



Special report – Government

MYOB Business Monitor September 2010

The voice of New Zealand's business owners

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MYOB Business Monitor – Special Government Report – Highlights

Satisfaction with Government's support of New Zealand businesses shrinks even further

Only 15% of New Zealand business owners surveyed are satisfied with the Government's support for businesses like theirs, while dissatisfaction is almost twice that, at 29%.

In Australia, by comparison, the August 2010 survey shows that Australian business owners remain almost as satisfied (27%) as they are dissatisfied (31%) with their Federal Government's support for businesses like theirs (asked just prior to the Federal Election in Australia).

Most dissatisfied with the Government's support are owners of small (5-19 employees) and micro (1-4 employees) businesses (32% of each are dissatisfied), and business owners located outside of the three Capital Cities in the Rest of New Zealand (32% dissatisfied).

By industry sector, the most dissatisfied with the Government's support for business are Transport business owners (39% dissatisfied) and Retail & Hospitality business owners (38% dissatisfied).

Changes to personal and company tax rates most eagerly awaited Government initiatives

Changes to Personal and Company Tax Rates have been measured for the first time, and is a Government initiative that's identified as being far more helpful than unhelpful to businesses.

Almost half of all business owners surveyed (48%) report that Personal Tax Rate changes would be helpful, 14% say that they would be unhelpful, and only 7% don't know about them or deem them to be irrelevant. All business segments and sectors are equally positive about this potential change.

Business owners are also very positive about Company Tax Rate changes in New Zealand, with 42% expecting them to be helpful and only 13% expecting them to be unhelpful, while a further 16% either don't know about them or consider them to be irrelevant.

Proposed new tax e-filing system very appealing to many business owners

Less than two in five (38%) business owners surveyed believe that 'Making Tax Easier', the proposed new tax e-filing system from the IRD, would be helpful to their business, compared with only 7% who would find it unhelpful. 19% of business owners (including those who describe themselves as 'Technology Laggards') don't know about or are unlikely to use the system.

Medium business owners most eagerly await this new tax e-filing system, with 59% saying it will be helpful to their business (this may be because their tax returns are often more complex than those of smaller businesses, and possibly also because they are more used to doing business online).

Other business owners who eagerly await this tax filing system are small businesses (47%), and Start-Up (<2 years) businesses.

Online access to Government business tools and information is seen as helpful

27% of business owners report that that online business tools (such as Employment Agreement Builder and Business Assessment Tool) and information (such as www.business.govt.nz) is helpful to their business. This compares to 23% of business owners surveyed in April 2010 that said these services have helped or will help them run their business.

The three segments who are most positive about these Government initiatives being helpful are those who own a Start-Up business (41%); and those who own a business with \$1-5m annual revenue (39%).

The three segments least positive about these Government initiatives being helpful are Exporters (11%); Transport business owners (16%); and 'Technology Laggards' (22%).

More Exporters now aware of and appreciate Government export development support initiatives

A quarter (25%) of the 165 business owners identified as Exporters said they were unaware of the Government export development support initiatives (such as Enterprise Training, Grants and Export Development Assistance), and 23% of these Exporters deem them helpful, while only 10% of Exporters consider the initiatives to be unhelpful.

The level of awareness has increased significantly from the April 2010 survey, where 44% of the 129 business owners identified as Exporters said they were unaware of these initiatives. At this time, only 14% deemed them helpful and another 14% unhelpful.

Many business owners continue to see ACC changes as unhelpful

Over two fifths (44%) of business owners say that the ACC changes are unhelpful to their business. The result shows a worsening perception from the November 2009 survey when 40% of business owners said that ACC changes were unhelpful.

Most negative about the ACC changes are small business owners (51%); micro business owners (48%); owners located in the Rest of New Zealand (47%) and Wellington (45%); and owners of Transport & Storage (56%), Construction & Trades (55%) and Manufacturing & Wholesale (50%) businesses. Only Finance & Insurance business owners, including Accountants, find these changes more helpful (34%) than unhelpful (30%).

Business owners increase opposition to proposed Government climate change initiatives

More than two fifths (44%) of all business owners report that they found the Government's Climate Change Initiatives (Carbon Credit and Emission Trading Schemes) 'unhelpful'. This is a dramatic increase from the April 2010 survey, when only 29% of business owners said they were 'unhelpful'.

While only 4% said that these initiatives would be 'helpful' in April 2010, only 8% say that they would be helpful now.

Those business owners most opposed are in Agriculture, Forestry & Fishing (70%); in small business (61%); in micro business (51%); in medium business (50%); and in Rural New Zealand (47%).

Several other Government changes and initiatives considered somewhat more unhelpful than helpful

Changes to Property Tax and Depreciation, as in the April 2010 survey, are considered more unhelpful (29%) than they are helpful (13%).

The same is true of the Resource Management & Building Act (unhelpful: 20% vs. helpful: 11%); the Employment/Holiday Act (16% vs. 11%); Exchange Rate changes (17% vs. 13%) and possible state Asset Sales (12% vs. 5%).

Ignorance of Government initiatives remains a significant issue

A key concern for the Government is the number of business owners who are unaware of initiatives or who deem them to be irrelevant to their business.

The highest 'don't know about' or 'not relevant to me' results earned by Export Development Support initiatives (47% of all business owners; 25% of Exporters); possible State Asset Sales (40%); Employment/Holiday Act (35%); Exchange Rate changes (34%); access to Online Business Tools And Information (31%); changes to Property Tax & Depreciation (25%) and Climate Change Initiatives (25%).

Three major impediments to the achievement of business goals

Five factors were researched to measure their impact on the ability of business owners to achieve their business goals. A majority of business owners surveyed consider that three of those factors will have a 'medium' or 'high' impact on their ability to achieve their business goals.

