



Beehive to Business with the Honourable Chris Penk

***Allen + Clarke* Summary of the Key Takeaways**

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Please note: This is *Allen + Clarke's* interpretation of the key messages from the session. Whilst we aim to reflect the discussion as accurately as possible, some parts may have been interpreted differently to other attendees and the intended messages of the speaker.

Foreword

In a comprehensive address to Wellington business leaders, the Honourable Chris Penk outlined the Government's approach to unlocking productivity across New Zealand's construction, manufacturing, and small business sectors. His remarks revealed an interconnected reform agenda that positions regulatory efficiency as central to economic growth, with specific timelines for legislative change that will reshape how businesses operate across four critical portfolios.

Responsible builder regime and construction productivity

Key points

- Building and construction productivity remains at 1984 levels despite employing one in 10 workers and contributing 10% of GDP, making productivity improvements "an urgent and important proposition".
- The "responsible builder regime" (previously called self-certification) will allow qualified, insured trades professionals to sign off their own work for low risk building types like granny flats.
- Building product liberalisation will enable use of overseas products from jurisdictions with "similar or higher standards to those in New Zealand" and comparable environmental conditions.
- The focus on a "risk-based approach" means system resources can concentrate on higher-risk projects while streamlining processes for straightforward builds.
- Remote inspections and expanded self-certification are key productivity measures being implemented across the sector.

Summary of the discussion

Minister Penk positioned construction reform within a productivity crisis, noting that sector performance has stagnated for four decades despite its economic importance. His "responsible builder regime" represents a fundamental shift from local government oversight to industry accountability, emphasising that qualified professionals should be "able to respond in the event of a failure" rather than councils bearing this responsibility.



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The Minister stressed that this isn't "marking your own homework" but rather ensuring "responsible trades persons and entities can be trusted to respond" through proper insurance, guarantees, and professional accountability. He highlighted that building product liberalisation will reduce costs by accepting international standards from credible jurisdictions, whilst the risk-based approach will free up regulatory resources for complex projects requiring closer oversight.

“ We want more productivity in the system through a risk-based approach. ”

Actions for organisations in these sectors:

- Prepare for the responsible builder regime by ensuring your qualified staff have appropriate insurance, bonds, and professional indemnities to meet the new accountability standards
- Review your current building product supply chains to identify opportunities from liberalised overseas products that meet comparable standards to reduce costs and improve availability

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Earthquake-prone buildings: Risk-proportionate regulation

Key points

- Government decisions on earthquake-prone building reforms will be announced "in a matter of weeks" with potential geographical exemptions for low seismic risk areas.
- One and two-storey buildings and post-1976 concrete buildings may be exempt or face reduced requirements under the revised regime.
- The policy approach asks "what buildings don't need to be caught by the regime, which can we exempt" rather than blanket application.
- Regional New Zealand is "being hollowed out" by current rules that make building repairs uneconomic despite well-intended life safety goals.
- Legislation planned to pass "before the next election" with 12-month implementation timeline to provide business certainty.

Summary of the discussion

Minister Penk acknowledged the "elephant in the room" that current earthquake-prone building rules are economically devastating regional centres whilst being well-intentioned for life safety. He outlined a fundamental policy shift towards risk-proportionate regulation that recognises New Zealand's varying seismic conditions and building types.

The Minister was notably candid about the challenge: "it'll be an interesting and difficult conversation" when discussing "how many lives we're prepared to lose and what the value of human life is." However, he emphasised that "if you can't afford to do the remediation then it doesn't happen" and that "gold plating isn't that you've got gold plate on things, it's that you don't have the things at all".

“What buildings don't need to be caught by the regime, which can we exempt?”

He praised Labour's bipartisan support after initially opposing deadline extensions, noting they "did listen carefully to submissions" and supported subsequent legislative stages. Local government emerges as a key stakeholder, being both regulator and major building owner facing expensive compliance decisions.

Action for organisations with earthquake-prone buildings

Engage with the upcoming public consultation process to ensure your sector's specific challenges are understood by policymakers developing the new framework.

Small business red tape reduction and employment relations

Key points

- Small businesses represent 97% of New Zealand enterprises with one to 20 full-time equivalent employees, forming "the backbone of the economy".
- Employment Relations Authority processes create "chilling effect" for small businesses who fear costly disputes over staff dismissals.
- Current system can force businesses to "spend some multiple of \$10,000 to move someone on or be shaken down for \$10,000".
- Minister advocates for reform recognising that businesses "don't recruit and train for the sake of being able to wave goodbye later on a whim".
- Compliance burden disproportionately affects smaller players without in-house legal or HR departments

Summary of the discussion

The Minister identified employment relations as the top regulatory constraint raised by small businesses, noting the system's impact on hiring confidence. He argued that "counterintuitively, we might actually encourage businesses to be able to take on more workers with the confidence that if things don't work out, they're not going to have to spend" significant legal costs.

