

MOOD OF THE BOARDROOM

H 150 business leaders have their say
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At an inflection point

Who's Up in the Cabinet?

How will Labour's
tax policies land?

CEO confidence
impacted

Time to fix
energy issues

Rating
Christopher
Luxon's KPIs

Is Nicola
Willis' growth
strategy
firing?

MOOD OF THE BOARDROOM

Education Minister tops the class, again

Painstaking attention to homework before becoming a Cabinet Minister has paid off for Erica Stanford, writes **Fran O'Sullivan**

Erica Stanford doesn't suffer fools. She is certainly not sidetracked by current affairs interviewers aiming to lead her into a "gotcha" trap.

Not surprising when she gained her political spurs working for Murray McCully, her predecessor in the blue-chip East Coast Bays seat.

Known as the "dark prince" of National Party politics, McCully made sure his successor debuted well once she reached Parliament.

But her prowess as a Cabinet Minister, administering both the education and immigration portfolios, is all her own work.

Stanford has held her own with the powerful teachers' union. Plans to scrap NCEA are not universally popular, but new subjects are being developed for the years 11 to 13 curriculum, reflecting the growing importance of science, technology, engineering and mathematics and equipping students for an AI future. They resonate with business.

Her leadership has been "superb", said Scales Corporation's Mike Peterson, who also singled out Police Minister Mark Mitchell as "doing great work".

In the 2025 Mood of the Boardroom survey, 55% of respondents rated Stanford's ministerial performance as "very impressive", up from 37% in last year's survey.

Second-ranked Winston Peters' work as Foreign Affairs Minister was rated "very impressive" by 23%. Other Cabinet Ministers whose work was seen as "very impressive" included: Infrastructure Minister Chris Bishop (18%), Trade Minister Todd McClay (21%), Health Minister Simeon Brown (15%), Mark Mitchell (12%), Defence Minister Judith Collins (11%) and Regional Development Minister Shane Jones (12%).

Notably, Building and Construction Minister Chris Penk, who sits as a Minister outside Cabinet, came in at 10th place. His rating with business leaders ought to assure him a Cabinet place in a future reshuffle.

Inevitably, there are both personal and policy tensions in a three-party Coalition Government – particularly for the major party. Dairy Holdings chairman Greg Gent said, "It feels like the two smaller coalition partners are keeping National honest and driven."

Another chairperson added, "Some examples of excellent leadership and clarity of thinking – but many others are distracting, playing politics with little sense of compelling national issues which must be addressed."

Notably neither Prime Minister Christopher Luxon nor Finance Minister Nicola Willis are ranked in the top 10 in this year's Cabinet ratings (see B3). Act leader David Seymour, at 3.18/5, sits just outside the top 10 Ministers.

Policy execution matters

Where the Government does rate highly is on its maintenance of strong international relationships and progress on cementing new trade relationships. CEOs gave these factors an average rating of 3.93/5 and 3.81/5 respectively. The formation of foreign, defence and security partnerships rated 3.43/5; maintenance of

How the executive fared

CEOs ranked the performance of Cabinet Ministers and others outside Cabinet on a scale where 1 = Not impressive – 5 = Very impressive

1. Erica Stanford (Education) 4.38/5
2. Winston Peters (Foreign Affairs) 3.82/5
3. Chris Bishop (Infrastructure) 3.80/5
4. Todd McClay (Trade) 3.74/5
5. Mark Mitchell (Police) 3.66/5
6. Simeon Brown (Health) 3.61/5
7. Judith Collins (Defence) 3.60/5
8. Brooke van Velden (Workplace Relations) 3.25/5
9. Shane Jones (Regional Development) 3.24/5
10. Chris Penk (Building and Construction) 3.18/5
11. David Seymour (Regulation) 3.16/5
12. Louise Upston (Tourism) 3.11/5
13. Nicola Willis (Finance) 3.09/5
14. Simon Watts (Energy) 3.00/5
15. Christopher Luxon (Prime Minister) 2.96/5
16. Paul Goldsmith (Justice) 2.92/5
17. Scott Simpson (Commerce) 2.91/5
18. Tama Potaka (Māori Crown Relations) 2.85/5
19. Andrew Hoggard (Biosecurity) 2.76/5
20. James Meager (Youth) 2.73/5
21. Karen Chhour (Children) 2.67/5
22. Mark Patterson (Rural Communities) 2.62/5
23. Nicole McKee (Courts) 2.59/5
24. Nicola Grigg (Women) 2.58/5
25. Shane Reti (Universities) 2.57/5
26. Casey Costello (Customs) 2.51/5
27. Penny Simmonds (Environment) 2.37/5
28. Matt Doocey (Mental Health) 2.35/5

The Prime Minister's appointments of Simeon Brown and Erica Stanford to their transformative portfolios is paying dividends. Winston Peters continues to impress as Minister of Foreign Affairs... but maybe not for some greyhound owners.

Craig Stobo, Local Government Funding Agency chairman

independent foreign policies 3.41/5.

These areas all fall within the ambit of the four external facing Ministers: Prime Minister Christopher Luxon, Foreign Affairs Minister Winston Peters, Trade Minister Todd McClay and Defence Minister Judith Collins.

The maintenance of tight fiscal settings – central to Finance Minister Nicola Willis' policy agenda – was scored at 3.21/5.

Other ratings included: execution and delivery of policies (3.08/5), policy planning and consultation with business (2.93/5) and regional development (2.91/5).

"Turning this economy around is critical," said a logistics boss. "Fast track consent is a game changer. Six months after we applied we are starting to build... that's what Auckland and New Zealand needs.

"Jobs will flow as will investment and confidence. Certainty of direction builds confidence."

Scales Corporation chairman Mike Peterson observes that it was incredibly hard for the Government to transform the economy and measuring success on these measures was incredibly tough.

"Should focus on delivery of an environment where business and community can flourish and this still needs more work in spite of the number of good initiatives under way."

A chairperson underlined, "It is a challenge to assess performance given it is a work in progress on issues that will take multi-years to address." But "speed was essential".

Some sectors – particularly "hospo" – are hurting.

Said Pernod Ricard's Kevin Mapson: "With challenging economic conditions globally coupled with excise increases of more than 20% over the past four years, it's a tough business environment.

"In this context, we welcome changes to nonsensical regulations to get the economy moving. We're seeing hospitality businesses waiting nine months or more to get a licence to trade. It shouldn't be this hard for a responsible business to get a licence."

Criticism warranted?

The need to speed up RMA reform and remove roadblocks for infrastructure was repeatedly cited.

A poorly handled pay equity announcement that "disenfranchised so many and so unnecessarily" drew opprobrium from a director.

"This Government has taken big on infrastructure but not remotely delivered," said another director.

"Any government can get a free trade agreement with India – anyone can sign a dumb deal.

"Signing a good deal long-term for New Zealand will take patience and time."

There were warnings.

"There is no sense of transformation when that is urgently needed. We cannot cost cut our way through this type of secular crisis – complete change of direction is critical," said an F&B chairperson.

The Government's ratings fell away on addressing climate change challenges (2.47/5) and supporting Māori and Pasifika aspiration (2.36/5).



Cabinet KPIs
Cabinet Ministers ranked on their performance out of 5.

1

Erica Stanford
Education
4.38
4.01 in 2024



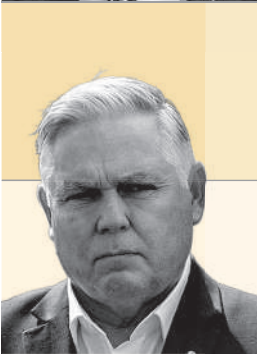
2

Winston Peters
Foreign Affairs
3.82



3

Chris Bishop
Infrastructure
3.80



4

Todd McClay
Trade
3.74



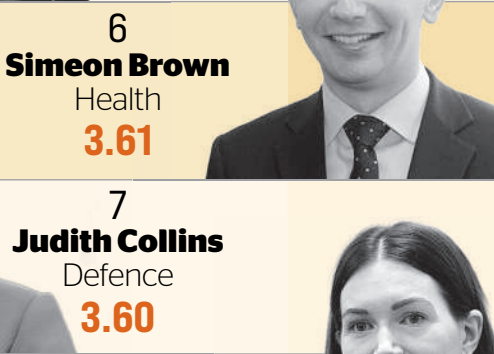
5

Mark Mitchell
Police
3.66



6

Simeon Brown
Health
3.61



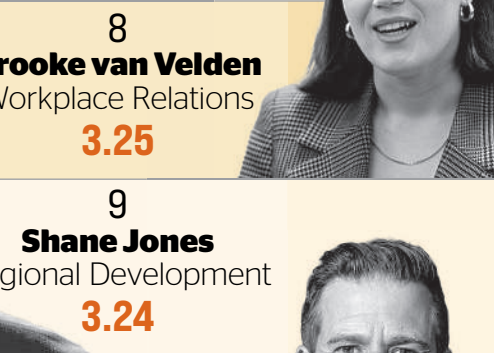
7

Judith Collins
Defence
3.60



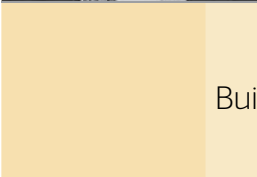
8

Brooke van Velden
Workplace Relations
3.25



9

Shane Jones
Regional Development
3.24



10

Chris Penk
Building & Construction
3.18



Nicola Willis
Finance
3.09
3.88 in 2024



Christopher Luxon
Prime Minister
2.96
3.73 in 2024

Scale 1 to 5

Not impressive

1 < > 5

Very impressive

Photos include: Mark Mitchell, Marty Melville, Alex Burton, Mike Scott, Michael Craig, Alyse Wright. Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic

Time for a new playbook?

CEOs would like to see the Government forge a bolder path into the future



Mood of the Boardroom
Fran O'Sullivan

CEOs are looking to Christopher Luxon's Government for clear leadership and direction as New Zealand reaches an inflection point.

Where is our "North Star", or our "moon bets" they question, saying a much more ambitious – yet captivating – path is needed to prize the country out of its malaise.

That's the prevailing sentiment from the 2025 *Herald* Mood of the Boardroom survey which comes on top of narrowing political polls, a faltering New Zealand economy and unrelenting international crises.

The survey attracted 150 respondents: 125 were CEOs of major New Zealand companies, the balance chiefs of business organisations and directors.

A further 130 responded to a BusinessNZ sentiment survey which is included in this report.

"Hopefully New Zealand is turning the corner and has already been through the worst of the economic reset," said Morrison CEO Paul Newfield. "The biggest risk is that, as a small open economy, we are knocked off course by the general deterioration of global trade rules and multilateralism."

Others suggest a new playbook is warranted.

"The current global realpolitik is in stark contrast to the principles of the 'Washington Consensus'," observes Craig Stobo, chair of the Local Government Funding Agency.

"Are we clinging on to a hope that diminished multilateral institutions will still serve NZ's national interests?"

Said Forsyth Barr boss Neil Paviour-Smith, "as we learnt on the New Zealand Initiative trip to the Netherlands we are now in a world of the 'new ESG': energy, security and geopolitics."

In this complex environment, the Prime Minister and Foreign Minister have performed at their best on the world stage, adds Paviour-Smith.

But a private equity boss questions if this is enough: "With the world being unsettled by offshore government actions, it is disappointing to see no compensating Government actions domestically. The market which we all believe in has changed."

"The rule book has changed on what quality and efficacy looks like. Please make sure we are not applying the old rules and heading down a path that is unlikely to exist given geopolitical changes."

The Government is credited for putting growth at the centre of its economic agenda.

But debt is climbing and there is debate on how economic growth should be furthered, through fiscal stimulus or major cuts in the OCR.



The Christopher conundrum

Fran O'Sullivan

The Prime Minister undoubtedly shines on the world stage but closer to home the country's business chiefs have delivered Christopher Luxon a message.

In the 2025 Mood of the Boardroom survey they ranked him at a mere 15th place on a list of Ministers – inside and outside Cabinet – putting his performance at 2.98/5.

This is on a scale where 1 equals "not impressive" and 5 equals "most impressive".

This is a sharp drop from his 6th place ranking in last year's survey.

But it is all part of what business people say is the "Christopher conundrum": a prime minister who is praised for the way he leverages his personal brand to the advantage of New Zealand business internationally, but within New Zealand has much work ahead of him to build strong confidence with the business community.

In his 21 months as prime minister, Luxon has led a furious pace. He's

taken multiple business missions into Southeast Asia, Japan, India, China and more. Those CEOs and chairs who have accompanied him applaud his leadership.

"The PM and accompanying 'Team NZ' are so unified and powerful on trade delegations offshore," says Dame Therese Walsh, chair of Air New Zealand and ASB, and business leader of some key missions. "Everyone gets behind the cause and can see the impact the PM has in these markets."

"Harnessing this sense of 'togetherness' further back home to spur on economic growth is critical to our success. Business collaboration and more sectoral interactions with policy makers would help with this."

Walsh's sentiment is underscored by Downer CEO Murray Robertson. "Having joined the Prime Minister on his visit to Niue to open the airport runway, I was struck by his relentless focus and energy."

"His clear commitment to driving economic improvement is commendable."

Many New Zealand firms are closing as deindustrialisation steps up, raising questions over why the Government has not prioritised support measures for existing businesses suffering from structural issues such as adapting to energy costs or the imposition of the Trump tariffs.

The upshot is that industries are uninvestable at the moment said a private equity player. While local

investors will still invest in the productive economy "because it is home", large structural impediments such as tax uncertainty, energy costs and volatility will put foreign investors off.

A resources boss echoed this, saying the hands off approach isn't working. "They need to pick a few winners and invest."

But an energy boss underlined that political point-scoring by both sides

The biggest risk is that, as a small open economy, we are knocked off course by the general deterioration of global trade rules and multilateralism.

Paul Newfield

of Parliament will deter international capital from engaging to support economic growth, warning that a new "sovereign risk premium" is emerging.

Getting onto a firm growth track given the recent GDP result, presents a fiscal challenge.

Stobo said while short term interest rates and export prices provide tailwinds, "they are butting up against a looming firming energy shortage, and a weak central government fiscal position".

Economist Cameron Bagrie warns that "the Government has not started turning the books around yet. "Spending initiatives are front-loaded and all the savings back-loaded."

Loss of talent

Tower Insurance CEO Paul Johnston said attracting leadership talent in New Zealand was becoming increasingly challenging, especially in areas critical to future growth.

"While we have a pool of capable professionals, there's a clear need to grow our talent base, particularly in leadership, sustainable innovation, AI and emerging technologies, and strategic, big-picture thinking."

"We need to invest in both developing and attracting talent; creating pathways for local talent to grow, while also making New Zealand an attractive destination for global expertise. Despite recent headwinds we're optimistic and things are looking up. We've got a lot going for us in New Zealand including our natural environment, unique cultural identity, our international reputation, and relatively high quality of life."

"While challenges remain, it's time to start shifting our focus towards leveraging New Zealand's advantages and the opportunities ahead."

But others warn of our best and brightest heading offshore if we don't create economic prosperity and therefore career opportunities.

Said a legal boss: "Paint a credible and uplifting vision for 2030 to try to stem the Brain Drain."

"The IQ is shifting to Australia – Rob Muldoon will be turning in his grave."

Green shoots emerging

Port of Auckland CEO Roger Gray says imports are now growing across multiple trades. Car and machinery imports are up, container volume is up 11.8% compared to August 2024.

"The wheel is starting to turn."

"Just get on with it and stop asking Government to do the heavy lifting business should be doing."

Catherine McGrath
Westpac NZ

I completely respect that political parties go in with different views, and we value that as the voting public. But I think on some critical areas of infrastructure – components of health, components of education, components of housing – having a bipartisan path would let us firm up in terms of the investments. It would let us firm up in terms of the economy and still give plenty of room for different policy views and different execution approaches.



Tracey Ryan
Aurecon

We are talking ourselves into prolonging this recession for no good reason, the ingredients are there for a recovery but there is no optimism in our leadership or general conversation. Stop talking about what is broken, get on and fix it, and spend more time talking about what is actually going well for us.



Chris Quin
Foodstuffs NI

We need a stronger long-term vision that enables clear planning for infrastructure, economic direction, and achievable national goals with broad cross-party support. Other countries are planning decades ahead and are already seeing the benefits of a dedicated, sustained approach. Solution: Decade-long planning horizons – Governments commit to infrastructure, economic, and social plans that span 10-20 years, rather than just one or two parliamentary terms.



Roger Partridge
NZ Initiative

We have had a good track record of bipartisanship: commitment to free trade, foreign policy, climate change, low-rate, broad-based tax system, including a "clean" GST and, until the pandemic, fiscal responsibility (keeping debt at around 20% of GDP). Historically, we also had bipartisanship on RMA reform. We need to have bipartisanship on retirement policy, in particular, extending the age of eligibility for superannuation.



Mood of the Boardroom

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Mood of the Boardroom presentation

Finance Minister Nicola Willis and her key opponent, Labour's finance spokesperson Barbara Edmonds, will go head-to-head in a widely anticipated debate at a *Herald* CEOs breakfast this morning.

The debate, which comes as recent polls point to a highly contested political environment, will be moderated by NZME Editor-in-Chief Murray Kirkness.

The event kicks off at 7.40am when Mood of the Boardroom Executive Editor Fran O'Sullivan presents the results of the 2025 CEOs survey.

It can be viewed at nzherald.co.nz.



A stronger long-term vision

Fran O'Sullivan

There were warnings that global risks could impact New Zealand negatively, which makes the development of a clear positive

3.83

1 ◀ ▶ 5
Not Very
impressive impressive

"The public don't like him. It's too late for him. He needs to stand aside

The critique intersects with another survey finding: business concern over security risks involving



Photo: Mark Mitchell Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic



China. After incidents such as Chinese naval live-fire exercises in the Tasman Sea, 75% of respondents say they are at least moderately concerned about Beijing's behaviour. Just 5% are not concerned at all.

– *Additional reporting*
Tim McCready

Mood shift on Willis' growth push

Business leaders question Finance Minister's growth agenda and call for vision, writes **Tim McCready**

CEOs have sent a clear message to Finance Minister Nicola Willis in the *Herald's* Mood of the Boardroom survey: hold the pro-growth line, sharpen delivery, and set out a long-term vision that brings investors back onside.

At the centre of the Government's "Going for Growth" agenda are five pillars – developing talent; competitive business settings; global trade and investment; innovation, technology and science; and infrastructure – which form the backbone of Willis' economic strategy. CEOs credit her for re-centring the conversation on growth, tightening fiscal settings, and pushing structural reforms while navigating shaky global confidence and tariff uncertainty.

But since the survey closed, scrutiny has intensified following a worse-than-expected GDP contraction – down 0.9% in the June quarter – which triggered a storm of political and economic commentary.

The result has added pressure on Willis, who just a year ago was credited with a "strong start" in her first Mood of the Boardroom survey as Finance Minister.

That feeling is clearly over. The 2025 survey reveals 43% of business leaders say Willis' growth agenda is not appropriately positioned to lift New Zealand's economy in 2025, compared with 35% who back it. A further 22% remain unsure.

Willis' own performance ratings reflect that divide. She scores an average of 3.09/5 across her finance, economic growth and social investment portfolios. This is down from last year's score of 3.88/5.

Several business leaders see Willis as laying solid foundations. "Applaud the Investment Boost initiative. Like the focus on regulations that support growth and make it easier for business to focus on executing their commercial plans," says EMA CEO John Fraser-Mackenzie.

Others highlight her direction. A public sector CEO says: "The five pillars of the economic plan are good and right," though warns the lack of intervention and focus on retail politics is undermining the impact.

Roger Partridge, chair of The New Zealand Initiative, gives "real credit for putting growth at the centre of the agenda and for championing reforms in education, housing, regulation and infrastructure that target New Zealand's long-term productivity malaise". A tech CEO adds: "The Willis growth agenda has some pro-growth pillars in the right place – tight fiscal settings, a clearer safe harbour pitch to attract capital, visa and FDI tweaks, and a faster planning and consent track."

But optimism is tempered by scepticism over substance and delivery. "Sorry, what 'growth agenda'?" asks one. "Willis' so-called growth agenda is spin without substance. She excels at bashing business for non-issues like butter prices, but has not shown any genuine thought leadership."



Saying 'growth, growth, growth' doesn't actually help. Growth just isn't evident, and the benefits seem to be for top-end only,

Education leader

A chairperson puts it bluntly: "It feels like she has chased headlines and cheap politics. She lost massive credibility over attacking Fonterra on the price of butter when she knows it reflects international markets."

Those critiques intensified after the GDP release and public calls from some commentators for Willis to step aside – calls rebuffed by the Beehive. Some respondents acknowledge the constraints. "New Zealand's debt levels, structural deficits and voter apathy for dealing with any of these means all finance ministers are in straitjackets," says an energy CEO.

But others are less forgiving. "What has she done to create growth in New Zealand?"

"I can't think of a single thing other than the supermarkets/banking publicity, which so far has not achieved anything," says an infrastructure boss. "New Zealand is in a growth funk and, if this is her responsibility, then she has not delivered."

An education leader suggests "saying 'growth, growth, growth' doesn't actually help. Growth just isn't evident, and the benefits seem to be for top-end only."

Craig Stobo, chairman of the Local Government Funding Agency, says the opportunity remains to spell out the sources of sustainable growth: "Real after-tax incomes, profitable investment and net exports and how

to facilitate that ... not debt-fuelled unproductive government expenditure."

What more should be on the growth agenda?

In a follow-up question, executives were asked to give their perspective on what more should be on the Government's growth agenda.

1. Productivity boost

If there was one word that echoed throughout the responses, it was productivity. Business leaders want a step change that includes a boost in skill, innovation, and technology – not tinkering around the edges. "We need to lift productivity across the board – and that means retraining and reorienting our workforce, especially those at the lower end of the wage spectrum," says an engineering CEO.

Respondents also point to reform of tax and regulatory settings to attract capital, accelerate R&D, and grow high-value sectors, alongside investment in digital transformation and AI adoption.

2. Infrastructure at scale

The second most pressing call was for major infrastructure investment, with delivery needed, not just more announcements.

"We need an infrastructure pipeline and certainty – including energy investment," says Deloitte CEO Mike Horne. Another CEO adds: "We've lost too much time. It's time to accelerate, not deliberate."

With construction output weakening, leaders want shovel-worthy projects ready as financing costs ease. Suggestions range from a bankable housing and transport pipeline with credible delivery; to unlocking the infrastructure deficit in transport, energy, and housing; and mobilising private and foreign capital through

PPPs and investment reform.

3. Immigration, education and red tape

Immigration and education settings came through strongly.

"We have lost a lot of highly skilled people out of the construction industry in the last 18 months, with the taps about to turn on, how do we ramp up to ensure there is capacity in the market?" asks an engineering CEO.

Ventia executive general manager Damian Pedreschi urges investment in "world-leading pedagogy, delivered by well-trained teachers".

Others suggest aligning immigration with skill shortages, expanding vocational pathways, and strengthening universities' role in innovation.

Red tape remains a major frustration. "We have become a nation that is full of overly conservative regulation and red tape, so much so, particularly in infrastructure and development, that we are uncompetitive with our peer nations."

Mainfreight managing director Don Braid is direct: "Reduce the regulation. Get out of the way."

4. A compelling vision

Respondents call for a clear and ambitious national vision that stretches beyond a three-year election cycle.

Foodstuffs North Island CEO Chris Quin was among those urging the Government to adopt stronger long-term thinking. "We need a stronger long-term vision that enables clear planning for infrastructure, economic direction, and achievable national goals with broad cross-party support."

He points out that other countries are already planning decades ahead and reaping the benefits.

An infrastructure CEO: "Are we content to coast on lucky high-priced agricultural exports, or do we want to set a bold agenda in tech, tourism,

and advanced manufacturing?"

The CEO of an energy firm urges the Government to "deliver a coherent vision and strategy to give New Zealanders something to get excited and committed to".

Several directors link the vision point to investor confidence, arguing clearer long-term signals would help reverse a "wait-and-see" mindset after growth disappointments.

Investment Boost uptake is muted

The Government's flagship Investment Boost initiative has delivered wins for some, but the survey shows most CEOs remain unconvinced. The incentive, announced in the Budget, applies to New Zealand businesses investing in productive assets like machinery, tools and equipment. It allows immediate deduction of 20% of an asset's value from taxable income in the year of purchase, on top of standard depreciation.

Among the positive reactions, an energy CEO calls it a "great bold step", while a CEO from the entertainment industry notes it "certainly has made business cases for such investment easier" and "removed any doubts about whether or not to invest".

Precinct Properties chief executive Scott Pritchard says the change "provides greater certainty and a lift to an investor's after-tax returns for developments, so it is beneficial when considering whether to deploy capital."

"Additionally, it also generates tax deductions for other investments on existing assets, which ultimately reduces the overall economic cost associated with those types of projects."

Others see it as an "amplifier" when the fundamentals of an investment already stacked up. A public sector CEO goes further: "This is one of the best things they have done."

But uptake is muted. Nearly half (48%) say it has not influenced their investment decisions at all, with another 25% reporting it only had a marginal effect. Just 9% credit it with significantly shaping their decisions, leaving the initiative with a weighted average score of 1.88/5 for encouraging increased investment.

The prevailing sentiment is scepticism. A tourism chairperson dismisses it, saying: "It hasn't made any difference to making sensible business decisions."

Dairy Holdings' chairman Greg Gent says that over the life of an asset, the scheme represents just "a 6% saving, so commercially it makes no sense to chase it."

Several CEOs say they have "no money left to invest", while others describe the scheme as "not really relevant" to their business.

More scathing was one CEO, who argued the policy was "one of the most overhyped" in memory: "No serious business makes million-dollar investment decisions because IRD is feeling generous on depreciation tables ... the economy needs genuine structural reform and certainty."

CEOs urge more Reserve Bank OCR cuts

Tim McCready

A strong majority of business leaders back the Reserve Bank cutting interest rates further to support the economy. In the *Herald's* Mood of the Boardroom survey, 78% say the official cash rate (OCR) should continue to fall, while just 11% oppose further cuts and 11% are unsure.

The OCR was most recently cut by 25 basis points to 3.00% in August 2025 – its lowest level since 2022, reflecting ongoing efforts by the

Reserve Bank to support a sluggish economy.

The OCR has been on a steady downward trajectory since August last year, with multiple cuts already enacted and further reductions likely before the end of the year.

Many CEOs see lower rates as essential to kick-start growth. "It is critical if NZ is going to get moving again that interest rates come down, and much faster than the current plan," said one respondent. Another added, "2.50% to get the economy

firing again." Several argued that cuts would only be effective if paired with more supportive bank lending and other government policies to ease cost pressures.

Others urged caution. "Rate cuts alone don't seem to be shifting the dial," said one executive, who stressed that long-term stability matters as much as short-term relief.

Another noted, "The OCR is neutral at present. Weak growth says cut more, but there seems to be an undercurrent of pricing pressures too."

Inflation concerns were a recurring theme. "The Reserve Bank should only reduce the OCR if it believes that is compatible with its objective of keeping inflation at between 1-3%," said one business leader. Another warned, "We certainly would not want to go back to the inflation experience of the post-Covid time."

Some respondents expressed frustration with the central bank's culture and communication. "They have been too slow to cut rates and

should move more swiftly," said an SME boss, while another criticised the bank for being "very inaccessible and detached from the business community."

A few executives stressed that monetary policy cannot carry the load alone.

"Yes, but not in isolation – pair rate cuts with sensible lending settings so banks can responsibly back first-home and other buyers," suggested one. Another added: "The OCR is not the only solution."

MOOD OF THE BOARDROOM

Optimism slips as CEOs grow cautious

Survey shows weaker confidence as global trade tensions bite



Mood of the Boardroom
Tim McCready

New Zealand's top business leaders' optimism in the economy has waned from last year's nine-year high. Respondents to the *Herald's* 2025 Mood of the Boardroom survey rated their confidence in the New Zealand economy at 2.82/5 on a scale of 1-5, where 1 signifies "much less optimistic" than a year ago and 5 represents "much more optimistic". That is down from last year's score of 3.23/5.

The softer outlook reflects a fragile domestic recovery that has been overshadowed by both global trade uncertainty and lingering weakness in consumer confidence.

"Confidence is gradually, almost reluctantly, improving locally, but uncertainty caused by US tariffs and geopolitics is allowing us to hang on



Trump's 'Liberation Day' tariffs have made the global economic outlook much less certain, says Roger Partridge.
Photo / AFP

to our newly ingrained pessimism," says EMA chief executive John Fraser-Mackenzie.

Others highlight that although the agribusiness sector is doing well, the traditional link between high dairy payouts and wider domestic confidence is yet to be seen.

"Consumer confidence remains very subdued and, while we are seeing recovery first in the regions, it is not at the pace one would expect given the dairy payouts that historically provide the stimulus," says Mitre 10 New Zealand boss Andrea Scown. "Our own customer insights point to a savings mindset. Folk don't feel out of the woods yet."

Another CEO adds: "My sense is the

economy is very gradually improving, but it is slow. New Zealand feels like it has turned the corner, and things are improving, but we will need to see more evidence of this."

Independent chairman Craig Stobo says the shift is structural as much as cyclical: "The required painful adjustment from debt-fuelled central government expansion to a private-sector, export-led recovery is underway. The business moods in Wellington and Wyndham are very different as a result."

Institute of Directors chief executive Kirsten Patterson adds: "We have progressed from 'survive to 25', to 'survive through 25', and are now facing 'not yet fixed in 26'."

Tariffs, tensions and a global drag CEO optimism in the global economy has also slipped, dropping from 3.06/5 last year to 2.63/5. Executives cite international trade tensions and geopolitical volatility as major headwinds.

"It feels like the global economy is still deep in the tariff tailspin," says Tourism Holdings CEO Grant Webster. "Internationally, I think the uncertainty and disruption caused by the US tariffs will offset underlying improvements."

Pan Pac Forest Products managing director Tony Clifford points to China as a persistent drag on sentiment. "Soft market demand, driven by poor housing capital returns, was already

The big questions

Out of 5, are you **more optimistic** than you were a year ago about:

The general business situation in your industry?

3.15

The New Zealand economy?

2.82

The global economy?

2.63

1 ◀ ▶ 5
Much **LESS** optimistic Much **MORE** optimistic

Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic

evident before tariff wars exacerbated the situation," he says.

A CEO recently returned from international travel, stresses that New Zealand's challenges are not unique. "Most economies are in a similar state as our own – New Zealand is faring far better than many other countries."

Others remain cautiously hopeful.

"Hopefully, New Zealand is turning the corner and has already been through the worst of the economic reset," says an investment boss. "The biggest risk is that, as a small open economy, we are knocked off course by the general deterioration of global trade rules and multilateralism."