'Understanding how new Government legislation impacts your business' impacts the ability of 58% of business owners to achieve their goals. 'Getting a better understanding of the changing needs of your customers and prospects' impacts 54%. And 'Having to deal with Government red tape' presently affects how 52% of business owners achieve their business goals.

Only two main sources of information or help to assist them run their business better

When asked who they source information/assistance from to help them run a better business 55% of business owners nominate their accountant, and 34% nominate business associates and other business people. In terms of Government information sources, the IRD is the most widely used where a modest 13% of businesses use the Inland Revenue Department (IRD) as a source of help or information to run their business better. 5% see the Government's main business information portal (business.govt.nz) as a source of improvement advice.

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About the study

The MYOB Business Monitor is designed to research key areas of business performance, including profitability, cash flow and pipeline work, as well as business confidence and satisfaction in the support of Government. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of **1,001** business proprietors and directors, conducted in July 2010. The businesses participating in the online survey are defined as both non-employing and employing businesses with zero employees ('sole traders'), 1-4 employees ('micro businesses'), 5-19 employees ('small businesses') and 20-199 employees ('medium businesses'). Industries have been grouped (see next page) for the purposes of providing meaningful results based upon sample segments of reasonable size, and with a lower margin of error.

This research report was prepared by *The Financial Research Company* and fieldwork was completed by *Colmar Brunton* (a Millward Brown Company) for Julian Smith, General Manager – New Zealand, MYOB NZ Limited julian.smith@myob.com | www.myob.co.nz

The findings of this research are reported by industry type:

(Industries have been grouped as follows for the purposes of providing meaningful results based upon sample segments of reasonable size, and with a lower margin of error. Occasionally in this report, industries have been de-grouped where there are very different results between those in an industry grouping.)

Industry	Sample
Agriculture, Manufacturing & Wholesale	146
Construction & Trades & Transport	167
Finance & Insurance	41
Professional & Business Services	324
Retail & Hospitality	141
Other Industries (not included above, but included in total results)	182
Total	1,001

The findings of this research are also reported by Auckland, Wellington, Christchurch and Rest of New Zealand for some questions, and the sample size in each of these segments is as follows:

Location	Sample
AUCKLAND	329
WELLINGTON	157
CHRISTCHURCH	127
REST OF NEW ZEALAND	388
Total	1,001

The findings of this research are also reported by City/Metro, Regional and Rural for some of the questions, and the sample size in each of these segments is as follows:

Location	Sample
CITY/METRO	392
REGIONAL NEW ZEALAND	448
RURAL NEW ZEALAND	161
Total	1,001

The findings of this research are also reported by the number of employees in each of the businesses surveyed and was capped for companies with less than 200 employees. The proportions of sole, micro, small and medium businesses are broadly in line with their proportions of all businesses in New Zealand, which explains the smaller sizes of the Small Business and Medium Business segments:

Number of Employees/Business Type	Sample
0 Employees/Sole Traders	608
1-4 Employees/Micro Business	246
5-19 Employees/Small Business	101
20-199 Employees/Medium Business	46
TOTAL	1,001

Present Satisfaction with the Government’s support of New Zealand Business

Only 15% of business owners in New Zealand are now presently satisfied with the Government’s level of support for businesses like theirs.

Base: Business owners and directors (n = 1,001)

Q: How satisfied are you with the Government’s level of support for businesses like yours at this time, in terms of helping your business success? Would you say that you are...?

While 48% of business owners surveyed are neutral about the Government’s support for business, 29% are dissatisfied and only 15% are satisfied with the Government’s level of support at this time.

This compares with a significant increase in satisfaction (to 27%) and decrease in dissatisfaction (to 31%) with the Federal Government in Australia in terms of their support for Australian businesses. (See Figures 1 and 1.2)

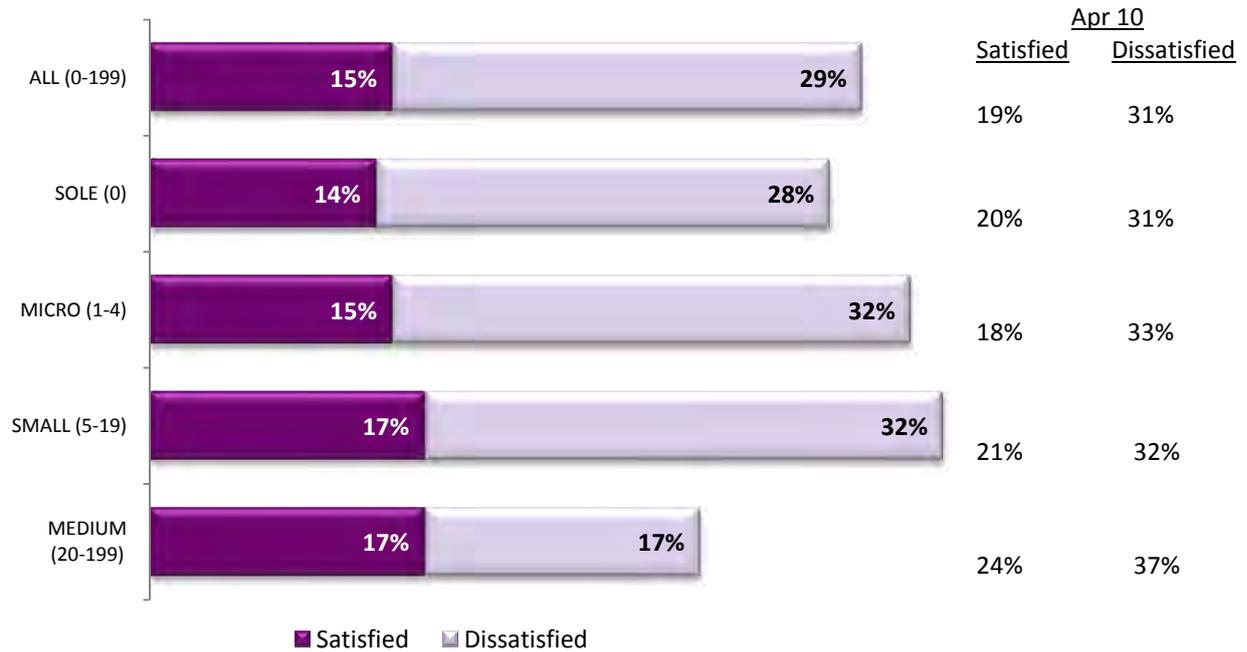
Figure 1: Dissatisfaction & Satisfaction with the Government’s support of business in New Zealand: By Total Sample (% of n = 1,001)