He emphasised this reflects practical business reality rather than ideology, noting his background as "a former lawyer" who understands the system's costs. He stressed that basic protections against harassment and discrimination would remain but questioned whether small businesses should face complex restructuring requirements to justify dismissing underperforming staff.



Broader red tape reduction efforts include working with other ministers on employment relations, workplace safety, and revenue issues, plus supporting the Ministry for Regulation's sector-by-sector reviews to ensure compliance burdens "cannot be justified".

Action for smaller organisations:

Document specific examples of employment relations compliance costs and delays that affect your hiring decisions to contribute to potential policy reform discussions



Small business and red tape Q+A:

Q&A: What's the one regulation you'd remove for small businesses? Minister Penk identified employment relations laws that create a "chilling effect" where businesses fear costly Employment Relations Authority disputes, noting businesses shouldn't have to "spend some multiple of \$10,000 to move someone on" when staff aren't working out, as this discourages hiring.

Q&A: Can government simplify interactions across multiple agencies? The Minister acknowledged frustration with IT systems and multiple logins, pointing to NZBN (New Zealand Business Number) expansion as a potential solution to create a "single identifier" for dealing with government, though noted they wouldn't mandate this lightly to avoid adding red tape.

“ We're really determined to make sure that the burden of red tape is removed where it can't be justified. ”

Government procurement reform and local business support

Key points

- Government procures \$50 billion annually with new "National New Zealand Benefits Economic Test" to support local businesses.
- Procurement rule simplification aims to help smaller players compete against "overseas players or larger players within New Zealand".
- Defence procurement exemplifies risk aversion where assets cost "a dollar sign and then the next character starts with a B not an M".
- Need for "more agile" and "modular" procurement approaches, particularly in Defence capability development.
- NZBN expansion to create "single identifier" for easier government interaction across agencies.

Summary of the discussion

The Minister positioned procurement reform as critical for small business competitiveness, noting the scale of government purchasing power and its potential to support local economic development. He acknowledged the tension between risk management and agility, particularly in high-value Defence procurement where traditional approaches may be too slow for modern geopolitical realities.

He advocated for technological adaptability over large fixed assets, citing "drones as opposed to large fixed-wing aircraft or helicopters" as examples of more responsive Defence capabilities. This philosophy extends to broader government procurement where "creativity" and "agility" should guide purchasing decisions rather than conservative risk aversion.



Actions for organisations dealing with government procurement:

- Prepare for the new National New Zealand Benefits Economic Test by documenting your local economic contribution, including employment, local suppliers, and community benefits.
- Consider whether simplified government interaction processes might reduce barriers to participating in public sector opportunities previously considered too complex.

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Local business and government procurement Q+A:

Q&A: How do you address risk aversion in public procurement that favours big operators? The Minister expressed confidence that reform will eventually work, noting that if immediate changes don't deliver economic benefits for smaller players, "we'll know we need to keep changing the settings." He cited Defence procurement where agility and modularity are needed over traditional risk-averse approaches.

Crown pastoral leases and land utilisation

Key points

- The Crown owns "huge swathes of the South Island" beyond the conservation estate under a temporary 1851 regime that "persists to this day".
- Current Crown Pastoral Lease regime limits land use to 1851-era activities: "sheep, beef, dairy" despite modern economic opportunities.
- Government seeks to "maximise the value of land" through activities "other than or in addition to those traditional pastoral activities".
- Policy work will focus on ensuring "farming is productive for those entities, and maybe in other ways as well" on Crown-owned land.
- Crown currently doesn't achieve "as great a return as it can or should" from these extensive land holdings.



Summary of the discussion

The Minister revealed a significant but little-known policy opportunity around Crown pastoral leases, describing a land management system frozen in time since 1851. He positioned this as both an economic opportunity and a practical necessity, acknowledging the primary sector's continued importance whilst recognising modern land use potential.

His approach balances respect for existing pastoral operations with economic pragmatism about Crown asset utilisation. His reference to "other ways" suggests potential for renewable energy, tourism, forestry, or other economic activities that could complement or supplement traditional farming on these extensive South Island holdings.

This portfolio area demonstrates the interconnection between his land information responsibilities and broader economic development goals, particularly relevant given current pressures on government revenue and the need for productive asset utilisation.

Actions for organisations operating on this land:

- Evaluate whether Crown land policy changes might create opportunities in renewable energy, tourism, forestry, or other sectors that could operate alongside pastoral activities.
- Consider the potential regional economic development impacts in South Island areas where Crown pastoral lease reforms might unlock new investment opportunities.



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