



Manufacturers and Exporters Association  
The independent voice of manufacturers and exporters

## What are we Stimulating?

By John Walley

The amount rather than the nature of Government stimulus packages has received the most media attention as countries around the world attempt to breathe life into their struggling economies. However, with such staggering sums of money pumped into the global economy it is the right time to change economic incentives to minimise the problems of the past. We cannot outspend the others, so of necessity we have to be smarter.

New Zealand is at the extreme end of the spectrum in terms of the correction that needs to occur as a result of this crisis. We have the second largest level of foreign debt after Iceland (and we have seen what has happened there), our cumulative current account deficit is amongst the largest in the world, and our housing bubble which lasted until last year was the biggest in the world, referenced to average earnings. These issues make encouraging savings, expanding our export profile, promoting productivity, and focusing on our international competitiveness more important to New Zealand than any other economy. Any Government stimulus package should embrace these aims.

The money spent on giving the economy a push, so far, has largely served to maintain the existing economic paradigms. The taxpayer has underwritten bank deposits, with no additional requirements placed on the banks to lend or minimise costs and margins.

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Given the role that the bank's loose lending criteria played in the financial crisis this is surprising, the banks have not been required to lend in order to keep the real economy going, and instead they have been extending margins, costs and guarantees despite massive cuts in the Official Cash Rate. On the other side, there have also been few new restrictions on lending practices meaning that the banks could easily end up in the same over-leveraged position again.

The personal tax package, while assisting the domestic economy to some extent in the short-term, reinforces the excess consumption habits that have contributed to long run current account deficits. The spending on infrastructure is welcome, as it should provide both short-term employment and a spill-over productivity boost.

Conversely the removal of the Research and Development (R&D) tax credit and Kiwisaver's downsize have accentuated the bias towards consumption. Taking away the R&D credit is a sign that the domestic economy is favoured over innovative export oriented business, while the Kiwisaver reductions are likely to cause higher current account deficits.

The attitude of our Government can be contrasted with the agricultural export subsidies introduced in Europe. This move, while deplorable in an economic environment that requires an opening of trade borders rather than an

increase in damaging subsidies, does show their intent to improve their own productive sectors. A similar move might happen in the United States in the near future - so much for others following the good example of New Zealand.

Pouring more money into a failed economic structure will only perpetuate our problems in the future. The economic package must not only carry New Zealand through the bad times ahead, but must also put the country on a more competitive footing in preparation for an economic recovery. If our politicians are serious about solving these problems they must look to support and restore the real economy.

*John Walley*

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## Sales Hold up Despite Market Concerns

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during January 2009, shows total sales in December 2008 increased 4% (export sales increased by 2.06% with domestic sales increasing 8.74%) on December 2007.

The NZMEA survey sample this month covered NZ\$256m in annualised sales, with an export content of 70%.

Net confidence rose to -73, up from the -82 result reported in October, still dire but improving a little.

The current performance index (a combination of profitability and cash flow) is at 96, up from 88.5 in October, the change index (capacity utilisation, staff levels, orders and inventories) held steady at 96, and the forecast index (investment, sales, profitability and staff) is at 91.3, down on October's result of 92.3. Anything less than 100 indicates a contraction.

The reported constraints were: 9% production and 91% markets. Staff numbers for December decreased year on year by 0.70%.

"With the bias in this sample towards exports, a slowing world economy has started to show in export numbers, but, overall sales are holding up," says NZMEA Chief Executive John Walley. "Export sales growth has slowed particularly for anyone associated with, for example, automotive or consumer electronics supply chains. Unfortunately, slowing markets are cancelling out the affect of the low dollar on export margins."

"Stimulus packages both here and overseas will take a

while to flow through. A lot of the planned spending does not kick in until later this year or in 2010 so despite the almost unimaginably high numbers there is limited immediate impact."

"In New Zealand the restrained action from Government coupled with a high percentage of fixed term home loans, which blunts the impact of cuts in the cash rate, leaves us hoping that the actions taken in the big economies bring consumers back to the party sooner rather than later."

