



Honest Conversations.

**Economic Recovery
from COVID-19.**



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Introduction from David Seymour

The New Zealand economy is busy, but stalling. Massive monetary stimulus and Government borrowing have kept people working, but they bring debt and inflation in their wake. Meanwhile, supply chain problems, skill shortages, and the dormant threat of a fresh COVID outbreak remain.

Compounding these problems is an erratic Government that's failing to provide a COVID exit plan, and seemingly hostile to large sectors of the economy. New Zealand needs leadership with a firm eye on its economy as the world moves to reopen from COVID lockdowns, but we are getting an endless stream of announcements that seem unrelated to each other or any underlying strategy.

Underlying the problem with Government policy is an inability to prioritise what matters. The Government should be asking, 'how do we create the conditions for growth?' Instead it seems to ask 'how can we spend what is already created (plus what we can borrow)? Very few policies are designed to grow the economy, but many of the Government's policies will actually slow growth.

ACT has been listening, we have a plan to meet the economic challenges New Zealanders face. We are offering solutions that will allow New Zealand to safely reconnect with a world coming out of COVID, manage debt and inflation, reduce the tax burden, get skilled people to fill vital positions, and create the right environment for small business to grow and our farming sector to thrive.



David Seymour, ACT Leader



Overview

Behind the economic challenges we face is the recovery from COVID-19. As the world rebuilds connections, New Zealand faces staggering levels of debt, skills shortages, and increases in the cost of living.

In response, the Government has been borrowing and regulating at record levels. Net Government debt is forecast to double from \$58 billion in 2019 to \$114 billion in 2021, peaking at \$180 billion in 2025. This needs to be repaid by hard working New Zealanders.

However, while debt is increasing, skill shortages, energy shortages, and supply chain issues are pushing up living costs.

We need to have an honest conversation about how we manage these challenges and deliver an economy that is working for middle New Zealand. ACT has a plan to bring skills safely into the country, make life more affordable, pay down debt, and reduce red tape.

Solving skills shortages



New Zealanders hunkered down to stop the local transmission of COVID-19 and put their shoulders to the wheel to get the economy moving again. But the hard work of New Zealanders is now facing a headwind of poorly designed and badly deployed Government policy and regulation.

The current management of the border has been plagued with issues causing misallocation of rooms, poor matching of skills with current skills shortages, and a loss of basic human compassion as families are split for harrowing periods.

ACT proposed a range of policies as part of our COVID 2.0 Plan to improve the management of New Zealand's COVID-19 response, some of which has already been adopted by the Government. But there is still more to do.

Strengthening the border and reforming managed isolation and quarantine

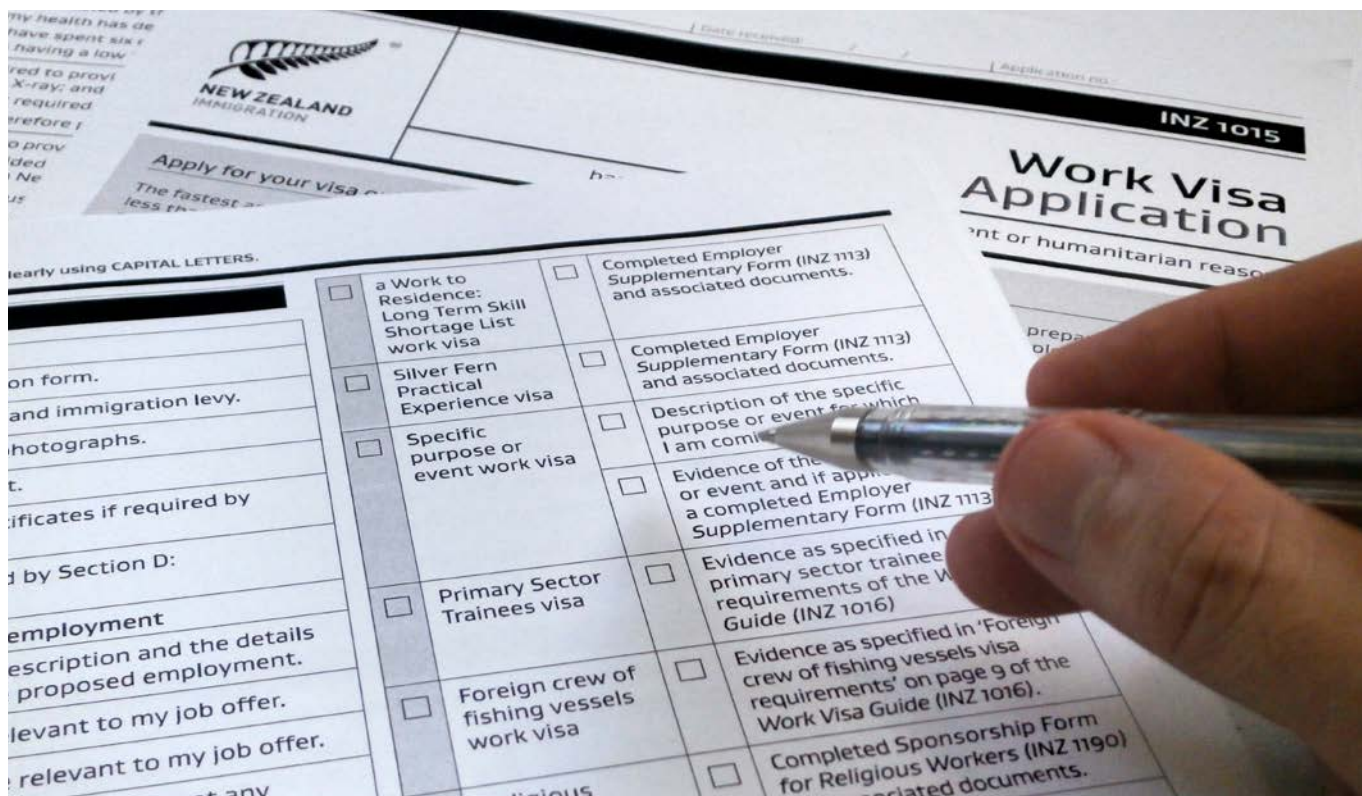
- ACT would allow private providers who can meet MIQ safety standards to operate as a private MIQ.

