the financial and non-financial performance of the Electricity Commission (EC) and EECA.

- ➔ Supported the strategic management of the relationship between Ministers and the entities (including building of role clarity and systematic identification and management of emerging issues).
- ➔ Supported the delivery of core Crown entity accountability documents (output agreements, SOIs, annual reports etc) including providing advice on performance measures, funding issues and risk.
- ➔ Provided advice on statutory appointments as positions for renewal or appointment fall due. Hon Roger Sowry was appointed to the EC Board in April 2009 and Joel Cayford and the Chair of the Electricity Commission David Caygill were appointed to the EECA Board in August 2008.
- ➔ Advised on the establishment of performance standards for Crown entities and monitored delivery against agreed standards provided in accountability documents.

Fuels and Crown Resources – Monitor and advise the government on effective operation of the gas and oil markets including fuel quality and implementation of regulations as required.

The Ministry provided ongoing advice to the Minister on gas industry governance and market arrangements to promote well functioning gas markets with the Critical Contingency Regulations and associated Compliance Regulations approved. Advice was also provided around geothermal development, biomass and biogas sources of energy and the policy aspects of Carbon Capture and Storage, including supporting New Zealand's membership of international carbon storage bodies, GCCSI (Global Carbon Capture Storage Institute) and CSLF (Carbon Sequestration Leadership Forum).

Energy and the Environment – Contribute to policy advice on the development of a response to New Zealand's climate change obligations under the Kyoto Protocol.

The Ministry contributed to Ministry for the Environment (MfE) led advice on establishing an emission trading scheme and the wider aspects of climate change policy. The Ministry also supported the development of emissions trading regulations and the implementation of the unit register.

The Ministry participated in the Sustainable Water Programme of Action led by MfE including work on developing a proposed national policy statement on freshwater management.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	6,337	6,918	6,082	5,200
Other	106	190	181	93
Total Revenue	6,443	7,108	6,263	5,293
Expenses:				
Annual appropriations	6,443	7,108	6,263	5,293
Other appropriations	-	-	-	-
Total Expenses	6,443	7,108	6,263	5,293
Net Surplus/(Deficit)	-	-	-	-

Revenue other was derived from inter-departmental recovery.

Major variances

This appropriation increased by \$665,000. This increase was mainly due to expense transfers from 2007/08 for delays in various policy advice work streams \$650,000 and assistance to the Tuvalu Electricity Corporation under the NZAID programme \$41,000, partly offset by a reduction of \$69,000 for Commerce Commission costs that could not be recovered through industry levies.

In addition when compared to 2007/08, there was a transfer of \$216,000 funding for the EECA monitoring agency role transferred from the Ministry for the Environment to the Ministry as from 1 July 2008, along with an expense transfer of \$220,000 relating to delays associated with the Biofuels Sales Obligation consumer awareness programme.

The change of government during 2008/09 saw changes to the work programme to ensure alignment to government priorities and objectives, along with a commitment to achieve further savings following the "value for money" exercise. Reprioritisation resulted in some new work being undertaken, such as the electricity market review and a review and evaluation of New Zealand's petroleum fiscal regime, whilst other work was deferred or discontinued. Savings arising from this reprioritisation and value for money exercise were forecast at the time the Supplementary Estimates of Appropriation document was compiled. However, the formal return of these savings via the Estimates process was delayed, and so was unable to be captured in time to be reflected in the above table. Part of these savings was achieved from cessation of the biofuels communications campaign.

Output Expense ➔ Management of the Crown Mineral Estate

Description

This output expense provides services relating to the allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister. Performance standards for outputs other than policy advice are in brackets where applicable. Performance standards and forecast volumes are included in brackets where applicable.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with its Ministers, arising from the Prime Minister's priority letters and the Job Summit. The following reports on progress against these priorities.

Facilitate investment in exploration and development / maximise gains from oil and gas

The Ministry:

- ➔ Developed and submitted a budget bid for undertaking seismic surveys around New Zealand which was completed and approved in April 2009. A further Cabinet paper on tax exemptions was completed and approved in May 2009.
- ➔ The Reinga basin seismic survey was completed in March 2009, and the processing of data is currently underway.

- ➔ Ministry officials attended: the Prospectors and Developers Association Conference in Canada; the Southeast Asia Petroleum Exploration Society conference in Singapore; and the Australian Petroleum Production and Exploration Association conference in Australia to promote New Zealand as an investment option while also promoting the Raukumara and Northland blocks offer.

Maximise returns from development of petroleum resources

The Ministry progressed a portfolio of work that identified and reported on key areas that would most likely maximise economic and social gains from the petroleum and mineral sectors in New Zealand. A report on the key findings and next steps is in preparation.

Other Activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates," including (where relevant) assessing our performance against other significant activities of interest.

Permit Allocation and Regulatory Compliance – Provide an efficient and effective management regime for the exploration of petroleum, mineral and coal resources including allocating and managing prospecting, exploration and mining permits, managing the geotechnical resource data; and collecting all royalties, levies and fees payable to the Crown.

Quantity, quality, timeliness:⁹

- ➔ 25 (25) Petroleum and mineral permits (including licences) were monitored for compliance with work programme conditions to maintain the integrity of the allocation system by conducting on-site field inspections.
- ➔ Pursued 100% (100%) of non compliance within 10 working days from receipt of the site visit report.
- ➔ Completed a minimum of 12 comprehensive compliance audits of Energy Resources level or Royalty payers, and pursued any shortfall.
- ➔ Collected and processed 100% (100%) of royalties and energy resource levies according to Crown Minerals Act and Minerals Programmes.

⁹ A comprehensive review of the quantity, quality and timeliness measures attributed to the Permit Allocation and Regulatory Compliance output was conducted in May/June 2008 resulting in some amendments to performance targets that vary from those recorded in the "Information Supporting the Estimates" for the 2008/09 year. Refer to page 142 of the "Information Supporting the Estimates" for original measures.

- Pursued 100% of any shortfall identified within 10 working days from receipt of audit report.
- Processed 90% (90%) of completed permit applications¹⁰ and permit changes within 60 working days.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	2,908	2,908	2,752	2,816
Other	5,216	6,312	6,615	7,251
Total Revenue	8,124	9,220	9,367	10,067
Expenses:				
Annual appropriations	8,114	9,210	9,193	10,203
Other appropriations	-	-	-	-
Total Expenses	8,114	9,210	9,193	10,203
Net Surplus/(Deficit)	10	10	174	(136)
Sources of Revenue Other			\$000	\$000
Petroleum			3,460	3,440
Minerals/mining			2,336	2,473
Coal permit annual fee			711	717
Conferences			-	528
Other fees			52	30
Total fees			6,559	7,188
Inter-departmental cost recovery			56	63
Total Revenue Other			6,615	7,251

Major variances

This appropriation increased by \$1.096 million primarily as a result of a fiscally neutral adjustment to accommodate the increase in Petroleum, Minerals and Coal permit activity; actual activity ended up slightly less than the estimates. There was a petroleum conference undertaken in 2007/08 (\$528,000) but not in 2008/09.

¹⁰ A completed application is one where all information required by the relevant legislation has been provided and the prescribed fees have been paid in full.

Output Expense ➔ Administration of Gas, Electricity and Energy Efficiency Regulations and related Acts

Description

This output expense provides advice on the administration and associated policy work, ministerial servicing and decision support in relation to the administration of the regimes for: gas and electricity safety, energy efficiency and conservation; the supply, quality and measurement of gas and electricity; fuel quality monitoring; and information disclosure.

Work programme

Quantity, quality, timeliness and cost

Policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister. Performance standards and forecast volumes are in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

Within this output expense the Ministry progressed the coming into force, and implementation, of new electricity and gas safety regulations. These regulations will introduce Safety Management Systems (SMS) to the operation of electricity and gas networks. This will transition network public safety from direct regulator intervention to third party accredited certification. The regulations are expected to be implemented in October 2009.

Other Activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant) assessing our performance against other significant activities of interest.

Energy Safety Enforcement and Conformance – Operation of an effective investigation, compliance, enforcement and conformance regime for gas and electrical safety.

The Ministry:

- ➔ Undertook 158 (85) investigations of significant gas and electricity accidents and incidents¹¹.
- ➔ Retained ISO 9001 certification for the performance of investigations and audits.
- ➔ Respond to, and commenced action on 100% (95%) of notifiable accident investigations within 24 hours of notification of the accident.
- ➔ Undertook 622 (500) audits of electrical and gas appliances.
- ➔ Undertook 80 (60) audits of network/distribution systems and installations.

- ➔ Completed 91% (90%) of audits within 30 (30) working days of the start of the audit.

Fuel Quality Monitoring – Maintain and administer a Fuel Quality Monitoring Programme enforcing compliance with the Engine Fuel Specifications Regulations 2008 to promote and maintain confidence in the quality of the retail fuel supply.

The Ministry:

- ➔ Procured 143 (90) fuel sample sets. Higher than planned sample sets were tested due to a levy increase in October 2009 enabling increased testing to be completed.
- ➔ Conducted 100% (98%) of petroleum monitoring in accordance with relevant regulations.
- ➔ Analysed, and made recommendations on, 98% (100%) of testing results within 15 working days from receipt of test reports.
- ➔ Took appropriate action when following up test results in 100% (98%) of cases.

11 There is serious injury or loss as defined in section 16 of the Electricity Act 1992 and section 17 of the Gas Act 1992.

Information Disclosure – Administration of the gas information disclosure regulations.

The Ministry:

- Followed up 100% (100%) of cases of non compliance with the companies concerned within 30 working days of the non compliance being detected.
- Undertook annual compliance checks of all gas information disclosures, with 80% (80%) of checks completed within 60 working days of their receipt by the Ministry.

