

# A more competitive New Zealand

---

BusinessNZ's Manifesto for  
the 2011 General Election



**CONTENTS**

01	_____ Policies for growth
02	_____ Business
06	_____ People
09	_____ Environment
12	_____ Guiding principles for a stronger economy

# BusinessNZ Election Manifesto Policies for growth \_\_\_\_\_

The need for economic growth is urgent. Without a thriving economy we cannot fund schools, hospitals and other essential needs.

The community and everyone in it gains from sensible policies that make it easy for business to thrive without unnecessary barriers to sustainable growth.

We all need:

- An environment where business can succeed and contribute to the support and well-being of all New Zealanders
- An environment that grows competitive firms that can profitably export their goods and services around the globe
- A market-led environment that sparks innovation and green growth
- An overall plan to help us get there

How we get there depends on the quality of policies that arise from the democratic process.

BusinessNZ offers this election manifesto against which to measure parties' policies, with the aim of achieving a productive, employed, sustainable and secure New Zealand.

Policies that can influence sustainable prosperity include how much government taxes and spends, and the quality of that spending. Environmental, education, employment and other policies are also important – key issues for growth include human resources, sustainability and competitiveness.

# BUSINESS

New Zealand's overriding need is to be a successful exporting nation. With a small population size our economy can't grow just by trading domestically among ourselves – our future depends on selling into overseas markets.

---



Adding more value to our traditional food exports, developing exports of sophisticated manufactured products and services and growing international relationships are critical for our future prosperity. Policies that help New Zealand businesses become successful exporters are therefore of vital importance.

Key policies to help support the development of higher value exports to more international markets include:

## **INNOVATION**

### ***– developing sophisticated manufacturing and services***

An opportunity exists to gain more commercial benefit from New Zealand's renowned ability to create inventive solutions. Capitalising on that strength requires our businesses, researchers and scientists to work together closely to produce more knowledge intensive manufacturing and services.

Policies that help integrate the work of research and tertiary education institutions and agencies such as the Ministry of Science and Innovation with the needs of New Zealand businesses in developing high value export opportunities are critical, as are policies to support the development of relevant applied skills in our schools and higher education institutions.

Increased productivity is essential for ongoing economic growth – and innovation is a key enabler of productivity improvements. Innovation policies should be framed with productivity benefits in mind.

Important to have:

- Explicit innovation and productivity policies
- Targeted funding in support of commercialising applied research
- Education policies that support clear pathways from secondary education to commercially relevant further education and work

## **INTERNATIONAL CONNECTEDNESS**

### ***– growing long-term international relationships***

Successful exporting is built on the foundation of sustained relationships. Making and maintaining links in overseas markets can be difficult for New Zealand business because of our distance from large markets overseas. Government policies in support of country-to-country and city-to-city connectivity can help overcome our geographic remoteness.

Policies to grow competitive cities, with a critical mass of commercial and cultural activity are conducive to international interactions. Further development of transport and communications links and active pursuit of international trade deals are essential.

Important to have:

- Regional and country strategies that support exporters' outreach efforts
- Governmental support for further development of air and sea transport and broadband links
- Policies that support the economic and cultural development of competitive cities
- Ongoing pursuit of free trade deals with all countries
- Support for the WTO's multi-lateral trade negotiations

## **A HEALTHY CURRENCY**

### ***– by restraining government spending and encouraging productivity***

Exporters feel the effect of an appreciating currency – it makes their products more expensive and less competitive in export markets. The New Zealand dollar has appreciated significantly against the US dollar in recent years, and with many countries conducting external trade in US dollars, New Zealand exporters are feeling the pinch.

Government has a powerful policy option to ease the strain on exporters – it can reduce inflationary pressures by reducing spending. As the Reserve Bank increases interest rates to fight inflation, this pushes up the value of the New Zealand dollar. Therefore, rather than relying on interest rates alone to control inflation, central (and local) government could significantly reduce inflationary pressures by restraining their own spending.

Generally, government should adopt policies targeting productivity and competitiveness.

