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word “maverick” — meaning an unorthodox, independent-minded person — describes New Zealander Nick Gerritsen well. A self-styled “knowledge broker” and venture capitalist whose company, Crispstart, has been involved in structuring deals at the highest levels in the US capital markets, Gerritsen persuades investors to help him commercialise startups. He estimates he has raised over NZD \$100 million on behalf of companies in the last five years.

“New Zealand presents a fantastic baseline to try things that wouldn’t be possible, or would be much more complex, in other parts of the world,” he says.

Gerritsen typifies the image of Kiwis as innovators, free-thinkers and risk-takers. His focus is on ground-breaking innovation and he says New Zealand has the

potential to become one of the most significant emerging technology markets in the world. He puts it in the same bracket as Ireland and Israel; however, unlike Ireland, New Zealand doesn’t offer investment subsidies and, in contrast with Israel, it doesn’t enjoy special tax treatment for technologies sold into the United States.

Jonathan Kings, chief executive of Investment New Zealand, says the fact that New Zealand doesn’t offer financial incentives works in its favour, in that entrepreneurs invest here purely on merit. “We believe that for an investment to be sustainable and long-term, the fundamental economics need to justify that investment,” he says. “We’re interested in supporting and engaging investors to make sure it’s a profitable experience for them, but we’re not going to buy investment.”



BY chris bell

Bright prospects

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NEW ZEALAND BY NUMBERS

Gerritsen emphasises what he describes as the “incredible” New Zealand lifestyle in his dealings overseas. “There’s an inherent link between the quality of lifestyle and the quality of innovation,” he claims.

For those in search of more persuasive arguments, Kings cites a factor that might not be top-of-mind for those already living here: New Zealand ranks highly in studies by Transparency International, the global organisation fighting corruption. For 2006, the organisation listed New Zealand in the group of countries with the lowest level of corruption in the public service (Finland, Iceland and New Zealand share the top score).

Also, the World Bank placed New Zealand at number two in its “Doing Business” report, a global listing of 178 economies ranked by ease of doing business.

“A land blessed with natural resources” is how William Buechler describes New Zealand in an August 2007 investment article in *Forbes*. The article, “New Zealand: Land of milk and honey,” applauds the launch of the KiwiSaver government-sponsored retirement plan. The programme will, according to Buechler, be “a terrific opportunity for investors in New Zealand to participate in the flow of money from an organised retirement-savings plan.”

Of course, it would be misleading to paint an exclusively rosy picture. In a June 2007 article, “A warning shot,” *The Economist* reported that New Zealand has “the highest interest rates in the industrialised world.” Nevertheless, in its September 2007 “Country briefing,” the same publication recognises that New Zealand’s gross domestic product growth reached 3 percent in 2007, driven by strong domestic demand.

There are plenty of other reasons for New Zealanders to count the blessings mentioned by Buechler. Statistics New Zealand, the country’s national statistical office, says economic activity increased by 0.7 percent in the June 2007 quarter, following a previous increase of 1.2 percent. And the level of foreign investment in New Zealand was \$254.1 billion on March 31, 2007, marking an increase of \$19.4 billion over the previous year.

INNOVATION ENGINE

Gerritsen’s advice to those seeking to join the growing group of foreign investors in New Zealand is to focus on the management layer of New Zealand businesses. He suggests it is less risky to invest in public companies, and therefore not as likely to produce the gains you would expect from a good technology proposition.

Amongst private companies, he says, it’s important to undertake what he describes as “upfront research and market intelligence” to discover where to make the best initial investment. “There are pockets of activity emerging, and these are driven by special networks of people.”

Although he acknowledges that New Zealand faces some challenges associated with being far from many large world markets, Gerritsen says the country has the potential to become “a key innovation engine” for the world. “Smart global capital theoretically should be looking for smart places, and New Zealand is one of those places: remote and mysterious, but powerful and world-changing.”

The transparency of New Zealand revenue legislation is a selling point when talking to prospective investors, says Kings. “We have a very simple tax regime and there is absolute clarity around the tax treatment of investment.”

Gerritsen welcomes the adoption of the limited liability company (LLC) model in New Zealand. Changes to the Partnerships Act in the Limited Partnerships Bill will apply to income years beginning on or after 1 April 2008. As a result, the term “special partnership” changes to “limited partnership” and becomes a separate legal entity.

