

17 February 2021

Geoff Lewis  
Inquiry Director  
Productivity Commission

By email

Tēnā Koe Geoff

**Re: Auckland Unlimited's submission on the Productivity Commission's findings and recommendations report, *New Zealand firms: reaching for the frontier***

Auckland Unlimited welcomes the opportunity to make a submission on the commission's findings and recommendations report, *New Zealand firms: reaching for the frontier*.

Auckland Unlimited is in overall support of the report and its recommendations focusing on a central aspect of New Zealand's productivity performance and the economic contribution of its most productive firms.

We have a strong interest in the performance and economic contribution of New Zealand's most productive firms as Auckland contributes a significant share of gross domestic product towards the New Zealand economy and it is important nationally as it is home to many of the businesses (including Māori businesses) with the potential to develop into frontier firms.

We have consulted and gained feedback on the submission across Auckland Unlimited and Auckland Council, and welcome any further opportunities to provide additional feedback as part of the commission's inquiry.

If you have any queries concerning our submission, please feel free to contact Phillip Shaw, Senior Strategy and Economic Advisor, by email: [phillip.shaw@aucklandnz.com](mailto:phillip.shaw@aucklandnz.com) or by phone on 021 557 430 or Quanita Khan, Manager Strategy and Planning by email: [quanita.khan@aucklandnz.com](mailto:quanita.khan@aucklandnz.com) who have compiled and authored this submission.

Nāku iti noa, nā



Pam Ford  
General Manager – Economic Development  
Auckland Unlimited  
[pam.ford@aucklandnz.com](mailto:pam.ford@aucklandnz.com)

FEBRUARY 2021

---

# Submission to the Productivity Commission

In the matter of the findings and  
recommendations paper: New Zealand firms –  
reaching for the frontier



## Mihimihi

Ka mihi ake ai ki ngā maunga here kōrero,  
ki ngā pari whakarongo tai,  
ki ngā awa tuku kiri o ūna manawhenua,  
ūna mana ā-iwi taketake mai, tauwiwi atu.  
Tāmaki – makau a te rau, murau a te tini,  
wenerau a te mano.  
Kāhore tō rite i te ao.

*I greet the mountains, repository of all that  
has been said of this place,  
there I greet the cliffs that have heard the  
ebb and flow of the tides of time,  
and the rivers that cleansed the forebears of  
all who came those born of this land  
and the newcomers among us all.  
Auckland – beloved of hundreds, famed  
among the multitude, envy of thousands.  
You are unique in the world.*

## Table of Contents

Mihimihi.....	2
Taitara>Title.....	4
Whakarāpopotanga matua/Executive Summary .....	4
Whakataki/Introduction .....	4
Tūnga whānui/Overall Position .....	5
Tūtohunga/Recommendations .....	5
Horopaki/Context.....	7
Te tātari me te tohutohu/Analysis and Advice .....	9
Ngā koringa ā-muri/Next Steps .....	17

# Ko te tāpaetanga o Auckland Unlimited

Auckland Unlimited Submission February 2021

## Taitara

### Title

Submission on the findings and recommendations paper: New Zealand firms – reaching for the frontier

This submission is to the Productivity Commission.

## Whakarāpopotanga matua

### Executive Summary

1. **Auckland Unlimited is in overall support** of the Commission's findings and recommendations paper.
2. The recommendations the Commission has made to help firms converge on the frontier, tie-in well with Auckland Unlimited's vision as Auckland's economic and cultural agency, and the vision for economic development set out in the Auckland Plan 2050 and its strategy (included in its Statement of Intent) noting that productivity of firms and workers is the key driver of prosperity and increased living standards across Auckland (and New Zealand).
3. The recommendations also appear to align with the long-term wellbeing objectives of government in achieving economic, social, environmental and cultural outcomes<sup>1</sup> for New Zealanders, with its implemented social procurement rules being one instrument to ensure these results are reached. The importance of **balancing the four components of wellbeing remains key to building a more productive, sustainable and inclusive economy**.<sup>2</sup>
4. In consideration of the economic uncertainty still being caused by the pandemic, recovery of New Zealand's and Auckland's economy may take longer, especially with the borders generally remaining closed **requiring greater transformation** in sectors like accommodation/food services, retail/related wholesale, activities linked to international tourism, international education as well as the creation of employment opportunities more broadly across a variety of sectors.

## Whakataki

### Introduction

5. Auckland Unlimited is an Auckland Council Controlled Organisation under the Local Government Act 2002.

---

<sup>1</sup> This is aligned to the Government's Economic Plan drafted in September 2019 recognising that New Zealanders value a strong economy that provides decent jobs, higher incomes and opportunities for current and future generations. The Plan also acknowledges that the health and wellbeing of people, the protection and enhancement of the environment and the strength of communities would allow the country to achieve its potential.

<sup>2</sup> We are aware that the Government has a detailed plan to help New Zealand bounce back faster from the fallout of the pandemic and it is already in motion. The Plan is built around five key principles: investment in people, job creation, preparing for the future, supporting small businesses and positioning New Zealand globally.

