

SUBSIDIARTY

In the next 10 years, New Zealand local authorities plan to spend more than \$31 billion, which is 2.4 times as much as they spent in the 10 years to 2004/05.

If proposed spending is to be \$31 billion, the obvious questions most would ask are – where is the money coming from, and what benefits are we going to get?

All functions performed by councils have a significant effect on overall community welfare. However, any policies conceived at central government level which require local councils to administer, will create mounting pressure on local government systems and resources.

Parliament has recognised passing a one-size-fits-all law can often be an ineffective form of leadership, as general application of a law lacks the ability to cater for the unique natures of individual communities. It therefore opts to delegate to local authorities to make decisions based on local knowledge.

This method of delegation is known as subsidiarity – which means any responsibility for activities should be performed by the lowest competent level of authority. For example, councils or community boards. Parliament's recent change to the Easter Trading Bill which proposes local authorities should decide which traders would be allowed to open during the Easter period is an example of this delegation process.

Another example of subsidiarity would be the Dog Control Amendment Act, which requires dogs to be micro-chipped. Among other requirements, territorial authorities are required to participate in a national dog control database and can be levied to meet the on-going cost of the database.

The lack of absolutes is both subsidiarity's strength and weakness,

as it is designed to be permissive rather than directive. At times the inconsistent application of a law would be one of its larger weaknesses.

Subsidiarity in itself can be an effective delegation tool. However, it can also be used to pass off politically contentious issues or simply pass the buck of any administrative and financial implications. While local authorities struggle to keep administration costs to a minimum, central government are passing laws which require local authorities to uphold and administer.

Escalating rate-takes are making it imperative local authority resources and council projects need to be carefully chosen or measured for their return to the city. Residents want to see the value in what they are paying for. Increased rate-takes without the return will threaten to lower the standard of living within our cities.

Central government plays an important role in the rates equation. Each time central government adopts standards and delegates them to local authorities to administer and enforce; it punches another hole in the local authority's already fast-draining financial bucket.

The Local Government Forum publication in February 2007 titled *Democracy and Performance – a manifesto for local government*, acknowledges the financial pressure local government is placing on residents via increased rate-takes.

With a current review being undertaken by Government, it is essential that the review panel focus on the costs central government are imposing on local communities. Without doing so, they will simply be diminishing the value gained when laws are implemented using the rule of subsidiarity.

Sourced from the Otago Chamber of Commerce

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MAY 2007



View these profiles at www.bizdirectorynz.com



The Pypers have been growing and marketing potatoes for over 36 years. Branxholme has been their base for operations since 1972. At present over 7,000 tonnes of potatoes are grown throughout Southland to meet domestic and export markets. Pypers have diversifying crops including Yams, and Carrots and are known for their quality and service.

Pypers Produce Ltd
Branxholme, No 4 R.D., Invercargill, NZ
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Ward Adams Bryan-Lamb BARRISTERS AND SOLICITORS

Founded in 1907 Ward Adams Bryan-Lamb is proud to be an active and loyal member of the business community in Invercargill for 100 years. We act for a wide variety of clients including large and small businesses, retailers, farmers, trade and professional organisations, community groups, families and individuals. Ward Adams Bryan-Lamb can assist you in any legal area for which you may have a query.

Ward Adams Bryan-Lamb
A.M.I. Building, P O Box 32 65
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Also in Riverton and Tuatapere
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Southtile who are based in Invercargill is New Zealand's largest field tile manufacturer producing in excess of one million clay drainage tiles per annum made from environmentally friendly clay. They also manufacture and supply their own clay pavers and are distributors of CSR, Monier PGH clay pavers.



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The role of the Chamber of Commerce Southland is to influence and inspire business vitality in the Southland Region. To help you "Be the best that you can be in business". We do this by positively influencing the environment in which businesses operate and by providing "opportunities, products, and services" that will improve the success and vitality of business.



Hosting a BA5 offers you a cost-effective way to showcase your business.

If you are interested in holding a BA5 event, call Jennifer at the Chamber on 03 218 7188 to discuss the various options available.

