



## **Election Manifesto 2008**

### **Policies to Improve Productivity and Grow the Economy**



New Zealand Chambers of Commerce (Inc) represent the interests of businesses in their communities throughout New Zealand. Our goal is to promote vibrant regional and national economies that create sustainable business development and employment opportunities.

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## **About New Zealand Chambers of Commerce (Inc)**

New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 30 chambers of commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are SMEs, our membership includes most of the largest corporations in New Zealand.

The chambers exist to promote, support, and encourage sustainable, profitable businesses. Businesses are the lifeblood of the economy. They provide employment, pay wages, produce goods and services, and determine the depth of the tax base. In so doing, they enable the government to build infrastructure and to provide benefits. If business is flourishing, everyone benefits; if business is in recession, peoples' standards of living suffer. For businesses to flourish, they require an environment that is supportive, and a culture that encourages, rewards, and celebrates success.

## **Why have we produced this manifesto?**

NZCCI is non-partisan. It does not support any political parties but it does support policies that enable businesses to flourish and promote the interests of New Zealand as a whole.

With the general election approaching, the purpose of this manifesto is to outline what we think those policies should be. We hope that political parties will adopt them as much as possible.

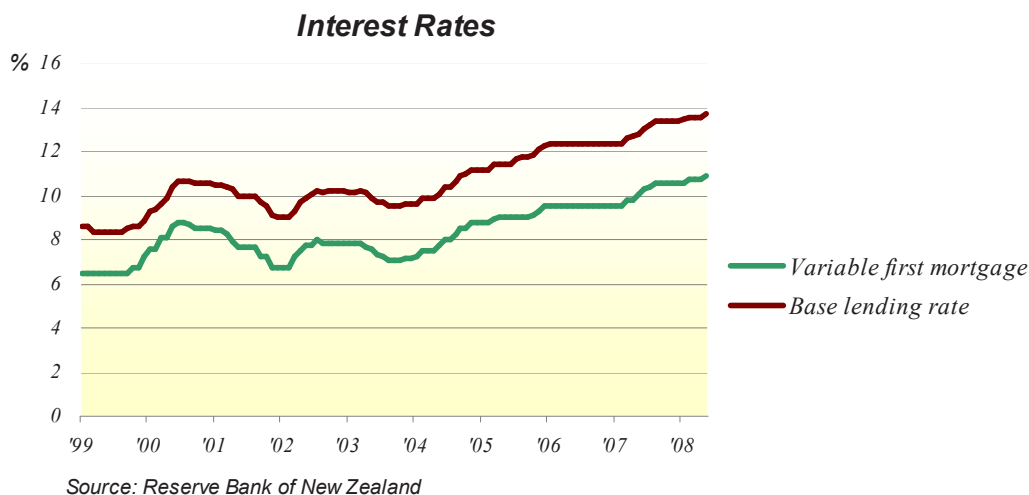
The manifesto touches on the following areas, to give a picture of where NZCCI stands on each issue, and sets out actions we would expect the incoming government to implement:

1. Monetary Policy, Interest Rates and Exchange Rates
2. Role and Size of Government
3. Labour Market
4. International Economic Activity
5. Economic and Regional Development
6. Transport and Infrastructure
7. Local Government
8. The Environment

To achieve sustainable growth, government policy must be actively pro-business. The government cannot run the business sector, but it can support it and remove barriers to its success. The chambers of commerce throughout New Zealand intend to scrutinise parties' policies and compare them with this set of policies, which we think provide the best platform for the New Zealand economy to grow.

## Monetary Policy, Interest Rates and Exchange Rates

Over the last ten years or so, New Zealand businesses have been operating against a background of high and rising interest and exchange rates. These are directly related to the rate of inflation and the monetary policy implemented by the Reserve Bank to control it.



Maintaining low inflation, or stability in the overall price level, is crucial for the competitiveness of the New Zealand economy<sup>1</sup>. It is also the best way to maintain low interest and exchange rates in the medium term. Yet it is important that inflation be contained without putting undue upward pressure on interest and exchange rates in the process.

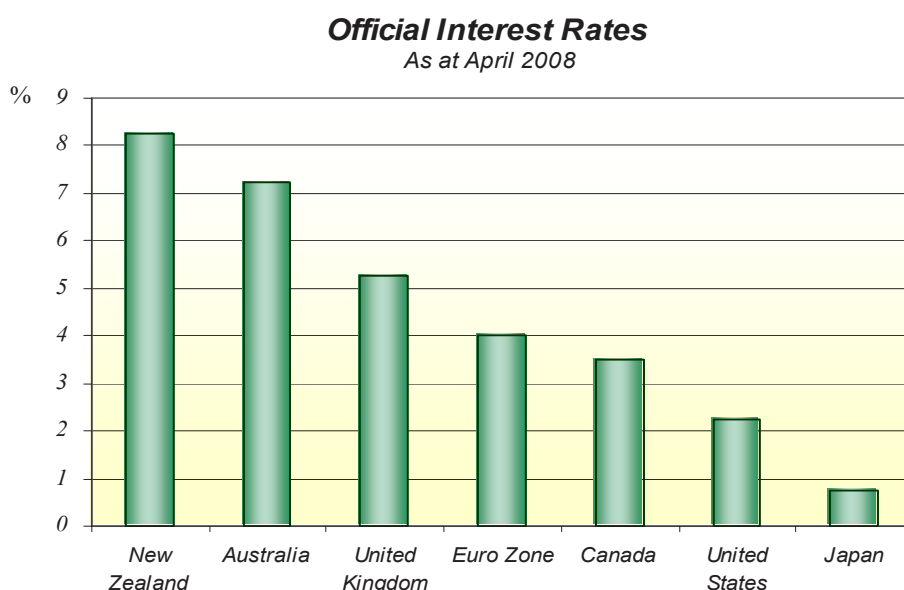
Inflation is a monetary phenomenon and so the Reserve Bank has the leading role in achieving and maintaining price stability. To this end it is given political independence and there is a policy target agreement (PTA) between the Bank Governor and the Minister of Finance setting out specific targets for achieving and maintaining price stability - currently defined as inflation between 1.0 - 3.0% over the medium term.

### NZCCI Position - Monetary Policy

NZCCI fully supports the current monetary policy framework - including the Reserve Bank's independence and its single focus on price stability. However, we have some strong concerns about the interaction monetary policy has had with other policy and economic settings over recent years. This has had a detrimental impact on the New Zealand economy through the resulting upward pressure on interest and exchange rates. The New Zealand

<sup>1</sup> Businesses and consumers are worse off if prices rise faster than incomes and inflation can reduce the value of an investment if the returns are insufficient to compensate. Sustained inflation also has longer-term effects. If money is losing its value, businesses and investors are less likely to enter into long-term contracts. This discourages investment in the nation's productive capacity.

dollar is considered fundamentally overvalued by most measures and our interest rates are the highest in the developed world.



High interest rates and an overvalued exchange rate reveal more about the failure of other policy settings than problems with the monetary policy framework. A series of policy settings have worked against monetary policy in recent years and contributed to inflation and interest and exchange rates being higher than they should otherwise be.