## Tūnga whānui

### Overall Position

6. We support the Commission's approach in discovering how New Zealand's firms might be able to increase overall productivity allowing them to reach for the productivity frontier and have a strong interest in the findings/recommendations of the Commission because Auckland:
  - i. Is **set for deeper economic fallout than** the rest of the country in 2020/2021, due to the coronavirus hitting Auckland harder than the rest of the country and increased restrictions and alert levels in August 2020 and February 2021. However, the region will prevail as the engine of economic growth in New Zealand over the long term.
  - ii. **Regional business services sectors** will provide the main drivers for output growth with the information and communications sector rapidly increasing its contribution to the overall economy.
  - iii. Is the **most populous region in New Zealand** as over the last 10 years, population has grown by approximately 2 per cent per year. Resident population in Auckland is approximately 1.7m with a working age population of ~1.35m.
  - iv. **Demographics will also support its capacity for growth** over the next 15 years. Auckland, as New Zealand's main population centre, is set to experience faster population growth than the rest of the country. We forecast that the region will take on 342,000 more residents, to reach nearly 2.1 million people, in 2035.<sup>3</sup>
  - v. **Comprises 38 per cent of New Zealand's total GDP**, with an annual GDP of \$122,776m (year ended March 2020, 2020 prices) and a compound annual growth rate of 3.7 per cent per year (compared to the national growth rate of 2.8 per cent per year) over the past ten years.<sup>4</sup>
  - vi. **Māori make up 12 per cent of the population** and own 5 per cent of assets in the region. Māori also have collective ownership through Māori entities, such as Ngāti Whātua Ōrākei, which has \$1.25b of assets and significant business operations.
  - vii. **Contribution by Māori to the local economy** in 2018 was \$9.6b or 9 per cent of total contributions. Estimated overall size of the economy in New Zealand is \$75b<sup>5</sup> with 30 per cent of this held by Māori groups, such as land trusts and incorporations.
  - viii. **Auckland businesses are deeply networked throughout New Zealand** particularly within the professional services sector which are important suppliers to, and enablers of, firms throughout the country.

## Tūtohunga

### Recommendations

7. Auckland Unlimited recommends that the Commission's inquiry notes that:
  - i. Enhancing productivity for Auckland (and the country) by **working closely with central government** and supporting the recommendations made by the Commission will help maximise the potential to improve overall wellbeing of the economy, leading to greater impact and transformational change.

<sup>3</sup> Forecasts using global macroeconomic modelling from Oxford Economics and OECD database.

<sup>4</sup> Infometrics Regional Profile data from March 2020.

<sup>5</sup>Sense Partners. The Auckland Māori Economy: Size, Issues and Options. October 2020.

- ii. The Commission's recommendations currently read as though all effort is being poured into supporting continued success of frontier firms in New Zealand. However, **understanding how exemplar performers in the economy transition from sub-frontier to frontier is essential** and therefore more discussion on this by the Commission would be helpful.
- iii. Local economic development agencies (and central government to ensure broader application than local government infrastructure related services) have a more specific role to play to **identify and describe local industry clusters**, identify their binding constraints and facilitate action to implement needed exchanges and initiatives.<sup>6</sup>
- iv. Gaining **better insights into Māori frontier firms through good data collection** will enable greater understanding of the successful enterprise story including the skill sets and experience required to govern and manage frontier firms to be able to reconcile the Māori world view of *whānau* and business to deliver Mātauranga Māori triple bottom line outcomes.
- v. A **change in procurement policy, opening-up supply diversity to Māori** (and to New Zealand owned businesses more generally) would garner opportunities from government contracts. This will matter over time especially during a period when local government leans heavily into partnering with central government in relation to infrastructure value space.<sup>7</sup>
- vi. We agree with the Commission that the Government should commission a review of its immigration policy working with those industries currently reliant on low-cost migrant labour, to consider a **transition pathway away from heavy reliance on low-cost labour** and the role of government in supporting that transition.
- vii. There could be **information issues that present barriers to investment**. New Zealand is often off the radar for international investors; many are not aware of opportunities here. New Zealand (and Auckland) is a small market and anecdotally we have heard that the costs of acquiring information could be a hurdle.
- viii. New Zealand's investment regulations should be softened as they belong to some of the most restrictive in the OECD.<sup>8</sup>
- ix. The benefits of increased investment need to be actively sought and the **barriers to investment resolved**, by targeting efforts and resources towards attracting high-quality international investment (including in R&D).
- x. Lifting New Zealand's (and Auckland's) international investment performance requires a common set of priorities, goals and key actions to support a step change in high-quality investment attraction efforts to enable the **seamless facilitation of investment opportunities**.<sup>9</sup>
- xi. Rebalancing the economy towards savings and productive investments, which drive a more productive and competitive economy, requires more than stability and confidence alone. There also need to be assurances provided to attract investors (for example, allowing businesses to access capital effectively and at low cost) to **engage in markets that have investment opportunities** and offerings.<sup>10</sup>
- xii. Government **improving the innovative ecosystem (including connections within the eco-system), rather than continuing with a fragmented approach**, is important in many aspects: within New Zealand's research community; between researchers and end users; and internationally with other experts, business communities and

<sup>6</sup> Auckland Unlimited. Auckland Innovation Plan. A City of Change Innovation, 2014.

