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NZTE changes – smoke not substance

The changes to New Zealand Trade and Enterprise (NZTE) announced yesterday represent a continuation of the same failed strategy say the New Zealand Manufacturers and Exporters Association (NZMEA). The Market Development and Capability Building grants will be phased out to allow the Growth Services Fund to expand, but the same ‘picking winners’ approach is still favoured.

NZMEA Chief Executive John Walley says, “The Government has stated a commitment to cutting down unnecessary bureaucratic spending, but this announcement completely ignores that goal. Officials often have little understanding of the earning potential of firms so the money simply ends up in the hands of businesses they can understand. Incentives delivered through the tax system are far more effective – like the tax credit cancelled by this Government.”

“In the year ending in June 2008 NZTE spent more on personnel than it did on grants. How is that efficient spending?”

“Tax incentives like the Research and Development Tax Credit assist firms that choose to risk investment in their own business, rather than having a team of Wellington bureaucrats deciding who gets what. Box ticking and form filling for bureaucrats is probably the least productive activity for any firm undertake; this from a Government that claims to be at war with red tape!”

“Low productivity is the single biggest problem facing the New Zealand economy and it is not hard to see why. Not only do we use unproductive, archaic grant systems, but somehow the Government thinks that \$30m will be sufficient to stimulate the productive sector – this is less than the national cycle way and less than the \$33m spent on the ‘export year’ that came and went without trace. Small scale action backed by a lot of wishful thinking will not lift our productivity,” says Mr. Walley.

“There has been much talk about coming out of the economic crisis stronger but if no changes are made then we can only expect to see our relative wealth continue to decline. This is another sign that the Government is simply not ready to do what is required to make a difference.”