Briefly

Political and regulatory developments

Time to start picking winners?

Research commissioned by the Productivity Commission from former Treasury star David Skilling looks for the answer to lifting New Zealand's stubbornly poor productivity growth by comparing us with other small, advanced economies.

Skilling says that that small economies have different characteristics to large economies and that the international experience shows that the role of the "frontier firm" is key in a small economy. Accordingly, a SME-focused strategy "is likely to be under-powered".

Skilling suggests a four-pronged "agenda for action".

- An *international focus*, as "the current agnostic policy approach that treats international and domestic activities neutrally is not appropriate in a small advanced economy context".
- *Strategic clusters* to build critical mass in a limited number of internationally oriented sectors – essentially picking winners in areas where New Zealand has some competitive advantage. Skilling advocates the primary sector and the weightless sector (digital, creative and other knowledge-based services).
- *Policy instruments* – policies need to address growth constraints in the primary industries related to ownership, governance, capital market issues and to promote the development of a broader cluster beyond the dominant firms. More broadly, New Zealand needs to substantially increase its investment in skills and innovation. We are well behind in terms of R&D, investing just 1.4% of GDP against around 3% for the top performing small economies.
- *Firm capability and incentives* – Skilling says that this can only be shaped indirectly by policy and that changed private sector behaviours and attitudes will be required.

Frontier firms: an international small advanced economies perspective

Privacy law late but over the line

The new Privacy Act was a long time coming but has now been passed and will come into effect on 1 December this year.

Law Commission recommendations which informed its design were reported to Parliament on 2 August 2011 – which is most of the reason why the Act is not aligned to the European Union General Data Protection Regulation (*GDPR*), and why officials are already at work on developing amendments to address this issue.

Key provisions relevant to business are:

- a mandatory reporting regime for breaches where it is reasonable to believe "serious harm" may be caused to affected individuals, and
- restrictions on transferring personal information overseas.

Statement

A wider net for climate risk disclosure?

The Government is considering extending the proposal to implement – on a 'comply or explain' basis – the recommendations of the Taskforce on Climate Related Financial Disclosures (*TCFD*) to large emitting privately held companies and public entities.

The consultation document proposed limiting the new requirements to listed issuers, asset managers, asset owners, banks and general insurers.

Climate Change Minister James Shaw made the comment on a Webinar discussion with Mark Carney, a former Bank of England Governor and UN Special Envoy for Climate Action & Finance, and Adrian Orr.

Chapman Tripp commentary on TCFD consultation

The environment is now

Sir Peter Gluckman and colleagues at Koi Tū, the University of Auckland Centre for an Informed Future, have put out an 18 page "conversation" under the title *The environment is now* which addresses the question of how to "build back better".

It says: "The global disruption being caused by the pandemic invites us to rethink our relationship with the environment. It has highlighted the need to build resilience to public health threats and deep social and economic shocks.

"We know preventing illness is better and costs less than trying to cure it… The same is true for other foreseeable problems, such as the effects of climate change and environmental degradation, which are already proliferating and causing significant damage.

"If we let them run unabated, the future will be even more tragic. We will do better if we deal with the causes, rather than having to deal with the consequences, which could ultimately overwhelm us".

The environment is now

New transmission pricing methodology

It took 12 years, but the New Zealand Electricity Authority (*NZEA*) has now agreed a new Transmission Pricing Methodology (*TPM*). Transpower now has a year to develop the implementation system, which is expected to come into effect in April 2023.

The new TPM will not increase overall charges but will reallocate them on a user-pays basis in the expectation that better price signals will deliver better investment decisions. Increases will be capped at no more than 3.5% a year, producing an average annual movement per retail consumer of $19 a year – either upwards or downwards.

The NZEA said people were now paying a premium for transmission when power was most valuable to them, even when there was plenty of capacity available. Some consumers were able to avoid peak prices by investing in alternative generation for use during those times – effectively shifting the transmission costs to others, often through the use of diesel generation "which means more carbon emissions".

Factsheet