<sup>7</sup> Minister of Foreign Affairs and Trade, Local Government and Associate Minister of Māori Development Hon. Nanaia Mahuta in her opening at the Māori Economy Summit, 23 November 2020.

<sup>8</sup> [OECD Going Digital Toolkit](#).

<sup>9</sup> Cabinet Economic Growth and Infrastructure Committee paper: New Zealand Investment Attraction Strategy. 2014.

<sup>10</sup> Ibid.

- markets. A weak eco-system can limit the flow of information, knowledge, capital and ideas within parts of the system, both domestically and abroad.<sup>11</sup>
- xiii. Urgent **resolution of structural barriers** to provision of modern, efficient transport infrastructure, especially local government funding mechanisms and housebuilding should be a priority underpinning the inquiry as critical circuit-breakers to the overall productivity problem.
  - xiv. Given the number and range of issues for redress outlined in the Commission's report, it would be helpful for the **recommendations to be prioritised** before they are referred onto government for consideration and potential implementation.

## Horopaki

### Context

8. Auckland is headquarters for two thirds of New Zealand's top 200 companies. It is New Zealand's only tier two global city. Its scale enables deep labour markets, economic diversity and specialisation. The region has the greatest concentration of advanced, knowledge-intensive firms nationally.<sup>12</sup>
9. Auckland's top three most productive sectors<sup>13</sup> in 2020 were Information Media and Telecommunications (\$337k GDP per worker), Financial and Insurance Services (\$292k GDP per worker) and Electricity, Gas, Water and Waste Services (\$238,439 GDP per worker). The largest growth in productivity from 2000 to 2020 was in Information Media and Telecommunications (164.3 per cent).
10. Auckland accounted for \$13.8b in goods exports to the year ended March 2020, which is 22.6 per cent of New Zealand's exports. Thirty-two per cent of Auckland's jobs are linked to trade, and, in comparison to the rest of New Zealand, the majority of these are more exposed to imports. While Auckland is often seen to export proportionally less than other regions, past research by the Productivity Commission<sup>14</sup> has shown that Auckland has a comparative advantage in producing services that it can "export" to other New Zealand regions.
11. There are 201,000+ businesses in Auckland, representing 35 per cent of all businesses in New Zealand with 5 per cent belonging to Māori.<sup>15</sup> Of these, very few would meet the Commission's definition of what constitutes a frontier firm.
12. Firms need to be of a scale to overcome the fixed costs of innovation. In comparison, some of the large firms in other small, advanced economies (e.g., in some Scandinavian countries) have different divisions and New Zealand firms do not share that characteristic. However, having a system where firms are connected can be a substitute for firm size.
13. Firms do tend to benefit from agglomeration<sup>16</sup> across the city, such as the attraction of skilled workers (needed otherwise there would be a dulling effect on incentive for firms to invest in

---

<sup>11</sup> Ibid.

<sup>12</sup> Knowledge intensive industries for the city are in professional services sector (136,587 employees), digital technology (51.7 per cent of national and 3 per cent of regional employment), creative industries (31,082 employees), food and beverage manufacturing (internationally significant cluster) and advanced manufacturing (4550 employees).

<sup>13</sup> Excluding rental, hiring and real estate services.

<sup>14</sup> Conway, P. & Zheng, G. 2014, "Trade over distance for New Zealand firms: measurement and implications" , New Zealand Productivity Commission Working Paper 2014/5.

<sup>15</sup> Statistics New Zealand. Business demography statistics: geographical units by industry and statistical area; [http://nzdotstat.stats.govt.nz/wbos/Index.aspx?\\_ga=2.89210845.757017901.1597615212-366998550.1581993688#](http://nzdotstat.stats.govt.nz/wbos/Index.aspx?_ga=2.89210845.757017901.1597615212-366998550.1581993688#).

<sup>16</sup> International discussion on clusters has highlighted that for entrepreneurial activity to flourish it requires a physical concentration of talent, infrastructure, capital and networks.

capital for increased productivity) and the concentration of more productive industries across the region. Firms in Auckland have labour productivity that is 17.9 per cent higher than firms in other cities in the country, on average.<sup>17</sup>