Important to have:

- Restraint in government spending as a key way of reducing inflation
- Support for the Reserve Bank's inflation targets
- Support for the Reserve Bank's independence and focus on inflation

## COMPETITIVE BUSINESSES

### – *ensuring Kiwi businesses can compete globally*

To export successfully New Zealand firms must out-perform their overseas competitors. Policies which load unnecessary costs and requirements onto New Zealand firms can make them less competitive. Reducing the tax and regulatory burden would help improve the competitiveness of New Zealand firms.

Key policies to foster competitiveness include appropriate taxation and regulation:

## TAXATION

### – *low, flat tax and few exemptions*

Tax levels that are relatively low and flat provide the best environment for business growth. Not only corporate tax, but also personal income tax should be set as low as possible. A taxation rate closer to 20 than 30 percent would allow companies to invest in becoming more profitable, and leave more money in people's pockets to spend as they see fit, bringing more business activity and more economic growth. History shows that lower tax rates actually bring in more - not less - tax revenue because of their economic stimulus effect.

Given that capital and labour are internationally mobile, it is important that personal and company tax rates are competitive with those of other countries, especially Australia, otherwise skilled workers and companies will tend to relocate there over time.

The most effective tax systems have few exemptions. A broad-based system of company and personal tax and GST, without exemptions, is easier for everyone to comply with and less expensive to administer.

Getting lower taxes requires the government of the day to restrain spending. A good start would be for government spending to be no more than 30 percent of GDP.

Important to have:

- Broad-based, low, flat tax structure
- Few tax exemptions
- Less (but higher quality) government spending

## REGULATION

### – *quality regulation enabling productive business*

Laws and regulations drafted with good intentions can sometimes unnecessarily restrain business activity, reducing firms' competitiveness.

Research shows the average New Zealand business shoulders an annual compliance burden equal to \$1,000 - \$3,000 for every staff member.

Measures are needed to restrain the growth of unnecessary regulation by giving closer scrutiny to proposed legislation to help ensure it is free from unintended adverse effects on business.

BusinessNZ supports the Regulatory Standards Bill which would establish a set of *principles of good regulation*. Cabinet ministers and chief executives of relevant government departments would be required to certify that any proposed legislation meets those principles.

Important to have:

- Overarching mechanism to improve quality of regulation
- Commitment to reducing red tape for business
- Better scrutiny of new regulation

## INFRASTRUCTURE

### *– timely provision of cost-effective infrastructure*

Roads, rail, water, power plant and communication infrastructure are essential assets needed by communities and business. Getting the right infrastructure at the right time and maintaining it over its entire life-cycle is critical for a well-functioning society.

But who provides the infrastructure and how it is paid for is often politicized, and spending decisions are often dominated by short-term thinking.

There are many options for funding infrastructure, including direct government investment, public-private partnerships and private sector models, but not much clarity over what should be the appropriate demarcation between public and private provision – resulting in uncertainty and deferred private sector investment. Government should not unnecessarily fund infrastructure development where the private sector could do it - this can lead to the government crowding out private investment, reducing its ability to fund infrastructure where it is genuinely needed.

Cost transparency is essential. Different infrastructure choices should be made on cost-benefit grounds, with choices standing on their own merit. No form of transport infrastructure should be required to subsidise another – e.g. road users should not be required to subsidise public transport or rail users.

Ports and other assets in local government ownership are in some cases failing to achieve a competitive rate of return on capital – a suboptimal use of ratepayers' funds. A transparent, cost-benefit approach should also be required of local government infrastructure, with the potential for other ownership options if more cost-effective than the current structures.

Important to have:

- Greater clarity about the role of central and local government and the private sector in infrastructure provision
- Regulation that gives incentives for private investment in infrastructure
- More transparency in funding decisions

## IMMIGRATION AND INVESTMENT

### *– for a more vibrant economy*

New Zealand's ambition to be an export-focused and internationally connected country requires outward-looking immigration and investment policies. A larger population base would bring greater investment in the productive sector and a more vibrant economy. Immigration and investment policies that encourage more capital for investment and more highly skilled migrants would therefore be welcome.

