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Stop the ship sinking or keep lining up the deckchairs?

National and Labour are putting increased emphasis on lower compliance costs this election. Both parties have suggested programmes to eliminate excess costs. The New Zealand Manufacturers and Exporters Association (NZMEA) encourage that effort, however, with our economy in recession, structural changes to our policy framework must take precedence. In particular, more use must be made of the tax system to encourage more innovative and productive behaviour from our tradeable economy.

NZMEA Chief Executive John Walley says, “Minimal compliance costs are clearly important, and legislation like the Resource Management Act can impose unnecessary costs on productive firms, but it is the broader economic climate that is the most urgent issue. We need to get our macro-economic settings right to offer some long absent support to the real (tradeable) economy.”

The 2008/2009 Global Competitiveness Report ranked New Zealand number one out of all countries on the number of procedures required to start a business. New Zealand was ranked 97th for national savings rates and 65th for interest rate spreads, indicating that improving those factors would have a far greater influence on our economic success.

“It is the decisions around Research and Development support, savings programmes and stabilising monetary policy that have a much more significant impact on investment decisions made by productive firms. A change in exchange rate of one or two cents will have far more impact on an exporter than any compliance changes,” says Mr. Walley.

“These minor issues serve as a distraction from the substantive issues. We need to engineer more stability that will encourage long-term investment in innovation in the real economy if our economic outlook is to improve.”