Several warn that geopolitics remains the wildcard.

"The twin threats of geopolitical risk and the adverse effect of Trump's 'Liberation Day' tariffs have made the global economic outlook much less certain," says Roger Partridge, chairman of The New Zealand Initiative.



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BusinessNZ 

Top issues facing the nation – CEOs have their say



**Neil Paviour-Smith
Forsyth Barr**

- Business confidence – greater cut through on Government policy agenda including public service delivery on these, too slow at present.
- Productivity – too much red tape/regulation and roadcon- itis, insufficient investment and poor incentives.
- Complacency – we are drifting to second world status, need dramatic change in mindset and expectations.



**Antonia Watson,
ANZ**

- Productivity – improve education, embrace AI, reconsider regulation
- Lack of encouragement of economic growth – provide certainty, cut red tape, consider tax incentives, celebrate success no matter the size of the company
- Lack of future focus – lengthen the election cycle, start communicating our demographic challenges better so all New Zealanders can quote them and understand the need for a response.



**Mayurie Gunatilaka
Arup**

- Lack of a clear “north star” or long-term vision for the nation with bipartisanship support to give investors certainty on what we are committed to.
- Productivity and economic diversification to drive growth in the nation.
- Cost of living and housing affordability.



**Paul Newfield
Morrison**

- Lack of long-term capital – get KiwiSaver funds investing in long term, unlisted asset classes.
- Lack of long-term capital – attract global sovereign wealth funds and pension funds to invest in NZ.
- Lack of global ambition – refocus the national debate on winning globally, not small- minded topics that divide New Zealanders

Top domestic concerns

What impact do you feel the following **domestic concerns** have on business confidence in NZ?

Top concern: **Energy price increases**  **7.41**

Inflation/cost of living pressures	7.31
Infrastructure/roading constraints	7.3
Security of energy supply	7.3
Government policy uncertainty	7.16
Quality of Government spending	6.97
Cyber threats	6.88
Rising insurance costs	6.72
Resource management constraints	 6.59
Rates increases	6.45
Other	6.3
Level of Government debt	6.24
Housing affordability	6.12
Skills and labour shortages	5.9
Climate change policies	5.84
Interest rate levels	5.62
Immigration settings	5.55
Increased water use charges	5.47
Reserve Bank management of OCR	5.45
Supply chain problems	5.17
Cost of carbon	4.99
Exchange rate uncertainties	4.97
Availability of capital	4.93
Diversity and inclusion climate	4.42

1

◀.....▶

10

No concern

Extremely concerned

Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic

Boardrooms split on staff as AI reshapes workforce

Tim McCreedy

New Zealand's boardrooms are split on the outlook for projected staff numbers, with the Mood of the Boardroom survey revealing a near three-way divide over whether headcount will increase, remain steady or decrease in the year ahead.

Asked if they expect to make changes to staff numbers over the next 12 months, 30% of respondents say they anticipate increasing staff numbers, while 33% expect to cut back. A further 35% forecast no change, with the remaining 2% unsure.

The mixed sentiment underscores a business environment where leaders are juggling cost pressures, technological disruption, and the demands of growth.

One executive in the tourism industry was blunt: "We have and continue to reduce staff numbers as we take costs out."

A logistics boss notes, "We are rolling off a period of intense capital project delivery."

Technology is a recurring theme in workforce projection. Several CEOs pointed to automation and AI reshaping the size and shape of their workforce.

"Technology advancements could well result in fewer jobs in some areas (corporate), whereas as assets and the balance sheet grows, and there is more development and construction going on, the workforce is likely to increase," says one experienced chairperson.

Others spoke of balancing efficiency with future capability.

"We'll continue to adjust resources to match demand and ensure the business stays efficient – focusing on keeping essential roles while scaling back where necessary," says Anne Gaze, of Campus Link Foundation.

Some businesses remain in contraction mode. The CEO of an engineering firm says: "Due to the industry slowdown, our business has had to make difficult decisions around staff right-sizing... Looking forward, it is more about focusing on what skills and capabilities are required in the future."

There are also generational concerns.

"We have dropped significantly in the last two years but hope to be able to start recruiting graduates again, subject to projects progressing in the economy," one executive in the construction sector says, warning younger staff have been "hit the hardest" as clients resist paying for inexperienced talent.

For others, their infrastructure pipeline is expected to drive demand: "The significant infrastructure development programme underway will continue to gain momentum in the year ahead and associated staffing growth will reflect that," says Auckland Airport chief executive Carrie Hurihanganui.

Mixed opinion on access to skilled talent

Business leaders are mixed on whether attracting and retaining skilled talent has become easier or harder in the last year, but the overall sentiment leans toward it being a moderately challenging issue.

On a scale of 1 to 5, where 1 equals very difficult and 5 equals very easy, the average score was 2.95/5.

For some, access to skilled labour has eased in the past year, with a softer economy and higher unemployment increasing the pool of available candidates.

Several note they are receiving record numbers of applications, describing the current climate as an "employer's market".

Executive director of the

Retirement Villages Association, Michelle Palmer, says: "We've seen a huge number of applications for roles in the past six months – unprecedented numbers – a sign of the times in the current unemployment environment."

An education provider observes that "redundancies have released a lot of competent people into the market", but says retaining top performers remains difficult.

Yet many stress that the challenge is far from solved, particularly in specialised fields.

Advanced technology, R&D, digital, AI, engineering, and data analytics are all cited as areas where skills are scarce.

The lure of higher wages in Australia and beyond features prominently, with multiple executives highlighting a "flight to Australia" across professions including law, health, and infrastructure.

One leader describes it as "alarming", while another says young lawyers are now departing earlier in

their careers than ever before.

Cordis managing director Craig Bonnor adds that "talent retention of Kiwis in the early to mid-career phase is the most challenging".

At the same time, pressure is coming from within New Zealand. Downer NZ chief executive Murray Robertson warns that "the entry of international firms into the New Zealand market for major projects is placing additional pressure on local businesses to retain key talent."

Pipeline certainty in infrastructure also looms large. An engineering leader cautions that "without certainty in the pipeline, we won't attract the skilled workforce required".

Regional differences are also apparent. Institute of Directors CEO Kirsten (KP) Patterson says Wellington is increasingly at risk of losing its brightest talent, "as they are losing confidence that they can successfully raise careers and families in a vibrant capital city".

Immigration settings drew mixed views. Some report improvements under the current government, making it easier to recruit nurses and caregivers, while others say changes had done little to ease shortages in critical, high-demand sectors.

As one technology leader puts it: "For AI skills, things are very, very difficult. But for other roles, it is typically not a concern."

While New Zealand's lifestyle and reputation for innovation continue to draw talent, executives stress that retention depends on competitive pay, career development, and building purpose-driven organisations.

As Harcourts managing director Bryan Thomson sums up: "The business world relies on talent acquisition and retention."

"Now as always, this is the number one challenge for every leader."

Technology advancements could well result in fewer jobs in some areas (corporate), whereas as assets and the balance sheet grows, and there is more development and construction going on, the workforce is likely to increase.

Chairperson

The business world relies on talent acquisition and retention.

"Now as always, this is the number one challenge for every leader."

Harcourts managing director Bryan Thomson

● Domestic anxieties weigh heavy – B8

MOOD OF THE BOARDROOM

'He's done what he said' — leaders split on Trump's impact

Nearly one-third of Mood of the Boardroom respondents say tariffs will have a direct impact on their business

Fran O'Sullivan

Donald Trump is rapidly reshaping the global order in his second term as United States President.

Since Trump resumed power in January this year, he has significantly changed the US policy environment. Already he has signed more than 200 Executive Orders issuing directives, ranging from immigration to tariffs and climate change.

Given the unexpected imposition of a 15% tariff on NZ exports and pressure on this country to increase its defence budget, it's not surprising that the Trump 2.0 agenda has not landed particularly well among New Zealand CEOs and directors.

Just 2 of the 150 respondents to the Herald's 2025 CEOs Survey rated Trump's performance as "very impressive" – a majority veered towards negative. But there was also realism.

Forsyth Barr managing director Neil Paviour-Smith said Trump has assumed full autonomy. "Looking past the noise on the obvious factors that get attention, the US economy is growing and markets are at record levels, suggesting optimism in the outlook. This doesn't mean his policies are necessarily agreeable."

Others said Trump was very effective at advancing his own domestic and international agenda. "He's done what he said he would do – and at pace. We don't have to agree with his policies to be impressed with his execution and implementation," said an exporter. Says one logistics boss, "Whether you like him or not, he is doing what he promised. This is a rarity with politicians globally today."



Looking past the noise on the obvious factors that get attention, the US economy is growing and markets are at record levels, suggesting optimism in the outlook. This doesn't mean his policies are necessarily agreeable.

Neil Paviour-Smith, Forsyth Barr

A director slammed the undermining of alliances and claimed Trump's autocratic tendencies justify his rating as the worst President in US history. "It's not all bad though, equity markets continue to be buoyant, and his economic team is reasonably competent," added another.

At a recent high-level briefing for

chief executives and chairpeople that was held in Auckland under the Chatham House rule, attendees were advised that some significant trends will continue to shape the United States and the global landscape well beyond Trump's time in office.

Among the major trends expected to outlast Trump's presidency were the shift to industrial policies with governments actively shaping economic direction, not just relying on free markets.

The need for defence self-sufficiency with countries, including the US, focusing more on their own defence capabilities was another.

Immigration policies, balancing economic growth with environmental protection and the shift from geopolitics to geoeconomics, with US foreign policy becoming more about economic interests than ideology, also featured.

Other trends included a shift from multilateralism to bilateralism, turning the tide on "wokeism" and rolling

back the regulatory state to make it easier to do business domestically.

Two potential black swans were identified: the impact if an unsustainable accumulation of government debt emerged and an overwhelming impact of advances in AI, quantum computing, and related fields.

Tariff challenges

On April 1, the President's "Liberation Day", New Zealand exporters were relieved to hear they would face a mere 10% tariff on their firms' US exports.

The Trump Administration has since hiked the tariff rate to 15% with the US underlining this was because it faced a trade deficit with New Zealand. Nearly one-third of survey respondents say the tariffs will have a direct impact on their business operations.

"Ten per cent was manageable, 15% is tougher," said a tourism chairperson.

Said Carbon Click CEO Dave Rouse,

"the tariffs and the US geopolitical landscape have wiped out 60% of our US export business over the past six months."

Others noted the impacts on clients, and difficulties managing global supply chains in a more complex environment.

The upshot is, 24% said they were now more likely to diversify markets or increase business activities in other countries.

"We looked to diversify anyway – it's just made a market that we saw as an opportunity tougher," said a tourism chairperson.

But for many, the US remains a valuable market. While tariffs might limit the rate of expansion, the US is still attractive.

Said an agribusiness boss, "It's an economic decision, based on best-returning markets. If the US pays the price, they will still get the product."

"We remain well diversified," said another. "The US is an important market but, if tariffs were to increase substantially relative to others, we would re-direct our efforts."

NZ International Business Forum CEO Felicity Roxburgh said, "There is a large appetite to understand what is happening in clear, simple terms and the impact on our exporters."

"People knew the tariffs were going to impact us, but they didn't know how or why."

"Companies are responding to tariffs, supply chain disruption and investment uncertainty in real time."

"Whether through scenario planning, diversifying into new markets or passing on costs to importers and consumers, these real-time adjustments are often invisible in high-level policy discussions, yet they are vital for resilience and competitiveness," she said.

Roxburgh points out that though New Zealand benefits from a dense "elaborate spaghetti network of free trade agreements", gaps remain.

"India and the US are the big missing pieces," she says, noting that the Government is putting huge investment into growing the India relationship and negotiating an FTA.

"At the same time, behind-the-border barriers – non-tariff costs – hit our exporters up to \$10 billion a year. It's a huge challenge."

Domestic anxieties weigh heavy

Tim McCready

In the Herald's Mood of the Boardroom survey, executives were asked to assess their concern on a range of domestic issues. The highest-scoring pressures were little changed from last year, with anxieties concentrated on energy, infrastructure, and the cost of living.

Energy security (7.30/10) and energy price increases (7.41/10) were rated among the most pressing domestic concerns, along with inflation/cost of living pressures (7.31/10), infrastructure and roading constraints (7.30/10), and government policy uncertainty (7.16/10).

"Energy affordability over the last five years has undermined our international competitiveness and reduced shareholder investment sentiment," one CEO observes.

Another was more blunt: "Lack of electricity is one of the biggest handbrakes to the economy."

Political stability is also weighing on sentiment. "The biggest concern is political uncertainty over a re-election of Labour or a strongly left-leaning Labour-led coalition," says an agribusiness leader.

Others pointed to coalition politics itself as corrosive. "Particularly the attempts to score points by undermining large businesses in New Zealand," from an energy boss.

The tone of the national debate also drew criticism. A healthcare sector leader argues: "New Zealand is in desperate need of a narrative change to support success. The focus on negative stories within the press is creating self-harm toward our future."

Housing, too, emerged as a central influence on confidence. As one CEO noted: "Flat house prices are impacting business confidence. Our mental model of wealth and confidence is driven inordinately by house prices. Domestic mortgages are used to finance many SMEs, but also personal confidence. Whilst these wallow it is hard to see consumer and business confidence move significantly."

And while capital remains available, executives say deploying it remains fraught. "Availability of capital is not a concern, but being able to get capital actually invested in assets in New Zealand is of concern," says an energy firm CEO. "Regulators

fundamentally fail to understand New Zealand is in a competition for capital and we make it very hard to genuinely compete. Few investors look to New Zealand as a growth play, they invest as a yield play."

A healthcare boss sums up the overall sentiment: "These ratings do not necessarily reflect my personal views, rather what I have heard in general boardroom discussions. The prevailing mood is still cautious, fragile, and waiting for clearer signals from political leadership."

Or, as a recruitment executive puts it: "Hoping we have bottomed out – and the only way is up."

Stark sector differences

Optimism among New Zealand's leading industries is deeply uneven, with agribusiness and real estate lifting confidence while energy, government and education remain stuck in the doldrums.

On a scale, where 1= "much less optimistic" than a year ago and 5= "much more optimistic", agriculture/agribusiness and real estate topped the rankings, each scoring 3.80/5.

Last year, the real estate industry also topped the table with an average

score of 4.33/5, while agriculture/agribusiness scored 3.86/5.

A dairy industry leader says "demand for dairy remains solid. Tariffs have had little impact to date, we remain deliberately well diversified and just have to navigate the rest".

A horticulture executive adds that "geopolitical uncertainty has increased" – a common comment across export-facing industries.

Harcourt New Zealand managing director Bryan Thomson describes the property market as having been "a very challenging environment," but said he was "optimistic improvement is under way."

Construction (3.67/5), technology (3.63/5), professional services (3.47/5), finance (3.47/5) and airlines (3.33/5) also scored relatively strongly compared to a year ago.

Deloitte New Zealand chair Thomas Pippas pointed to the cyclical nature of markets: "While timing of rebounds will always be difficult to predict, it's reasonably likely we will see a rebound in the next 12 months – in part also as it will be an election year and there will be some government stimulus."

At the other end of the spectrum, government and education sectors both languished at 2.0/5, joined by entertainment and leisure (2.2/5) and utilities/energy (2.4/5).

An education leader summed it up bluntly: "Less optimistic. The market's tougher, costs are higher, demand is weaker, and nothing about the outlook gives confidence that things will improve anytime soon."

University of Auckland vice-chancellor Dawn Freshwater says global headwinds are adding to the pressure: "Global trends in higher education indicate a wave of additional threats that the education sector has to face into."

"Public interest and government oversight of research will increase the importance of brand ambassadors and continuing to negotiate the social contract with society as a whole around universities."

Energy executives struck a similar note of caution. "While demand in our sector is strong, translating that into broader economic growth is still a long game," says one leader.

"It requires bipartisan support. We cannot tax our way out of the current state."

What they are saying

● Trump promised to restore American greatness but has instead weakened both its constitutional democracy and global leadership. At home, he has claimed powers above the law, purging investigators, overriding Congress and courts, and ruling by decree. Abroad, he has humiliated allies, echoed Kremlin propaganda, and abandoned the post-1945 commitment to defending democracies. His transactional view of alliances and reckless tariffs have damaged prosperity. For New Zealand, a small trading nation without a defence pact with Washington, this is especially troubling: If America cannot be relied on to uphold the rules-based order, our security and economic well-being are at risk. — **Roger Partridge, NZ Initiative.**

● I remain sceptical of Trump as a person, but some of his moves have been strikingly effective. His tariffs and trade policies have forced car giants like Hyundai, Ford, and Honda, to significantly boost US manufacturing. He demanded major pharmaceutical companies cut drug prices within 60 days under threat of heavy tariffs. And he pressed European Nato members to meet their 2% of GDP defence commitments. — **Anne Gaze, Campus Link Foundation.**

● Trump is blowing up the rules-based order, created by the United States and underwritten by the US since 1945. At home, he is dangerously undermining America's constitutional principles. And abroad, he is undermining trust in American leadership, while catapulting the world back into the era of 1930s-style trade wars. So whatever policy successes Trump may have along the way, all this pales into insignificance against the damage he does to these pillars of American and international order. — **Research Institute boss.**

Geopolitics moves up the risk list

Small nations like New Zealand 'feel every ripple'

Tim McCready

New Zealand's business leaders are sharply aware of the risks posed by an unsettled global environment, with the majority now integrating geopolitics into their governance.

In the 2025 Mood of the Boardroom survey, 78% of chief executives say their boards regularly assess geopolitical vulnerabilities as part of their risk matrix. A further 21% say the issue is not systematically addressed, and 1% say they are unsure.

For many leaders, 2025 has reinforced the need for constant vigilance. "This year has underlined that small nations like New Zealand feel every ripple of global instability and must turn agility into our strategic advantage," says Institute of Directors CEO Kirsten (KP) Patterson.

For some, the response is systematic. Morrison CEO Paul Newfield says, "At every board meeting, we discuss geopolitics and its impact on both capital flows and investment risks."

Executives with international reach stress the obvious. "A no-brainer when we operate and are exposed to the Asean, European and



Events like the war in Ukraine mean the majority of businesses now integrate geopolitics into their governance.
Photo / Getty Images

the Americas markets," says Mainfreight managing director Don Braid. The head of an investment firm adds: "New Zealand is obviously very vulnerable when you look at what is happening in Southeast Asia and in the Pacific. This is our region."

Concerns around China remain central. A chairperson in the food industry observes that "concentration of business in China has been part of our discussion for a decade."

Education leaders are equally wary. One recognises that "given our reliance on Chinese student recruitment, we have active monitoring and

diversification strategies in place".

The ripple effects of conflict and protectionism are also straining margins. "The impact of global uncertainty, trade and tariffs, and the current wars are causing significant impacts on the rising cost of goods for our business and our customers," warns a grocery executive.

Even domestically oriented firms feel the knock-on. The chairperson of an energy firm notes that "while our business tends to be domestically focused, we nevertheless keep a wary eye on these factors as they may impact our customers."

Top international risks

What impact do you believe the following **international risks** have on business confidence in NZ today?

Top concern: **Geopolitical volatility**  **7.28**

Political tensions, including between the US and China	 6.99
US tariffs	6.95
International Cyber attacks	6.94
Rising nationalism	6.54
Global energy prices, including oil and gas	6.45
Rising US national debt and economic uncertainty	6.21
Extreme weather events	6.18
Energy security and supply constraints	6.08
Risk of war spreading	6.01
Russian-Ukraine war	5.92
Supply chain issues	5.75
Gaza-Israel conflict	5.68
Sustainability of freight costs	5.68
Skilled labour and talent shortages	5.65
Natural disasters	5.6

Currency fluctuations and unfavourable exchange rate movements	5.43
Access to foreign direct investment and international capital	5.34
Climate change imperative	5.28
Food security	 4.61
Future pandemics	4.37

1 ◀ ▶ 10
No concern **Extremely concerned**

Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic

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MOOD OF THE BOARDROOM

Reforms spark cautious optimism

The Government's policy changes on a number of fronts will filter through to improved economic conditions next year, predicts BusinessNZ chief executive, Katherine Rich.

The mood of business is mixed, she says.

"There are two sides to the New Zealand economic story. Some businesses are doing well with record returns, particularly in the agriculture and horticulture sectors, but others are finding it extremely challenging and making decisions about whether to shut or remain open.

"A lot of the closures are linked back to the economic harm of the Covid pandemic — many firms spent their [financial] buffer and don't have the resilience to pull through.

"The present situation reminds me of the late 1980s when the economy wasn't doing well and jobs were hard to get. But there are economic cycles and we know we will pull out of it and thrive again."

Rich says the New Zealand way is to be cautiously optimistic but the Government, in the last six months, has pulled the right levers with changes to the RMA and employment law and welcoming overseas investment through restructuring and creating the Invest NZ agency.

"The Prime Minister is going out and saying 'New Zealand is open for business' and some of the regulatory changes being made support this. They are meticulously going through sector by sector and seeing how they can make it easy to do business."

Rich is optimistic for 2026 as the changes made by the government will filter through into economic growth.

"I hope by then the trade tensions

A leading advocacy group is confident the latest policy changes for business and investment will get New Zealand moving again, writes **Graham Skellern**



The Ministry for Regulation is a great place to go and raise issues about whether the current rules in place are worthwhile or not. The policies have to be fit for purpose for New Zealand.

Katherine Rich

"The agricultural sector is doing well and this will flow through the economy, inflation is going in the right direction, under 3% (2.7% at the end of June), and the first of the Fast Track projects are coming through.

"The ambition is that it remains Fast Track and not Slow Track.

"And the good thing about a pipeline of projects is that the politicians are starting to discuss a bipartisan approach to infrastructure.

"We've seen an improvement in the overseas investment settings and the Active Investor Plus Visa has been a successful initiative.

The changes in immigration policy are starting to address the clear skills shortage in the country."

Rich says the Global Workforce Seasonal Visa (for up to three years) and the Peak Seasonal Visa (up to seven months) make it easier to bring in some international skills each year.

"There is a requirement for the Ministry of Social Development to advertise the jobs for New Zealanders to take them on.

"So, it's not open slather and I think Immigration Minister Erica Stanford has found the right balance."

Rich says the updated

procurement rules make it easier for local SMEs to bid for government work. The next step is giving New Zealand firms greater recognition in procurement rules for local government, which is a big spender.

"Many small businesses have been impacted by local government turning off the tap for different sorts of work."

Rich says BusinessNZ will turn up the dial in advocacy and continue to be a strong voice for the business sector.

"We have the Affiliated Industries Group, which is made up of 80 different organisations and associations, and they are a great source of knowledge and expertise.

"We are looking at it sector by sector and identifying regulations that are holding them back.

For instance, hairdressers and barbers are operating under rules that go back 40 years.

The rules could also be holding back plumbers and tourism," she says.

"The Ministry for Regulation is a great place to go and raise issues about whether the current rules in place are worthwhile or not.

"The policies have to be fit for purpose for New Zealand," Rich says.

"We have to remind ourselves of all aspects of life in New Zealand. It's a great place to live, set up a business and maintain a good lifestyle."

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We're still waiting for a tax plan

Edmonds earns respect but CEOs are growing impatient over lack of policy detail, writes **Tim McCready**

The boardroom's message to Labour's Barbara Edmonds is clear: her openness and willingness to listen have earned respect, but there is growing impatience for detail.

The 2025 Mood of the Boardroom survey shows a slim majority of New Zealand's top business leaders – 53% – see Edmonds as a credible future Minister of Finance. But with 26% unconvinced and 21% undecided, that credibility remains contingent on the policies she puts forward.

One senior leader sums up the sentiment of the boardroom: "Yes, she presents as credible, but Labour's bench strength and policy depth remain the real question."

Edmonds' personal appeal is consistently noted. Many respondents highlight her composure and pragmatism, describing her as respectful, considered and measured.

"The most credible of all the shadow ministers," says Deloitte chairman Thomas Pippas.

Chairman of Scales Corporation, Mike Petersen, is more cautious: "She's not yet ready for the role, but she clearly has potential."

Edmonds has had a rapid rise in politics. Born to Samoan parents and the first in her family to attend university, Edmonds became a tax lawyer at Inland Revenue, was seconded to advise National ministers Michael Woodhouse and Judith Collins, and later joined then-Labour minister Stuart Nash's office. She entered Parliament in 2020, winning the Mana electorate with a commanding margin, and went on to chair the Finance and Expenditure Committee, earning praise even from then-Opposition leader Christopher Luxon.

Under Chris Hipkins' prime ministership, she held the revenue, economic development and Pacific peoples portfolios, with associate roles that included finance and housing.

She is Labour's first Pasifika finance spokesperson and, with eight children, often stresses her ability to juggle pressure. At last year's Mood of the Boardroom breakfast debate – her first – she leaned heavily on authenticity:

"I came here today thinking I'm going to embrace it and have fun. It's an extreme privilege to be in a room with the business leaders of this country," she told CEOs. "I won't stand here and make political promises that I don't intend to work my ass off to keep. I will always take a meeting or a call, and I will always listen."

She went further, stressing that collaboration must be real, not rhetorical:

"I've been incredibly grateful for those that I have met with, you have been gracious in your time and your free and frankness. We may not agree on everything, but I'm going to tell you why we don't agree. I think that's how we can make New Zealand a better place: when business, government and opposition work better, together."



Barbara is impressive. I'd encourage her to spend more time with business leaders so that she can present a bold and confident economic growth plan.

Investment firm head

A real estate boss recalls: "Barbara was very good at last year's Mood of the Boardroom debate, keeping Nicola Willis on her toes."

During the debate, she also showed flashes of ambition and grit. When asked if she had the "killer instinct" to succeed as Finance Minister, Edmonds asserted that she does.

"Absolutely. You don't have eight children and you don't go through a tax degree and a law degree without struggles and challenges," she told the audience.

"You can be nice, smart, intelligent, considered – and do the hard mahi."

That blend of humility and quiet steel left an impression, though many CEOs note they are still waiting for that resolve to translate into clear economic strategy.

"She has good personal appeal, but I have not seen any evidence of her technical capability and strategic thinking. Much is made of the fact that she was a tax lawyer, but this is a far cry from running the economy – we need to see some policies first," says EMA chief executive John Fraser-Mackenzie.

There has been some criticism that Edmonds has been slow to land blows

in Parliament and, for CEOs, Nicola Willis remains the reference point by which she is measured.

"I really like Barbara, but she needs to exude much greater confidence," says the head of a major law firm. "She pales in terms of credibility against a very strong Nicola Willis."

But that has begun to shift when Edmonds took Nicola Willis to task earlier this month in question time over the timeline of Adrian Orr's resignation from the Reserve Bank.

Edmonds challenged the Finance Minister on withheld texts and delayed disclosures. It was a rare moment where Edmonds moved beyond her usual measured tone to apply real political heat – and business leaders say they want to see more of that edge.

Respondents acknowledge Edmonds has put real effort into building connections, with business leaders noting her weekly presence in Auckland and her willingness to

The most credible of all the shadow ministers.

Thomas Pippas, Deloitte chairman

engage. But they also stress that listening must now be matched by delivery – a growth story, fiscal constraint, and tax clarity.

"Barbara is impressive," says the head of an investment firm. "I'd encourage her to spend more time with business leaders so that she can present a bold and confident economic growth plan."

Her collaborative instinct was also on display in her former role as Labour's infrastructure

A carefully scoped CGT, with safeguards, could make the system fairer and more efficient without discouraging productive investment.

manufacturing CEO

spokesperson. At the Infrastructure Investment Summit earlier this year, she was instrumental in building bipartisan support, backing the use of public-private partnerships while setting clear non-negotiables around hospitals, schools, prisons and critical infrastructure.

"These are the essential public services, and people expect their government to safeguard them," she told investors.

Several argue Labour's six years in government stacked costs on business through higher wages, expanded leave, added holidays, and mounting compliance.

One respondent is blunt: "Decisions were in the hands of Labourites just like Barbara Edmonds, an academic who has never run a business."

That view is not universal, but it underscores the gulf that Edmonds – and Labour – must bridge before next year's election.

The capital gains test

That will be tested soon when Labour unveils its long-awaited tax package – its first major policy offering of the campaign. A capital gains tax (CGT) is widely expected to sit at the centre of it.

The idea is hardly new. Labour has explored versions of CGT for decades – from David Lange's tentative steps in the 1980s, to Phil Goff's ill-fated 2011 campaign, to Jacinda Ardern's decision to rule it out despite Sir Michael Cullen's 2019 tax working group urging reform. Each time, political backlash forced retreat. Chris Hipkins also ruled it out in the lead-up to the 2023 election campaign.

This year's Mood of the Boardroom survey highlights just how divisive the issue remains: 34% of CEOs support a CGT in principle, 47% oppose it outright, and 19% remain undecided.

Support today hinges on scope and safeguards. "A carefully scoped CGT, with safeguards, could make the system fairer and more efficient without discouraging productive investment," says the CEO of a manufacturer.

Institute of Directors CEO Kirsten (KP) Patterson frames it as generational fairness: "At some point, New Zealand will need to lean into a capital gains tax ... it's not sustainable to leave it until after the grey-bubble generation has had their financial reward and the burden falls yet again on a younger generation already struggling with home ownership."

Auckland Business Chamber CEO Simon Bridges adds a note of caution:

"A form of capital gains tax, if accompanied by corporate tax relief, is – with great care and skill – saleable to middle New Zealand and business."

As Auckland Airport CEO Carrie Hurihanganui puts it: "The devil is in the detail as not all capital gains tax policies are the same."

The common red lines for respondents include applying it only to realised gains, excluding the family home and small businesses, and offsetting it with relief for low earners.

Opponents are equally emphatic. "Does not work as implied, and will stifle investment," says one.

Craig Stobo, chairman of the New Zealand Local Government Funding Agency, points back to 2019: "Sir Michael Cullen's tax working group said it all ... it all sounds good until the operational details are revealed."

Others argue for fiscal restraint instead of new taxes: "If the Government just focused on spending wisely, that would not be required. Any new tax will be wasted."

The emotional edge is sharp. One leader warns CGT could drive a "mass exodus" to Australia. Another says bluntly: "I would consider leaving the country."

Yet there is also a pragmatic middle, ready to support a narrowly drawn, transparent regime if it is paired with credible growth measures and income tax offsets.

For Edmonds, how she handles this will be seen as a test not just of her policy chops but of her ability to sell Labour's economic direction and ultimately win the electorate's backing as Labour's next Minister of Finance.

CEOs push for an independent watchdog

A clear majority of executives in this year's Mood of the Boardroom survey – 61% – support the establishment of an independent institution such as a Parliamentary Budget Office to provide impartial oversight of government expenditure and fiscal policy. A quarter are opposed, while 14% remain unsure.