Important to have:

- A commitment to tax, regulatory and other policies that make New Zealand competitive and attractive to investors and skilled migrants
- A commitment to immigration policies that support economic goals
- A review of immigration policies to ensure targeting of potential immigrants with skills required by New Zealand
- Reasonable, timely and easily accessible processes that employers can use to determine whether they are legally able to hire a worker from overseas
- Consideration of a role for employer or industry associations in making immigration decisions, subject to appropriate accountability safeguards
- Improvements to the Labour Market Check process and Accredited Employer Scheme



# PEOPLE

Every election highlights the importance of human values like *freedom* and *potential* – values fundamental for business and the economy.

---



Safeguarding freedoms and rights, working towards security and prosperity, building on intellectual capital, unlocking motivation, lining up human incentives with agreed goals – human factors such as these need to be represented in political parties' policies.

We all gain from policies that aim for high educational attainment, civic engagement, social cohesion and community and individual self-reliance. Parties' policies on employment relations, education, welfare, and workplace safety can have a vital impact on the quality of New Zealanders' lives as well as our prospects for prosperity.

## **EMPLOYMENT RELATIONS**

### **– *bringing out the best in New Zealand's workplaces***

People are the heart of business. Motivation, skills, intellectual capital, productivity and passion are among the human elements that make enterprises successful. Sound employment relations bring out the best in New Zealand's workplaces, and policies to foster productivity, innovation, resourcefulness, communication, focus on customers, nimbleness and flexibility are needed.

Competitive economies require flexible employment rules so employers and employees can agree on arrangements best suited to their individual and business needs.

Flexibility allows companies to respond to new business opportunities and threats, but flexibility can be constrained if rules are too prescriptive. Rules on wage bargaining, industrial action and industrial bureaucracy need to avoid being overly rigid so as not to damage the competitiveness of New Zealand enterprises.

Important to have:

- More freedom and flexibility in employment law
- Less reliance on central bureaucracy in employment relations
- More ability for employers and employees to freely agree on workplace arrangements for mutual benefit

## **EDUCATION AND SKILLS**

### **– *improvement required in many areas***

Skills are critical for innovative business and New Zealand's ambition to excel in **knowledge intensive** manufacturing and services depends on higher quality, relevant technical skills. While New Zealand scores relatively well in international rankings for educational attainment, there are many areas that could be improved, particularly in science, technology, engineering and mathematics subjects. Management capability, work-related skills generally, and basic literacy and numeracy also require attention.

In a number of subject areas the **pathways** from secondary to tertiary training and work are not well defined. Consequently, many young people fail to see the relevance and value in what they are learning, resulting in them failing to make it through to productive, high skill occupations.

As education is a huge area of public spending it is important for that expenditure to be well targeted for maximum results.

Important to have:

- Policies focused on improving management capability
- A strong focus on science, technology, engineering and maths
- Higher quality, industry-connected careers guidance in secondary schools from year 9 onwards
- More information to help learners make better decisions about training and careers
- More education for financial literacy and saving
- More funding for remedial workplace literacy and numeracy
- Tertiary and secondary funding based on demonstrated performance
- Fewer private funding restrictions on tertiary education
- Industry-driven vocational education and training
- Opportunities for formal learning in the workplace
- Clear industry-backed pathways from school to work and further learning

## **SAFETY IN THE WORKPLACE**

### *– incentivising safety, enhancing choice*

A safe workplace is the bedrock of business. New Zealand's safety record compares well internationally but could be improved further – requiring vigilance by everyone in the workplace.

Our accident compensation scheme contributes to that aim, as a convenient, no-fault insurance-based scheme providing universal coverage. It is important that the integrity of ACC is maintained – including **fully funding future liabilities by levies** – so that it does not simply become a fiscally loose pay- as-you-go welfare scheme.

Moves to introduce competition into parts of the scheme should be supported to help ensure transparency and keep costs down.

Important to have:

- ACC retained as an insurance-based scheme focused on reducing the number and severity of accidents
- Maintenance of government's role in setting standards for cover and service delivery, while allowing competition in workplace accident insurance and other areas
- Greater incentives for safety, including lower levies for firms with a good safety record
- More transparency in levy-setting with no cross-subsidies between ACC accounts

## **WELFARE**

### *– keep the safety net in good order*

New Zealand's **safety net** approach to welfare is a positive national feature envied by many other countries. Our safety net provides assurance of support that allows many to start again in life following health, unemployment or other difficulties. It is important to keep the safety net in good order, not stretched beyond its capacity or beyond the willingness of the community to support it.