Owners of medium businesses were most, but now least, dissatisfied with Government’s support

Having been the most dissatisfied (37%) with the Government’s level of support for business in April 2010, medium business owners are now the least dissatisfied (17%). Owners of micro and small businesses remain as dissatisfied as they were in April 2010, yet the dissatisfaction of sole traders (28%) has waned slightly since that time (See Figure 1.1)

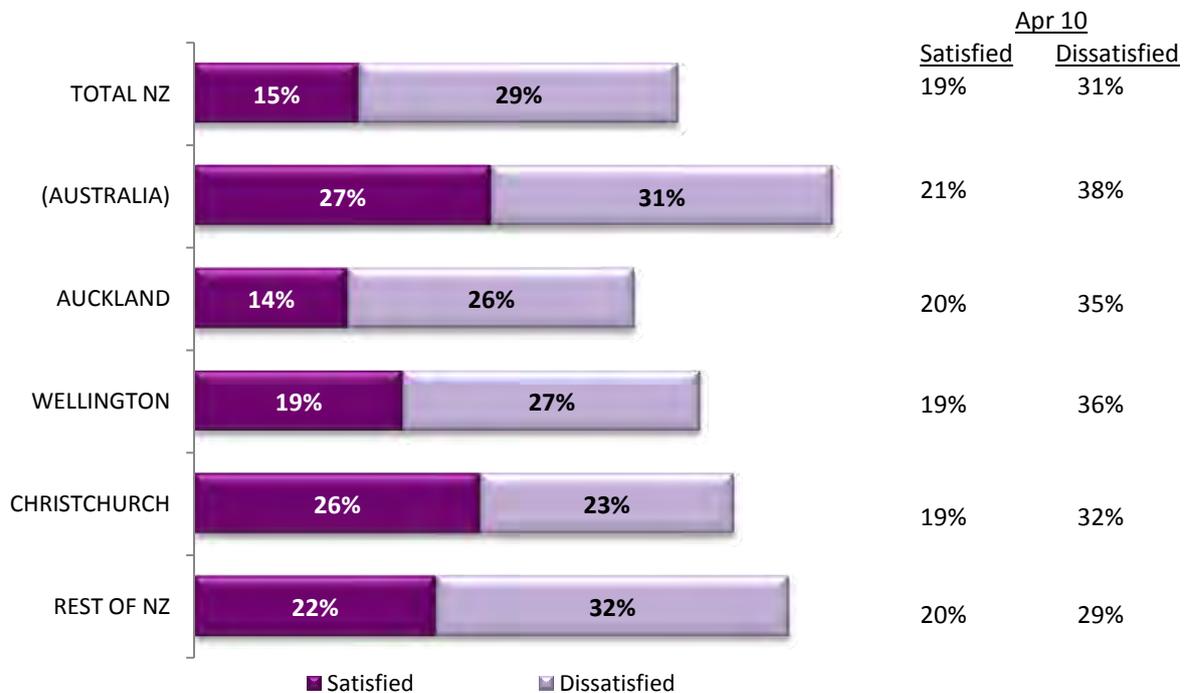
Figure 1.1: Satisfaction & dissatisfaction with the Government’s support of business in New Zealand: by Business Size / Number of Employees (% of n=1,001)



Business owners in Christchurch are significantly more satisfied and less dissatisfied than others

Compared with the New Zealand average of 15% satisfied and 29% dissatisfied with the Government’s level of support, Christchurch business owners are much more satisfied (26%) and much less dissatisfied (23%) than others are. Since April 2010, dissatisfaction has decreased in Auckland (35% to 26%) and Wellington (36% to 27%). (See Figure 1.2)

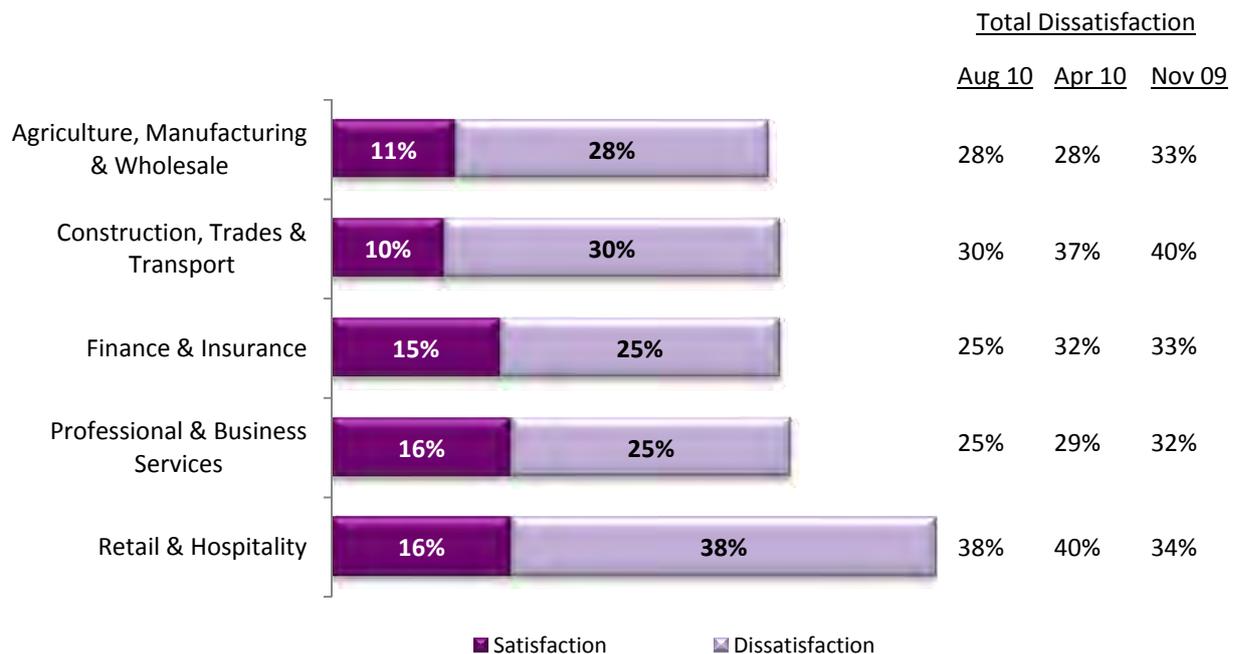
Figure 1.2: Satisfaction & dissatisfaction with the Government’s support of business: by Location (% of n = 1,001)



