NEW ZEALAND
CHAMBERS OF COMMERCE
Business Vitality

Election 2011

Policies for Growth

Introduction

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 29 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.

With the general election approaching, we have identified 5 issues which we think deserve public debate leading up to the election, beyond which will provide a platform for growth for New Zealand and produced these 5 policy platforms/ pamphlets.

NZCCI is non-partisan. It does not support any political parties, but it does support policies that enable businesses to flourish and that promote the interests of New Zealand as a whole. We hope candidates and elected MPs will focus on these issues during the election campaign and into the next parliamentary term.

The five propositions are:

1. Action plan to grow a bigger ‘economic pie’
2. Selling more to the world
3. Develop a skilled and responsive workforce
4. Reformed regional economic development model
5. Extend shared ownership policy

Proposition One: Action plan to grow a bigger 'economic pie'

There is no clear, widely understood economic strategy or action plan to grow the New Zealand economy

In the current uncertain global environment, it's especially important for the government to have a compelling over-arching economic vision, strategy and supporting road map to build a bigger and more competitive economy.

We believe an early priority of the incoming government needs to be a concentrated focus to design an economic strategy and supporting road map aimed at giving New Zealand the best possible chance of improving the economic and social well-being of New Zealanders. By 'compelling' we mean a set of goals and targets that businesses can relate to and motivate themselves to help deliver.

Past goals such as getting per capita incomes into the top half of the OECD by 2010 or closing the gap with Australia by 2025 mean little in themselves without credible steps and targets to achieve them. Big government projects such as ultra-fast broadband and establishing trade agreements do not constitute a growth strategy. What is needed is a growth roadmap that every New Zealand business can relate to and be empowered by to grow their business.

Proposition Two: Selling more to the world

Exporting continues to be concentrated on commodity agriculture, tourism and a few businesses. Currently we have around 750 globally capable and competitive businesses. Meanwhile many other small advanced economies are succeeding by exporting high value differentiated goods and services. Building a tier of global businesses to do the same is the only way New Zealand is going to lift overall living standards.

It is critical that the incoming government together with the private sector design and launch a radical shake up of approach and resolve to improve New Zealand's export performance.

The traditional focus of policy makers (and business) on increasing the exports of conventional merchandise goods needs to shift up the value added chain to high-tech, knowledge-based products, the export of services and the returns from outward direct overseas investment.

New Zealand has many innovative and creative businesses with the potential to be successful global players. We believe the best way to improve New Zealand's export performance is to convert this potential by the incoming government establishing an innovation-focused government-business partnership tasked to lead a campaign to sell more to the world.

Proposition Three: Develop a skilled and responsive workforce

Employers continue to face a shortage of skilled (and unskilled) labour. New Zealand's labour shortages need to be comprehensively addressed. 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.

The solution lies in a comprehensive review of our education system, industry and vocational training services, and in our immigration policy aimed at developing a skilled and responsive workforce, retaining talent and overcoming persistent youth unemployment.

The outcome should be to push a 'whole of government and New Zealand Inc' approach focused on encouraging and managing the supply of skills and talents needed to lift our export performance, and enabling work experience for young people and unqualified school leavers to go hand in hand with training.

Retaining Kiwi grown talent is also essential. While overseas experience benefits young people and should be encouraged, the fact that few return is one of our most serious issues. The solution is not to impose controls but to create a business and lifestyle environment that makes them want to return.

Proposition Four: Reformed regional economic development model

We strongly believe a rethink is needed on how the regional economic development model can best achieve its aims. Some commentators think there is no role for local government in economic development outside the provision of infrastructure and land use zoning etc. We don't subscribe to this view. We think local government and economic development agencies (EDAs) can make a real difference to regional economies but their contribution should be constrained to their core service areas and designed to support needs of local business communities.

We want the incoming government to reform the regional economic development model to direct resources to local government and business organisations on a basis of their respective core services and areas of competence.

We believe local government can makes an important contribution in growing local economic activity through providing secure, reliable infrastructure, accommodating business requirements, keeping barriers to doing business low, and ensuring rates are kept competitive. The reach of these activities needs to be linked to support, facilitate and work with local business organisations in areas such as skills development and training and other business development services the private sector traditionally provides.

Proposition Five: Extend shared ownership asset policy

Current Government policy is limited to a controlled three-to-five year programme from 2012 to sell off minority shares to New Zealanders in four energy companies (Mighty River Power, Meridian, Genesis and Solid Energy), and to scale back the existing shareholding in Air New Zealand.

The incoming government has the opportunity to show it is seriously committed to a policy of promoting all New Zealand's strategic commercial assets to playing a key role in securing our economic prospects. It can show this commitment by extending the shared ownership asset policy to all central and local government commercially owned and controlled organisations.

We support a controlled asset sell down to New Zealanders of minority shares in a range of other selected commercial assets. We believe this would not only help secure the target of a return to a fiscal surplus by 2015, fund the rebuild of Christchurch and enable faster delivery of critical infrastructure, but create the opportunity for New Zealanders to have some shared ownership (and direct participation) in securing our economic prospects.

QUESTIONS AND ANSWERS:

Proposition One: Bold action plan to grow a bigger 'economic pie'

Q: Why do we need an action plan to grow a bigger 'economic pie'?
A: With a population of only 4.4 million but growing and wanting to enjoy all the benefits of a first world nation, it is essential that NZ increase the size of its economy if we are to continue to have high and rising living standards.
Our economic performance is determined by the performance of our businesses. For New Zealand to grow, our businesses must grow and be successful. Government can help business by identifying and addressing constraints that hold business back and maximizing opportunities to help businesses grow.
Government needs to have a plan that businesses easily understand and can be motivated by to perform better.