The following are just some of a list of counteractive policies, many of which are discussed more fully later in this manifesto, which need to be addressed so that pressure can be taken off interest and exchange rates and so that the productive sector does not have to bear the burden of controlling inflation: - increases in government expenditure and taxes; the expansion of local government; increased labour market regulation, which has pushed up labour costs; cost increases arising from the Resource Management Act and other cost-raising regulations. All of these policy settings need attention from the government - for their own sake and also so that monetary policy can operate more effectively.

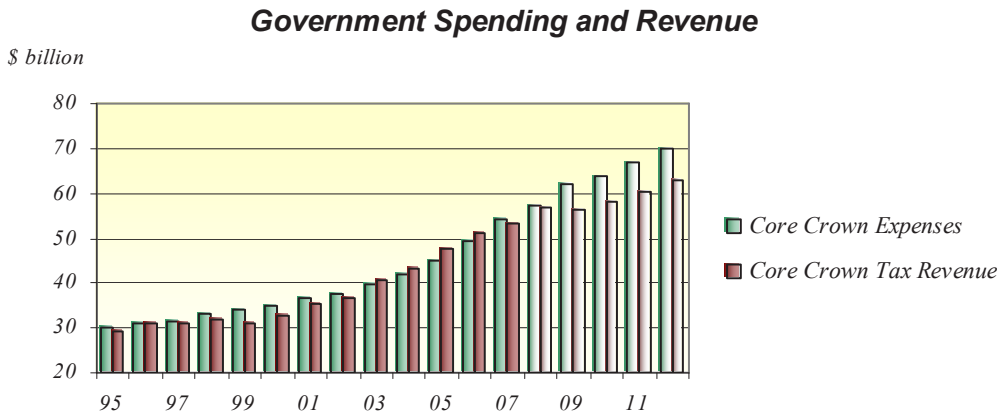
### ***NZCCI Recommendation***

***NZCCI supports the existing monetary policy framework with its focus on inflation but monetary policy needs support from other pillars of government policy to be effective. It should not operate in isolation.***

***Government should review the policy settings that are pushing up prices and working against monetary policy.***

## Role and Size of Government

The following graph plots government expenditure and revenue since 1995. Government spending has almost doubled over that period and is forecast to grow faster than revenue over the next four years.



Source: New Zealand Treasury

### NZCCI Position - Government Spending

While recognising the importance of most government spending and the efficiency of taxes as a way of funding public goods, NZCCI believes that both government spending and taxes have been growing too fast and that New Zealand's overall tax-take is too high.

As well as the overall quantity of spending, a particular concern is the quality of government spending. There is a growing impression that much of the new spending is non-productive or low quality. Anecdotal evidence suggests government departments are flush with funds that they don't know how to spend sensibly. A recent example in the media was the badges promoting Maori education but there are many others. ANZ National Bank has recently completed a more scientific assessment and concluded that growth in non-productive spending (excluding benefits) has averaged 8.4% per year since 1997 compared with 5.2% for more productive spending.

More effort needs to be put into eliminating waste in non-productive government expenditure and reducing overall expenditure growth. We encourage the in-coming government to focus on the quality of its expenditure over the next three years and on raising productivity in the public sector.

#### **NZCCI Recommendation**

**NZCCI recommends the in-coming government urgently undertake a review of all government spending with a view to eliminating waste as soon as it takes office.**

## **Tax Policy**

New Zealand's company tax rate was reduced in 2008 for the first time in 20 years (from 33% to 30%). A program of personal tax cuts is to commence later this year. While there has been relief for families in recent years in the form of tax credits, these will be the first tax cuts since the 1990s. The top personal tax rate has not been cut since 1988. This reluctance to reduce taxes has been against a backdrop of decreasing taxes in most of our trade partners' economies.

### ***NZCCI Position - Tax Policy***

The recent reductions in company tax rates and the proposed personal tax cuts have been very positive but NZCCI believes further reductions are necessary to put New Zealand on a path to higher economic growth.

Lower taxes would achieve a more efficient allocation of resources and make New Zealand a more attractive destination for capital and people. They would improve our international competitiveness and boost investment, employment, productivity and economic growth. It is likely that Australia and other countries will continue to lower their company and personal tax rates over the next few years and so New Zealand must continue to do the same in order to remain competitive.

Tax cuts should be funded by reductions in the growth of further government expenditure and savings from some specific cuts in non-productive bureaucratic spending. We are aware that as the economy slows, significant tax cuts will be less affordable without some significant decisions in this area. Tax cuts must be delivered in a way that does not exacerbate inflationary pressures.

We have a clear preference for reductions in tax rates over raising tax thresholds. Incentives to work, save and invest at the margin are all increased with lower tax rates.

We also favour a low-rate, broad-based tax system rather than a series of tax incentives and tax breaks. In general, tax incentives do more harm than good through the distortions they create, their eroding of the tax base and the resulting increase in compliance and administrative costs. For this reason reductions in tax rates will be more beneficial than tax-base incentives such as targeted tax credits; deferral of losses; deductions for "blackhole" expenditure; and adjusting depreciation loadings etc.

The recent reduction in the company tax rate was welcome but this has had a perverse effect on the overall tax system now that the differential between the 30% company rate and the top rate of personal tax of 39% is so large. Closer alignment of company and personal tax rates would greatly reduce the creation of companies simply to avoid higher tax rates, and would also reduce administration and compliance costs.

A cut in personal taxes would benefit businesses as well as employees. Around 40% of businesses are unincorporated, for example as sole traders or partnerships, meaning the company tax rate is not relevant to a large proportion of New Zealand businesses.

As discussed in the section on climate change, rather than an emissions trading scheme, we would prefer to see the introduction of a broad-based carbon tax with a corresponding reduction in income tax rates.

### ***NZCCI Recommendation***

***We recommend a reduction in the top personal tax rate be a priority as part of the incoming government's next round of tax cuts.***

### ***Tax Compliance***

The cost of complying with the tax system is a major barrier to setting up a business and compliance costs are continually cited as one of the major concerns for SMEs.

### ***NZCCI Position - Tax Compliance***

The IRD's recent changes to filing thresholds and related decisions were very welcome. These will reduce the interactions taxpayers have with Inland Revenue and the amount of time spent on complying with tax rules and/or the cost of employing professional services. However the best way to significantly reduce the cost of complying with the tax system is to simplify the tax system with fewer tax rates.

### ***NZCCI Recommendation***

***The government should simplify the tax system by implementing a flatter tax structure and aligning company and other entity tax rates with personal tax rates.***

### ***Regulation***

The costs of poor regulation are often wrongly interpreted as business compliance costs but these are only a small proportion of regulatory costs.

### ***NZCCI Position - Regulation***

New Zealand is over regulated and too much of this is poor quality regulation which poses unnecessary and significant costs on the economy. New laws

and regulations need more scrutiny before being introduced so that any undesirable side effects can be minimised at the outset.