Business owners in Transport, Retail & Hospitality are the most dissatisfied with Government's support

Business owners in the Retail & Hospitality industries remain the most dissatisfied, along with those in the Transport industry (38% of whom are dissatisfied, compared with Construction & Trades business owners, 27% are dissatisfied, resulting in 30% dissatisfaction when Construction, Trades & Transport businesses are combined below). Levels of satisfaction are equally low amongst Agriculture, Manufacturing, Wholesale, Construction, Trades & Transport business owners. (See Figure 1.3)

Figure 1.3: Satisfaction & dissatisfaction with the Government's support of business: by Industry (% of n = 1,001)



The helpfulness of twelve Government changes and initiatives to businesses

Of past or possible future Government initiatives, changes to tax rates, tax e-filing and online business information access are considered most likely to be helpful to business

Of past or possible future Government initiatives, climate change initiatives, ACC changes and property tax and depreciation changes are considered least likely to be helpful to business

Base: Business owners and directors (n = 1,001)

Q: From what you know about them, how helpful to businesses like yours have these Government changes and initiatives been up to now, or how helpful could they be to your business in future?

Changes to personal tax and company tax rates clearly rated most helpful Government initiatives

Almost half (48%) of business owners report that personal tax rate changes would be the most helpful of all Government initiatives. Only 14% of business owners deem these changes unhelpful and only 7% say that this is unknown or irrelevant to them, making this initiative the most relevant of all. Changes to company tax rates are favoured almost as much, with 42% deeming them helpful and only 16% of business owners saying that the issue is not known or relevant to them. (See Figure 2) Personal tax rate changes appeal similarly to most segments. Company tax changes are more likely to be helpful to medium business owners (61%), small business owners (60%), and owners of businesses with annual revenue of \$1-5m (60%). The three segments recording the highest 'very helpful' scores in relation to company tax changes are owners of small businesses (23%), and owners of Transport & Storage businesses (22%).

Proposed new tax e-filing system ('Making Tax Easier') very appealing to business owners

Measured for the first time, this initiative is judged to be helpful to their business by 38% of business owners; to be unhelpful by only 7% of business owners; and to be unknown or irrelevant by 19% of business owners. (See Figure 2) Medium business owners (59%) are clearly the most likely to find this initiative helpful (which may be because their tax returns are more complex than those of smaller businesses). Small business owners (47%) and owners of start-up (<2 years) businesses (46%) are the next most likely to find this proposed initiative quite helpful or very helpful to their business.

Access to online business tools and information considered fourth most helpful initiative

Just over a quarter (27%) of business owners surveyed report that online business tools (such as Employment Agreement Builder and Business Assessment Tool) and information (such as www.business.govt.nz) is helpful to their business. This compares to the April 2010 survey where 23% of business owners said that these services have helped or will help them run their business. (See Figure 2) Those who expect to find or have found these business tools and information sources most helpful are those business owners who own a start-up business (41%); have annual business revenue of \$1-5m (39%); own a small business (37%) or describe themselves as 'business builders' (35%). Those business owners with the lowest 'helpful' scores on this initiative are Exporters (11%); Transport business owners (16%) and self-described 'Technology Laggards' (22%).

Government Export Development Support Initiatives better known and appreciated by Exporters

Export Development Support Initiatives (such as Enterprise Training, Grants, and Export Development Assistance) are unknown to 47% of all the business owners surveyed and 25% of the 165 business owners identified as Exporters. This was a significant improvement from the April 2010 survey where these initiatives were unknown to 63% of all business owners surveyed, and 44% of the 129 identified as Exporters. In April 2010, 14% of Exporters deemed the initiatives 'helpful' and another 14% of Exporters deemed them 'unhelpful', while now (August 2010) 23% of Exporters deem the initiatives 'helpful' and only 10% deem them 'unhelpful'. (See Figure 2)

Several other Government changes, initiatives considered somewhat more unhelpful than helpful

Changes to Property Tax and Depreciation are considered more unhelpful (by 29% of all business owners surveyed) than they are helpful (by 13% of all business owners surveyed). The same is true of the Resource Management & Building Act (20% say unhelpful; 11% say helpful); the Employment/Holiday Act (16% say unhelpful; 11% say helpful); Exchange Rate Changes (17% say unhelpful; 13% say helpful) and possible State Asset Sales (12% say unhelpful; 5% say helpful). (See Figure 2)

Government ACC Changes and Climate Change Initiatives by far the most negatively perceived

