

Minutes – Small Business Council Meeting

Date and location	12 December 2018 Xero, 19-23 Taranaki St, Te Aro, Wellington
Attendees:	Tenby Powell (Chair), Anthony Buick-Constable, Nicole Buisson, Paul Dansted, Karen English (apology for the morning), Jim Gordon, Andy Hamilton, Allison Lawton, Deb Shepherd, Tania Siladi, Keith Taylor (apology for afternoon), Leeann Watson (apology for the morning), Jerry He, Alison Brewer, Rachel Brown, Ed Tregidga (Secretariat), Kathy Brightwell (Secretariat), Patti Poole (Secretariat), Sassi Berger (Secretariat)
Guests:	Dr Patrick Nolan (Productivity Commission), Donna Purdue (Chief Economist, MBIE), Ross Young (Google), Matt Kennedy-Good (Business.govt.nz, MBIE), Bevan Hall (Business.govt.nz, MBIE)
Apologies:	Leeann Watson (apology for the morning), Karen English (apology for the morning), Matt Ritchie, Terry Baucher, Keith Taylor (apology for afternoon)
Conflicts of Interest:	Compiled on a conflicts register

Item	Topic	Discussion	Action
1	General business	<p>Opening from the Chair</p> <ul style="list-style-type: none"> Chair opened the meeting at 10.20am. Chair welcomed Council. Apologies from Terry Baucher and Matt Ritchie. <p>Previous minutes and action</p> <ul style="list-style-type: none"> The minutes from the November meeting were confirmed. One issue was raised on the action points in the previous minutes that stated that the Tax Working Group and Small Business Council secretariats should have a meeting: a member noted that the Tax Working Group report is almost finalised and further engagement is unnecessary. Secretariat clarified that the purpose of the meeting is for the Council to think about the future of tax. 	

		<ul style="list-style-type: none"> The Council confirmed and accepted the frequently asked questions. <p>Relationship and connections with Business Advisory Council</p> <ul style="list-style-type: none"> Council raised the issue of relationship with the Business Advisory Council (BAC) since one of the BAC's areas of interest is small business. Council indicated that they want to ensure that the work of the two Councils is complimentary. The Chair noted that the BAC only meets three times per year and has a different mandate to the Small Business Council. Council members noted that the BAC showing interest in small business issues reaffirms the importance of small business. Council noted that the BAC terms of reference state that their work programme should complement the work the Government is already doing with the Small Business Council. 	
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2	Productivity and small business (Productivity Commission)	<ul style="list-style-type: none"> Chair introduced Dr Patrick Nolan from the Productivity Commission and invited the Council to do roundtable introductions. <p>Productivity Presentation</p> <ul style="list-style-type: none"> Summarised that New Zealand has been stuck in a labour productivity slump, with average income around 30 per cent lower than the OECD average. Noted that small businesses are an important part of productivity overall and we have to start thinking about how to get messages/change/recommendations through to them. Noted that the availability of capital for each hour of work is an issue. Council asked if availability means deployment/use of capital or availability of capital. Presenter confirmed it means deployment. Noted that the nature of the slowdown of the economy is different in New Zealand because use of capital has fallen, most likely due to high interest rates and low costs of labour. Summarised two ways to increase productivity: <ul style="list-style-type: none"> non-productive firms can exit the market and let more productive firms enter, or more productive firms can grow bigger. Noted that firm death rates in New Zealand are comparable with other OECD countries but we are not seeing resources moving from unproductive firms to more productive firms, which contributes to continued low productivity. 	