Gerritsen says this allows an approach to venture investment similar to that found in the United States — significant because of the potential for favourable tax treatment, as well as protection from personal liability. “It’s going to positively influence investment in NZ innovation and technology,” he predicts.

The reduction in bureaucracy in part enabled by the Internet makes it a simple task to incorporate a company in New Zealand. The Companies Office online service allows investors to establish a company in a matter of days. “In many countries it takes weeks or months,” says Kings. “In New Zealand it’s almost instantaneous.”

Investment New Zealand works closely with the New Zealand Immigration Service, and in the case of significant investments a case manager is allocated to navigate the applicant through the policies. “By working with a case manager you get a dedicated engagement and that takes the bulk of the problem away from the investor,” Kings explains.

RESEARCH THE OPPORTUNITY

New Zealand’s research and development capabilities in primary industries such as agriculture are celebrated domestically. But the country also has R&D strengths in less well-known areas. For example, the University of Auckland is a leader in the modelling of human organ functions, and Industrial Research Ltd has entered a stem-cell research partnership with a Singaporean facility. (For more about research and commercialisation of R&D from New Zealand, see XXX on page XXX.)

Of particular benefit to investors with an interest in research and development is the 15 percent R&D tax credit introduced in the New Zealand Treasury’s 2007 Budget, which comes into effect in 2008. To qualify for this credit, says the Inland Revenue Department, R&D activities must be systematic, investigative and experimental: “They must either seek to resolve scientific or technological uncertainty or involve an appreciable element of novelty and be directed at acquiring new knowledge or creating new or improved products or processes.”

Much of that new knowledge is likely to relate to human impact on the environment, and Kings suggests that as people around the world become more concerned about “green” issues, enormous opportunities will be created within the New Zealand economy through foreign direct investment.

“Investors provide employment, training and opportunities for New Zealanders. For New Zealand’s future we need to be engaged with the global economy. To do that we need to attract investors to New Zealand, and New Zealand firms need to be investing overseas — both need to be happening,” says Kings.

Investors interested in finding out more about the New Zealand public or private sectors should study the Investment New Zealand website and contact the organisation directly, says Kings. Investment New Zealand will work with investors to arrange appointments, facilitate relationships and access funding to enable it to assist in feasibility studies. It can also partner with one of approximately 70 regional development agencies to help investors settle anywhere in the country.

Gerritsen sees New Zealand as a fertile seedbed for future investment. “I look at the opportunity and it’s massive — and it’s easier to access that opportunity here than it is elsewhere.”

Looking at Gerritsen’s current line-up of unorthodox propositions, it is easy to share his optimism.

For contact information about investing in New Zealand, see the resource directory on page XXX, or visit the Investment New Zealand website at www.investmentnz.govt.nz.

INVESTMENT: CASES IN POINT

- BioPacific Ventures, the life sciences venture capital fund with strong relationships to Nestlé, enticed agribusiness PGG Wrightson to inject NZD \$14 million. BioPacific executive director Andrew Kelly says biotechnology has huge potential in food applications, considers New Zealand to be one of the dominant players internationally: “They are also strong in biotech and we think this is a synergy yet to be realised.” Investment NZ is working with the Foundation for Research, Science and Technology and the Tertiary Education Commission to attract R&D expertise, laboratories and science skills from overseas. The Geospatial Research Centre (GRC) is a collaborative effort between New Zealand Trade and Enterprise, the Canterbury Economic Development Fund, and the Universities of Nottingham (UK) and Canterbury (NZ). GRC is engaged in the areas of positioning and orientation, sensor integration, image analysis, data visualisation and electronics. UK venture capitalists recently made a NZD \$10 million investment in OpenCloud, a Wellington technology vendor in the application server market.
- Two leading US venture capital funds, Sequoia Capital and Sutter Hill Ventures, have invested in Right Hemisphere, a provider of software that enables manufacturers to source, sell, and service products using graphics created from the engineering data available in computer-assisted design systems.
- Nick Gerritsen’s Crispstart is currently working on propositions for Aquaflo Group, which aims to produce biofuel from wild algae; Celsias, a community working to combat climate change and environmental degradation; Ponoko, for the computer-based personal manufacture of individualised products; and Carbonscape, which is developing economic biofuel technology by turning biomass into charcoal.