- Ensured 100% (100%) of all information disclosures accompanied by a declaration form were completed by a director of the company concerned.
- Ensured 100% (100%) of all financial information disclosures accompanied by an audit certificate.
- 100% (100%) of all information entered into the Ministry of Economic Development database was subject to validation checks for accuracy and completeness.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	895	895	517	491
Other	4,785	5,006	3,711	3,663
Total Revenue	5,680	5,901	4,228	4,154
Expenses:				
Annual appropriations	5,609	5,830	4,350	4,239
Other appropriations	-	-	-	-
Total Expenses	5,609	5,830	4,350	4,239
Net Surplus/(Deficit)	71	71	(122)	(85)
Sources of Revenue Other			\$000	\$000
Electrical levies			2,365	2,510
Gas levies			679	667
Petroleum fuels monitoring levy			622	455
Other energy safety fees			3	2
Total fees and levies			3,669	3,634
Inter-departmental cost recovery			42	29
Total Revenue Other			3,711	3,663

Major variances

This appropriation increased by \$221,000 due mainly to a Cabinet policy decision for Energy Safety funding of \$147,000 and a fiscally neutral adjustment for an increased Petroleum Fuels Monitoring Levy of \$375,000. This was offset by a reduction in expenses relating to a proposed LPG levy of \$300,000. Note that an expense transfer in principle is in place for up to \$300,000 in

relation to the Fuel Quality Monitoring programme to establish the compliance of New Zealand's retail fuel supply with the Petroleum Products Specifications Amendment Regulations 2003. The remaining savings were generated from reduced activity attributable to a low number of serious incidents requiring investigation and transition of information disclosure activity following changes to the relevant regimes.

Output Expense → Emissions Trading Implementation

Description

This output expense provides services relating to the development, implementation and operation of a register to support the proposed Emissions Trading Scheme. This will cover the operation of the register and administration functions as outlined in the Climate Change Response (Emissions Trading) Amendment Act 2008.

Work programme

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

A phased approach is being taken to enhance the existing New Zealand Emissions Unit Register to support the requirements of the New Zealand Emissions Trading Scheme. The Registry will facilitate the on-line reporting of emissions and the surrender of units to enable participants to meet their compliance obligations.

Other activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant), assessing our performance against other significant activities of interest.

Emissions Trading

The first half of 2009 saw the successful implementation of New Zealand's domestic unit, the New Zealand Unit which enabled the transfer of these units to eligible forestry participants. From April 2009, recipients of these units were able to transact in these units.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	4,984	6,384	2,060	1,148
Other	-	-	14	-
Total Revenue	4,984	6,384	2,074	1,148
Expenses:				
Annual appropriations	4,984	6,384	2,095	1,148
Other appropriations	-	-	-	-
Total Expenses	4,984	6,384	2,095	1,148
Net Surplus/(Deficit)	-	-	(21)	-

Revenue other was derived from inter-departmental recovery.

Major variances

This appropriation increased by \$1.400 million as a result of an expense transfer from 2007/08 from delays in implementing the emissions trading scheme. The delayed start and the reshaping of the scheme including

the development and build of the New Zealand Emissions Trading Scheme (NZETS) resulted in the low level of actual expenditure for 2008/09. No further transfers of funding have been sought. The deficit in 2008/09 is the result of unrealised foreign exchange losses.

Output Expense ➔ Provision of Climate Change Unit Register and Information

Description

This output expense provides services relating to the development and operation of a register to enable the allocation and trading of Kyoto units under the Climate Change Response Act 2002. This Act was passed in order to meet New Zealand's obligations under the Kyoto Protocol which came into force on 16 February 2005. The first Commitment Period started on 1 January 2008.

Work programme

Quantity, quality, timeliness and cost

Performance standards and forecast volumes are included in brackets where applicable.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Ease of doing business

The New Zealand Emission Unit Register is a fully electronic register which provides the facility to transfer units between parties, both domestically and internationally with no transaction costs to businesses.

Other Activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant), assessing our performance against other significant activities of interest.

- ➔ was available for public access 99% (99%) of the time excluding scheduled outages
- ➔ provided 100% (100%) publicly accessible information as defined in the relevant legislation.
- ➔ 347 total valid accounts were received with 344 received and opened within two business days where they meet the criteria defined in the regulations.

Climate Change

The Ministry ensured the climate change register:

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	1,456	1,456	1,194	1,302
Other	-	5	5	3
Total Revenue	1,456	1,461	1,199	1,305
Expenses:				
Annual appropriations	1,456	1,461	1,199	1,305
Other appropriations	-	-	-	-
Total Expenses	1,456	1,461	1,199	1,305
Net Surplus/(Deficit)	-	-	-	-

Revenue other was derived from inter-departmental recovery.

Major variances

Expenditure was lower than budget because actual volumes through the register required fewer resources than anticipated.

Output Expense ➡ Energy and Resources Information Services

Description

This output expense provides information and technical advice on energy and resources, the management of the response to any international disruption in oil supplies and the management of New Zealand's energy related international relations.

Work programme

Quantity, quality, timeliness and cost

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Efficient, reliable and responsive infrastructure

The Ministry developed and maintained long-term scenarios for energy supply and related greenhouse gas emissions, in particular, Energy in Brief published in July 2008, 'Net position' was released in May 2009, and the Energy Greenhouse Gas Emissions Report and Energy Data File were published in June 2009.

Other Activity set out in the 2008 "Information Supporting the Estimates"

The following reports on progress with other work, as set out in the 2008 "Information Supporting the Estimates" including (where relevant), assessing our performance against other significant activities of interest to Ministers.

Energy Information and Modelling – Provision of statistical information on energy supply and demand and sector greenhouse gas emissions.

The Ministry maintained rigorous quality control and peer review procedures to ensure the accuracy and reliability of reported information in all publications and information provided on projected energy supply and demand and energy sector greenhouse emissions.

External Relations – Provision of inter-governmental liaison on energy and resource matters and servicing of New Zealand membership of international energy organisations, particularly the International Energy Agency (IEA).

- ➡ Met New Zealand's obligation for reporting energy information to international organisations, including IEA, APEC (Asia Pacific Economic Cooperation) and UNFCCC (United Nations Framework Convention on Climate Change). The Ministry has:
 - Attended a number of IEA Governing Board and related committees meetings.

- Participated in Renewable Energy and Energy Efficiency Partnership (REEEP) South East Asia and Pacific Steering Committee meetings and Advisory meetings.
- Contributed to the development and signing of the International Partnership for Energy Development in Island Nations (EDIN) and participated in the first EDIN Steering Group meeting.
- Attended East Asia Summit Energy Cooperation Task Force meetings and supported the 2nd East Asia Summit Energy Ministers meeting.
- Attended APEC Energy Trade and Investment roundtable, the 36th and 37th APEC Energy Working Group meeting.
- Provided input into APEC leader's summit and East Asia Summit Leaders briefing.
- Was project overseer for APEC projects: Alternative Transport Fuel; and Implementation Guidelines and Business Models for New and Renewable Energy Technologies.

Ensure New Zealand is in a position to respond to any international oil supply disruptions.

- ➡ The Ministry completed tender rounds for oil ticketing contracts in 2009.
- ➡ Ensured New Zealand met its IEA oil stock obligations.

Costs

(Figures are GST exclusive)

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
Revenue:				
Crown	1,302	1,472	1,233	1,621
Other	1,253	1,796	1,632	1,173
Total Revenue	2,555	3,268	2,865	2,794
Expenses:				
Annual appropriations	1,328	1,516	1,265	1,328
Other appropriations	1,227	1,752	1,600	1,130
Total Expenses	2,555	3,268	2,865	2,458
Net Surplus/(Deficit)	-	-	-	336
Sources of Revenue Other			\$000	\$000
Petroleum fuels monitoring levy			1,595	1,118
Sale of publications			3	12
Inter-departmental cost recovery			34	43
Total Revenue Other			1,632	1,173

Major variances

The “other” appropriation increased by \$525,000 as a result of a fiscally neutral adjustment for the increased Petroleum Fuels Monitoring Levy. The annual appropriation increased by \$188,000 mainly as a result of a one-off expense transfer of \$150,000 from 2007/08 for delays in the primary industry surveys and liquid fuels analysis projects. In addition to other small adjustments, an allocation of \$20,000 was made from the New Zealand Energy Strategy contingency fund to increase this appropriation during 2008/09.

Publications were revamped during the year, resulting in less expenditure on printing. In addition some of the deferred project costs were shared with other organisations and a commitment was made generally to achieve savings as part of the “value for money” review. Note that reduced expenditure in the activities funded by levy results in a refund to levy payers and is not available for reprioritisation.

Vote: Tourism

In this part of the Annual Report, 'The Ministry' refers to The Ministry of Tourism which operates within the Ministry of Economic Development.

Output Expense ➔ Policy Advice Tourism

Description

This output expense provides advice on economic, environmental and social policy issues affecting tourism. It includes the provision and management of tourism research and data to assist in sector decision making. Further outputs include advice on the government's interests as owner of Tourism New Zealand (TNZ), the New Zealand Māori Arts and Crafts Institute (MACI) and on the government's land and property holdings.

Work programme

Quantity, quality, timeliness and cost

All policy advice projects were delivered in accordance with the terms of the work programme as agreed with the Minister. Changes to deadlines were negotiated with the Minister.

Progress on priorities agreed with new Ministers

At the beginning of 2009, the Ministry agreed a number of new priorities with the Minister including those from the Job Summit. The following reports on progress against these priorities.