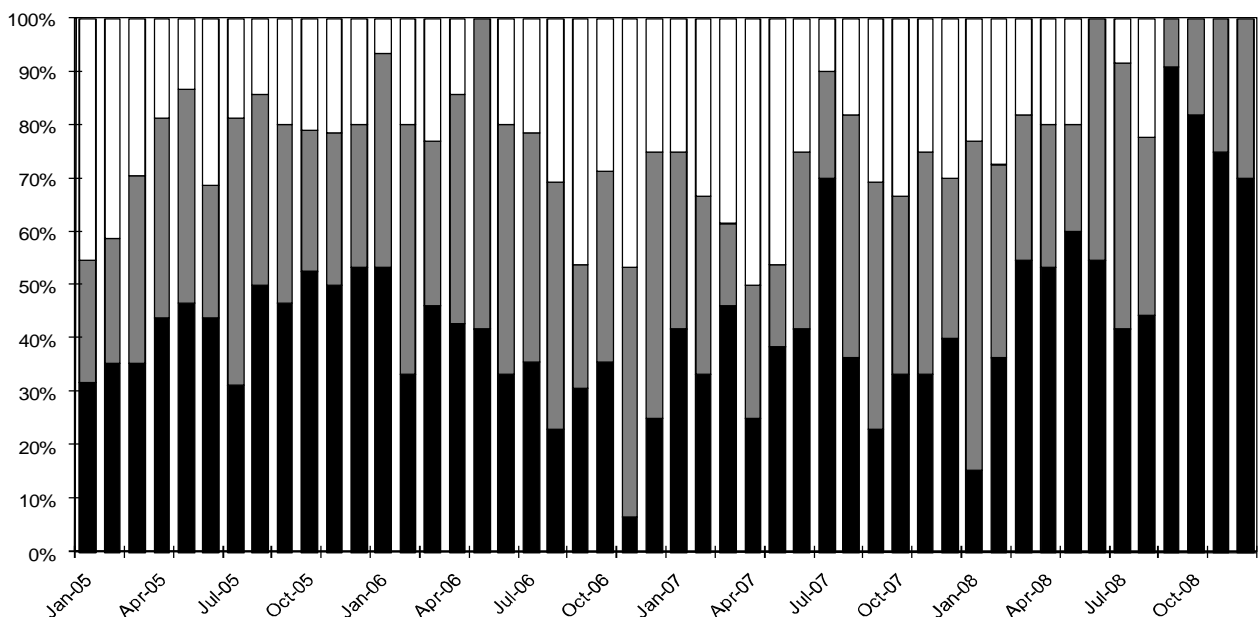
"The package announced to help small businesses, while helpful, was fairly limited in comparison to what we have just seen in Australia and elsewhere. The new initiatives will assist cash flows a bit, but is unlikely to encourage further investment in the absence of a general economic turnaround or an explicit long-term strategy for the real economy."

"The Official Cash Rate cuts, the Resource Management Act reforms and the additional tax measures will help our productive sector, but it is important that their long-term viability is supported. This means looking at the balance of the tax system and ways to minimise fluctuations in the exchange rate when inflation again becomes the problem of the day."

The New Zealand Manufacturers and Exporters Association survey gathers results from members around New Zealand. It provides a monthly snapshot of manufacturers and exporters' sales and sentiment.

## Confidence

□ Positive    ■ No Change    ■ Negative



## Testing Employees for Suspected Drug and/or Alcohol Use

This issue raises a number of problems for employers. A recent case of the Employment Relations Authority (ERA) highlights just how difficult it can be. In *Bush (B) v Marlborough Lines Ltd (MLL)* CA 201/08; MLL was found to have unjustifiably dismissed an employee who failed to arrive at work and was found smelling of alcohol, failed to do maintenance work and was recorded as “not being with it”, and tested positive to the presence of an amphetamine.

The ERA found the dismissal to be unjustified as MLL failed to have the test taken by a registered medical practitioner and the presence of an amphetamine class substance in a urine sample could be explained by medication. In the ERA’s view MLL representatives misunderstood the test results and failed to take qualified professional advice before dismissing the employee. The ERA concluded that MLL overreacted to the test results. Their dismissal of B without considering other available alternatives and failure to reconsider the position when a second drug test proved clear, were not actions of a good employer. The ERA did find, based on the agreement in place, that MLL was entitled to require B to undergo drug testing but the process had to follow terms of agreement, however in this instance the process undertaken by MLL was inadequate and unduly hasty.

### Some Guidelines

It is generally accepted now that drug testing will be lawful if it is used as a means of ensuring health and safety of employees and the public, but in order to meet privacy and human rights obligations the testing must have the following general features:

1. Testing must be for the express purpose of ensuring the safety of employees and those likely to be affected by their actions;
2. Employees are not selected for testing on discriminatory grounds;
3. The employees concerned must give informed consent to the testing process;
4. The sample collection must be carried out in private and not under direct observation;
5. The integrity and confidentiality of the testing process must be preserved; and
6. Any disciplinary action taken by employers against an employee who refuses to provide a sample for testing or who returns a positive result must be clearly spelt out in a policy or employment agreement.

