TE TAI ŌHANGA
THE TREASURY

Reference: 20200332

9 October 2020

[redacted]

Thank you for your Official Information Act request, received on 11 September 2020. You requested the following:

> *1 May 2020 - Treasury Report T2020/1275: 'Shovel-Ready' Infrastructure Projects - possible early announcements*
>
> *7 May 2020 - Aide Memoire T2020/1391: Letter to Finance and Expenditure Committee on Appropriation Consolidation for 2020/21*
>
> *14 May 2020 - Inland Revenue Report IR2020/008: Forestry aggregation tax issue*
>
> *14 May 2020 - Aide Memoire T2020/1388: Quantitative Easing and Monetary Financing compared*
>
> *18 May 2020 - Aide Memoire T2020/1478: Weekly update on the Business Finance Guarantee scheme and banking issues (4)*
>
> *19 May 2020 - Treasury Report T2020/1469: COVID-19 Proactive Release: Oral Item on Temporary Suspension of Regulatory Impact Assessment Requirements*
>
> *28 May 2020 - Treasury Report T2020/1444: Impact of Covid-19 on Tertiary Education Organisations*
>
> *28 May 2020 - Aide Memoire T2020/1640: Meeting with Australian Treasurer Frydenberg*
>
> *28 May 2020 - Treasury Report T2020/1664: Media Subscriptions Letters*

As you are aware, the report 'IR2020/008: Forestry aggregation tax issue' was transferred to Inland Revenue on 17 September 2020, for reply.

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Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	14 May 2020	T2020/1388 - Quantitative Easing and Monetary Financing compared	Released in part
2.	14 May 2020	T2020/1391 - Letter to Finance and Expenditure Committee on Appropriation Consolidation for 2020/21	Released in part
3.	18 May 2020	T2020/1478 - Weekly update on the Business Finance Guarantee scheme and banking issues (4)	Released in part
4.	27 May 2020	T2020/1640 - Meeting with Australian Treasurer Frydenberg	Released in part
5.	28 May 2020	T2020/1444 - Impact of Covid-19 on Tertiary Education Organisations	Released in part
6.	28 May 2020	T2020/1664 - Media Subscriptions Letters	Released in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- **section 6(a)** – to protect the security or defence of New Zealand or the international relations of the Government of New Zealand,
- **section 6(b)(i)** – to protect the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government,
- **section 9(2)(a)** – to protect the privacy of natural persons, including that of deceased natural persons,
- **section 9(2)(g)(ii)** – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment,
- **section 9(2)(f)(iv)** – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- **section 9(2)(b)(ii)** – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- **section 9(2)(k)** – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Information publicly available

The following information is also covered by your request and is, or will soon be, made publicly available on the Treasury and Covid-19 website:

Item	Date	Document Description	Website Address
7.	1 May 2020	T2020/1275 - 'Shovel-Ready' Infrastructure Projects - possible early announcements	https://covid19.govt.nz/updates-and-resources/legislation-and-key-documents/proactive-release/
8.	14 May 2020	T2020/1469 – COVID-19 Proactive Release: Oral Item on Temporary Suspension of Regulatory Impact Assessment Requirements	https://www.treasury.govt.nz/publications/oia-response/request-6-covid-related-docs-oia-20200185 (page 33)

Accordingly, I have refused your request for the reports listed in the above under **section 18(d)** of the Official Information Act:

- the information requested is or will soon be publicly available.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

David Hammond
Team Leader, Ministerial Advisory Service

OIA 20200332
Table of Contents

IN-CONFIDENCE

TE TAI ŌHANGA
THE TREASURY

Reference: T2020/1388 MC-1-1-1-2 (RBNZ Institutional Frameworks)

Date: 14 May 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)

Aide Memoire: Quantitative Easing and Monetary Financing Compared

Purpose

This Aide Memoire sets out a framework to consider the similarities and differences between Quantitative Easing (QE) and Monetary Financing (MF) across economic and governance dimensions. It also outlines the risks and possible mitigation measures that are, or can be, used for both approaches. This Aide Memoire is for your information, given that there have been a number of number of commentaries about these issues in response to the economic shock caused by COVID-19.

What are QE and MF?

Table 1 sets out the defining features of QE and MF.

Table 1: QE & MF Defined

<table>
<tr><th></th><th>QE</th><th>MF</th></tr>
<tr><td>Purpose</td><td colspan="2">Support aggregate demand by easing financial conditions when ability to use traditional monetary policy levers constrained</td></tr>
<tr><td>Policy Approach</td><td>Meet monetary policy objectives on inflation and employment; meet short- to medium-term government funding needs as a by-product</td><td>Meet specific funding needs of the government at lower cost and with greater certainty than QE</td></tr>
</table>

When	Interest rates at (Effective Lower Bound) ELB + in response to an economic shock	Interest rates at ELB + in response to an economic shock + price deflation + bond market dysfunction As an alternative to, or graduated response, beyond QE
Mechanism	Purchasing Government bonds or other assets	Government loan (or bonds)
Implementation	Usually in secondary markets, but could be in primary market	Off market (or primary market)
Intended Duration	Temporary (but economic conditions could require it to be continued for a very long time)	Permanent

Quantitative Easing

QE involves purchases of government bonds and other financial assets, usually in the secondary market (but potentially in the primary market) to reduce market interest rates. As a by-product, QE also assists the government to meet its funding needs over the short- to medium-term.[1]

QE is a temporary measure when interest rates are at the ELB and/or in the event of an economic shock. Central Banks aim to stop bond purchases when economic conditions improve but typically hold bonds until they mature.

Monetary Financing

MF involves financing a fiscal deficit not by the issue of interest-bearing debt, but by an increase in the monetary base – i.e. of the irredeemable fiat non-interest-bearing monetary liabilities of the government/central bank.[2]

This means fiscal spending is funded by a permanent increase in the monetary base.

[1] Alongside an increase in the Crown Settlement Account (CSA)

[2] Definition proposed by Adair Turner

Economic Dimension

Table 2 sets out the similarities and differences between the economic impacts of QE and MF.

Table 2: Economic Similarities & Differences of QE & MF

	QE	MF
Aggregate Demand	Stimulatory effect on aggregate demand	Stimulatory effect on aggregate demand Full-extent of impact uncertain
Funding Cost	OCR	Zero (or OCR)
Impact of Funding Cost to Public Sector	Debt servicing cost to government	Paying 0% on central bank reserves reduces bank profits. If this is passed through to higher retail lending rates it could offset some of the impact of stimulatory fiscal policy.
Impact on Monetary Base	Increase	
Short-run Impact on Bond Yields	Lowers government bond yields and other domestic interest rates	Uncertain (see text below)
Long-run Impact on Bond Yields	Once the economy recovers, Government bond yields increase as the Bank's bond holdings run down, and inflation expectations increase.	Uncertain (see text below)
Impact on Crown Balance Sheet	Same overall impact. Different composition of assets/liabilities	
Distributional Outcomes	Increase asset/equity prices by reducing real interest rates	

Similarities

Both QE and MF aim to support aggregate demand by easing financial conditions, usually when the ability to use traditional monetary policy levers is constrained.
QE and MF involve the central bank increasing the monetary base. Both approaches have broadly similar impacts on the Crown's balance sheet. They create additional central bank reserves, which are a debt liability on the Crown accounts – in the same

way that Government debt is a liability on the Crown accounts. However, relative to traditional debt financing, QE and MF imply that the Crown will have a greater share of shorter maturity liabilities (most likely settlement cash) than otherwise would be the case.

On distributional outcomes, if QE and MF reduce real interest rates to a similar extent - either through lower nominal interest rates or higher inflation - then for the same fiscal stimulus both measures can have similar effects on asset prices and incomes, and wider wellbeing.[3]

Differences

While QE and MF have broadly similar impacts on the Crown's balance sheet, the main difference is in the composition of the assets and liabilities. This has implications for the Crown's overall interest costs. These costs depend on what rules are applied to the remuneration of reserves and the stage of the economic cycle.

For QE, the funding cost is the interest paid on settlement balances, the OCR. Whether QE lowers funding costs to the government depends on whether the OCR is below longer term bond yields for the life of the funding.

For MF, the funding cost is non-interest bearing settlement balances at the central bank. However, paying 0% on reserves deposited at the Bank would reduce bank profits. To compensate, banks may increase their retail lending rates, offsetting some of the positive demand effects of the fiscal stimulus.

QE typically lowers government bond yields in the short-run, given the demand to buy bonds offsets supply. In the longer-run, yields should rise as the central bank tapers its purchases, and inflation expectations rise with the success of the policy.

The effect of MF on government bond yields is more ambiguous. All else equal, MF would reduce the supply of new bonds to the market and therefore push yields down. However, MF could also influence the risk premium on government bond yields, which is a function of market pricings of credit, inflation and liquidity risks. The size of the change in risk premium may depend on the design of governance and institutional arrangements (discussed below).

Finally, MF is a permanent measure while QE can be either temporary or sufficiently long-term in practice to be permanent, as revealed since the Global Financial Crisis (GFC).[4]

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[3] Globally, a dominant driver of recent asset price increases, most notably equity prices, has been the overall decline in real interest rates.

[4] Overseas, major central banks have not unwound QE as expected as economies have not improved sufficiently and neutral interest rate have been persistently lower.

Governance Dimension

Table 3 outlines the main governance features of QE and MF

Table 3: Institutional Similarities & Differences of QE & MF

	QE	MF
Policy Balance	Fiscal and monetary policy coordinated but balanced by institutional separation	Fiscal policy drives monetary policy to a greater degree
Decision-makers	Fiscal Policy (Government) Monetary Policy (RBNZ/MPC)	Fiscal and Monetary Policy: MoF/Treasury Decide; MPC advises[5]
Key Decision Points	▪ Activation/Deactivation criteria ▪ Scale and speed ▪ Managing inflation and inflation expectations ▪ Governance risk arising from potential for fiscal excess, moral hazard and time-inconsistency. ▪ Maintaining institutional credibility ▪ Market functioning e.g. government bond yield curve, financial stability considerations, credit ratings	

Similarities

Both QE and MF require decision-makers to give consideration to the scale and speed of debt issuance and to appropriately manage inflation and inflation expectations. In addition, they require similar institutional responses to managing governance risk that arises from the potential for fiscal excess and issues concerning moral hazard and time-inconsistency. Finally, both approaches can be construed as instruments of fiscal-monetary coordination to varying degrees. In this however, there are also key differences as outlined below.