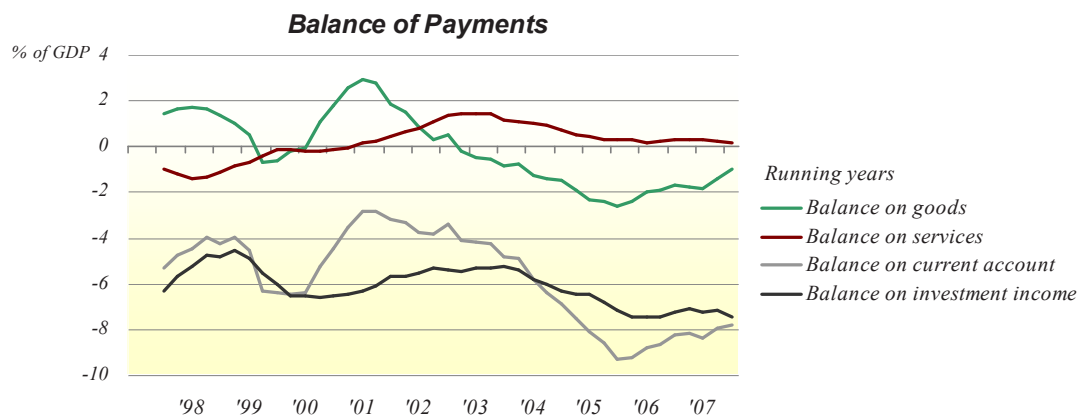
NZCCI supports the Regulatory Responsibility Bill, due for its second reading in Parliament, which aims to improve the quality of parliamentary laws and regulations by enhancing the degree of scrutiny they get before being passed.

### **NZCCI Recommendation**

**The government should make the passage of the Regulatory Responsibility Bill a priority.**

## **Savings**

New Zealand has a relatively low savings record and a high reliance on foreign capital. This is evidenced by our sizable current account deficit.



### **NZCCI Position - Savings**

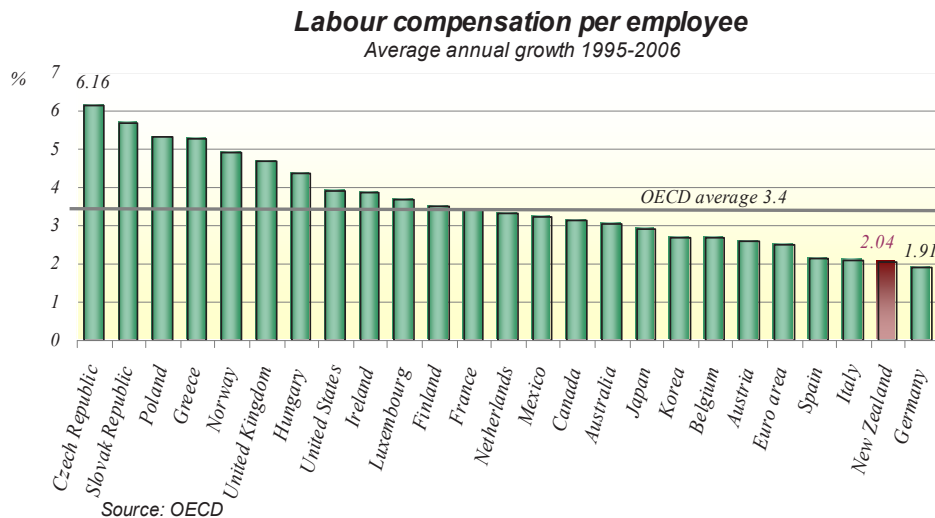
Increased savings by New Zealanders would reduce this reliance and would create a larger pool of domestic capital which business and the economy can access. Increased savings would also reduce the claims on the government's budget as the population ages.

NZCCI is supportive of KiwiSaver as a means of changing New Zealand's savings culture, providing an increased supply of capital and diversifying people's savings away from housing. However, we have some difficulties with the scheme around the generosity of the tax credits vis a vis tax cuts, the compulsory contributions, and the compliance costs faced by employers. NZCCI supports the New Zealand Superannuation Fund.

# Labour Market

## Wages

New Zealand employees have relatively low levels of remuneration by international standards. Incomes and income growth rates are well below the OECD average.



This has been a major contributor to the net outflow of New Zealand citizens, which has been occurring for more than a decade, and the difficulties New Zealand businesses face in attracting and retaining highly skilled employees.

### NZCCI Position - Wages

NZCCI supports a high wage economy for New Zealand. The best way to achieve this is to adopt policies that focus on increasing productivity, improving skills and enhancing the New Zealand business environment.

### NZCCI Position - Minimum Wage

NZCCI supports the existence of a minimum wage to protect vulnerable workers but considers the current level to be too high relative to the average wage in New Zealand. As the minimum wage has increased in recent years, larger numbers of people have been brought into the increase. The minimum wage is now supporting more than just the lowest income percentile and risks distorting the labour market significantly.

### NZCCI Recommendations

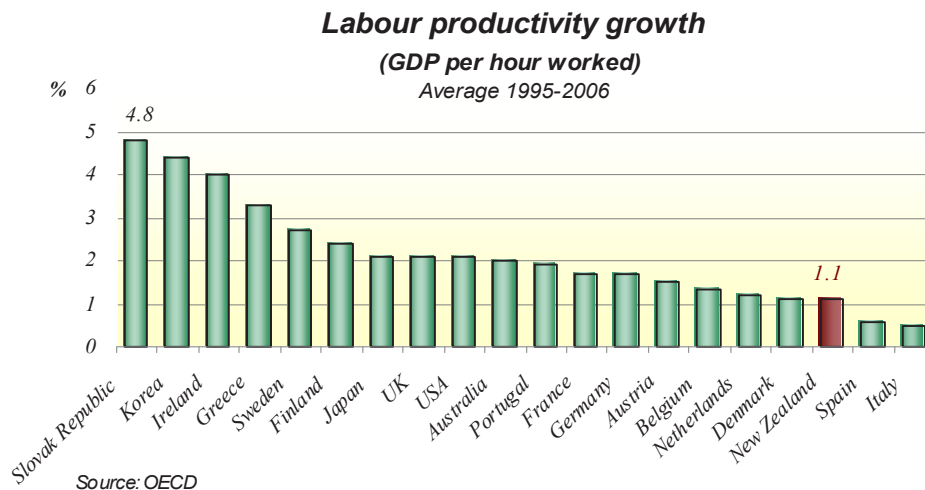
**To achieve higher wage growth, the government should adopt policies that focus on increasing productivity, improving skills and enhancing the New Zealand business environment.**

**The government should not use increases in the minimum wage as a way to force rises in the overall wage level.**

## Productivity

New Zealand has experienced significant employment growth in recent years but this high labour utilisation has allowed us to mask one of the lowest labour productivity growth rates in the OECD.

Productivity is a measure of how efficiently inputs (such as capital and labour) are used within the economy to produce outputs. It is influenced by the performance of individual firms and work effort and skills as well as the quality of institutions and policies that affect the overall economic environment.



