

Minutes – Small Business Council Meeting

Date and location	13 February 2019 MBIE, 15 Stout Street, Wellington
Attendees:	Tenby Powell (Chair), Terry Baucher, Anthony Buick-Constable, Nicole Buisson, Paul Dansted, Karen English, Jim Gordon, Andy Hamilton, Allison Lawton, Matt Ritchie, Deb Shepherd, Keith Taylor, Leeann Watson, Jerry He, Rachel Brown, Patti Poole (Secretariat), Kathy Brightwell (Secretariat), Sassi Berger (Secretariat)
Guests:	Prime Minister Jacinda Ardern, Minister Stuart Nash, Paul Stocks (MBIE), Fiona Whiteridge (MBIE), Karl Woodhead (MBIE), Richard Owen (IRD), Mark Sands (IRD), Mai Chen (Chen Palmer Public and Employment Law Specialists), Jon Cable (MBIE), Matt Kennedy-Good (MBIE), Bevan Hall (MBIE)
Apologies:	Alison Brewer, Tania Siladi, Ed Tregidga (Secretariat)
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 10.00am. Chair reminded Council that the Prime Minister and the Minister for Small Business were coming. Chair thanked subgroups for the work they did in-between meetings and commended the high quality. <p>Discussion on progress of work</p> <ul style="list-style-type: none"> Chair invited Council to share any opinions and concerns on progress. Council advised that the subgroups have continued to work on their themes but are concerned about delivering on their goals and how to avoid replication of existing 	

		<p>initiatives in the strategy.</p> <ul style="list-style-type: none"> • The Council asked for clarification of the timing for completing the strategy as time is passing quickly. Chair confirmed with the Secretariat that the strategy is due in July and the Secretariat advised that the draft strategy is due for consideration at the May meeting. This allows time to incorporate feedback on the draft before it is finalised. • Council voiced their concern about how successful execution of their recommendations can be ensured. • Chair emphasised that he would like to see the recommendations through to action. He encouraged the Council to stay involved to make sure the work is implemented after the strategy is written. • Chair informed Council that he has asked Mai Chen to talk to them to gain a better understanding of the diversity of the small business economy. • Council expressed interest in hearing from millennials and younger age groups to get an understanding of business owners in that age bracket as well as the future of the small business sector. • Council advised that there will be some young small business owners invited to the March meeting to talk about their experiences. • Council asked when the survey will go live. Secretariat confirmed it will go live on 25 February and survey results will not be ready for the March meeting but will be circulated when available. • Council advised that there is new Xero survey data available, which will also be circulated once it has been analysed. • Council discussed recent data showing that New Zealand has low labour productivity and that it may be as important to raise productivity as to reduce compliance and obstacles. • Co-chair reminded Council to look into the future as well as the present and to include the living standards framework in their work to create a sustainable small business sector. <p>Previous minutes and actions</p> <ul style="list-style-type: none"> • Chair asked if there are any matters arising from previous minutes. No matters were raised. • There were no communications to the Small Business Council. • Council raised one concern about an action on the agenda relating to the Secretariat meeting with the Secretariat of the Tax Working Group. Secretariat advised this meeting 	
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		did not take place due to scheduling issues and the Tax Working Group Secretariat has now been disbanded.	
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2	Micro business access to finance (MBIE)	<ul style="list-style-type: none"> Chair introduced Bevan Hall and Jon Cable from MBIE and invited roundtable introductions. <p>Access to finance presentation and discussion</p> <ul style="list-style-type: none"> Presenters provided official data from Stats NZ’s business operational survey, which is a business survey of businesses with six or more employees. The survey showed that most firms of this size can access finance on acceptable terms. Council raised that the survey may not show businesses that are not seeking capital due to low awareness or desire. The Chair raised the issues of businesses that do not have collateral not being able to get finance. Presenters noted that 25 per cent of the 10 per cent that cannot access finance say it’s because they don’t have collateral. Presenters noted that businesses aren’t generally viewed as security for capital but lenders are keen to view them as such if businesses could present their case adequately. An MBIE survey of access to finance for micro businesses (up to five employees) found that a third of all respondents said they have issues with access to finance. Capital access and growth had a strong relationship – many trying to access capital had ambitions to grow and many who accessed finance used it for growth. Presenters pointed out that management capability (e.g. budgeting, negotiating payment terms with suppliers, record keeping and planning) was a major obstacle for businesses trying to access finance. Presenters noted that the lenders they spoke to said they do not lend to small businesses because they are risky and their books are messy. Council discussed what might change the lenders’ views on lending to small businesses, for example a credit guarantee scheme, which would share the risk across the borrower, the lender and government. Council noted in the UK if a bank cannot lend to a small business, it has to refer the business to an alternative lender. Council discussed second tier lenders and presenters noted that a number of New Zealand finance companies collapsed following the Global Financial Crisis. There was also discussion of international approaches such as SME growth funds in Australia and the UK, alternative 	