There are five main circumstances in which a legitimate interest might arise justifying alcohol and drug testing:

- Pre-employment;
- Following a workplace accident (or near miss);
- Where there was a reasonable basis for suspecting incapacity;
- Random testing; and
- Monitoring post detection treatment.

Random alcohol and drug testing is the most contentious testing issue. The Employment Court has concluded that suspicionless testing of all employees could not be justified. The ability of the employer to demonstrate some connection between the testing and some safety-sensitive aspect of the job is the key factor in establishing whether it is reasonable to undertake testing.

An alcohol and drug testing policy will be considered more favourably if it is backed up with an assistance programme if alcohol or drug abuse is suspected and/or detected. The assistance programme is the “carrot”. The disciplinary process is the “stick” which may lead to an employee’s dismissal.

Companies should also engage external providers to ensure that counselling and other assistance is available for employees who have alcohol or drug abuse problems.

This article was provided by Brannigans Human Capital. If you require further information relating to this topic please contact us on email: [mea@mea.org.nz](mailto:mea@mea.org.nz) or phone: 0800 353 2540.



## Half a Dozen Issues to Watch in 2009

As the book closes on 2008, a progressive annus horribilis, early indications for 2009 are worse.

While the worst looks to have passed for the global credit crisis itself, the actual healing process is set to be elongated and will no doubt involve the odd spike of nervousness. The real economic consequences are likely to linger for some time. We are now in the midst of the deepest and most pronounced global recession we have seen in more than 30 years. New Zealand will not be immune and we need to be realistic in terms of the scale of challenges ahead.

What follows are our six major themes for the New Zealand economy in 2009.

Accept that the environment has changed. While tempting to assign blame, those with foresight will move forward. Facing such a calamitous global event, we're in no doubt there will be structural changes to the entire business environment. Pending as risks are regulation and increasingly inward approaches to trade. On the positive side are opportunities for consolidation and building scale. In the current environment it is still a question of concentrating on the basics: relationships, identifying areas of comparative advantage and driving productivity growth. If there is a bright side to current developments, it's that times of stress cause changes to be put in action.

Do not underestimate the significance of NZ's current account rebalancing process. Even prior to current global malaise, the unbalanced nature of growth (too much spending, not enough earning) always meant that the New Zealand economy was set for an "adjustment" at some stage. Current world conditions are merely fostering a sharper, less orderly adjustment. A lower currency will be a key part of the rebalancing process.

The credit channel of monetary policy will play a huge role. The credit channel has been hugely influential in determining asset valuations on the way up. The prior cycle was driven by the supply of money as opposed to the price, notably from offshore, and New Zealand was a key beneficiary.

This makes the global process of de-leveraging all the more important for our prospects.

Beyond the financial crisis itself, this is a household story. It is household balance sheets that are in need of repair. This is a fundamental distinction from previous credit cycles, which have tended to be business centric. Household de-leveraging is a process that will take time.

The next leg of the cycle: Productivity and jobs. A tougher economic environment is now resulting in job losses. While this will set off round two for domestic sectors such as retailing and housing, it does bring some positives. First, it increases the pool of available skills and encourages further training – arguably in more productive areas of the economy. Secondly, a by-product is better productivity, and productivity growth is a necessary condition for a turn in the business cycle and sustained stronger economic performance.

The alphabet of recoveries: A BIG U. 2009 will be a challenging year, and that's putting things optimistically. However, we need to recognise that the seeds of recovery are being sown, although we need to see improvements in structural areas such as productivity before an upturn will take hold. Policy makers are working aggressively to stabilise conditions. History has shown that the deeper the correction the bigger the bounce, and we expect this cycle to be no different.

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## Get the Most From Your Transport Dollar

To get goods offshore New Zealand relies heavily on a relatively small number of international shipping lines. The good news currently is that shipping rates are dropping as a surplus of liner capacity coincides with a decline in cargo volumes. Not so good, however, is that fewer offshore vessels are calling at New Zealand's hubbing ports, a trend likely to continue for some time.

The upshot is that more export cargo needs to be transferred between domestic regions to meet available liner calls. The option of waiting for a direct call by an overseas line is unacceptable if product is delayed for days or weeks. Equally unacceptable is paying top dollar for urgently transporting cargo from one region to another – the length of the country in some cases – to meet an international departure.