## NZCCI Position - Productivity

A significant improvement in productivity growth continues to be necessary to secure economic growth. A lift in productivity growth will require increased levels of investment and training.

The Australian Productivity Commission has been successful in enhancing productivity in that country and the government should consider replicating it in New Zealand.

## NZCCI Recommendations

**The government should adopt the recommendations contained in this manifesto which are designed to improve New Zealand's productivity growth. These include investment in infrastructure; lower marginal tax rates; reductions in government imposed costs on business; strong external linkages and a flexible labour market.**

***The government should consider setting up a Productivity Commission based on the Australian model.***

### ***Labour Market Flexibility***

#### ***NZCCI Position – Labour Market Flexibility***

NZCCI strongly supports a flexible labour market. A flexible labour market is the best way to ensure it operates efficiently so that close to full employment and high wages can be achieved. A flexible labour market is necessary to increase productivity and maximise output and is in the long-term interests of employees as well as employers.

NZCCI supports measures such as allowing small businesses a short probation period to dismiss new staff without risking a personal grievance claim. This would be in the best interests of both employers and employees and would not result in staff being unnecessarily dismissed.

NZCCI opposes provisions in the Holidays Act which impose unnecessary rigidities. Employers and employees should have the right to agree on holiday arrangements that suit both parties.

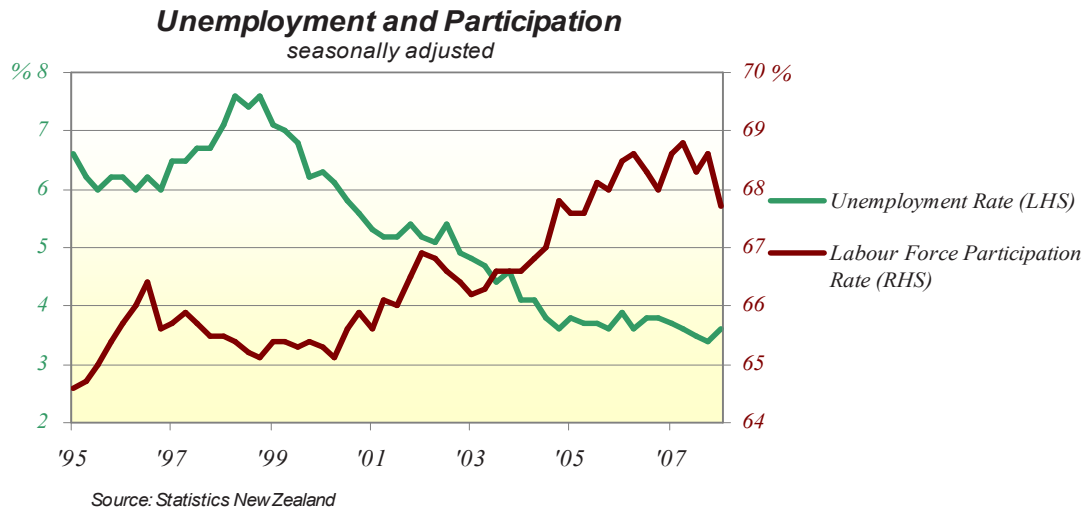
Flexible workplace arrangements are desirable but education and awareness-raising is better than legislation in enabling employers and employees to find the right balance in work and leisure.

#### ***NZCCI Recommendation***

***The government should review the Holidays Act.***

### **Skilled Labour**

Unemployment close to record lows and labour force participation just off record highs are indicative of the current tight labour market in New Zealand. Notwithstanding the slowing New Zealand economy, employers continue to face a difficulty in finding skilled (and unskilled) labour. Issues around staff recruitment and retention are consistently cited as the key concern faced by businesses. Skilled labour shortages are another issue impacting on our productivity performance.



### **NZCCI Position - Labour Shortages**

New Zealand's labour shortages need to be addressed. The solution lies in our education system, in vocational training, and in our immigration policy.

### **NZCCI Position - Education**

As part of the wider role education plays in New Zealand society, the education system has a crucial role to play in developing well-rounded and highly skilled people that are needed to sustain the business sector. This of course is in the interests of all New Zealanders – not just employers.

A broad-based education system that values and fosters innovation and creativity is the best way to grow enterprising people. High levels of numeracy and literacy are crucial. So too is a broad curriculum to provide a solid educational foundation and encourage enquiring minds. We welcome the increased focus on foreign languages and the emphasis on science in the new curriculum.

### **NZCCI Recommendation**

***More developed skills across the New Zealand workforce will be a major driver of the improved productivity that is needed to achieve higher levels of economic growth.***

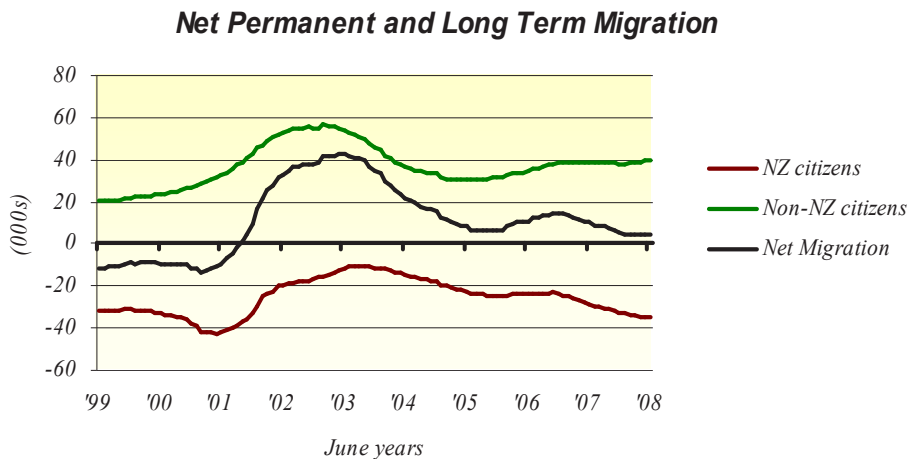
### **Immigration**

Annual net migration flows into New Zealand peaked in 2003 at just over 40,000 but have been falling since as the numbers of people leaving New Zealand long-term have grown faster than the growth in people coming to New Zealand.

## **NZCCI Position - Immigration**

NZCCI supports increased migration generally for the economic and cultural benefits it brings to New Zealand society. New migrants are also important to address the current labour shortages.

As it is not possible for our education system to respond in the short-term to resolve current skills shortages, increased migration is necessary to fill this gap. This requires lifting immigration quotas for skilled and business migrants.



Source: Statistics New Zealand

We also believe New Zealanders would be less likely to permanently leave New Zealand for greener pastures if wage levels were lifted. This is important. While having New Zealanders living, working and flying the flag overseas is very positive, we want them to eventually return. Raising wage levels and generally providing an appealing environment to encourage them to return requires adopting the sorts of policies listed elsewhere in this manifesto.