Tracking tourism through the global economic downturn

- ➔ The Ministry has convened two tourism sector leaders' meetings to share information on the global recession and its impacts on tourism.
- ➔ The Ministry has also commissioned research on the impact of 'shocks' on the New Zealand tourism industry, including recovery patterns.
- ➔ A new survey has been developed to track tourism sector confidence (Tourism Industry Monitor). This has been conducted monthly from March 2009.
- ➔ The Ministry has also provided regular data and analysis to the tourism sector to enable a sound understanding of the progression of tourism through the downturn, including latterly with the H1N1 influenza outbreak.

Improve tourism yield

- ➔ The **National Cycleway** project has been established and initial consultations held with Local Government. The budget has been set at \$50 million for the overall project and a three year programme of establishing "great rides" proposed. Market research has been initiated with reporting due in August 2009.
- ➔ Funding has been provided to the Auckland City Council to undertake a feasibility study on a National Convention Centre. The two part study will provide cost benefit analysis, funding options and site recommendations for the National Convention Centre. The final report is due prior to the end of 2009.
- ➔ TNZ received additional funding in April 2009 from Cabinet for marketing New Zealand as a visitor destination for the specific delivery of additional marketing activity in Australia. Additional funding was used to target an increase in our share of Australian outbound travel, to maintain brand awareness, and to stimulate arrivals in the short-term.

Progress on work programme set out in 2008 SOI

The following reports on progress with the key pieces of work set out in the Ministry's 2008 *Statement of Intent*. It also assesses how this work has contributed to the outcomes and objectives identified in the 2008 *Statement of Intent*.

Enterprising and innovative businesses

The Ministry has contributed to this by:

- Redirecting resources to enable a joint venture tourism campaign between TNZ and Air New Zealand in Australia.
- Developing baseline tourism indicators to measure the tourism sector's impact on the environment and the effectiveness of interventions over time.
- Delivering research and data to enable business decision making, including improving the quarterly International Visitor Survey (IVS) and Domestic Travel Survey (DTS) data through a change to in house survey management.
- Establishing a targeted joint venture investment round between the Foundation of Research Science and Technology (FoRST) and the Ministry. Research priorities were determined with industry input. Projects to be funded have been selected with announcements to be made in August 2009.
- Implementing the Sustainable Tourism Advisors in Regions (STAR) programme in partnership with nine regions. Programme emphasis is to assist businesses prepare for Qualmark environmental accreditation. Qualmark NZ launched its environmental accreditation programme including Enviro – bronze, silver and gold ratings. Environmental accreditation is now integral to the tourism quality accreditation criteria of over 2,000 businesses.

International linkages

More specifically, the Ministry:

- Established an international aviation programme to coordinate across government policy activity, provide a focus on critical routes during the downturn and determine strategic economic development priorities for international aviation linkages.
- Re-established a Māori Tourism Mentoring programme to increase the presence and performance of Māori tourism businesses in the tourism distribution chain.
- TNZ conducted tourism destination promotion in six key international markets and supporting trade, PR and online marketing was conducted in a further nine markets.

Auckland, a world-class city

The Ministry:

- Partnered with the Auckland City Council to produce a feasibility study for a National Convention Centre in Auckland.
- Contributed, with Government Urban and Economic Development Office (GUEDO) and the Auckland Regional Council, to establish the case for a cruise ship terminal on Queens Wharf. Inputs included joint research and policy advice.
- Delivered national and regional tourism data to lower uncertainty faced by tourism investors and financiers.
- Developed and delivered the Tourism Industry Monitor, a monthly tourism confidence and business insight survey which provided a more measured picture of tourism resilience in the downturn than external commentators had promulgated.

Other Activity set out in the 2008 “Information Supporting the Estimates”

The following reports on progress with other work, as set out in the 2008 “Information Supporting the Estimates” including (where relevant) assessing our performance against other significant activities of interest.

Policy Advice – Tourism

Foster Māori tourism development:

The Ministry worked with the Māori Tourism Council (MTC) and other key stakeholders in 2008/09 to progress Māori tourism priorities. This includes work to improve the capability of Māori tourism operators. The Ministry is monitoring the work the MTC is undertaking, with work to be completed including the development of the Living Landscapes project.

Review and complete recommendation papers prepared by Tourism New Zealand (TNZ) on the suspension or decline of the Approved Destination Status (ADS) of Inbound Tourism Operators (ITO) as specified in the ADS code of conduct and report to the Minister.

The Ministry received three recommendation papers from TNZ in the financial year 2008/09. Two Inbound Tour Operators (ITO) were placed on suspension and one ITO's application to conduct China Approved Destination Status (ADS) tours was declined.

Build a tourism aviation policy work programme.

The Ministry is leading two streams of work on the economic development (trade, tourism, business connection, investment) linkages that are underpinned by New Zealand's international air routes. Maintaining priority air routes in the current economic downturn and developing a longer term strategic agenda for our international aviation linkages.

Ensure continuous improvement of the management of tourism on the conservation estate.

The Limited Supply Concessions agreement between the Ministry, the Department of Conservation (DoC) and Tourism Industry Association New Zealand (TIANZ) has been completed. The agreement was released publicly at the TIANZ conference in 2008.

The Ministry is continuing its role as facilitator of the concession agreement discussions between the Bus and Coach Association and DoC. It is hoped that an agreement can be concluded by October 2009.

Crown Entity Monitoring

The Ministry provided advice, monitoring and reporting on the services the government purchases from Tourism New Zealand for promoting New Zealand as a visitor destination and the New Zealand Māori Arts and Crafts Institute including:

- ➔ Supported strategic management of the relationship between Ministers and the entities.
- ➔ Supported the delivery of core Crown entity accountability documents (Output Agreement, Statement of Intent, Annual Report etc) including providing advice on performance measures, funding issues and risk.
- ➔ Advice on statutory appointments to the NZTB Board for the appointment of a new Board Chair, along with the appointment of two Board members and the re-appointment of one Board member.
- ➔ Advised on the establishment of performance standards for Crown entities and monitored delivery against agreed standards provided in accountability documents.

Research and Statistics

The Ministry delivered critical industry performance monitoring information from the core tourism data set to businesses, the wider financial sector and government to and underpin the priority work in this output plan. Specifically:

- ➔ The Ministry delivered quarterly IVS and DTS data while completing the development of in-house statistical processes and managing the outsourcing of data collection for each survey. The management change process generated significant data quality, timeliness and efficiency gains.

- ➔ Statistics New Zealand has delivered the International Visitor Arrivals (IVA) and Commercial Accommodation Monitor (CAM) statistics as required. The Tourism Satellite Account (TSA) for the year ended March 2009 will be delivered in October 2009 with this release to incorporate the 2008 estimates. This change has achieved a significant reduction of 8 months to the TSA delivery following the reference period.
- ➔ A joint venture three-year investment round was agreed between FRST and the Ministry. A stakeholder group was convened to determine research priorities and a funding round conducted on the three priority projects.

Advice and Assistance on Major Events – Ensure New Zealand retains, grows and attracts major events that complement the image of New Zealand and existing infrastructure to achieve a greater contribution to economic growth.

- ➔ A major events “landscape” project was completed in May 2009 that involved consultation with regional stakeholders and mapped out a major events calendar to inform planning over the next 10 years.
- ➔ A major events policy review was undertaken and the Minister was briefed on the outcomes in May. Outcomes and results are expected to be reported to Cabinet in September 2009, these will assist central government attract, retain and develop events that will contribute to governments objectives.

Land and Property Management – Management of tourism and other concessions at Wairakei and Rotorua.

Manage revenue and compliance of Government landholding in Wairakei and Rotorua.

The tourism and other concessions at Wairakei and Rotorua were managed throughout the year to ensure that risks were appropriately managed, commercial returns achieved and that all legal and contractual obligations were met.

The Ministry provided advice to the Commissioner of Crown Lands regarding tourism development and land use issues. Licence issues and Contact Energy easement matters.

Rents collected for 2008/09 financial year;

- ➔ \$0.501 million from Wairakei
- ➔ \$0.713 million from Rotorua.

Costs

	2009 Main Estimates \$000	2009 Supplementary Estimates \$000	2009 Actual \$000	2008 Actual \$000
(Figures are GST exclusive)				
Revenue:				
Crown	7,146	7,586	6,969	6,608
Other	197	255	215	213
Total Revenue	7,343	7,841	7,184	6,821
Expenses:				
Annual appropriations	7,343	7,841	7,184	6,821
Other appropriations	-	-	-	-
Total Expenses	7,343	7,841	7,184	6,821
Net Surplus/(Deficit)	-	-	-	-
Sources of Revenue Other			\$000	\$000
Consultancy services provided to Statistics NZ			153	153
Interdepartmental cost recovery			59	60
Total Revenue Other			212	213

Major variances

The Supplementary Estimates increase mainly reflected funding for a number of initiatives related to the Implementation of the New Zealand Tourism Strategy \$1.680 million and the transfer of work to 2008/09 totalling \$340,000 due to delays in the previous year with respect to the Commercial Accommodation Monitor project \$140,000, the Tourism Research Analysis projects \$80,000, the Tourism New Zealand/Australia evaluation \$60,000, and the Tourism Research publications \$60,000, offset in part by expense transfers totalling \$1.580 million from 2008/09 to 2009/10 for the following projects – the Tourism Research/FoRST project \$500,000, Membership of the United World Tourism Organisation \$400,000 the Electronic Card Data/Tracking Survey \$350,000, the Commercial Accommodation Monitor \$200,000, and the Infrastructure project \$130,000.

The variance between Supplementary Estimates and actual expenses was primarily due to a delay in finalising the contract for the Tourism Workforce Skills programme. This resulted in an under-spend of \$657,000.