Recent recommendations by the Welfare Working Group to reduce long-term benefit dependency and achieve better work outcomes for sole parents and others at risk of long-term benefit dependency should be given consideration.

*Working for Families* should be reviewed because of its wide uptake among high-income families and incentives that work against individuals increasing their productivity and skills. With many choosing to reduce work hours and output to retain their Working for Families subsidies, the loss to the productive economy could become unsustainable. Income relief for working families could be more simply delivered by reducing taxes.

Important to have:

- An ongoing commitment to the safety net approach to welfare
- Commitment to reducing long term benefit dependency and helping individuals achieve better work outcomes
- Replacement of the Working for Families scheme with appropriate tax reductions

# ENVIRONMENT

New Zealand is blessed with an abundance of natural resources – fertile soils, sunshine, water, minerals, petroleum and coal, marine resources and more.

Many of these resources are the basis of highly successful industries, including dairying, horticulture, aquaculture, power generation, agrichemicals and others.

---



Our continued success as a producing and exporting nation relies on our achieving a balance between careful use of resources and ensuring their ongoing sustainability for development needs of the future.

With increasing demands from export customers that New Zealand better demonstrates its green credentials, we need to focus on green growth – not so much by ‘creating’ new green industries or jobs, but rather by taking up the challenge of **greening** existing industries and jobs.

Innovation will play an important part in this process – harnessing the creativity of Kiwi businesses to allow for more sustainable use of the resources needed for growth and development.

## **USING RESOURCES**

### ***– balancing economic needs with responsible environmental actions***

A pressing issue for the future is how to access our natural resource wealth including minerals in a way that boosts our economy while safeguarding our natural environment. The Government elected in 2011 needs to be able to move ahead on growing the economy while providing reassurance that any affected landscapes are restored.

With mining, for example, we need to adopt new ways of processing waste, transforming it into environmentally friendly resources for other uses, leaving behind clean water, rehabilitated landscapes and healthy ecosystems.

Market-based mechanisms should be used to foster the greening of the New Zealand economy, so the environment can be enhanced and protected without resorting to regulation.

Important to have:

- Commitment to an environmentally responsible use of natural resources
- Market-based policies to encourage the right behaviour to protect and enhance the natural environment
- Market-based policies to protect and enhance the natural environment

## **RESOURCE MANAGEMENT ACT**

### ***– fairness, balance and development needs***

While successive governments have made changes to the RMA, many problems remain, notably the difficulty of achieving development, and the ease with which development can be stymied.

The RMA should be amended to provide greater protection of property rights, better balance between environmental protection and economic development, and more fairness to the different parties involved.

Improvement to the RMA should be a key election policy for any political party concerned with growth and development.

The RMA should be changed to:

- Discourage opportunistic and trivial objections, and objections from businesses seeking to constrain competitors
- Allow for damages and costs to be awarded for vexatious objections or unreasonable delays
- Include guidelines on appropriate levels of development contributions
- Limit the definition of ‘environment’ to natural and physical resources to avoid litigation over trade competition and intercultural issues
- Allow compensation for landowners who are asked to refrain from developing their land for the benefit of the public or who face other constraints on the use of their property under the RMA
- Clarify rights to use resources such as water, to encourage investment and development
- Provide guidelines on appropriate consenting processes

## LOCAL GOVERNMENT

### – a more effective sector needed

Local government plays a key role in New Zealand, working with central government to provide a great deal of the country's infrastructure, and administering environmental and land use policies. Local government makes up a large part of the economy, comprising a net worth greater than all companies listed on NZX.

The scale of local government, its power to tax ratepayers and its power of general competence bestowed by the Local Government Act make it imperative that the sector exercises spending restraint. Excessive local government spending is a key driver of inflation, prompting higher interest and exchange rates, harming exporters and the productive sector. High local government expenditure has brought ongoing rates rises, outstripping the rate of inflation over the last decade.