Supporters argue that such a body would strengthen transparency and accountability. Auckland Airport CEO Carrie Hurihanganui says: "Fiscal pru-

dence is critical and an independent body, set up correctly and with the appropriate mandate, would add value."

New Zealand Initiative chairman Roger Partridge notes Treasury's fiscal updates often rely too heavily on ministerial assumptions: "That leaves voters and Parliament with projections that often look better on paper than in practice. Many OECD countries already benefit from such institutions. New Zealand should, too."

Others believe the need arises from Treasury's limited independence. "Treasury is not sufficiently independent from the Minister of Finance," observes economist Cameron Bagrie. Deloitte chairman Thomas Pippas adds: "The more we can depoliticise the articulation of 'facts', the better we will be."

"Yes – but don't hire Elon," jokes Cordis Auckland managing director Craig Bonnor.

But resistance remains. Critics ar-

gue it risks creating "more bureaucracy" when agencies should already be exercising discipline.

"We shouldn't need a Parliamentary Budget Office as every department should already be delivering transparency and fiscal discipline," says one CEO. "New Zealand is simply too small to keep creating more agencies to address systemic deficiencies."

EMA CEO John Fraser-Mackenzie worries about duplication: "On one level it sounds appealing – but where

does it end – who will monitor the monitors?"

"If the incumbent officials cannot manage their expenditure, they should be replaced with those who can. In business, your operational leaders are responsible for this with oversight from the finance function."

Others question whether it was simply Treasury's role to begin with: "Isn't this what Treasury should be doing?" asks an engineering CEO.

– Tim McCready

MOOD OF THE BOARDROOM

Rhetoric may need to confront reality

Survey reveals rising concern over government spending, tax pressures, says

Thomas Pippas

Survey outcomes are always impacted by the broader context that currently includes social, financial, and geopolitical uncertainty.

While this year's sentiments are generally not diametrically different to those in prior periods, the reality that navigating a way forward will take longer and will be more challenging than what may have been thought in the past seems omnipresent in the responses.

Unsurprisingly, given this context, the majority sense tax rates are under pressure to rise (rather than fall), as fiscal deficits, debt levels and the broader economic performance become more real. The domestic view, no doubt amplified by officials already foreshadowing that if current policy settings are maintained, Government expenditure in proportion to GDP will rise, with an ageing population being a core driver. In terms of the specific sentiments around tax rates increasing, 45% feel upward pressure internationally, 32% think not and 23% are unsure.

The New Zealand sentiments are similar but less strong, possibly due to perceptions that our context is seen as less extreme than exists elsewhere. In terms of what's driving our upward pressure, one summed it up, saying "there is no doubt during Covid our Government overdid it in its spending. Worse than that, the spending was just that – it certainly wasn't investment."

The broader theme is now that this needs to be addressed, including one commenting, "The real solution lies in restoring prudent fiscal management, focusing the Government on essential services,



and reforming superannuation and welfare settings. Without that discipline, new taxes will fund waste rather than secure long-term sustainability."

Consistent with this sentiment, the tax policy response overwhelmingly sought was to live within our current tax settings, to accept that we live in a world of limited resources and to make the trade-offs according. This was a consistent theme, with one also saying, "New Zealand's fiscal challenge is not inadequate revenue but runaway expenditure."

This sentiment to largely live within our current tax settings was most pronounced around a wealth tax, with 81% not supporting its introduction and only 9% somewhat supportive. Wealth tax, therefore, remains very unpopular, a sentiment that has existed from when it became part of our tax policy vernacular. Gift and estate duties similarly garner no support, with 76% not supportive and 10% somewhat.

In terms of existing tax-setting, a similar majority of 75% don't support increasing the overall tax charged to businesses, including increasing the company tax rate. Looking at this through the other lens, only a minority of 19% fully support a drop in the corporate tax rate, 18% reasonably support it, and 21%

somewhat supportive. However, 36% have no support for it at all. This contrasts with last year's sentiments, where 67% considered that the Government should consider a reduction of the corporate headline rate with only 20% not supportive. A material sentiment shift over 12 months.

Juxtaposing this, there continues to be support for broadening the tax on asset gains, including the taxation of capital gains; with 61% fully, reasonably, or somewhat supportive. Only 37% were not supportive at all. One stated, "I don't support a CGT on its own. Done by itself, it's simply a tax grab. If it were part of a tax rebalancing, however, that lifted the economy and productivity, this could be worth considering."

Wider than tax, the majority are either fully (38%), reasonably (30%) or somewhat (17%) supportive of targeting superannuation by increasing the age of eligibility, with a similar spread supportive of targeting the same to those in greater need.

And in terms of government expenditure that tax revenues are required to fund, 31% have a heightened concern around the efficacy of government spending, up from 16% last year, with that number peaking at 85% the year before (under

In terms of superannuation, politics and appealing to political constituencies seem to drive the lack of progress in this area, or as a former politician once mentioned in a forum, 'dishonest politicians are a function of dishonest voters'.

Thomas Pippas

the previous Government), which had one then stating that "it was out of control". A similar sentiment this year was, "to quote Sir Brian Roche: we have got approximately 63,537 public servants, which is an increase of 30% over the last six years – our economy has not grown by that amount and it does not feel that we have had a 30% increase in service provision".

This theme has been articulated across the questions in a multitude of ways by many, as the reality of the recovery hits home.

In terms of wealth inequality, it continues to resonate as a material issue with only 14% feeling that the concern has reduced year on year, albeit housing values have softened. Similar to previous years, 66% feel ensuring suitable minimum levels of welfare and income (a heightened safety net) is the main response to the problem.

When asked as part of solving wealth inequality, taxing wealth in addition to income continues to score poorly at 9%, but similar to sentiments already raised, taxing realised gains on assets in addition to income comes through more positively at 45%.

Ending on a more upbeat note for the Government, the vast majority (70%) believe that the Government's

goal to return to surplus in 2028/29, one year later than previously expected is about right, around the same 67% last year. With concerns around the ability to successfully compete in attracting capital and labour at 63%, only slightly raised from last year's 55%.

The sentiments, therefore, again provide some well-trodden ground for the Labour opposition to differentiate itself on tax and some wider settings, which presumably need to become real in the foreseeable future. And for the current Government to differentiate itself more boldly – take the first-mover advantage.

Stating the obvious however, the opposition is more than just Labour, and that in terms of Labour, when the taxation of capital has been fought and lost four times since 2011 (if you include the policy retreat in 2023 that caused David Parker to step down as the Minister of Revenue), it's not intuitive that they would go for a fifth, either alone or with others, and even harder if it's with a leader connected with the past.

Even less intuitive is that they would lead with a Wealth Tax or include that in any policy package when they haven't been able to get the taxation of capital gains over the line.

In terms of superannuation, politics and appealing to political constituencies seem to drive the lack of progress in this area, or as a former politician once mentioned in a forum, "dishonest politicians are a function of dishonest voters".

Moving from the survey, possibly our overarching challenges are a fragmented voter base that is capitalised on by fragmented political alternatives, some far from the centre, and a proportionate system that amplifies the fragmentation, in particular the sentiments far from the centre. This is an unenviable context in which to drive long-term policy decisions if "doing nothing" isn't really an option.

● Thomas Pippas chairs the Deloitte New Zealand board. Deloitte is an advertising sponsor of the Herald's Mood of the Boardroom report

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Premium



Top issues facing the nation — CEOs have their say



Andrea Scown Mitre 10

- **Consumer confidence:** the economy is in recovery and as business leaders we must voice more optimism that we are seeing sustainable growth, it mightn't be at the pace we would like, but it's there.
- **Ageing Infrastructure:** the Government needs to back one or two significant strategies, not simply investing more but taking a long-term view that considers capital, labour force, demand and overlaying climate change. It's difficult to reconcile the spending happening with a well-communicated strategy the average Kiwi would understand.
- **Wealth divide:** we have a significant social problem that presents as lack of access to education, healthcare, aged care. Difficult to imagine better outcomes for 90% of New Zealanders without redistribution of wealth through tools like CGT.



Mike Horne, Deloitte

- Significant productivity challenge reflecting capital, international connectivity, digital transformation and R&D investment challenges. Needs greater ambition and international engagement; we don't need a unique NZ solution for everything. We also need more attractive investment settings.
- Loss of skills / talent flight. NZ can't just be a nice place to live, we need economic ambition as well. Requires reform of key building blocks for education, infrastructure, energy, regulation and investment settings.
- Educational settings, and preparing our young people for future workforce requirements. There is a degree of back to basics required but also significant accessibility, technology deficits and workforce of the future skill settings that need to be integrated. Needs a far greater degree of international connectivity.



Sophie Maloney, Sky

- Ensuring New Zealand's economic growth and resilience. We need to see government spending highly targeted toward initiatives that stimulate growth and ease pressure on households. Current sentiment reflects that many New Zealanders do not feel wealthy; they are under sustained financial pressure and, in some cases, struggling to afford essentials.
- Social cohesion is a concerning challenge for New Zealand. We must also confront ageism: older New Zealanders are valuable consumers and economic contributors. Inclusivity across age, stage, race and religion must be central to our national identity.
- We need to strongly champion nationwide investment in digital infrastructure and skills so all New Zealanders can benefit from the digital economy.



Blair Turnbull Milford Asset Management

- An nation ageing faster than we are saving – as the New Zealand population ages, we must move beyond reliance on NZ Super and build a future where every Kiwi retires with dignity through smart, sustainable planning and long-term savings solutions.
- The cost of living crisis – to tackle New Zealand's cost of living crisis, we need to think bigger – NZ Inc must prioritise productivity, innovation, and long-term value creation to ease pressure on households and secure our economic future.
- New Zealand's productivity needs to be in the spotlight – not from lack of talent, but from lack of bold investment. It's time to back innovation and build the engines of future growth.



Mahara Inglis MitoQ

- Modernising our infrastructure: Set a minimum committed spending on infrastructure (% GDP) guaranteed for long term (20-30 years+ to allow proper long-term planning), have it governed by a panel of experts (to stop political flip-flopping/pork barrel projects) who are responsible to Parliament (to ensure accountability).
- Revamping education system – resetting NCEA (good start), adjusting education in the face of AI, more trade pathways, and deepened investment in R&D around NZ's core competencies.
- Resetting tax system – tax free for income less than \$25k, capital gains (outside of family home or new build) with exemptions for small business, and significant tax breaks/incentives for R&D.

Survey respondents were given the opportunity to comment on the top issues and how they would resolve them

Mike Peterson Scales Corporation

- As an exporting nation, successfully navigating the increasingly complex and challenging global situation. Exporters will need to stay agile, and adapt to changing trade flows to ensure value is captured from international markets and customers.
- Improve confidence – for both business and personal. Create the environment for investment and retention of top talent. Will need government to lead here with provision of seed funding to crowd in domestic and international investors.
- Create an environment to retain – and encourage return of top talent. Improve core education – leadership by Stanford superb here. Safer NZ – Mitchell doing great work.

Craig Bonnor, Cordis Hotels

- The economy: As the Government is unlikely to increase spending as it tries to return to Budget surplus, how about a reduction in red tape? That will stimulate Corporate NZ, foreign investors and visitors to fill the spending void. Improved visitor visa access will rapidly improve export earnings. Increased tourism immediately translates into dollars in the pockets of everyday Kiwis.
- Productivity: Redirect government spending into education and skills training. Prioritise research & development, then incentivise entrepreneurs to bring initiatives to life in New Zealand.
- Energy: Policy, funding of required

generation, leading to pricing. Needs more visible leadership and bipartisan support to deliver long term energy security at reasonable prices

Kim Ballinger,ASUREQuality

- Lack of cohesive vision for the country. Establish a clear vision for NZ outlining where is NZ's unique point of difference, communicate, plan and double down on execution and needed investment.
- We are trying to be everything to everyone, this means our resources and priorities are spread too thinly and are ineffective.
- More bipartisan agreement on the things that need long term plans and commitment e.g. education

David Mair Sanford

- Lack of productivity – stop making excuses!
- Lack of unity.
- Political uncertainty – we need cross party agreements that take a longer term view.

Tony Clifford Pan Pacific Forests

- Energy for industry – gas and electricity. Need a long-term plan – not election cycle frequency.
- Trade access. Intense diplomatic negotiations with our key trade partners.
- Reducing cost of freight to Australia so we can utilise our FTA (CER) and grow exports there. Increase port productivity in NZ and Australia.

Jason Paris One NZ

- Lack of ambition – Government and Business align on a bold 25-year plan for infrastructure, education, health and housing – and get on with it.
- Short termism – National and Labour need to stop arguing and get on with the things that they agree on. Put politics aside and bring NZ's future to the forefront.
- Become an attractive place for the best and brightest to live, work and invest – change our settings.

Scott Pritchard Precinct Properties

- Sluggish economy in our two major cities despite strength in the regions. Need greater Monetary stimulus.
- Immigration policy settings – adjustment to foreign buyer ban on property.
- Volatile construction industry and loss of c. 20,000 skilled workers – more consistent investment from Central Government into infrastructure to stabilise and retain skills.

Don Braid Mainfreight

- A lack of economic growth. Finding and promoting productivity, releasing the constraints of bureaucracy.
- A lack of investment in much needed infrastructure across most sectors of the economy. Look for much needed offshore investment to assist.

- Government debt. Prioritise spending to promote economic activity and the well-being, health and education of our people.

Sam Stubbs Simplicity

- Lack of savings to fuel productive growth. Compulsory KiwiSaver and rising contributions – finally.
- Crazy levels of defence spending. Five helicopters or Dunedin Hospital? Which better defends our well-being?
- AI and the threat to low level and high level jobs.

Mark Rushworth UP Education

- Persistently low productivity and weak economic growth. New Zealand continues to lag OECD peers. We need tax and regulatory reform to encourage capital investment, an innovation-driven growth strategy, and a bipartisan plan with measurable targets to lift GDP per capita.
- A growing skills and education gap. Shortages in digital, health, and trades while student outcomes slide. Rebuild vocational and tertiary pathways in partnership with industry, aligning funding with economic needs, and complement this with a smarter immigration policy.
- An infrastructure and housing deficit. Underinvestment in transport, energy, and housing limits productivity and drives inequality. We must establish a long-term infrastructure pipeline, mobilise private capital through PPPs, and accelerate delivery through planning reform.

Roger Partridge NZ Initiative

- Crisis of ambition – we seem to be too content with mediocrity. Even when we're ambitious as a nation, it is just to "close the gap" with Australia – not to be the world's most prosperous nation. We could learn from our sportsmen and women.
- Unsustainable levels of government spending – and, consequently, unsustainable projected debt levels.
- Lack of productivity growth – which has myriad causes, from housing affordability (consuming a disproportionate share of savings), to regulatory settings and educational outcomes.

Craig Stobo Local Government Funding Agency

- Greater Government fiscal restraint requires cutting into entitlement programmes, and investment in digital architecture.
- Address the emerging firming energy shortage with nuclear power.
- Increasing reliance on exporting to communist China requires a diversification reset.

Silvana Schenone Jarden

- Competitiveness vis a vis Australia
- Leak of talent during people's most productive years: lots of training and retiring years in New Zealand.
- Infrastructure deficit and the challenge of attracting long term investment.

MOOD OF THE BOARDROOM

The 'bipartisan path' to success

Westpac chief urges stability on housing, health and education

Jenée Tibshraeny

Westpac New Zealand chief executive Catherine McGrath is adding to the chorus of Kiwis calling for more bipartisanship across the political aisle when it comes to the management of the country's infrastructure.

Speaking to the *Herald* after taking part in its annual Mood of the Boardroom survey, McGrath said the changes of approach between different governments were creating uncertainty and impeding growth.

"I completely respect that political parties go in with different views, and we value that as the voting public," McGrath said.

"But I think on some critical areas of infrastructure – components of health, components of education, components of housing – having a bipartisan path would let us firm up in terms of the investments. It would let us firm up in terms of the economy and still give plenty of room for different policy views and different execution approaches."

McGrath called on political leaders to at least agree on the core aspects of building infrastructure. She said businesses struggled with the swings between administrations. Every time this happens, progress is paused as the public sector figures out how to articulate the change, while those in the private sector must work out what this means for them and how they need to position themselves.

For example, McGrath recognised more work was being outsourced to



Overall certainty around government policy would both give developers and community housing providers real confidence to start scaling up.

Catherine McGrath

private healthcare providers under the Coalition Government compared to the Labour Government.

"We're doing some work with quite a cool-looking build that's going to be happening in the South Island, that is assumed to be a mix of public and private investment. They're just having to get on with it in the hope that the contracts firm up and it will all continue in the way that it's currently planned," McGrath said.

She noted the provision of public housing was also being dealt with very differently by the Coalition Government, which was leaning more on community housing providers rather than the state to build public housing.

While house prices and rents have fallen, McGrath remained concerned about housing affordability in New Zealand. She praised the Reserve Bank's proposal to tweak the amount of capital it requires banks to hold in relation to the different types of lending they do.

McGrath was of the view that having more granular rules would enable banks to lend to community housing providers at a lower cost.

"There have been some good policy decisions made by this government, which is useful. But overall certainty around government policy would both give developers and community housing providers real con-

fidence to start scaling up.

"It means that we could look at quite innovative lending structures like shared equity and leasehold to help. But again, having some bipartisan certainty over some of the core spine of that work, would be great."

McGrath wasn't sure how much more policy uncertainty there was under a three-party government than a single or two-party one, however she recognised having more decision-makers involved could complicate things.

All the drama around the resignations of Reserve Bank Governor Adrian Orr and board chair Neil Quigley hadn't dented McGrath's confidence in the bank's ability to do its job – maintain price stability and financial stability, including by regulating banks.

"From a supervision team perspective, which is what, if I was the public I'd be pretty focused on, they haven't missed a step. They're still having all the same conversations with us that they always have done. And so, I think in some pretty tricky circumstances, the team on the ground is doing a great job at just continuing to do their jobs really well."

An issue of greater concern to McGrath was the impact divisive "anti-woke" rhetoric in various pockets of society was having on staff.

"But I think it's even more important to talk about it now, given if you're in a community that doesn't always feel included, you probably feel more marginalised now because of some narrative globally than you might have done before," she said.

"The world feels like a less inclusive place than it might have felt a couple of years ago, and the reassurance that I continue to give the team here is that nothing's changed at Westpac. We still continue to do the same mahi that we've always done."

● *Westpac is an advertising sponsor of the Herald's Mood of the Boardroom report.*

Why we need vision, not just visibility

Dentons chairman calls for bipartisan attitude to growth and infrastructure

Tim McCready

"Government isn't a business school exercise – it requires vision."

That's the view of Dentons chairman and global vice-chairman, Hayden Wilson, who says the Government needs to step up to match its economic targets with a more ambitious and long-term strategy.

"It feels as though they're trying to talk up the economy, when what they should be doing is working with business to enable the economy to grow."

Too many decisions, he says, seem more about signalling action than delivering results. "It's managerialism rather than leadership," he says. "And what the business community wants and needs from the Government is leadership, partnership and engagement."

Despite efforts to support economic growth, he sees little sign of momentum. "Saying you're relentless for growth doesn't create growth," he says. "The Government has a role in creating the enabling conditions for that growth to occur."

That lack of direction is made worse, he says, by the dynamics of the Coalition Government. While coalition governments are nothing new under MMP, he believes the current government feels particu-



We seem to be trying to do too much not well enough, rather than focusing on how – in the fiscal constraint we have – money can be invested for the largest return over the longest time.

Hayden Wilson

larly fragmented. "There does seem to be a feeling that two minor parties have significant sway. It feels more like three equal leaders."

The dynamic, he says, has created uncertainty about who is actually steering. "And that perception matters – particularly when long-term decisions are needed."

One initiative Wilson welcomed was Investment Boost, the accelerated depreciation tax incentive announced in this year's Budget to encourage businesses to invest in productive assets.

But he has observed that the policy hasn't had the desired impact. "Businesses don't have the confidence to make large-scale capital investments," he says. "It doesn't seem to

have driven behaviour in the way that the Government expected, or in the way that I hoped it would, either."

That lack of response, he says, reflects a deeper issue: a government operating without a cohesive strategy for growth. "We haven't seen a plan for how growth gets achieved, and what the government's role in achieving that is."

Wilson says the economy – particularly in Auckland and Wellington – is doing it tough. "It's very sluggish, and businesses don't have confidence that it's going to improve."

He notes that even in the regions, where people are feeling the benefits of a slightly improved economy, you'd expect some of that money to be spent. "But for a lot of people, that's

going to pay down debt. It's not going into long-term investment."

Part of the challenge, he believes, is how resources are allocated.

"We seem to be trying to do too much not well enough, rather than focusing on how – in the fiscal constraint we have – money can be invested for the largest return over the longest time."

He adds that this challenge isn't exclusive to the current Government: Labour, too, must be clearer about its agenda. "It's not enough to oppose. Labour needs to lay out its ideas on infrastructure, accept that we have thin capitalisation, and say how it would do things differently."

Wilson says unlocking long-term investment – especially in infra-

structure and climate resilience – depends on the assurance that policies will survive changes in government. That, he argues, requires a degree of bipartisan commitment that has been lacking. He points to enduring examples of infrastructure as proof that long-term thinking works.

"Wellington's 1930s-era state houses are still standing strong nearly a century on, even if no longer social housing," he notes. "Does anyone think the social housing the Government is investing in now will still be there and still be attractive in 50 or 100 years?"

What's needed, he says, is a commitment to infrastructure delivery that survives electoral cycles.

"We run into this risk that a government gets in, throws everything out, and starts again." That kind of reset, repeated every three years, undermines trust in the pipeline.

"Both Labour and National need to understand that bipartisanship is more than just the other side agreeing with you. Frankly, the business community and the New Zealand public expect better."

Wilson says climate issues, while largely missing from the current agenda, remain a live concern for business – particularly around insurability, managed retreat, and resilience. "Most businesses are still quite concerned about the pure business impacts of climate change."

"Those environmental and climate credentials have long helped attract people to New Zealand, and they're quietly slipping off the radar."

● *Dentons is an advertising sponsor of the Herald's Mood of the Boardroom report.*

Power calls for bolder moves on Super

Simon Power's mission is to improve the balances of KiwiSaver members, writes **Graham Skellern**



There needs to be a willingness for policymakers to step up and change retirement settings in a courageous way.

Simon Power

Policymakers need to take a more courageous approach to superannuation and retirement savings just as they have done with education and NCEA, says Fisher Funds chief executive, Simon Power.

"The reasons the change to NCEA was a circuit breaker for the Government were not that they were well-signalled and had third-party endorsement but, more importantly, they were a good idea.

"You can't undervalue, in policy terms, the power of a good idea. Intuitively the parents of kids doing NCEA felt it wasn't delivering the type of educational excellence they were used to. The idea resonated that changes needed to be made, and that takes courage. Getting bipartisan support for the scale of changing core curricula was part of it.

"There is a parallel for having a discussion around superannuation and affordability of retirement.

"Just like the potential changes to NCEA, there needs to be a willingness for policymakers to step up and change retirement settings in a courageous way."

Power, a former National MP for 12 years and former Minister of Justice and Commerce, Consumer Affairs, said over the past 12 months that commentators have drawn to the attention of policymakers that the current settings are not sustainable – it hasn't just been industry and the Retirement Commissioner.

"Any change sits with the policymakers, not industry.

"There's been a series of suggestions and solutions put forward but, for whatever reason, progress hasn't been speedy in the last 12 months."

Last year Power told Mood of the Boardroom that KiwiSaver schemes and the NZ Super Fund have reached a scale where they can play a larger role in smoothing out the cost of superannuation.

"We need to have a tripartite discussion on what retirement savings

will look like. The construction of the conversation has changed because of the size of the funds," he said at the time.

The NZ Super Fund has grown to over \$80 billion in value, and the 38 KiwiSaver schemes, with a total of 3.33 million members, had \$128.6b under management at March 31 this year. The KiwiSaver assets had an annual increase of 11.5%.

Power backed the move in the May Budget to increase the employer contribution to KiwiSaver from 3% to 4% over two years, starting from April next year.

"That was a good start and has to be applauded. But why stop there? We need to paint a picture, and the need for a 10-year view is incredibly important. We don't have to copy Australia, which increased the employer contribution to 12% in July,

and their government superannuation (called Age Pension) is means-tested and available from the age of 67.

"We are 15 years behind them," said Power. "What the Government did in the Budget was a powerful tool to encourage a deeper conversation about retirement savings and not to be nervous about recognising that the New Zealand public is really smart and understands the nuance of long-term policymaking if they are taken on that journey."

Power said there has been an emergence of thoughtful, bipartisan arrangements with infrastructure. The same approach should apply to superannuation and long-term retirement savings.

"Forming accords and committees is not the first step. The first step to bipartisan policy making is getting key figures across Parliament to trust the association."

Power said his firm has seen a 40% increase in communications from clients concerning significant financial hardship. According to IRD, there were 4100 withdrawals from KiwiSaver in July last year. This increased to 4950 in July this year.

"I checked with my team and we are not seeing this trend ease off at the moment. What it's telling us is that working mums and dads are applying for withdrawals. They are not large sums of money, just hundreds of

dollars to cover week-to-week or fortnight-to-fortnight living expenses.

"This is a leading indicator of how the economy is sitting. Long-serving staff haven't seen it like this before. It's really about household expenditure pressure," he said.

"One that sticks out is the increase in power. Because it's a complex industry, the reasons for the increases are quite challenging to convey. This is an opportunity for policymakers to talk about the components that make up the electricity price and make sure the pricing is widely understood."

Power said while the Government was considering a variety of reports on the energy market, it would be helpful to get visibility on what these reports recommend and to engage in a conversation.

"When you think about the sums of money involved with KiwiSaver, the increase in living expenses applications is not having a huge impact on the overall numbers," he said.

The average KiwiSaver balance among New Zealanders is \$37,000, a slight increase of \$5000 from last year.

"My main concern is to get the balances up for people heading into retirement. It does worry me that the year-on-year balance is increasing \$5000."

Power suggests that the employer contribution to KiwiSaver should increase up to 9% or 10% over a period of 10 to 15 years. "My point is, we need to have a plan beyond two years. Retirement savings is not straightforward but we need to have a debate."

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MOOD OF THE BOARDROOM

Business leaders deliver blunt verdict on Hipkins

Chris Hipkins is facing a sharp verdict from New Zealand's top chief executives. Asked in the Mood of the Boardroom CEOs survey to rate his performance as opposition leader in holding the Government to account on critical national issues, the average score delivered is just 2.01/5. More than 70% of respondents gave him a rating of just 1/5 or 2/5.

The upshot is a warning that Labour looks like a party waiting for the Coalition Government to collapse under its own failures, rather than offering a credible alternative.

"The Labour Opposition generally lacks visibility and is generally simply looking for the Government to fall out of favour," says Deloitte chairman Thomas Pippas.

An engineering CEO is equally blunt: "He appears to be watching the Government implode instead of stepping up and showing leadership, how can Labour demonstrate they can lead the country out of the current economic climate?"

A law firm CEO sums up: "I really like Chris Hipkins but am frustrated by his lack of leadership. Re-ignite what he and the Labour Party believe in – have a vision for New Zealand that will inspire and ignite action."

For some, the issue goes beyond opposition tactics to credibility. "I find it difficult to reconcile responsibility for the policies of the last Government with critiques of the current Government's attempts at managing the consequences of those policies," says Local Government Funding Agency chairman Craig Stobo.

Others highlight his public absence from the Covid inquiry, his unwillingness to front mistakes from Labour's past term, and a tendency to focus on political point-scoring rather than solutions.

But most want clearer direction. "He's good in some areas, weak in others," says Ventia executive general manager Damian Pedreschi. "It's time to hear more clearly what his and his party's position is on key

CEOs award low marks to Labour line-up, writes **Tim McCready**



I think he's played a clever game – mostly keeping his head down. He doesn't need to do much, as the public don't like Luxon, the economy is awful and people will just want to feel they are voting for something better.

Tourism chairperson

topics and back it up with their plans and policies."

A tech boss adds: "Hipkins has improved Labour's standing and sharpened accountability on key policy areas, pending clearer, costed alternatives across the board."

Not all verdicts are so uncompromising. Some see merit in Hipkins' cautious approach.

"I think he's played a clever game – mostly keeping his head down," says a tourism chairperson. "He doesn't need to do much, as the public don't like Luxon, the economy is awful and people will just want to feel they are voting for something better."

But business leaders agree the current strategy cannot hold indefinitely.

After Jacinda Ardern's resignation in early 2023, Chris Hipkins was swiftly elevated to Labour's leadership. A senior minister under Ardern, he had held portfolios including edu-

cation, public service, police, and Covid-19 response.

Hipkins sought to reset Labour's agenda with what became known as his "policy bonfire", including shelving the RNZ-TVNZ merger, withdrawing proposed hate speech laws, delaying the social insurance scheme, and changes to Three Waters. He framed the shift as a move back to "bread and butter" economic issues, an attempt to narrow Labour's focus and reconnect with middle New Zealand.

Since Labour's defeat in 2023, Hipkins has sought to reset Labour with a deliberately lower profile.

While in some ways this has worked – he has polled close to Prime Minister Christopher Luxon this year and is now leading in some preferred leader surveys – many in the boardroom say the strategy risks being perceived as too quiet and too often absent from the policy debate.

Labour's challenge in opposition is not only rebuilding credibility with business, but convincing voters it can chart a course without appearing constrained by its potential coalition partners. With polling suggesting Labour cannot govern alone, many in the boardroom fear power-sharing with the Greens and Te Pāti Māori could hand too much influence to more activist policy positions.

Hipkins has sought to allay those concerns by stressing "jobs, homes and health" as Labour's core priorities, while keeping up regular engagement through business roundtables and economic briefings. But doubts remain.

Labour's invisible frontbench leaves business wanting more

The survey reflects those doubts. Most of Labour's frontbench are rated closer to "not impressive" than "im-

pressive", with business leaders repeatedly citing a lack of depth, direction and co-ordination.

Barbara Edmonds tops Labour's performance rankings with an average score of 3.20/5, reflecting cautious but growing respect for her role as finance and economy spokesperson.

She also holds the savings and investment portfolio.

Kieran McNulty, responsible for housing, infrastructure and public investment, scores 2.87/5.

Beyond them, the ratings fall away sharply. Even Labour leader and former Prime Minister Hipkins lags well behind with 2.28/5.

Next is Ginny Andersen (police) on 2.17/5, Megan Woods (energy) on 2.16/5, Ayesha Verrall (health) on 2.07/5, and Carmel Sepuloni (Auckland issues) on 2.04/5.