Differences

While QE and MF require fiscal-monetary coordination, the influence of one arm of policy (fiscal) over the other (monetary) is a point of distinction between the two approaches. As noted, both QE and MF aim to support aggregate demand. QE does so by meeting inflation and employment objectives; MF, by meeting the specific funding needs of the government at lower initial cost and with greater certainty than QE.

Under QE, the formulation of monetary policy is determined by the MPC and formulation of fiscal policy is determined by the Government. However, MF could require direction (or explicit guidance) from the Government to the central bank.

[5] Institutional separation gives rise to certain risks. These are discussed in the next section.

Risks & Mitigation Measures

Internationally, over the past 30 years it has become common practice to have an operationally independent central bank with an inflation target, and government subject to fiscal disciplines. MF would require the design of a new institutional framework. This justifies consideration of the risks, and how to mitigate and manage those risks.

Risks

The influence of fiscal over monetary policy – actual or perceived – is inherent in the value proposition of MF, and therefore creates risks. For example, if MF is perceived as representing a loss of fiscal discipline and abandoning of mainstream monetary policy, the impact is highly uncertain but could lead to rising inflation expectations, an erosion of trust in economic institutions, and/or a downgrade in credit ratings. Any of these outcomes would see New Zealand's country risk-premium rise, potentially overriding the real economy intent of the original policy choice.

Risk Mitigation

A key mitigating factor for anchoring perceptions of MF could be the decision-making and governance arrangements that surround it. Arrangements that resemble existing monetary policy decision-making settings i.e. operational independence for monetary policy, could reassure that MF is not a 'complete break' from existing 'norms'. Other characteristics may also contribute to reducing perception risks, such as being subject to activation triggers (e.g. very low inflation, very high debt to GDP), being 'one-off', and/or attached to a specific event or purpose.

Officials can provide you with further information about these issues if you wish.

James Beard, Acting Deputy Secretary, Macroeconomic Group, Treasury s9(2)(k)

Christian Hawkesby, Assistant Governor / General Manager Economics, Financial Markets and Banking Group, Reserve Bank s9(2)(k)

BUDGET-SENSITIVE

TE TAI ŌHANGA
THE TREASURY

Reference: T2020/1391 ST-2-2-3 (Public Finance System Reform 2019)

Date: 7 May 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: 14 May 2020
(if any)

Letter to Finance and Expenditure Committee on Appropriation Consolidation for 2020/21

As an initial step to modernising the public finance system (PFS), on 2 September 2019, Cabinet agreed to implement the following proposals over 2020/21 and 2021/22:

- move smaller departments to a single departmental output expense appropriation (per department) to test aggregation of appropriations at an appropriate level, and
- consolidate annual appropriations of less than $10 million for all departments, to again test aggregation of appropriations at an appropriate level.

The Treasury has worked with a number of departments over the past several months to implement these proposals for 2020/21. There has been an approximate 10 percent reduction in the number of appropriations due to this exercise (although some new appropriations have been required due to Budget 2020 and COVID-19 decisions).

On 17 October 2019, you wrote to the Finance and Expenditure Committee (FEC) to inform them of the work programme to modernise the PFS, including the above proposals. To support select committees' examination of the 2020/21 Estimates documents, we have drafted the attached letter for you to send to FEC outlining which Votes have undertaken the appropriation consolidation for 2020/21. The letter also outlines where FEC can find information in the 2020/21 Estimates on what appropriations have been consolidated.

Subject to your approval, your office have indicated that this letter could be sent to FEC at the same time as the responses to the Standard Estimates Questionnaire 2020/21 (on Friday, 15 May 2020).

Emily Fulford, Senior Analyst, System Design and Strategy, s9(2)(k)
Eamonn Whitham, Team Leader, System Design and Strategy,

Dear Deborah

You will recall I wrote to you on 17 October 2019 to inform members of the Finance and Expenditure Committee of a programme of work being undertaken to modernise the public finance system.

Two of the proposals outlined in that letter were:

- moving smaller departments to a single departmental output expense appropriation (per department) to test aggregation of appropriations at an appropriate level, and
- consolidating annual appropriations of less than $10 million for all departments, to again test aggregation of appropriations at an appropriate level.

These two proposals reflected a concern that the current basis of appropriation is at too disaggregated a level, resulting in a large number of small appropriations that are difficult to relate to overarching departmental or government priorities. These proposals are being implemented over 2020/21 and 2021/22, so will first impact the 2020/21 Estimates. A list of Votes in which either or both of these proposals have been implemented for 2020/21 is attached in Appendix A.

To enable members of select committees to track expenditure between 2019/20 and 2020/21 when they are examining the 2020/21 Estimates, the Supporting Information in the 2020/21 Estimates for each Vote in which appropriations have been consolidated will include the following:

- a table in Part 1.4 of the Supporting Information mapping how the structure of appropriations in the Vote has changed from 2019/20 to 2020/21, and
- in the Supporting Information for each new appropriation that is the result of combining previous appropriations, a *Comparators for Restructured Appropriation* table showing which appropriations in 2019/20 contained the funding that is in the new appropriation in 2020/21.

Should your Committee require further information about these changes, I would be happy to make Treasury officials available to brief the Committee.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Appendix A – Votes that have undertaken appropriation consolidation for 2020/21

Sector in Budget documents	Vote
Volume 1 – Economic Development and Infrastructure Sector	• Vote Business, Science and Innovation • Vote Transport
Volume 2 – Education and Workforce Sector	• Vote Education • Vote Education Review Office • Vote Labour Market • Vote Tertiary Education
Volume 3 – Environment Sector	• Vote Environment
Volume 4 – External Sector	• Vote Customs • Vote Foreign Affairs[1]
Volume 5 – Finance and Government Administration Sector	• Vote Finance • Vote Internal Affairs • Vote Prime Minister and Cabinet • Vote State Services
Volume 6 – Health Sector	• Vote Health
Volume 7 – Justice Sector	• Vote Attorney-General • Vote Courts • Vote Parliamentary Counsel • Vote Police
Volume 8 – Māori Affairs Sector	• Vote Māori Development
Volume 9 – Primary Sector	• Vote Agriculture, Biosecurity, Fisheries and Food Safety • Vote Forestry • Vote Lands
Volume 10 – Social Services and Community Sector	• Vote Arts, Culture and Heritage • Vote Building and Construction • Vote Housing and Urban Development • Vote Oranga Tamariki • Vote Women

[1] Vote Foreign Affairs is a newly created Vote from 1 July 2020 as a result of merging Vote Foreign Affairs and Trade and Vote Official Development Assistance.

COMMERCIAL-SENSITIVE

TE TAI ŌHANGA
THE TREASURY

Reference: T2020/1478 SH-11-4-3-13 (COVID-19 - Financial Institutions)

Date: 18 May 2020

To: Minister of Finance (Hon Grant Robertson)

Aide Memoire: Weekly update on the Business Finance Guarantee scheme and banking issues (4)

This aide memoire provides you with a weekly update on how the Treasury is addressing:

- Issues raised by banks in the weekly meetings on the Business Finance Guarantee Scheme (BFGS).
- Concerns raised by customers about their banks in correspondence to you.

The summary and action points from the meeting with banks on Friday 15 May is included in **Annex 1**. The key themes from this meeting are:

- Uptake of the scheme continues to be steady with a slight increase in the number of applications. This is expected to remain low as the small business support scheme operated through Inland Revenue will absorb some demand for the BFGS, s9(2)(f)(iv) [redacted]
- The proposed changes to the scheme took effect on Friday. Banks have been contacting previously ineligible customers and one bank noted an increase in agriculture applications following the change. The removal of the GSA requirement from the scheme has been welcomed by customers.
- Banks expressed that the length of the term of the scheme of three years is limiting, and a term of five years would improve the ability of a customer to service a loan under the BFGS. The Banks are submitting their views on potential improvements, which will likely include extending the term to five years.

You have received correspondence from members of the public regarding concerns following their interactions with banks. We understand you want to ensure that banks are made aware of the issues being raised and that appropriate actions are being taken to resolve the issues.

A table outlining the issues and their current status is included in **Annex 2**. The Treasury and the Reserve Bank, working with your office, have developed a process to ensure both agencies have full visibility of issues being raised and can action and document accordingly.

Katie Davis, Graduate Analyst, Financial Markets, s9(2)(k) [redacted]
Robbie Taylor, Manager, Financial Markets, [redacted]

TE TAI ŌHANGA
THE TREASURY

Annex 1: Summary and action points from Bank Hui on 15/05/2020

Update on last meeting's action points:

Consider the watchlist criteria of the BFGS in terms of policy intent and how this is being translated. This will be communicated through the NZBA (Treasury).

- Consultation on any changes will be coordinated through the NZBA.

Treasury to provide any clarification on the ability to claim through NZBA (Treasury).

- Consultation on any changes will be coordinated through the NZBA.

Consider how to provide customers with clarity on navigating the various firm support options available (Treasury).

- The Treasury's communications team is currently working on this. Treasury has also been presenting at local Chambers of Commerce events and has presented on the landscape of support available for customers. This was also noted as a potential discussion topic for the NZBA/Treasury communications group. This action point will be followed up at the next Hui.

Treasury to coordinate with the NZBA on the release of aggregate data on the scheme (Treasury/NZBA).

- Treasury is working on a proposal for the data release, and will liaise through the NZBA for feedback on this. This action point will be followed up at the next Hui.