TRAVELLING ALLOWANCES

These are cash allowances you pay to your employees for travel between their home and work. The allowance will be tax free if the amount paid reimburses additional transport costs and any of the following special circumstances apply:

- the employee is working outside the normal hours of work (e.g. overtime, shift or weekend work)
- the employee needs to transport work-related tools and equipment (e.g. they normally get the bus to work but they have to use different transport to carry work-related equipment)
- there is a temporary change in workplace (e.g. your employee normally works in Wellington but for the next fortnight, you want them to work in Palmerston North)
- the employee is travelling to fulfill an obligation for you
- there is some other condition of the employee's job (e.g. they are on call and use their own car for these call-outs)
- there is no adequate public transport system serving the workplace

For all of these special circumstances, except lack of adequate public transport, the tax free amount is the actual cost of travelling between home and work, less the employee's usual transport costs. If you pay a travelling allowance because there's a lack of adequate public transport, the first \$5 of the daily travelling allowance is taxable with any additional amount being tax free.

If you're registered for GST, you can claim a GST credit for the reimbursement for your employee's actual expenses, provided the employee incurs the expenditure in the course of your business and normal GST requirements are met.



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MAY / JUNE 2007

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11th June

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19th, 20th June

For more details and registration

Phone 03-230 4981

Email: info@nzimsouth.co.nz

Web: www.nzimsouth.co.nz

2007 EXPORT YEAR

0800 EXPORT – THE HOTLINE TO EXPORT SUCCESS

The New Zealand Chambers of Commerce have launched a nationwide 0800 EXPORT advice and referral line as part of the 2007 Export Year initiative. This 0800 service is free to all New Zealand businesses and aims to encourage new and existing exporters by providing expert advice

Export Year was initiated in a bid to boost New Zealand's export sector which currently accounts for only 28% of Gross Domestic Product (GDP), compared to the Organisation for Economic Cooperation and Development (OECD) average of 40%. The Government, in partnership with the private sector, has named 2007 Export Year. A range of initiatives and programmes, including a one-off payment of \$33.75 million for Market Development, aims to encourage more New Zealand firms to export. The ultimate aim is to increase the sustainability of the New Zealand economy beyond 2007.

"The Government is committed to working with business to grow the number of successful Kiwi exporters as part of our agenda to transform New Zealand into an economy that is export-led, innovative and high wage," said Economic Development Minister Trevor Mallard.

"Government is working on areas such as business tax, education, infrastructure investment, a greater emphasis on research and development, and further enhancing our global linkages," he noted.

Many companies who responded to last year's Barriers to Export survey expressed a desire for advice from exporters with practical experience and for someone to 'connect' new exporters to sources of assistance.

Exporters encouraged to seek market development assistance

Applications for the NZTE expanded market development assistance scheme are open. The scheme, known as the Enterprise Development Grant for Market Development (EDG-MD) helps companies undertake new, international market development activities. More than 200 companies so far have applied for the Export Year funding and the first approvals are starting to go through. Depending on demand, the Export Year funding will be available until the end of March 2008.

The Export Year scheme covers up to 50% of a company's eligible market development expenditure. Companies can apply for one-off co-funding of up to \$100,000 in eligible costs for the 12 month period from which it is granted. Eligible projects and costs include market visits, in-market representation, advertising/promotion/marketing materials, exhibiting at trade fairs and events, and market research.

Since July 2006, about 270 exporters across New Zealand have been awarded funding from the wider EDG-MD scheme. Roughly \$22 million has been approved to about 269 companies throughout New Zealand, including 99 companies in Auckland, 46 in Wellington, 39 in Canterbury and 17 in Otago.

More details about the EDG-MD, including a registration form can be found at www.nzte.govt.nz/edg or call 0800 555 888.

Good products and quality service are the things that keep the competition at bay.

Therefore honesty and integrity should be your goal.

They always win out in the end.

WORKPLACE LITERACY

Workplace Literacy is a growing business in New Zealand, encouraged and backed by government, business, unions, employers and employees.



The Southland Adult Learning Programme Inc has been providing learning assistance to adults for over twenty five years. Qualified Tutors specialise in one to one and small group work.

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Courses can be run in workplaces or at the S.A.L.P. Centre.
Comprehensive funding is available for businesses via the government agency TEC for some types of provision. Nellie and Karen are available to work with you to assist you with any requirements you have.

“Skills for Work, Skills for Life”

S.A.L.P. Workplace Training.0800 778 826

INFORMATION SNIPPET: ELECTRICITY GENERATION

Most current projections of electricity demand suggest that electricity supply will need to increase about 2% per annum (representing about 150MW on average per year) over the next 20 years to meet projected demand.