The bottom-ranked three of Labour's front bench all score below 2/5: Willie Jackson (Māori development) rates 1.78/5, Jan Tinetti (workplace relations) 1.76/5, and Willow-Jean Prime (education; children) on 1.53/5.

"Not as co-ordinated on communications as they need to be, especially between Chris and Barbara," notes the CEO of a large law firm. "Need to demonstrate greater clarity, strength and energy. We need a stronger opposition and option – and fast!"

There are some serious doubts about competence. "Very few are in command of their portfolios or give a clear sense of strategic direction," says a recruitment boss. Others argue Labour has "lost any fight and leadership" and remains "largely anonymous and impossible to understand what their policies might be."

Even those more sympathetic emphasise the need for urgency. "I hope the Labour Party is biding its time and doing some serious policy work behind the scenes a year before elections," suggests Auckland Business Chamber CEO Simon Bridges.

"Regardless of what the outcome may be, New Zealand deserves an Opposition that is keeping things competitive."

Peters rises as Seymour and

Deputy PM job share gets mixed review from business leaders

Tim McCready

Chief executives are moderately positive about the novel shared Deputy Prime Ministership arrangement, born from coalition negotiations between Prime Minister Christopher Luxon, Winston Peters, and David Seymour.

Peters served as deputy for 18 months before handing the title to Seymour on May 31 this year.

The arrangement scored 3.07/5 by respondents to the Mood of the Boardroom, on a scale where 1 means "not impressive" and 5 equals "very impressive", with many surprised at how smoothly it has functioned, given the potential for friction between three leaders with different political styles and priorities.

"Didn't predict that!" says one. Another remarks: "For the most part, behaving like responsible adults ... it has worked so far."

Several note the coalition's cohesion: "They have done very well bringing three diverse leaders together," while another observes: "Surprisingly cohesive... so far."

However, not all share this positive

view. The head of a prominent law firm labels both deputy leaders as "terrible and destructive for New Zealand", calling for a rethink of the MMP voting system itself.

An engineering CEO was also critical, saying the arrangement "doesn't work - too much competing with own agendas and too many egos. Minor parties have too much to say on policy setting in New Zealand."

Several respondents feel the arrangement has weakened the Prime Minister's position.

"Playing politics and creating a weird dynamic. This has not strengthened the PM's position and, in fact, at times undermines him," notes an infrastructure boss. A logistics CEO says: "The Government did not need the change mid-term. An unnecessary distraction."

Minor party leaders

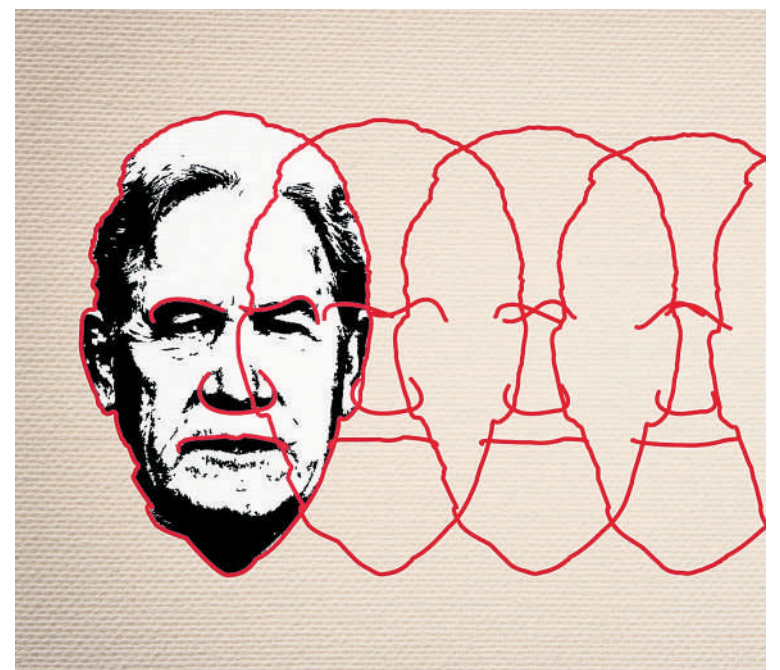
New Zealand First leader Winston Peters once again emerges as the most impressive minor party leader, receiving a score of 3.70/5 from business leaders, up from 3.40/5 last year. He is the only minor party leader to increase his score year-on-year.

A CEO in the logistics industry remarks: "Peters is very effective in foreign policy, but I am aware of the MMP politics around rail, which is not impressive."

NZ First has pushed a broad agenda – from controversial proposals like the since-withdrawn Fair Access to Bathrooms Bill and legislation to define "woman" and "man" in biological terms, to measures targeting banks' use of ESG criteria. It has also championed judicial reform, limits on the Waitangi Tribunal, and advanced the \$1.2b Regional Infrastructure Fund to boost provincial economies.

At its annual conference this year, Peters unveiled further ambitions: compulsory KiwiSaver contributions rising to 10% and offset with tax cuts, a migrant "values statement", and legislation to make English an official language.

The event also featured former Labour minister Stuart Nash, fuelling speculation about a role with the party. Days later, Nash resigned from Robert Walters and the Taxpayers' Union after crude comments about women on online radio station The Platform, which Peters labelled "not



acceptable" but noted Nash had apologised.

Business leaders remain relatively lukewarm on the performance of the other minor party leaders, with ratings largely slipping from last year.

An independent director notes that minor parties are "generally distracting and negative and do not have the nation's long-term interests in mind", while an energy CEO says they "disproportionately impact core

National Party poll slump sparks questions over leadership



Mood of the Boardroom
Richard Harman

You don't need a weatherman to know which way the political winds are blowing right now. They are beginning to rustle the leadership of Prime Minister Christopher Luxon.

Last week's GDP figures, the week before's migration numbers, along with the regular drumbeat of industrial layoffs, all point to an economy that is in the economic intensive care ward.

Poll after poll and survey after survey reflect a widespread view that the country is drifting and that the Government has no credible plan to stop that. The Westpac-McDermott consumer confidence measure, although it has moved up since 2023, remains well below the long-run average.

The September Taxpayers Union-Curia poll shows that 52 per cent think the country is headed in the wrong direction compared with only 38 per cent who thought that in January last year.

It also shows National and Labour less than 1% apart, and even more ominously for National, it shows a centre-left coalition of just Labour and the Greens within 4% of the centre-right National, Act, NZ First coalition. That poll is important because it is from Curia, which is David Farrar's polling company and which has polled for National since the Key years.

It is now conceivable that this could be a one-term government.

The polling will be doing the rounds of the weekly National Caucus year-group drinks' sessions, where it will be the platform for discussions about who to blame for the situation and how it might be reversed. Inevitably, those discussions will focus on the leadership.

Luxon faces doubts as polls tighten and caucus loyalty looks shaky



Since 1957, parties have changed their leader in Government seven times and each time gone on to lose the next election.

Photo / Mark Mitchell

This won't be the first time this year that has happened. There are reports that some Caucus members canvassed a change in leadership earlier this year but were persuaded by a senior Caucus figure to back off, on the grounds the party could not afford the political trauma of a change.

The MPs were apparently reminded of the damage the leadership changes had done in 2020.

Instead, it seems to have been accepted that any leadership change should happen after the next election.

But that was then, and the Curia poll is now.

Very few National MPs bother to give any impression that they actually like the Prime Minister or even hold him in particularly high regard. Labour's main attack dog, Kieran McAnulty, has been alluding to this in his Wednesday debate speeches, where he likes to point out what he claims is Luxon's lack of support within his own Caucus.

He is right, and it is what makes

the Prime Minister vulnerable.

Veteran Labour Party activist and former general secretary of the party, Mike Smith, who lived through the putative coup attempts against Helen Clark, developed what he called "Smith's Laws of Politics".

One, don't panic; two, have a runner; three, learn to count; and four, don't believe what you read.

Luxon might take comfort in laws two and three. He has no obvious uncontested successor, so there is no runner with a clear majority within the Caucus.

A year ago, that might have been his deputy, Finance Minister Nicola Willis, but her star appears to have faded with the economy. She is not helped by an incessant Taxpayers' Union campaign against her.

Then there is RMA Reform, Transport and Infrastructure Minister, Chris Bishop, who looked as though he might replace her as caucus favourite. But even though he has been mentored over the years by Speaker Gerry Brownlee, he does not

yet seem to have been able to capture an overwhelming wave of support from among his colleagues.

Nevertheless, until recently, it seems to have been agreed within the Caucus that if it came to a leadership vote now, it would be between Willis and Bishop. However, things appear to be changing with two more names being added to the list.

Health Minister Simeon Brown is widely admired by his colleagues for his no-nonsense ability to manage a tough portfolio. But he is young and, perhaps more importantly, a hard social conservative in a party that knows it must win more young and female centrist votes if it is to prevail at the next election.

That leaves the rising star, Erica Stanford.

Stanford worked for Murray McCully in his East Coast Bays electorate office and then succeeded him as MP in 2017. She was one of the few new Ministers in 2023 who entered the Beehive with a clear policy programme in her two

portfolios of Education and Immigration.

It was obvious she had put in the legwork in both areas and has been able to implement them with only the usual griping from the teacher unions.

The Caucus has been impressed with her relatively trouble-free run as a minister.

She is believed to still have the support of McCully, and that could make her a powerful contender in any leadership race.

But all of this is speculation.

Going back to Smith's Laws, there are no apparent signs of panic within the National Caucus. Indeed, most MPs are at pains to say there is no case for a leadership change before the election.

What they probably mean is that unless things get seriously bad and the whole Government is starting to stare defeat in the face, there is no case for a leadership change.

But even then, history suggests they would proceed with caution.

Since 1957, parties have changed their leader in Government seven times and each time gone on to lose the next election. That suggests that the Caucus's first move if the polls don't recover will be to get Luxon to change some things. That could mean a Cabinet reshuffle or changes in Luxon's own staff or both.

Any reshuffle would focus on Willis as Finance Minister and would bring coalition tensions into play.

They might be enough to save her.

Otherwise, the Cabinet would get what Sir John Key used to call a "refresh", which could mean the departure of underperforming Ministers like Mat Doocey and possibly Simon Watts, who has antagonised the farming lobby and the promotion of Ministers currently outside Cabinet, like Chris Penk and James Meager.

But there are no easy answers. Smith's Laws may save Luxon even if they don't save National.

● Richard Harman is a respected political commentator and author of the *Politik* newsletter.

the Greens slip with CEOs

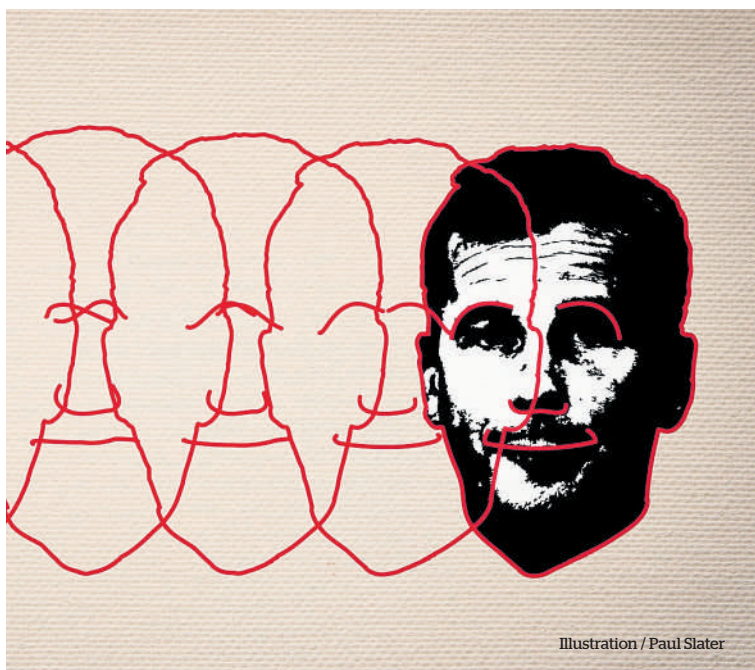


Illustration / Paul Slater

policy frameworks for a prosperous and fair society".

An industry body executive notes that since the 2023 election, too many of the smaller party leaders have done more to divide us than unite us.

"In 2025, New Zealand needs leaders who can rise above partisan point-scoring and build the kind of consensus that strengthens, rather than fractures, our society."

Act leader David Seymour is rated

3.13/5, down from 3.40/5 last year.

His promotion to Deputy Prime Minister is a visible marker of Act's leverage in the coalition.

The party advanced a strong free-market agenda, establishing a Ministry of Regulation to cut back excessive legislation, driving tougher policies on youth offending and gangs, and advocating for longer parliamentary terms to deliver more stable governance.

Beyond Parliament, Act is extending its reach into local government through Act Local, a slate of candidates campaigning on lower rates, core services and a back-to-basics approach in the upcoming local elections.

Business leaders acknowledge Seymour's work ethic, with one recruiter noting: "Like him or not, he is the hardest worker in Parliament," says a recruiter. Others are more critical: "Seymour shouldn't have weaponised Māori for politics. It has hurt Act, making it seem extreme, and damaged Seymour's reputation," says an independent director.

The Greens' co-leaders have suffered sharp drops in their ratings. Chlöe Swarbrick has fallen to 1.72/5 from 2.48/5 in 2024, while Marama Davidson is rated just 1.45/5, down from 1.82/5.

In 2025, New Zealand needs leaders who can rise above partisan point-scoring and build the kind of consensus that strengthens, rather than fractures, our society.

Industry executive

The party has endured a bruising run of scandals and turmoil since the election: Golriz Ghahraman's resignation over shoplifting allegations, the sudden death of new MP Efeso Collins, Darleen Tana's expulsion after allegations of migrant exploitation, Davidson stepping back for a period after a breast cancer diagnosis, and Julie Anne Genter being censured after an angry outburst in Parliament.

Swarbrick has sought to reset the agenda with the Greens' alternative Budget, proposing ambitious spending funded by new taxes and debt. But critics say gaps in the detail risk undermining credibility and alienating potential partners.

Most recently, Benjamin Doyle, who replaced Tana, announced their resignation after months of online harassment.

A real estate CEO laments: "Sadly Swarbrick has gone backwards, and the Greens aren't the party they used to be."

Te Pāti Māori's co-leaders have lost further ground with business, rating just 1.36/5 for Debbie Ngarewa-Packer and 1.39/5 for Rawiri Waititi, down from 1.69/5 last year.

The party celebrated a major win with Orini Kaipara's decisive Tāmaki Makaurau by-election victory over Labour's Peeni Henare earlier this month.

But that momentum has been overshadowed by controversy.

Waititi, Ngarewa-Packer and Hana-Rawhiti Maipi-Clarke received record parliamentary suspensions for refusing to apologise after performing a haka during the Treaty Principles Bill debate – a move deemed "intimidating" by the Privileges Committee.

Internal strains have also emerged. Mariameno Kapa-Kingi was abruptly removed as party whip, while Tākuta Ferris drew cross-party condemnation for comments about non-Māori campaigning for the Labour Party in the by-election.

While the co-leaders are standing their ground, CEOs remain sceptical. "Debbie and Rawiri – divisive and disrespectful," says an engineering boss.



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Executives divided on defence spending plan

Debate grows over how Defence will use its \$12b budget boost, writes **Tim McCready**

Business leaders are split on whether the Government's commitment to raise defence spending to 2% of GDP is enough to keep New Zealand secure in an increasingly volatile world.

Just under a third (32%) of respondents to the *Herald's* 2025 Mood of the Boardroom survey believe the target is sufficient, while 43% say it falls short. The remainder (25%) are unsure.

The debate comes as the Government commits \$12 billion over the next four years – \$9b of it new money – to modernise the New Zealand Defence Force. Spending is expected to climb above 2% of GDP within eight years.

For many executives, the challenge is scale. "A percentage of our small GDP will never be enough," says Mainfreight CEO Don Braid. "Strong security relationships with other nations remain our only options."

Jason Paris, chief executive of One NZ, is direct: "We will never be able to invest enough to protect ourselves without our partners."

Forsyth Barr managing director Neil Paviour-Smith warns, "New Zealand is only truly 'protected' if we are part of a credible set of defence alliances. The cost of that may well be more than 2% of GDP."

Several major investments are earmarked between now and 2028. These include replacing the ageing Boeing 757 fleet (\$600m to \$1b), acquiring maritime helicopters (\$300m to \$600m), and enhancing strike capabilities (\$100m to \$300m) in addition to cybersecurity, drones, and personnel housing upgrades.

Ventia executive general manager Damian Pedreschi emphasises the need to support people as well as hardware. "Our defence force will always be small but mighty," he says. "We need to give them the appropriate living and working facilities, and up-to-date equipment to carry out their core functions."

Several respondents highlight that



The Defence Force is acquiring five MH-60R Seahawks. The helicopters are equipped with advanced systems for detecting and targeting submarines and surface threats.

Photo / Supplied

the debate is as much about credibility with allies as it is about the headline figure.

"For our allies, the commitment no doubt speaks louder than the percentage," says Institute of Directors CEO Kirsten (KP) Patterson. "It's a signal to friends and allies that we take our shared security seriously."

Others stress that execution is what matters. "Chronic underinvestment needs a transformational approach," notes ServiceNow country director Kate Tulp. "How will Defence spend that investment at pace with the current skill sets employed? This will be the determining factor."

Chronic underfunding is repeat-

edly cited. "Defence has been woefully underfunded for decades. Significant investment in innovation is essential, just look at how fast things are moving in Ukraine," says Retirement Villages Association executive director Michelle Palmer.

Dairy Holdings chairman Greg Gent adds that catch-up capital is essential, given the lift is "off a very low base".

Auckland Business Chamber CEO Simon Bridges calls it "the right thing" but says one could argue the timeframe is on the tardy side: "A job worth doing is worth getting on with."

Still, not all believe New Zealand should be chasing higher figures.

"We have to be realistic about our country's balance sheet," says Freightways chairman Mark Cairns. "Two per cent of GDP seems a sensible lift from where we have been."

"To go from 1.2% of GDP to 2% of GDP will require \$30 billion of additional cumulative funding. Where is that coming from?" asks Cameron Bagrie, managing director at Bagrie Economics.

Some are sceptical of the value of the spend.

"It's probably one where we would be better off considering carefully our diplomatic efforts than trying to build a modern navy," says Jarden managing director Silvana Schenone.

Leaders back model of partnership

A strong majority of business leaders back the idea of reviving a formal partnership between government, business, unions and sector leaders to tackle New Zealand's most pressing challenges.

In the Mood of the Boardroom survey, 68% say they would support the model, while 14% oppose it and 18% are unsure.

Many CEOs see clear merit in bringing diverse voices together. "Anything that tries to unify stakeholder groups has to be beneficial," says Deloitte chairman Thomas Pippas. The CEO of a large law firm calls it "an excellent idea, a credible forum to genuinely listen and focus on solutions for a few key priorities."

Supporters point to overseas examples, with Sanford managing director David Mair, noting a model "à la Ireland, but must include education". Others say a refreshed, time-bound forum could help with skills, technology adoption and productivity. As Institute of Directors chief executive Kirsten Patterson puts it: "New Zealand's challenges are too complex for the Government to solve on its own. We need a genuine partnership."

But not everyone is convinced. The New Zealand Initiative chairman Roger Partridge warns against privileging a few organised voices over others and the risk of "lowest-common-denominator compromises, more bureaucracy and less accountability". He says "government should consult widely, but policy must be driven by the public interest, not insider deals with a handful of stakeholders".

Others doubted unions' willingness or ability to contribute constructively, a top recruiter saying: "I don't believe unions have an intention to address challenges. The teachers' union, for example, has created an industry of under-performance."

For some, it came down to execution. "If they can get things done and not slow things down, it could work," says an energy chairperson. A banking boss is more sceptical: "It sounds like such a good idea, but I'd be dubious it would get off the ground and deliver tangible action."

— Tim McCready

Time for a targeted population policy

Scott St John

"If you don't know where you are going, any road will get you there," was an early lesson in my career.

Like many Western countries, New Zealand faces three big challenges: an ageing population, infrastructure deficits, and high government debt.

Policies in recent years have borrowed from the future to pay for the present. This means the burden of today's spending falls on tomorrow's taxpayers, making it harder to meet future needs.

The New Zealand Government is working hard to promote growth with measures like golden visas, accelerated depreciation for productivity (Investment Boost), an energy strategy, and the creation of Invest NZ.

Yet, it remains difficult to meet the public's expectations. Some understand these challenges, but many may not because it's not the most exciting topic.

The Government's agenda would benefit from a longer-term plan built around a clear aspiration. A key part of this would be a comprehensive plan for New Zealand's population –

a vision for population and immigration that supports better urban and infrastructure planning. New Zealand needs a population policy.

While forecasting population growth is complicated by many external factors, it's too important to ignore. Accurate population predictions influence nearly everything – where people live and where we build schools, roads and hospitals. That then determines how we fund these needs – through taxes, savings and investment.

We can either take a "wait and see" approach or create a bold plan for the country we want to become.

This means having an honest conversation about immigration. There are two basic approaches – throw the doors open to almost anyone or decide to target particular groups.

Smart nations are targeting who they need. I think high-skilled and younger people are desperately needed to support our economy.

Population policy should not be just about numbers or filling jobs that are currently unfilled; rather, it should leverage New Zealand's appeal to attract talented people.

This isn't just about wealth – artists, teachers, doctors, nurses, scientists, actors, researchers and investors all add value. Consider the lifetime impact of a great doctor or nurse.

New Zealand's most unique asset is its quality of life. But if we want talented people to settle here, we must also make it easier for them to buy homes and obtain residency.

The international tertiary education sector is another opportunity. Changes in the United States have made the sector more fluid, and other countries – like Singapore – are already moving to attract top academic talent.

Similarly, wealthy or investor migrants can bring industry, entrepreneurship, global connections and philanthropy to New Zealand.

The Government has introduced innovations like Golden Visas and sponsored parent visas.

The proposed US Golden Visa (with a US\$5m fee), for example, has attracted strong early interest. Countries such as Portugal, Argentina, Singapore, and others have similar programmes.

Australia recently replaced its Golden Visa with the National

Innovation Visa, aimed at exceptionally talented individuals. The UK, meanwhile, is still trying to balance tax policy and international appeal.

New Zealand already has a great track record of welcoming successful people who fall in love with the country, leading to tourism assets like Kauri Cliffs, Tara Iti, Te Arai, Craggy Range, Elephant Hill, Cape Kidnappers, Wharekauhau, Mahu Whenua and Matakauri. Auckland's football club, Auckland FC, is another success story.

Philanthropy has also flourished – Auckland Art Gallery received a circa \$200 million art gift from the Robertson family. Many schools, environmental projects, and sports tournaments benefit from the contributions of foreign friends who love New Zealand.

Clearly, there are many ways to approach these challenges. It's important, though, that we view it as a global contest. Talented people have options, and many countries are putting more effort into attracting them.

Population trends are challenging most countries – the competition for top people is real, and New Zealand needs to be competitive.

With a large land mass and a small population, New Zealand has valuable options to attract new residents and should continue exploring them.

If there are concerns about cultural change, we could set rolling percentage caps for immigrants from any single country, say, 15%. This can be controversial, but other countries do it.

For investors, we could direct investment – say, \$5m or \$10m – into specific infrastructure funds, linking immigration directly to benefits for New Zealanders.

Thinking about population growth in a strategic, long-term way helps external investors, especially infrastructure funders, plan for the future. New Zealand's small size makes scale difficult, but it also allows us to be agile if we choose.

A comprehensive population policy and plan that's based on long-term strategic thinking will make us attractive to international partners, investors and the many young Kiwis who see other countries as their future.

● Scott St John is the chairman of ANZ Bank New Zealand and Mercury Energy.

MOOD OF THE BOARDROOM

New Zealand needs a long-term power plan



Mood of the Boardroom
Graham Skellern

Many company executives, particularly in manufacturing, are spending a lot of time managing energy issues at the expense of increasing productivity and investment in their business.

Rising prices and their impact, along with the security of power supply are never far from the chief executives' thoughts.

They were asked in the Mood of the Boardroom survey:

- How affordable are your business energy costs (electricity, gas, petrol, other) currently? Respondents' replies averaged 3.05 out of 5, with 1 being very unaffordable and 5 easily affordable.

- How concerned are you about electricity pricing and its impact on your business over the next 12 months? The average response, this time, was 2.8 out of 5.

- When thinking about New Zealand's energy system, which is most important to your organisation? A third of the respondents said availability and security of supply; 20% pricing/cost; and 2% sustainability/emissions impact. But 44% of the respondents said they were all equally important.

Interestingly, 50% of the respondents said if coal was the lowest-cost source of electricity to provide insurance for dry hydro years, this would not create a problem for the international sale of their goods and services.

A September report by broker Forsyth Barr was headlined: "Electricity demand storms back".

The demand increased 5.7% in August compared with the same month last year, with the country's largest consumer, the Tiwai Point aluminium smelter, returning to full demand for the first time in 14 months and making up 60% of the increase. The cold weather largely accounted for the other 40%.

Hydro storage, at September 1, had fallen to 72% of average, marginally lower than the same time last year. Forsyth Barr said in a sign that the lessons from winter 2024 have been taken on board, the electricity market is more confident of meeting winter 2026 electricity demand.

"We believe the large Huntly Firming Option contract signed between the four largest generator-retailers in August is a key reason for the market's confidence," Forsyth Barr said.

The Huntly contract will make a material difference ahead of the next dry winter, ensuring there was sufficient coal on the ground at all times and should help cap the wholesale electricity price.

Tony Clifford, managing director of PanPac Forest Products, spends 20% of his time managing the company's ongoing energy needs, whether it's securing long-term power purchase agreements, finding alternative energy sources or dealing with other issues.

"The complexity of energy is so massive that it has become an industry itself. I'm spending management time on a utility instead of developing markets and our people, and that's unproductive. It's a dilemma."

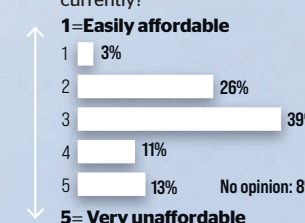
Clifford said the increasing cost of energy and the impact on the

Energy users want more assurance about prices and supply, and certainty that capacity is being built to meet future demand, writes **Graham Skellern**

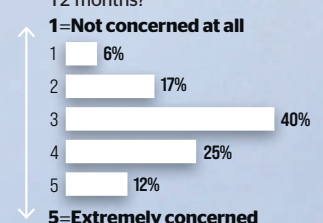
The energy question

Energy issues are the standout concern in the 2025 Herald Mood of the Boardroom Survey. CEOs were asked:

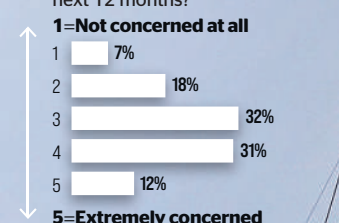
Q How **affordable** are your business energy costs (electricity, gas, petrol, other) currently?



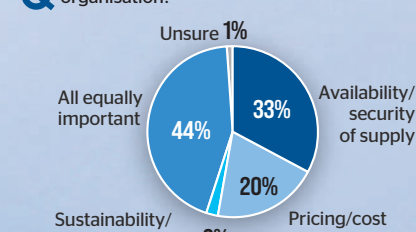
Q How concerned are you about **electricity pricing** and its impact on your business over the next 12 months?



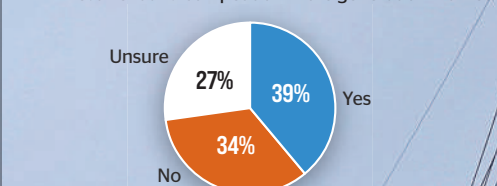
Q How concerned are you about the risk of **energy shortages** and their impact on your business over the next 12 months?



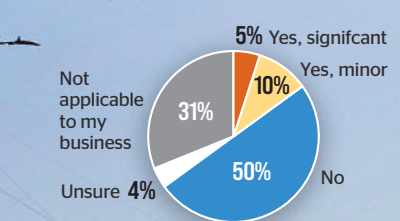
Q Which is **most important** to your organisation?



Q Should the Government require structural separation between **electricity retailers and generators** (similar to the 'Telecom' model) in order to encourage further investment and competition in the generation market?



Q If **coal** was the lowest-cost source of electricity to provide insurance for dry hydro years, would this create a problem for the international sale of your goods and services?



Q Has NZ made sufficient investment in **energy infrastructure** to support the forecast rising electricity demand to support the growth of AI, electric vehicles, and large-scale data centres?

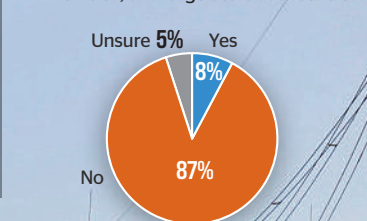


Photo: Alex Burton, Herald Mood of the Boardroom CEOs Survey 2025 / Herald Network graphic

business had been an issue for 10 years and said it was getting steadily worse.

"One of our challenges is that electricity makes up 25% of the costs in running the mechanical pulp mill – it's a key driver of our economic durability.

"The lumber operation uses less electricity and is 5% of the costs."

He said his company lobbies the Government to try to understand the critical relationship between energy affordability and business continuity.

"We've reduced our consumption of electricity by fortunately changing the product line-up for pulp. For one

tonne of pulp, we are now using half as much electricity as we did 10 years ago – but in that time the cost per unit (wholesale electricity) has gone up three times."

So, has this impacted profitability? "Hell yes, worse than that – it's undermined investment confidence, in the company and generally."

Clifford said the market structure was not sufficiently incentivised for building new generation. Some entity in New Zealand needs to take responsibility for a long-term energy plan.

"There's sufficient evidence that shows energy doesn't suit a pure



Tony Clifford

market theory and this has a long-term chilling effect on investment in any energy-intensive business," he said. "Why doesn't a pure market model work – one of the issues is the latency between increasing demand and increasing supply."

Methanex NZ, which has three methanol production plants and is the country's largest user of natural gas by far, has shut down for up to six weeks over the last five winters "to help the energy supply balance, take the pressure off the hydro lakes and keep the lights on."

continued on B22



Evan Maehl

Managing waste to produce power

Waste Management is proud that its power needs are covered by converting the organic waste deposited at its five landfills around the country into gas and electricity.

Evan Maehl, managing director of Waste Management NZ, said, "We can produce power for 25,000 homes off the back of waste going into the landfills. We actually produce more than enough to power ourselves."

But Maehl is "deeply concerned" about the impact of rising energy

prices and constrained supply on the national economy.

"More process-driven businesses will close because of the cost of energy and more people will lose their jobs. Households are spending too much on electricity to the detriment of other things. We have an energy crisis and we need every bit of energy we can get," he said.