14. Firms also enjoy a productivity premium of 13.5 per cent over other urban areas. Much of this premium is explained by Auckland firms being more capital intensive and having access to more highly skilled labour.<sup>18</sup>
15. Part of this is driven by firms in high productivity industries tending to locate in the region. Sectors in Auckland with the highest productivity advantage compared to the rest of New Zealand are in Other Services (25 per cent), Arts and Recreation (18.5 per cent) and Information Media and Telecommunications (14.9 per cent).
16. Firms in Auckland's city centre benefit from higher real GDP growth too, with the years 2000 to 2020 producing 4.2 per cent growth per annum, compared to the Auckland region's 3.3 per cent growth. Employment also grew faster in the Auckland CBD area at 2.7 per cent over the past 20 years, 0.3 percentage points higher than the rest of Auckland. This indicates a CBD productivity growth rate of 1.5 per cent, compared to Auckland's 0.9 per cent.
17. However, productivity premium experienced in Auckland is small compared to other cities internationally with GDP per capita at \$69,974 (2019) and the region's productivity has not improved with its strong population growth, with recent job growth being in lower paid services sectors.<sup>19</sup>
18. Other problems for the economy are to do with housing and the transport system and the associated costs of logistics for goods and services (people's travel time). Hence, living costs appear to be a barrier to people working at frontier firms in Auckland and leveraging its inherent scale and agglomeration to increase productivity remains an ongoing challenge.<sup>20</sup>
19. But the region performs an important role in attracting foreign direct investment and highly skilled migrants. Due to its scale, international airport, ports and its high percentage of foreign-born residents. Auckland is New Zealand's "Urban Oasis" and international city to attract talent and is the primary gateway/hub for international travel and trade.<sup>21</sup>
20. Information and communication technologies (ICT) are increasingly important to the growth and diversification of the New Zealand economy. MBIE has stated that in 2016 the ICT sector was made up of 11,067 firms employing 29,700 people and contributed \$3.6b to New Zealand's GDP.<sup>22</sup>
21. While firms in Auckland might recently have been taking on digital capabilities to enhance their performance, for the most part this has been due to the response to the pandemic and such capabilities do not appear to have already been embedded as part of business continuity plans. However, access to capital may have been a barrier although anecdotally we

---

<sup>17</sup> Maré, D C (2016). Urban Productivity Estimation with Heterogeneous Prices and Labour. Motu Working Paper 16-21. Motu Economic Policy Research.

<sup>18</sup> Ibid.

<sup>19</sup> Ministry of Business, Innovation and Employment. Auckland Regional profile. Auckland Interim Regional Skills Leadership Group Presentation, 2020.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Information and Communications Technology. Focusing on New Zealand's IT Product and Service Sector. New Zealand Sector Reports Series, 2017.

know that for those firms who took on the technology this allowed them to reach into overseas markets.<sup>23</sup>

22. Like the rest of New Zealand, Auckland has not escaped the impacts of the *Novel Coronavirus* fallout. In the first quarter of last year, GDP was \$114.7m which fell to \$110.9m in the second quarter.<sup>24</sup> It is unsurprising that Auckland has a higher unemployment rate compared to the rest of the country (Māori, Pacific Peoples and women are disproportionately affected) due to the August Alert Level 3 increased restrictions, and its concentration of at-risk industries, such as tourism.<sup>25</sup>
23. Auckland should now be focused on its productivity, innovation (including the adoption of digital technology to enhance business performance) and exporting high-value-add products on behalf of New Zealand, including adapting towards a green economy, lifting prosperity for Māori (and Pacific Peoples) and concentrating on new growth sectors.<sup>26</sup>
24. Although New Zealand (and Auckland) does have frontier firms, there are not enough to lift the country's performance growing the right allocation of labour and capital leading to greater economic impact.
25. In consideration of the Commission's inquiry, our desire is that while strengthening resilience of existing sectors of advantage for economic recovery purposes, this will go towards providing a basis for firms to perhaps reach for the frontier in the longer term.

## **Te tātari me te tohutohu**

### **Analysis and advice**

#### ***The Commission's inquiry and recommendations***

26. Auckland Unlimited responds to the four questions (from an Auckland perspective) contained in the following three broad areas arising out of the Commission's findings: Exporting and innovation; Innovation policy and New Zealand new firms; and Insights from Māori firms.
27. The first two areas we have amalgamated into "Exporting and innovation policy". We also provide comment, where relevant, on recommendations made by the Commission when responding to each of the questions posed. Lastly, there is discussion on the role of local government in the Productivity Commission's proposed areas of change.
28. Overall, we view the following elements as essential in facilitating increased productivity vis-à-vis the Auckland economy which we further consider would increase performance of the New Zealand economy.
29. Such measures would not only assist Auckland firms in their recovery from the pandemic but also provide the foundations helping enterprise to converge on the domain of those firms already at the productivity frontier in the longer term. Accordingly, increased productivity for Auckland depends on:<sup>27</sup>

---

<sup>23</sup> Access to capital, or the ability to leverage existing assets, continues to be a barrier for Māori. (The Reserve Bank of New Zealand. Te Āhangā Māori 2018: The Māori Economy 2018. January 2021.)

<sup>24</sup> Infometrics, provisional regional GDP Auckland – June 2020:

<https://ecoprofile.infometrics.co.nz/Auckland/QuarterlyEconomicMonitor/Gdp>

<sup>25</sup> Auckland has seen an unemployment spike higher than the overall figure for the country, at 5.3 per cent in December 2020 (without seasonal adjustment), yet still down on the previous quarter's figure of 5.6 per cent.

<sup>26</sup> Supra note, 19.

<sup>27</sup> All the elements in this paragraph and the next paragraph come from: Auckland Unlimited. Pathway to Productivity. Opportunities for Sustainable Economic Growth Across Tāmaki Makaurau, 2019.