For exporters facing this dilemma, there is a practical and low-cost middle course. That is to make use of a new cargo feeder service directly linking the country's major ports of Auckland, Tauranga, Lyttelton and Otago. Between them, these four ports move over 90% of all overseas-destined goods, a growing proportion of this volume deriving from regions well outside their local catchment.

The sea freight feeder service is like a set of wheel spokes, trans-shipping containers into and out of a hub, or individual hub ports in this case. To be effective the service has to be regular and to a schedule that users can rely on year-round. It also has to co-ordinate with international movements as closely as possible and provide an extremely high level of container handling efficiency.

Until recently, New Zealand lacked such a domestic service and relied on long distance road and rail to shift containers between widely separated regions. To compound the situation, millions of tonnes of cargo also had to cross Cook Strait, adding to handling and transport costs. The new direct port-to-port coastal feeder service has changed this situation considerably.

With one initial vessel, shippers can now move goods cost-effectively and with minimum environmental impact between either the two South Island and North Island ports in just two days or less. As demand for this more efficient trans-shipment of cargo expands, it will inevitably result in additional coastal ships working between the main ports as well as secondary ones. In an economic recession when cost-reductions are paramount, this sea freight development is precisely what exporters and manufacturers need.

This article was provided by Pacifica Shipping (1985) Ltd. If you require further information relating to this topic please contact us on email: [mea@mea.org.nz](mailto:mea@mea.org.nz) or phone: 0800 353 2540.

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## Forums

Forum start times vary but generally sessions run for 90 minutes. Forums are open to all members of your staff, members and non-members of the NZMEA. For more information and to register on-line visit: [www.mea.org.nz](http://www.mea.org.nz), select Events/Training for the full list of events. Or you can contact us on: 0800 353 2540 or email: [mea@mea.org.nz](mailto:mea@mea.org.nz).

### Effective Company Direction

Wednesday 18 February, 4.00pm, Christchurch

This Forum will explore: Ways to improve your effectiveness in directing the business. • How to focus 'on the business' not 'in the business'. • Overview of the six major board functions. • Review risk management to future proof your business.

This Forum will be presented by Eric Livingstone, Managing Director of Livingstone Business Consultants Ltd. He is an experienced advisor and independent director to a number of Boards.

### Human Resources - Making Compliance Requirements Work for Your Business (Including the new probationary period)

Thursday 26 February, 7.30am, Christchurch

During the Forum participants will: Discuss what clauses your Employment Agreement must contain. • Consider how employers can gain more flexibility to manage their employees by including certain clauses in their agreements. • Learn what policies you should include in your Human Resources Manual. • Gain an understanding of the new Government's suggested legislative changes that may impact on any of the above.

Penny Shaw is an Employment Law specialist at Brannigans Human Capital Ltd. Penny has over fourteen years experience advising employers in the areas of Employment Law and Employment Relations and provides HR advisory services to the NZMEA.

### The Goal and how to Save Your Business in 2009... a MOVIE, the real deal AND Jaffa's!!

Tuesday 3 March, 4.00pm, Christchurch

Tuesday 17 March, 4.00pm, Auckland

In association with VIAGO, the two-hour movie session consists of the screening of "The Goal" movie, a true story of a manager who is given three months to turn his business around or face closure. The movie will be followed by a question and answer session and an introduction into how to use the tools presented in the movie to cause the following in your company:

- Throughput ñ
- Inventory ò
- Operating Expenses ò

### Basic Time Management

Thursday 19 March, 4.00pm, Christchurch

This Forum will introduce you to: Learn about deposits in the bank of time. • Take control of your time. • Learn how to use time the way you choose. • Make time work for you and get some to spare. • Learn how to control work/life balance. • Learn how to avoid common time wasters.

Ron Dards of The Test Agency Ltd will show some very simple yet highly effective techniques to stretch the time you have, so as to get all the work done without excess stress.

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## Canterbury Yarn-Makers' Literacy Success Story

When Bromley-based Canterbury Spinners Ltd, took up the offer of a government-funded workplace up-skilling programme, the company was not expecting to be so impressed by the benefits.

"The business benefits to the company in supporting two hours of training per week, per person, are related to ensuring product quality, staff awareness and an understanding of what is happening on the production floor," says General Manager Bruce Blair.

"Staff retention is another benefit," Bruce Blair says. "With low staff turnover comes the ability to retain key skills and provide advancement opportunities for staff."

Canterbury Spinners Ltd, a division of Godfrey Hirst New Zealand Limited, employs about 290 employees in diverse roles, including professional managers, technically qualified staff as well as unskilled and unqualified operators. The company makes yarn which is supplied to carpet factories in New Zealand and Australia.