The increase between the 2008/09 and 2007/08 actual expenses primarily reflected the net change arising from the increase in funding in 2008/09 for a number of new initiatives related to the Implementation of the New Zealand Tourism Strategy

Policy Advice and Ministerial Servicing

Quality assurance processes

The Ministry has a formal policy framework within which all policy issues may be assessed, options developed and analysed, and consultation with interested parties effected. This framework is consistent with the processes employed by many other government agencies and helps ensure consistency of approach and focus throughout the Ministry and with broader government policy. Consultation with interested parties is undertaken throughout this process and advice from the Ministry's Legal Directorate is also sought where appropriate.

Within the policy framework significant influences on the quality of output delivery included:

- ➔ Gauging of Ministers' satisfaction through regular (usually weekly) meetings which provide frequent opportunities for feedback on the level of satisfaction with the quality of advice and reporting. The Chief Executive also had discussions with each Minister on the Ministry's performance and forward work programme as part of the Ministry's regular review processes.
- ➔ Standard quality assurance procedures applied throughout the Ministry which require that all reports to Ministers and letters for their signature are normally signed out by a Deputy Secretary, a director, a manager or senior advisor depending on the complexity or sensitivity of the issue being dealt with.
- ➔ Consultation with external groups on an informal basis or the release of discussion papers on which formal submissions are received.

Standards for Policy Advice

The Ministry will seek a six-monthly written response from Ministers on its performance against the following quality standards.

Quantity

Project work is agreed in the year's work programme, and modified by agreement between Ministers, the Chief Executive of the Ministry of Economic Development and, where appropriate, the General Manager of the Ministry of Consumer Affairs and the General Manager of the Ministry of Tourism in the course of the year.

Coverage

The Ministry will provide a comprehensive service that:

- ➔ Has the capacity to react urgently.
- ➔ Offers timely and relevant briefings on significant issues.
- ➔ Supports Ministers as required in Cabinet Committees, Select Committees and in the House.

Quality

The Ministry will supply high quality individual products conforming to the quality characteristics outlined below and assessed by the Ministers' satisfaction, as reported in the Ministers' response sheets.

Quality characteristics

Purpose

An objective for the policy advice has been clearly stated including its relationship to the Government's desired outcomes and objectives.

Focus

There is a clear and logical statement of the issue or problem and why it necessitates Ministerial action.

Viability

Viable options to address the issue are presented and the costs/benefits and winners/losers for each (relative to the policy objective) are assessed and any value judgement is brought to the attention of Ministers.

Logic

The assumptions behind the advice and the logic of how options will resolve issues and achieve objectives are clear.

Accuracy

The facts are accurate and based on reliable research or evaluation findings or other appropriate information.

Practicality

The advice draws on appropriate knowledge and experience and the practicalities of implementing it are clearly explained, including any legal, machinery of government, Treaty of Waitangi, or other issues or risks that require management.

Consultation

Interested government agencies and affected parties have been consulted and their views considered.

Presentation

The advice is presented clearly, logically, in plain and grammatically correct English, free from any typographical or spelling errors, and conforms to Cabinet Office requirements.

Recommendations

Recommendations are clear, logical, action oriented and can stand alone from the rest of the advice.

Timeliness

Specified reporting deadlines are met.

Cost

The final cost is within budget. This is assessed by comparing the final cost with the Estimates of Appropriations.

Ministerial Servicing Standards

All draft Ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry.

Parliamentary questions and Ministerial correspondence are responded to within agreed and statutory timeframes. Quantities of Ministerial servicing for each Output Expense are as stated in the table set out in this report. (Performance standards are in brackets.)

Ministerial Servicing Performance

(Standards are in brackets where applicable)

Quantity and Timeliness	Output Expense	Output Expense	Output Expense	Output Expense	Output Expense	Output Expense
Vote: Economic Development	Policy Advice and Sector Leadership – Firm Capability, Sectoral and Regional Development	Policy Advice Small Business				
Ministerial Correspondence Actual (Estimated)	114 (110–140)	62 (60–80)				
100% submitted within 10 working days	95%	90%				
Parliamentary Questions Actual (Estimated)	30 (100–120)	44 (30)				
Vote: Commerce	Policy and Purchase Advice Business Law and Competition Policy	Administration of Part II Tariff Concessions	Administration of Trade Remedies	Registration and Granting of Intellectual Property Rights	Administration of Insolvencies	Registration and Provision of Statutory Information
Ministerial Correspondence Actual (Estimated)	352 ¹² (150–200)	0 (0–5)	0 (0–5)	3 (0–10)	99 ¹³ (10–20)	27 ¹⁴ (0–10)
100% submitted within 10 working days	94%	N/A	N/A	100%	99%	100%
Parliamentary Questions Actual (Estimated)	23 (80–120)	0 (0)	0 (0)	0 (0)	15 (0)	0 (0)
Vote: Communications	Policy Advice Communications	Management and Enforcement of the Radiocommunications Act 1989				
Ministerial Correspondence Actual (Estimated)	508 (300–350)	0 (0–10)				
100% submitted within 10 working days	98%	N/A				
Parliamentary Questions Actual (Estimated)	33 (60–100)	0 (0–10)				
Vote: Consumer Affairs	Policy Advice and Support on Consumer Issues	Enforcement and Conformance				
Ministerial Correspondence Actual (Estimated)	116 (100–150)	12 (20–30)				
100% submitted within 10 working days	97%	92%				
Parliamentary Questions Actual (Estimated)	16 (15–20)	1 (0–10)				

12 Greater than anticipated numbers of correspondence were received during the year focusing on finance company collapses, financial crisis, and financial sector reforms.

13 Changes brought about by the new insolvency regime.

14 Increased correspondence due to impact of finance company collapses.

Ministerial Servicing Performance (continued)

(Standards are in brackets where applicable)

Quantity and Timeliness	Output Expense	Output Expense	Output Expense	Output Expense	Output Expense	Output Expense
Vote: Energy	Policy Advice on Energy and Resource Issues	Management of the Crown Mineral Estate	Administration of Gas and Electricity Regulations	Emissions Trading Implementation	Energy and Resource Information Services	Provision of Climate Change Unit Register and Information
Ministerial Correspondence Actual (Estimated)	637 (600–800)	20 (40–50)	19 (33)	0 (0)	4 (20–50)	0 (0–10)
100% submitted within 10 working days	98%	100%	100%	N/A	100%	N/A
Parliamentary Questions Actual (Estimated)	60 (100–140)	17 (0)	14 (8)	0 (0)	0 (0–5)	0 (0–5)
Vote: Tourism	Policy Advice – Tourism					
Ministerial Correspondence Actual (Estimated)	289 ¹⁵ (170)					
100% submitted within 10 working days	88%					
Parliamentary Questions Actual (Estimated)	10 (40)					

¹⁵ The increase in Ministerials is due to the interest generated by the Prime Minister having lead on the Vote Tourism portfolio. The reduction in forecast Parliamentary Questions is believed to be the result of an election year.

Performance against Policy Advice Standards (by Vote)

	Economic Development	Commerce	Communications	Consumer Affairs	Energy	Tourism
Quality						
The Ministry's Policy Framework provides that advice has the quality characteristics listed on page 95						
Coverage						
Performance ratings for policy advice services provided for the year ending 30 June 2009:	3	3-4	4	3	4	3
Provision of a comprehensive service that:						
→ has the capacity to react urgently						
→ offers timely and relevant briefings on significant issues						
→ supports Ministers as required in Cabinet Committees, Select Committees and in the House.						
The Ministers' feedback is within the range (3) "met my expectations" to (5) "greatly exceeded my expectations" in the regular review of the Ministry's performance. ¹⁶						

¹⁶ The range is (1) was not satisfactory, (2) fell short of my expectations in some respects, (3) met my expectations, (4) met and sometimes exceeded my expectations, (5) greatly exceeded my expectations.

Section 3

Non-Departmental Financials



Accounting Policies Non-Departmental

for the year ended 30 June 2009

Reporting entity

The following non-departmental schedules record the revenue and receipts, expenses, assets, liabilities, contingencies and commitments that the Ministry administers on behalf of the Crown. These, together with associated notes, are presented below.

Measurement basis

Measurement and recognition rules applied in the preparation of these non-departmental schedules are consistent with Crown accounting policies and New Zealand generally accepted accounting practice as appropriate for public benefit entities.

Accounting policies

The following particular accounting policies that materially affect the measurement of financial results and financial position have been applied:

Budget figures

The budget figures are those presented in the Budget Estimates (Main Estimates) and those amended by the Supplementary Estimates, and associated forecasts included in the Main and Supplementary Estimates and reflected in the Schedules of Non-Departmental Revenue and Expenditure, and Non-Departmental Assets and Liabilities.

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental revenue and expenditure. Hedge contracts in place at 30 June are recognised as derivatives in the schedule of non-departmental assets and liabilities with the unrealised loss or gain recognised in the schedule of non-departmental revenue and expenditure.

Revenue and expenditure

Revenue and expenditure are recognised when earned or incurred respectively and are reported in the financial period to which they relate.

Receivables

Receivables are recorded initially at fair value less any subsequent provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable and a provision is made accordingly.

Inventories

Inventories are stated at the lower of cost (calculated on a “first in, first out” basis) or net realisable value.

Property, plant and equipment

Items of property, plant and equipment costing \$2,000 (excluding GST) or more are capitalised and are initially recorded at cost.

The carrying amounts of property, plant and equipment are reviewed annually to determine if there is any indication of impairment. Where an asset’s recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised in the Schedule of Revenue and Expenditure.

Realised gains and losses arising from sales of property, plant and equipment are recognised in the Schedule of Revenue and Expenditure in the period in which the transaction occurs.

Depreciation

Depreciation of property, plant and equipment is provided on a straight line basis so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the cost or revalued amount less the residual value. The estimated useful lives are:

Buildings	20 to 50 years
Infrastructure	13 to 14 years
Whirinaki Power Station	11 years
Textphone Equipment	4 years

All property, plant and equipment other than the Whirinaki reserve generation power station (\$14,000,000) are assumed to have no residual value.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully operational.