- **Foreign direct investment:** Foreign direct investment often brings new technology and business practices into the local economy and increases competition that gives rise to innovation and capability-building among existing businesses.
- **Industry structure:** A city's productivity is closely correlated with its industry mix and complexity. All things being equal, more people employed in higher-value industries paying higher wages results in more GDP per capita.
- **Workforce development:** If business capability is embodied in its people, so too is a city's economy. A skilled, educated workforce features in all advanced economies weighted toward knowledge-intensive businesses and industries, delivering more valuable products and services and higher wages.<sup>28</sup>
- **Sophistication of the innovation ecosystem:** A diverse, connected, and well-funded network of research facilities, commercialisation entities, start-up accelerators, capital providers and infrastructure are essential for the development and commercialisation of new ideas and technologies.

30. Factors affecting productivity at business-level include:

- **Innovation:** A purposeful focus on innovation can reveal new opportunities across a range of dimensions, such as business models, product design, internal processes, industry collaboration and marketing. Innovation also opens new market opportunities internationally, supporting revenue growth and employment.
- **Capital investment:** Investment in machines, equipment (plus upskilling of the workforce which is a combination of retraining and attraction of skilled workers), buildings and technology is a predictor of positive business performance. Weak business investment has been identified as a key contributor to New Zealand's low labour productivity growth. Industry structure, weak competition, small, insular markets, limited access to capital and low growth ambitions are thought to be contributing factors.
- **Management capability:** Realising a business's productivity potential relies on effective leadership and management. The problem may be attributable to the small size of most New Zealand firms, with owners tending to work in, rather than on their businesses. Limited spare time to learn, train and plan lowers incentives for building management capability.
- **Market ambition:** Competition for market share drives productivity by compelling firms to innovate and invest for advantage. Relatively low productivity among many New Zealand businesses and some industries presents opportunities for businesses to grow their local market share. Expansion into international markets is often associated with superior productivity as businesses are pushed to be more innovative and responsive to market opportunities. More Auckland firms competing successfully in international markets would contribute to higher wages and the attraction of talent and investment.

31. Nonetheless, a more nurturing eco-system is required to drive innovation. This means a network of different players containing different capabilities including regulations, researchers, international links (e.g., capital), entrepreneurs, investors (e.g., venture capital), skills (for firms to grow with assistance from local economic development organisations) and the Government to provide stewardship meeting desired outcomes via a more coordinated (rather than fragmented) innovation eco-system.<sup>29</sup>

## Exporting and innovation policy

32. Economies need to export to thrive especially in small, advanced economies like New Zealand's and this means exporting at scale specialising in distinct products. Exports to GDP

---

<sup>28</sup> We note that Sir Peter Gluckman has called for a redesign of the education system as detailed in the paper *The Future is Now: Exploring the Post-Pandemic Direction for Aotearoa New Zealand*, November 2020.

<sup>29</sup> Gluckman et al open a conversation concerning New Zealand's need for comprehensive policies that address: research and innovation, the role of cities and agglomeration, housing and taxation, and demographic and workforce issues. Gluckman, P et al, (2020). New Zealand's Economic Future: Covid-19 as a Catalyst for Innovation. The Future is Now Conversation Series.

for the country (and Auckland) are relatively low. However, New Zealand is a small economy like some other economies, but it is also geographically more distant from global markets.

33. At the firm level, those that export tend to have higher productivity than those that have exported in the past but are not currently, who in turn have higher productivity than those that have never exported. This implies that exporters perform better than non-exporters, although most of that difference likely existed before the firm started exporting. Therefore, the gap is more about self-selection than learning-by-exporting.<sup>30</sup>
34. A clearer and more accessible innovation eco-system is needed helping to connect enterprise with researchers, capital and government/local government/EDA support aiding in reducing the costs (including export costs i.e., those associated with distribution, understanding regulations in markets and so on) of doing business in New Zealand. Currently we observe multiple unconnected platforms across government with Inland Revenue dominating data requirements and use. We believe that fit-for-purpose policies are required enabling better business engagement in both government statutory activity and support.
35. Innovation and innovation-driven entrepreneurship will be critical to Auckland's future growth and prosperity. A plan<sup>31</sup> was previously developed by Auckland Tourism, Events and Economic Development (recently merged with Regional Facilities Auckland into Auckland Unlimited) to support innovation for Auckland, and identified six priorities for shared action to help the creation of a culture of innovation across Auckland's economy, specifically: (i) Connectedness and collaboration , (ii) Culture and catalysts, (iii) Capability building and support (including firm ability to access support in clearer/simpler ways), (iv) Talent, (v) Market insight and support, and (vi) Capital.

#### ***Connectedness and collaboration***

36. Improved collaboration is fundamental to increase levels of innovation. Auckland Unlimited and its partners work to maximise the opportunities for connecting businesses and to develop a more collaborative culture and environment achieved by:

#### **Improved collaboration**

Ongoing work to:

- Co-ordinate and promote events to increase connectivity across the innovation ecosystem including leveraging the value of major events, and the relationships with businesses at a range of stages of their business growth journey.
- Support Callaghan Innovation<sup>32</sup> in connecting those within the innovation ecosystem.
- Leverage the investment in GridAKL providing businesses and entrepreneurs with access to infrastructure (shared workspace and digital networks) and programmes to further access information, events and support of innovation/growth.
- Work with Callaghan Innovation and NZTE to identify opportunities formalising connections with national/international innovation ecosystems.
- Utilise the Regional Business Partner Network (including Callaghan Innovation, NZTE, tertiary and private sector providers of services and Business Mentors NZ) to attract and engage with businesses in the region with aspirations to grow and innovate and connect them to innovation and business capability ecosystems.