Working with the Department of Labour, Canterbury Spinners began, in November 2007, an in-house foundation skills tutoring programme for staff, funded through the Tertiary Education Commission.

"Our idea was to help staff with their understanding of written information and verbal communication" Bruce Blair says. "Quite a few of our staff are new migrants to New Zealand and they needed help understanding 'Kiwi' language, signage, instructions and training manuals."

Thirty-three staff who completed the foundation skills course were presented with certificates on Wednesday 3 December by the Minister for Social Development and Employment, the Hon Paula Bennett.

Human Resources Manager, Karen Treloar says: "Staff who completed the course are more confident and their communication skills have improved in leaps and bounds. We've been very impressed with the results."

Currently, 2,837 staff have been offered up-skilling training in 22 companies around the country through the Workplace Literacy Fund managed by the Tertiary Education Commission, according to the Department of Labour. This fund is budgeted at \$11.6 million in the 2008/09 year.

For more information contact: Karen Treloar, Human Resources Manager, Canterbury Spinners Ltd, phone: 03 373-8090 ext 883 OR Christine Field, Senior Communications Advisor, Department of Labour, phone: (04) 915 4201 or 021 927 894.

## Workshops/Programmes

Workshops are open to all members of your staff, members and non-members of the NZMEA. For more information and to register on-line visit: [www.mea.org.nz](http://www.mea.org.nz), select Events/Training for the full list of events. Or you can contact us on: 0800 353 2540 or email: [mea@mea.org.nz](mailto:mea@mea.org.nz).

Date:	City:	Event:
Starts Monday 16 February	Christchurch	Certified in Production and Inventory Management (CPIM) -Basics of Supply Chain Management (Five half days)
Starts Wednesday 25 February	Christchurch	Certified in Production and Inventory Management (CPIM) -Detailed Scheduling and Planning (Five half days)
Tuesday 24 February	Christchurch	Throughput Live! - (Half day workshop)
Wednesday 4 March	Christchurch	Effective Direction of Your Manufacturing Business - (Half day breakfast workshop)
Thursday 5 March	Christchurch	Dealing with Difficult People - (Half day workshop)
Monday 9 March	Hamilton	Throughput Live! - (Half day workshop)
Starts Thursday 12 March	Christchurch	Production the TOC Way Workshop - (Two full days, 12/13 March)
Tuesday 17 March	Christchurch	Training the Trainer - (Full day workshop)
Tuesday 17 March	Auckland	Throughput Live! - (Half day workshop)
Starts Thursday 26 March	Hamilton	Production the TOC Way Workshop - (Two full days, 26/27 March)

## APEC - Bringing Relevance to the Business Community

The unprecedented extent of the current financial crisis has led policymakers scrambling to devise rescue packages and assistance programmes to revive the economy. However, such programmes could only be pointedly beneficial to today's largely globalised private sector through concerted efforts addressing both domestic and cross-border concerns. There is an urgency for each economy to inject fiscal stimulus to support internal demand. Externally, policymakers need to refrain from protectionist measures and solicit a collective voice to prevent reciprocal actions from other economies.

The Asia-Pacific Economic Cooperation (APEC), one of the leading multilateral trade forums, has been pursuing relentlessly in the last 20 years, the agenda of free and open trade and investment in the Asia-Pacific region. Guided by pro-trade and pro-business principles, the APEC platform has seen its 21 APEC leaders reaffirmed their commitments at the November 2008 closing meeting in Lima, Peru, in renouncing protectionism and abstaining from raising new barriers trade or investment of goods and services in the next 12 months. Such affirmations by the APEC leaders came timely to provide reassurance to businesses that trade doors remain open for business.

APEC garners feedback on business issues and recommendations from the APEC Business Advisory Council (ABAC). ABAC was formed with the objective of collating ground level sentiments and advising APEC leaders on the pressing concerns of the business community. ABAC recommendations have helped steer policies towards promoting free trade and investment, and reducing trade and business costs; through direct dialogues between ABAC members and APEC leaders and senior officials.

This year, Singapore will be chairing both APEC and ABAC. Capitalising on that, the ABAC Singapore intends to build a strong foundation where ABAC's work can be rolled over in subsequent years to Japan and United States, and carried through to fruition. This would facilitate the continuity of policy recommendations and ensure important agenda are not abandoned with the changing of Chairmanship.