### **NZCCI Recommendation**

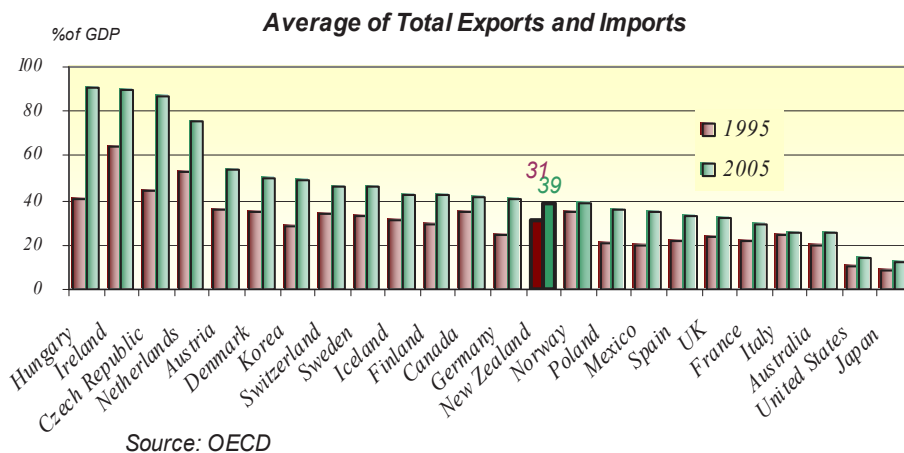
**The government should lift immigration quotas for skilled and business migrants and the means by which increased levels of skilled migration can be facilitated.**

The demands on infrastructure resulting from the significant population boost when large numbers of new arrivals tend to settle in a limited range of areas (e.g. Auckland in recent years) could be alleviated by facilitating the settlement of new and returning New Zealanders to other parts of the country.

# International Economic Activity

## International Trade

New Zealand considers itself a trading nation but relative to other small countries it has a low trade to GDP ratio. Against a backdrop of increasing globalisation, New Zealand's external trade has not increased as much as many other countries since the mid 1990s.



### NZCCI Position – International Trade

With a country of only 4.3 million people it is critical for the growth of the economy that as many New Zealand companies as possible increase their level of international engagement.

NZCCI strongly supports the government's international trade policy activities endeavouring to liberalise world trade and open markets; as well as the work of NZTE in assisting exporters. NZTE needs a sharper focus on its offshore activities relative to its domestic economic development activities.

NZCCI believes that the New Zealand government trade negotiators do a good job in working to secure better trade access but that better outcomes would result if the business community were more closely involved in negotiations - both multilateral and bilateral.

Notwithstanding the important role of the government to remove barriers to trade and to smooth the way where possible, business decisions to expand offshore will be made by individual businesses depending on what is right for them.

### NZCCI Recommendation

**The government should take steps to increase the role of the business community in trade negotiations.**

## ***NZCCI Position – Trade Negotiations***

New Zealand exporters and the global trading system generally face major problems arising from the plethora of subsidies and trade barriers that distort international trade. The only way these can be fully dismantled is through the WTO's multilateral trade negotiations.

Agricultural trade is particularly important to New Zealand and it is here where the trade distortions are greatest. However, government emphasis in the Doha Round negotiations needs to be as much on achieving high quality outcomes in non-agricultural goods and services as it is on agriculture.

NZCCI supports significant resource being put into completing the current Doha Development Agenda negotiations. These should remain the top trade policy priority, even though they suffered a recent setback.

New Zealand is almost alone as a member of the OECD in not being a signatory to the WTO Government Procurement Agreement. New Zealand businesses have a great deal to gain from membership of this agreement through improved access to member-country government procurement markets and we believe the New Zealand government should move to join it.

While a high quality multilateral trade agreement is preferable to a series of global trading blocks, due to the probability of this not being achieved and other economies focussing on securing free trade agreements, it is in New Zealand's best interests to pursue bilateral FTAs with our trade partners in tandem with multilateral negotiations.

### ***NZCCI Recommendations***

***Government emphasis in the Doha Round negotiations needs to be as much on achieving high quality outcomes in non-agricultural goods and services as it is on agriculture.***

***NZCCI believes that the government should move to join the WTO Government Procurement Agreement.***

***Negotiations of FTAs with India, Japan, Korea, Taiwan, US, and Europe should be bilateral trade policy priorities over the next three years.***

### ***NZCCI Position - Domestic Tariffs***

NZCCI believes supports such as import tariffs, and professional registration requirements can act to discourage international competitiveness and should be removed as quickly as possible.

New Zealand has benefited from unilateral tariff reductions to-date. In addition to the cost savings and more efficient allocation of resources they

have provided, they gave us a head start in negotiating the FTA with China. It will be difficult for other countries negotiating a FTA with China, e.g. Australia, to match our offer of removing tariffs to Chinese imports in the time period we have.

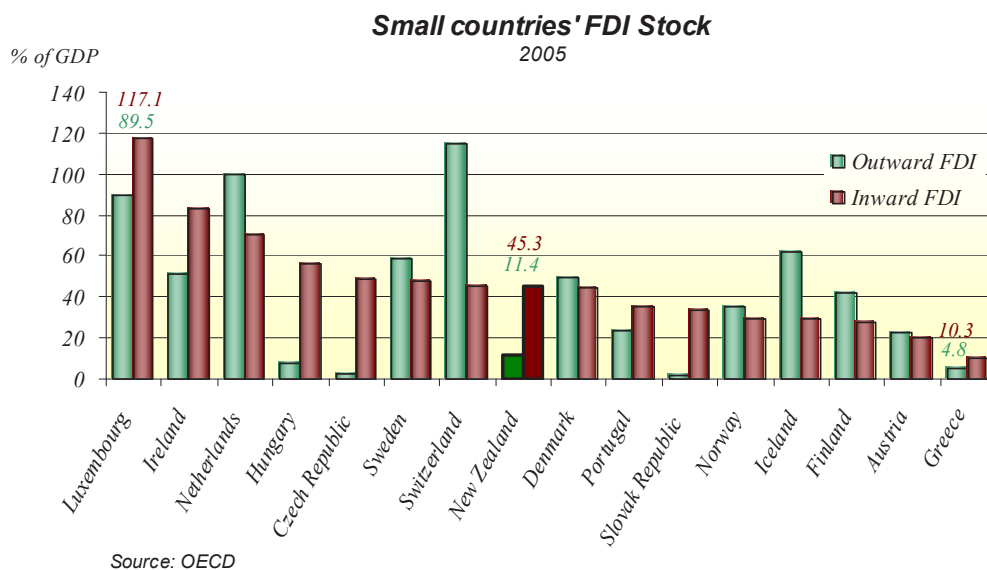
### **NZCCI Recommendation**

**The government should review remaining areas of industry protection in New Zealand.**

### **Cross Border Investment**

Levels of cross border investment internationally have risen as globalisation has increased. Cross border investment is an important way of raising the level of New Zealand’s international economic activity.

Amongst other small countries, New Zealand is not untypical with regard to the level of foreign investment it has attracted. In terms of outward foreign investment, however, we have not done well by international standards.



### **NZCCI Position – Outward Foreign Investment**

New Zealand companies can benefit by broadening their horizons and investing offshore. This also makes a positive contribution to our balance of payments and is crucial to enhancing our economic performance.