---

<sup>30</sup> Ministry of Business, Innovation and Employment. How Useful are our Productivity Measures?: Literature review, 2018.

<sup>31</sup> Auckland Unlimited. Auckland Innovation Plan. A City of Change Innovation, 2014.

<sup>32</sup> Working with the private sector and other central and local government partners, NZTE and Callaghan Innovation help firms to build capabilities and develop the mindset that enables them to undertake more growth enabling activities, including innovation.

## **Enhanced infrastructure**

Continued:

- Work with stakeholders/tertiary institutions to improve links between innovation hubs across Auckland.
- Work with stakeholders, local boards and the private sector to enhance the supply of flexible and affordable collaborative and shared innovation space across Auckland meeting demand.

## **Culture and catalysts**

37. Auckland has an international reputation as being business-friendly and Aucklanders are known to be entrepreneurs. However, while levels of business start-ups are high in the region, more could be done by enterprise to innovate. What is required is enhanced showcasing, promotion and valuing of innovation and entrepreneurship in Auckland's economy through:

### **Continued improvement/visibility of culture among Aucklanders and potential entrepreneurs**

- In partnership with stakeholders and Callaghan Innovation providing a co-ordinated series of profile-raising events using digital channels to promote Auckland as an innovation city nationally/internationally and increasing visibility of innovation among Aucklanders.
- In partnership with stakeholders, Callaghan Innovation and tertiary institutions, identifying and promoting existing Auckland innovation role models and ambassadors (through events) highlighting innovative entrepreneurship as a career pathway.

### **Continued encouragement of entrepreneurship**

- Working with partners to provide potential innovative entrepreneurs with exemplars on how good businesses are run.
- Supporting entrepreneurial thinking among young people and provision of pathways to facilitate such thinking.

### **Valuing R&D**

- Encouraging enhanced R&D<sup>33</sup> among SMEs through capacity building (with Callaghan Innovation support) and ongoing delivery of Regional Business Partner R&D co-funding on behalf of Callaghan Innovation.
- Working with Auckland's tertiary institutions supporting their efforts to enhance connections with businesses enabling greater R&D development and commercialisation.

### **Technology as a catalyst**

- Working with stakeholders and sector representative groups to support growth and acceleration of Auckland's tech, digital media and creative industries.
- Continued use of GridAKL to stimulate cross-sector collaborations and connections encouraging the application of new technology business models and solutions.

## **Capability building and support**

38. Providing appropriate support for innovative businesses at all levels is vital for supporting the growth of innovation in Auckland. While there is a range of support available, gaps exist and not all provision is visible or easily accessible. Appropriate support for innovative entrepreneurs and easy access to this support comes in the form of:

### **Improve capability and sophistication**

Ongoing:

- Promotion of support services for innovation and growth available to Auckland businesses and entrepreneurs and identifying gaps and opportunities for enhanced enterprise activity.

---

<sup>33</sup> In the Taxation (Annual Rates for 2020-2021, Feasibility Expenditure, and Remedial Matters) Bill the aim is to provide greater deductibility of feasibility and other currently non-deductible expenditure to encourage business innovation and investment.

- Support of Callaghan Innovation in the provision of accelerators at GridAKL stimulating innovation-based entrepreneurship and new product development.
- Support of innovation mentor programmes for businesses across the region.
- Identification by Auckland Unlimited of Auckland innovative businesses with high-growth potential for case management.

### **Improve visibility of support**

Continued work to:

- Promote/market a range of support available to Auckland businesses and directing entrepreneurs and businesses to infrastructure available for innovation through advice, case studies and publicly available information.

### **Talent**

39. A modern economy (and the way New Zealand (and Auckland) wishes to participate in the global economy) relies on requisite skills, associated with enterprise, to boost productivity and such skills, once acquired, also help individuals to meet their work-life goals.
40. This can be achieved by addressing skills shortages and provision of talent required in key industries and capitalising on Auckland's diversity. With respect to skill-shift interventions, these are procedural in nature allowing low-skilled workers to increase their cognitive skills generating different impacts and outcomes at each stage of their on-the-job learning with the intention of readying them for future work across various industries.<sup>34</sup>
41. This enables a shift from a focus on unemployment targets to labour market attachment, and an increase in output levels and wellbeing concurrent with the long-term objectives of government for all New Zealanders.
42. The lack of skilled workers<sup>35</sup> (for example, in education, finance and engineering) is one of the factors impacting on Auckland's ability to effectively manage its economic recovery from the pandemic. If left unchecked, there will be a detrimental impact on the city's (and New Zealand's) productivity into the long term.
43. Managed Isolation Quarantine (MIQ) facilities exacerbate this problem because they act as a binding constraint on the amount and type of visitors arriving in the country. The number of facilities in Auckland total 18 with an operational capacity of 2901. Based on Treasury forecasts up to March 2024, real GDP in Auckland is set to fall as are full-time employment numbers up to March 2023 due to MIQ capacity constraints.<sup>36</sup>
44. In addition, better alignment of the tertiary education system (universities and polytechnics) with an enhanced response to the demands of industry skill requirements is also needed. This is important, because a healthy innovation ecosystem enables the workforce to keep learning helping to spur on business innovation and lifting output levels.
45. The tertiary system must be abreast of market expectations, otherwise individuals coming out of higher education heading into employment are potentially mismatched with skill-set requirements of employers. Should this be the case, then knowledge brought into the workplace is unlikely to help with the development of innovative techniques and increased productivity.<sup>37</sup>

<sup>34</sup> We understand that this is already happening for Pacific Peoples (and Māori) however there does not appear to be an equivalent programme to help migrants in the same way.

