

John Walley, CMA Chief Executive

## What we say, we say

Over the past few weeks, the New Zealand Manufacturers and Exporters Association (MEA) has received inquiries as to why we have been so outspoken on the comments, or, more specifically, the lack of comment, from the broad church organisations who claim to represent the interests of manufacturers and exporters. Simply put, we feel compelled to “voice” the issues that concern the tradable sector and are able to do so without compromise.

The membership characteristics of the broad church organisations mean that they are unable to speak exclusively nor independently for manufacturers and exporters. It is hard to speak out on key issues when the majority of the membership is happy with the way things are right now. For example, the desperate need to put an end to the two economies – (see the presentation to the Select Committee enclosed). When there is one suffering manufacturer and nine real estate agents, who have never had it so good so the view on average is that business conditions throughout the economy are fine. As a result, don't rock the boat!

A more fundamental question is whether the broad churches really understand the dynamics of manufacturing or the contribution manufacturing makes to the economy in New Zealand.

This begins with the mischaracterisation of manufacturing as the process of production and the view that is OK to offshore manufacturing that really means moving the production activity.

Yet manufacturing is more properly, the end to end management of all or parts of a complex supply chain - specification, research and development, provision, distribution and sale.

It is probably worthwhile to note that in the end-game, if production goes offshore it is likely to be the precursor to design, engineering and other core activities moving to the large markets or closer to the site of production – ask any real manufacturer about this. When this happens there will not a lot left for New Zealand.

Unfortunately, for everybody, in the long term, \$8 billion dollars in export earnings evaporate if manufacturing dies. If our exports continue to simplify with the loss of our sophisticated manufacturing companies, we will have to rely on agricultural products to pay our way in the world. At that point New Zealand is at the mercy of commodity prices, changes in international demand and shocks to global financial markets and even political systems. It is also easier for our competitors to put up trade barriers against primary and agricultural products than it is in regard to sophisticated high value products.

So when the MEA sees opinions expressed that manufacturers and exporters can live with a NZ Dollar at USD.80 and that they should ‘stop bleating, start competing’, we are compelled to disagree and show that at both a local and national level, we are prepared to speak out on their behalf of our community of interest.

*(Continued on Page 2)*

## November 2007

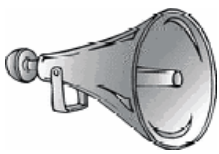
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MEA on the web



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## One Way or Another You Have to Deal With it

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during October 2007, shows total sales in September 2007 decreased 9.5% (export sales dropped by 17.5% with domestic sales decreasing .6%) on September 2006.

The CMA survey sample this month covered NZ\$565m in annualised sales, with an export content of 48%.

Net confidence improved to 8, up from the -18 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 98, down from the previous month's 98.5, the change index (capacity utilisation, staff levels, orders and inventories) decreased to 101 from the previous months 103, and the forecast index (investment, sales, profitability and staff) is at 101 down on the previous month's result of 102. Anything less than 100 indicates a contraction.

Constraints reported 8% production, 15% staff and markets 77%.

Staff numbers for September increased by just over 3.5%.

"The sentiment surrounding this latest survey is that manufacturers are, as they must, getting on with the job. Some are feeling better about business conditions, especially those with a domestic focus or who sell into Australia as the Australian dollar cross is yielding some improved returns. There remains huge pressure on companies margins as costs are creeping up – wages, compliance and the cost of raw materials. There seems to be a bit of sunshine in the responses as manufacturers and exporters, ever optimistic, hope for a stronger year end and some respondents are ahead of where they were this time last year", says Chief Executive John Walley.

"The demand for NZD, off the back of high interest rates, continues to make life difficult for most exporters.

We are off the all time highs but anyone with a substantial sales volume in USD is still suffering, and the longer this lasts, the more business models will change and the more likely we are to lose the activity from New Zealand forever".

"Those operating within the supply chains and providing products and services to exporters feel the same pressures that fall on their customers. Capacity is being reduced and contracts are tending to be short term and project based".

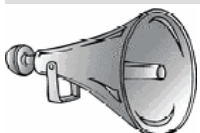
"European countries are spending more and more on research and development, driving innovation much harder and respondents are concerned that New Zealand is falling further behind. There are also comments that Australian first-tier customers are also facing increasing competition from 'China price' and may be forced to change their business models as well. The Association will be monitoring both situations closely, especially given Australia's importance as a market for our elaborate products".