In April 2010, the possible increase of GST rates was deemed unhelpful by 52% of the business owners surveyed at that time. (As an increased GST rate will now be introduced on October 1st, 2010, it was the subject of a separate set of questions in this survey.) ACC Changes and Climate Change Initiatives are now the most negatively perceived Government changes or initiatives, with 44% of business owners saying that each is or will be quite unhelpful or very unhelpful to their business. (See Figure 2)

As in previous surveys, many business owners continue to see ACC changes as unhelpful

In November 2009, 40% of business owners surveyed said that ACC Changes were unhelpful to their business. In the April 2010 survey 45% of all business owners held the same sentiment. And in this survey, 44% of business owners still say that the ACC Changes are unhelpful. (See Figure 2)

Those business owners who are considerably more negative about the helpfulness of the ACC Changes are small business owners (51%) and micro business owners (48%), (See Figure 2.1) and are located in Rest of New Zealand (47%) and Wellington (45%). (See Figure 2.2) Also more negative about the helpfulness of the ACC Changes are business owners in the Transport & Storage (56%), Construction & Trades (55%) and Manufacturing & Wholesale (50%) industries. Only Finance & Insurance business owners find these changes more helpful (34%) than unhelpful (30%).

Business owners far more opposed to Government Climate Change Initiatives than before

29% of the business owners in the April 2010 survey said that they found the Government's Climate Change Initiatives (Carbon Credit and Emission Trading Schemes) 'unhelpful'. In this survey, 44% of all business owners surveyed now share this view. While only 4% said that they were 'helpful' in April 2010, only 8% find them 'helpful' now. Those business owners more likely to consider these initiatives 'unhelpful' are small business owners (61%), micro business owners (51%) and medium business owners (50%), (See Figure 2.3) and are more likely to be located in Rural New Zealand (47%). (See Figure 2.4) They are also far more likely to be owners of businesses in the Agriculture, Forestry and Fishing industry sectors, as an extraordinary 70% of them (compared with 53% in the April 2010 survey) now deem these initiatives to be 'unhelpful'.

Figure 2: Helpfulness or otherwise of twelve Government changes and initiatives, by Total Sample (% of n = 1,001)

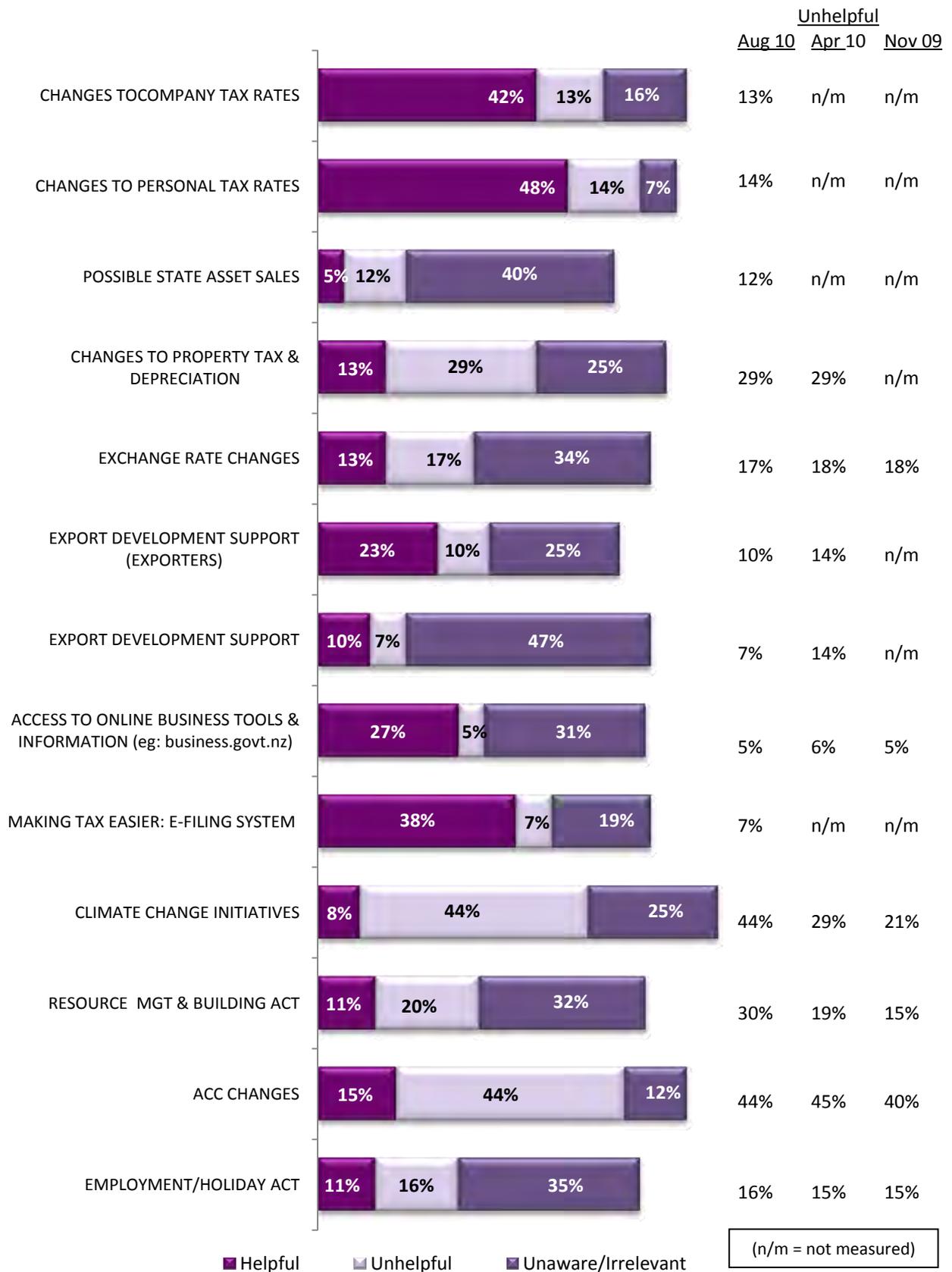


Figure 2.1: Helpfulness of ACC Changes: by Business Size/Number of Employees (% of n = 1,001)