Q: Why does the action plan need to be bold?
A: There are three basic reasons why we need a bold, compelling plan. Over the last 20-30 years, New Zealand's standard of living has gradually been falling relative to many other countries. We are now ranked 22nd out of the top 35 most developed nations, and the outflow of New Zealanders to countries with higher incomes for equivalent jobs shows no sign of stopping.
Second, in the current uncertain global environment, there is a need for a strong hand on the tiller. It is like sailing a yacht. Winds and storms can be a challenge, but they can also be an opportunity for smart seamanship to make the yacht go faster.
Third, and fundamental, the burgeoning cost of welfare and the public service is taking an increasing share of the economic pie. At the same time, we all want

good health, education and welfare services. We need a bold action plan to grow the size of the ‘pie’ in order to meet these costs.

Proposition Two: Campaign to sell more to the world

Q: Why do we need a campaign to sell more to the world?
A: We consider ourselves a trading nation, but the facts tell another story. Beyond agriculture, our level of exporting is low compared to other small countries. But international surveys show New Zealanders are among the world’s best at innovation and coming up with ideas of new products and services, but among the lowest in successful commercialization.
Fewer than 500 Kiwi businesses – less than 1% - are regular exporters, and outside a few sectors the shift to high-tech, knowledge-based products and services has been very slow. Yet the world is where the market is and substantial returns can be made. Those businesses that ‘make it’ generate much needed foreign exchange earnings for their businesses, suppliers and local communities.

Q: What would a campaign consist of?
A: There is large tier of innovative and creative businesses located in every corner of New Zealand with the potential to be a successful global player, but who are not currently involved in exporting. We suggest the incoming government establish a government-business partnership tasked to design and lead a campaign to tap into this group of businesses. The campaign will need to have specific targets and be measurable.
Currently there are various government agencies who promote New Zealand internationally and/or business development programmes – New Zealand Trade and Enterprise, Ministry of Foreign Affairs and Trade, Ministry of Economic Development, Department of Labour. There is potential to have one agency to give sharper, unified focus on our international expansion efforts.

Proposition Three: Develop a skilled and responsive workforce

Q: What are the key requirements for this to happen?
A: It is a paradox that despite the economic downturn, employers continue to face a shortage of suitably skilled workers. At the same time, New Zealand also has a persistent high level of youth unemployment. There is a strong impression of a disconnect between employers wanting to recruit suitable people, people wanting work and whether we are getting full value for money from industry training organizations.
The key requirement to address this long-standing, deep-seated conundrum is a comprehensive review of industry and vocational training services, which also focuses on what is needed to retain talent, overcome youth unemployment in local areas, and recruitment under our immigration policy.

Q: Should unemployed young people and unqualified school leavers receiving a benefit have to under-go work-based training?
A: Yes. But the requirement should be promoted in a positive way. Work based training for young people and unqualified school leavers needs to be linked to employers seeking to recruit a skilled and responsive workforce.

The approach needed to tackle this issue successfully is becoming inter-generational. The solution is not by a government agency imposing requirements on young unqualified school leaver but for willing employers seeking an expanded, productive workforce to create a positive business and lifestyle environment that makes the 'job seeker' want to work. The attitude has to be right on both sides.

Proposition Four: Reformed regional economic development model

Q: What role does local government have to support economic development?
A. Local government can make an important contribution to grow local economic activity by providing 'business friendly' services – responsive regulatory and consent regimes, low competitive rates - efficient infrastructure, positive promotion of the local area, attracting tourists and events.

Q: Why does the regional economic development model need reform?
A. In recent years some local authorities have established business development services, e.g. organizing skills training courses and employment recruitment support. This is not the job of local government.
These services can be best provided by the private sector. Organisations like the Chambers of Commerce are in close touch with their local business community, better qualified and trained to provide business development services.
Because economic development agencies are largely rate-payer and tax-payer funded, they should not be channeling their resources into individual businesses. Or put another way they are publicly funded and so should be providing 'public good' benefits not private benefits to individual businesses.

Proposition Five: Extend shared ownership asset policy

Q: What is the benefit of 'shared ownership' of public assets?
A: Central government initiatives for 'shared ownership' of energy and air transport infrastructure to achieve a better 'value for money' from existing assets create the opportunity for a similar approach with other publicly owned assets.
A partial sell down that distributes the ownership of key public assets between New Zealand citizens and Government (central or local) will help fund vital infrastructure but create the opportunity for 'Mum and Dad' New Zealanders to enjoy the benefits of shared ownership as well as direct participation in securing our economic prospects.

Q: How is 'shared ownership' of assets different to a straight sell down?
A: The main difference between 'shared ownership' and a straight sell down is that the asset remains in 'public ownership and control' – a sell down to no more than 51% plus ring fencing shared ownership to New Zealanders reinforces the asset remaining in Kiwi control.

Plainly, many people have lost confidence in the stock market and instead invest in property to create a retirement nest egg.

For citizens to have the opportunity to take a stake with government in a ‘shared ownership’ arrangement of public assets would be win-win; Kiwis would get a return from their investment in the asset, and the satisfaction of seeing progress on critical infrastructure that would not otherwise happen.

If you have further questions you would like an answer prepared around, please send details to Shai Navot, snavot@chamber.co.nz