Provisions for NZTE grants

Grants are administered and awarded by New Zealand Trade and Enterprise for a variety of purposes spanning a variety of periods. Upon being awarded, they are recognised as a liability. Subsequent payment of the grant amounts is conditional upon milestone achievement, so for each different type of grant, an assessment is made based on historical data of the probability of the grant actually being taken up. The liability is then adjusted to reflect the revised probable future payment.

Mine rehabilitation provision

The Crown has indemnified Solid Energy New Zealand Ltd for rehabilitation liabilities arising from coal mining operations carried out by State Coal Mines prior to 1 April 1987. The provision is calculated for each mine based on the expected cost and timing of rehabilitation work required. The current portion of the provision reflects the costs expected to be incurred in the following 12 months. The term portion of the provision is discounted to a Net Present Value using an appropriate discount rate. The work programme is subject to ongoing review and the Ministry adjusts the value of the provision at 31 December and 30 June each year to reflect the remeasurement. Solid Energy New Zealand Ltd invoices the Ministry for expenditure incurred in completing the work programme and the cost is charged against the current portion of the provision. Neither the remeasurement nor the current costs are subject to appropriation.

Crown Energy Efficiency Loans

These interest-free loans are in most cases for a five year term. They are initially recognised at fair value by applying a discount rate that is equivalent to the swap rate for the term of the loan, plus a credit risk premium of 1.75 percent reflecting the two broad categories of borrower being Local Authorities and District Health Boards. The discount is amortised over the life of the loan. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Impairment losses are recognised in the Schedule of Non-Departmental Revenue and Expenditure.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments (at the point a contractual obligation arises) to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Contingent liabilities and contingent assets

Contingent liabilities and assets are disclosed at the point at which the contingency is evident.

Goods and Services Tax (GST)

The Schedule of Non-Departmental Expenditure and Appropriations is exclusive of GST (where applicable). The Schedule of Assets and Liabilities is exclusive of GST, except for Payables and Receivables, which are GST inclusive. All other figures are GST exclusive (where applicable).

Any payments made for GST input tax are made under the authority of Section 6 of the Public Finance Act.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore, readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2009.

Changes to Accounting Policies

New Zealand Venture Investment Fund

The Crown has a capital funding commitment to the NZ Venture Investment Fund Ltd (NZVIF) totaling \$160 million to be drawn down as equity capital as required when their commitments to various venture capital funds fall due. Firm commitments represented by binding contracts entered into by NZVIF have previously been recognised as a liability in the schedule of non-departmental assets and liabilities. To be consistent with the treatment in the

accounts of NZVIF these will now be recognised along with conditional commitments in the schedule of non-departmental commitments. Prior year comparatives also reflect this change.

Radio Spectrum Sales

Since the advent of the Radiocommunications Act 1989, sales of management rights over portions of the radio spectrum have occurred from time to time. The rights extend for varying periods and carry certain implementation requirements. Once these requirements have been fulfilled, the management rights holder retains those rights through to the end of the specified term, after which the rights revert to the Crown and may be reoffered for sale.

These sales were previously recognised in the Schedule of Non-Departmental Revenue and Expenditure in the year of sale and had been treated as revenue from the sale of an intangible property right. The sales are settled

at the time of the transfer of rights. However, due to the term of the right being limited and the property reverting to the Crown at the end of the term, combined with the more recent inclusion of extended implementation (“use-or-lose”) provisions surrounding certain recent and future prospective sales, the accounting policy has been changed to align with NZ IAS 17 to treat the sales as operating leases from the Crown’s perspective in the non-departmental schedules.

This change would not have materially impacted on the results in previous years due to the sale values and level of implementation requirements. However, certain recent and future sales of spectrum rights will now be amortised over a number of years instead of being recognised up front due to increased implementation requirements extending the use benefit period to the Crown implicit in the sales. Unamortised values will appear as unearned income in the Schedule of Non-Departmental Assets and Liabilities.

Schedule of Non-Departmental Activities

for the year ended 30 June 2009

The Ministry of Economic Development administered the following non-departmental appropriations during 2008/09:

- ➔ Output expenses across six Votes (Commerce, Communications, Consumer Affairs, Economic Development, Energy, and Tourism) totalling \$408.716 million for services supplied by the Commerce Commission, Securities Commission, Accounting Standards Review Board, Takeovers Panel, Telecommunications Commission, Electricity Commission, New Zealand Trade and Enterprise, Energy Efficiency and Conservation Authority, local and national delivery organisations for industry and regional development programmes, and the New Zealand Tourism Board.
- ➔ Output expenses as Multi-Year Appropriations in two Votes (Economic Development and Energy) totalling \$6.727 million for the 2010 Shanghai Expo and a recovery from the operations of the Whirinaki power station.
- ➔ Other expenses across five Votes (Commerce, Communications, Economic Development, Energy, and Tourism) totalling \$151.764 million for contributions to international organisations, Litigation Funds, Ministry of Energy residual liabilities, EECA grants programmes, Regional Development Programme initiatives, Industry Specialist and Feasibility Grants, Business Success and Outreach Schemes, and other grants and expenses.
- ➔ Other expenses as Multi-Year Appropriations across three Votes (Communications, Economic Development and Energy) totalling \$4.780 million for Digital Graphics Cluster, Digital Strategy and Marine Energy Development.
- ➔ Depreciation expense across three Votes (Communications, Energy, and Tourism) totalling \$12.037 million.

➔ Capital investments in two Votes (Economic Development and Energy) to the Venture Investment Fund, Seed Co Investment Fund, NZ Trade and Enterprise, and the Crown Energy Efficiency Loans scheme (\$21.186 million).

➔ Capital purchases in two Votes (Communications and Energy) for textphone equipment and improvements to the Whirinaki power station (\$0.262 million).

While the Ministry is responsible for making payments for services supplied under non-departmental output expenses and, on behalf of the relevant Vote Minister, for monitoring the performance of non-departmental providers, these providers are directly accountable to Ministers for their performance in supplying non-departmental output expenses.

The Ministry also collected \$755.018 million of Crown revenue in 2008/09, with the major portion coming from energy resource levies, petroleum royalties and electricity industry and line businesses levies.

The following information on pages 103 to 117 is provided to give readers a better understanding of the nature and scope of the Crown activities administered or undertaken by the Ministry of Economic Development. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited statements of the Government Reporting Entity for the year ended 30 June 2009.

Schedule of Non-Departmental Revenue and Expenditure

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Forecasts ¹	2009 Supplementary Forecasts ¹
\$000		\$000	\$000	\$000
Revenue				
46,258	Tax	38,524	42,808	36,900
272,806	Non-tax	654,391	235,491	626,689
7,714	Capital Receipts (excluding loan repayments)	5,217	-	-
326,778	Total Revenue	698,132	278,299	663,589
Expenses				
398,248	Output Expenses	408,716	459,808	414,594
26,821	Output Expenses – Multi-Year Appropriation	6,727	11,600	8,051
317,907	Other Expenses to be Incurred by the Crown	151,764	172,421	166,096
9,571	Other Expenses to be Incurred by the Crown – Multi-Year Appropriation	4,780	9,677	10,981
14,000	Eden Park Stadium Development Loan Write Off ²	-	-	-
-	Unrealised Losses ³	262	-	-
12	Debt Impairments ⁴	6	-	-
13,109	Depreciation	12,037	13,374	13,136
54,915	GST input tax credit	59,216	78,580	57,267
834,583	Total Expenses	643,508	745,460	670,125

1 Aggregate Non-Departmental revenue and expenditure shown as Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments and may not agree to the totals within the Schedule of Non-Departmental Revenue, and Schedule of Non-Departmental Expenditure and Appropriations, pages 137 to 141.

2 The write off of this loan was validated by the 2007/08 Financial Review Bill.

3 Unrealised losses result from the inclusion of derivative financial instruments in the Schedule of Assets and Liabilities and are not subject to appropriation.

4 Debt impairments result from a remeasurement of non-departmental receivables and are not subject to appropriation.

Schedule of Non-Departmental Assets and Liabilities

as at 30 June 2009

2008 Actual		2009 Actual	2009 Main Forecasts ⁵	2009 Supplementary Forecasts ⁵
\$000		\$000	\$000	\$000
Assets				
<i>Current Assets</i>				
24,394	Cash and bank balances	14,604	40,860	24,394
91,584	Receivables and advances	57,700	33,396	79,631
34,839	Inventory	33,943	20,237	34,839
-	Derivatives	1,471	-	-
150,817	Total Current Assets	107,718	94,493	138,864
<i>Non-current Assets</i>				
77,435	Investments	97,350	181,566	162,830
12,462	Receivables and advances	16,320	12,462	16,022
93,516	Property, plant and equipment	81,722	96,054	100,614
183,413	Total Non-current Assets	195,392	290,082	279,466
334,230	Total Assets	303,110	384,575	418,330
Liabilities				
<i>Current Liabilities</i>				
236,774	Creditors and payables	172,625	179,455	191,415
-	Derivatives	1,707	-	-
236,774	Total Current Liabilities	174,332	179,455	191,415
<i>Term Liabilities</i>				
34,306	Creditors and payables	34,297	70,145	59,306
-	Unearned income	56,886	-	-
34,306	Total Term Liabilities	91,183	70,145	59,306
271,080	Total Liabilities	265,515	249,600	250,721

⁵ Main and Supplementary Forecasts reflect the Main and Supplementary Estimates and include forecasting adjustments.