While the overall theme and recommendations of ABAC continue to align with APEC's mid and long-term 'Bogor Goals' of promoting free and open trade and investment in the Asia-Pacific by 2010 for industrialised economies and 2020 for developing economies, it is hoped that practical focus will also be placed in 2009 on escalating recommendations to leaders which call for short-term and immediate actions to speed up economic recovery for the region. Near term economic recovery is essential to mitigate further magnified effects from the crisis and give boost to business sustainability.

Under the Chairmanship of ABAC Singapore, three core areas of focus have been identified and proposed as working objectives towards the 'Bogor Goals'.

Namely in stepping up regional economic integration; building a model for sustainable development to support growth; and strengthening capacity building and improving connectivity, especially for Small and Medium Enterprises (SMEs). Within these three areas, topics close to the hearts of manufacturers and exporters, such as trade logistics and trade finance, will be intensely discussed. Recommendations such as accelerating the use of the Trans-Pacific Strategic Economic Partnership (TPP), which New Zealand is one of the pioneering members, as a practical mean to achieve 'Bogor Goals' would also be explored.

Committed to representing the private sector's voice, ABAC Singapore has acknowledged the importance of forging closer communication and feedback linkages with the business community, and enhancing the relevance of APEC policies to businesses. As Chair this year, ABAC Singapore has called upon the expansion of communication avenues through a line-up of outreach seminars and dialogue sessions, conducting of surveys and polls, and providing an open feedback channel on its website. Further to that, to help make sense of and conclude the economic events in 2009, ABAC Singapore is also in the midst of planning and organising the prestigious APEC CEO Summit 2009, to be held in Singapore from 12 – 14 November 2009.

The APEC CEO Summit 2009 will bring about the gathering of prominent political figures and top-notch businessmen from both sides of the Pacific, and even India and the Middle East, to hear and debate on some of the most pressing socio-economic issues affecting the Asia-Pacific region.

Manufacturers, exporters and business people are urged to participate in the ABAC activities and events, such as the APEC CEO Summit 2009 which will present a unique opportunity to build extensive networks and make useful contacts. Businesses are also encouraged to make use of the various feedback channels to surface business concerns and recommendations, to participate in the shaping of APEC and ABAC agenda.

It is hoped that 2009 will magnify the relevance of APEC and ABAC to the business community. Meanwhile, the entire ABAC family will convene for the 1<sup>st</sup> Meeting in Wellington, New Zealand, from 9-12 February 2009, to kick-start the year's agenda.

For more information on ABAC Singapore, ABAC 2009 Agenda and APEC CEO Summit 2009, please visit [www.sbf.org/abacsq](http://www.sbf.org/abacsq).

Or contact Ms Quek Shiyun - [shiyun.quek@sbf.org.sg](mailto:shiyun.quek@sbf.org.sg) or Mr Alwyn Lim - [alwyn.lim@sbf.org.sg](mailto:alwyn.lim@sbf.org.sg); both Executives at the ABAC Singapore Secretariat.

## Manufacturers Employing from Overseas - Some New Rules

Where once employers seeking to hire employees from overseas could advise the future employee on methods and information pertaining to their emigration to New Zealand, new legislation will soon prohibit them from doing so.

From 4 May 2009, employers will no longer be able to provide immigration advice and assistance to their employees, as doing so will put the employer in breach of the Immigration Advisors Licensing Act 2006 (Act).

The Act has been introduced to regulate Immigration Advisers. There have been many cases of foreign nationals in New Zealand being provided incorrect immigration advice, charged exorbitant fees, and/or provided very poor services from Immigration Consultants, who held themselves out as being professional Immigration Advisers.

Whilst the Act is aimed at regulating those working in the immigration advice industry, the effect of the provisions is essentially to limit the types of people who can give advice on an immigration matter. Advice is defined under the Act as:

“Using, or purporting to use, knowledge or experience in immigration to advise, direct, assist or represent another person in regard to an immigration matter relating to New Zealand, whether directly or indirectly and whether or not for gain or reward.”

Employers who advise an employee on how to prepare an application to Immigration New Zealand (INZ) will (even though they charge no fee) be in breach of the Act.

Although an employer cannot provide advice, they can still continue to provide general immigration information to their employees that is readily available from INZ (e.g. application forms) and continue to support their employee’s applications by providing the required documents and employer forms requested by INZ.

Certain individuals are, however, exempt from the Act and can provide immigration advice and assistance post 4 May 2009 without being licensed. These individuals include:

- Lawyers;
- People who advise in an informal or family context only, as long as the advice is not provided systematically or for a fee;
- Public service staff who provide immigration advice within the scope of their employment; and
- Community law centre and citizen advice bureau staff.