Decisions to expand offshore should obviously be business-led, but government’s role in removing barriers and smoothing the way is welcome.

We support the recent relaxation of government (as shareholder) restrictions on state-owned enterprises (SOEs) diversifying and expanding offshore. Notwithstanding the need to manage the risk to taxpayers' capital, New Zealand's largest companies tend to be SOEs and if they aren't going to be privatised, holding them back is a lost opportunity for the economy.

**NZCCI Position - Inward Foreign Investment**

Just as NZCCI is a champion of New Zealanders investing offshore, we are strongly supportive of overseas companies investing in New Zealand.

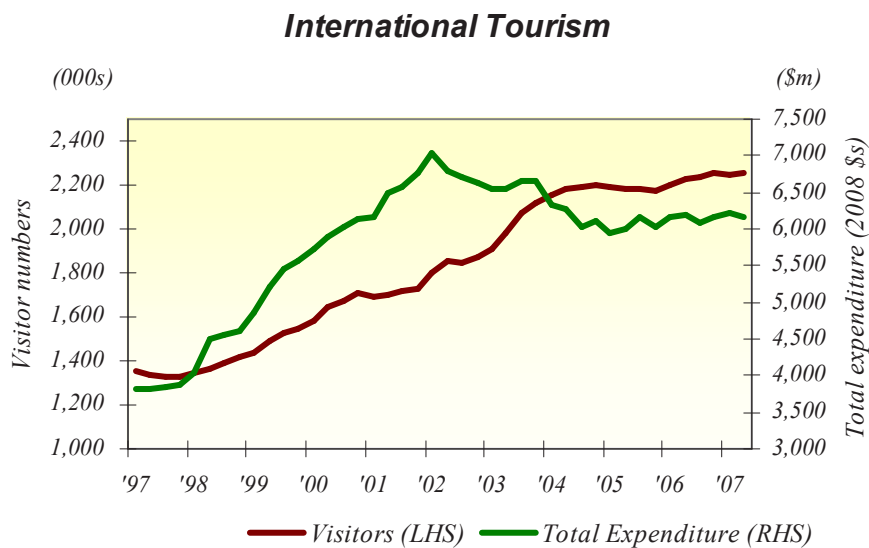
Inward foreign investment is beneficial because it gives our companies access to a larger pool of investment funds, and also because it is often accompanied by access to new technology and links to global marketing and distribution systems.

Furthermore, if we want New Zealand companies to own offshore assets, we should not be xenophobic about foreigners owning a stake in New Zealand companies.

NZCCI was opposed to the government's move earlier this year to tighten overseas investment regulations in the middle of a high profile market transaction. This had negative implications for overseas perceptions of New Zealand's openness to foreign investment and government's respect for property rights.

**Tourism**

Visitor numbers to New Zealand have climbed steadily over the last decade but the growth rate has slowed in recent years.



Source: Ministry of Tourism

## **NZCCI Position - Tourism**

Tourism is a vitally important part of the export sector. It is New Zealand's largest foreign exchange earner and employs one in ten New Zealanders. NZCCI supports targeted government funding to promote New Zealand offshore and the development of international tourism markets.

## **Foreign Relations**

### **NZCCI Position – Foreign Relations**

NZCCI believes that New Zealand heads of mission overseas are there to promote New Zealand's overall interests. Some heads of mission overseas support our commercial interests well, others do not give this function much attention. We think that all heads of mission should have their support for New Zealand business judged as a major component of their annual performance assessments. Any heads of mission who fail to devote adequate focus in this area should be replaced.

NZCCI is concerned that a large sum of new money has been allocated to the Ministry of Foreign Affairs and Trade without a fundamental review of this Ministry's operation and purpose. It may be that after this review, even more money needs to be allocated to the Ministry. Specifically we are concerned that decisions on the opening of new posts have been taken without reference to key stakeholders such as the business community. For example Stockholm, Melbourne and Brisbane have been chosen ahead of countries such as Israel, Pakistan, Sri Lanka, Cambodia and several countries in Latin America which would seem to have been equally worthy candidates.

With regard to New Zealand's overseas development assistance programme, we believe there is scope for a formal partnership between business and NZAID (New Zealand's International Aid and Development Agency) to be established. The role of the New Zealand development assistance programme and its relationship with New Zealand business needs to be reviewed. The appropriateness of the focus on poverty alleviation is also an important issue that needs review.

### **NZCCI Recommendations**

***The government should review the tendency of some New Zealand heads of mission overseas to focus on political interests ahead of New Zealand's wider interests - commercial and otherwise.***

***The government should consult the business community before taking decisions on the location of new overseas posts.***

***Government should review the relationship of New Zealand's overseas development assistance programme with New Zealand business.***

## **Economic and Regional Development**

In 1999, after 15 years of government reducing its role in active economic and regional development policy, a fundamental turn-around has seen such policies reinvigorated. New Zealand's (newly created) economic development agency and its (long established) trade promotion agency were merged soon after to form New Zealand Trade and Enterprise (NZTE). The jury is still out as to the effectiveness of this approach to developing the economy.

### ***NZCCI Position - Economic and Regional Development***

NZCCI believes the most important thing that the government can do to enhance economic development in New Zealand is to provide a stable macroeconomic background and remove barriers to the success of the business sector. Notwithstanding this, we do believe government has an active role in New Zealand's economic development through, for example, investment in infrastructure and carefully targeted economic and regional development policies.

With regard to the economic and regional development policies that have been in place since 1999, we believe there is scope for more careful targeting as well as more focus on a smaller subset of the programmes currently in place.

We don't think that NZTE's role as both a trade promotion and economic development agency works as it should. We would prefer to see the creation of a dedicated trade promotion agency focussed on those companies with a potential for international engagement and which will benefit from the support of such an agency. The focus needs to be on growing exports and on developing markets.

It is particularly important that continued government economic development programmes seek to involve the private sector as a delivery partner, and that they emphasise the importance of expanding higher value manufactured goods and services exports.

### ***NZCCI Recommendations***

***The government should review its economic and regional development programmes to ensure that they are appropriately targeted.***

***The government should review economic development policies to determine which are best delivered by the government and which can and should be delivered by the private sector.***