Key issues raised around the table:

- Treasury noted that it would be interested to observe the sectoral **composition of firms** engaging with the BFGS, and how this may be changing, s9(2)(f)(iv) [redacted] Observations from the past week included an increase in agriculture applications following the changes in scheme design. Some banks also noted they have had a lot of interest from property customers and have provided them with alternative support through normal bank products as they are ineligible for the scheme.
- 9(2)(b)(ii) [redacted] that over the past two months, they have observed that customers in the retail sector have been facing the most pressure to make rental payments, whilst the majority of customers in the manufacturing sector have been able to make these payments. 9(2)(b)(ii) [redacted] that sectors that are meeting less of their rental obligations may be in need of some support.
- **Applications and uptake** of the scheme remains steady at lower numbers. Some of the big five banks have seen an increase in applications but numbers are still relatively small. Banks continue to observe some customers drawing down on their loans, although this remains a small portion of total approved funding. It is expected that uptake may increase as businesses continue to refine operating plans under Alert Level 2, although some demand for the scheme may also be delayed by the extension to the wage subsidy scheme announced by the Government, until after this scheme has expired.

- Banks also noted that customers have been taking up the **Small Business Cashflow Scheme** operated through Inland Revenue, and feedback has been positive around the simplicity of the scheme. 9(2)(b)(ii) [redacted] is largely exposed to SMEs and noted that 8% of BFGS applications which were underway have been withdrawn as a result of the small business scheme.
- The **speed at which applications are being processed** for the BFGS is improving, as banks report better understanding from staff and customers are more familiar with the options available to them.
- The impacts from the **changes to the scheme** are anticipated to be more notable next week (banks to provide feedback on this at the Hui on 22 May). 9(2)(b)(ii) [redacted] noted that the removal of the GSA requirement has been welcomed. It was also suggested that a loan under the scheme should be permitted to be used for COVID-related expenditures, which has been included in the suggestions being made through the NZBA.
- Banks reiterated that the **length of the term** of the scheme of three years is undesirable for customers in terms of cash flow and serviceability. The suggestion was to extend the term out to five years, to improve a customer's ability to service the loan.
- The RBNZ received data from the big five banks, on customer complaints regarding their response to COVID-19. Initial impressions of the data suggest many were due to declines for funding that related to: (i) misunderstanding about the purpose of the BFGS, including customer unwillingness to provide a GSA or other standard security (sometimes because "the Scheme is backed by the Government"); (ii) provision of the required information proved challenging for smaller customers; (iii) some customers who were not performing prior to the COVID-19 crisis saw it as a mechanism for obtaining additional funding, but were not eligible. The RBNZ will advise banks if they require further information, potentially after seeing if the recently made eligibility changes have an impact.

Treasury acknowledged the banks' feedback on suggested changes to the BFGS. These will be considered in terms of how the scheme fits within the current landscape of initiatives. Advice on any potential changes to the scheme will be provided to the Minister at the end of May/start of June, and will be consulted with the banks. This will be considered in conjunction with advice from the consultant carrying out an internal review on the scheme.

Action points (see Annex 2 for status update)

- Consider how to provide customers with clarity on navigating the various firm support options available (Treasury).
- Treasury to coordinate with the NZBA on the release of aggregate data on the scheme (Treasury/NZBA).
- NZBA to provide the Treasury with feedback and potential new changes from the banks on the scheme (NZBA).

TE TAI ŌHANGA
THE TREASURY

Annex 2: Banking sector issues and status update (week commencing 11 May 2020)

Issue	Main Topic	Bank involved	Status	Notes
Concerns that customers are unable to access services from a new bank.	New customers	General	Ongoing	Discussed at Hui • Banks assured us that they are taking on new customers, although existing customers are being prioritised. • There are difficulties around digital onboarding (especially when new customers are high risk in relation to AML). • New customers can pose higher risk levels if a customer's existing bank will not lend to them.
MIN: Customer unable to get a loan under the BFGS as their home mortgage is with a different bank to their business and therefore they cannot provide security for the loan.	BFGS	Not named	Ongoing	Issue here is around the banks' willingness to accept new customers and for customers to shift their affairs across banks. Pending move to Alert Level 3 may assist this.
Concerns that customers are being offered alternative bank products instead of a loan under the BFGS.	BFGS	General	Ongoing	Discussed at Hui • Banks emphasised a strong focus on customer need and the solutions which are most optimal for them. The BFGS is one of the products offered alongside other bank products when exploring a customer's options.

Customer concerns that it is taking too long to access a loan under the BFGS.	BFGS	General	Ongoing	Discussed at Hui • It is anticipated that the proposed changes to the scheme will improve processing times, which is limited by the time taken to evaluate the criteria. • However, assessing viability of a business means that banks are necessarily asking customers to show them a business plan. • Banks have noted that this is improving as staff become more familiar with the scheme.
Concern that there is not a sufficient level of understanding for staff to deploy the BFGS product.	BFGS	General	Ongoing	Discussed at Hui • Banks have been providing training to dedicated teams who provide immediate assistance on customers' enquiries, as well as putting in place internal systems and knowledge bases to support this.
Customer willingness to provide personal guarantees on a loan under the BFGS.	BFGS	General	Ongoing	Discussed at Hui • Banks noted that a personal guarantee is a key determinant of a customer's viability.

				• Whilst the Crown's requirement for a GSA for lending over $50,000 has been removed, the banks remain in control of the lending decision and may still ask for and require a PG from customers. • Ministerials reflect confusion about the need to provide a personal guarantee, or instances where the customer is not always in a position to do so.
MIN: Customer concern that businesses (including theirs) are in need of more help if they are to survive, especially the accommodation and tourism sectors.	Business support	[redacted] 9(2)(b)(ii)	Resolved 9(2)(b)(ii)	[redacted] and the customer are working through these issues.
Concern that the clause in the Deed allowing banks to sensibly adjust their loan practices to give effect to the BFGS and give banks some flexibility to move away from standard practices in the spirit of the scheme is too restrictive.	BFGS	General	Ongoing	Discussed at Hui • Banks noted the scheme does allow banks to adjust their risk appetite, and banks feel they are lending in the spirit of the scheme. Treasury to provide further information through the NZBA on the ability to claim. • [redacted] noted the need to assess the ability 9(2)(b)(ii) to claim as it currently prevents the bank's ability to adjust their normal business practices and lending criteria.

Concern that the length of the scheme of three years is too short in terms of serviceability.	BFGS	General	In progress	Discussed at Hui • Banks noted that the feedback from customers is that the term of three years is too short, and a term of five years would be more desirable. This is also more similar to typical bank products offered.

RESTRICTED

TE TAI ŌHANGA
THE TREASURY

Reference: T2020/1640 IM-3-2-3 (Bilateral Meetings)

Date: 27 May 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: Meeting with Australian Treasurer Frydenberg

Purpose

This aide-memoire provides talking points and background information to support your phone call with Australian Treasurer Hon Josh Frydenberg ('the **Treasurer**'), on Thursday 28 May at [time TBC].

The Treasurer initiated this meeting. We understand he wishes to discuss:

- our respective COVID-19 economic responses and economic outlooks
- a Trans-Tasman travel zone (**TTTZ**), and
- s6(a) [redacted]

He may also raise the upcoming Pacific Islands Forum Economic Ministers' Meeting (**FEMM**) in July.

Attached to this aide-memoire is:

- a copy of a Ministerial Statement on the Economy by the Treasurer, dated 12 May, which sets out the economic impact of the COVID-19 crisis and the Federal Government's economic response,
- an Australia economic sit-rep by Canberra post, dated 15 May, and
- s6(a) [redacted]

You last talked to the Treasurer (via phone call) in March.

Talking points and questions

Impacts of and response to COVID-19 in New Zealand

- New Zealand's four-level COVID-19 alert system has been integral to our public health response.
- The impact on economic activity has varied with each alert level. Treasury's estimate is that activity is reduced by approximately:
  - 40 percent at alert level 4,
  - 25 percent at level 3,
  - 10-15 percent at level 2, and
  - 5-10 percent at level 1.
- The Treasury forecasts that New Zealand's real GDP will contract by around 10 percent this calendar year, relative to 2019, and unemployment will peak at 9.8 percent in the September quarter. However there is high uncertainty about this forecast and significant downside risks.
- Under a slower recovery scenario, Treasury estimates that nominal GDP will be $90 billion lower over the next four years compared to the main forecast, and unemployment will be persistently higher, ending close to 7 percent in 2024.

Government response

- We have acted swiftly, on a 'least regrets' basis to respond to the economic challenges brought on by these unprecedented circumstances.
- We've helped businesses and individuals through a number of initiatives, and there will be more support from our COVID Response and Recovery Fund to help New Zealanders through each stage of the impact of the virus.

Impacts of and response to COVID-19 in Australia

- We are very pleased that New Zealanders living in Australia have been included in the JobKeeper scheme.
- What lessons have you learned from the rollout of the JobKeeper scheme? What has worked well and what have been the challenges?
- What frameworks is the federal Government using to guide the economic response to this crisis?
- What other policy responses are you considering as part of the response?

Trans-Tasman Travel Zone

- Australia and New Zealand are both well placed to start considering how to strengthen our economic recoveries, thanks to the success we've enjoyed to date in controlling COVID-19.

- A trans-Tasman travel zone will provide a significant boost to our trade, tourism and services sectors given difficulties accessing other markets. It will also be welcomed by families, communities and sportspeople with trans-Tasman links.

- Our shared experience in managing borders and biosecurity threats gives us a high degree of confidence in each other's systems, and a great foundation to build on.

- New Zealand is committed to establishing a trans-Tasman travel zone as soon as it is safe to do so. Officials on both sides are working now on how this can be put into practice, keeping in mind the role of Australian states and territories in enabling the zone.