As employers are not exempt, those who wish to continue to give immigration advice and assistance to their employees will have two options.

First, the employer nominates an existing employee to apply for and obtain an Immigration Advisers licence. Once obtained, the licence will need to be renewed each year and evidence of ongoing training and professional development will be required.

Second, the employer outsources any immigration advice either to a person who is licensed, or to one of the exempt persons listed above.

This article was provided Lane Neave. If you require further information relating to this topic please contact us on email: [mea@mea.org.nz](mailto:mea@mea.org.nz) or phone: 0800 353 2540.

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## An Effective Board of Directors

Sound governance provided by the keen oversight of an effective Board is proving to be a major success factor for long term survival of manufacturing companies. Also, being clear on the role of the Board as distinct from that of management is a key factor in business owners being able and willing to hand over effective control of the company to a Board.

Many successful manufacturing companies were founded and grown through the vision and industry of one person, the founder. Uniqueness and market demand initially negated the need for any review of the direction for quite some years.

But as market and economic conditions change like they certainly have recently, there is a greater need for fresh impetus and review of the direction of the business. Also, as a business founder heads towards retirement, passing over of the management function to an employed manager and exercising control at Board level becomes a sound exiting strategy.

The Board is responsible for the proper direction and control of the company's activities including stewardship of business risks, the integrity of management information and control of the strategic direction. Periodically, the Board also needs to review how effective it undertakes its responsibilities.

How to achieve an effective Board?

The best way is to assess how effective the Board is in performing its key functions and to identify where it is falling short. This can be undertaken internally as a self assessment or with external specialist assistance.

As the company develops, the need for directors with different skills and experiences changes but the present composition of the Board can be difficult to alter without goodwill from the entire Board. Having an independent director on board with skills appropriate to the Board start up may be very sound for a few years, but later on having a director with extensive international experience, for example, may be more appropriate and beneficial. So an appointment for a set number of years, that can always be extended, is a sound approach to ensuring continual review of individual Board members effectiveness as well as creating the need for a regular Board review.

A review looks at the key functions and individual Board members effectiveness as well as the effectiveness of the Board as a whole. Some Board members may be contributing less as they head towards retirement and a phasing out may be welcomed. New incoming Board members can change the dynamics of a Board and assist other existing Board members to expand their governance knowledge and skills to improve the effectiveness of the whole Board as well.

Where should your Board be effective?

The Board meets regularly to fulfill its key functions including setting the strategic direction for the company, taking ownership of oversight of business risk mitigation, Board policy setting and reviewing the CEO's performance in meeting the approved current year business plan.

For example, currently Board's could be (or should be) reviewing their effectiveness in providing an objective view of how the business is going to survive the current economic conditions as a result of previous strategic direction decisions and Board policies particularly in the area of risk mitigation and management.

Perhaps also your Board needs to consider potential impacts resulting from the change in government and possible Government policy changes that may affect your business.

What areas should an effective Board of Directors review?

When setting up a Board or reviewing the effectiveness of an existing Board, there are six main tasks to be planned for or reviewed.

1. Strategic Direction – Setting the long term mission/vision and strategic goals within a framework of corporate values often all promulgated in a Governance Statement and expressed in a Long Term Strategic Plan (how well has this been done and achieved?)
2. Ensure the Strategic Direction is adhered to by setting Board Policies – These give expression and define the key approaches reflected by the company's method of operating and governance (are the still appropriate and effective?)
3. Strategic Relationships - The Board ensures it has direct oversight of critical strategic relationships at a governance level, leaving operation level contact to the CEO (are all the current strategic relationships effective?)
4. CEO Employment and Performance - Gives the Board its control over management and operations (has this worked as planned and desired?)
5. Annual Business Plans - The CEO negotiates the Annual Plan and financial budgets with the Board who rely on regular reporting and Board Policies for control over the current business activities (has the annual plan been regularly achieved?)
6. Risk Mitigation and Management - A key function of the Board is where the future of the company is assured by mitigation of perceived risks and where appropriate, delegated to the CEO.

These may include:

- Y Loss, succession of CEO/other key people.
- Y Loss of major clients or contracts.
- Y Unexpected competitor action causing loss of major competitive advantages.
- Y Undesired major changes in Government legislation adversely affecting company in major way.
- Y Changed economic conditions such as value in New Zealand dollar.

(Are all current risks included and covered adequately?)

When is the right time to review the effectiveness of your Board?

Reviews are ideally undertaken every three to five years to ensure proper effectiveness in all the key tasks of a Board and to review its own succession planning. Is 2009 the right year for your Board Review?