Licensing would be subject to requirements for strict safety standards, cohorts of travellers, saliva tests every two days, and vaccination of all workers and guests on site

- ACT would introduce frequent PCR saliva testing to the border and across New Zealand to provide high quality and less invasive testing options for early detection of COVID-19 in the community

The management of the current MIQ system allocates rooms poorly. The basic model of MIQ – providing safe, temporary accommodation to allow for people to be brought into the country – has been improving. In particular, the cohort model allows for a safer and more efficient management of MIQ. The problem is, there aren't nearly enough rooms for all the people who have good reasons to enter New Zealand.

The capacity for accommodation at an MIQ standard does exist. The Government identified many other potential providers in addition to the current 31 facilities. It decided not to develop them.



ACT would expand the current MIQ network by allowing private providers who can meet the strict standards become a licensed MIQ for lower risk travellers.

Those strict standards would include:

- All people physically on site would have to be vaccinated, including workers and guests alike
- Travellers would have to be from low-risk countries
- A cohort model would mean a hotel could take new travellers for only three days, then be sealed until all are released. This way if an outbreak does occur, nobody who has left recently needs to be traced
- Guests and workers would have mandatory PCR saliva tests every two days
- Participating hotels must be licenced, and risk losing their licence for any breaches of the rules

The system would help accommodation providers fill mothballed hotels. It would help fill skills shortages across the country. It would free up space across the existing MIQ system to allow real kindness at the border for split families and other humanitarian cases such as those travelling to attend sick relatives.

There is next to no risk with vaccinated travellers being attended by vaccinated staff in sealed cohorts of arrivals that are tested every two days. If the Government ignores this suggestion we will know it has no interest in getting our way of life back.

Restarting immigration

- ACT would dump Labour's 'once in a generation' immigration reset. Immigration reform may be needed in the future, but right now we need certainty. ACT would signal a return to the pre-COVID immigration system as soon as public health concerns allow
- ACT would speed up residency for highly skilled persons by unfreezing the EOI queue immediately, and by resuming applications for those offshore

With the border closed, we would have expected Immigration New Zealand to improve its systems, clear backlogs, process relevant visas and prepare for a gradual reopening for when it was safe to do so. Instead, it appears that the system has stalled, waiting for the Government's mystery "once in a generation" immigration reset.

New Zealanders need certainty from their Government. Businesses need to bring skills in to the country to grow, or in some cases just to continue.

That means Immigration New Zealand needs to be preparing for a return to normalcy. As New Zealand, and the world, becomes vaccinated, the opportunity to allow for greater flexibility at the border will increase.

ACT is committed to giving business certainty over skills shortages by returning to pre-COVID immigration settings when public health conditions allow for it.

Four horsemen of the regulatory apocalypse

Bad regulation increases costs, replaces production with compliance, and kills opportunity those who need it most. Bad regulation kills New Zealanders' chances to live their best and most fulfilling lives.