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[redacted]

(If raised) Pacific Islands Forum Economic Ministers Meeting

- The upcoming virtual Pacific Islands Forum Economic Ministers Meeting will be a valuable opportunity to discuss the enormous economic and social impacts from COVID-19 on the Pacific region alongside our Pacific counterparts.

- We are still thinking through who will head the New Zealand delegation for this year's meeting.

Background

New Zealand economic outlook

This section draws on the Budget Economic and Fiscal Update of 14 May 2020.

1. New Zealand has made progress to contain the spread of the virus, but there are many factors that can affect the economic outlook. These include the extent to which it is brought under control here and abroad; the range and effectiveness of response measures; the resiliency of firms; the length and degree of trade disruption, financial disruption and wealth impacts; and the extent to which there are lasting impacts on demand or supply in particular industries.

2. The Treasury's economic forecasts assume approximately $35 billion of discretionary COVID-19 fiscal support by the Government, alongside significant monetary policy stimulus. They also assume one month at level 4 and one month at level 3, followed by the remainder of the year to March 2021 at levels 1 or 2. There is ongoing uncertainty about these assumptions.

3. Under the main forecast:

    - Real GDP contracts by close to one-quarter in the June 2020 quarter, and by the end of the year is around 10 percent lower that then same time in 2019. Annual average growth is forecast to reach a low of nearly -12 percent in the year to March 2021.

    - Unemployment is forecast to peak at 9.8 percent in the September quarter, and slowly reduce down to 4.8% in June 2024.

4. The International Monetary Fund expects the global economy to contract by 3.0 percent in the year to December 2020, provided the virus is contained by the end of the June 2020 quarter and containment measures are eased over the second half of 2020. Global growth is forecast to rise to 5.8 percent in the year ending December 2021, supported by very substantial economic policy actions to mitigate the adverse impacts on labour, capital and financial markets.

Fiscal impacts

5. In the current year and the next two fiscal years, operating deficits (operating balance before gains and losses) are expected to average around $28 billion, while net core Crown debt is expected to increase on average by around $32 billion per year. The operating deficits and increases in net core Crown debt start to fall from 2022/23.

6. A sharp rise in core Crown expenses is expected in the current year mainly as a result of the Government's response to COVID-19. The level of core Crown expenses peaks at just under $120 billion in 2021/22, before starting to fall as some of the Government's temporary response measures are expected to cease and the economy continues to recover.

7. Tax revenue is expected to fall in the first two years of the forecast period, primarily owing to the economic slowdown as well as tax policy changes. Overall tax revenue is $49.2 billion lower than the Half Year Update over the forecast period, with around $34 billion of this due to lower GDP.

New Zealand's COVID-19 economic response

8. The economic response and recovery is being led through three waves: i) fighting the virus and cushioning the blow; ii) positioning for recovery; and iii) resetting and revitalising. We have taken the following key measures to support the COVID-19 economic response to date:

- *COVID19 Response and Recovery Fund:* Through Budget 2020, the Government established the $50 billion Covid-19 Response and Recovery Fund. This fund builds on an initial $12.1 billion support package announced in March.

- *Wage Subsidy Scheme*: The scheme has already seen more than $10.7 billion paid out to support workers and businesses, and has just been extended to businesses with a 50% reduction in turnover over the 30 days prior to application compared to last year.

- *Income relief payment*: This is a new payment to support New Zealanders who have lost their job due to the impact of COVID-19. The payments of $490 a week (full-time) and $250 a week (part-time) for up to 12 weeks would be available from 8 June 2020.

- *Business Finance Guarantee*: Under this scheme, businesses with annual revenue between $250,000 and $80 million can apply to their banks for loans up to $500,000, for up to three years. The Government is guaranteeing 80% of the risk, while the banks are covering the remaining 20%.

- *Small Business Cashflow Loan Scheme*: The Government will provide interest-free loans for a year to small businesses impacted by the COVID-19 economic shock, to support their immediate cashflow needs and meet fixed costs.

Australia's economic outlook

9. The Australian Treasury is forecasting GDP to fall by over 10 percent in the June quarter, and unemployment to peak at around 10 percent in June.

10. Household consumption is expected to be around 16 percent lower, while household savings are expected to increase.

11. Business investment is expected to be around 18 percent lower with falls concentrated in the non-mining sector. Dwelling investment is also expected to be around 18 percent lower.

Australia's COVID-19 economic response

12. The federal government's financial support measures total $320 billion, or 16.4 percent of GDP.

13. The primary federal policy to address employment pressures is the JobKeeper wage subsidy scheme, administered by the Australian Taxation Office. Under the scheme, qualifying employers can claim a reimbursement of $1500 (before tax) per fortnight from the Australian Government for each eligible employee. Without the JobKeeper wage subsidy scheme, unemployment was forecast to peak at around 15 percent. The scheme has been extended until 1 September 2020 for employers continuing to be significantly impacted by this crisis.

14. Other key federal Government interventions include:

- establishing the National COVID-19 Coordination Commission, which provides advice on actions to anticipate and mitigate the economic and social impacts of the COVID-19 pandemic from a business perspective,

- an insolvency-related package, relaxing some obligations on businesses and directors facing claims from creditors (similar to measures taken in New Zealand),

- additional payments to income support recipients,

- a range of superannuation measures, such as tax-free early access of up to $10,000 this financial year and up to $10,000 next financial year,

- investing in an existing SME Export Hubs Initiative to "back small and medium sized Australian businesses to tap into new markets around the world",

- providing additional support for Great Barrier Reef tourism operators, and

- providing additional funding for several renewable energy projects.

15. The Reserve Bank of Australia has also: reduced the cash rate twice in March 2020, to 0.25 percent; provided a Term Funding Facility of $90 billion for the Banking System, to lower funding costs and support lending to businesses; andprovided liquidity to the financial system and the government bond market.

Trans-Tasman Travel Zone

16. Prime Ministers Ardern and Morrison have committed to introducing a TTTZ as soon as it is safe to do so, and once established, to explore opportunities to expand this to Pacific countries.

17. The value proposition of a TTTZ is clear for both countries. Trans-Tasman trade is worth around NZD $27 billion annually, and Australia is New Zealand's largest source of investment and tourists. The freedom to move across the Tasman is foundational to our relationship: it provides wide-ranging social and economic benefits. Gains from a trans-Tasman travel zone would be material and would likely include:

    - greater access to expertise, essential skills and investment sourced from Australia, which will be a key enabler of New Zealand's recovery (e.g. medical engineering, infrastructure, standards and conformance),
    - a lifeline to the tourism sector – Australia is New Zealand's largest source of tourists (1.4 million visitors in 2019) and New Zealand is Australia's second largest source of tourists (1.2 million New Zealanders in 2019),
    - more opportunities for SMEs to expand their business and access airfreight options. 18,500 Australian businesses export to NZ making New Zealand the biggest market for Australia's SMEs. 75% of New Zealand's export businesses traditionally derive income from Australia. Current challenges in other markets will see even more businesses than usual look across the Tasman for recovery opportunities,
    - a return to the single labour market New Zealand and Australia usually enjoy, bringing greater options for businesses and a 'safety valve' in times of economic downturn, and
    - renewed family, sporting, cultural and other social connections - Australia is home to nearly 700,000 New Zealanders and more than half a million Kiwis in Australia, with many families linked across the Tasman.

18. Timing for the TTTZ will need to factor in Australia's readiness to implement a travel zone, including a degree of opening of internal borders between Australian states and territories.

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Pacific Islands Forum Economic Ministers Meeting

22. The FEMM is an annual regional meeting. This year it is being held virtually, on 1-2 July.

23. Officials from both Australia and New Zealand have been encouraging the Pacific Islands Forum Secretariat to ensure that the agenda for this year's meeting focuses on the economic and social impacts from COVID-19 on the Pacific region, and how to implement response and recovery measures, given that these issues will be the major current priority for Finance Ministers.

24. Australian officials may seek Minister Frydenberg to be Australia's head of delegation, if the meeting's agenda can be streamlined and focused on COVID-19.

25. Parliamentary Under-Secretary for Foreign Affairs Fletcher Tabuteau has been New Zealand's head of delegation for the previous two FEMMs, and is currently pencilled in to attend this year although this has not yet been confirmed.

John-David Chaker, Analyst, International, 04 831 4650

Kate Yesberg, Team Leader, International, 04 917 6190

Annex 1: Formal Message: Australia Weekly Economic Sitrep 9-15 May

New Zealand High Commission in Australia, Canberra

Summary

Significant economic developments in Australia this week included:

- The unemployment rate rose to 6.2 percent in April and is expected to continue rising
- The federal Government announced further support for SMEs looking to access new export markets, and for tourism operators in the Great Barrier Reef area.
- Australian and Chinese authorities exchanged public statements on market access for Australian barley and beef exports
- Health Minister Greg Hunt released a national mental health and wellbeing pandemic response plan
- Energy Minister Angus Taylor announced government funding of several renewable energy projects
- The Queensland Government directed the state's investment arm to make an offer for Virgin Australia

Report

Macroeconomic impacts and outlook

- The Australian Bureau of Statistics (ABS) reported that Australia's **unemployment rate rose to 6.2 percent in April**, a 1 percent rise from the March figure, and the highest rate since September 2015. During the Global Financial Crisis, Australia's unemployment rate peaked at 5.8 percent. Treasury forecasts that unemployment will peak at around 10 percent in June remain. Without the JobKeeper wage subsidy scheme, unemployment was forecast to peak at around 15 percent.

- The ABS also indicated that almost 500,000 people left the Australian labour force in the last month. Around 750,000 more people remained technically employed but had not worked an hour in the last month. The number of hours worked in April fell 9.2 percent, the largest fall ever recorded in the labour force survey. As a result the underemployment rate was also at a record high of 13.7 percent. Commentators were quick to point out that these statistics are not reflected in the unemployment rate.

- Prime Minister Morrison and Treasurer Frydenberg on Thursday publicly acknowledged these statistics made it "a very tough day" for Australia and that "in the months ahead, we can brace ourselves and must brace ourselves for further hard news for Australians to take".