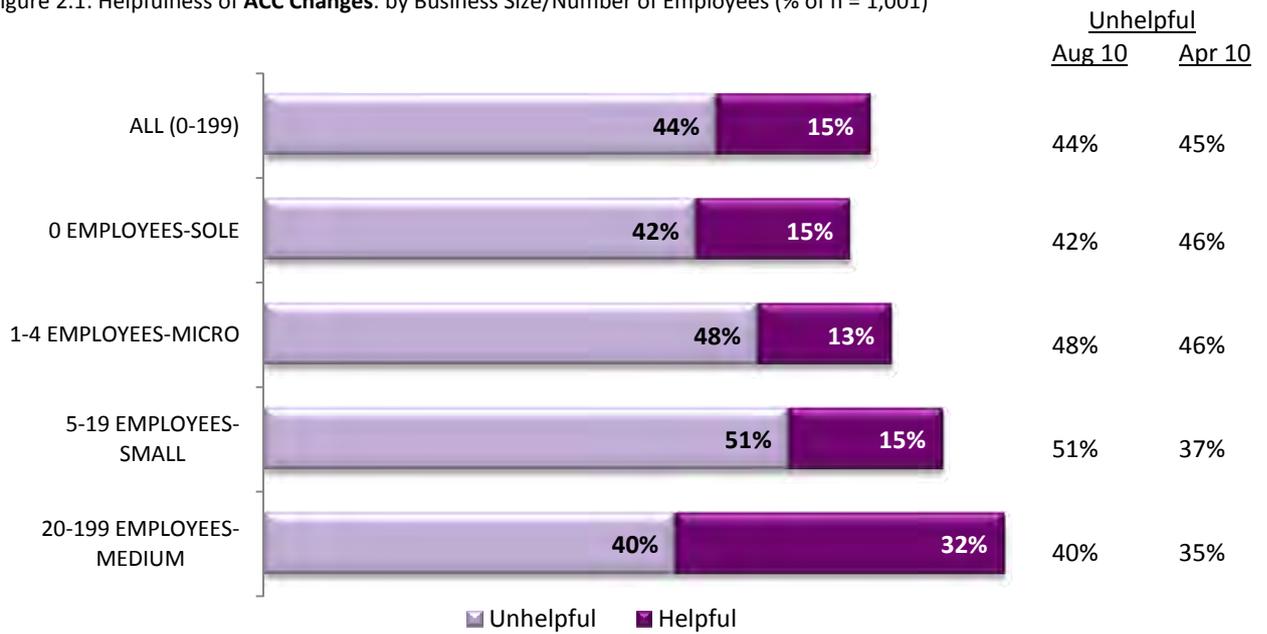


Figure 2.2: Helpfulness of ACC Changes: by Location (% of n = 1,001)

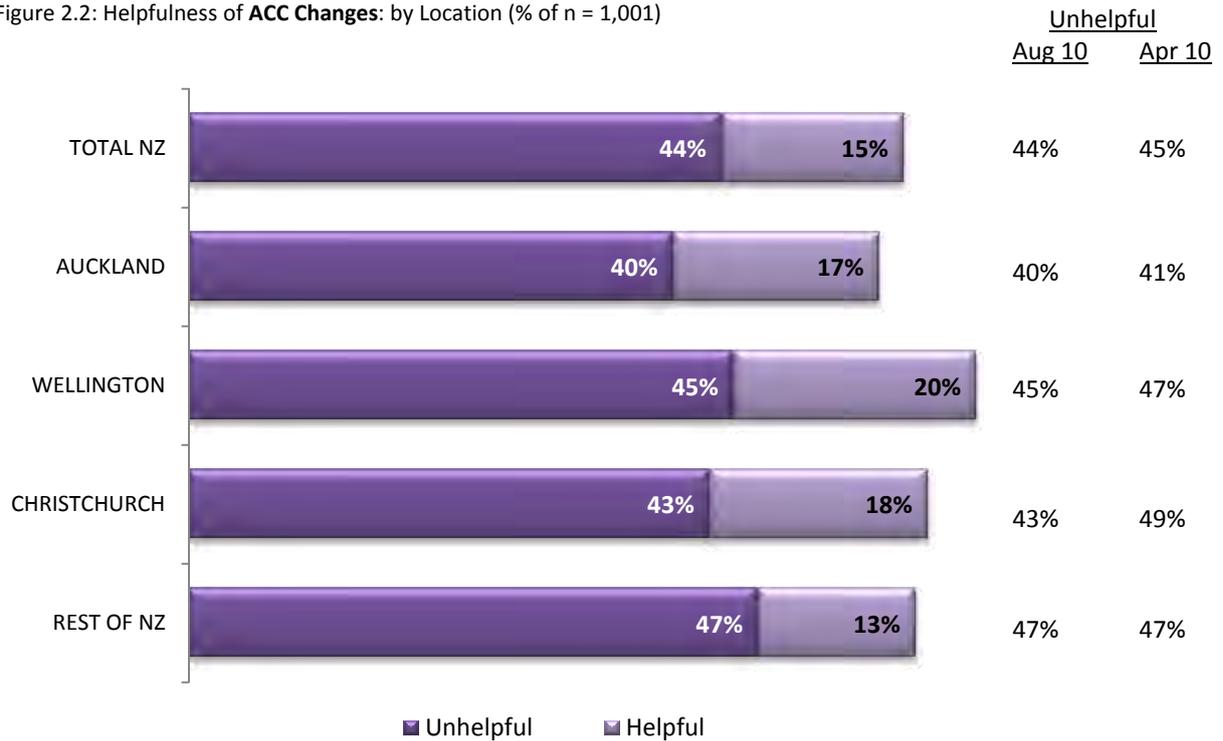


Figure 2.3: Helpfulness of **Climate Change Initiatives**: by Business Size/Number of Employees (% of n = 1,001)