		<p>lenders already operating in New Zealand and the escalator funding model, by which a business is given a small amount of money to work with and repay and then can be given more if they show they can repay their debt.</p> <ul style="list-style-type: none"> • Council noted that the more finance available the more growth there is in the sector but New Zealand has shallow capital markets. Chair noted that there is a lot of equity available in New Zealand but the issue is getting it. • Council discussed the need to 'raise the tide' of available finance to allow high growth episodes and help more businesses grow. Presenters noted that not all businesses that want capital for growth want high growth. Some have community and legacy motivations. 	
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3	Prime Minister's address	<ul style="list-style-type: none"> • The Prime Minister and Minister Nash joined the Council meeting. • Prime Minister noted the importance of small business to growth and prosperity in New Zealand. She expressed her personal interest in the topic noting that she requested the portfolio when in opposition. She noted that she was interested in pragmatic and practical ideas and solutions that support capability. • Chair gave an overview of Small Business Council history and outlined the four themes of the strategy. Each subgroup then outlined their progress and thinking on the themes. Chair thanked Prime Minister and Minister Nash for attending the meeting, for establishing the Council and putting their faith in them. 	
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4	IRD insights into small business (IRD)	<ul style="list-style-type: none"> • Chair introduced Mark Sands and Richard Owen from IRD and invited roundtable introductions. <p>IRD small business insights presentation</p> <ul style="list-style-type: none"> • Presenters shared their research and insights on small businesses from a tax perspective. • Small businesses are the IRD's biggest customer base and they generate a lot of tax. Presenters noted IRD is trying to reduce costs for businesses because when businesses are successful it benefits everyone. • Presenters advised that businesses need to be educated on compliance and IRD staff need to be educated on what businesses need/want. IRD's research showed that smaller 	

		businesses do not find it comparatively harder to comply with tax compared to larger businesses.	
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5	Diversity and leadership in small business	<ul style="list-style-type: none"> Chair introduced Mai Chen and invited roundtable introductions. <p>Diversity and leadership presentation</p> <ul style="list-style-type: none"> Presenter noted that a high number of migrants become SME owners and become SME employees. Presenter noted the large difference in ethnic make-up of society now compared to the last census and that by 2038 that Maori, Pasifika and Asians will be 51per cent of the New Zealand population. Presenter noted that few government documents are translated into other languages. Presenter advised that migrants can now move straight into their ethnic suburbs and do not need to learn English anymore. Many will buy goods and services from their own ethnic SMEs. Presenter noted that some migrant business owners struggle to understand compliance requirements because they cannot understand it. Health and safety and workplace policies and regulations come from a white anglo-saxon perspective and are permissive. They set out the required outcome, not how to achieve it. Migrant SME owners and employees may have little concept of health and safety, tax and labour laws and a very different concept of risk. Migrants may struggle to get used to the New Zealand working environment and small business employers and employees may not say if they don't understand something. Presenter encouraged the Council to think about the future and ethnic diversity in developing the small business strategy. 	
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6	Small group work on survey questions	<p>Sector Engagement Survey</p> <ul style="list-style-type: none"> Secretariat reminded Council of the objective of the survey: an opportunity for the sector to have input into the strategy, for the Council to test their thinking and to address gaps in the existing data. 	Secretariat to create survey based on areas of interest identified by the subgroups.

		<ul style="list-style-type: none"> Subgroups identified areas and topics that they would like explored in the survey of small businesses. 	Secretariat to circulate draft survey to the Council for feedback before it is loaded into Survey Monkey.
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7	Next steps and close	<ul style="list-style-type: none"> Chair thanked the Council for their contribution and closed the meeting. 	