With local government involvement in many trading enterprises, there is the further danger of it squeezing out local businesses.

Local government rulings on land use also impact on the economy, causing land scarcity and unaffordable housing.

The impact of local government activities and powers on business and the economy make it essential for central government to have a clear view of local government's role.

Political parties' policies on local government therefore require scrutiny.

Important to have:

- Local government focused on core activities
- The power of general competence removed from the Local Government Act
- Reinstatement of a system of capping rates increases
- Rates increases below the rate of inflation in the short term, moving in the longer term to rates set transparently according to services provided
- Equal treatment for all ratepayers – not differential rating with businesses charged higher rates than other ratepayers
- Removal of policies that encourage artificial land scarcity and unaffordable housing
- More use of public-private partnerships to fund large capital works

## ENERGY

### – renewables and more for a comprehensive energy policy

New Zealand has an abundance of renewable energy thanks to our hydro, geothermal and wind resources. Solar, biomass and marine energy also offer much potential for the future.

Business supports the development of **new technologies** to harness new, sustainable sources of power.

Business also supports utilising the complete range of energy resources available to us including petroleum and coal - being prevented from utilising our coal and petroleum-based resources is an unnecessary handicap in a competitive world, especially given our continuing responsible leadership on renewable energy sources.

Important to have:

- Access to all practical energy options, including coal and petroleum-based resources, within a sustainable long-term energy strategy compatible with desired environmental standards
- Measures that encourage R&D investment in new technologies to enable commercialisation when the market conditions are right

## EMISSIONS REDUCTION

New Zealand has responded quickly to global concern about the impact on climate of excessive greenhouse gas emissions. Although responsible for only 0.02 percent of global emissions, New Zealand has taken the long view in implementing a scheme to allow us to progressively reduce greenhouse gas pollution and to respond to significant consumer demand for clean, sustainable goods and services.

New Zealand's emission trading scheme is aimed at helping us reduce emissions, but suffers from design defects. It exposes some of our biggest exporters to carbon costs without sufficient allocation of carbon credits to offset the damage to their **competitiveness** in world markets.

New Zealand will suffer if our emissions policy is too far in advance of other countries - without sufficient countries taking part in emissions trading, the price of carbon will be too extreme for our exporters to bear.

Important to have:

- An emissions approach that mitigates any harm to the international competitiveness of New Zealand firms
- An emission approach that facilitates access to lowest-cost emission reduction opportunities

## **BUSINESSNZ GUIDING PRINCIPLES FOR A STRONGER ECONOMY**

1. Competition in markets
2. International free trade
3. Innovative, competitive exports
4. Product and service integrity
5. Sustainability
6. High productivity
7. High priority on education and skills
8. High priority on science and innovation
9. Adequate investment in infrastructure
10. Respect for property rights
11. Focused monetary policy
12. A stable investment environment
13. Restraint in new laws and regulations
14. Light-handed regulation and responsible industry self-regulation
15. Restraint in government spending and taxing
16. Company tax rates less than major trading partners
17. Lower, flatter personal tax rates
18. Restraint in local government spending and rating
19. No business-specific taxes or rates without business-specific benefits
20. Resource policies balancing the environment and the economy
21. Environmental stewardship using education and voluntary action
22. Secure energy supply using all forms of natural energy resources
23. Workplace fairness and all protections under human rights legislation
24. Diversity and equal opportunity
25. Freedom of choice in bargaining agents and employment agreements
26. Safety the responsibility of all in the workplace
27. A sound, competitive ACC system that incentivises safety
28. Social welfare policies that incentivise self-reliance and enterprise
29. Immigration policies that bring needed new skills and capital
30. Focus on 'New Zealand Inc.'



## **CONTACT US**

### **BusinessNZ**

Lumley House, 3-11 Hunter St  
PO Box 1925, Wellington 6001  
New Zealand

Ph: 04 496 6555

[admin@businessnz.org.nz](mailto:admin@businessnz.org.nz)

[www.businessnz.org.nz](http://www.businessnz.org.nz)