***The government should review NZTE's role as both a trade promotion and economic development agency.***

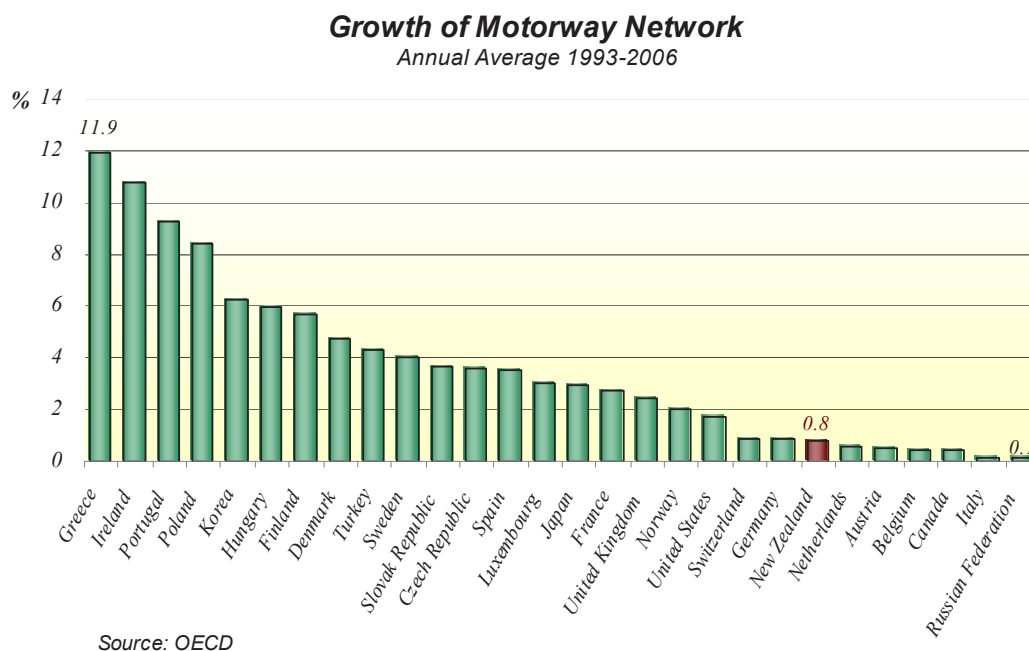
## Infrastructure

New Zealand has experienced insufficient investment in infrastructure over the last two decades and consequently has infrastructure weaknesses in all areas. These are impacting on growth and productivity in our economy.

These infrastructure weaknesses are particularly apparent in land transport, telecommunications, and electricity.

### ***NZCCI Position – Land Transport***

New Zealand has under-invested in road and rail, for too long and the resulting bottlenecks are impacting negatively on our economic growth.



A substantial increase in expenditure on roads, rail, freight and public transport over the next ten years above that already programmed is essential if we are going to turn this situation around.

The current high oil price should *not* be a deterrent to investment in new roads. It is likely that technological advances (e.g electric cars) will overcome the effects of high oil prices and as New Zealand's population grows there will be increasing demand for roads. We should be investing now for the future.

There is great scope to improve the efficiency of road funding in New Zealand. There needs to be more focus on commercial criteria and less on political and bureaucratic processes in allocating resources in this sector.

The government should allow the use of more private sector investment including public private partnerships (PPPs) and borrowing to fund the new investment. This would help overcome capital constraints, accelerate planning and construction and provide access to private sector expertise.

## NZCCI Recommendations

**NZCCI urges the introduction of road pricing whereby vehicles are charged for road use depending on time of day, location and vehicle type.**

**The government should allow the use of more private sector investment including public private partnerships (PPPs) and borrowing to fund new investment as well as tolls.**

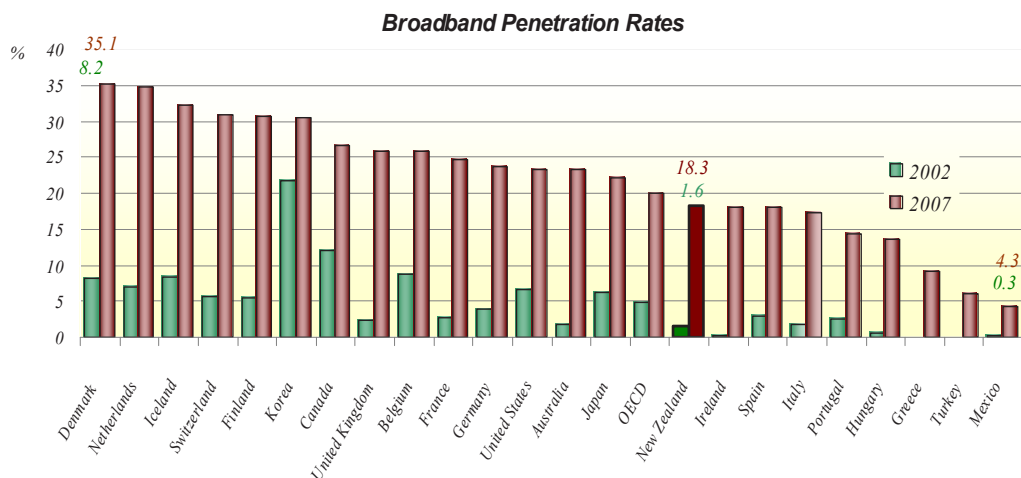
While we did not support the recent renationalisation of rail, we support investment in rail as a means of moving cars and freight off roads and reducing congestion and carbon dioxide emissions. Rail has faced years of infrastructure neglect and so significant investment is required to upgrade rolling stock and to improve rail network infrastructure. While this investment is necessary, government needs to keep commercial viability of its investments at the forefront of its decision making. New Zealand's difficult terrain and low population mean rail's economic potential is limited without large and sustained government subsidies. NZCCI believes the use of private sector investment in rail should be considered.

## NZCCI Position – Coastal Transport

Coastal shipping is a relatively untapped mode of transport in New Zealand and we support more use being made of it although we would not support policies giving it an unfair advantage over other modes of transport.

## Telecommunications

Well developed ICT infrastructure is a crucial component of the modern economy. New Zealand has made some gains in recent years but its broadband penetration rate remains below the OECD average.



## **NZCCI Position - Broadband**

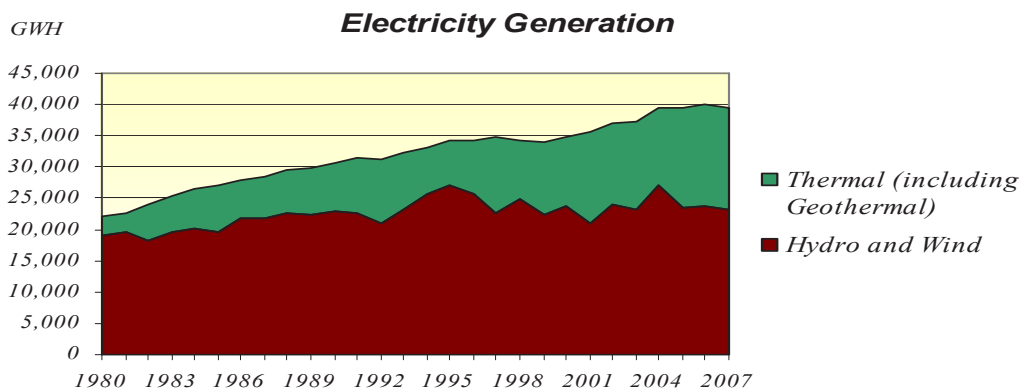
New Zealand needs to increase its investment in broadband infrastructure so that more homes and businesses have fast, cost-effective internet access.

### **NZCCI Recommendation**

***We support government involvement in a public private partnership to increase investment in broadband infrastructure and urge the incoming government to act fast.***

## **Energy**

Around 60% of New Zealand's electricity generation is renewable. This proportion has been decreasing over the years as energy demand has outstripped capacity and non-renewable energy generation has increased.