David Seymour has legislation before Parliament, the Regulatory Standards Bill, that would impose standards on governments to ensure that when they regulate, they are taking care to do so in a way that improves the lives of New Zealanders.

The work doesn't stop there. ACT believes hard working taxpayers need a government that will reduce regulation and cut down compliance across the board. We will target reform of the 'four horsemen' that pile costs on New Zealanders. As a country, we deserve better than bad regulation from the Government.

Zero Carbon Act

- *ACT will repeal the Zero Carbon Act that seeks to micromanage the economy with sector-by-sector carbon budgets, in favour of an Emissions Trading Scheme cap on emissions that ties New Zealand emissions to those of our trading partners*

New Zealand is a passenger on the climate change journey, unable to change the climate by its own efforts. What happens to global carbon emissions will depend on the actions of our larger trading partners. As a small trading nation, New Zealand's interest is in doing our bit, keeping in sync with the emissions of our trading partners without needlessly killing New Zealand industry.

If larger countries reduce their emissions, we should reduce ours in line with them, if they do not, then strict targets for New Zealand will only ensure that New Zealand jobs move overseas to places with more lax climate change regulations. Such 'carbon leakage' is a lose-lose, where New Zealand jobs are lost, and global emissions still rise because the same or even more carbon intensive activity takes place elsewhere.

The Zero Carbon Act also places higher costs than are needed to reduce emissions. The Climate Change Commission has gone as far as saying New Zealand should not follow the lowest cost pathway to lower emissions. ACT's policy of setting a national cap on emissions that is equivalent to emissions by our trading partners would allow people the freedom to choose what technology they use and how they live within the national cap, instead of a smothering bureaucracy that attempts to micro-manage the economy.

Resource Management Act

- *ACT would create enduring RMA reform that respects property rights and recognises the need for continuous improvement in environmental management*

Many of the current shortages that are driving increases in the cost of living are driven by the inflexible nature of the Resource Management Act. Electricity is expensive because it is difficult to build generation capacity, and extract fuels. Timber is expensive because it is difficult to develop milling capacity. Houses are expensive because it is difficult to build homes.





Altogether New Zealand is being made poorer and less equal by stifling resource management rules that push up costs on the basic things people need, while protecting incumbents from competition.

The Resource Management Act simply doesn't work, and it needs to be repealed and replaced. Reform must mean building homes and increased development while protecting our environment. ACT would repeal the RMA and replace it with separate Environmental Protection and Urban Development Acts.

The Urban Development Act would significantly expand the rights of property owners to build on their own property so long as they do not tangibly impair other property owners' enjoyment of theirs. The Environmental Protection Act would provide property owners certainty and focus only on those environmental issues not addressed through other schemes.

Health and Safety at Work Act

- *ACT would restore common sense to the Act by adding a provision that would allow for immediate termination for acting in a wilfully irresponsible manner with respect to workplace health and safety*
- *ACT would rebalance the responsibilities for health and safety between employers and employees to make them fairer*
- *ACT would look to reform the Health and Safety at Work Act and ensure it is working to make New Zealand workplaces safer and better*

ACT believes that every New Zealander should return home safe and that health and safety legislation has a role in that, but it must be fit for purpose. The current Health and Safety at Work Act prioritises employers coming up with rules to please government departments, not rules adapted to their businesses that will be understood and complied with.

Punitive penalties create an incentive for Persons Conducting a Business or Undertaking (PCBU) to create rules and compliance in the workplace, but the responsibility placed on employees does not match it. This creates an unbalanced and overly restrictive environment which doesn't result in improved safety standards.

Examples of scaffolding being used on single-story buildings, increases of 50 percent for small re-roofing jobs, and a limited tangible impact on workplace safety highlight a system that is not working for New Zealanders.

Employment Relations Act

- *ACT would put control back into the hands of employees and employers, not unions*
- *ACT would reinstate 90 day trials for all businesses*
- *ACT would repeal any new Fair Pay Agreement legislation*
- *ACT would focus on reform of the Act to ensure that workers and employers have clearer dispute resolution rules without needing to resort to the Employment Relations Authority*

Over the past few years, employment rules and regulations have been increasing at pace. Reform to the Employment Relations Act built on what was an already cumbersome piece of legislation.

The trend towards favouring collective bargaining and union rights in law transfers power away from individual employees to control their own relationship with their employer. If the employee chooses to join and pay a union, power to them. But there should not be special rights for what is essentially a worker's club in New Zealand legislation. ACT would work to ensure that employees and employers had equal rights under law.

Similarly, the Act itself has a long and costly process for employers and employees to resolve grievances. ACT will shorten and simplify performance management and personal grievance processes, while retaining the principle of fairness.