"If there's a drought or low wind, we can end up with the power not going on. New Zealand needs more

baseload electricity or energy insurance to back up the shortcomings of renewables (subject to wind, sun and rain).

"If we want a buoyant New Zealand economy, we need to lower energy prices. There doesn't seem to have been a plan over the last 10 years. We need to free up distributed generation and flatten the demand peak and fix the distortions caused by the Emissions Trading Scheme," Maehl said.

Is Huntly agreement the answer?

The generators are busy firming investment decisions to meet future demand while looking sideways to the government for a stable, long-term energy plan, writes **Graham Skellern**

Thanks to the Huntly agreement, the country's generators are confident of meeting the present electricity demand and are looking ahead to cater for future growth in consumption.

The dry winter and low hydro levels last year, coupled with the spike in gas prices caused by lower production, created an energy shortfall and a great deal of nervousness. Some called it an energy crisis.

The four major generators, Genesis Energy, Mercury, Meridian and Contact, quickly shored up the security of the electricity supply. They recently established the 10-year Huntly Firming Options (HFOs) contract, a strategic energy reserve agreement to maintain generation capacity.

The Huntly Power Station's Rankine (thermal) units will remain operational through to at least 2035, and a stockpile of up to 600,000 tonnes of coal will provide backup for dry winters with low hydro inflows and gas shortages.

Mike Roan, Meridian chief executive, said, "If we can't get enough gas to secure supply, then we have an alternative through the Huntly arrangement. I'm not concerned about a shortage of supply. We are sorted by replacing gas with coal."

"If we can't use gas to make electricity, then we need coal to make electricity. It's a shame but we need energy to power the economy. We have dealt with the unexpected collapse of the gas sector quite quickly and efficiently," Meridian looked at importing liquefied natural gas but went for the Huntly deal.

Roan said the gas shortage spurred the sector to invest in renewable energy faster than expected. A big capital investment takes time to come to fruition but some solutions will be online by the end of next year and through 2027 and 2028.

He said there will be investment in wind and solar farms, battery storage, geothermal generation, and increasing hydro storage capacity.

"Meridian is looking at a need to invest \$3 billion by 2030. We are a third of the market and I expect \$10b will be invested through to 2030. There's been \$12b of investment in generation assets over the last 15 years."

The electricity sector now consumes 42 terawatt-hours (TWh) in a year. Roan estimates consumption will increase to 60TWh by 2050.

He didn't think the government needed to make changes to encourage the sector to invest faster "than we are" – though shortening the consenting timeframes would be helpful.

Releasing the contingent storage would bring the consumer price of electricity down by \$4 million to \$5 million a year. (Contingent storage is the extra hydro-electric water held in lakes below normal operating levels permitted by resource consents).

Simon Mackenzie, who steps down as Vector chief executive at the end of the year, said the sector has well-known challenges because of



I'm not concerned about a shortage of electricity supply. We are sorted by replacing gas with coal.

Mike Roan, Meridian Energy

the market costs coming through – and fundamentally it came down to generation capability coupled with the generation mix.

"It used to be more about gas and thermal – there was more thermal capacity back in the late 1980s and early 1990s – and now Huntly is doing God's work. Hydro and other renewables such as solar and wind are dependent on nature. It creates a major problem – we haven't got firming capacity."

Mackenzie said he still hasn't seen any plan or accountability, yet energy is so critical for the national economy. "I've long argued for a Ministry of Energy that manages the plan and looks at what is needed going forward. Or an independent system operator could be separated out from Transpower to run the market in real time and over the longer-term complete planning and analysis. Something needs to be put in place – we don't have a cohesive, whole-of-system view."

The industry is waiting for the release of the Frontier report and Energy Minister Simon Watts' proposed actions. Broker Forsyth Barr said the Minister indicated changes would be "surgical" in nature.

Assuming the report tackles the key issues in the sector, "we expect changes will target security of supply, though the Huntly HFOs have already done this to a large extent, and enabling additional generation to be built," Forsyth Barr said in its *Power Points* report.

Malcolm Johns, chief executive of Genesis, said there has been uncertainty around the long-term rules for the electricity sector – with falling gas production and the scrapping of the Lake Onslow pumped hydro scheme.

"Regulatory stability will open up the ability for capital to be deployed in real generation assets. We are in a competition for capital and the rules matter."

"We need a road code for the energy sector for the next 25 years. We need to know that if you invest \$1b in renewables, then the electricity

market will be stable," Johns said. "We need to know where the wholesale electricity settings will be sitting and the rules around retail and long-term policy. This all requires a bipartisan approach (from political parties)."

Another gentailer boss said the policy/regulatory focus was on retail competition, but should be on long-term energy security and competition for capital.

Pricing and affordability – which haven't eased since 2019 – were still major issues in the energy sector.

Increased line charges, approved by the Commerce Commission, made up 66% of the latest electricity price rises.

Roan said the rise in wholesale electricity prices was driven by the increase in the cost of gas, and this had flowed through to industrial and commercial businesses.

"We are concerned about this and we have written long-term purchase contracts – up to five years and plus – with our large customers, at affordable prices," said Roan.

The Mood of the Boardroom survey asked: How concerned are you about the risk of energy shortages and their impact on your business over the next 12 months? The responses averaged 2.78 out of 5 with 1 being not concerned at all and 5 extremely concerned.

Also, given forecasts of rising electricity demand from sources such as AI, electric vehicles, and large-scale data centres, did CEOs believe New Zealand had made sufficient investment in energy infrastructure to support this growth?

There was strong unanimity amongst the respondents – 87% said No, and 8% Yes.

On the question, should the Government require structural separation between electricity retailers and generators to encourage further investment and competition in the generation market?, the response was

evenly matched. A total of 39% said yes, 34% no and 27% were unsure.

An energy boss said New Zealand still had the most stable domestic energy market delivering globally competitive costs, with the exception of natural gas. The gas market resulted from the failure of long-term energy policy, leading to market meltdown and everybody will pay the price for this.

An independent director said the need for reliable, affordable and abundant renewable supply of energy is "the balance we live with every day. This will always be a balance – the sudden and unexpected drop in gas supply (as a result of past government policy) combined with the dry weather seriously challenged the resilience of the system. It is important that policy settings for critical national infrastructure are kept consistent between political parties."

A gentailer director said while acknowledging it can be tough for customers, "I think the sector does a pretty good job working with customers to help smooth their path. International comparisons suggest we punch well. We need to see the income side of the economic ledger improving."

A transport chief executive said the energy companies' consolidation around the Huntly reserve provides short-term comfort.

A port boss said: "We just need to accept coal burning at Huntly is core to the next 20 years, and 100% renewables is a Labour and Greens fantasy."

Fraser Whineray, an independent director, said the Emissions Trading Scheme through Huntly's coal generation adds a tax which inflates the whole market when there is no lower carbon alternative. This unnecessarily adds circa 20% to the futures curve, which sets the price for commercial and retail alike.

Whineray said solar energy was only good at times. "We still need the normal power. The benefits haven't really shown up the other way enough to fully switch over to solar. Incidents like what happened in Spain and Portugal with no power are an example we need to observe and learn from."

Dave Rouse, CarbonClick founder and chief executive, said solar and battery back-up is in place, which has been a good investment, and others should do the same instead of worrying about energy shortages. It will help the grid considerably.

An electricity sector chief executive wasn't quite sure. "No one should have confidence. The energy system is in the worst shape it has ever been, with electricity shortages and excessive prices, coupled with gas in a dire state. There is no short-term solution other than hope."

But an infrastructure chief executive said, "We will be fine in the short-term but five years out, things get sketchy. The model doesn't incentivise building resilience."



It used to be more about gas and thermal – there was more thermal capacity back in the late 1980s and early 1990s – and now Huntly is doing God's work.

Simon Mackenzie, Vector

Meeting evolving energy needs

Scott St John

Front of mind for me, as chair of one of New Zealand's major energy companies, is how we meet customers' evolving energy needs, ensure a reliable supply of electricity and deliver that efficiently.

The data tells us our electricity prices compare favourably with countries including Australia and the UK: New Zealand's electricity is sixth best for commercial and industry; and 10th best for household prices in the OECD. While a significant proportion of electricity price increases this year were driven by transmission and lines costs, we appreciate any price rise in the current environment has an impact.



For good reasons there is genuine concern about energy supply, especially gas. The gas supply challenge New Zealand faces is going to impact all parts of the economy. The rise in prices and uncertainty about availability is forcing households, businesses and industrial customers to consider their energy use and options. As a purchaser and reseller we share the concerns of government, industry and consumers and are pleased to see a greater focus on long-term gas outlook.

Our electricity sector is on a multibillion-dollar capital investment drive with more than 4TWh of new renewable generation expected to be commissioned between now and 2027 (enough to power up to half a million homes). In the past five years, the sector has invested \$2.9b in generation; between now and 2030 a further \$5.5b is expected to be invested. At Mercury, we have invested \$1 billion in three major renewable builds, set to deliver an additional 1.1TWh (enough to power up to 142,000 homes).

We're investing significantly in hydro generation assets. Upgrades at three of our stations (an investment of around \$550 million over the next few years) will deliver increased output, efficiency and reliability. This is believed to be the largest reinvestment in New Zealand's hydro history. We are investing \$175m into geothermal drilling to support geothermal generation, the unsung hero of New Zealand's energy story, and expected to grow in importance.

We are developing solutions, alongside other market participants, to help bridge the gap when weather-dependent renewables aren't enough to meet demand. Examples include the demand response agreement with Tiwai, the recent agreement to establish a strategic energy reserve at Huntly, and retailer smart hot water control programmes. With the delivery of more generation, these will have the double benefit of securing energy supply and helping to make our energy as affordable as possible.

● Scott St John is the chair of Mercury NZ and ANZ Bank New Zealand

MOOD OF THE BOARDROOM

Performance of the Boardroom: How Let's see more activism from shareholders

Economist
Cameron Bagrie
says poor
governance is
stalling NZ
productivity growth

At the heart of any economy is a basic concept; the taking and managing of risk.

New Zealand is not good at it. We can point to road cone-itis, that proliferation of road cones, but the issues go way further. We build stuff then mismanage it. We fixate with housing at the expense of the real productive economy.

In the desire to de-risk, have we progressively knocked back that preparedness to take risk? "It's too hard" is a frequent comment.

The Reserve Bank took bank capital settings too far, and New Zealand banks are making incredible returns relative to the volatility of their returns, favouring residential mortgages over lending into the productive part of the economy. We are "banking" on houses.

Minus 0.3%. That is the average decline in capital productivity per year since 1996.

Capital productivity reflects how well the capital stock is allocated, managed, and utilised to generate value. It is an indicator of the return on investment and affects the competitiveness of New Zealand in the global market.

Minus 8.7%. That is the decline in the level of New Zealand capital efficiency since 1996. That is the market sector alone and does not include most of government.

Minus 6.6%. That is the decline in capital productivity between 2022 and 2024.

It's easy to point the finger at the Government – and we often do. Yet, there are some major listed companies that have destroyed a lot of shareholder value of late and over time. It is time we also focused on the Performance of the Boardroom.

Then there is the role of the Reserve Bank and Banks. You do not get wealthy selling more expensive houses to each other.

Is it really that bad?

The economy is the same size as it was three years ago. Per capita wise



It hurts when you
fall from dizzy
heights or detox
from less sugar
candy – high
government
spending,
ridiculously low
interest rates and
quantitative easing.
But that is a part of
normality.

the economy is down 4% from its peak. Construction is suffering. Wage inflation is not keeping pace with general inflation so cost of living pressures are intense.

Yet building consents per 1000 residents are in line with the historical average since 1966. Total bank profits are \$10 billion. The unemployment rate is hardly scary at 5.3%.

Maybe it's been too easy to blame the economy. People's memory of a what a real downturn looks like is short.

The business sector bore the brunt of the 2023 and 2024 downturn because they were slow to cut costs. Labour (compensation of employees) share of the economic pie spiked, and operating surplus (returns to capital) declined. That rotation is now reversing. It hurts when you fall from dizzy heights or detox from less sugar candy – high government spending, ridiculously low interest rates and quantitative easing. But that is a part of normality.

How good are we at management and around the boardroom table?

Not good, according to the OECD's

2022 Economic Survey of New Zealand.

That survey noted that "Managerial practices in New Zealand lag behind other advanced OECD economies, holding back the adoption and effective uses of digital technologies.

"The deficit in management skills results in low dynamic capabilities, which is holding back New Zealand firms from grasping changes in business environments and investing in strategic intangible capital to capture new business opportunities or respond to threats.

"Management boards in New Zealand's firms are often more focused on preserving existing value and regulatory compliance than on growth strategies that involve productivity-enhancing investments and international expansion.

"In particular, there is a shortage of board members with rich managerial experience as opposed to a preponderance of those from accounting and legal backgrounds."

The consequences have been two-fold. Poor risk management of a downturn and a failure to innovate

and embrace change.

Do we need to see more shareholder activism driving performance? I say yes. From the fund management industry especially.

After embracing reform in the 1980s and rejecting import licensing and subsidies which dampened competition, it feels like New Zealand has gone 360 degrees on some levels, with many industries such as the grocery sector more powerful and consolidated. Weak competition just inhibits innovation and drives complacency.

What's normal?

As the world embraces geo-strategic and geo-political imperatives at the expense of a commercial dictated model, the era known as The Great Moderation (1993-2019), which involved globalisation, declining interest rate trends, low inflation and low volatility, has moved behind us.

Abundance is being replaced by scarcity. Political leadership by populism leadership. A liner world is now non-linear as AI hits. Demographics are no longer a tailwind.

Many countries are facing declining trends in productivity and the International Monetary Fund's chief economist has referred to dissatisfied populations which drives voters towards the political periphery.

Life will go on, but most of the workforce's and managements experience resides with a period of stability, reasonable certainty and low volatility.

Getting the Reserve Bank on track?

The Reserve Bank is a critical institution, and their reputation has been dented in recent years. The departure of the Governor and Chair are only a part of the problem.

Warning bells were being raised years ago with the imposition of higher capital requirements on banks (now set to be reversed), a focus on periphery as opposed to core central bank issues, and a board that did not appear to have the requisite skills in banking and macroeconomics. The handling of the departure of the Governor suggests insufficient constructive tension around the boardroom table. Where are the questions about losses on the large scale asset programme?

Monetary policy over many decades may have controlled inflation but exacerbated asset (house) price rises, and bailed out asset owners in many instances. Now, house prices

New Zealand needs a long-term power plan

continued from B20

Stuart McCall, managing director of the New Zealand operations, said, "We are still feeling the effect of the 2018 oil and gas exploration ban. A lot of trust was lost.

"The lower gas production highlights the risk profile of the energy sector as it transitions to renewables, which can be less reliable if it doesn't rain, blow or shine."

McCall said the country needs a mature energy strategy. "You'd think last year's energy crisis was enough political capital to do something about it. The market and the

investment confidence is broken, and someone needs to step up and fix it."

He said gas is an extractive industry and there needs to be more upstream activity such as drilling more wells. "We need to find ways of restoring confidence – with things like royalty holidays, tax incentives and underwriting investment – and not flip-flop on policy.

"I think people have lost sight of the importance of energy to the national economy, and the uncertainty and risk that comes with supply and demand."

Anne Gaze, founder and chief executive of Campus Link Foun-

dation, said over the past 12 months, "our operational costs have escalated by 18.4%, driven largely by rising expenses across electricity, petrol, and other essential inputs, challenging under current market conditions, and we actively explore efficiency measures on a monthly basis.

"We are expecting further increases, with wholesale prices having already lifted circa 40% since 2019, and market trends indicate upward pressure with limited new generation capacity," she said.

"A 10% rise in electricity costs most definitely has a material effect on operating expenditure and compe-

titiveness."

Matt Wilson, managing director of DB Breweries, said pending spikes in gas prices and a lack of a clear electrification plan – grid capacity and matching generation to demand – would have significant negative impacts.

Craig Bonnor, who runs Cordis Hotels in New Zealand, said the gas supplier has provided notice of cessation of supply entirely in 18-24 months. This necessitates outsourcing of one part of the business and significant capital outlay in another part to ensure continuity.

Sanford managing director David Mair said fuel is a huge cost and will likely go one way. "Who banned gas exploration? Gas is the transition fuel."

A logistics boss said electricity costs are skyrocketing and a challenge to recover from customers. An agribusiness chief executive said volatility has made it difficult to plan – "We cannot live with prices that double year on year."

Beca Group chief executive Amelia Linzey said, "High energy prices are having a significant impact on our clients, which ultimately flows on to the economy."

is it shaping up?

are stagnant as deleveraging takes hold. The solution is likely to be even lower rates in the interest of getting growth.

That will come with an expense of further division within society.

Expect pressure on central banks to intensify as economic and social trade-offs intensify. The US Federal Reserve is case in point, with inflation saying do not change rates but a weakening labour market calling for lower rates. There is speculation of a third mandate; moderate long-term interest rates.

Banking

You are not going to drive a high productivity economy if the banking sector is channelling more money into low productive assets and are risk averse.

Banks recorded \$10 billion of profit and an impairment expense of 0.08% during the 2024 recession. Home lending has gone from 50% of bank lending in 2000 to more than 63% now. The OECD noted in their 2024 Economic Survey of New Zealand that: "These high levels of profitability are unlikely to be explained solely by the riskiness of conducting a banking

Abundance is being replaced by scarcity. Political leadership by populism leadership. A linear world is now non-linear as AI hits. Demographics are no longer a tailwind.

business in a small market like New Zealand, as the standard deviation of pre-tax returns is relatively low, suggesting low risk taking among banks."

The net interest margin across the banking sector has been stable around 2.35 percentage points for the past two years but is 30 basis points higher than it was in 2021.

Is the current state of banking fit for purpose and aligned with where New Zealand needs to go to increase living standards? Increasingly focused lending on housing is not the right direction in the long-term for the economy but it's good for near-term bank profits.

Business investment has the potential to be a key driver of growth and productivity over the coming decade. My fear is that we lack the banking sector to back that sort of growth.

The taking and managing of risk is one part of the living standards equation we do not talk about enough. There are many parties at the table and all need to play a constructive part.

● Cameron Bagrie is lead economist at Bagrie Economics.

The KiwiSaver conundrum

A narrow majority of business leaders believe New Zealand's large capital pools should play a greater role in funding critical infrastructure.

Just over half (54%) of respondents to the Mood of the Boardroom survey say infrastructure development should rely more on investment from the NZ Super Fund and KiwiSaver funds. A further 28% are unsure, while only 18% oppose the idea.

Supporters see an opportunity to keep capital working at home and create long-term benefits.

"KiwiSaver funds will have \$295 billion to invest in New Zealand if the opportunities are there," says Simpli-city founder and chief executive Sam Stubbs. "It will create many high-paying jobs. But if sent overseas, it will create exactly zero jobs at home. Go figure."

Some point to international precedents where retirement savings have been successfully channelled into infrastructure, with one calling it a "proven model globally."

Others urge caution, noting that fiduciary duties require investment decisions to prioritise returns. "It depends on returns. The primary focus is to ensure we have sufficient to meet retirement commitments," says a banking CEO. An experienced chairperson warns against "poor quality, poor return projects promoted by politicians" that risk good money chasing bad.

A similar point was raised by Milford Asset Management CEO Blair Turnbull: "We strongly support sustained investment in New Zealand's infrastructure, underpinned by long-term bipartisan planning and a robust governance framework that leverages both public and private capital. In the context of KiwiSaver, we welcome the expansion of listed infrastructure opportunities, provided we remain anchored to the scheme's core purpose: safeguarding long-term retirement savings."

Executives stress the need for strong governance, commercial mechanisms such as tolling, and bipartisan planning. Some also argue for policy reform, including compulsory KiwiSaver and an Australian-style superannuation model to build a larger domestic capital base.

— Tim McCready

CEOs lift profit hopes but wary on hiring

New Zealand chief executives are becoming gradually more optimistic, with a clear majority expecting higher revenue and profit from their businesses over the next 12 months - an improvement on last year's sentiment.

But the broader economic environment remains challenging, and business leaders are still hesitant to invest or hire staff.

According to the *Herald's* Mood of the Boardroom survey, 73% of CEOs expect revenue growth in the coming year, up from 62% last year and 55% in 2023.

Profit expectations have also lifted, with 61% forecasting increased profits, compared to 57% last year and 44% in 2023.

However, hiring intentions remain subdued. Just 31% of respondents plan to increase staff numbers, while 34% expect a decrease over the next 12 months and 34% expect to keep the status quo.

The survey asked how significant the challenge of attracting and retaining skilled talent in their industry is, considering recent worker migration trends and changing immigration policies.

The majority (37.8%) rated that challenge 3 out of 5, with 1 being very difficult and 5 being very easy. Those at each end of the spectrum were fairly similar, with 6.6% rating it 1 and 7.3% rating it 5.

When it comes to capital expenditure, 43% of respondents said they were planning to invest more,



Mood of the Boardroom
Duncan
Bridgeman

After disentangling the data, we have adjudged the amount of spare capacity in the economy to be significantly larger than the Reserve Bank assumed during the August monetary policy statement.

ASB economists

with 21% expecting to cut back. One third (34%) said they expected to spend the same.

IT spending is slightly more buoyant, with 59% expecting to increase investment and 15% expecting cutbacks.

While Kiwi executives are more optimistic about the year ahead than they were this time last year,

economic activity remains weak, and the jury is still out on the recovery track.

Stats NZ's gross domestic product (GDP) data showed New Zealand's economic growth stalled over the June quarter, with a 0.9% decline - against market expectations of a 0.4% fall and the Reserve Bank's forecast of minus 0.3%.

"The GDP data will be very unhelpful for those selling the message of a recovering economy," BNZ head of research Stephen Toplis said last week.

The contraction was broad-based with falls in 10 out of 16 industries.

Agriculture, forestry, and fishing were down 0.3% and exports fell 1.2%, driven mainly by dairy and meat products. Construction dropped 1.8%, with falling residential construction highlighted. Mining plunged 4.1%.

Manufacturing fell 3.5% for the quarter, led by declines in the production of food and beverages, transport equipment and other machinery, and metal products. Also down materially were transport, couriering and warehousing; financial and insurance services; healthcare and social assistance; and art and recreation. Retail fell 0.2%.

The poor GDP numbers are expected to see further and possibly deeper cuts to the official cash rate, with some banks now calling for a cut of 50bps at the Reserve Bank's next opportunity less than a month away.

"After disentangling the data, we have adjudged the amount of spare capacity in the economy to be

significantly larger than the Reserve Bank assumed during the August monetary policy statement," ASB economists said.

"With New Zealand lacking economic tailwinds, the onus falls on the OCR to support the economy.

"We are now calling a 50bps cut in October, with a 25bps cut in November to bring a 2.25% year-end OCR," ASB said.

Boost for rural economy

There is also a positive event on the horizon for the rural economy with Fonterra's looming capital return following the sale of its consumer business.

The dairy giant has signalled that \$3.2 billion of the sale proceeds would be returned to shareholders, with it targeting a tax-free capital return of \$2 per share. A vote on the deal will take place in late October with settlement in the first half of 2026.

Just how much of that windfall will be deployed on capital investment or off-farm investment, compared to debt repayment, remains to be seen. But it is likely there will be some boost to the rural economy.

Downgrades dominate, but green shoots emerge

Meanwhile, the latest listed company reporting season painted a mixed picture, with twice the number of listed firms reporting results that were below analyst expectations than above.

According to a Forsyth Barr analysis, only eight firms out of 31

reported results ahead of earnings-per-share expectations, with five in line and 18 below expectations. The number of downgrades to forecast earnings also dwarfed upgrades by a near-record six times, the investment firm said.

"On the face of it, the latest reporting season appears dire, with a large number of misses at the EPS (earnings per share) line and downgrades to estimates across the board," Forsyth Barr analysts Aaron Ibbotson and Matthew Leach said in a research report.

"However, the market, via share price reactions, appears to have taken the results and resultant earnings revisions in its stride, and looks to be moving forward with a more optimistic view."

"Positive share price reactions to broadly negative news are as good a signal as we will get for the start of a reversal in what has been an abysmal four years for the New Zealand market.

"Add to that the RBNZ's 'better late than never' shift to a more dovish stance, and the anatomy of a recovery is taking shape. Now we just need those downgrades to slow. For that, the economy needs to recover."

Forsyth Barr also scanned the latest result announcements for a selection of key words and phrases.

"In general, we find that 'headwinds' and 'challenges' remain."

● Duncan Bridgeman is the managing editor of NZME Business, overseeing the *Business Herald* and *BusinessDesk*.

CEOs expectations over the next 12 months

Capital expenditure

43%
More

21%
Less

34%
Same

2%
Unsure

IT expenditure

59%
More

15%
Less

25%
Same

1%
Unsure

Revenue growth?

73%
Yes (increased revenue growth)

7%
No (decreased revenue growth)

19%
Same

1%
Unsure

Profit growth?

61%
Yes (increased profit)

14%
No (decreased profit)

22%
Same

3%
Unsure

Staff numbers

31%
Increase

34%
Decrease

34%
Remain the same

1%
Unsure

MOOD OF THE BOARDROOM

\$4.5b milestone: Now Zespri eyes the next decade



Nathan Flowerday believes Zespri's market diversification gives it a little more wriggle room than some sectors



Mood of the Boardroom
Andrea Fox

As it readies to inject nearly \$3 billion into regional economies through growers this year, national kiwifruit exporter Zespri says the sector is feeling "buoyant" but, in these uncertain times, feet are firmly on the ground.

Nathan Flowerday, chairman of the global marketer that has the regulatory right to export all New Zealand kiwifruit, except to Australia, says the sector's come back from tough times two years ago, and having exceeded its long-term goal of \$4.5 billion annual revenue by 2025, is now setting its strategy for the next decade in good heart.

The grower-owned company is still developing a revenue target for 2035, Flowerday says, but will have a positive tailwind thanks to the "mega-trend" of health and wellness pursuit, which has marked consumer demand since the pandemic.

In its 2035 strategy outline, Zespri cites "geopolitical complexity" and

\$3b boost for growers forecast as kiwifruit sales hit record highs, reports **Andrea Fox**

notes countries moving towards "isolationism and implementing trade barriers". But Flowerday believes Zespri's market diversification – it exports to 52 countries – built over decades gives it a little more wriggle room than some sectors to adapt to changes.

"If I take this year as an example, the USA we see as our fourth key core market over the long term. We've been working on that market for over a decade now and our sales have increased 30% this year, even in spite of new 15% tariffs.

"That's because we've invested in the market.

"We've had a long-term strategy there ... so I have some reasonable confidence that we will continue to be able to manoeuvre over the next decade as well."

Zespri's 2500 New Zealand growers have turned in a record crop to be shifted this year and, while it reports record forecast per hectare returns for all categories except Sun-Gold and organic green – along with strong sales in Europe and North America – in correspondence to

growers it has noted a shift in economic mood across many Asian markets.

Flowerday says sales have been slower in China this year. Whether that's short-term or structural is something the company's still working out.

"From a mega-trend point of view, we still see China as important over the next decade. There's just a little bit more nervousness in terms of what the markets are going to do.

"Switching the view to Japan, where there is almost \$1 billion of New Zealand fruit sales for us, they have some inflation now, which they're not used to.

"Rice has doubled in price for a Japanese consumer in the last year. So they are concerned about what that means in terms of their cost of living, and what that means in terms of their selection of food choices, including kiwifruit," he says.

"We're really happy with where we are and we know we've got to continue working hard, playing our part for New Zealand.

"We know how important Zespri is for New Zealand now."



Mānuka honey industry sees brighter prospects

Andrea Fox

Despite being a product feted for its proven health benefits, mānuka honey export fever burned out in the pandemic. However, those now taking the temperature of the former international market darling think the patient is recovering.

"On balance, if you're still in the honey industry, I'd like to say you've come through the tough time, and there are some positive prospects. But it's not going to happen miraculously overnight," says Sean Goodwin, chief executive of The Mānuka Collective, an exporter owned by Waikato's Perry Group and Ngāi Tahu.

And not without some more tough medicine like industry consolidation, he says, noting this is also being touted by Florenz, aspiring buyer of struggling listed industry flagship Comvita.

The mānuka honey sector's fall in fortunes started in 2020 when sales dried up as Covid kept out tourists and challenged marketing efforts, while a million hives kept pumping out the same volume of antibacterial gold sweetness.

Goodwin thinks the supply/demand imbalance is probably now corrected. "Hives were at half a million in 2014. They're back at half a million now, having peaked at a million. That means we are probably at a more sustainable level ... a point where the amount we produce on an annual basis is around what we would be selling.

"I think we've worked through a large portion of the surplus of aged honey that had been sitting with us since the 2019 record season and caused prices to drop. It's also meant there's some pretty aggressive pricing out in the market, which will start to change as well."

Total New Zealand honey exports earned US\$243m (\$409m) last year, 26% down on 2020, according to Coriolis Research. Honey production fell 56% between 2020 and 2023.

"I think the sentiment is we've come through it," says Goodwin.

"We've got the right structure in terms of hives and I think there will start to be some upward movement in honey pricing.

"Markets themselves are not too bad... there's a bit of uncertainty around tariffs because the US is the largest mānuka honey market."

Goodwin says while the new 15% US tariff on New Zealand is "another shock" for business, the health properties of mānuka honey are unique to New Zealand, so it's not competing against other countries' products. Australia has some mānuka bush, although not the swathes available to bees in New Zealand.

The real potential impact of the tariffs is that consumer demand will reduce if the price goes up, he says.

Meanwhile, market prospects are looking up. European FTAs are starting to pay off and the sector's keen to tap the new trade deal with the Middle East.

"I think we'll see benefits ... the big one from my point of view is the potential of an FTA with India. I really think India has huge potential, possibly to be one of our top five markets.

"Honey has been a part of their culture for a long time. There's a big demographic of Indian consumers in New Zealand and in other parts of the world."

Goodwin says the Ministry for Primary Industries is doing "a lot of good work" with the India negotiations. As the world's fourth-largest producer of honey, India isn't likely to agree to a free trade deal on honey. But the ministry is understanding of the sector's urging to make it a special case.

The industry itself is trying to learn from its gold rush mistakes when it had too many hives, too much stainless steel and wasn't properly focused on consumers and innovation, he says.

"We've come through 10 years of disruption and hopefully we're now in a more mature state."

NZ wine exports face toughest market since 2008

A vortex of pressures means the \$2 billion New Zealand export wine sector isn't able to boast its one of the starry agribusinesses driving economic recovery – but give it two years and the good times should be back, says the country's biggest wine producer, Indevin.

