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## **Treasury on target but ignored**

The Treasury report given to the Minister of Finance has been released offering the Minister advice on National's economic priorities. The report is critical of the Government for scrapping the Research and Development (R&D) tax credit and reducing contribution levels to Kiwisaver, but it applauded attempts to simplify and centralise regulation. The New Zealand Manufacturers and Exporters Association (NZMEA) say the report demonstrates a longer-term vision for sustainable economic growth.

The Treasury report said that "additional R&D will have a high rate of return to the economy," and; "that the overall benefit in terms of productivity is likely to be greater than the cost and complexity of tax credits." On the issue of Kiwisaver the report said; "there is no clear evidence that the 4% contribution level is acting as a barrier to participation", and; "a 2% minimum contribution rate could reduce the level and the adequacy of the retirement savings of some middle income earners."

NZMEA Chief Executive John Walley says, "There is some consensus forming between those developing policy and firms operating at the coal face. The continuing current account deficits and low productivity caused by poor tax incentives across the economy are being addressed by Treasury, but it seems the Government is not interested."

"National's leadership have been very vocal on the need to promote productivity and prevent New Zealand's credit rating from being downgraded, however, little real action has been taken to achieve either of these goals," says Mr. Walley.

"A lack of demand around the world makes conditions tough for the real economy at the moment, but the same fundamentals still apply. If our productive industries are provided with competitive policy conditions then we will see sustainable growth. If the policy framework does not better support investment in the productive economy, don't expect to see productivity gains."