Government announcements

- PM Morrison confirmed that Treasury continues to review the operation of the **JobKeeper** wage subsidy scheme and that issues identified to date have been "relatively modest". He gave no indication that substantial changes (such as significant expansions to eligibility criteria, as called for by the Opposition) are likely.

- The federal Government will invest further in an existing **SME Export Hubs Initiative** to "back small and medium sized Australian businesses to tap into new markets around the world". Ten "export hubs" across five states will receive more than $4.9 million under the initiative, with a focus on industries where Australia has "large growth potential including food and agribusiness, energy, advanced manufacturing and mining services."

- Additional support will be provided for **Great Barrier Reef tourism operators**. An estimated $3 million in further fee relief from the Minister for Environment's portfolio will be provided to local tourism businesses, as well as an additional $2.6 million from the $1 billion COVID-19 Relief and Recovery Fund to upgrade Reef HQ's tourism infrastructure. Tourism and Trade Minister Simon Birmingham said "We want to ensure that tourism businesses can continue to operate on the other side and play a major role in helping the industry, and ultimately our economy, to recover from this".

- Minister Taylor announced government funding of several **renewable energy projects** through the Australian Renewable Energy Agency (ARENA). ARENA will provide $1.71 million to BP Australia to evaluate the feasibility of building a renewable hydrogen and ammonia production facility in Western Australia. ARENA will also provide $1.1 million in funding to APA Group to build a modular demonstration plant in outback Queensland. The plant will produce around 620kg of hydrogen per year, which will be converted into 74 gigajoules of renewable methane. APA has partnered with Southern Green Gas to develop the $2.2 million project to develop the renewable methane process. Methane will be generated using solar-generated electricity, water and CO_2 from the air, and can then be stored in existing natural gas pipelines.

- Health Minister Greg Hunt released a **national mental health and wellbeing pandemic response plan**, with a $48 million budget. "The stress of concerns about health, the loneliness of isolation, anxiety about a job, a small business's set of finances, the mortgage – all of these pressures which come with the pandemic have created specific mental health challenges...so one of the most important things we can do is to provide mental health support."

- PM Morrison indicated that the current **free provision of childcare** is "not a sustainable model for how the childcare sector should work, and nor was it intended to be". Education Minister Dan Tehan has been tasked with reviewing how childcare will operate after the programme expires on 28 June.

Major business developments

- Earlier this week **China indicated that it was considering imposing tariffs of up to 80.5 percent on Australian barley** as soon as 19 May, as a result of an anti-dumping investigation initiated in November 2018. Separately, China's Foreign Ministry spokesperson confirmed that **market access for four large**

Australian export beef abattoirs had been suspended because of “repeated violations of inspection and quarantine requirements”.

- In response, Trade Minister Simon Birmingham said that Australia will respond “thoughtfully, respectfully to China on the issues they've raised around beef and barley…addressing those compliance issues, addressing the economic arguments” and that he hopes China “will make their decisions based on the evidence as it relates to those issues”. Earlier in the week he issued a statement saying the Australian Government is “deeply concerned by reports that unjustified duties may be levied on Australian barley imports into China.” He said Australia will use the remaining time before China finalises its decision to “continue our efforts to resolve this matter satisfactorily and will seek to uphold the integrity of our world-leading barley producers”. Minister Birmingham also publicly advised every Australian exporter to understand labelling requirements and quarantine and customs processes and ensure they are “dotting their i’s, crossing their t’s”.

- The Queensland Government has directed the state’s investment arm to make an offer for **Virgin Australia**. The deadline for initial offers on the struggling airline is 6pm on 15 May, and at least three other serious offers are also expected. Queensland Treasurer Cameron Dick has focused on saving Virgin’s 5000 jobs in the state. Federal (Coalition) Ministers have openly criticised the state (Labor) Government’s decision.

Restriction wind-downs

- Australia’s states and territories (including Victoria and New South Wales) have relaxed various restrictions on gatherings and business operations this week. Our separate FM today refers.

pages 12 - 18 withheld s6(a) and s6(b)(i)

IN-CONFIDENCE

TE TAI ŌHANGA
THE TREASURY

Treasury Report: Impact of Covid-19 on Tertiary Education Organisations

Date:	28 May 2020	**Report No:**	T2020/1444
		File Number:	SH-4-6-0

Action sought

	Action sought	Deadline
Hon Grant Robertson **Minister of Finance**	**note** that while domestic tertiary demand will increase, it is unlikely to fully offset the reduction in international tuition revenue **note** our overall assessment that universities, NZIST, and wānanga have capacity to manage through 2020, while some PTEs likely to closure	None

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Matt van Wijk	Graduate Analyst, Skills and Work	s9(2)(k)	N/A (mob)	✓
Nick Carroll	Manager, Skills and Work		s9(2)(g)(ii)	

Minister's Office actions (if required)

Return the signed report to Treasury.

If agreed, **refer** a copy of this report to the Minister of Education.

Note any feedback on the quality of the report	

Enclosure: No

Treasury Report: Impact of Covid-19 on Tertiary Education Organisations

Executive Summary

Tertiary education providers face two major changes due to Covid-19: an increase in domestic enrolments and decrease in international enrolments. Providers' financial positions will be further impacted by the effects of the downturn on other sources of income (such as commercial revenue) and how they have responded to the restrictions in Levels 2-4.

The scale and timing of these impacts is uncertain, particularly as the Covid-19 response is still evolving. In particular, uncertainty about border restrictions limits our ability to assess the likely impact on international education in the medium-term. Similarly, though domestic enrolments are generally highly correlated with unemployment, the exact amount by which they will increase is also uncertain.

The overall impact will also vary by sub-sector and provider. In broad terms:

- **universities** will be affected both by an increase in domestic enrolments (forecast at 5-13% for 2021) and a greater revenue decrease in international students. Overall the sector has strong cash reserves and has options to manage any reduction in revenue, for example by deferring capital projects and maintenance or reducing some staffing costs. A more significant impact is likely in 2021 if border restrictions remain in place.

- **New Zealand Institute of Skills and Technology (NZIST)** will be affected by an increase in domestic enrolments in 2021 (16-49%) and an immediate decrease in international students. The sector is in a weaker financial position than universities, though this predates Covid-19. A $50 million contingency has been set aside as part of the Reform of Vocational Education to manage short-term liquidity issues. NZIST also has some flexibility to move resources around the system, which should support scaling up provision in a cost effective way.

- **wānanga** provide mainly zero-fee education to an almost exclusively domestic market and are forecast to benefit from a 19-51% increase in 2021 domestic enrolments

- **private training establishment (PTE)** 2021 domestic enrolments are forecast to rise by 12-37%. Some PTEs cater exclusively to international students, others exclusively to domestic students, and others to a mix. They vary in size and some support specific industries (e.g. hospitality) meaning they are less resilient to shifts in the economy. Without changing their business models, some will struggle to continue operating.

The Government has put a range of supports in place, including guaranteeing government grants at pre-Covid levels for 2020, complemented by broad based firm support for PTEs.

Further policy issues to consider in the medium term include:

- border decisions – these will be a significant factor in the future of international education and the impact on providers, particularly in 2021

- domestic demand – it is possible that demand will exceed available funding and a decision will be needed about whether to manage within capped funding or provide additional funding

- PTE sector – it is likely that there will be some providers that cannot withstand the downturn which could change the composition and role of the PTE sector

Recommended Action

We recommend that you:

a **note** that while domestic demand will increase, it is unlikely to fully offset the reduction in international tuition revenue, particularly as international students tend to generate a larger margin for providers

b **note** our overall assessment that universities, New Zealand Institute of Skills and Technology, and wānanga have capacity to manage through 2020 with the supports already in place, while there are risks to the viability of some PTEs and some likely closures

c **note** that the longer border and travel restrictions prevent international students from entering New Zealand by 2021, providers will face more significant financial impacts with longer lasting challenges

Noted

d **direct** officials to report back following analysis of providers' August Single Data Return which will include information on domestic and international enrolments for semester 2 and beyond, allowing for improved financial modelling

Agree/disagree

e **refer** to the Minister of Education

Refer/not referred.

Nick Carroll
Manager, Skills and Work

Hon Grant Robertson
Minister of Finance

Treasury Report: Impact of Covid-19 on Tertiary Education Organisations

Purpose of Report

1. On 4 May 2020, you requested advice on the impact of Covid-19 on Tertiary Education Organisations (TEOs). This report considers the impacts by sub-sector – universities, institutes of technology and polytechnics (ITPs), which are now the New Zealand Institute of Skills and Technology (NZIST), wānanga, and private training establishments (PTEs).

Overview

2. The tertiary education sector is facing disruption from the Covid-19 response with a number of competing drivers that will affect both revenue and costs of providers. These include:

   a. Likely increases in domestic enrolments as unemployment increases

   b. Uncertainty about the implications of the Covid-19 response on international education in both the short- and long-term, with a decrease in international education revenue in the short-term

   c. Additional costs to support students with learning while campuses have been closed and to support students adversely affected by the Level 3 and 4 restrictions.

3. These dynamics play out differently across sub-sectors and individual providers. These are outlined in the following sections.

4. The analysis below does not examine the impact on industry training organisations (ITOs) which are funded through different mechanisms. The dynamics that affect ITOs are different because of the strong connection between training and employment. Increased unemployment tends to lead to reduced demand for on-job training and the ITO sector is already in a significant transition period as part of the Reform of Vocational Education (RoVE), with some of their functions to be transferred to Workforce Development Councils.

We expect an increase in domestic demand for tertiary education

Domestic enrolments provide half of tertiary education institutions' revenue

5. In 2019, universities, wānanga, and ITPs had a combined total revenue of $5,615 million, with 53.6% due to domestic enrolments (student fees and government subsidies) though the reliance on domestic student revenue varies significantly by sub-sector and provider.