Chief executive Simon Limmer says the mood in the \$2 billion export sector is one of uncertainty. "It's as uncertain a time in the New Zealand wine industry as we've seen since about 2008, the last time we went through a significant imbalance."

The sector's up against a post-Covid global hangover of big crops, wine consumption shrinkage, overstocked warehouses and geopolitical fallout such as tariffs. Meanwhile, back home, there's a real need to reduce harvest volumes and consolidate capacity.

"Demand has dropped off, and

there's a lot of stock still sitting in markets. We've had some very high vintages, meaning we've compounded the problem ... We've got a real supply and demand imbalance," says Limmer.

"We're seeing prices come under real pressure around the world, and consumer habits are changing. We're seeing a new generation of non-wine drinkers and they've got a huge choice."

The upshot is the New Zealand industry needs to proactively reduce supply to get back to balance, Limmer says.

"The likely outcome in the year just gone and in the year ahead is that there'll be a potential surplus that it's just not sensible to be harvesting."

While all wine-producing countries are affected, New Zealand has a "significant" advantage with its main production of white wines, particu-



Simon Limmer

larly sauvignon blanc, at a time consumers are seeking lighter-style wines and slightly lower alcohol, Limmer says.

"We have an advantage, which we'll be really pushing in the market.

But it's likely to be another couple of years before we start to see the economic supply-demand balance fall back into equilibrium."

Indevin, whose brands include Villa Maria, Vidal, and Esk Valley, is doing its bit to regain that balance by last harvest capping its growers' long-term average volume.

Indevin's own vineyards took an even bigger volume haircut, Limmer says.

With the US being New Zealand's biggest wine market, the new US 15% tariff couldn't come at a worse time.

"The biggest challenge we're all facing is just the uncertainty. Things change on a regular basis. It's very hard to plan.

"There are consequences, which will flow quite broadly in many unintended ways in regards to geopolitical shifts.

"Everything kind of moves when

a decision or a suggested decision is made," Limmer says.

"Ultimately, consumers are the ones who will bear the cost of it in the US market. We're having to work with our customers to work out what's the most sensible way of sharing the burden. In some cases, we're having to pick up some of the cost."

Limmer thinks it's "almost inevitable" there will be some consolidation in the New Zealand industry. The good news is Canada and Ireland are proving solid, though small, markets.

"There's really strong growth coming out of China and South Korea, though they're starting with very low volumes. I feel a concerted effort into those new markets will see new wine-drinking consumers really attracted to New Zealand wines with their lighter styles.

"I think we should be optimistic."

Dairy giants upbeat despite tariffs and global volatility

NZ dairy exports forecast strong returns as Fonterra eyes trade deals, writes **Andrea Fox**

Uncertain economic times in a jittery world aren't clouding the optimism of New Zealand's \$27 billion export dairy industry, as players report a good year, and another to come with bright prospects.

Industry big cheese Fonterra is looking forward to tapping recent Government trade deals and says it's well-positioned to navigate the volatility, while the smaller, high returns specialist exporter Tatua nods to its \$85 million new expansion as evidence of the world's appetite for dairy.

Fonterra chief executive Miles Hurrell says global demand for dairy remains strong and the farmer-owned co-operative's size, scale, and broad product and market mix mean it's in a good spot to navigate volatility and changes in market dynamics.

On the sour note of the Trump administration's 15% tariff on New Zealand goods, Hurrell says the US is an important market for Fonterra and, at a time of rising protectionism and geopolitical uncertainty, the international rules-based trading system remains "critically important" to providing certainty and stability for Kiwi exporters.

"Tariffs and other trade barriers create additional costs across the supply chain, which are ultimately borne by local consumers.

"The 15% tariff applied to New Zealand's exports means they are, for instance, at a significant disadvantage to those coming into the US from Canada, which is illegally subsidising its domestic producers.

"We are requesting that the New Zealand Government launch a WTO dispute against Canada to stop this



New Zealand's exports are at a significant disadvantage to those coming into the US from Canada, which is illegally subsidising its domestic producers.

Miles Hurrell, Fonterra

illegal subsidisation." Hurrell says Canada continues to have duty-free market access under the US-Mexico-Canada trade agreement.

For Tatua, its international business is so diversified that the US represents under 10% of sales, so the impact has been small and most of the cost passed on, says chief executive Brendhan Greaney.

Tatua, a farmer-owned co-operative with a blue chip payout record, has had a "good year", with milk payouts to farmers across the indus-

try, while yet to be confirmed, likely to reflect that dairy is doing well, he says.

"Payouts for the season past and the season ahead are looking like being well above break-even for farmers, which is incredibly positive. How much of that flows into rural communities remains to be seen, because I imagine plenty of the more attractive payouts are going to be applied to farm debt consolidation," Greaney says.

"In terms of markets, I'd say it's

finely balanced. That's more of a general comment as we're seeing strong milk supply growth across the big export countries, which has the potential to test the market balance with demand and possibly lead to some price softening."

This would be less of a concern for more highly specialised or functional product producers.

Asked about other possible headwinds, Greaney says Tatua is "constructively paranoid".

He says, "We could be our own worst enemy if we became complacent. We like to scare ourselves about what could happen so we don't get too relaxed.

"Market access is incredibly important to us, but I think that's all really good at the moment."

Market access is also top-of-mind for Fonterra, which appreciates the Government's work securing free trade agreements, such as the NZ-EU and NZ-UK FTAs and successful trade negotiations with the Gulf Cooperation Council (GCC).

Hurrell notes dairy consumption in Saudi Arabia is increasing through



Payouts for the season past and the season ahead are looking like being well above break-even for farmers, which is incredibly positive.

Brendhan Greaney, Tatua

population growth of 1.6% a year and rising incomes. It is Fonterra's largest Middle Eastern market.

New Zealand exported around \$1.6 billion of dairy products to the Gulf region last year and is the first major dairy exporter to secure an FTA with GCC.

Back home, Fonterra will soon seek shareholder approval to sell its consumer businesses to French multinational Lactalis for \$4.2b. It aims to return around \$3.2b to shareholders.

Hurrell says post-sale, Fonterra will still be a business of global scale, focusing on its ingredients and food services businesses and exporting to more than 100 countries.

"The co-op has unique experience in dairy science and innovation, making it a world leader in dairy proteins and other advanced solutions. Ingredients and Foodservice are where Fonterra can best apply this expertise, along with manufacturing and customer-partnering capability, to earn greater returns from farmers' milk and capital and generate more foreign revenue for New Zealand."

US increases its appetite for NZ meat

Andrea Fox

In New Zealand's \$11 billion meat export sector, the mood is "very buoyant, very upbeat", with historic high prices and market demand outstripping supply.

But hold the bubbly, says Meat Industry Association chairman and former Primary Industries Cabinet Minister Nathan Guy, there are storm clouds ahead.

"The caveat to all that buoyancy is the geopolitical aspect. There are dark clouds on the horizon and we just never know what's going to happen.

"I'd summarise by saying the mood is optimistic, but at the same time cautious for what could come at any time."

Meanwhile, he says the US grinding beef market is a winner for New Zealand despite the Trump administration's new 15% tariff.

"Demand is, by and large, managing to offset the 15% tariff... American consumers eat three burgers a week per person. They need to get their beef from countries like ours, with a very lean product, and it blends with their feedlot beef," says Guy.



"We are a very important component in terms of US consumer demand. It's proving to be our number one market."

The worst US drought in seven decades had sharpened the US appetite for New Zealand beef, with the US herd severely curtailed in size.

China is still a very important market, underpinned by the New Zealand-China free trade agreement, says Guy. Some Chinese importers have

been slower to rebound post-pandemic than predicted but, importantly, China buys a lot of meat cuts that there isn't demand for elsewhere.

"With Europe and the UK, we have two very successful free trade agreements and they're proving quite lucrative right now for exporters.

"And we shouldn't forget Southeast Asia on our doorstep. There's a real focus for New Zealand companies to add more value with things

like organs, glands, hides and pelts. There's quite a bit of work going on in the industry to continue to add more products, so we add more value to what used to go into a waste stream."

Trade prospects got a further boost with last month's launch of the New Zealand-United Arab Emirates Comprehensive Economic Partnership Agreement offering access to a high-value market and wealthy customers.

American consumers eat three burgers a week per person. They need to get their beef from countries like ours, with a very lean product.

Nathan Guy

Further boosts were in the pipeline from trade deals with Saudi Arabia, the Gulf States and, hopefully, India. "We're very fortunate to have amazing access and kudos to the New Zealand Government there."

Challenges ahead include geopolitical fallout, says Guy. "We've got more protectionism at play in some markets, particularly on the back of Covid."

Non-tariff barriers were costing the red meat sector \$1.5b a year in lost opportunity.

Geopolitical challenges have always existed but are more highlighted today with conflicts around the world, he says.

"Along with US tariffs and shipping logistics' higher costs, we've got increased costs like most businesses are facing with energy, rates, insurance, and wages.

"So while it's looking pretty rosy in terms of schedule prices for farmers and returns for processors, there are international factors at play and rising costs."

The Ministry for Primary Industries expects meat and wool sector revenue in 2025-2026 to rise to \$12.7 billion.

MOOD OF THE BOARDROOM

Overseas rivals reshape NZ's



As the Government aims to “supercharge” international enrolments, university leaders warn of a funding gap

Byline1

Uncertainty created by US President Donald Trump's policies may have bumped New Zealand up the tertiary education ladder of choice for international students, but the days of seeing them as cash cows are over, say sector chiefs.

With the Government aiming to “supercharge” growth of international student enrolments, targeting a doubling of the sector's contribution to the economy to \$7.2 billion by 2034, the spotlight is on the mood of the sector dubbed “export education”.

While Government underfunding of our universities remains a common complaint among their leaders, they also note a groundswell of change in how higher education provision needs to be approached, and how competition for students has become even fiercer despite Trump's cooling effect on the biggest market for students, China.

As University of Auckland vice-chancellor Dawn Freshwater says, countries that New Zealand has tapped for students have been busy growing their own education sectors.

“So it started with China, it's been across Southeast Asia, it's India, it's now Africa and Indonesia, but the reality is that those countries have now grown their own capacity and their own capability and they're actually leapfrogging Western democracies in this regard and developing their own export industry,” she says.

China, she notes, has English-speaking campuses and, for India, it's a two-way street now, with education

providers being urged to set up campuses there.

“That is changing the dynamic and I think it's an interesting dynamic to watch – these new and emerging economies becoming quite assertive at a time when Donald Trump is



Governments can't keep cross-subsidising and students can't keep carrying debt. Importantly, not everyone needs an undergraduate degree.

Dawn Freshwater, Auckland University vice-chancellor

actually undermining education per se ... so while you see all of this happening, the outlook is actually remaining very good.”

The University of Auckland, the only New Zealand university in the top 100 of the QS World University Rankings 2026, at 65th place, has more international students and more postgraduate foreign students than it's ever had, she says.

“So while we remain competitive, while we're at that high quality, while we remain fairly neutral in terms of our positioning in the world and the environment we're in, the outlook is exceptionally good.

“Having said that, you don't just exploit the moment, you explore the opportunities for the future which won't be the same.”

Freshwater says the business model for providing access to higher education is broken.

“Governments can't keep cross-subsidising and students can't keep carrying debt. Importantly, not everyone needs an undergraduate degree. That model has grown and grown but there has not been a really clear understanding of how the rest of the sector needs to think about its response to growing technology, increasing awareness of the future of work, different sorts of skill sets and international conflict.”

Freshwater says new opportunities include transnational education or hybrid models, where students don't have to leave their own country for the entirety of their programme.

“Working in partnerships is going to be much more critical for the future. The opportunities are there if we're able to find the right partners

and to maintain the level of confidence and quality.

But also, I think the next big ticket is going to be how we respond to AI.

“We need to think about how we educate our graduates globally to ask questions, not answer them, as with



[Chinese students] are uncertain about how to deal with the [US] policies and the position towards China. For them, suddenly other markets are really, really attractive.

Mark Rushworth, group chief executive, UP Education

traditional education in an exam. With AI and prompt engineering, it's all about asking the right questions.

“Overseas partnerships will help with that ... but to be seen as transnational overseas means people will be choosing carefully who they partner with, because for too long now, international students have been seen as cash cows.”

Mark Rushworth, group chief executive of New Zealand's largest private tertiary education provider, UP Education, says this country has long been the fifth-ranked destination option for students, competing against, in order, the US, UK, Canada and Australia. But in the last six months there's been significant change in that pecking order.

“We have a partnership with the largest international school in Beijing. They typically this time of year send 70% of their students to the US. When we were talking to them in June that number had dropped to 35% wanting to go to the US because they are uncertain about how to deal with the US policies and the position towards China.

“For them, suddenly other markets are really, really attractive. The benefits for New Zealand are that in the UK there's a little bit of uncertainty around their position on export education, Canada is full and, in the Australian market, the Labor government is putting on some caps.

“All of that is a great opportunity for New Zealand.”

Also a significant player in the Australian sector, UP Education focuses on providing graduates for sectors with skill shortages, including construction, teaching, nursing, aged care

international student boom

and early childhood education.

Rushworth says due to the shift within the top five destination lineup and its 75% qualification completion rate (he says the polytechnic average is around 50%), UP is seeing record enrolments at its colleges in the skills shortage areas and he's optimistic New Zealand will do well for international tertiary enrolments in 2026 and 2027.

Victoria University of Wellington vice-chancellor Nic Smith says a "huge" part of the export education market is Southeast Asia and "a huge part of the recruitment process is driven by university rankings".

"Rankings are under pressure, certainly in New Zealand for many reasons, but one is that systemic funding of institutions has been about half the rate of inflation for quite some time.

"We haven't seen a change in those kinds of settings but we certainly have seen an enthusiasm for international students returning to this country, both in the rhetoric and immigration settings. I think globally, now is quite a strong time for New Zealand in international education. There's the post-Covid rebound but we've certainly seen significant changes in what we might think of as competitive jurisdictions.

"If you think about the emerging middle class, particularly in China but in Southeast Asia in general, they hold education as an enormous priority and are spending significant money to educate often single sons or daughters. It's a massive investment and one that is very sensitive to risks and uncertainties.

"The idea that your visa could be censored halfway through your stu-

dy, which is what we've seen in the US, is destabilising for them. When I was in China with the Prime Minister recently, that was a real concern. I heard it over and over again in anecdotes."

The perception of Australia as a secure haven for international students had been altered by its political concerns in immigration policy and there has also been "minor posturing" from Canada and the UK, Smith says.

"All of those point to an opportunity for New Zealand, and the question will be are we able to do that trans-



If we look at investments being made in many of the countries from which we are looking to attract students, we are falling behind.

Nic Smith, Victoria University of Wellington vice-chancellor

lation to demand. The signs are good but I wouldn't want to commit to the fact it's all happening at this point yet."

What are the obstacles to growing New Zealand's share of the pie?

"China, a huge market for us, and to a lesser extent, India, Vietnam, Malaysia and Indonesia are all investing in their own university systems in a really fundamental way," Smith says.

"The rise of particularly the Chinese universities and rankings has been really extraordinary."

Against the appeal for foreign parents of New Zealand being a safe, secure, liberal democracy and offering rich and varied cultural experiences, the situation is that broadly speaking over the past 20 years, government funding of universities has been around half the rate of inflation, Smith says.

"And it's very normal for universities, and vice-chancellors in particular, to say we're underfunded. I fully accept that. But the reality is, if we look at investments being made in many of the countries from which we are looking to attract students, we are falling behind.

"In China, for example, most of the students who come to New Zealand are those who have not got into their choice of Chinese institutions. If we're going to continue to compete, that's going to be an issue as the top Chinese institutions continue to progress.

"That's going to be a problem."

Smith says it's interesting that much of the rankings of New Zealand universities are supported by their positions in the arts and humanities.

"We do much better there on an international ranking scale than we do sometimes in the technologies and the sciences. I think in part that's bec-

ause to be really competitive on the world stage in science and technology requires a really significant investment in infrastructure."

The paradox, he says, is that at a domestic funding policy level, science and technology is considered the most important area in rankings.

Massey University vice-chancellor Jan Thomas says at a national level, demand for universities appears to be flatlining.

"But international education is "one of the lights on the horizon in terms of being a service sector that

diversifies the economy away from commodities and continues to raise the reputation of New Zealand around the world in a very positive way", she says.

"We continue to have a failure of government to commit to investing in universities and research in a substantial way and so the optimism comes from the potential for our international education."

Thomas says Massey's veterinary science programme, highest ranked in the Southern Hemisphere and 19th globally, is not funded to the cost of educating a veterinary student and maintaining its global accreditation. Yet it provides a critical workforce for New Zealand's economic cornerstone, the food and fibre industry, and for the food safety and agricultural products sectors.

"International education is a critical part of maintaining the overall funding and sustainability of our universities," she says. "If we didn't have international students it would be devastating, as we saw in Covid.

"They have an economic benefit but I argue they have a significant social and educational benefit as well ... we find our graduates in high-level positions in government and industry around the world. There's an international relations advantage of having graduates of a New Zealand university in positions of authority in other countries."

Universities NZ says international education generated at least \$1.25b for the economy last year and that university earnings from export education represents 12% of all exports of goods and services.

Education NZ says \$586 million of the \$1b-plus went to universities.



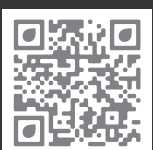
The idea that your visa could be censored halfway through your study, which is what we've seen in the US, is destabilising.

Jan Thomas, Massey University vice-chancellor

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MOOD OF THE BOARDROOM

Award-winning aviation writer **Grant Bradley** assesses the current outlook for the New Zealand tourism

China travel downturn puts



Mood of the Boardroom
Grant Bradley

It's turning into Groundhog Day for monthly totals of visitor arrivals, and there's a warning that the country risks being written off by one critical tourism market.

After rising steeply following the re-opening of borders, arrivals as a percentage of those pre-pandemic have mainly been in a tight band, marooned between 83% and 87%.

In January this year, the Stats NZ number bumped up to 92% of arrivals compared to the same month in 2019 – but that turned out to be a false dawn.

At the same time, the number of Kiwis who are taking their holiday spending money overseas is consistently above pre-Covid levels, as out-bound travel booms.

The aim of getting back to 3.9 million arrivals over 12 months (the pre-Covid peak) looks ambitious. Perhaps less so are the visitor spending targets outlined in the Government's Tourism Roadmap, which aims to double the value of 2023 tourism exports by 2034 (from \$9.9 billion to \$19.8 billion).

Speaking at the Tourism Export Council of New Zealand's annual conference, Infometrics chief economist Brad Olsen told delegates it would not be until the first quarter of 2028 that arrivals recovered to pre-pandemic levels, including tourists, business-people and those visiting family and friends. Geopolitics, particularly the economic impact of tariffs, will crimp the recovery.

"We were hoping for, and had actually forecast, a bit more of a surge through parts of 2026/27 until the tariffs came through," Tourism Ticker reports.

"We are expecting again more subdued activity through parts of 2025/26 and then starting to take off a bit more then."

Not everyone welcomes tourism



While the Australian and the US markets have fully recovered, travel from China is only 55% of what it was back in 2018. And it's going backwards.

Ivan Kinsella, board member, New Zealand Business Roundtable in China

growth. A study done for Tourism NZ and released in March found that seven out of 10 of those surveyed felt tourism had negatively affected them – though more than 80% said they

had personally benefited from activity in their local area.

The Government apparently woke up to the importance of tourism for the economic rebuild earlier this year, with a Cabinet reshuffle in which Louise Upston took over the tourism and hospitality portfolio, and James Meager was appointed Associate Transport Minister with responsibility for aviation.

Both appointments have been welcomed by the sector.

There's also been a restoration of funding to the country's marketing agency, Tourism NZ, and a series of funding and policy announcements – including the possible introduction

of a fee for overseas tourists to visit marquee attractions. While there's nervousness about the impact of that, it's seen as less of a blunt instrument than the near-trebling of the International Visitor Levy (IVL) this Government introduced.

But what was shaping up as the key market to supercharge tourism and the wider economy remains in the doldrums, showing a much weaker bounce-back than the already subdued recovery across the sector.

China travel to New Zealand
In 2018, MBIE (Ministry of Business, Innovation & Employment) forecast continued strong growth for the Chinese tourism market, projecting it to become New Zealand's largest by expenditure by 2024.

But following the pandemic, figures from Infometrics show Chinese visitors spent \$1.2 billion in the year to March – behind Australians (\$1.9 billion) and visitors from the bright travel recovery story, the United States, who spent \$2.9 billion.

Ivan Kinsella, a board member of the New Zealand Business Roundtable in China (NZBRIC), NZ's chamber of commerce based in Shanghai, is worried about the business travel and the tourism outlook generally – in particular the country's ability to attract Chinese visitors back.

"Our overall foreign travel market has only recovered to 87% of the pre-Covid peak. While the Australian and the US markets have fully recovered, travel from China is only 55% of what it was back in 2018. And it's going backwards."

The key reason for this is the 75% increase from October 2024 in the total cost of the New Zealand visitor visa, including the IVL and translation fees charges.

For an individual traveller, these costs now add up to around \$500, making New Zealand by far the most expensive country for most Chinese to gain access to – and that's before the cost of the ticket, says Kinsella.

"That's about 30% of the cost of a return economy fare from China. That's keeping the Chinese away in droves." The visa cost increases have particularly affected travellers

'Very high prices': Auckland hotels hit hard

Hotel sector leaders say New Zealand needs to get more ambitious about attracting big events as the country's tourism sector battles a persistent view that the country is overpriced.

Les Morgan, chief operating officer for Hind Management, the parent company of Sudima Hotels, says border and visa fees are a deterrent.

"Of course, you face very high prices here. I was in China six months ago when one wholesaler said, 'New Zealand is now viewed as being more expensive than Switzerland' – and that's sobering."

"You just have to fight harder and a lot of countries haven't made Chinese citizens subject to any visa. It's part of the security that we must go through, but it's the fact that in a competitive situation, potentially New Zealand's losing ground."

Domestic travel, responsible for up to 75% of Sudima bookings, was also hurting, he says, with Auckland suffering more than other centres.

"It seems everyone seems to be tightening the belt no matter what sector they're coming from. It's made for a tough winter and Auckland is back on last winter and last winter was the worst we'd seen in Auckland for decades." He says Tourism and Hospitality Minister Louise Upston's visit to China was encouraging.



New Zealand needs big international events

"The drip feed of IVL (International Visitor Levy) revenue or funding into tourism is not really moving the dial," says Morgan. "And in my opinion, it's time the Government was bolder."

The America's Cup was not as popular with the public as it once was, but it was an example of the type of event the Government should get behind, he says.

Horwath HTL figures for July show a continued mixed performance

across New Zealand's hotel sector.

Changing international travel patterns, a still-soft domestic market, and region-specific factors influenced an overall 1.1% decline in Revenue per Available Room (RevPAR).

While overall visitor arrivals moved closer to pre-pandemic levels, remaining global uncertainties and local economic headwinds continued to temper the pace of recovery, Horwath HTL says.

It's the same at Cordis, Auckland, where managing director Craig

New Zealand is now viewed as being more expensive than Switzerland – and that's sobering.

Les Morgan

Bonnor says there's a story of contrasting fortunes – strong growth in the South Island and regional North Island, but stagnation in Auckland and Wellington.

In Auckland, double-digit growth in hotel room supply since 2019 has met softening domestic demand and importantly, international arrivals that are 13% below 2019 levels.

"We reap what we sow and chronic under-funding of Tātaki Auckland Unlimited has left very little funding for major event bids and destination marketing. Throughout the critical winter months, when some hotels are less than half full, for years to come there is an absence of major events."

A recent example of the impact of the funding gap is that in May, after knocking out 22 cities in the bid for the 2030 Gay Games, Auckland had to pull out of the final-three race, due to a lack of ongoing bid funding.

Auckland had already beaten cities like Adelaide, Melbourne, Seattle and Vancouver as it made the final three. This event draws many thousands of competitors to a 10-day event. This type of funding was also needed for attracting major events like concerts, that all benefit the wider community, says Bonnor.

He was encouraged by Upston's approach in other areas.

Tourism has seen "great engagement" from the minister with some short-term promotion funding of campaigns to boost trans-tasman tourism as well as an initiative for business events across New Zealand. This came from the previously "impenetrable vault" that are the IVL funds. He would like to see more initiatives like this, with a longer planning lead time to improve effectiveness.

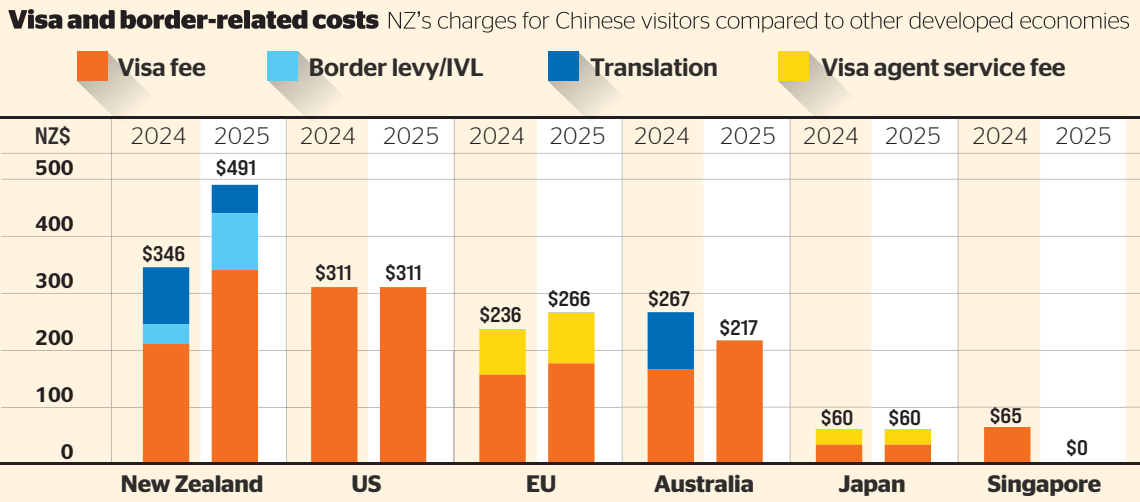
Bonnor says there is a need to ease regulatory barriers; specifically, the short-term visitor visa, which is expensive and takes a lot longer to process than the market we compete against, Australia.

The trial of Australian visa recognition for eligible Chinese visitors, due to commence in November this year, is a good start, he says. This will halve the cost and dramatically reduce the processing time down to around 72 hours. Clients (large agents) in China agreed that this, while helpful, is unlikely to drive the volumes that New Zealand tourism seeks.

"Perhaps it is a catalyst for a larger conversation with our trans-tasman neighbours," he says. "Considering the current co-operation and general alignment around security, a single Australasian platform for short-term visitor visa processing would be worth discussing."

industry – which has still not returned to pre-Covid levels

recovery at risk



coming from China. Among the countries still needing a visa, China is the largest source of visitors to New Zealand. Most of their supporting documents are in Chinese and require expensive translation.

Latest Statistics NZ figures show that for the three months to July, Chinese arrivals were down 7% compared to the same period last year – before the visitor visa fees went up.

“That’s a disaster for the New Zealand economy. Ten years ago China was our second-largest tourism market in what was then our largest export sector. They have now fallen back to third place, well behind the USA.” While there’s recently been some relaxation in which Chinese translation companies can meet Immigration NZ’s requirements, the costs still need to be paid.

The high visa costs are also having a toll on Chinese business links with New Zealand. In July, Chinese business travellers visiting New Zealand were down 24% on the same month last year (before the fees increased), while Chinese travelling here for conferences fell 81%. Outside of the Covid years, these business arrival numbers were the lowest since 2016.

The downturn in Chinese travel has also had a knock-on effect on New Zealand’s connectivity with China. In April, following the fee increases, Air New Zealand cut the long-standing daily service from Auckland to Shanghai to five flights a week while its Air China partner reduced

weekly flights from Beijing from four to three.

Even more concerning is that the pipeline of future Chinese travellers to New Zealand is drying up. Immigration NZ data shows that in the 11 months since the big hike in visa and border fees, Chinese visitor visa applications have fallen 17% compared to the same period a year earlier.

But while New Zealand’s Chinese visitor traffic is dropping, other companies in the region are seeing double-digit growth in arrivals from China.

It’s not a case of the Chinese not travelling, they’re just not coming here. The situation has reached a critical stage.

Australia’s Chinese visitor arrivals were up 12% in the last three months to July on the same period last year, while Chinese visitors to Japan increased a massive 29%, Kinsella says.

“It’s not a case of the Chinese not travelling, they’re just not coming here. The situation has reached a critical stage. At this rate we run the risk of NZ’s place among Chinese tourism destination markets fading away to irrelevance.”

NZBRiC argues the Government should drop the visa requirement for Chinese visitors and replace it with the NZeTA, a simplified form of border

entry approval required for travellers from visa-waiver countries – which is valid for two years and costs only \$17.

“The Government has already announced that the NZeTA will be replacing the transit visa for Chinese in New Zealand. This could be extended to all Chinese visitors.”

At the same time, the IVL should also be ditched for everyone, he says.

“The near-trebling of the levy to \$100 for everyone except Australians and South Pacific countries was a mistake.

“More than half of our visitors arriving from around the world now have to pay for the IVL as well as the NZeTA. For a family of four, that adds \$500 to the costs. New Zealand is the only Western country to tax visitors up front like this.”

The downturn in Chinese travel to New Zealand is shrinking GST revenue. This is much more significant source of revenue for the Government’s coffers than visa fees and the IVL, since all foreign visitors have to pay 15% on their New Zealand spend, without exemptions or refunds.

“The Chinese are among the visitors with the highest average spend in New Zealand. Typically this is more than \$5000 per person, which works out at around \$750 in GST.

“If some regions have pressure points in their travel infrastructure, let them charge a bed tax on visitors after people arrive – but let’s stop taxing visitors before they even set foot in the country.”

WHO’S VISITING?

In the 12 months to July

3.4m
total arrivals
86.8%
recovered on 2019
1.7m
holiday
85.5%
recovered on 2019
59,000
conference
1.1m
visiting friends and relatives

Total holiday spending

\$2b
Australia
\$1.82b
US
\$842m
China
\$519m
Britain
\$519m
Germany
Source: Tourism NZ

Cruise industry in doldrums

Cruise has been described as the canary in the coalmine for tourism – and right now it’s seasick.

One New Zealand-based cruise operator says the country is over-regulated and overpriced and is now discouraging the big overseas cruise lines from coming here.

Last month, Disney Cruise Line confirmed its exit from New Zealand, saying it won’t return, with costs in

this region being blamed.

The Cruise Line Association, says though Government ministers now understand the importance of the \$1.3b a year industry, cost increases and difficulties operating here mean it’s in the doldrums for two years at least.

