

Innovation a great NZ story

Kirk Hope

Innovation can indicate future success.

Companies with a fresh approach – targeting new markets and producing new products and services – are likely to be future leaders.

How innovative is business in New Zealand?

The indicators are good. New Zealand technology is now earning over \$7 billion a year. Given our leading industries tourism and dairy each earn around \$12 billion, tech's rise to \$7 billion is remarkable.

The sector is spawning new businesses at a fast rate, led by companies such as F&P Appliances, Datacom, Gallagher Group, F&P Healthcare, Xero and Orion Health. Previously unimaginable events, like launching payload satellites from East Cape, are now part of the landscape.

Another positive indicator is our tech infrastructure.

The ongoing roll-out of ultra-fast broadband is a major competitive advantage for New Zealand, providing a strong platform for new digital business.

Infrastructure linking us digitally with the outside world is also developing fast, with our third international broadband cable due for completion this year. The Hawaiiki cable will bring capacity about 10 times the current bandwidth used by Australia and New Zealand.

New Zealand's internet infrastructure is therefore well-positioned for the coming of 5G – the next generation of mobile internet, massively faster than the current 4G technology.

The new networks of cell sites needed for 5G, together with existing ultra-fast broadband cable, will deliver big capacity and speed. Mobile operators in New Zealand, already sharing cell sites as well as the fibre network will be able to continue to use capacity in one to support the other.

New Zealand's development of internet infrastructure is consistent with our history of being early adopters of digital technology.

New Zealand businesses were early adopters of cloud computing and this trend continues. More infrastructure in support of the cloud is on the way, with investment by Huawei and New Zealand partners in a local cloud computing centre – it's useful for a small and relatively remote country to be able to partner with a largescale global investor in new technologies.

Choosing the right innovation area in which to invest could pay dividends.

New Zealand has a big opportunity through investing in intelligent transport systems (ITS) - drones, self-driving cars, traffic management systems, freight management, electric vehicle charging systems, and others.

BusinessNZ's working group on ITS is showing the scale of opportunity available – multi-million dollar export earnings if the right technologies are developed – and pointing out the stepping stones already in place to enable them.

New Zealand's legislative system already includes the Outer Space and High-altitude Activities Act, enabling rocketry and satellite launching. New Zealand's legislation already allows for driverless vehicles, and our civil aviation rules already allow for drones working in asset management, search and rescue and courier delivery.

Having a good set of laws to enable new technology businesses is positive.

What else is needed to ensure a good environment for innovation?

Investment, R&D and skills are all important.

We need to ensure that innovative firms are able to access the investment funds to enable them to develop and grow.

It will be important that Overseas Investment Office decisions on foreign investment do not discriminate against growing innovative businesses.

We also need a good environment for research and development.

New Zealand's system for encouraging research and development is currently undergoing change, with tax breaks for R&D likely coming for the next tax year. Hopefully this will be in addition to our current system of direct grants - we need all the help we can get.

Getting the overall tax burden right would help too.

New Zealand's corporate tax rate of 28 percent is starting to look very high in comparison with other countries' tax rates below 20 percent. A high corporate tax rate does not help businesses gain foreign investment to grow new innovative business.

And we also need the right skills.

Current successes by New Zealand tech and innovation companies come on the back of sustained past investment in education and training. Our education system now needs to be doubling down on producing more engineering, IT and other skills that will be the hallmark of successful Kiwi firms in future.

The extent of business innovation in New Zealand is a positive story- it could get better still.

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