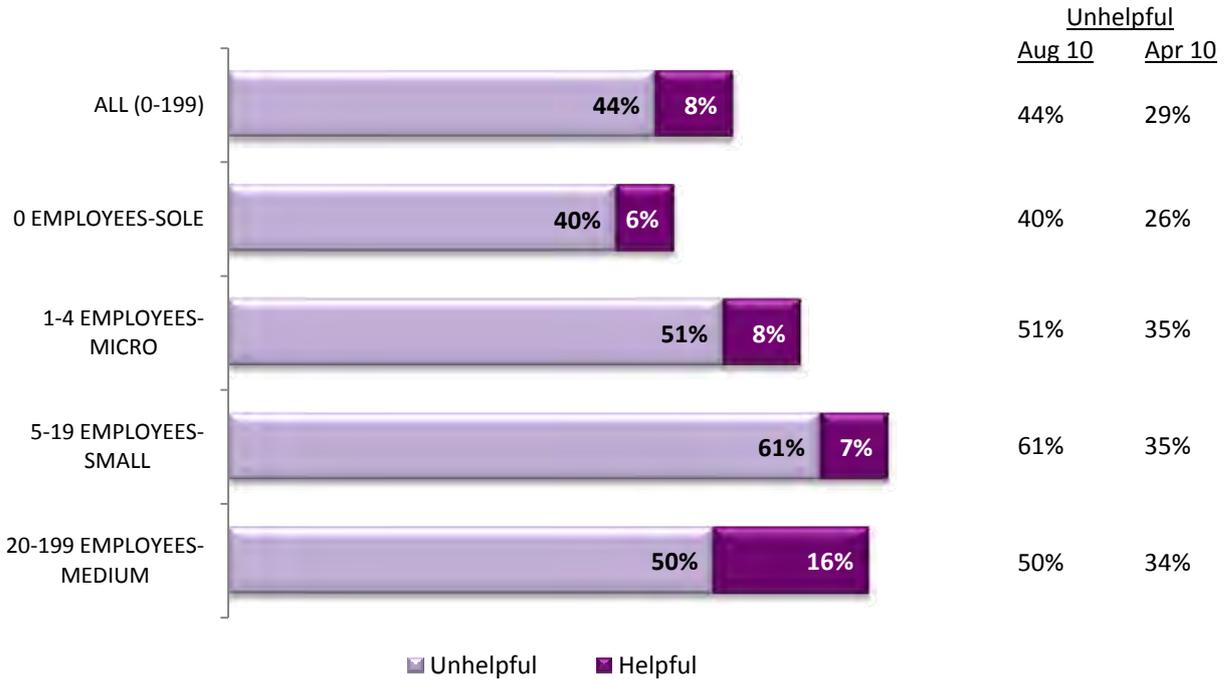
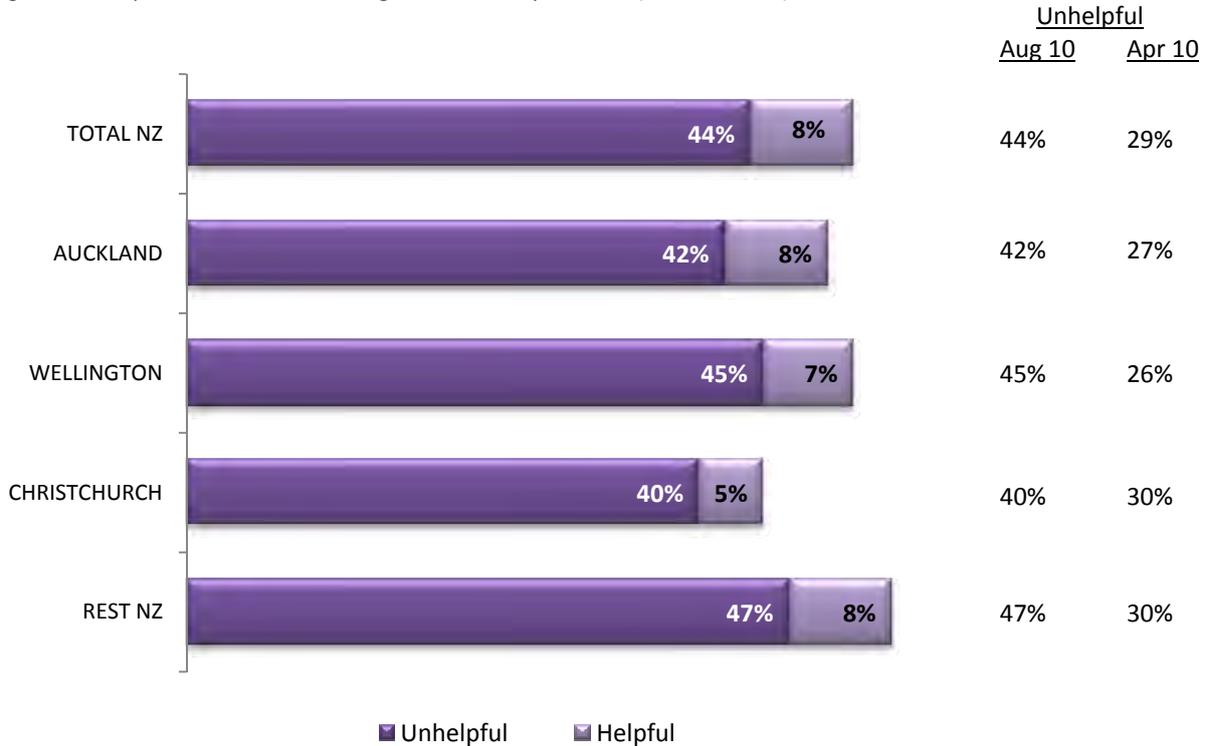