		<ul style="list-style-type: none"> Noted that it is difficult to improve productivity due to small markets (some businesses have limits on scaling up e.g. a hairdresser in a small town cannot have a large reach). Council noted that start-up capital availability for productivity increase and growth is disproportionate for SMEs vs start-ups. Presenter noted that we need to decide whether we focus on the businesses that have scaled up and improve them or do we focus on the businesses that haven't scaled up and improve their capability. 	
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3	Digital economies (Google)	<ul style="list-style-type: none"> Chair introduced Ross Young from Google and invited roundtable introductions. <p>Google Presentation</p> <ul style="list-style-type: none"> Noted that people often overestimate the effect of technology in the short run and underestimate it in the long run. Suggested that if every small business in New Zealand did business online it could generate an additional \$500m of revenue and add 1,400 new jobs to the small business sector. Summarised the host of web-based tools available for businesses to improve their performance and productivity. Council asked how we can get material adoption of technology by small businesses. Presenter advised that businesses need to decide what they want to achieve and get the tools that help them achieve that. Noted that digital businesses will have to abide by international laws e.g. the European Union is implementing new legislation which applies to web-based businesses. Council asked if technology uptake will positively impact productivity in New Zealand businesses. Presenter confirmed that technology adoption improves productivity. 	
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4	Government economic strategy (MBIE)	<ul style="list-style-type: none"> Chair introduced Donna Purdue, Chief Economist at MBIE and invited roundtable introductions. <p>Economic Strategy Presentation</p> <ul style="list-style-type: none"> Summarised the recent history that has led to the development of the Government's 	

		<p>economic strategy.</p> <ul style="list-style-type: none"> • Noted that an increase in the population over the last year led to low interest rates, a construction boom, and a tourism boom which enabled the economy to continue growing. • Summarised that the business investment drop post global financial crisis is continuing with businesses still not investing because they have access to cheap labour. • Low capital intensity is a problem in New Zealand with a lack of investment in labour enhancing capital. • Noted that traditional models of growth have been challenged since the global financial crisis. It is not just about GDP anymore, it is about distribution. • Noted that future trends include changing demographics, power shift from west to east, growing population, climate change, technology, empowered individuals. • Summarised that the three main themes of the Government's economic strategy will be productive, sustainable, and inclusive growth. • The core elements of the economic strategy are: <ul style="list-style-type: none"> ○ Building on existing strengths ○ Shifting the focus from volume to value add ○ Leveraging opportunities in adjacent sectors ○ Backing industries of the future. • Council asked what is happening with the regions. Presenter advised that the Provincial Growth Fund is a key lever in the regions and the Government has identified surge regions in which to focus it. Their choice was based around the level of unemployment and NEET rates. • Council asked how we can create value-add for businesses that don't want to scale up. Presenter suggested that technology adoption could be an option. • Council noted that trade is often not included in discussions on improving small businesses and their environment. • Council noted that the government procurement process is long and complicated and is pushing small businesses out of the process. Presenter advised that work is being done to improve procurement. 	
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5	Sub-group work	<ul style="list-style-type: none"> • Co-chair outlined the process for group work on the four strategic themes for the small 	Secretariat to research

	on strategy development	<p>business strategy.</p> <ul style="list-style-type: none"> • Secretariat gave overview of how to use the templates with an initial focus on outcome statements. • Following the group work, the sub-groups reported back on their progress and initial proposed outcome statements. 	<p>funding models worldwide.</p> <p>Secretariat to compile list of funding mechanisms available to small businesses.</p>
Item	Topic	Discussion	Action
6	Options for sector input	<p>Sector Engagement Survey</p> <ul style="list-style-type: none"> • Secretariat summarised a suggested process for conducting a survey to gain sector input into the development of the small business strategy by using MBIE expertise to assist with survey design, surveying and analysis. • Secretariat noted that formal consultation will be conducted on the final strategy document and will be done by MBIE in accordance with normal government processes. • Secretariat clarified that the purpose of the survey at this point is to bring in the voice of a wider range of small businesses to help distil the Council's thinking within each theme. • Council discussed what type of information should be collected from small businesses. E.g. barriers; what would they change; what do they want; what channels do they want to use? • Council encouraged subgroups to continue working on each theme between meetings. 	<p>Council to think about questions for the survey and the survey design and provide feedback at the next meeting.</p> <p>Council to think about outcome statements and continue working on the templates.</p>
Item	Topic	Discussion	Action
7	Next steps and close	<ul style="list-style-type: none"> • Chair thanked Xero for hosting the meeting. • Chair thanked Council for hosting networking session after meeting. • Chair closed the meeting. 	