Nathan Russ, operations director of Heritage Expeditions says bold statements and action by the Government now would take at least three to four years to attract the big operators here.

Heritage operates boutique voyages, many to the Subantarctic Islands, which attract the high-net worth, high-value tourists from around the world that the industry wants to attract. But he says the country is sending out the wrong messages. “We’re over-regulated and overpriced ourselves out of the market,” he says. A turnaround day at Auckland will cost the 125m-long Heritage Adventurer \$30,000 in port charges and fees.

In Osaka, with access to a dedicated cruise terminal, it will cost \$5000.

Russ says Department of Conservation charges for passengers landing on the Subantarctic Islands have increased from \$405 to \$1056 per person and, at short notice, Heritage will now have to add this to the ticket price.

“New Zealand’s a great destination. It’s got a lot to offer, but I just think we’ve got to a point now where we’ve gone so far out of whack with the world that we’ve got to try and get back into alignment, otherwise ships aren’t going to come back.”

New Zealand Cruise Association chief executive Jacqui Lloyd says New Zealand is at a tipping point for cruise lines.

“I feel sometimes cruise is a little bit of the canary in the coal mine. What happens with us in the sense of the tourism set to trends that roll into other areas.”

Cruise association chairperson Tanya Tompkins says though the last 12 months have brought some signs of operational stability, the outlook is deeply concerning, and demands collective focus, leadership, and urgent action.

The outlook for 2025/26 season is grim. Projected ship calls are more than 40% down on 2023/24, taking us below the levels seen in 2017/18.

Airport warning on flight capacity

The Shanghai-Auckland-Buenos Aires “Southern Link” route launching this year is a highlight for Auckland Airport, where capacity increases have largely plateaued with little sign of rapid pre-pandemic growth rates.

International capacity into Auckland is running at just on 92% compared to 2019 – slightly ahead of New Zealand as a whole – and fewer seats mean fewer opportunities to entice tourists here.

Auckland Airport’s chief executive Carrie Hurihanganui says there are complex reasons for stalled growth at a time when aviation links in other parts of the world are booming.

“I’d say overall aviation capacity remains a challenge for New Zealand. There’s a direct correlation that is going to make tourism growth in the short term harder.”

New Zealand risked becoming an outlier as other countries enjoy the full restoration of air links, she says.

Christchurch Airport chairwoman Sarah Ottrey says while the South Island has enjoyed a good tourism recovery post-pandemic, there is still

some way to go to build back our international markets to pre-pandemic levels, impacted by a slow-to-recover inbound China market and an uncertain United States. For Christchurch, existing international carriers are growing seats in the market by 7.5% for the peak summer season, which is a positive trend.

“Growth from existing carriers brings with it less risk and reflects the positive position the South Island holds with our key inbound markets, including Australia,” she says.

Hurihanganui welcomed the Government’s pivot to overtly support tourism, led by Christopher Luxon, her former boss when she was an executive at Air New Zealand. But border charges remain an issue.

“There have been tangible improvements on that front, but New Zealand is still considered an expensive destination as far as crossing the border.”

The near trebling of the International Visitor Levy favours targeted charging for the country’s most popular scenic attractions.



Carrie Hurihanganui

Some friction had been taken out of visa processing for visitors from China, but anything to speed that further would be welcome, she says. And she would like to see more funding and support for major events.

They don’t have to be America’s Cup-size, she says. The ripple effect of thousands at a conference are immense for the country. They are booked years in advance and are of

interest to airlines weighing up where to fly next.

Daily wide-body aircraft services on long-haul routes can be worth about \$150 million to the country in total tourism spend and worth much more for exporters. “We need to have our toes at the line and be competitive as a destination so that airlines do choose to point those assets to New Zealand,” says Hurihanganui.

Airlines have plenty of choice. “We’re a long, skinny route, which means we’re quite asset-hungry.”

Airlines assess whether they fly one return flight a day here or, for example, do four sectors around Asia.

Manufacturing problems and delays at Boeing and Airbus have stalled the delivery of new planes, meaning there are supply problems.

“I do look through to the medium to see that those things will be worked through, but that doesn’t help us in the short term,” Hurihanganui says.

In the past year, international passenger numbers were up 2.5% year on year to 10.3 million (including transits), the airport reported in annual

results last month. “We are seeing passenger growth, so it’s not all, it’s not all bad news, but it’s certainly not recovering at the pace that I think any of us would like or arguably what New Zealand needs,” says Hurihanganui.

The Southern Link service launching in December would not only provide more capacity to China (where seat numbers, if not passengers, have recovered) but crucially provide another option beyond LATAM to fly directly from Auckland to South America. While just twice a week initially, she says that could be boosted and it would tap into the Australian market, which also feeds the expanded Qantas service to New York from Auckland.

Qantas is starting services to Adelaide and Perth later this year and Hurihanganui says the airport’s route development team is working closely with other airlines. Although she wouldn’t specify, Turkish Airlines is known to have New Zealand on its radar and Thai Airways is tipped to be eyeing a return to this country.

MOOD OF THE BOARDROOM

Let's cut the friction says Air NZ's Foran

Grant Bradley

Air New Zealand boss Greg Foran says he welcomes the increased focus on tourism but there's work needed to reduce friction for travellers.

"It's a critical sector for New Zealand and we have so much to be gained as a country by getting in behind the industry," he says.

Momentum in the tourism sector is critical – not just for the economy, but for the wider wellbeing of our regions and communities. "To maintain and build momentum, we need to make the journey to and within New Zealand as easy as it is beautiful. That means streamlining visa processes, reducing friction in booking and travel, expanding multilingual support, and ensuring a seamless experience from that first online search to the final flight home," he says.

All parts of the visitor journey – airlines, airports, travel agents, customs and immigration – must be aligned and focused on delivering a consistently high standard.

"We also need to broaden the welcome. Backpackers, families, business travellers, conference delegates and event goers – every visitor contributes value, and all should feel genuinely included. And we must continue to promote New Zealand with authenticity and scale.

"When we share our story well, visitors don't just come – they become advocates."

United Nations figures show in 2024 spending on tourism was close to NZ\$3 trillion. Foran says New Zealand is competing for global travellers in a highly competitive market.



"If the journey to New Zealand feels difficult – whether that's due to complex visa processes, language gaps, or unclear information – visitors will look elsewhere. Ease of access is no longer a nice-to-have, it's a strategic imperative."

He says the Government has an important role in reducing those barriers, and there had been good decisions. By streamlining processes, providing clear and multilingual in-

formation, and investing in targeted international promotion, the country can collectively lift the performance of the sector.

Supporting partnerships that align economic outcomes with environmental stewardship – like Air New Zealand's \$1.2 million Every Corner Project – are also essential to ensuring tourism grows in a way that reflects national values and strengthens its social licence.

He says that if New Zealand is to boost tourism in a sustainable way, the country must remain committed to building strong, resilient, and well-planned aviation links.

"This requires long-term investment, industry collaboration, and a shared commitment to ensuring our air network continues to connect Aotearoa with the world."

Air New Zealand flies to 20 regions across Aotearoa, enabling visitors to

experience the diversity of the country while supporting regional economies and the tourism operators at their heart.

"For our tourism sector to thrive, we must think and act collectively as

If the journey to New Zealand feels difficult – whether that's due to complex visa processes, language gaps, or unclear information – visitors will look elsewhere. Ease of access is no longer a nice-to-have, it's a strategic imperative.

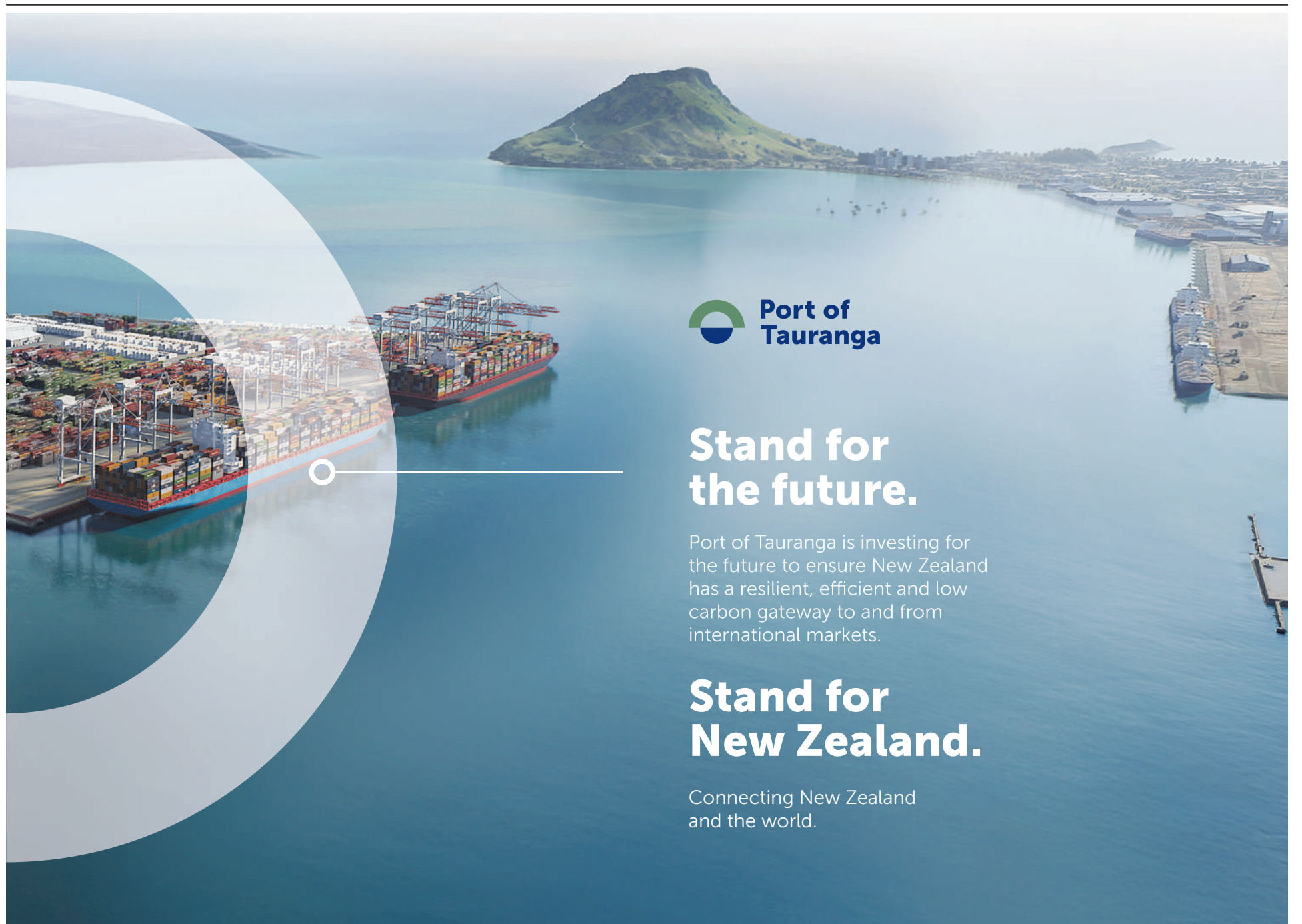
Greg Foran

an industry – ensuring we target the right markets, create seamless connections into our regions, and open Aotearoa to the world in a way that is sustainable and future-focused."

As the country's national carrier, the airline was mindful of the important role it plays in shaping the experience of those who travel here.

"For many visitors, we are their first and last interaction with Aotearoa, and with that comes a responsibility to represent our country with authenticity – reflecting the warmth, care, and manaakitanga that define who we are."

Foran is leaving the airline's top job in October after a five-year term that started with tourism collapsing when the pandemic hit, then saw the airline being part of the strong recovery in global travel.



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Regulation signals must be clearer

Coalition
Government gets
top marks on
education but
clarity is needed on
rules, says
Foodstuffs boss

Grant Bradley

Foodstuffs North Island chief executive Chris Quin gives the Government top marks for the progress it's making in education but says it needs to send clearer signals on regulation.

He says the economy is in a tough spot and the only solution is through greater collaboration between business and government, better communication, and a strong focus on innovation.

Quin also supports the idea of a four-year parliamentary term, saying that would give businesses more certainty.

The co-operative employs 24,000 people and has 240 store owners across the North Island. Quin is acutely aware of the financial pressure many New Zealanders face, noting that food accounts for nearly 20% of household spending.

Foodstuffs recently published data showing retail prices across its stores rose 3.4% year-on-year in July, compared with Stats NZ's latest annual food price inflation (FPI) figure of 5% over the same period.



"Households feel that, and because they shop with us four or five times a week, we're constantly on their minds. Of course, it's a privilege to have them in store so often, but it also brings accountability."

He says it's not overstating things to call the current economic situation a crisis, but both political and business leaders have historically responded well in such times.

"People communicate really well in a crisis – we innovate, we do things faster than in normal times, people take accountability, and they collaborate."

While he's concerned about rising unemployment, particularly in Auckland, and ongoing cost-of-living pressures, he believes one area where long-term positive change is under way – thanks to the coalition government

I think at the core of the economy, I go back to this: less tinkering, more focus, and faster delivery. The 'going for growth' message is right. The agenda needs to be very clear.

Chris Quin

– is education. Although full progress will take more than one parliamentary term, Quin says new recruits to Foodstuffs are already showing the benefits of recent improvements.

"The gold star I would give this government is for education, and it can be a big game-changer. I really hope there can be some bipartisan support for the direction and that the momentum carries on."

"We really do notice when we've come through a period of poor education performance, and we're starting to see the benefits of a renewed focus on the basics."

While changes to NCEA have had the most public attention, Quin says there are also important systemic shifts under way in professional standards and attitudes.

"There's a conversation now around teachers being valuable – and that they should be rewarded."

In countries like Ireland, he notes, education is highly regarded and teachers are held in high esteem.

Beyond education, Quin says the Government also deserves credit for its work in policing and justice, and – less directly relevant to Foodstuffs – on infrastructure.

"I think at the core of the economy, I go back to this: less tinkering, more focus, and faster delivery. The 'going for growth' message is right. The agenda needs to be very clear – and it needs to be about value-added services."

He points to small European countries such as Switzerland, Ireland, and Denmark, where economic plans are sharply defined.

"One thing that strikes you in those countries is that everyone tells you roughly the same story about the plan – it's clear and focused. That's what

we're missing – the plan. And how do we collaborate on that plan?"

When it comes to regulation, however, Quin says New Zealand needs a distinct approach, given its size and location.

The supermarket sector is under government scrutiny, with structural separation being floated as a way to encourage more competition.

Foodstuffs has engaged with the Government, but no decisions have been made, and uncertainty remains.

"The process is ongoing. I keep stressing, as business we can't just stamp our feet and demand," he says.

"We are a player in the game. But the rules of the game and the environment are set by the Government. We need to see more collaboration around that and a bit more trust in our intentions."

Foodstuffs has operated in New Zealand for more than a century and plans to continue investing locally.

However, global geopolitics continues to affect the business, including sharp increases in grain prices following Russia's invasion of Ukraine.

Quin says a small Foodstuffs fish export division has also been hit by tariffs in the United States, and global shipping disruptions continue.

He warns that other global food manufacturers affected by US trade policies may pass costs on to customers worldwide, including here.

But one potential upside is that a broader variety of food products may become available to New Zealand consumers as global supply chains shift.

● Foodstuffs North Island is an advertising sponsor of the Herald's Mood of the Boardroom report.

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88%

of local businesses report that AI is having a positive impact but scaling is the next challenge.

Only 12%

of organisations have deployed AI right across their business.

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MOOD OF THE BOARDROOM

Spark sharpens focus on its core

Strategy shift aims to boost resilience and growth CEO tells **Bill Bennett**

Spark has reset its strategy around the core connectivity services that generate 80% of the company's margin. There is a renewed emphasis on mobile, managed networks, voice, IoT and broadband.

CEO Jolie Hodson says the move marks a return to basics, but with a sharper focus on building resilience, reliability, and premium customer experiences. In recent months, the company completed half its five-year mobile network rollout, with its 5G network now covering 130 locations and traffic running over its new 5G standalone core.

"We're excited about this strategy. Yes, it's a reset with a new road map, but that doesn't mean it's not something that's exciting to go after. And we will continue to help New Zealanders, because that's the important part here. We're an enablement company, we have a role to play in supporting New Zealand growth."

Private 5G is a key element. Spark is the first local operator to launch a standalone 5G core. This is an upgrade to the 5G network that enables many of the advanced features the technology promised.

One of those advanced features is "network slicing", which allows Spark to dedicate parts of the network for specific customers or applications.

Hodson points to use cases such



It's a reset with a new road map, but that doesn't mean it's not something that's exciting to go after. And we will continue to help New Zealanders, because that's the important part here.

Jolie Hodson

as ports, warehousing and industrial operations where low latency and guaranteed quality of service are essential.

"You're providing a highly resilient service that gives customers the ability to control and leverage the network in ways they couldn't before," she says. That means premium offerings with strong margins, but there are also practical benefits for businesses seeking resilience and flexibility without laying cables.

"A better network means a better customer experience. If you look at the last five years, our customer experience has grown every year. We've invested in technologies like the standalone core, the things that

matter. Now we're looking at how we can use those technologies to enable customers to do the things they need."

While Spark is positioned as a premium service provider, it continues to service other market segments, such as the company's Skinny brand for a more affordable mobile service.

AI is another advanced technology helping Spark in its renewed focus.

Hodson says Spark is investing heavily in automation and artificial intelligence to improve both its own operations and its customer offerings. Internally, AI helps deflect 20,000 contact centre queries a month,

reduces call times, and assists agents with real-time answers.

Transcription tools capture conversations instantly, creating searchable records that improve service and highlight recurring problems.

AI also plays a role in Spark's network operations, spotting anomalies and combining with automation to reroute traffic when outages occur.

Hodson describes it as a process of systematically applying new tools: "It's really about using AI at scale where it helps us improve performance, reduce costs, and deliver better experiences."

Spark uses AI, at the same time, it offers customers guidance on their AI

journey. The company runs AI education programmes in partnership with Section, a New York-based business education business founded by NYU Stern Professor Scott Galloway.

It also supports organisations that want to embed AI in their processes. Hodson stresses that businesses don't need to start big: "All organisations should be finding ways to use it. You don't have to be a deep technology expert to get value."

Currently the Ministry for Regulation is reviewing the rules governing the telecommunications sector.

Hodson says in general the industry works to a good standard, but the review is interesting because some aspects have matured since the rules were first laid down and may no longer need to have the regulator's attention.

This winter Spark sold a 75% stake in its data centre business, which unlocked capital. The retained 25% means the company gets to stay in the data centre market.

Hodson says the move gives Spark a well-funded partner to build capacity at the pace required to meet growing demand, especially with AI driving data growth.

The company has been acquiring land and resource consents for further expansion, including sites on Auckland's North Shore and at Dairy Flat. Hodson says demand for local data capacity remains strong, even if large international projects sometimes appear slow to materialise. "This is a long-term trend. Our role is to ensure New Zealand has the infrastructure it needs to support growth."

● Spark is an advertising sponsor of the Herald's Mood of the Boardroom report.

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Engineered AI – the next battleground

Datacom CEO says businesses need increased cybersecurity to make real AI gains

Bill Bennett

Datacom's 2025 *AI Impact in New Zealand* report shows local organisations embracing artificial intelligence. Eighty-seven per cent of businesses use some form of AI and close to a third are working with advanced AI. Yet, Datacom CEO Greg Davidson says while AI tools like ChatGPT are everywhere: "Most of what's going on is still proof of concept, experiments and pilot projects. Many businesses, particularly in New Zealand, have yet to move on from that."

"Ninety per cent of what businesses are doing at the moment is chat; they are not fundamentally trying to solve an engineering problem."

Workers who use an AI chatbot might ask questions and accept what comes back. Davidson says this is useful for small productivity boosts, but it is not transformative.

He says to get the best from enterprise AI, you need to deliberately design, test and build systems so that the AI delivers reliable, repeatable, business-critical outcomes. That requires engineering discipline.

Datacom's work with Datapay's AI-powered Payroll Assistant illustrates this point.

Davidson says: "We had to figure out a way of testing it. We had to carefully curate what information it referred to and we had to fundamentally alter how the RAG pipeline worked in order to get those accurate answers. In essence, instead of chat, it's an engineering problem."

RAG, or Retrieval-Augmented Generation, is the technical term for when an AI searches for a trusted, verified external information source, maybe the text of the original legislation or company manuals, instead of simply pulling information from a large language model or its training data.

This is important because Davidson says AIs are designed to please their users. That can mean they guess or make up plausible-sounding answers if they don't have the correct information to hand. This is sometimes called hallucination.

He says when Datacom built Pay-



Photo / 123rf

Most people are so impressed with the outcome, they don't second-guess it. They take the lazy answer. When something produces the right answer, 99 times out of 100, spotting the one becomes a pain.

Greg Davidson



roll Assistant, it restricted its information to documents from the IRD, ACC and MBIE. Then it engineered the AI to stop it guessing. Real productivity benefits come when AI is engineered into processes rather than used as a novelty but it does not come cheaply.

For Davidson, a key is to invest only in projects that can shift the dial. "There's no point spending 1000 engineering hours on a problem that's not going to give you the equivalent

benefit on the other side of it."

In a tight economy, boards hesitate to fund multi-stage projects without guaranteed returns. "During a downturn, people want to know that they can get the benefit from the work that they're commissioning."

Getting a return can involve a number of iterations.

Davidson says Datacom had to take a leap of faith when developing its Payroll Assistant AI to get the

results it wanted. "The problem is that most organisations don't want that degree of uncertainty. If they commission work, they want to know what they will get to justify the cost of the engineering effort."

What makes this hard is understanding when to invest in engineering. Davidson says it can be deceptive because AI chat delivers "pretty good" results. In a few places, the results can be amazing, but quality control is difficult.

"Most people are so impressed with the outcome, they don't second-guess it."

"They take the lazy answer. When something produces the right answer, 99 times out of 100, spotting the one becomes a pain."

New Zealand organisations' focus on AI chat suits the main AI providers' business model.

OpenAI with ChatGPT, Anthropic with Claude and Google with Gemini all earn revenue selling per-seat chatbot subscriptions.

Davidson says AI is most valuable when businesses treat it like any other critical system built – with

testing, curated data, security guardrails and ongoing quality assurance. Without that engineering approach, he says AI stays stuck at the modest productivity gains from the "chatting with a bot" stage.

While local companies weigh up how far and how fast to push into AI, Davidson says the one area that cannot be deferred is cybersecurity. He says: "If you're going to save money on anything, don't save it on cybersecurity."

The threat landscape is worsening, driven both by organised criminal groups and by state-sponsored actors.

Too many New Zealand organisations are still behind on the basic controls that regulators regard as minimum good practice.

Added to that, worldwide AI adoption itself introduces new risks: models must be tested, secured and monitored to prevent bias, misuse or breaches.

● Datacom is an advertising sponsor of the Herald's Mood of the Boardroom report

Playing catch-up with Artificial Intelligence

Tim McCready

CEOs are increasingly adopting artificial intelligence to improve business performance – but few would call it a revolution just yet.

In the 2025 *Herald Mood of the Boardroom* survey, CEOs were asked to rate the impact of AI adoption on their business performance over the past year. Most reported a moderately positive lift, with an average score of 2.86/5 (where 1 means "no impact" and 5 rates as "transformational").

For Mitre 10 NZ chief executive Andrea Scown, AI is already embedded across the business: "We are using AI across much of our business functions and digital customer-facing experiences, including some use of AI agents in IT development. We have not removed labour costs, nor have we articulated this to be a goal."

"It is growing fast," says a banking chairperson. "In the short- to medium-term I see jobs going, and it's not yet clear where the new jobs are going to come from."

Others emphasised the product-



Most CEOs reported a moderately positive lift in AI adoption. Photo / 123rf

ivity potential rather than workforce reduction. Downer NZ CEO Murray Robertson says: "While AI clearly has potential to improve productivity, we have yet to see it lead to a reduction in workforce numbers. At this stage, it's more about enhancing how we work – but this will undoubtedly evolve over time."

An independent energy chairperson notes the importance of a careful rollout. "The journey has

started, but we have much more we can and will do, in a carefully considered fashion to ensure we retain human engagement for our people and customers."

Some companies are already seeing real gains. "Massive benefits are starting to flow for our data centre business, but also at an operational level," says an investment boss.

A food industry CEO adds: "We are increasingly using AI in digital mar-

keting and sales, but have yet to adopt it within operations."

Justine Smyth, the chairwoman of Spark New Zealand, points to years of investment in AI paying off. "We are improving the productivity of our people and delivering tangible benefits for customers – such as shorter wait times in our call centres and faster identification and resolution of network issues."

NZME chief executive Michael Boggs highlights both the upside and the caution needed: "AI presents both a strategic opportunity and a challenge for NZME. It offers powerful tools to enhance content creation, audience engagement, and operational efficiency – but it also demands careful navigation of issues around trust, copyright, and the integrity of journalism."

The depth of adoption remains thin. "We are really only starting our AI journey," says an agribusiness leader. "The focus is over the next 12 months." Another chairperson was blunt: "We need to get a move on."

When asked how ready their organisations were to harness AI and

automation technologies to enhance productivity and competitiveness in the next 12 months, the score was only marginally higher at 2.97/5. Just seven executives rated their firms at the top end of the scale.

An experienced chairperson suggested success would depend on culture rather than technology: "Change will be constant, and successful companies focus heavily on creating an inclusive and adaptive culture that helps to support our human workforce to deal with constant change."

Others highlighted the need to leverage what has already been built. "Having made significant digital investments over four years, our strategy is to utilise the AI tools embedded in what we have rather than build new." Others said the pace of change is dizzying. "You almost have to be one step ahead of tomorrow," said one real estate CEO. "By the time it is implemented, you're already behind the ball."

The message from the boardroom is clear: AI is no longer optional. The challenge now is converting potential into productivity gains.

MOOD OF THE BOARDROOM

AI key to future of infrastructure

NZ must rethink how it measures success in the sector, says Aurecon chief Tracey Ryan

Bill Bennett

Aurecon chief executive Tracey Ryan is cautiously optimistic about the prospects for the infrastructure sector.

Looking at the big picture, she notes: "The world has changed. It is far more complex. There's a lot playing out. We're seeing a lot of disruption coming at us fast and you can get kind of caught up by that."

Meanwhile, the industry is recovering from project slowdowns and political uncertainty following the 2023 election. She says Aurecon has been through tough times resizing and reshaping its business as projects stopped.

The Association of Consulting and Engineering says New Zealand's engineering consulting sector lost 1200 jobs in the past 12 to 18 months, while numbers in the wider construction industry are down 16,000. Ryan says letting good people go is not something that can be taken lightly.

Yet, Ryan says, it's the job of industry leaders to lean into the challenges disruption brings and understand what the future looks like.

AI may be the greatest disruptive challenge facing business today.

Ryan is enthusiastic about using technology as an enabler and says AI is already making a material difference to Aurecon.

She says businesses should lean into the technology rather than resist.

"AI is here now. It is transformative and happening at an exponential rate. We need to embrace it."



Resilience isn't always glamorous, but it's central to keeping communities functioning.

Tracey Ryan

There are three ways advanced technologies are changing Aurecon today. At the personal productivity level Ryan uses AI to reduce administrative burdens and help with prioritisation and effectiveness in her role.

Aurecon applies AI, automation and standardisation to designs, using

data and machine learning to support clients with asset-intensive infrastructure. This includes making better-informed spending decisions, managing assets and handling renewal programmes.

A more creative use of advanced technology is with community engagement. Aurecon uses tools such as gaming, virtual reality and digital platforms to help communities visualise and engage with major projects in more immersive ways.

Ryan wants New Zealand to view infrastructure through a fresh lens. She says we can't measure infrastructure success purely by the scale or visibility of new construction.

While new projects are necessary, they're only one part of the picture.

"New Zealand needs to do a lot more than just build all the shiny new things... it needs to think about the maintenance and operation of its assets and renewal of its assets."

She says there needs to be greater emphasis on the operational expenditure side of projects: existing assets such as roads, rail, hospitals and utilities all need investment in maintenance and renewal to ensure they remain safe, efficient and resilient.

A focus solely on new projects risks neglecting core infrastructure, which can cause higher costs and community disruption later.

Another aspect of this is resilience. Ryan says infrastructure must be designed, upgraded and maintained to withstand disruption, climate change and natural hazards. "Resilience isn't always glamorous, but it's central to keeping communities functioning," she says.

Ryan fears that political changes on an international scale are influencing New Zealand and mean climate change issues are being downgraded or even ignored, although the infrastructure challenges don't conveniently disappear. She argues we should measure the sector's success by how infrastructure improves everyday lives, not by ribbon-cutting ceremonies for "shiny" assets.

This includes considering how projects feel for communities, how they connect people, and how they contribute to long-term well-being.

Like other industries, New Zealand's infrastructure and construction sector has relatively low productivity when compared with overseas markets. It also faces higher costs.

Ryan thinks we need to do a better job of asking why our infrastructure is so expensive.

While AI and technology investment can help with productivity, Ryan wants to see greater collaboration, more standardisation – not every project needs to be unique – and smarter ways of working.

There's a need to rebuild the skilled infrastructure workforce.

Ryan says New Zealand's lifestyle is a draw, it is more important to ensure there is a pipeline of meaningful projects and a strong visionary story to attract and retain engineers.

She says in many overseas markets, most of the main infrastructure is built, but here there is so much that needs doing, we should be a good long-term career option.

"There are some big issues that New Zealand needs to sort out and short-term things we need to do, but the long-term gain is clear."

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Port boss slams red tape hold-up

As the Port of Tauranga, New Zealand's biggest port, enters the seventh year of its red tape tussle over critical infrastructure expansion, its chief executive says it's time the Government's policy was turned into action.

Leonard Sampson, "enormously frustrated" over the loss of \$65 million to \$90m in annual freight savings for importers and exporters because the chock-full port is turning away shipping services, says New Zealand urgently needs clarity around regulatory planning regimes, for example.

"There's an urgent need to convert words into action. I really think there's broad business community support for the policy and direction. It now needs to be converted to tangible execution."

"I give the example of much-needed investment opportunities or investment structures into the infrastructure pipeline."

"Fantastic, but there needs to be clarity around the commercial mechanisms in which investors, whether they be New Zealand investors or offshore investors, can invest and achieve commercial returns, and that's about some of the regulatory frameworks that sit behind those planning regimes."

In its recent strong FY25 results, New Zealand's main export gateway said after more than six years in the consenting process for expansion of its container terminal wharf, the situation was reaching crisis point, with new shipping service offers being

CEO urges action on infrastructure after years of delays, writes **Andrea Fox**



There's an urgent need to convert words into action. I really think there's broad business community support for the policy and direction. It now needs to be converted to tangible execution.