Hydro generation currently dominates New Zealand's generation capacity contributing around 61% of total capacity. Gas and coal fired thermal contributes around 30%, geothermal around 5.4%, wind less than 1%. However, this mix is expected to change going forward, with the Electricity Commission suggesting a number of scenarios where different generation types could dominate new supply.

AN ENQUIRY

We have received an enquiry looking for a contact address of a wholesaler of scallop shells that are by-products from processed marine products. The desired size of the shells is no smaller than 15cm from the species *Pecten Novaezelandiae* (New Zealand Scallop).

If you can assist please contact the Chamber on 218-7188.

LIGHT FINGERED CROOKS

In a hard hitting article published in the Parnell Business Association newsletter, the author noted that up to \$1.9 million is shoplifted every day in New Zealand. Amongst the statistics:

- 44% of shoplifters intend to steal when they enter a store
- 56% shoplift on a whim - if they see they can get away with it
- Shoplifters range in age from the very young to the very old – granny pack shoplifting is becoming common!
- Shoplifters take an average of 5 items each time and they like repeat business, hitting the same store an average of 3 times in a fortnight
- Shoplifters offend an average of 100 times before they are caught; with such good odds it's no wonder 74% re-offend
- 18% of shoplifters work with a partner, 11% work in league with an employee
- 85-90% of employees ignore shoplifting - it's too awkward to handle, they lack confidence and haven't had the training to know what to do.



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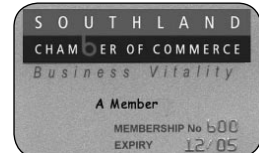
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How the jet-set spends

from New Zealand Trade and Enterprise

A survey on private jet owners by researchers Hannah Shaw Grove and Russ Alan Prince shows private jet owners are an average 57 years old, are generally men (70%) and have an average annual income of \$9.2 million. They spend an average \$1.75 million on art (the largest spending category), \$404,000 a year on yacht rentals, \$248,000 a year on jewellery, \$226,000 on cars and \$117,000 on clothes.



NUGGETS FROM BUFFETT

Warren Buffett, chairman of Berkshire Hathaway, has just released his annual letter to shareholders. These letters have always provided an engaging mix of investment wisdom and wit. This year's effort did not disappoint.

Warren Buffett is the chairman and, along with partner Charlie Munger, the investment brains behind the stunning performance of their Omaha based investment partnership Berkshire Hathaway.

Berkshire shares traded at US\$19 in 1965 when Messrs Buffett and Munger took the helm. Today, Berkshire has a book value of US\$70,281. This rise in value equates to a return of 21.4% per annum. By comparison the U.S. stock market has risen by 10.4% a year over this 42-year period.

These figures actually understate the returns to shareholders as Berkshire shares are currently trading above their book value. One 'A' share in Berkshire Hathaway will today cost you the cool sum of US\$107,700 each. There are though 'B' shares on issue (at 1/30th of the 'A' shares) at a far more reasonable price of US\$3,600.

How Buffett has generated these returns is well documented – his focus on buying quality businesses as cheaply as possible with the intention of holding 'forever' has become investment folklore.

You would think with such an impressive track record, Berkshire Hathaway would be a mainstay of every share investor's portfolio. There are however two issues that take some of the gloss off the Berkshire story.

Firstly is Berkshire's size. With assets of close to US\$250 billion, the company needs very large investments, which Buffett describes as "elephants", to do very well, to make a meaningful impact on overall returns. Annual returns have fallen as Berkshire's size has increased and Buffett has been very clear in previous letters to shareholders that they should expect lower returns in future than they have enjoyed in the past.

Secondly, is Buffett's mortality. He is now 76 years old and his investment skills will be difficult, nigh impossible, to emulate. Succession is a real issue for investors. Buffett himself expects to retire "three years after he dies".

He does recognise succession as a pressing issue and devotes two pages of this year's letter to this issue. The company has three candidates ready to replace Buffett as CEO to take over the running of Berkshire's many operating businesses, but Buffett admits that they "are not as well-prepared on the investment side of the business".

He rounds off the discussion about succession with a reassurance that "at 76, I feel terrific and, according to all measurable indicators, am in excellent health. It's amazing what Cherry Coke and hamburgers will do for a fellow".

Other splendid Buffettisms from this year's letter are summarised below.

As he moved into a description of his accounting standards: "Warning – I am now going to talk about accounting matters. I owe this to those Berkshire shareholders who love reading about debits and credits. I hope both of you find this discussion helpful."