6. Data is not available for the entire PTE subsector, but there is significant variation, with providers enrolling only international students to only enrolling domestic students.

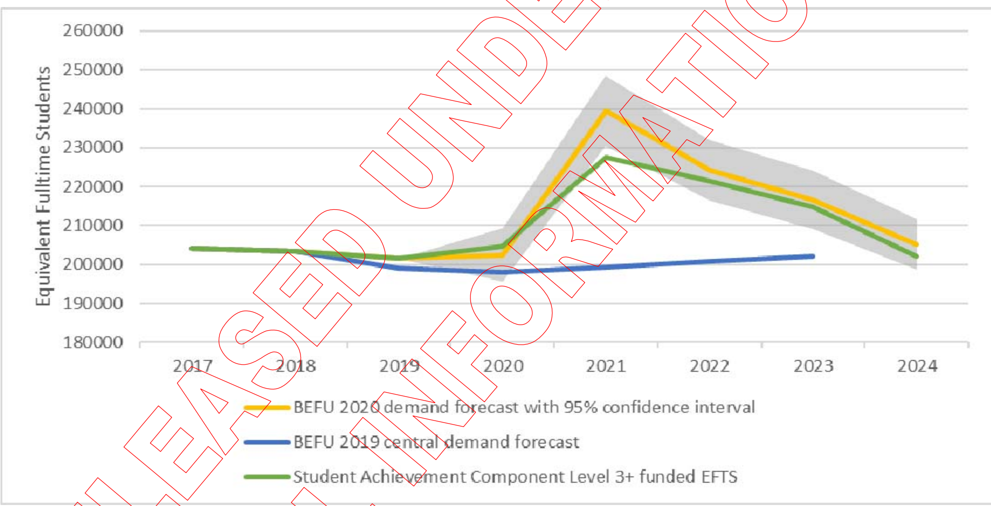
The Ministry of Education's demand model forecasts a significant increase in domestic demand

7. Population is the greatest predictor of overall domestic demand, but the unemployment rate is also positively correlated with domestic enrolments. Between 2008 and 2009, domestic enrolments increased by 7.6% whilst unemployment increased by 1.8%.

8. The relationship between unemployment and enrolments may differ from previous experience given the unprecedented rate of unemployment, ongoing behavioural responses from students faced with remote delivery, recent policy changes to incentivise training (such as the apprenticeship subsidy) and financial support for tertiary students given the limited availability of part time work, particularly in hospitality.

9. Figure one below compares the BEFU 2020 forecast against the BEFU 2019 forecast. It shows a 14.3% to 23.3% increase in demand in 2021 on 2020. However, this is reliant on Treasury's unemployment forecasts, which are less certain than usual. The graph shows the 11.9% funded increase in demand, as provided on 11 May 2020.

Figure one: Graph of forecast and funded domestic demand



The global future of international education is uncertain, but demand remains

International tuition is one aspect of tertiary providers' revenue

10. The education sector received $1,155 million of direct international tuition revenue in 2018. The wider economic benefits of international education are estimated at a further $4 billion, attributable to other money spent by international students while in New Zealand, such as rent, living costs, and the money spent by visiting friends and relatives. Education New Zealand reported that international education indirectly supported 47,490 jobs in 2018 across the wider economy.

11. International tuition was 13.5% of total revenue for universities and ITPs in 2019, however this is not currently known for PTEs or for schools. The distribution of this international tuition revenue for 2018 is shown by figure two below.

Figure two: Breakdown of international tuition, students and Equivalent Fulltime Students by subsector in 2018

	Universities	ITPs	PTEs	Schools	Total
2018 tuition revenue	$513 million	$186 million	$262 million	$194 million	$1155 million
2018 student numbers	24,760	18,760	44,325	21,670	108,695
2018 EFTS	19,150	11,250	20,494	13,385	64,279

Ministry of Education modelling shows a significant decrease in international revenue in 2020, with future impacts uncertain

12. Ministry of Education modelling suggests the reduction in international tuition revenue s9(2)(f)(iv) however this financial modelling is based on the numbers of onshore students according to Immigration New Zealand data, which likely overstates the decrease in revenue as some students remain enrolled while offshore.

13. Information from providers shows that international enrolments which had commenced by March 2020 are lower than the same time in 2019, but the decline is moderate. International Equivalent Fulltime Students (EFTS) were down 6.3% for universities, down 0.2% for ITPs, and down 4.8% for PTEs who also have domestic delivery.

14. This reduction will worsen as the border remains closed. The modest change to date likely reflects that many students were able to enter the country for semester one before border restrictions were implemented, that an increase had been expected, and that some students are offshore but doing distance learning. While Immigration New Zealand data suggest 50% of universities' Chinese international students are onshore, 75% were still enrolled as of April 15 2020.

The impact on the tertiary workforce is unclear

15. While TEIs employed 31,337 FTEs in 2018, we do not currently know how many were in PTEs. The number of staff who work on international education is unknown as many of these staff perform blended roles.

The path to recovery for international education is uncertain

16. The future of international education depends on a number of different factors, only some of which the government can control, such as

    a. **Border restrictions,** which remain in place due to public health concerns. Border restrictions will limit the number of students. Providers would also benefit from greater clarity on future decision points in order to plan.

    b. **Available transport routes to New Zealand** will still be limited even if border restrictions are eased.

    c. **Other countries' health and border status**. Future demand from international students depends on border openness and the risk from Covid-19 relative to other countries (such as Australia and the USA). New Zealand's relative success in handling Covid-19 and related global media coverage will likely make us an attractive destination if border settings allow travel.

    d. **International students' willingness to tolerate remote delivery.** Many international students are currently learning remotely from their home country, but this i a short-term solution. If it becomes apparent that re-entry to New Zealand is unlikely in the near future, students may decide to withdraw and seek on-campus provision in their home countries.

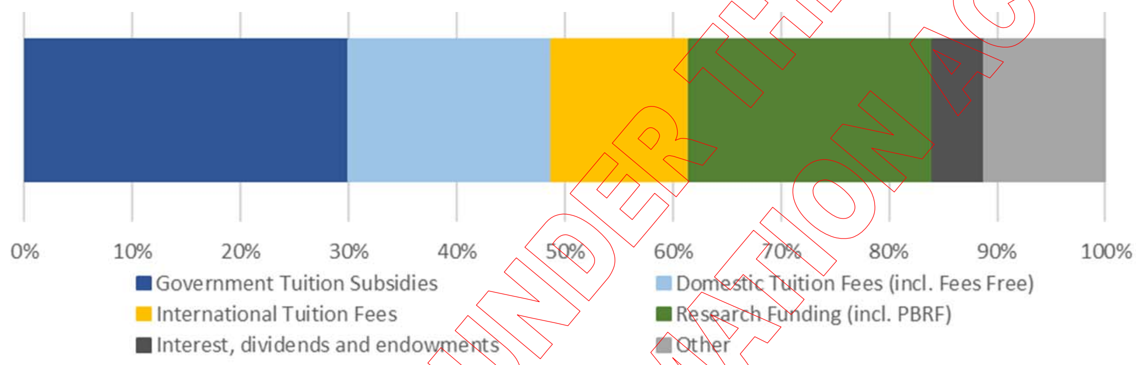
    e. **Ongoing behavioural changes.** Students may be less willing to relocate than pre- Covid-19. This could be due to economic downturns overseas, reducing the number of students who can afford international education, or an increased aversion to overseas relocation following Covid-19.

Universities

Universities were in a strong financial position in 2019

17. As at the end of 2019, universities had a combined revenue of $4,359 million and a surplus of $207 million. Universities had $657 million in cash (the low point for providers' cash), $102 million cash in trusts, and some access to large borrowing consents. The university sector has diversified revenue sources, but this varies by provider. For example, universities' international tuition revenue totalled $580 million in 2019, but this varied from 7% of Otago University's revenue to 22% of AUT's revenue.

Figure three: composition of universities' revenue sources, 2019 unaudited



Universities are expecting a reduction in revenue and will make a loss

18. The main reduction in revenue for universities in 2020 is expected from international tuition fees, with estimations of revenue reduction from $160 million to $360 million. 2021 international tuition revenue is uncertain and dependent on border restrictions, but reductions will be partially offset by higher domestic EFTS and subsidies. The margin on international EFTS is higher; roughly three times that of domestic EFTS.

19. Other sources of revenue will also be affected. For example, commercial revenue and research income may be affected by the economic downturn, though, the Crown funds roughly 80% of universities' research, some of which (like the $307 million from the Performance Based Research Fund) is not output based. Sustained border closure could affect universities' research output and consequentially international rankings as around 50% of universities' PhD students are international students. As the government treats international PhD students as domestic students for funding purposes, the commitment to guarantee funding and not recover for under delivery in 2020 will mitigate the financial impact on universities in the short term.

Universities' capital expenditure is a key area to help manage their cash flow

20. Universities 2019 capital intentions were 2.4 times greater than depreciation expenses ($1,135 million planned CAPEX against $474 million depreciation); implying universities are actively growing their balance sheets and have significant scope to defer projects to manage cash flow. Capital delays are a scalable way to manage short-term reductions in revenue.