Schedule of Non-Departmental Revenue

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
	Tax Revenue			
	<i>Vote: Energy</i>			
38,058	Energy Resource Levies – Gas	31,379	35,090	35,090
8,200	Energy Resource Levies – Coal	7,145	7,718	7,718
46,258	Total Tax Revenue	38,524	42,808	42,808
	Non-tax Revenue			
	<i>Vote: Commerce</i>			
899	Accounting Standards Review Board	830	830	830
27	Commerce Act Penalty Fees	2,112	-	-
-	Levy on Regulated Airports	-	1,310	1,215
1,964	Proceeds of Crime	3,264	7,750	7,750
2,890	Sub-total Vote: Commerce	6,206	9,890	9,795
	<i>Vote: Communications</i>			
6,357	Telecommunications Levy	4,713	7,791	7,791
378	Radio Spectrum Resource Fees	324	-	-
3	Textphone Rental	-	-	-
6,738	Sub-total Vote: Communications	5,037	7,791	7,791
	<i>Vote: Consumer Affairs</i>			
6	Trade Measurement Unit – Infringement Fees	11	20	20
6	Sub-total Vote: Consumer Affairs	11	20	20
	<i>Vote: Energy</i>			
90,964	Energy Royalties	519,117	82,241	385,917
75,087	Levy on Electricity Industry	82,081	97,869	174,744
90,220	Whirinaki Power Station	32,819	29,100	164,100
4,132	Levy on Electricity Line Businesses	5,946	7,117	6,016
1,674	Control of Natural Gas Services Levy	1,798	503	2,118
93	Residual Ministry of Energy Commitments	61	80	80
54	Ironsands Royalties/Compensation Payments	43	64	64
-	Electricity Governance Rulings Panel Penalties and Fees	58	-	-
262,224	Sub-total Vote: Energy	641,923	216,974	733,039

Schedule of Non-Departmental Revenue (continued)

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
	<i>Vote: Tourism</i>			
643	Sale of Trees and Concession Fees	501	533	568
305	Rent from Reserve Lands	713	283	552
948	Sub-total Vote: Tourism	1,214	816	1,120
272,806	Total Non-tax Revenue	654,391	235,491	754,765
	Capital Receipts			
	<i>Vote: Commerce</i>			
-	Securities Commission Capital Receipts from Litigation	2,065	-	-
16	Greenstone Fund	2	-	-
16	Sub-total Vote: Commerce	2,067	-	-
	<i>Vote: Communications</i>			
7,499	Sale of Radio Spectrum	3,150	-	-
	<i>Vote: Energy</i>			
-	Repayment of Crown Energy Efficiency Loans	1,213	-	-
199	Sale of Surplus Assets	-	-	-
7,714	Total Capital Receipts	6,430	-	-

Schedule of Non-Departmental Expenditure and Appropriations

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
Non-Departmental Output Expenses				
Vote: Commerce				
1,205	Approval and Review of Financial Reporting Standards	1,125	1,125	1,125
6,501	Performance of Securities Market Functions	7,301	7,301	7,301
15,079	Enforcement of General Market Regulation	16,796	16,745	17,412
1,444	Administration of the Takeovers Code	1,494	1,494	1,494
905	Enforcement of Dairy Sector Regulation	(101)	905	905
25,134	Sub-total Vote: Commerce	26,615	27,570	28,237
Vote: Communications				
-	Accelerating Broadband	-	65,000	-
6,473	Enforcement of Telecommunications Sector Regulation	6,990	7,790	7,790
226	Administrative Support for Telecommunications Relay Equipment and Services	250	249	483
6,699	Sub-total Vote: Communications	7,240	73,039	8,273
Vote: Consumer Affairs				
420	Provision of Data on Consumer Issues	-	81	81
420	Sub-total Vote: Consumer Affairs	-	81	81
Vote: Economic Development				
-	Analysis and Development Services for Firms	19,542	22,530	19,928
-	International Investment Facilitation Services	15,823	16,724	16,028
-	Identification and Coordination of International Market Opportunities	66,660	68,446	70,418
-	Regional and Sector Development Services	45,747	44,906	47,156
-	Standardised Training and Advisory Services	14,439	16,137	15,187
1,890	Investment Fund Management	2,590	2,590	2,590
52,646	Facilitating the Development and Implementation of Sector and Regional Strategies	-	-	-
28,614	Promotion of New Zealand Business and Development of Investment Opportunities	-	-	-
11,161	Identifying and Leveraging New Business Opportunities	-	-	-
12,049	Training and Capability Building	-	-	-
13,489	Customised Information and Advice	-	-	-
30,567	Facilitation of New Business Opportunities	-	-	-
5,211	Grant Administration and Management	-	-	-
722	New Zealand Expo 2010 Shanghai, China	-	-	-
156,349	Sub-total Vote: Economic Development	164,801	171,333	171,307

Schedule of Non-Departmental Expenditure and Appropriations (continued)

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$'000		\$'000	\$'000	\$'000
	Vote: Energy			
46,095	Performance of Electricity Governance Functions	45,558	49,043	49,043
26,094	Reserve Energy and Reserve Measures – Availability	29,636	29,981	29,981
5,955	Performance of Electricity Efficiency Functions	8,179	18,401	13,401
-	Performance of Energy Efficiency and Conservation Functions	24,674	19,834	24,674
37,534	Maintenance and Operation of Whirinaki	6,956	3,273	54,211
9,358	Management of IEA Oil Stocks	4,820	10,000	5,700
4,132	Enforcement of Electricity Sector Regulation	5,946	7,117	6,016
1,911	Control of Natural Gas Services	1,616	503	2,187
2,934	Acquisition of Petroleum Exploration Data – Extension	5,697	-	5,724
134,013	Sub-total Vote: Energy	133,082	138,152	190,937
	Vote: Tourism			
74,601	Marketing of New Zealand as a Visitor Destination	75,501	73,001	75,501
1,032	Implementation of the Tourism Strategy	1,477	1,632	2,544
75,633	Sub-total Vote: Tourism	76,978	74,633	78,045
398,248	Total Non-Departmental Output Expenses	408,716	484,808	476,880
	Output Expenses – Multi Year Appropriations			
	Vote: Economic Development			
-	Shanghai Expo 2010	4,948	5,600	7,051
-	Sub-total Vote: Economic Development	4,948	5,600	7,051
	Vote: Energy			
(3,448)	Reserve Energy and Emergency Measures – Variable	883	1,000	86,448
30,269	Generating Reserve Electricity at Whirinaki	896	10,000	85,080
26,821	Sub-total Vote: Energy	1,779	11,000	171,528
26,821	Total Non-Departmental Output Expenses – Multi-Year Appropriations	6,727	16,600	178,579
	Other Expenses to be Incurred by the Crown			
	Vote: Commerce			
394	Contributions to International Organisations	476	485	485
6,993	Commerce Commission Litigation Fund	7,885	9,000	8,000
10	Securities Commission Litigation Fund	505	1,370	1,370
-	Takeovers Panel Litigation Fund	-	444	444
-	Risk Capital Fund – Directors' Fees	-	5	5
75	Statutory Management ⁶	-	-	-
7,472	Sub-total Vote: Commerce	8,866	11,304	10,304

6 Statutory Management costs are incurred under Permanent Legislative Authority and are not required to be appropriated.

Schedule of Non-Departmental Expenditure and Appropriations (continued)

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
Vote: Communications				
789	Contributions to International Telecommunications Organisations	809	930	930
789	Sub-total Vote: Communications	809	930	930
Vote: Economic Development				
1,434	Enterprise, Culture and Skills Fund	962	1,511	1,511
2,260	Enterprise Development Fund	1,767	2,774	2,774
750	Film New Zealand	750	750	750
(133)	GIF Industry Governed Bodies Fund	-	-	-
-	GIF Sector Project Fund	(18)	-	-
5,422	Growth Services Fund	4,284	5,927	5,927
184,604	Impairment of Loan to the Eden Park Redevelopment Board	-	-	-
4,000	International Biotechnology Partnership	1,679	4,000	2,000
28,896	Large Budget Screen Production Fund	47,869	35,556	47,902
5,126	Major Events Development Fund	4,500	4,500	4,500
1,093	Management Development Fund	276	756	276
40,280	Market Development Assistance Fund	39,165	54,341	44,937
10,000	Promotion of New Zealand Associated with the America's cup	-	26,000	12,250
(17)	Regional Initiatives Fund	-	-	-
2,156	Regional and Industry Development Fund	1,032	2,274	1,760
10,032	Regional Partnerships and Facilitation Fund	7,687	18,182	12,836
(2)	Sector Initiatives Fund	-	-	-
295	Sector Strategies and Facilitation Fund	480	3,218	1,500
-	Louis Vuitton Pacific Series	750	-	750
-	Trilateral Projects	1,112	-	1,250
296,196	Sub-total Vote: Economic Development	112,295	159,789	140,923
Vote: Energy				
301	Electricity Commission Litigation Fund	326	444	444
-	Energy Efficiency and Renewable Energy Grants and Assistance	30,212	19,300	30,212

Schedule of Non-Departmental Expenditure and Appropriations (continued)

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
44	International Energy Agency Contribution	25	50	50
125	International Energy Agency Subscription	146	150	150
12,670	Ministry of Energy Residual Liabilities ⁷	(1,250)	187	187
13,140	Sub-total Vote: Energy	29,459	20,131	31,043
	<i>Vote: Tourism</i>			
310	Tourism Facilities Development Grants	335	267	338
310	Sub-total Vote: Tourism	335	267	338
317,907	Total Non-Departmental Other Expenses	151,764	192,421	183,538
	Other Expenses to be incurred by the Crown – Multi-Year Appropriations			
	<i>Vote: Communications</i>			
6,571	Digital Strategy – High Speed Connectivity for Growth	2,780	5,792	2,788
6,571	Sub-total Vote: Communications	2,780	5,792	2,788
	<i>Vote: Economic Development</i>			
3,000	3D Digital Graphics Cluster	2,000	2,000	2,000
-	Transformational Initiatives Fund	-	-	2,466
3,000	Sub-total Vote: Economic Development	2,000	2,000	4,466
	<i>Vote: Energy</i>			
-	Contestable Fund for Deployment of Marine Energy Devices	-	1,885	3,735
-	Sub-total Vote: Energy	-	1,885	3,735
9,571	Total Non-Departmental Other Expenses – Multi-Year Appropriations	4,780	9,677	10,989
	Depreciation Expense			
	<i>Vote: Communications</i>			
343	Textphones	328	610	360
343	Sub-total Vote: Communications	328	610	360

⁷ The Crown has indemnified Solid Energy New Zealand Ltd for rehabilitation liabilities arising from coal mining operations carried out by State Coal Mines prior to 1 April 1987. In 2008/09 \$3.798 million was incurred against the liability and with the remeasurement of the liability resulting in a \$5.135 million decrease from the opening balance, the net expense incurred was a credit of \$1.337 million. Neither of these transactions is subject to appropriation.