<sup>35</sup> Corroborated by NZIER analysis indicating that for the past five years Auckland employers have found it difficult to find skilled labour.

<sup>36</sup> Auckland Unlimited does work with Immigration New Zealand, Kiwi Expats Abroad and sector groups to attract highly skilled and experienced migrants and overseas-based New Zealand citizens to Auckland.

<sup>37</sup> The school system could also support such an approach by offering better career guidance for school leavers in terms of job trends, study pathways and job experience.

### **Market insight and support<sup>38</sup>**

46. There is a requirement to provide Auckland businesses with accurate and up-to-date market intelligence. The global economy represents a significant opportunity for Auckland businesses in this regard. Auckland Unlimited works in partnership with a variety of agencies to stimulate an international focus amongst innovative businesses and to develop global connections to support businesses moving into external markets in the following ways:

#### **Global focus development**

##### **Working:**

- In partnership with NZTE, Auckland Unlimited stimulates global aspirations in Auckland entrepreneurs from inception by showcasing the benefits of being international and educating on global market opportunities.
- To exploit existing, and to develop new international, networks supporting global aspirations of Auckland businesses.
- With NZTE and the private sector to help more innovation-based businesses gain access to international markets.

#### **Improve path to market planning and market validation**

- Through Auckland Unlimited's delivery of the Regional Business Partners Network programme assisting innovative businesses to improve their path to market capability.
- Working with NZTE to provide entrepreneurs with relevant market intelligence improving their market insight capacity.

#### **Capital**

47. On average, New Zealand is capital shallow compared to other economies and labour employed in firms that lack sufficient capital have lower productivity. If firms do not invest in capital this is usually because they do not see the rate of return although access to capital might be a constraint and therefore New Zealand does need a more supportive environment for innovation as a means of attracting investment including from overseas.

48. However, venture capital in New Zealand is much better than what it used to be. Still, what is needed are more quality investors who have good knowledge and can commit to funding/partnering especially with young firms including in Auckland helping to lift output levels.<sup>39</sup>

49. With the goal of attracting higher levels of business investment to accelerate growth throughout Auckland this has been achieved by ensuring access to capital at respective levels of the business life cycle via the identified Plan<sup>40</sup> by:

#### **Developing more sophisticated investors**

- Working with NZTE and Te Puni Kōkiri to explore investment opportunities for Māori and iwi arising from Treaty of Waitangi settlements.
- Working with key partners to develop programmes of capacity building for Auckland-based investors to improve their understanding of the needs of innovative businesses and using success stories to educate them on the merits of investment in tech start-ups and SMEs encouraging smart investment.
- Mapping investment markets identifying gaps and working with partners to fill such gaps.

---

<sup>38</sup> Supra note, 31.

<sup>39</sup> Such an approach needs to be developed in terms of putting more effort into creating fit-for-purpose central/local government policies.

<sup>40</sup> Supra note, 31.

### **Building relationships with quality international investors**

We understand that seeing a well-functioning innovative eco-system gives multinational companies a good reason to be interested in New Zealand for investment purposes. As well as bringing financial capital, high-quality international investment brings a range of benefits including enhancing New Zealand's access to export markets, integration with global value chains and linkages with international knowledge networks. To this end, Auckland Unlimited is:

- Working with NZTE to further exploit existing (and develop new) international networks to raise Auckland's profile among international investors.
- Working with NZTE to support local investors to gain international exposure to develop connections with experienced overseas investors.

### **Building investor readiness in innovation-based entrepreneurs**

- Through Auckland Unlimited's delivery of the Regional Business Partners Network programme, improving the capability of innovative entrepreneurs to secure risk capital.

### **Insights from Māori firms<sup>41</sup>**

#### ***Procurement policy***

50. A change in procurement policy opening-up supply diversity would garner opportunities from government contracts. This matters over time, especially in the recovery reset the Government is currently undertaking – as soon as this is achieved, there will be flow-on effects into what happens locally especially during a period when local government leans heavily into partnering with central government, for example, in infrastructure.<sup>42</sup>
51. Once there is a break-through into the infrastructure value-space this is a game changer for Māori due to access to procurement pipelines. Such an approach would be aimed at leveling the playing field injecting critical mass into the Māori economy in the regions unlocking economic potential of the *whenua* and increasing *iwi* capacity to do so.
52. As a result, household incomes would be lifted, inequality would be tackled along with sustainable opportunities in terms of how Māori businesses contribute towards longitudinal wellbeing outcomes for their families.