"For the first time it has been reported that Chinese suppliers are quoting in Euro. Even with the loose RMB-US\$ peg, Chinese suppliers seem intent on having their cake and eating it, clearly indicating their view of further downside on the US\$".

"Over all, this survey shows that conditions remain tough for the manufacturing and exporting sectors. It remains a story about the margins squeezed between a strong currency and increasing costs".

"Christmas and the summer might be making people feel a bit better, but the pressure to switch activity from New Zealand remains the strategic threat to hard won capability. Once the capability evaporates, we collectively lose our ability to respond to future opportunities, and over time, the sophistication of our exports will be eroded, along with our living standards".

By John Walley, CMA Chief Executive



### Continued: What we say, we say

The MEA has built traction by developing a working relationship and better co-operation between different organisations. For example, the Engineering, Printing and Manufacturing Union (EPMU) is a key supporter because the EPMU recognises a common interest with the MEA in seeing manufacturing thrive in New Zealand. There will be times when the EPMU is on the opposite side of an issue to the MEA, yet our core interests in the development of manufacturing is a stronger unifying force because we all want to see manufacturing survive and capability develop and provide a solid base for future economic growth.

The a few years ago, the Canterbury Manufacturers' Association (CMA) chose to leave Business New Zealand over their lack of support for our policy of targeted tax support for the productive sector. Targeted taxation sits at the core of the policy position adopted by the CMA and now the MEA, and our continued advocacy has resulted in the tax credits for research and development foreshadowed in the 2007 Budget.

Our Association was responsible for achieving this and even though we encourage others to jump on the bandwagon, we will continue to press for policy support in other areas, for balanced taxation, tax write offs for depreciation and early skills investment and development. (See the select committee presentation attached).

It would be wonderful if everyone could agree with the need to support the productive sector. Regardless, we have to promote the policy position developed by our members. The existing policy mix has created two economies, change is necessary and long overdue because 'things are OK on average' will not drive change and we have to do our best to not let such comments stand.



## More Than a Spending Phenomenon

Fiscal policy, in terms of the impact on monetary policy, and the high currency is under the gun, with the Reserve Bank providing a blunt assessment in its October OCR Review: "fiscal policy is adding to inflation pressure", thereby making the Reserve Bank's job more difficult.

Exporters (via a strong currency) and households (higher rates) stand to be the big losers if fiscal policy continues to lean against the Reserve Bank's efforts. Manufacturer's competitiveness is eroded in a rising inflation environment. But the biggest losers in an inflationary environment are middle to low income households. It is these families that see their income growth whittled away by a higher cost of living, and notably with the cost of core staples such as food, rents, energy, and petrol moving up. A left-leaning government has perhaps the most reason of all to help tame the inflationary beast.

Fiscal policy has been adding to inflation. What is not appreciated is that it is not just via spending. Most analysis focuses on the direct spending related aspects of the fiscal stance. On this basis, the fiscal stance is currently estimated (by Treasury) to be expansionary at around 2 percent of GDP. To get an appreciation of this, just try counting the number of orange roading cones you see in a day or the number of cranes in Wellington. The fiscal stance is estimated to be expansionary to the tune of 0.8 percent of GDP in 2008/09. This is less expansionary than in 2007/08, but in an economy that is essentially at full capacity, any additional stimulus above what has been factored in will add to inflation pressure.

However, the equivalent, if not bigger problem is the inflationary pressure coming from other areas.

- Government-related charges have been increasing at a faster rate than general inflation in recent years, adding directly to inflation. Government-related inflation has averaged 3.4 percent since 1996, and non-government inflation 2.0 percent.
- Hiring in the public sector has been accentuating the tightness of the labour market. Since 2000 there has been a 37 percent increase in the core Government workforce, as opposed to a 23 percent rise in non-core Government filled jobs. Wage growth in the public sector has generally outpaced that in the private sector.
- Regulatory creep and increasing compliance costs over the years have added to the cost of doing business, with some of these costs being passed on to the consumer. Examples include the new building code, which has increased consent issuance fees and the costs of building generally, and the increase in the minimum annual leave entitlement to four weeks.
- There has been a strong "recycling" effect as upward revisions to tax revenue have in turn resulted in more Government spending. While the net of the two is technically fiscally neutral (tax out of the economy, spending in), such recycling has helped keep the economic cycle in motion via a strong multiplier, and such effects are not captured in fiscal stance gauges.