Berkshire has been a long-term investor in newspapers but Buffett noted that, in his view, "the fundamentals are definitely eroding in the newspaper industry . . . the skid will almost certainly continue . . . the days of lush profits from our newspaper (the Buffalo News) are over".

He doesn't recommend the newspaper industry for up-and-coming managers. "When an industry's underlying economics are crumbling, talented management may slow the rate of decline. Eventually, though, eroding fundamentals will overwhelm managerial brilliance. If you want to get a reputation as a good businessman, be sure to get into a good business."

Since 2002, Buffett has made \$2.2 billion for Berkshire by selling the U.S. dollar. Among those currencies he bought is the New Zealand dollar, from which he clipped a profit of \$102 million. Other currencies purchased included the Euro, Yuan, Pound, Yen and Australian dollar.

While talking about currencies, Buffett makes mention of the unsustainable American current account deficit which he likened to living off a credit card. He expects the U.S. will experience "reverse compounding" as they pay ever-increasing amounts of interest on interest.

From the interesting facts file: Berkshire last year paid \$4.4 billion in tax. Last year, the U.S. government spent about \$7 billion per day. Thus, for more than one half of one day, Berkshire picked up the tab for all U.S. government expenditure, ranging from Social Security to the cost of the armed forces. Buffett then points out that "had there been only 600 taxpayers like Berkshire, no one else in America would have needed to pay any tax". He adds that Berkshire's tax return ran to 9,386 pages.

And to prove that Charlie Munger is as witty as Warren Buffett, the letter included a recount of an exchange between Munger and a shareholder at last year's Annual Meeting. "In the Bookworm's corner of our bazaar, there will be about 25 books and DVDs for sale – all discounted – led again by *Poor Charlie's Almanack*. (One hapless soul last year asked Charlie what he should do if he didn't enjoy the book. Back came a Mungerism: "no problem – just give it to someone more intelligent.")

David Goble, NZX Advisor

WEB TOOL HELPS KIWIS TO TRAVEL SAFELY

The recently launched Safe Travel website is an essential resource for the business traveller.

The Ministry of Foreign Affairs and Trade wants to raise awareness of the importance of good travel preparation. It has launched a Safe Travel campaign, supported by travel agents, insurers and airlines, to provide useful information to even the most seasoned of travellers.

As an essential part of the wider campaign, the Safe Travel website allows you to register your travel details so that you can be contacted in an emergency. The site also provides travel advisories by region and country, and access to advice and contact details for use in emergencies.

To visit the site, go to www.safetravel.govt.nz

For any further information please contact Rosemary Paterson, Consular Division, rosemary.paterson@mfat.govt.nz 04 439 8044



LOSS ATTRIBUTING QUALIFYING COMPANIES

Ownership of rental and other investment properties via a loss attributing qualifying Company "LAQC" is commonplace. But what is a LAQC?

A LAQC is an ordinary Company that has a special tax status. The Company must be closely held and must meet certain other requirements. For example, the Directors and Shareholders must elect that the Company become an LAQC and each Shareholder must elect to become personally liable to pay their share of any income tax not met by the Company.

An ordinary Company is unable to attribute its losses to its Shareholders. However, a LAQC must distribute its losses to its Shareholders in proportion to their shareholding. Once a LAQC has passed its net losses through to its Shareholders, the Company cannot carry them forward. The Shareholders can offset their share of the LAQC net losses against other income. This is the main benefit of a LAQC most Investors seek.

Other features of a LAQC are:

- i. Tax free distribution of capital profits on the sale of a property; and
- ii. All other characteristics of an ordinary Company such as limited liability and the ability to restructure the ownership of the Company without incurring a recovery of depreciation.

Some disadvantages of the LAQC regime are:

- i. Its complexity;
- ii. Shareholders become personally liable for the income tax liability of the LAQC; and
- iii. Compliance costs.

The decision of whether to own property through a LAQC needs to take into account the particular circumstances of the Investor and the type of property purchased.

Therefore before proceeding with the creation of a LAQC, it is important for you to contact your Legal Advisor to assist you in the process.

Chris Peddie is a Partner at AWS Legal in Invercargill. Please remember this information is designed as a guide only and shouldn't replace your legal professional's advice.



A WORD FROM THE PRESIDENT....