This article was provided by Livingstone Business Consultants Ltd. Eric Livingstone will be presenting a Forum for the NZMEA on 'Effective Company Direction' on 18 February, followed by a Breakfast Workshop on 4 March covering 'Effective Direction of Your Manufacturing Business'. If you require further information relating to this topic or these up-coming events please contact us on email: [mea@mea.org.nz](mailto:mea@mea.org.nz), visit our website: [www.mea.org.nz](http://www.mea.org.nz) or phone: 0800 353 2540.

# ME Assist

To network with other Members or get assistance  
from our Associate Membership contact:  
meassist@mea.org.nz or call 0800 353 2540

Our Associate Membership includes a wide range of specialists, consultants and service providers who can assist Association Members with:

- |  |  |
|--|--|
| Ø Strategic Business Development   | Ø Condition Monitoring - Products & Services |
| Ø Business & Technology Planning   | Ø ERP, MRP Solutions                         |
| Ø Business Coaching  | Ø Supply Chain Management                    |
| Ø Market Research & Marketing  | Ø IT Systems – Design & Implementation       |
| Ø Export Marketing   | Ø Website & Software Development             |
| Ø Advertising & Branding   | Ø Industrial Automation & Control            |
| Ø Communications & PR  | Ø Recruitment & Selection                    |
| Ø Import & Export  | Ø Human Resources Management                 |
| Ø Customs, Logistics & International Freight Forwarding Services, <u>plus 'less-than-container' services</u> | Ø Conflict Resolution & Mediation            |
| Ø Finance, FOREX & Banking   | Ø Employee & Immigrant Settlement Management |
| Ø Accounting, Payroll & Tax  | Ø Management, Leadership & Team Training     |
| Ø Investment Capital   | Ø Training Analysis                          |
| Ø Insurance  | Ø Knowledge & Information Management         |
| Ø Debt Collection  | Ø Employment Law                             |
| Ø Business Sales & Valuation   | Ø Change Management                          |
| Ø Research & Development Services  | Ø Temporary Staff                            |
| Ø Product & Prototype Development  | Ø Technical Publications                     |
| Ø Intellectual Property & Patent Registration  | Ø Business Graphics & Printing               |
| Ø Total Product Design   | Ø Energy, Water & Waste Auditing             |
| Ø Engineering Analysis, CAD & FEA  | Ø QC & QS Management                         |
| Ø Internet Telephony   | Ø Health & Safety Systems & Training         |
| Ø Project Management   | Ø International Travel                       |
| Ø Operations Management  | Ø Fire Evacuation & Compliance               |
| Ø Theory of Constraints  | Ø Drug Testing                               |
| Ø Lean & Agile Manufacturing   | Ø Maintenance & Asset Management             |
| Ø Kanban, Production Planning & Scheduling   | Ø Factory & Plant Efficiency & Utilisation   |
|  | Ø Strategic Pricing                          |

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# what's on

Monday

Tuesday

Wednesday

Thursday

Friday

2 Nelson Anniversary	3	4	5	6 Waitangi Day
9	10	11	12	13
16 Executive Meeting  CPIM: Basics of Supply Chain Management - Day 1	17	18 Forum: Effective Company Direction	19	20
23 CPIM: Basics of Supply Chain Management - Day 2	24 Workshop: Throughput Live!	25 CPIM: Detailed Scheduling & Planning - Day 1	26 Breakfast Forum: Human Resources - Making Compliance Requirements Work for Your Business	27
2 CPIM: Basics of Supply Chain Management - Day 3	3 Forum: The Goal Film Evening	4 Workshop: Effective Direction of Your Manufacturing Business  CPIM: Detailed Scheduling & Planning - Day 2	5 Workshop: Dealing with Difficult People	6
9 Taranaki Anniversary  Workshop: Throughput Live! (HAMILTON)	10	11 CPIM: Detailed Scheduling & Planning - Day 3	12 Workshop: Production the TOC Way - Day 1	13 Workshop: Production the TOC Way - Day 2
16	17 Workshop: Training the Trainer  Forum: The Goal Film Evening (AUCKLAND)	18	19 Forum: Basic Time Management	20
23 Otago Anniversary  CPIM: Basics of Supply Chain Management - Day 4	24	25 CPIM: Detailed Scheduling & Planning - Day 4	26 Workshop: Production the TOC Way - Day 1 (HAMILTON)	27 Workshop: Production the TOC Way - Day 2 (HAMILTON)
30 CPIM: Basics of Supply Chain Management - Day 5	31			

visit our website ...

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