Some credit still needs to go to the Minister of Finance. A surplus of 5.2 percent of GDP is massive, and highlights that there has been a fair degree of fiscal responsibility, via letting the automatic stabilisers work. Spend too little and you are frugal, hoarding surpluses and overtaxing. Spend too much, and you get criticised from other quarters. The job is not easy and is about balancing diverse objectives and making trade-offs.

Looking ahead, it is unlikely that there will be any let-up for the Reserve Bank. While the increased subsidies for health and early childhood education helped to suppress Q3 headline inflation (the CPI), the general direction for Government-related charges is up. Ongoing expansion of the public sector, which also includes pushing up commercial rents, is unlikely to ease any time soon. The fiscal coffers are awash with cash, Government employment continues to surge, it's election year, and regulation continues to expand. The Minister of Finance recently noted that the \$500 million additional tax revenue found in the financial statements provided scope for more spending without adding to aggregate demand. We, and the Reserve Bank disagree. It adds to the fiscal stance and aggregate demand via the recycling effect.

So what could be done?

- Channel a portion of pending tax cuts into the KiwiSaver fund to mitigate the potential for it to be spent.
- Signal clearly a phase-in period for any tax cuts to spread the impact.
- Target policies that have a greater focus on enhancing the supply side of the economy.
- Look at driving efficiency across the public sector via consolidation. Can anyone remember the great Quango hunt?
- Implement more stringent cost-benefit analysis of policy initiatives. We continue to back the establishment of an independent productivity commission to undertake such analysis. (We recommended this in a working paper on regulation which demonstrated negative flow-on effects from burgeoning regulation, and also to the Finance and Expenditure Select Committee as part of the inquiry into monetary policy).
- Greater focus on the composition of spending. While the international literature is indeterminate in terms of the relationship between spending and growth, the composition of spending does have an impact. We've noticed a disconcerting trend where what we term "back office" expenditure has been outstripping the front-line.
- Undertake a comprehensive audit of all Government charges and regulations that have led to higher direct or indirect inflation over recent years.

*This article was provided by the ANZ Banking Group. If you require further information relating to this topic please contact the MEA at [mea@mea.org.nz](mailto:mea@mea.org.nz) or 0800 353 2540.*

## Authority at Odds Over Increase in Annual Leave

The issue of how the 1 April 2007 increase in the minimum entitlement of annual leave to four weeks will impact upon existing contractual entitlements has vexed many employers. Two decisions of the Employment Relations Authority which determine the issue, seemingly with different results, further highlight the complexities of the issue.

Last year in ***New Zealand Tramways etc Union v Transportation Auckland Corporation Limited***, the Full Employment Court considered section 6(2) of the Holidays Act 2003 ('the Act') which states: "This Act does not prevent an employer from providing an employee with enhanced or additional entitlements... on a basis agreed with the employee". The Court considered the reference to 'enhanced' was to enhanced leave already in existence under the Act (such as annual leave) whereas 'additional' was a reference to an entitlement in addition to leave provided for under the Act (such as long service leave). In ***Tramways***, reference to a 'further weeks leave' in addition to 3 weeks annual leave was considered to entitle employees to 4 weeks annual leave rather than 4 weeks annual leave plus an additional weeks leave after 1 April 2007. In reaching this decision the Court had regard to the intention of the parties when entering the agreement and the factual background. The reference to the 1981 Act was found to indicate that the intention was to enhance the 3 weeks annual holiday specified in the 1981 Act rather than the 4 weeks in the 2003 Act.