Tackling the cost of living

Average New Zealanders are being squeezed from every direction and are facing higher living costs and debt. Hardworking New Zealand taxpayers need someone fighting in their corner to make life more affordable, reduce debt, create jobs and improve their economic opportunities.

ACT's Budget for Middle New Zealand provides real solutions through creating new opportunities and delivering tax cuts for hardworking Kiwis. It will make \$11.2 billion in savings, take on \$23 billion less debt and deliver \$3.8 billion per year in tax cuts.

We also need to find new ways of encouraging investment and reducing the reliance on ever increasing government debt. ACT's plan would cut through the stifling regulations on foreign direct investment for OECD countries and provide a more certain pathway for investment.

Tax relief and debt reduction

- ACT will deliver middle class tax relief by permanently cut the 30 percent marginal tax rate to 17.5 percent
- ACT will reverse the Government's punitive 39 percent tax rate
- ACT would pay off debt faster and return to surplus by 2025

ACT will permanently cut the 30 percent marginal tax rate to 17.5 percent, and would reverse the 39 percent tax rate. Right now, our tax system sends the wrong message to New Zealanders who want to get ahead. If you upskill, work, save, and increase your income, the

Government will take more money off you. But if you drag your feet, you'll pay less tax and be given money for free.

We want opportunity for all New Zealanders and improving the tax system is part of achieving that goal. The best way to boost the economy is tax relief. Tax cuts not only give earners more to spend and invest, they make work pay.

At the same time, ACT will pay off debt faster by ending wasteful spending and prioritising spending for core public services instead.

Overseas investment

- ACT will allow investors from OECD countries to bypass Overseas Investment Act regulations

Overseas investment injects capital, knowledge and technology into New Zealand companies, making them more productive and allowing them to increase wages and grow jobs.

ACT will exempt investors from OECD countries from the need to receive Overseas Investment Office approval to invest here, except in respect of investments in residential land, streamlining the process to bring capital into New Zealand.

These investments would still be subject to the call-in regime where national security interests are at stake. Membership of the OECD is restricted to countries committed to preserving and advancing democracy and free markets. Many OECD nations are already our allies on national security issues and are, therefore, low-risk sources of investment.



Supporting farmers

- ACT would prioritise regional standards over bureaucratic regulation from Wellington for key farming practices such as winter grazing
- ACT would introduce a \$10 million contestable fund to secure protection of natural areas through private covenant and would scrap the current SNA proposals
- ACT would repeal the 'ute tax'

We need to recognise the value New Zealand (and the world) gains from our agricultural sector. Our dairy sector is the most efficient in the world and we need to keep working to improve and harness the innovating spirit on our farms.

Ensuring that environmental regulation properly reflects the regions being regulated and breaking away from a one size fits all approach is critical. That's why ACT MP Mark Cameron has a Member's

Bill to prioritise regional approaches over broad bureaucratic rules from the Wellington beltway.

Similarly, the proposed Significant Natural Areas are, in essence, a poorly designed land-grab. Farmers are some of the best environmentalists in the country and the Government's designing rules that makes it less advantageous to look after indigenous flora. ACT has proposed following successful models like the Queen Elizabeth II Trust and establishing a contestable fund of \$10 million per year to provide a bespoke approach to managing private land and protection of natural areas that properly recognises the rights of landowners.

We should be celebrating farmers, not finding more ways to tax and regulate them. That's why ACT would repeal the "ute tax" or feebate scheme. It is a punitive measure that disproportionality harms New Zealand farmers and won't result in a gram of carbon emission reduction because we already have a Emissions Trading Scheme with a fixed cap.



Anti-Money Laundering and Countering Financing of Terrorism Act (AML-CFT)

While the AML-CFT legislation has a noble purpose, it places a huge burden on productive New Zealanders.

The law requires significant time, cost and paperwork, slowing economic activity down and meaning more time is spent complying instead of producing.

It costs several thousand dollars to comply with the law no matter how big or small a business is and involves significant duplication. The legislation itself is enforced by three different government agencies: the Department of Internal Affairs, the Financial Markets Authority and the Reserve Bank.

AML-CFT is making life more difficult for Kiwis who want to open a bank account and migrants who

want to send money home to their families. It's likely to be preventing new opportunities from arising in innovative sectors like fintech.

It is unclear whether the legislation has helped reduce criminal activity, but it's clearly produced real costs for Kiwis.

Do you believe that the AML-CFT legislation needs to be reformed?