Overall Assessment

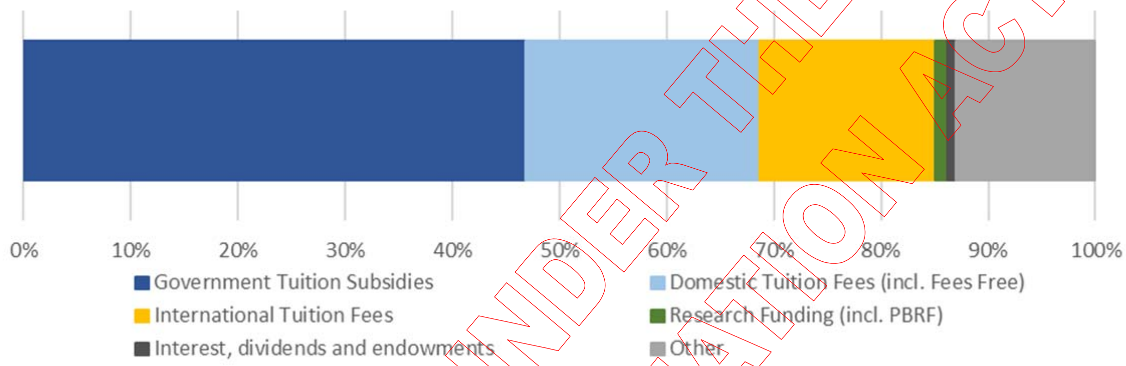
21. Universities are in a strong financial position, with $650 million in cash reserves and access to further borrowing; they will not run out of cash in 2020. Universities have a range of options to manage reduced revenue, including deferring capital projects, access to liquidity, and implementing cost saving measures such as some signalled voluntary retirement schemes. We are not currently concerned about universities viability, particularly if international student enrolments return in 2021.

New Zealand Institute of Skills and Technology (NZIST) and its 16 Institutes of Technology and Polytechnics (ITPs) subsidiaries

The ITP sub-sector is more exposed to changes in EFTS

22. ITPs had a combined revenue of $1056 million against expenses of $1107 million in 2019, with international revenue of $178 million (16.8%). ITPs revenue sources are narrower than universities'. 85% of ITP's revenue is EFTS based, with the Ministry of Education forecasting a 15% - 49% increase for 2021.

Figure four: composition of ITPs' revenue sources, 2019 unaudited



NZIST has a smaller balance sheet than universities

23. Some ITPs have relatively weak cash reserves, though this was a pre-existing problem; prior to Covid-19, some ITPs forecast to run out of cash before the end of 2020. Total cash across the network at year-end 2019 was $320 million.

24. Cabinet has provided NZIST with $10 million capital and established a $50 million capital contingency in order to manage financial viability across the network [CAB-20-MIN-0140 refers]. However, NZIST should also be working through how to offset cash shortfalls across the ITP network.

The sector has physical capacity and staffing to absorb an increase in demand

25. Domestic demand fell in recent years, but ITPs have not reduced costs (including for staff and campuses) by the same amount. This implies there remains some staffing and physical capacity to meet the expected demand increase.

Capital Expenditure

26. ITP's pre-Covid capital expenditure intentions were 2.0 times greater than depreciation in 2019 at $216 million, growing over 2020 and 2021. While there is deferred maintenance in areas of the network, these are the providers with lower capital expenditure. NZIST is currently undertaking a stocktake of deferred maintenance.

Overall Assessment

27. Though NZIST is less financially resilient than some universities, and international revenue makes up a larger proportion of its revenue, it is expected to significantly benefit from increased domestic enrolments. The RoVE reforms will improve the ability to manage pressures across the network. It is important NZIST continues with its transformation planning progress, and its capital asset strategy in particular, to further increase its resilience.

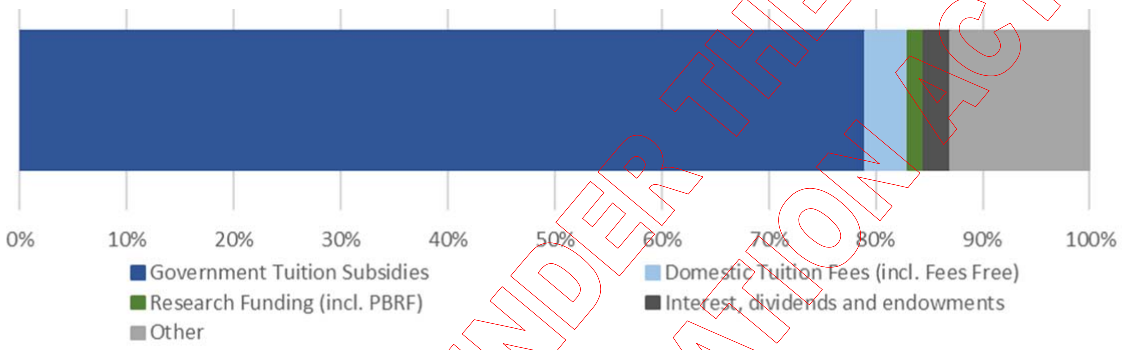
28. s9(2)(f)(iv) [redacted]

Wānanga

Wānanga revenue is primarily from domestic enrolments

29. The majority of wānanga revenue (83%) is from domestic enrolments. Whilst wānanga are the least diversified sub-sector, they have the least international exposure, delivering in total fewer than 20 EFTS to international students in 2019, all at PhD level. Revenue is primarily from government, as wānanga largely set courses at zero fees for students.

Figure five: composition of wānanga' revenue sources, 2019 unaudited



Wānanga domestic enrolments are forecast to significantly increase

30. In 2009 during the GFC, wānanga experienced a 19% increase in domestic demand. Ministry of Education modelling forecasts a 16% - 51% increase in enrolments in 2021.

Wānanga may not benefit from broad based training interventions

31. Wānanga raise only 4% of revenue from tuition fees due to their longstanding decision to not charge fees for learners. By not charging fees (to encourage enrolments and to benefit their students) Wānanga have not received funding from the Government's fees-free policy, while their learners still consume their first-year free eligibility.

32. This also means that neither wānanga nor their students will benefit from the $320 million targeted apprenticeships and training fund. Wānanga would receive less funding than NZIST for provision of an equivalent qualification, as they will be wholly reliant on SAC subsidies while NZIST will receive fee payments from the Crown.

Capital Expenditure

33. Wānanga capital expenditure is relatively small and roughly equals depreciation, with capital intentions totalling $14 million in 2020 (7% of revenue).

Overall Assessment

34. Wānanga will likely do comparatively well in contrast to other tertiary providers due to their focus on domestic tertiary provision.

35. However, there is a need to be mindful of incentives created through the apprenticeship and training support package, along with a consideration of which providers and learners are likely to benefit.

Private Training Establishments (PTEs)

36. The PTE subsector has a mix of income from government funded delivery for domestic students, international student fees, and privately funded domestic delivery. 171 of the around 700 PTEs are able to enrol international students, and 142 did prior to Covid-19.

37. As PTEs are privately owned entities, we have less information about their finances. However, we can make some assumptions about the potential impact of the Covid-19 response on PTEs. The PTE sector is diverse in size and focus, so assessments of the sector as a whole are difficult. Overall, some providers will likely be minimally affected, while others may close down.

Some parts of the PTE sector are heavily reliant on international student revenue

38. PTEs deliver shorter and less expensive courses on average to international students. In 2018, PTEs received 27% of international tuition revenue, delivered 40% of international EFTS, but accounted for 50% of international students (excluding schools). As courses tend to be shorter, many PTEs rely on higher turnover of international students (i.e. people entering the country regularly) and will be more affected by border restrictions than providers that offer longer courses.

39. 63 PTEs deliver exclusively to international students. The border restrictions will be significantly affecting these providers.

40. A further 89 PTEs deliver training to both domestic and international students. On average, these PTEs have 76% domestic students and 24% international students, (17 have over 80% international students, and 42 have under 20%). While PTEs are forecast to benefit from an increase in domestic demand it is unlikely this will sufficiently replace international student revenue over the second half of 2020.

There are other factors that make the impact on PTEs less clear

41. In addition to the impact of border closures there are other factors that will affect the viability of PTEs:

    a. Some PTEs have lower capability for online delivery – both onshore and offshore – which makes managing through the Level 2-4 restrictions more challenging, particularly when they are unable to deliver face to face

    b. the size of PTEs varies significantly, but many are small and will be less able to carry costs whilst borders are closed and Level 2-4 restrictions remain in place.

    c. many have niche provision so will be affected by broader industry or sector trends (e.g. hospitality, tourism, agriculture).

42. Some PTEs will not be able to sustain themselves if there are no further international students in 2020. NZQA is currently exploring regulatory options that would allow PTEs to 'hibernate' for 9-12 months without having to repeat any regulatory processes or pay fees when they reactivate.

43. The TEC and StudyLink have established processes in the case of PTE closure which prioritise supporting students with information as to how they could continue with their studies elsewhere, and enabling continued access to student support in the immediate term.

Government support to date and ongoing work

44. The below table outlines the range of policies already in place to support providers directly and indirectly. Potential avenues for further support include:

    a. decisions around a managed border and possible priority visa categories

    b. the development of an export education recovery strategy

    c. TEI projects being considered through shovel ready projects work

    d. future decisions regarding small business support insofar as it impacts PTEs

What	How	Who	$m
Tertiary specific Covid-19 responses			
Non recovery of under-delivery	Provides certainty to providers about revenue from tuition subsidies and protects against a reduction in enrolments particularly as a result of restrictions on delivery.	All providers	s9(2)(f)(iv)
Suspending Export Education Levy (EEL) payments for 2020 and 2021	Helps to offset the loss of international student revenue for providers, by not requiring EEL payments for 2020 and 2021, as well as "freezing" payments due for the final trimester of 2019	All providers who enrol international students	14
Fees-free training at Level 3-7 non degree for courses related to critical industries	While providers will not receive additional funding, this encourages students to enrol in training critical industries, which could support an increase in domestic demand	Predominantly ITPs, but also some PTEs and wānanga.	320
Removal of 3% surplus target and relaxation of reporting requirements	The TEC has used operational discretion to reduce some reporting burden on providers.	All providers	-
Student hardship funds	Funding has been given to providers to support learners to stay engaged by providing additional financial assistance where they are not otherwise eligible	All providers	20
Technology Access Fund	Funding has been given to providers to support learners to stay by purchasing personal devices and internet connections.	All providers	20
General tertiary response			
1.6% increase to tertiary education tuition and training subsidies rates	This funding provides a cost adjustment for all subsidy rates at a rate above forecast CPI.	All providers	141
Funding increased demand for tertiary education	This funds the government's subsidies for increase tertiary demand. It will be met with greater student fee revenue too, in some cases through fees-free payments.	All providers	334
General Covid-19 response			
Wage subsidy scheme and other business support	PTEs are eligible for general firm support schemes, including SME schemes.	PTEs	unknown

Page 12 withheld - s9(2)(b)(ii)

COMMERCIAL-IN-CONFIDENCE

TE TAI ŌHANGA
THE TREASURY

Treasury Report: Media Subscriptions Letters

Date:	28 May 2020	**Report No:**	T2020/1664
		File Number:	CM-1-3-66-1

Action sought

	Action sought	Deadline
Minister for State Owned Enterprises (Rt Hon Winston Peters)	Note contents	None
Minister of Finance (Hon Grant Robertson)	**Sign** the attached letters	Friday 5 June 2020
Associate Minister of Finance (Hon David Parker)	Note contents	None
Associate Minister for State Owned Enterprises (Hon Shane Jones)	Note contents	None

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Eva Parker	Graduate Analyst, Commercial Performance	s9(2)(k)	N/A (mob)	✓
Juston Anderson	Acting Manager, Commercial Performance		s9(2)(g)(ii)	

Minister of Finance's office actions

Email the signed letters to the Chairs of the relevant entities.