#### ***Data on Māori businesses***

53. Over time, if Te Puni Kōkiri can see itself being the receiver of data on Māori businesses from across government and find ways to partner with *iwi*/Māori business collectives this will lead to improved business outcomes. Data is important, but the way government/local government agencies use it should be an enabler of better policy/intervention development aimed at lifting prosperity.
54. Relevant data would support greater understanding of the success of innovative frontier Māori firms and the role Mātauranga Māori can play in terms of productivity improvements and delivery of triple bottom line outcomes.<sup>43</sup>

---

<sup>41</sup> Most of what is to follow in this section (except where otherwise indicated) derives from the remarks by the Minister of Foreign Affairs and Trade, Local Government and Associate Minister of Māori Development Hon. Nanaia Mahuta in her opening at the Māori Economy Summit, 23 November 2020.

<sup>42</sup> The New Zealand Business Number captures data about Māori businesses. This will enable a better understanding of the profile of such businesses and how they can participate in government procurement.

<sup>43</sup> That is, economic, environmental and cultural outcomes.

### ***International trade***

55. Māori do want to reach some of the opportunities being offered in the international arena in a more pro-active way rather than being passive recipients of the benefits derived from, for example, free trade agreements.
56. Practically, this means Māori having a strong understanding of who they are and what their objectives and values might be as they forge relationships across New Zealand, beyond the pacific and Australia to South East Asia drawing on natural synergies with trade partners.
57. Hence, Māori need to develop their own kind of story/brand so that the depth of what is taken to market and the experiences that trading partners will gain are firmly rooted in Māori cultural values. If done correctly, a future-focused plan could also work for non-Māori businesses to solve many of the environmental/social challenges facing Auckland and the rest of New Zealand.
58. Other jurisdictions are looking to New Zealand with greater trust and confidence and such recognition could be turned into opportunities as the country continues to work on its relationships with overseas markets but also in terms of marketing its brand differential – for example, food and border security are becoming more paramount, and provenance is being associated with what is produced which is something Māori business (and non-Māori businesses) could actively market in other countries.

### ***Fostering and learning from Māori firms***

59. The businesses of Māori employers are increasingly prominent, with high numbers of skilled Māori moving into entrepreneurship and employing considerable numbers of people. Increasing skills for improved labour force engagement by Māori continues to require a multi-generational effort.<sup>44</sup>
60. It is not in dispute that the Māori world view on *whānau* is interwoven in Māori business models and Māori do report on this, through business, with the realisation that the model is based on a holistic contribution towards broader outcomes of wellbeing, including for future generations, and what it means to be a *whānau-oriented* business.
61. In the same vein, Māori collectives and businesses are delivering wellbeing across several dimensions and through a multitude of effort, including community engagement; participation, and contribution; *whānau* and family caring; paid employment; unpaid voluntary work and trust and business enterprise activities. However, a recent report has indicated that one of the ways advancement of Māori can be attained is by providing cohesive support for Māori small to medium enterprises.<sup>45</sup>

### **The role of local government in Auckland supporting the economy**

62. Local government plays a key role in supporting businesses within its innovative ecosystem through its Regional Business Partners Network programme and leveraging the investment in GridAKL to provide businesses and entrepreneurs with access to information, and events to support innovation and growth.
63. Enhancing productivity for the country (and Auckland) by working closely with central government and supporting the recommendations made by the Commission will help

<sup>44</sup> The Reserve Bank of New Zealand. Te Āhangā Māori 2018: The Māori Economy 2018. January 2021.

<sup>45</sup> Tāmaki 10,000. Advancing Māori Employment Report 2020. We further note that Māori will be given better representation locally at the ward level under the Local Electoral (Māori Wards and Māori Constituencies) Amendment Bill.

maximise the potential to improve overall wellbeing of the economy, leading to greater impact and transformational change.

## Ngā koringa ā-muri

### Next steps

- i. Auckland Unlimited agrees with and supports the focus of the Commission concerning its recommendations on a central aspect of New Zealand's productivity performance and the economic contribution of its most productive firms.
- ii. We welcome any further opportunities to provide additional feedback as part of the Commission's overall inquiry. This will also assist us to better align existing work that Auckland Unlimited is undertaking as part of its ongoing economic strategy development requirements for Auckland.
- iii. Auckland Unlimited has undertaken extensive research as part of its economic development mandate for Auckland and in the areas of productivity, the circular economy, advanced industries, convergence and disruption, emerging knowledge capital and engaging globally with robust evidence linking to overall productivity in the region's economy.
- iv. These references and other evidence are available at:  
<https://www.aucklandnz.com/business/economy-and-sectors/market-news-andtrends/auckland-economic-insight-series> and would be particularly important for overall planning and policy processes, especially in the Auckland context, to inform decision makers for progressing in this important area of work.

### FOR MORE INFORMATION

---

The following staff members at Auckland Unlimited are responsible for compiling and authoring this submission.

**Phillip Shaw**  
Senior Strategy and Economic Advisor  
Auckland Unlimited  
[phillip.shaw@aucklandnz.com](mailto:phillip.shaw@aucklandnz.com)



**Quanita Khan**  
Manager Strategy and Planning  
Auckland Unlimited  
[quanita.khan@aucklandnz.com](mailto:quanita.khan@aucklandnz.com)