Schedule of Non-Departmental Expenditure and Appropriations (continued)

for the year ended 30 June 2009

2008 Actual		2009 Actual	2009 Main Estimates	2009 Supplementary Estimates
\$000		\$000	\$000	\$000
	<i>Vote: Energy</i>			
12,729	Whirinaki	11,673	12,727	12,739
12	Buildings	11	12	12
12,741	Sub-total Vote: Energy	11,684	12,739	12,751
	<i>Vote: Tourism</i>			
25	Wairakei Tourist Park	25	25	25
25	Sub-total Vote: Tourism	25	25	25
13,109	Total Depreciation	12,037	13,374	13,136
	Capital Contributions to Other Persons or Organisations			
	<i>Vote: Communications</i>			
-	Accelerating Broadband	-	15,000	15,000
-	Sub-total Vote: Communications	-	15,000	15,000
	<i>Vote: Economic Development</i>			
11,300	Investment in Venture Investment Fund	14,941	20,000	33,701
3,326	Seed Co-investment Fund	2,145	8,000	12,674
184,604	Loan to the Eden Park Redevelopment Board	-	-	-
-	Investment in New Zealand Trade and Enterprise	2,100	3,314	6,021
199,230	Sub-total Vote: Economic Development	19,186	31,314	52,396
	<i>Vote: Energy</i>			
-	Crown Energy Efficiency Loans	2,000	2,000	2,000
-	Sub-total Vote: Energy	2,000	2,000	2,000
199,230	Total Capital Contributions to Other Persons or Organisations	21,186	48,314	69,396
	Purchase or Development of Capital Assets by the Crown			
	<i>Vote: Communications</i>			
5	Acquisition of Textphone Equipment	92	610	610
5	Sub-total Vote: Communications	92	610	610
	<i>Vote: Energy</i>			
-	Development of Reserve Electricity Generation Capacity	170	-	200
-	Sub-total Vote: Energy	170	-	200
5	Total Purchase or Development of Capital Assets by the Crown	262	610	810

Schedule of Non-Departmental Commitments

as at 30 June 2009

Total Non-Departmental Commitments are \$80 million for 2008/09 (\$35 million, 2007/08).

The commitments are for the Venture Investment Fund and Seed Co-investment Fund.

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

as at 30 June 2009

2008 Actual \$000		2009 Actual \$000
	Crown Liabilities	
	Nil	
	Public Liability Claims	
100	Rehabilitation of Mineral Mining Licences	100
100	Basel Convention on Transboundary Movement of Hazardous Waste	100
248	New Zealand Contribution to the Universal Postal Union	248
	Legal Proceedings and Disputes	
88	Western Institute of Technology at Taranaki	-
536	Total Contingent Liabilities	448

The Ministry on behalf of the Crown has no contingent assets (2008 nil).

Public Liability Claims relate to amounts that, in the event of default by a third party, the Crown may be obliged to pay.

Legal proceedings and disputes relate to the cancellation of a radio spectrum licence where it is claimed that a loss has resulted for which the party is entitled to compensation from the Crown.

Schedule of Non-Departmental Receivables and Advances

as at 30 June 2009

2008		2009
\$000		\$000
Current		
21,989	Crown Receivables	8,351
(13)	Less Provision for impairment	-
21,976	Net Crown Receivables	8,351
69,047	Accrued Receivables	35,774
561	Prepayments	13,097
-	Crown Energy Efficiency Loans	478
91,584	Total Current	57,700
Term		
-	Crown Energy Efficiency Loans	3,858
12,462	Capital Growth Facility	12,462
12,462	Total Term	16,320

All current receivables are non-interest bearing and are normally settled on 30-day terms unless specific legislative terms apply, therefore the carrying value of receivables and advances approximates their fair value.

All overdue receivables have been assessed for impairment and appropriate provisions applied, as follows:

	2009			2008		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Current	57,275	-	57,275	87,664	-	87,664
Overdue 1–30 days	7	-	7	2,837	-	2,837
Overdue 31–60 days	40	-	40	-	-	-
Overdue 60 days and over	378	-	378	1,096	(13)	1,083
Total Current Receivables and advances	57,700	-	57,700	91,597	(13)	91,584

Schedule of Non-Departmental Investments

as at 30 June 2009

2008		2009
\$000		\$000
	Non-current	
52,400	Venture Investment Fund	69,483
13,787	New Zealand Trade and Enterprise	15,887
7,034	Seed Co-investment Fund	7,221
1,641	Securities Commission	1,641
1,399	Electricity Commission	1,399
1,125	Commerce Commission	1,125
-	Energy Efficiency and Conservation Authority	545
49	Takeovers Panel	49
77,435	Total Non-current	97,350

The carrying value of investments approximates their fair value.

Schedule of Non-Departmental Creditors and Payables

as at 30 June 2009

2008		2009
\$000		\$000
	Current	
13,136	Trade creditors	7,026
12,304	Levies Refundable	11,815
81,446	Accrued operating expenses	50,263
100,573	New Zealand Trade and Enterprise grants payable	82,704
23,948	Mine rehabilitation	18,822
5,017	GST payable	1,648
350	Other	347
236,774	Total Current	172,625
	Term	
34,306	Mine rehabilitation (see footnote 7 on page 140)	34,297
34,306	Total Term	34,297

Creditors and other current payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Schedule of Non-Departmental Derivatives

as at 30 June 2009

2008	2009
\$000	\$000
Derivative Asset	
- FX Contracts – Oil Contracts	980
- FX Contracts – Data Acquisition	491
- Total Derivative Asset	1,471
Derivative Liability	
- FX Contracts – Oil Contracts	1,205
- FX Contracts – Data Acquisition	502
- Total Derivative Liability	1,707

The notional principal amounts of outstanding forward exchange contracts at 30 June 2009 were \$USD 640,800 Oil Contracts and \$USD 320,625 Data Acquisition (2008 \$USD nil)

Schedule of Non-Departmental Property, Plant and Equipment

as at 30 June 2009

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructural Assets ⁸ \$000	Total \$000
<i>Cost or valuation</i>					
Balance at 1 July 2007	2,567	591	1,354	143,192	147,704
Additions	-	-	5	6	11
Transfers	-	-	-	(399)	(399)
Balance at 30 June 2008	2,567	591	1,359	142,799	147,316
Balance at 1 July 2008	2,567	591	1,359	142,799	147,316
Additions	-	-	92	169	261
Disposals	-	-	(20)	-	(20)
Balance at 30 June 2009	2,567	591	1,431	142,968	147,557
<i>Accumulated depreciation and impairment losses</i>					
Balance at 1 July 2007	-	151	658	40,012	40,821
Depreciation expense	-	12	343	12,754	13,109
Eliminate on transfer	-	-	-	(130)	(130)
Balance at 30 June 2008	-	163	1,001	52,636	53,800
Balance at 1 July 2008	-	163	1,001	52,636	53,800
Depreciation expense	-	11	346	11,698	12,055
Eliminate on disposal	-	-	(20)	-	(20)
Balance at 30 June 2009	-	174	1,327	64,334	65,835
<i>Carrying amounts</i>					
At 1 July 2007	2,567	440	696	103,180	106,883
At 30 June and 1 July 2008	2,567	428	358	90,163	93,516
At 30 June 2009	2,567	417	104	78,634	81,722

8 Infrastructural assets includes the Whirinaki power plant and the Wairakei Tourist Park assets.

Part Appendices

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Appendix 1:

Governance and Crown Entities

Overview

The core governance arrangements for the Ministry conform to the legislative requirements for all departments. Annually, these arrangements centre on the Estimates approved by Parliament, the Ministry’s *Statement of Intent* and the output plan between the Chief Executive and the relevant Ministers (for the outputs to be supplied and the standards to be met for each Vote the Ministry administers).

The governance arrangements also provide for monthly reporting on financial performance to the Treasury, six-monthly and annual reporting on financial performance to Ministers, and a Select Committee examination that follows the presentation of the Ministry’s *Statement of Intent* and *Annual Report* to Parliament. Audit New Zealand audits the *Annual Report* and related material on behalf of the Controller and Auditor-General.

Ministers and Votes

The Minister for Economic Development is the Responsible Minister for the Ministry. The Responsible Minister oversees the Government’s ownership interest in the Ministry, which encompasses its strategy, capability, integrity and financial performance.

As at 30 June 2009, the Chief Executive reported to the portfolio Ministers listed below on the discharge of his responsibilities for six Votes.