The year has been a busy one so far and it's only just begun. Hopefully you have taken advantage of the BA5's held this year, and I know the management team have many more booked throughout the coming months.

This year will see many exciting changes here at your Chamber of Commerce. We are pleased to welcome on Board two new members to the team, Jennifer Sinclair, who will be in charge of membership and events, and Les Diack who will lead the Young Enterprise Scheme along with training and special projects. Les can provide specialist training needs for your organisation, just drop him a line and let him know what your needs are. These two appointments are part of a wider strategic review of the Chamber business with a view to improving the services we can offer to members and the broader business community in Southland.

Next we will be undertaking a major revamp of our premises, with a significant expansion including a dedicated training and Boardroom facility. Once complete, the new offices will incorporate alongside the Chamber of Commerce Southland, representatives from the Otago Southland Employers Association (OSEA) and the New Zealand Institute of Management (NZIM). This will create a major hub for business support in Southland and enable members to benefit from these important alliances. Members will be able to make use of our training facilities, either for courses we organise, or for specialist training for your staff. Just talk to Richard or Jennifer about your needs.

With so much opportunity for businesses in Southland at present, and even greater opportunities coming up over the next few years, it is important that we position ourselves to add value to your membership. Richard and the team will be working hard to minimise disruption during the coming months, and we are all looking forward to the day when we can welcome you to our new offices.

Andrew Leys, President

ANNIVERSARY DAYS

This seems to be a perennial poser for everyone.

For your information:

17 January – This is the date *Invercargill* was established.

25 March – This is the day that the General assembly proclaimed *Southland* to become a separate province with its own provincial government.

For the purpose of the holidays act 'Anniversary day' is the day that provincial govt was formed.

In a recent survey of Southland business 57% voted in favor of March 25 with 14% in favor of January 17th as the day to be locally recognised as Southland Anniversary Day.

The Chamber of Commerce will stand by **March 25th** as the official Southland Anniversary day.

NB: The Holidays Act 2003 (current) does not stipulate that the actual 'day off work' has to be physically taken March 25th but it must be clearly understood within the employment contract which day will.

For further information visit www.commercesouth.com click on information Zone and Southland Anniversary day under the holiday section.

Perhaps to save the general confusion that usually reigns, we should establish an Invercargill Anniversary Day and a Southland Anniversary Day!!!

**Education is when you read the fineprint:
Experience is what you get when you don't!**

Pete Seeger

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67 Tay Street, Invercargill
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www.RGV.co.nz



E.SCAPE GLASS

Husband and wife team, Relda and Carey McDowall formed E.scape Glass Ltd in 2003. The company manufactures what is currently New Zealand's only large and small scale toughened slumped glass. Handcrafted and customised to suit your needs, this exciting product has the potential to enliven any design.

The company has many years experience glass slumping and has developed the product to what it is today. E.scape has completed many major installations around New Zealand and the glass has featured in award winning bathrooms and kitchens.



Because E.scape slumped glass panels conform to New Zealand safety standard AU/NZS2208, they are extremely versatile, practical and low maintenance, ideal for wet areas, public spaces or as an attractive and unique visual feature.

The physical properties of glass and the imaginative uses have ensured the visual impact of E.scape Glass panels is breathtaking. The skills and craftsmanship of Relda, Carey and the team can take your ideas and designs to the next level. As well as architectural and building applications E.scape Glass handcrafted signage gives stunning dimension to your branding. Their giftware, joinery and interior design products are hard to resist.

E.scape Glass

P O Box 885
64 Forth Street
Invercargill
Ph: 64+3+214+5012
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sales@escapeglass.com
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KIWIBANK BUSINESS BANKING

Kiwibank Business Banking offers a full range of business solutions including overdrafts, term lending, merchant facilities, international products & trade finance, while staying true to the Kiwibank vision of providing "straight forward banking for New Zealanders". Kiwibank is proud to be a New Zealand owned and operated Bank delivering a value service with Kiwi spirit.

Kiwibank established Business Banking in mid 2005 initially operating out of Wellington. Over the last 18 months its growing popularity amongst small to medium businesses has seen 18 business centres opened around the country with the most recent being in Invercargill.

Kiwibank has based its Southland Business Centre in the Post Shop at 51 Don Street Invercargill. The local team is made up of Glenn Hughan, Clayre Watt & Grace Boyle, who between them have more than 30 years experience in helping people find the best banking and finance solutions.

