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ViewPoint

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Future of Manufacturing in New Zealand

Job losses are tragic. They have a major impact on people and their lives, but the changing world has a way of forcing change on everyone. As jobs move offshore what does it mean for manufacturing? Perhaps, before considering this question a couple of others should be answered first.

What is manufacturing and who is the manufacturer? These are the easy questions with an easy answer – maybe? But as the economy globalises, structures develop that are complex and much less straightforward. Consider, for example, the folding mountain bike company Montague (www.montagueco.com). This company designs and develops product in Boston, has the product produced in Taiwan, and sells in distribution channels in Europe and the world, for some time they did not sell any volume of their products in the USA. Is Montague a manufacturer? If so where is the manufacturing done?

Most would say it is clear that production is done in Taiwan. However strategy, market planning, product design and development are done in Boston and sales and channel development take place in specific markets, say Germany. So, is there a manufacturer here? If so where is the manufacturer based? Before answering take a look at one dictionary's definition of manufacturing and production:

Manufacture

- Make a product
- **Invent or concoct**
- The production of goods
- A manufactured product

Production

- **The act of producing**
- Anything produced
- Amount or rate at which it is produced
- *In Economics: the creation or manufacture for sale of goods and services with exchange value*
- Any work created as a result of literature or artistic efforts
- Artistic direction of play

It seems even the dictionary is confused – however if the highlighted elements of the definition are used then Montague have their production in Taiwan and their manufacturing in Boston – but we miss out customer, sales and marketing activity. The definition of production, used in economics, covers everything, but at the same time this particular usage tends to create confusion against what is commonly understood by the term production. So maybe we could have the manufacturer in one place, production in another. What matters is the control of the “invent, concoct and value exchange” system. The manufacturer resides with the intellectual property and therefore the overall control resides. In the Montague case we have the manufacturer in Boston and the production in Taiwan.

Keeping this in mind, and considering examples like: Eaton Corporation, Macpac and Electrolux, we can describe Eaton and Macpac as New Zealand manufacturers. While Electrolux, an offshore manufacturer, has decided to move production to Australia.

So for manufacturers in New Zealand we need to ensure the whole environment supports New Zealand manufacturers “invention, concoction and international value exchange”; a much broader policy framework that need policies to support “production” here in New Zealand. It has to be said that policies that support New Zealand “production” will, as a matter of course, support New Zealand “manufacturers”.

These distinctions are important; cost of *production* is a comparative advantage that can be a matter of survival to a *manufacturer* – on occasion competition can force *production* offshore. As the lesser of two evils, better to move *production* offshore than to cease *manufacture*. So our first world future depends on the growth of *manufacturing* that might mean loss of *production* – how public policy can support the growth of *manufacturing* and slow or reverse the attrition rate of *production* warrants some serious thought.

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