Source: Ministry of Economic Development

## **NZCCI Position - Energy**

Renewable energy has many positive attributes and should be encouraged but NZCCI is opposed to the government's limitation on new thermal electricity generation as it puts New Zealand's energy security at risk.

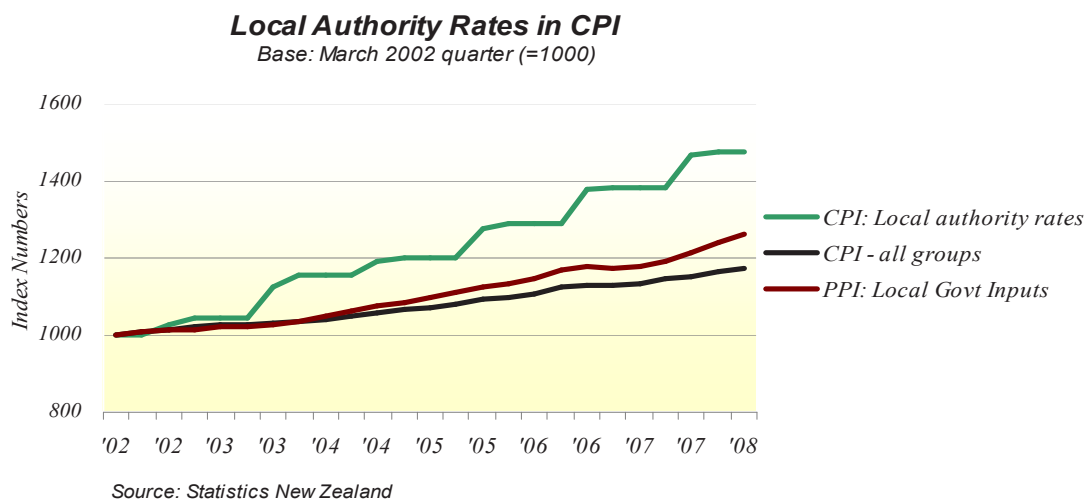
Decisions on new generation and transmission of electricity are needed but these face a range of obstacles in the planning process that must be reduced.

### **NZCCI Recommendation**

***The government should remove the restrictions on thermal electricity generation until our energy security is assured. It should also ensure that the RMA is used as intended and that unnecessary barriers to electricity generation are removed.***

## Local Government

While many local authorities make a positive contribution to the local community, the size of the sector and the range of activities engaged in have expanded significantly. This is well illustrated by the rise in rates, which have increased relative to the rate of inflation and population growth combined.



### NZCCI Position – Local Government

The lack of scrutiny given to the growth in local government, and the quality of local government expenditure, should be on the agenda for central government post-election.

NZCCI produced a separate local government policy document just prior to the 2007 local government elections. The key messages of this document are that the local government sector has expanded its sphere of activity too widely and has allowed the rating burden to fall disproportionately on to the business sector. We are also concerned about inadequate scrutiny of local government expenditure and the need for more effective monitoring of its performance. The 2007 Local Government Rates Inquiry dealt with many of these concerns but has yet to be acted upon.

New Zealand has 73 territorial local authorities, which is a lot for a population of only 4.3 million. It doesn't always follow that amalgamation will lead to a better outcome. The risk is that the lowest common denominator will become the norm for the amalgamated authority. However, if overall efficiencies can be achieved from amalgamations, then they should be supported.

### NZCCI Recommendation

**We recommend that the incoming government move to act upon many of the recommendations of the 2007 Local Government Rates Inquiry.**

## **The Environment**

### ***NZCCI Position - Sustainability***

The goals of environmental sustainability and economic growth are compatible. It is possible to grow the economy without having detrimental effects on the environment. In fact, economic growth is good for the environment because a strong economy makes environmental care more affordable. Likewise, concern for the environment can often be good for the economy, for example, sustainable management of scarce natural resources.

Many of the ways in which businesses operate efficiently have environmental benefits. For example, cost savings through recycling, reduced use of consumables, and energy efficient practices are ways in which the environment and business overlap.

We consider that the increasing interest in environmental issues amongst the population at large is working in favour of environmental sustainability generally. Voluntary and market-driven practices are effective here - for example, businesses know they can achieve a market advantage in offering consumers “sustainable” products. This makes government intervention to protect the environment less necessary than it would otherwise be.

### ***NZCCI Position - Climate Change***

NZCCI is strongly supportive of sound international measures to address the risk of climate change by reducing global greenhouse gas emissions. New Zealand must do its bit on this critical issue, but measures must recognise that with only 0.2% of global emissions, New Zealand is too small for its actions to have any significant impact on total emissions. While leading the way has some benefits in terms of international kudos, the New Zealand economy must not be jeopardised for this benefit alone.

We are opposed to the proposed Emissions Trading Scheme in the current form. This will result in significantly higher energy and transport costs for New Zealand businesses that our trading partners will not have to face.

These costs will reduce New Zealand’s international competitiveness and result in a loss of investment and jobs as companies contract activity, close down or relocate offshore. If businesses do relocate offshore, this will do nothing to reduce global emissions. In fact global emissions might increase if that economic activity were to shift to an economy with less efficient practices or more lenient climate change policies. There are cases where increased New Zealand production and corresponding emissions could potentially *reduce* global emissions. For example, agriculture is a high emitting activity but New Zealand agriculture is less carbon intensive than our trade partners’ and so we should be producing more of the world’s food here.

We believe a broad-based greenhouse gas charge accompanied by a corresponding reduction in income tax should be considered as an alternative

to the emissions trading scheme. This would be more transparent and result in much more stable energy prices.

Some New Zealand companies can and are benefiting from moves to voluntarily decrease their emissions, from both a cost savings and a market advantage perspective. Being ahead of their competitors, as carbon becomes more constrained, would also produce benefits. We fully support this and are encouraging our members to voluntarily decrease emissions.

### ***NZCCI Recommendations***

***New Zealand should not introduce an emissions trading scheme until our major trading partners face similar costs.***

***We urge the government to focus on a broad-based greenhouse gas charge accompanied by a corresponding reduction in income tax as an alternative to an emissions trading scheme.***

### ***NZCCI Position - Energy Efficiency***

Energy efficiency and conservation makes business sense because of its cost effectiveness. Awareness-raising education and research on how to improve energy efficiency are supported.

### ***NZCCI Position - Waste Minimisation***

NZCCI recognises the costs associated with growing solid waste and encourages voluntary commercial practices to minimise waste. However, we are opposed to compulsory schemes imposed without any regard to cost incurred both by businesses and consumers.

### ***NZCCI Position - Resource Management Act***

The Resource Management Act (RMA) sets out the process local authorities have to follow to promote the sustainable management of natural and physical resources.

In doing so, the Act poses many obstacles to economic development. We believe it is cumbersome, costly and slow and there is inconsistency in its implementation by territorial local authorities.

### ***NZCCI Recommendation***

***The government should review the Resource Management Act with a view to streamlining the processes around obtaining consents.***