If you want realistic fees, great interest rates, one-stop convenience with longer opening hours, smart-time saving technology and a commitment to backing local businesses and communities come see the local team at Kiwibank Business Banking.

Kiwibank Business Banking, Southland Business Centre, 51 Don Street Invercargill
Ph (03) 213 5083 Fax (03) 213 5085

Working together in the interests of
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Trade Events and Fairs

Tell us your request we will find it

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June 07

ELECTRONIC, IT & ELECTRICAL

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Technology Singapore June 07

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Technology Singapore June 07

Information Technology Singapore
June 07

ENERGY

Oil & Gas Expo & Conference

Singapore December 08

ENGINEERING

Empowering Technology Vietnam

July 07

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Visiting Auckland, Wellington, Christchurch and Invercargill recently we heard plenty of grumbling about the high exchange rate but there was also considerable confidence that New Zealand's economic expansion will keep going. In the second half of this year New Zealand will record a decade of continuous growth – one of the longest ever. New Zealand's problems are those of prolonged economic success. From the point of view of RBNZ Governor Alan Bollard, these problems are considerable and perplexing. Unemployment is even lower than in Australia, capacity is stretched, and both headline and core measures inflation are about the same as in Australia. After bottoming out in the second quarter of last year, the New Zealand economy did better in the third quarter and then rather better than the RBNZ wanted in the fourth. Because around 80% of New Zealand mortgages are fixed rate, monetary policy affects households with a lag – if it affects them at all. But it affects the exchange rate very quickly, and the New Zealand dollar is now much higher than Dr Bollard would wish to see.

The Bank's forecast is that inflation will continue to fall over the course of this year, and then rise back up to around 2.7% through 2008 – even though the RBNZ also expects a marked slowdown in economic growth in the calendar years 2008 and 2009. This forecast leaves inflation just at the edge of acceptability. Accordingly the forecast for inflation is accompanied by a forecast for the ninety day bill rate which is consistent with either no further cash rate increases, or just one more. In its most recent Monetary Policy Statement, the RBNZ has given up on a sharp slowdown in calendar 2007 and its forecasts now imply somewhat faster output growth than last year, including a marked increase in residential construction. This implies that the RBNZ has come round to the view that faster output growth this year need not necessarily evoke another cash rate increase.

With one of the highest in the OECD, Dr Bollard is losing confidence in the cash rate's effectiveness as the only tool of monetary policy. In the last few months he has more actively looked at alternatives. Weapons which require legislation, such as a mortgage interest levy, are impossible as New Zealand moves towards another election. But he does have some powers as Governor. He has discouraged banks from further cuts in their lending margins. He has sternly communicated the message that he will not accept lowering of housing credit lending standards or loan to value ratios, and that he has sufficient authority under his financial

stability powers to ensure the banks listen. More reluctantly, he is also looking at bank required capital reserves against mortgage lending. The RBNZ is pleased with the significant increase in fixed term mortgage interest rates in the last month, and thinks these RBNZ pressures on banks are part of the cause.

Dr Bollard's biggest concern is the possibility that the growing electoral competition in New Zealand will permit higher government spending and bigger tax cuts, making the required moderation in domestic demand harder to achieve. His second biggest concern is residential construction and house prices. Residential construction picked up in the second half of last year, and approvals for new dwellings have turned up in the last two months of data. House price inflation has slowed, but it still somewhere around 8% to 10%. Higher house prices in turn encourage higher consumer spending. The spectacular 1.9% increase in February retail sales underlines the necessity of the March increase in the cash rate. Dr Bollard's third concern is wages growth, which though less than feared is higher than it was and has persistently increased over the last three years.

There is no doubt of the magnitude and severity of the policy problems New Zealand has encountered – none of which in our view can be laid at the door of the RBNZ. Even so, we came away from our visit reasonably confident about the outlook. The high New Zealand dollar is not welcome, but it will exert downward pressure on inflation at a time when both the headline and core rates have moderated. There were suggestions (finally) that the recent lift in lending rates was beginning to discourage housing investment. Both the government and the Opposition have been forced to recognise that fiscal expansion will be either preempted or followed by higher cash rates. And while labour shortages are everywhere apparent, the high dollar and narrower profit margins are discouraging rampant wage increases. We certainly don't rule out another rate increase in New Zealand, but we do think that given the elevated currency the RBNZ will be very reluctant indeed to add another 25 basis points until it has seen the full effect of the March increase.

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