Figure 2.4: Helpfulness of **Climate Change Initiatives**: by Location (% of n = 1,001)



Impact of certain factors on ability to achieve business goals

Understanding how new Government legislation impacts their business has the highest level of impact on ability to achieve business goals

Base: Business owners and directors (n = 1,001)

Q. What level of impact does each of the following have on your ability to achieve your business goals?

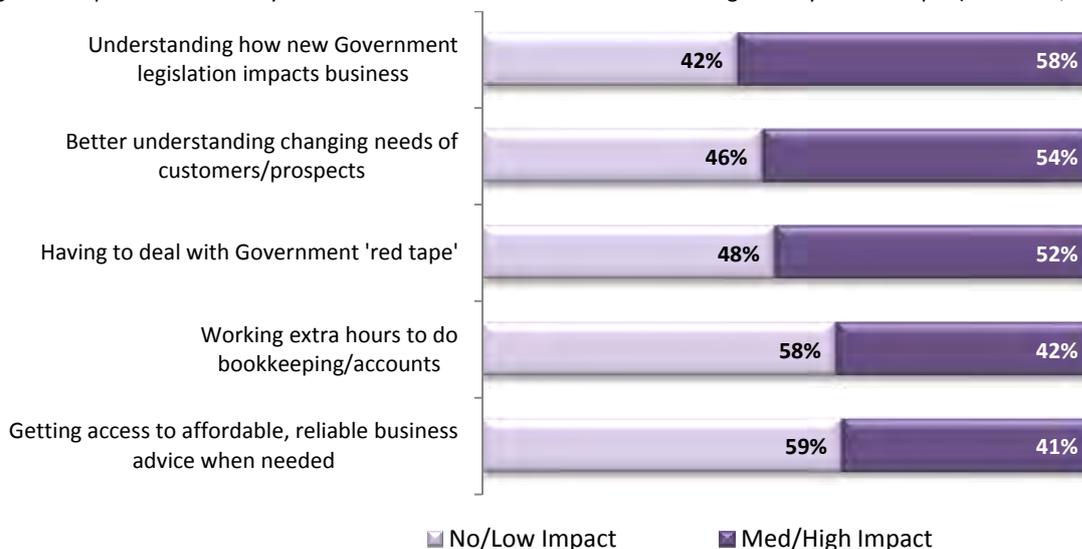
Of the five factors researched for their impact on the ability to achieve business goals, 58% of business owners surveyed report that **understanding how new Government legislation impacts your business** has a medium or high impact on their ability to achieve their goals. (See Figure 3) Business owners that feel the most medium-high pressure here are in medium businesses (73%), small businesses (71%), Finance & Insurance (73%) and Agriculture, Forestry & Fishing (68%).

Next, with 54% saying that this has a medium or high impact on the achievement of business goals, is **getting a better understanding of the changing needs of your customers and prospects**. (See Figure 6) Business owners likely to feel the most medium-high pressure here are in medium businesses (74%), start-up businesses (65%) and Finance & Insurance (65%).

The third highest or heaviest impact is (for 52% who say medium or high impact) **having to deal with Government 'red tape'**. (See Figure 6) Business owners who most want to cut red tape to relieve the medium-high impact are small business owners (66%), owners of businesses with annual revenue of \$200-999K (61%), and business owners in Rural New Zealand (59%).

Somewhat lower impact is attributed (by 42% who say medium or high impact) to **working extra hours to do your bookkeeping or accounts**, and (by 41% who say medium or high impact) to **getting access to affordable and reliable business advice when you need it**. (See Figure 7) Business owners who feel medium-high impact on their ability to achieve business goals from working extra hours on 'their books' are business owners of start-ups (57%), of Retail & Hospitality (55%) and of small businesses (52%). Those who will feel medium-high pressure on getting affordable and reliable advice when they need it are more likely to be in a small business (58%), a start-up business (56%), Finance & Insurance (54%) and Retail & Hospitality (53%).

Figure 3: Impacts on the ability of business owners to achieve their business goals. By Total Sample (% of n = 1,001)



Sources of information to help run business better

The Government is not regarded as a key source of business improvement advice, with the most popular Government source being the Inland Revenue Department. 13% of businesses use IRD as a source of help or information to run their business better.

Base: Business owners and directors (n = 1,001)

Q. And who, if anyone, do you ask for help or information to help you run the business better, and so enjoy your work more too? (Previously, in April 2010: Q. And who do you ask for information about improving business performance?)

The IRD, as well as being the revenue collection agency, is also the primary government source of business improvement advice for business owners looking to run their business better. However only 13% of business owners surveyed use the Inland Revenue Department (IRD) as a source of help or information to run their business better. This is followed by 7% who use other government departments or agencies and 5% that use www.business.govt.nz (see figure 5.3).

Those more likely to use the IRD as a source of information to help them run their business better include:

- 16% of small business owners – compared to 13% of sole traders and micro business owners and only 8% of medium business owners. (see figure 5)
- Business owners in Wellington. (see figure 5.1)
- Younger business owners - 18% of business owners aged 18 to 39, compared to 12% of business owners aged 40+.
- Owners of start up (<2 years) businesses (18%).
- Business owners reporting revenue has increased in last 12 months (19% - compared with 10% of business owners that report revenue is down).

Figure 5: Using IRD as a source of Information to help to run their business better: by Business Size/Number of Employees (% of n = 1,001)



Figure 5.1: Using IRD as a source of Information to help to run their business better: by Location (% of n = 1,001)



Figure 5.2: Sources of Information to help to run their business better: (% of n = 1,001)