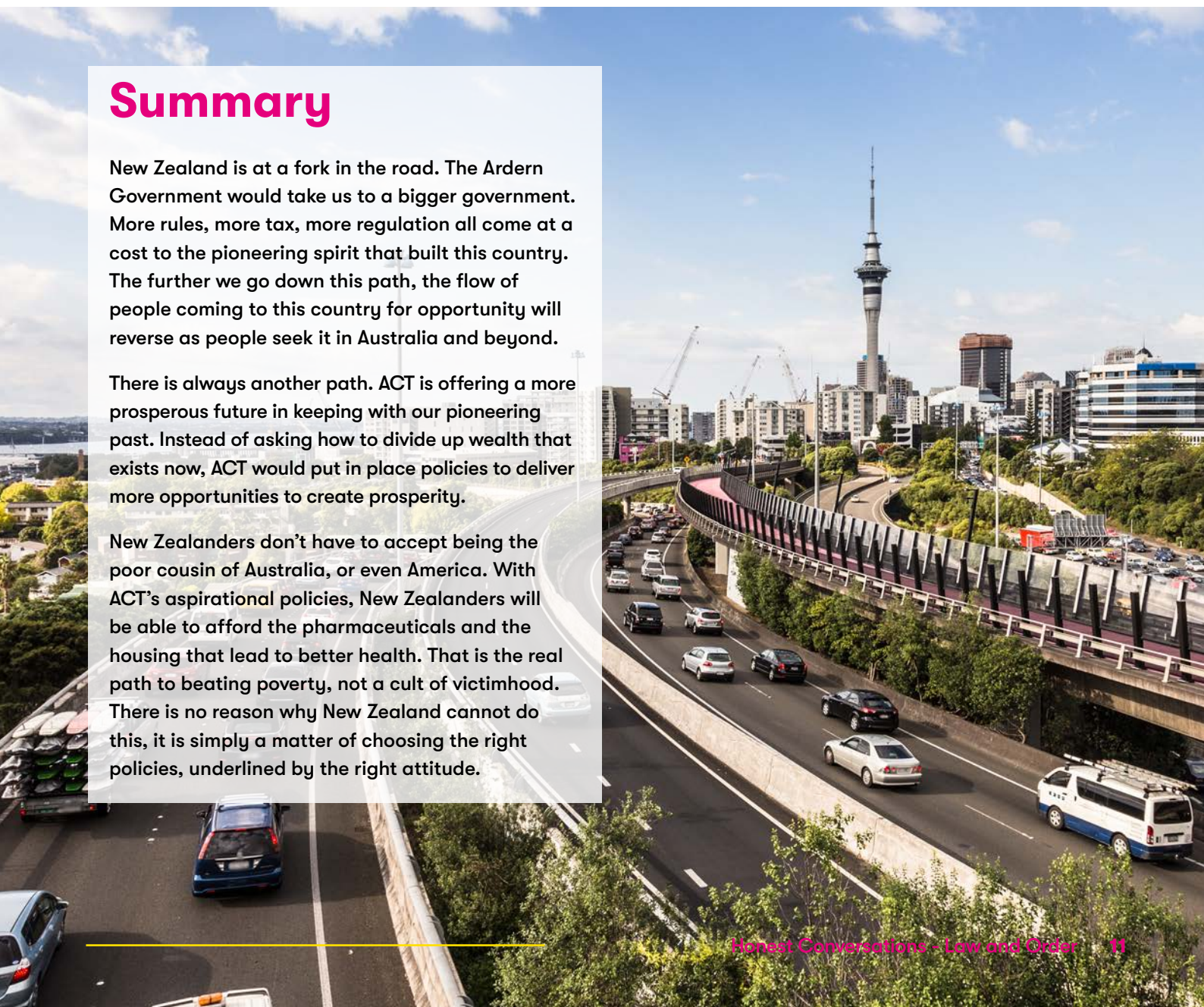
If so, what changes would you like to see to the legislation?

Summary

New Zealand is at a fork in the road. The Ardern Government would take us to a bigger government. More rules, more tax, more regulation all come at a cost to the pioneering spirit that built this country. The further we go down this path, the flow of people coming to this country for opportunity will reverse as people seek it in Australia and beyond.

There is always another path. ACT is offering a more prosperous future in keeping with our pioneering past. Instead of asking how to divide up wealth that exists now, ACT would put in place policies to deliver more opportunities to create prosperity.

New Zealanders don't have to accept being the poor cousin of Australia, or even America. With ACT's aspirational policies, New Zealanders will be able to afford the pharmaceuticals and the housing that lead to better health. That is the real path to beating poverty, not a cult of victimhood. There is no reason why New Zealand cannot do this, it is simply a matter of choosing the right policies, underlined by the right attitude.





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