

10. CENTRAL GOVERNMENT BUDGET COMMITMENT TO BUSINESS COMMUNITY

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Corporate Plan Output: Policy Advice	

The purpose of this report is to advise the Committee on the Industry Training Fund and funding available to the business community.

BACKGROUND

At last month's Committee it was reported that the Government is to provide better support for work-based training within the public sector. Work-based training provided for state sector employees through Industry Training Organisations (ITOs) will be paid for from the Industry Training Fund from July 2001. The Industry Training Fund subsidises structured industry leading to nationally-recognised qualifications up to level 4 on the National Qualifications Framework (national certificates). An additional \$23 million was provided in the Budget over the next four years for industry training, bringing the total Industry Training Fund allocation to \$70.7 million per year from 1 July 2001.

The Committee inquired whether equivalent funding is available to the private business sector.

The Budget provided new funding of \$331.875 million over the next four years for industry and regional development (\$33.750 million in Year One; \$73.125 million in Year Two and \$112.5 million for each of the following two years). The money will support a range of advice and practical assistance programmes.

Major Programmes

Three major programmes were available almost immediately:

- Regional Development Programme
- Early Stage Financing
- Incubator Development Programme

1. *Regional Development Programme*

In conjunction with our industry development strategy, the Government will run a regional development strategy aimed at resuscitating the regions. Up to \$2 million will be available for major regional or community initiatives. Funding of up to \$100,000 will be available for any single strategic planning or audit initiative in any single region. Regions must provide at least 30% of the total cost in cash or kind. About \$6 million will be available from Vote Industry and Regional Development for the Regional Development Programme.

2. *Early Stage Financing*

Industry New Zealand will assist the development of innovative projects in the early stage by providing a grants programme. It will ensure that entrepreneurs with innovative ideas are not prohibited from realising the potential of those ideas by a lack of early stage finance. The venture capital market has been growing very significantly over the last two years. Although venture capital is much more available now, there are still difficulties raising capital for innovative projects and firms at the early stage of development. This includes funding to:

- Develop existing research for commercial applications
- Establish a firm
- Expand a firm that is very small or has a limited track record.

About \$5 million will be available from Vote: Industry and Regional Development for early stage grants in the 2000/01 financial year. Grants for early stage ventures will be available to New Zealand resident individuals and businesses with well-developed early stage project proposals that are committed to growth. Initially, grants will be limited to \$10,000 in any one-year and will be available for obtaining advice and expertise to develop early stage projects. Grants will be paid on the basis of a minimum contribution of 50% from non-government sources. Over time, the grants programme will evolve into a more flexible scheme, with a limit of up to \$50,000 for applicants to devote to early stage projects.

3. *Incubator Development Programme*

The Incubator Development Programme provides individuals and small businesses with skill-based assistance to develop their ideas to the point where others can invest in them. It consists of: Investment Readiness Services; Ideas Brokers; and Deal Making Service and Support for Institutional Incubators.

About \$2 million will be available from Vote: Industry and Regional Development for early stage grants in the 2000/01 financial year.

There were also other programmes and services announced in the Budget, such as

Industry Specialist Support

Industry Specialist Support can be broadly summarised as specialist expertise aimed at helping firms with high growth possibilities to realise their potential. It consists of:

- specialists contracted by Industry New Zealand to provide analysis and advice, and
- grants to help firms employ their own specialist assistance.

Specialist grants will be available to help firms employ the services they need to develop. Funding will be around \$6 million in the 2000/01 financial year for this purpose.

Strategic Investment Support Services

This is the Government's strategy to identify major New Zealand investment opportunities. Industry New Zealand will work with TradeNZ to encourage investment within New Zealand. Funding will be around \$5 million in the 2000/01 year. A national database will match 'investment angels' with investment opportunities. A strategic investment grants programme to support this service will make grants available for feasibility studies and significant implementation projects.

Industry development through programmes outside Vote: Industry and regional development

In addition to Industry New Zealand, the budget contained a broad-based set of policies to promote New Zealand's economic development. Examples include:

- An extra \$43.6 million in Year One for research, science and technology, including a record \$20.3 million allocation to encourage R&D in the private sector
- A national electronic commerce strategy, increased funding for e-commerce consumer protection and provision for TradeNZ to expand its Internet trade development network
- A modern apprenticeship scheme to provide opportunities for young people to receive high-quality work-based education and for employers to gain skilled staff
- New funding for Work Track, an early intervention programme targeting newly-enrolled job seekers who are identified as at risk of becoming long-term unemployed.
- Measures to help lower the cost of tertiary education
- An increase in the Industry Training Fund
- A range of initiatives supporting Maori and Pacific Island economic development

- Recommendation:**
1. That the Committee note this information.
 2. That, if further consideration of this issue is required, it be referred to the Strategy and Resources Committee.

Chairman's

Recommendation: That the above recommendation be adopted.