Minister	Vote
Minister for Economic Development Minister for Small Business Minister for the Rugby World Cup	Economic Development
Minister of Commerce	Commerce
Minister for Communications and Information Technology	Communications
Minister of Consumer Affairs	Consumer Affairs
Minister of Energy and Resources	Energy
Minister of Tourism	Tourism

Crown entities

The following Crown entities were administered through Votes administered by the Ministry of Economic Development during the year:

- Accounting Standards Review Board
- Commerce Commission
- Electricity Commission
- Energy Efficiency and Conservation Authority
- New Zealand Tourism Board
- New Zealand Trade and Enterprise
- Securities Commission
- Takeovers Panel
- Standards Council
- Testing Laboratory Registration Council (TELARC)

Our role in relation to these entities is to:

- support board appointment processes from candidate identification to appointment as positions for renewal or appointment fall due
- provide advice on Budget initiatives and funding bids
- advise on funding and overall performance issues
- support strategic management of the relationship between Ministers and the Crown entity including systematic identification and management of emerging issues
- support the delivery of core accountability documents (such as letters of expectations, statements of intent, output plans, quarterly reports and annual reports).

While the Ministry administers the non-departmental appropriations to the Crown entities, the entities are directly accountable to Ministers for their performance in supplying agreed output expenses.

Other entities

The Ministry also advises Ministers on ownership interest related to the Copyright Tribunal and the Joint Accreditation System of Australia-New Zealand.

The Crown Company Monitoring Advisory Unit (CCMAU) has lead responsibility for monitoring the New Zealand Venture Investment Fund Ltd (NZVIF), and the Ministry is responsible for providing policy advice on NZVIF's future direction. As a Crown entity company, NZVIF is subject to accountability arrangements set by the Companies Act 1993 as well as the Crown Entities Act 2004. These accountability arrangements are overseen by CCMAU.

Appendix 2: Legislation Fully or Partly Administered in the Ministry of Economic Development as at 30 June 2009

Atomic Energy Act 1945	Electricity Industry Reform Act 1998
Auctioneers Act 1928	Electronic Transactions Act 2002
Building Societies Act 1965	Energy (Fuels, Levies, and References) Act 1989
Business Development Boards Act Repeal Act 2003	Energy Companies Act 1992
Carriage of Goods Act 1979	Energy Efficiency and Conservation Act 2000
Chateau Companies Act 1977	Energy Resources Levy Act 1976
Clerks of Works Act Repeal Act 1992	Fair Trading Act 1986
Climate Change Response Act 2002 (Parts 2, 4, 5 and 6 only)	Financial Advisers Act 2008 (not fully in force)
Commerce Act 1986	Financial Reporting Act 1993
Companies (Bondholders Incorporation) Act 1934–35	Financial Service Providers (Registration and Dispute Resolution) Act 2008)
Companies Act 1993	Friendly Societies and Credit Unions Act 1982
Companies Act Repeal Act 1993	Gas Act 1992
Companies Reregistration Act 1993	Geographical Indications (Wine and Spirits) Registration Act 2006
Company Law Reform (Transitional Provisions) Act 1994	Imports and Exports (Restrictions) Act 1988
Consumer Guarantees Act 1993	Incorporated Societies Act 1908
Co-operative Companies Act 1996	Industrial and Provident Societies Act 1908
Copyright Act 1994	Insolvency (Cross-border) Act 2006
Cornish Companies Management Act Repeal Act 1994	Insolvency Act 2006
Corporations (Investigation and Management) Act 1989	Insurance Companies (Ratings and Inspections) Act 1994
Credit (Repossession) Act 1997	Insurance Companies' Deposits Act 1953
Credit Contracts and Consumer Finance Act 2003	International Energy Agreement Act 1976
Crown Minerals Act 1991	KiwiSaver Act 2006 ¹
Designs Act 1953	Lake Taupo Compensation Claims Act 1947
Development Finance Corporation of New Zealand Act 1986	Layby Sales Act 1971
Door to Door Sales Act 1967	Layout Designs Act 1994
Dumping and Countervailing Duties Act 1988	Life Insurance Act 1908 ²
Economic Stabilisation Act Repeal Act 1987	
Electricity Act 1992	

¹ Part 4, aspects of Part 5, Schedules 1 and Overall responsibility for the administration of the KiwiSaver Act 2006 lies with the Revenue portfolio.

² Part 2 administered by the Ministry of Justice.

Limited Partnerships Act 2008	Sale of Goods Act 1908
Major Events Management Act 2007	Securities Act 1978
Manapouri – Te Anau Development Act 1963	Securities Markets Act 1988
Marine Insurance Act 1908	Securities Transfer Act 1991
Mercantile Law Act 1908	Sharebrokers Act 1908 ⁴
Ministry of Economic Development Act 2000	Standards Act 1988
Motor Vehicle Sales Act 2003	Synthetic Fuels Plant (Effluent Disposal) Empowering Act 1983
Mutual Insurance Act 1955	Superannuation Schemes Act 1989
New Zealand Trade and Enterprise Act 2003	Takeovers Act 1993
New Zealand Maori Arts and Crafts Institute Act 1963	Tariff Act 1988
New Zealand Tourism Board Act 1991	Telecommunications (Residual Provisions) Act 1987
Ngai Tahu (Pounamu Vesting) Act 1997	Telecommunications Act 2001
Ozone Layer Protection Act 1996 ³	Temporary Safeguard Authorities Act 1987
Partnership Act 1908	Testing Laboratory Registration Act 1972
Patents Act 1953	Tourist and Health Resorts Control Act 1908
Personal Property Securities Act 1999	Trade and Industry Act Repeal Act 1988
Petroleum Demand Restraint (Regulations Validation and Revocation) Act 1981	Trade Marks Act 2002
Petroleum Demand Restraint Act 1981	Trans-Tasman Mutual Recognition Act 1997
Petroleum Sector Reform Act 1988	Trustee Companies Management Act 1975
Plant Variety Rights Act 1987	Unit Trusts Act 1960
Post Office Act Repeal Act 1987	Unsolicited Electronic Messages Act 2007
Postal Services Act 1998	Unsolicited Goods and Services Act 1975
Quantity Surveyors Act Repeal Act 1992	Weights and Measures Act 1987
Radiocommunications Act 1989	Year 2000 Information Disclosure Act 1999
Receiverships Act 1993	
Sale of Goods (United Nations Convention) Act 1994	

³ Administered jointly with the Ministry for the Environment.

⁴ Will be repealed when the Financial Advisers Act 2008 comes fully into force.

Appendix 3

Fees and Expenses Paid to Members of Statutory and Other Bodies Serviced by the Ministry of Economic Development

for the year ended 30 June 2009

Small Business Advisory Group

Members	Fees Paid	Expenses Paid
Jenny Agnew	Nil	\$3,271
Paul Bayly	\$8,329	\$5,324
Lynn Currie	\$5,828	\$4,263
Robyn De Bruin-Judge	\$8,492	\$6,510
David Eder	\$2,664	\$4,444
Deborah Hart	\$1,050	\$37
John Holm	\$4,125	\$3,904
Daphne Luke	\$3,496	\$1,532
Ronnie Matafeo	\$8,991	\$4,275
Rod Meharry	\$6,158	\$5,972
Francis Van der Velden	\$4,994	\$5,533
Claire Vogtherr	\$6,586	\$6,300

Expenses paid include any accommodation, airfares and taxis required to get the members to the meetings.

Also includes travel and incidental allowances paid, together with any reimbursement of parking fees, bus fares and mileage claims.

Fees and expenses are exclusive of GST.

Growth and Innovation Advisory Board (GIAB)

Members	Fees Paid	Expenses Paid
Stephen Tindall (Chair)	\$4,167	\$791
Jo Brosnahan	\$2,800	\$1,586
Rick Christie	\$1,400	Nil
Andrew Ferrier	\$1,400	\$858
Brian Easton	\$3,000	Nil
Helen Kelly	\$533	\$35
Roger Field	\$2,700	\$893
Bryan Gould	\$2,900	\$1,540
Sam Knowles	\$2,500	Nil
Peter Lee	\$2,700	\$1,446
Jeremy Moon	\$2,500	Nil
Jonathan Ling	\$2,400	\$1,228
Phil O'Reilly	\$2,900	Nil
Sam Robinson	\$2,600	\$1,080
David Shand	\$2,600	\$442
Nick Main	\$1,400	\$617
Jon Mayson	\$1,400	\$899
Philip McCann	\$2,600	\$1,545
Sue Suckling	\$1,300	\$614
Mark Tume	\$1,400	Nil

Expenses paid include any accommodation, airfares and taxis required to get the members to the meetings.

Also includes travel and incidental allowances paid, together with any reimbursement of parking fees, bus fares and mileage claims.

Fees and expenses are exclusive of GST.

The Growth and Innovation Advisory Board was disestablished in January 2009. The last full meeting took place in September 2008.

Temporary Safeguard Authority

A Temporary Safeguard Authority, following a request from the Minister of Commerce, reports on whether a New Zealand industry has suffered or is likely to suffer serious injury as a result of the importation of goods, whether urgent action is required, and the nature of that action.

Two external members were paid fees totalling \$4,000. No other expenses were paid.

Fees and expenses are exclusive of GST.

Electricity Market Performance Ministerial Review – Technical Advisory Group

Members	Fees Paid	Expenses Paid
Miriam Dean	\$10,000	\$2,182
Lewis Evans	\$8,889	Nil
Stephen Franks	\$8,889	Nil
Brent Layton (Chair)	\$10,667	Nil
David Russell	\$7,555	Nil
Toby Stevenson	\$8,889	Nil

Fees and expenses are exclusive of GST.

Risk Management and Assurance Committee

(Note that not all members claim fees or expenses)

The committee is an advisory body, established by the Chief Executive, to be an effective governance mechanism in the provision of independent advice on the Ministry's systems of internal control and risk management framework.

Four meetings were held during the year. Four external members form part of the committee. The total amount of fees paid to 30 June 2009 was \$15,600. No other expenses were paid.

Fees and expenses are exclusive of GST.