Return the signed report to the Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Media Subscriptions Letters

Purpose of Report

1. This report attaches letters to be signed and sent to the Chairs of relevant entities in the Crown portfolio, encouraging these organisations to review and increase their uptake of subscriptions for New Zealand small to medium new services.

2. These letters will assist with the implementation of the initiative to centralise and increase government uptake of media subscriptions, approved by the Cabinet Business Committee as part of the Government's immediate media sector support package [CBC-20-MIN-0051 refers].

Background

3. On 20 April 2020, the Cabinet Business Committee approved an immediate media support package to soften the severe financial impact of the COVID-19 restrictions on the industry [CBC-20-MIN-0051 refers]. This package included an initiative to centralise and increase government uptake of media subscriptions to provide immediate cash flow to small to medium news services. Ministers were invited to write to their relevant Crown entities, requesting that they support the initiative.

4. On 13 May 2020, the Minister of Broadcasting, Communications and Digital Media provided a draft letter to be sent to relevant entities in Ministers' portfolios. This letter outlines the initiative and encourages Crown entities to review and increase their uptake of subscriptions for New Zealand small to medium new services.

5. The Minister of Broadcasting, Communications and Digital Media requested that this letter be sent to at least statutory Crown entities, but suggested it could also be sent to other entities in Ministers' portfolios, depending on the circumstance. The Treasury recommends that this letter also be sent to relevant State-owned enterprises and Public Finance Act 1989 Schedule 4A companies, as well as the Reserve Bank of NZ.

6. The Treasury has customised the Minister of Broadcasting, Communications and Digital Media's draft letter to reflect alternative entity types. This report attaches these letters to be signed and sent to the Chairs of the relevant entities for which you are responsible.

Recipients

7. The Treasury suggests this letter is sent to the following entities under the Minister of Finance's responsibility:

- the Reserve Bank of New Zealand
- the Earthquake Commission, and
- Southern Response Earthquake Services Limited.

8. The Treasury suggests this letter is sent to the following entities under the Minister for State Owned Enterprises' responsibility:

- AsureQuality Limited
- Kiwirail Limited
- Kordia Group Limited

- Landcorp Farming Limited
- Quotable Value Limited
- Transpower New Zealand Limited, and
- Crown Infrastructure Partners Limited.

9. The Treasury also suggests the letter is sent to Animal Control Products Limited (Orillion) – a State-owned enterprise where the Minister of Finance and Minister for Biosecurity are shareholding Ministers.

10. As the Minister of Finance is a shareholder in all of the above entities, the Treasury recommends that the Minister of Finance signs and sends these letters on behalf of shareholding Ministers.

11. The Treasury suggests that the letter is not sent to entities that:

- other Ministers are responsible for
- have already been written to
- are administered by the Treasury
- have other shareholders
- are a residual entity, or
- are under financial pressure and/or receiving Crown financial support.

Recommended Action

We recommend that the Minister of Finance **signs** the attached letters to the Chairs of the relevant entities, on behalf of shareholding Ministers.

Juston Anderson
Acting Manager, Commercial Performance

Rt Hon Winston Peters
Minister for State Owned Enterprises

Hon Grant Robertson
Minister of Finance

Hon David Parker
Associate Minister of Finance

Hon Shane Jones
Associate Minister for State Owned Enterprises

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Alister James
Chair
Southern Response Earthquake Services Limited
s9(2)(a) [redacted]

Dear Alister

I am writing to encourage Southern Response to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If Southern Response Earthquake Services Limited was also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

It has also been brought to my attention that some organisations take out small subscriptions that are then shared widely across the organisation. I encourage you to look at the nature of subscription licensing that your organisation currently holds to ensure that it appropriately reflects the number of users registered.

[1] The Government Procurement Rules define a New Zealand business as a business that originated in New Zealand (not being a New Zealand subsidiary of an offshore business), is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand. For the purpose of this initiative, a small to medium business employs up to 50 FTE staff members on a permanent basis.

+64 4 817 8703 Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand g.robertson@ministers.govt.nz beehive.govt.nz

The Ministry for Culture and Heritage will release information shortly on its website about how this initiative will be implemented across central government. Please contact Support.Media@mch.govt.nz at the Ministry for Culture and Heritage if you have any questions about this proposal.

Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Mark Binns
Chair
Crown Infrastructure Partners Limited
s9(2)(a)

Dear Mark

I am writing to encourage Crown Infrastructure Partners to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If Crown Infrastructure Partners Limited was also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

It has also been brought to my attention that some organisations take out small subscriptions that are then shared widely across the organisation. I encourage you to look at the nature of subscription licensing that your organisation currently holds to ensure that it appropriately reflects the number of users registered.

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Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Adrian Orr
Governor
Reserve Bank of New Zealand
Adrian.Orr@rbnz.govt.nz

Dear Adrian

I am writing to encourage the RBNZ to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If the Reserve Bank of New Zealand was also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

It has also been brought to my attention that some organisations take out small subscriptions that are then shared widely across the organisation. I encourage you to look at the nature of subscription licensing that your organisation currently holds to ensure that it appropriately reflects the number of users registered.

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Yours sincerely

Hon Grant Robertson
Minister of Finance

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Hon Sir Michael Cullen KNZM
Chair
Earthquake Commission
s9(2)(a)

Dear Sir Michael

I am writing to encourage eqc to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If Crown Entities were also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

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Yours sincerely

Hon Grant Robertson
Minister Responsible for the Earthquake Commission

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Dr Alison Watters
Chair
AsureQuality Limited
s9(2)(a)

Dear Alison

I am writing to encourage AsureQuality to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If State Owned Enterprises were also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

It has also been brought to my attention that some organisations take out small subscriptions that are then shared widely across the organisation. I encourage you to look at the nature of subscription licensing that your organisation currently holds to ensure that it appropriately reflects the number of users registered.

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Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Brian Corban
Chair
KiwiRail Holdings Limited
s9(2)(a) [redacted]

Dear Brian

I am writing to encourage Kiwirail to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

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Yours sincerely

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Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr John Quirk
Chair
Kordia Group Limited
s9(2)(a)

Dear John

I am writing to encourage Kordia to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

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Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Warren Parker
Chair
Landcorp Farming Limited
s9(2)(a) [redacted]

Dear Warren

I am writing to encourage Landcorp to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

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Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Terry Murdoch
Chair
Animal Control Products Limited
s9(2)(a)

Dear Terry

I am writing to encourage Animal Control Products to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

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The Ministry for Culture and Heritage will release information shortly on its website about how this initiative will be implemented across central government. Please contact Support.Media@mch.govt.nz at the Ministry for Culture and Heritage if you have any questions about this proposal.

Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Mr Greg Fortuin
Chair
Quotable Value Limited
s9(2)(a)

Dear Greg

I am writing to encourage Quotable Value to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

As part of the government's support package for the media sector, there has been an uptake of 12 month subscriptions or donations across all government departments to New Zealand small to medium news organisations, which produce quality journalism with a broad public interest component at a national level.

If State Owned Enterprises were also to take out subscriptions, it would assist by providing immediate revenue to New Zealand news services, to help them to continue to provide these valuable services. It will also ensure your staff have access to a diversity of voices and perspectives which can inform their work.

It has also been brought to my attention that some organisations take out small subscriptions that are then shared widely across the organisation. I encourage you to look at the nature of subscription licensing that your organisation currently holds to ensure that it appropriately reflects the number of users registered.

[1] The Government Procurement Rules define a New Zealand business as a business that originated in New Zealand (not being a New Zealand subsidiary of an offshore business), is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand. For the purpose of this initiative, a small to medium business employs up to 50 FTE staff members on a permanent basis.

+64 4 817 8703 Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand g.robertson@ministers.govt.nz beehive.govt.nz

The Ministry for Culture and Heritage will release information shortly on its website about how this initiative will be implemented across central government. Please contact Support.Media@mch.govt.nz at the Ministry for Culture and Heritage if you have any questions about this proposal.

Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

Hon Grant Robertson

MP for Wellington Central
Minister of Finance
Minister for Sport and Recreation
Minister Responsible for the Earthquake Commission
Associate Minister for Arts, Culture and Heritage

Ms Pip Dunphy
Chair
Transpower New Zealand Limited
s9(2)(a)

Dear Pip

I am writing to encourage Transpower to increase its uptake of subscriptions for New Zealand small to medium[1] news services in order to support organisations impacted by COVID-19.

As you will be aware, New Zealand's media sector has been severely impacted by the COVID-19 response due to a drastic drop in advertising revenue. At the same time, media has a vital role during the response period in ensuring ongoing access to reliable and up-to-date news coverage and keeping New Zealanders informed while COVID-19 restrictions are in place. Private media are critical in supporting the production of news and journalism and ensuring our democracy has a strong and independent fourth estate.

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