Leonard Sampson

turned away due to lack of berth space.

"One new service to the Americas, based on the volume we currently

move now, represents somewhere between \$65m to \$90m of ocean freight savings. Those are savings that go back to importers and ultimately

are passed to consumers, and savings for exporters that ultimately go back to the regional communities they come from."

The ongoing consent saga also had a "huge" impact on port productivity.

"We acknowledge that all ports in New Zealand need to lift their productivity, but one of the single biggest ways to do that is by having an appropriate level of infrastructure," says Sampson.

"In our case, that is an appropriate length of berth to be able to cater for services that want to call at the port."

Even if the port gets the regulatory green light soon, the project will have been 10 years in the planning by the time it's built.

Meanwhile, the cost of the development has doubled to nudge \$100m.

"It's a two-year construction period once we get consent."

"It's enormously frustrating. I think it's probably symptomatic of the whole RMA [Resource Management Act] process. One of the single biggest areas for improvement in this country, I believe, is clarity around regulatory planning regimes and certainty."

"We can't have legislation that is open to interpretation for years and can be hijacked."

The latest twist in the resource consent process is a legislative drafting error, which has resulted in the

Environment Court putting a hold on the process under the Government's new fast-track legislation.

Sampson says the error was not the port's doing.

The port had turned to the new fast-track legislation for assistance after years of applications, hearings and appeals before local authorities and the Environment Court.

The development is being challenged by local hapū.

Meanwhile, Sampson says while export returns have been buoyant on the back of strong commodity prices, the domestic economy and import consumption have been sluggish and lacklustre.

"It's been a lot slower than we had anticipated and we're hoping to see a little bit of a recovery towards the back of this calendar year or early in 2026."

He expects the 15% tariffs imposed on New Zealand products by the Trump Administration will prompt the port's export customers to look for greater market diversification.

While US demand for some New Zealand products remains strong, he anticipates the increased tariffs will result in greater margin pressure on exporters.

● Port of Tauranga is an advertising sponsor of the Herald's Mood of the Boardroom report.

\$5m foreign buyers to fuel market

Government visa changes and lower rates will lift property sector, says real estate boss

Anne Gibson

Lower interest rates and Government changes for foreign investors who have residency visas will all boost housing in the next one to two years, Barfoot & Thompson managing director Peter Thompson says.

During winter, he spoke at a global real estate agency conference in Singapore and said it was attending events like that which made him aware of New Zealand's popularity.

"The Government changes are a really positive move because when you go overseas and go to real estate conferences or expos, a lot of people say they want to come to New Zealand.

"These buyers don't want to rent. The people we're talking about want to own property and make it their home. Having that \$5m setting means it keeps the effect right away from first home buyers. This won't affect people like that. It's well away from their price range."

Buying finished homes rather than building is anticipated. "Most won't have the time to come and build. They want to invest the money as soon as they can. They see New Zealand as a safe haven."

The investors would not leave



These buyers don't want to rent. The people we're talking about want to own property and make it their home. Having that \$5m setting means it keeps the effect right away from first home buyers.

Peter Thompson

their New Zealand homes empty but live here, he said. "These people will actually live here. That's part of the legislation. We certainly don't want

any land banking."

On September 1, Prime Minister Christopher Luxon announced plans to change the foreign investment regime.

"The Government wants to bring additional investment, skills, ideas and connections to New Zealand, and the Active Investor Plus residency visa allows that. It offers residency to a migrant who invests a minimum of \$5 million to help grow the economy, passes a good character test, and has acceptable health."

Often referred to as the Golden Visa, it requires a minimum of \$5m to be invested into direct investments or managed funds. There is also a \$10m category, with a wider range of options for investments.

The Government decided that people with an Active Investor Plus residency visa will be allowed to buy or build one home. The minimum value of the house that can be bought or built will be set at \$5m – which equates to less than 1% of New Zealand houses, Luxon said.

Thompson doesn't expect the \$5 million-plus buyers to be dominated by Chinese.

"Most of the people will be coming from Europe or America, not China. That's the feedback I've received."

Overall, it's yet another boost to the market.

"More confidence is starting to brew in the economy with interest rates coming down. The next 12, 18 to 24 months will see more activity and more sales."

He expects the \$5m+ buyers to be drawn to Auckland and Queenstown.

He doesn't want those with a \$4m home to push that price up to \$5m to attempt to make their home eligible to join that category.

"These people are sophisticated investors and will know the real worth."

Trying to get \$5m for a \$4m property would result in it "just sitting there and they will miss deals if they try to list or auction it at a price too high".

New Zealand must comply with anti-money laundering policies and procedures to detect and prevent the illegal conversion of illicit funds into legitimate assets, thereby combating financial crime.

Asked about how New Zealand could ensure the money coming here from overseas complied with that regime, Thompson said that was up to the law processes.

"Obviously, banks, lawyers and

real estate agents – we all have to do it, it's a rigorous role but you can never say it's all squeaky clean."

At a conference of leading global real estate agents in Singapore mid-winter, Thompson spoke about New Zealand's foreign investor regime, already open to Singaporeans buying homes here.

"The real takeaway from that conference was that many Singaporeans didn't know they could buy now in New Zealand, that they were exempt already."

"They just didn't know it, although government officials there know."

"There was a lot of interest."

Better education would have helped bring more Singaporeans here, he said.

Barfoot & Thompson has 88 offices, including in Northland, Tauranga and Whangamata. It has 2800 contractors, employees, front-line and support centre staff, including about 1500 contractors who are the licensed salespeople.

Despite the downturn, those numbers did not drop, "but we do a lot of training", he said.

People had been made redundant from other industries and saw possibilities in real estate.

The rental division manages just over 21,000 properties.

Barfoot & Thompson named its top sales staff.

● Top sales teams for 2025: No 1 was Bob Qin and team from Millwater, specialising in new subdivisions;

● Top individual salesperson for 2025: No 1 was Aaron Foss, Mission Bay.

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MOOD OF THE BOARDROOM

Skills, tax and policy changes top concerns



Mood of the Boardroom
Bill Bennett

Economic uncertainty remains a key challenge for New Zealand businesses, yet they are planning more investment than last year. The 2025 BusinessNZ Sentiment Survey of 130 BusinessNZ members found 68% expect to invest the same or more capital expenditure than last year. That figure is up from 61% in 2024. The number expecting to invest less has fallen to 25% from 33%.

BusinessNZ Chief Executive Katherine Rich says investment intentions are a good indicator of business confidence and the 2025 results pointed to gradual improvement in the economy.

When asked about their top concerns, the largest number of the 130 BusinessNZ members who responded to the organisation's 2025 BusinessNZ Sentiment Survey named the uncertainty stemming from reversals of government policies following elections. That's a change from a year ago when members' top concerns revolved around financial matters: interest rates, inflation and input prices or profitability.

Other top areas of concern are a lack of demand, with more than half the respondents (52%) naming it as an issue and the lack of economic growth (38%).

New Zealand's corporate tax rate remains contentious in business circles. The current rate is 28%, which is the eighth highest rate of the 38 OECD countries. Close to two-thirds of respondents (61%) believe that it is either too high or not competitive enough to attract foreign investment.

Last month, Prime Minister Christopher Luxon and Education Minister Erica Stanford announced proposed changes to NCEA qualifications that aim to improve the skills levels of school leavers. Under the new system, NCEA level 1 would be replaced with literacy and numeracy tests, while levels 2 and 3 would be replaced with a New Zealand Certificate of Education and an Advanced Certificate.

BusinessNZ asked members to rank their experience with the skill levels of school leavers entering the workforce on a scale of one to five, with one meaning leavers are highly skilled and five indicating they were poorly skilled. The results were balanced. Nearly a third of respondents gave a median score, with a quarter (25%) say there were skilled or highly skilled, while 28% said they were unskilled or poorly skilled.

Wayne Scott, the CEO of the Aggregate and Quarry Association, is critical of the existing system. He says: "The focus of NCEA has been getting the number of credits, not quality learning that prepares the student for potential employment. Accordingly, young people are applying for jobs with very few of the skills potential employers are looking for. There has been a disconnect between the school curriculum and industry."

Early next year, the Government plans to return ten polytechnics to regional governance in a move that undoes the Labour Government merger. Vocational Education Minister Penny Simmonds says they will be locally led, regionally responsive and future-focused. The aim is to better equip learners with skills that are workplace relevant.

Uncertainty still weighs on business but investment lifts in the BusinessNZ 2025 Sentiment Survey, writes **Bill Bennett**



Asked to rank the skill level of employees who have been through the polytechnic system on a scale of one (highly relevant) to five (not relevant), one in five respondents said they were highly skilled or skilled, 22% gave a median score and 17% said they were unskilled or poorly skilled.

Mt Cook Alpine Salmon CEO David Cole answered the question with a score of two. He says the system works for his sector. "We're in the aquaculture industry and the salmon sector falls within that. We have a narrow skill requirement and we can employ someone with a diploma or degree in aquaculture with confidence."

"Judging by the specific skills they are studying, the certificates are a good grounding and a starting point when we first bring people on board."

Mike Craig, who runs a business specialising in architectural builds, is less enthusiastic. He answered the survey question with a score of four. "The skills people are leaving education with are not up to scratch. It used to be that you needed 8000 hours of on-the-job training to qualify; now they are pushed through a course in two years. There's a shortage of skills in the industry, but we're pushing builders out too fast. We don't have the right system in place." Craig says he has to up-skill staff, including qualified carpenters, before they have the relevant skills for his work.

Grayson Engineering's Kurt Hatchard has not been impressed with the school students arriving at his workshop for work experience. He says it is too easy for them to pass their unit standards to get qualifications and they are often not ready for real work. His criticisms of polytechnic students echo Craig's words about the lack of hands-on experience. "They are taught multiple welding techniques

with different consumables, but I feel they need to spend more time practising."

Scott says the teaching programmes in polytechnics have not kept up with advances in technology and new ways of doing things: "So often, the skills taught are not those currently used or required. Work-based learning delivery has become more flexible with online tutorials, virtual classrooms and work-based assessment. This has benefited learners who can't attend traditional classroom-based learning."

The skills people are leaving education with are not up to scratch. It used to be that you needed 8000 hours of on-the-job training to qualify; now they are pushed through a course in two years. There's a shortage of skills in the industry, but we're pushing builders out too fast.

Mike Craig

Recruiting suitably skilled and qualified staff has been a major challenge in recent years; it is now less the case. Members were asked to rank the ease of finding people on a scale of one to five, with one being very easy and five being very hard. 43% of respondents said it was either easy or very easy, while 21% said it was hard and just 9% found it very hard. Shamubeel Eaqub is an economist

who is head of policy for Simplicity. He answers as both a business leader and an economist when he says labour shortages plague New Zealand and are structural, so even during a recession it is not as easy as it was to find skilled employees.

One issue is what he describes as understandable "labour hoarding".

He says, "Businesses are less likely to fire people in a downturn. We have seen much greater use of reducing overtime and usual hours than firing this recession. So, we haven't increased the pool of available workers as before."

This is a reaction to the difficulty of finding workers and the attendant costs after hiring, Eaqub says.

The other problem is that there is "limited capability inside organisations to hire people with the right attributes but not necessarily the right experience to train them up to fill roles. There is a tendency to try and hire match-fit candidates. This makes the training and skilling someone else's problem, but not everyone can pass the buck. It creates a lingering skills shortfall."

Eaqub says our education and training organisations are better at qualifications than skills – not all; apprenticeships, for example, are very hands-on and industry-relevant. We then rely on immigration to fill our skills shortages, further atrophying the ability of our education sectors and businesses to upskill our workers.

Hiring workers from overseas is far from easy. BusinessNZ asked those members who had attempted to hire migrant workers about the experience on a scale of one to five, where one is very easy and five is very hard. Fewer than half of the respondents were able to answer the question; of those who did, almost no one said they found it easy, while well over

THE NUMBERS

68%

expect to invest the same or more capital expenditure than last year. That figure is up from

61%

in 2024.

25%

expect to invest less, which has fallen from has fallen from

33%

last year.

61%

of respondents believe the corporate tax rate is either too high or not competitive enough to attract foreign investment.

73%

of exporters are either confident or neutral about their ability to continue exporting at the same rate as recent years, while

27%

say they are not confident.

Despite the Trump tariffs, exporters appear to remain relatively confident about their prospects.

half (60% of those answering) said it was hard or very hard.

Tim Robinson, of Robinson Bowmaker Paul, a Wellington-based energy consulting business, says his firm always gets international interest when advertising for staff, but there are few suitable candidates. "One recent hiring round, we were lucky enough to find someone who was a perfect skill fit overseas, and went through the process of bringing him over from India. It took about eight months from the first advertisement to having him in the office in New Zealand."

Robinson says the process seemed pretty efficient and he didn't need to use an adviser. "From our side, most of the process seemed to be geared towards making sure we didn't exploit anyone, rather than making us jump through hoops, which was a pleasant surprise. Once we found a good candidate, it wasn't that much harder than hiring a Kiwi. Just a lot slower. I'd have no hesitation doing it again next time."

Earlier this year, the United States imposed a 15% tariff on New Zealand goods. This was up from the previously advised 10%. Despite this, exporters appear to remain relatively confident about their prospects. The survey found 73% of exporters are either confident or neutral about their ability to continue exporting at the same rate as recent years, while 27% say they are not confident.

Cole says his Mt Cook Alpine Salmon business is not concerned about the tariffs, even though the US is the company's largest export market. He says: "It's not our problem, we don't have to pay the tariff."

Cole says there has been no effect on demand; if anything, it is growing rather than slowing down.

He says the company continues to sell in China and elsewhere in Asia.

Why business wants a 30-year vision

An increased bipartisan approach to economic growth will create more certainty, confidence and hope for business and the public, says EMA chief executive John Fraser-Mackenzie.

"I may be a little naive but I do think it will become politically important to be seen being bipartisan," he says. "In the last 20 years I've never known a time more than now when there is more of a clamour for bipartisan, long-term thinking from the public and business."

"It isn't just about National and Labour talking with each other. We will continue to have an MMP government of some hue and they can have a very strong influence in what happens. We are including NZ First, Act, the Green Party and Te Pāti Māori because they can throw things off course."

Fraser-Mackenzie says a bipartisan approach will have more of an impact on some sectors than others – such as infrastructure, education, health and energy which are very long-term. Often, you can't make a positive change during the course of one electoral cycle, both from a political and business perspective.

"Companies will ask themselves, 'How long does our business plan run for – what do we build and who do we recruit.' If they are trying to get a payback in three years, it never really happens like that."

"Business thrives on confidence, and they need a bit more runway to justify their expenditure. The more long-term certainty the better, particularly in areas that inherently are longer term than the electoral cycle."

He says, in a healthy political system, parties do need to have their

Turning policy changes into progress and getting infrastructure projects moving are just two of the priorities for the employers' association, writes **Graham Skellern**



Business thrives on confidence, and they need a bit more runway to justify their expenditure. The more long-term certainty the better.

John Fraser-Mackenzie

own policies. "To this end, I think we need to talk about non-partisan rather than bipartisan with the MMP system and the percentage of the vote enjoyed by the biggest two reducing over time."

Fraser-Mackenzie says certainty and stability reduce risk and this encourages more investment, which leads to economic growth and increased prosperity for New Zealand.

In the areas of infrastructure, education and health, a 30-year vision with 10-year goals is a very good concept. "You are taking away uncer-

tainty and investment risk in the decision-making. If there is a gentleman's agreement or understanding amongst the political parties that they won't stop a project at a certain point, then they are doing a good service to taxpayers."

Fraser-Mackenzie says the mood of business is "falteringly moving towards positive. People are feeling a little better but there is still enough bad news, especially internationally with geopolitical tensions and tariffs, which they hang onto and it knocks them about."

He says parts of the economy are picking up and giving people hope – dairy, red meat and kiwifruit, for instance – and this activity will flow through. There's a lot going on in the policy space such as RMA reform, workplace relations, and Fast Track approvals.

The New Zealand Infrastructure Investment Summit sent good vibes and showed the government is prepared to do things differently – for example, public-private partnerships.

"But while we are waiting for some infrastructure projects, how much repair and maintenance has been done. We have paused major projects but haven't replaced them with infill projects."

Fraser-Mackenzie says the flat house prices are holding back business confidence. "Our mental model of wealth and confidence is driven inordinately by house prices, in part because domestic mortgages are used to finance a lot of the SMEs."

"As a nation, house prices are stuck in the horns of dilemma. On the one hand we want to improve housing affordability but, conversely, the national psyche and feeling of affluence is very much tied to what our houses are worth. House prices remaining low improves affordability but it keeps consumer confidence down."

Fraser-Mackenzie applauds the focus on regulations that support growth and make it easier for business to concentrate on executing their commercial plans.

But on government spending, he says the state sector has ballooned over the last 10 years, "and we need to see more focus on productivity and efficiency there before they get more money from us. They need to unwind the increase in state sector headcount and consider asset sales."

Fraser-Mackenzie has been in the EMA role for 15 months and has helped maintain a steady membership of 7000 firms. The EMA has implemented a comprehensive IT upgrade that has improved the member experience online and modernised systems to make them more efficient and secure.

"We have grown revenue in professional services (employment relations, human resources and health and safety) and learning and development, as well as rationalising our cost base."

In the financial year to June 2025, revenue grew to almost \$20 million from \$19.3m the previous year.

"We are looking at ways of providing deeper membership value. We've been running member events on artificial intelligence and wrangling around strategy of what we should be offering," says Fraser-Mackenzie.

"We need to consider the opportunities, but also we are keen to remain focused on our DNA and what we are good at, which is really around the employment piece."

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MOOD OF THE BOARDROOM

CEO survey says councils 'broken'

Tim McCready charts the Mood of the Boardroom response on Auckland, Wellington, and reform

New Zealand's top business leaders say local government is broken – slow, unaccountable and failing to deliver.

The *Herald's* Mood of the Boardroom survey shows an appetite for reform, but frustration with the choices facing voters in next month's local council elections.

When asked which of the Auckland mayoral candidates New Zealand's leading CEOs and directors most supported, 62% back Wayne Brown.

Incumbent Brown, elected in 2022, has a reputation as a fixer of infrastructure and governance through his background as an engineer and previous roles with public infrastructure organisations and serving as mayor of the Far North. His 2022 campaign promised practical solutions and fiscal discipline, and he has since delivered one of the lowest metropolitan rates rises in the country.

But his tenure has also been marked by controversy, including heavy criticism of his handling of the Auckland Anniversary floods in 2023.

Supporters see Brown as a rare mayor in his ability to get things done.

"He does what he says he will do. He's rough around the edges in communication and in media sometimes, but gets on and completes things. He has the respect of many in business as a doer," says a real estate boss.

Others point to his focus on "core infrastructure, transport and rates discipline" as exactly what Auckland needs. "Continuity is the key to finally getting things done," another adds.

Freightways chair Mark Cairns observes: "Whilst Auckland Council has been a wobbly journey, I consider it is getting plenty of runs on the board under Wayne Brown's leadership."

Yet for some, Brown's abrupt approach is deemed too divisive.

"Anyone but Wayne Brown. His leadership style is everything we have fought to change in recent times. Action, yes, but the how is unacceptable," says the head of a construction firm.

While none of the other candidates received any significant support from respondents, a hefty 35% said none appeal, reflecting a lack of enthusiasm in the options available.

In Wellington, Andrew Little emerges with 38% support. Little, a former Labour MP and senior Cabinet Minister, is campaigning on a promise of "serious leadership and real change."

Drawing on his background as a lawyer and union leader, Little argues he has the experience to steady Wellington after years of instability.

His platform focuses on fiscal discipline, keeping rates under control,



Auckland's Wayne Brown gets 62% support from survey respondents, while Wellington candidate Andrew Little gets 38%.

protecting community assets, and making housing and public transport more affordable.

"Andrew Little would be great," says an engineering CEO. "He understands politics, is credible and experienced."

Most respondents, however, are united in despair at the state of the capital.

A recruiter described Wellington

as "a basket case" – suffering from "catastrophic mismanagement," with debt ballooning, pipes crumbling, and rates climbing.

"Public trust is destroyed," says another, accusing the council of neglecting its mandate while households are left to shoulder the consequences.

The head of a consulting firm adds: "While Andrew Little is the favourite, a moderate central candidate will be best placed to take the city forward."

Of the remaining candidates, only Ray Chung and Karl Tiefenbacher register any support, each with just 1%.

An overwhelming 60% of respondents say 'none of the above'.

Chung is a sitting Wellington councillor making his second mayoral bid, campaigning on cutting costs and improving fiscal discipline, though his run has been overshadowed by controversy.

Tiefenbacher, businessman and founder of ice cream brand Kaffee Eis, wants to get the city back on track by reining in debt, limiting rates rises, and scrapping projects like cycleways and the Golden Mile.

Back to basics

CEOs emphatically back Government reforms to refocus councils on core services, rating at 4.19/5 on a scale from 1 to 5, where 1 means strongly disagree and 5 means strongly agree.

"Local government reform is overdue. Refocusing councils on core services is the right direction if we want accountability and better value for ratepayers," says Institute of Directors CEO Kirsten (KP) Patterson.

From a logistics CEO: "Focus on your core and stop the social agenda being delivered by largely left-wing councillors across the country."

But others urge caution. "I don't think central government should dictate this," argues a public sector CEO. "Local government needs to show clear prioritisation of spend and let the communities have more say."

Another adds: "If councils had the right fiscal incentives, they would do what is right for their economies without having to be told by central government."

Behind the criticism lies frustration at a system business leaders say actively resists growth. CEOs and directors gave their own local councils a rating of 2.34/5 for performance in enabling growth and development, particularly in water, housing, and core services.

"All talk and consultation, no action," says the CEO of a major law firm. Another put it more bluntly: "It's broken."

A key issue is that councils carry the cost of new housing and water infrastructure while central government collects the lion's share of tax revenue.

"Until we reform local government funding so councils share directly in the benefits of growth, housing supply and infrastructure investment will continue to lag behind demand," says Roger Partridge, chair of the New Zealand Initiative.

The result, according to Anne Gaze, founder of Campus Link Foun-

dation, is decades of "glacial progress" and infrastructure "forever scrambling to catch up rather than leading delivery."

"After decades of rate hikes and rhetoric, Aucklanders are left with housing they can't afford and water they can't swim in," she says.

The theme of accountability and delivery was echoed this month by the Local Government Business Forum, which released a report calling for binding referendums on major council spending projects.

The forum's proposal recommends binding ratepayer votes on non-essential capital projects exceeding either \$500 per ratepayer or 5% of annual operating expenditure.

The forum's spokesperson, Dr Eric Crampton, describes it as a democratic "third way" between unchecked council spending and heavy-handed central government rate caps.

Should councils merge?

When asked if regional councils should be amalgamated, similar to the Auckland Supercity amalgamation, 81% of respondents say yes.

"It's crazy that we still have 78 councils for a country the size of New Zealand," says a tech CEO. "Both cost and capability provide a clear reason for consolidation."

Sam Stubbs, CEO of Simplicity, puts it succinctly: "Turkeys don't vote for Christmas. But in Wellington, they should."

Jarden managing director Silvana Schenone adds: "Following the concept of efficiency and professionalism in regional and local government would be helpful."

But others sound notes of caution. "Auckland Council appears to be more inefficient and more costly to run than prior to amalgamation," says the chairperson of an investment firm.

Michelle Palmer, executive director of the Retirement Villages Association, points to mixed lessons: "The amalgamation of Auckland as a super city has taken decades to start showing efficiencies and improved service delivery. Te Pūkenga is another case in point where amalgamation does not provide the anticipated benefits."

Independent director Fraser Whineray takes it further: "Structural changes sound good. But Auckland Supercity hasn't delivered. What's better is blistering transparency. Swiss-style localism does that because the municipalities are so small."

"The first thing to sort is transparency and performance benchmarking. The Regulatory Standards Board should provide this service to local councils so that ratepayers can have comfort on local government policy."



BUSINESS REPORTS

MOOD OF THE BOARDROOM is one of a series of seven premier Business Reports published annually in the New Zealand Herald.

These reports are premier, business-to-business publications providing critical sector insights alongside robust informed content and commentary about issues that matter to NZ businesses. The reports canvas the views of Cabinet Ministers, business leaders, and business organisation chiefs.

This sits alongside expert commentary from respected thought-leaders through interviews and in-depth articles written by the Herald Business Reports team.

The reports are distributed within the Herald and the editorial content is carried online at nzherald.co.nz/business.

PUBLISHING CALENDAR FOR THE BUSINESS REPORT SERIES 2025/26:

□ Sustainable Business & Finance	Wed 5 Nov
□ Dynamic Business & AI <i>To follow the Deloitte Top 200 Awards</i>	Fri 5 Dec
□ Project Auckland	Mar 2026
□ Capital Markets & Investment <i>Coincides with the INFINZ Awards</i>	May 2026
□ Agribusiness & Trade	Jul 2026
□ Infrastructure <i>Coincides with the Building Nations Conference</i>	Aug 2026
□ Mood of the Boardroom	Sep 2026

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Mood of the Boardroom: Business leaders have the final word

CEOs were asked to identify the top three issues facing the nation and their solutions.

**Matthew Cockram
Cooper & Company**

- Mojo. Self belief. Leadership of aspiration and vision. Confidence. In short term ease off interest rates – prime the pump a little.
- Expanding dependence of the population on state assistance. Feather back – safety net not a lifestyle.
- Balancing immigration – country where our children and grand-children can settle and make their home.

**Simon Limmer
Indevin**

- Rules-based trade uncertainty and soft demand, impacting our ability to grow and export the best products in the world. Diversification of trade partnerships, and market mix to reduce over-reliance.
- Inflationary pressure and relative impact on real incomes.
- Political instability and short term planning – we need a stronger, multi-term government to implement the economic recovery plan and investment in infrastructure.

**Paul Johnston
Tower Insurance**

- Capital availability: We need greater access to investment capital to fuel innovation, infrastructure, and business growth.
- Talent and ambition: we need to attract talent and foster a stronger culture of ambition and performance.
- Smart regulation: While regulation plays an important role, it should enable progress, outcomes and opportunities.

The *Herald's* Mood of the Boardroom 2025 CEOs survey attracted participation from 150 respondents.

These included chief executives from 125 of New Zealand biggest companies, ranging across agribusiness, banking and finance, manufacturing, aviation and tourism, transport and logistics, energy, education, telecommunications and professional services and environmental services. We also included some leaders from smaller companies that took part in prime ministerial missions offshore.

CEOs of eight business organisations took part; the balance were company chairs and directors.

The survey was in the field from August 15-September 12.

The *Herald's* CEOs' survey was launched in 2002 within a state of the nation report.

A huge thank you to everyone who took part in this year's survey – we appreciate your effort.

Fran O'Sullivan
Executive Editor

**Simon Bennett
Metro Performance Glass**

- Low productivity – high cost of capital, high compliance costs.
- Regulatory costs – idealism. eg compulsory climate reporting.
- Lack of vision to better future state.

**Kirsten (KP) Patterson
Institute of Directors**

- Economic Productivity and Cost of

Living – New Zealand must lift productivity if we want incomes to rise and living costs to ease. Smarter investment in skills, technology, and innovation will unlock growth.

- Social Cohesion and Trust – Our greatest strength has always been our sense of community and connection. We must rebuild trust through inclusion, fairness, and greater transparency in our institutions.
- Infrastructure – New Zealand's ageing infrastructure is straining under population growth, climate shocks, and decades of underinvestment. We need bold, long-term investment in housing, transport, and energy systems to secure a more resilient and prosperous future.

**Dave Rouse
Carbon Click**

- NZ's clean green image needs to be carefully managed – our trading partners are watching, this is a threat to our revenue. Our Government is being looked at sideways by many countries except US (where we are losing trade anyway).
- Unemployment – implement a work for the dole scheme and look at those on sickness benefits as I've seen cases where they should and could be working in some capacity. We should use WINZ instead of Upwork to get basic work done. We should use WINZ workers to run assembly lines to recover at least 30 hours of free work WINZ are paying for anyway, each week. Call it mandatory work experience to collect your dole or sickness benefit.
- Curbing imports of junk – our net GDP could do much better if Kiwis weren't sending NZ cash to buy rubbish offshore from sites like Temu & Ali Express.

Mark Cairns, Freightways

- Health. A greater focus on primary health care, keeping people out of expensive hospitals. Our GP sector is not in good health.
- General cost of living. Hopefully stimulating the domestic economy will provide more discretionary household income to cope with general cost of living increases.
- Reining in Government expenditure. The current Government is tackling this, but we need to take a hard look at our State Owned Enterprises, with most not generating earnings to meet their cost of equity.

Tech company boss

- Cost of Living and Unemployment: Short-term relief via targeted subsidies or temporary tax relief for essential goods and electricity. Medium-term structural change through policies that boost productivity and support innovation in high-potential sectors.
- National Security and Population Erosion: Strengthening border security protocols and counter-intelligence capabilities. Retention strategies such as enhancing regional economic opportunities, investing in local infrastructure and offering incentives for skilled workers to stay in NZ.
- Weak Productivity Growth and Economic Stability: Continue disciplined but growth-friendly budgeting, monitoring public debt and facilitating targeted spending that boosts economic capacity.
- Invest in infrastructure (digital, transport), streamline regulatory frameworks to encourage innovation, and channel support to emerging sectors like AI, advanced manufacturing, and renewable energy.

Pharmaceutical CEO

- Over the last few years, apathy has crept into the country and this is stalling productivity and growth. There needs to be a clear and executable plan to resolve this.
- We have a three-way government and this is a bit of a handbrake to progress. Bring back FPP.
- There are too many KPIs that the government has on the agenda to achieve. I would focus on core elements that address productivity, growth and improving trade with our traditional and non-traditional partners. Reduce the number of KPI's and make sure we deliver on those.

Independent Chair

- Infrastructure and planning – we need a long term pipeline which has bipartisan support and one source of funding to deal with all national, regional and local infrastructure priorities. Current initiatives are not well co-ordinated, and the funding sources are arguably misallocated.
- Simplifying government and making it more efficient, and creating more effective regulation. The NZ Initiative is doing great work in this space. Addressing this issue will assist to overcome some of our fundamental societal issues (e.g. a very broken health system, ageing population and tax base) which are complex enough without having to work through too many hands to find solutions.
- Providing the stability and platform for more FDI in NZ. This again requires acknowledgement and bipartisan support. Without FDI it is hard to see how we can afford to do everything required to provide a healthy and growing economy that everyone gets to share in.

 **BUSINESS** REPORTS

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