In ***Lyttelton Engineering Limited v NZEPU CA 116/07*** the relevant parts of the clause in issue were as follows:

- "(a) Each ...employee shall, on completion of each year's continuous service, be entitled to three weeks' annual leave...
- (e) All ...employees, on completing six years continuous service with Lyttelton Engineering shall be entitled to an additional week of annual leave per year for the sixth and subsequent year." (emphasis added)

The Authority Member referred to the ***Tramways*** decision, and considered the word 'additional' at sub-clause (e) should be interpreted as it had been in ***Tramways***. On this basis the weeks leave in paragraph (e) was seen as additional to annual leave (rather than an enhancement of annual leave) and not counted towards satisfying the employees entitlement to 4 weeks annual leave. When considering the context in which the agreement was entered into, regard was had to whether the parties had considered the effect of the Holidays Act 2003 as compared with its predecessor legislation. As the parties had agreed to replace references to the Holidays Act 1981 with the Holidays Act 2003, it was considered there must have been an awareness of the impact of the change from 3 to 4 weeks annual leave. Accordingly those employees with qualifying service were entitled to 4 weeks annual leave and an additional week's leave.

In ***Porter v JohnsonDiversey New Zealand Limited AA292/07*** the annual leave clause of the individual agreement read:

*"Annual holidays shall be paid in accordance with the Holidays Act 1981 and its amendments.*

*Upon completion of each year of current continuous service with the Company you shall be entitled to 3 weeks paid holiday per year.*

*An additional five days annual leave per annum is granted after five years current continuous service"*

The Authority member referred to the ***Tramways*** decision, in particular its analysis of the annual leave provisions under the Holidays Act 2003 and comments regarding consideration of the intention of the parties at the time the agreement was entered into. In light of the clause referring to the Holidays Act 1981, the Authority held:

*"The plain meaning of the words of the [agreement] establish the entitlement to annual holidays for Ms Porter and her colleagues at either three weeks or four weeks depending on the length of service.... Those employees with five years service, and by way of the [agreement] entitled to four weeks annual holiday, meet the minimum standards as established by the 2003 Act and are not therefore entitled in terms of the 2003 Act to receive a fifth weeks holiday."*

Interestingly the clauses in both decisions refer to the leave at issue as 'annual leave' which is 'additional'. The ***Lyttelton Engineering*** decision focuses on the ***Tramways*** interpretation of 'additional' and 'enhanced' in section 6(2) of the Holidays Act 2003. In ***Porter***, the approach taken by the Authority is arguably more consistent with that ultimately taken by the Full Court in ***Tramways***, as the specific wording used in the clause was one aspect weighed against the intention of the parties at the time the agreement was entered into and the factual background. In both ***Porter*** and ***Tramways*** the 1981 legislation was referred to, indicating the parties intended to agree to leave of 3 weeks which could then be enhanced to comply with the entitlements under the Holidays Act 2003. We await with interest further decisions on similarly worded clauses to see which approach is preferred.

*This article was provided by McPhail Gibson & Zwart Ltd. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or 0800 353 2540.*



## MEA Upcoming Events

For further information or to register for these **Special Interest Sessions, Forums, or Workshops**, contact the MEA on phone: 0800 353 2540, email: [mea@mea.org.nz](mailto:mea@mea.org.nz), or visit our 'Training and Events' page on our website: [www.cma.org.nz](http://www.cma.org.nz).

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### **Dealing with Difficult People** Tuesday 20 November

**Forum**

We all come up against difficult people from time to time but who is really 'difficult'? What makes a person difficult? Can you define 'difficult'? What does a difficult person think about you? Actually, 'difficult' is a two-way street. Knowing how to consider another person's point of view is the key to being able to work together successfully. **Ron Dards**, managing director of *The Test Agency Ltd*, will demonstrate how to harness the power of 'difficult' people to solve problems.

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### **The Vault Safety Management System: Excellence in Safety as Standard – Using The Vault SMS** Tuesday 27 November

**Forum**

The Vault is leading edge software that puts you in control of health and safety in your business. Demonstrate compliance and secure rebates on your ACC levies using an industry proven system that is tailored to your business needs. **Paul Coleman** of *Platinum Safety Ltd* will present the Vault SMS using your live examples of hazard registers, accidents/incident investigations, contractor management processes, employee training and personnel data, KPIs and objectives, plant and vehicle registers.

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### **Breakfast Meeting with Labour MPs** Friday 30 November, 7.30am

**Special Interest**

The Manufacturers and Exporters Association is hosting a breakfast meeting with Ministers from the Labour Party. This session will see an update from the MP's on their new portfolios, as well, there will be a presentation by Hon. Lianne Dalziel on the Regulatory Review. Attending from the Labour Party will be Hon. Ruth Dyson, Hon. Lianne Dalziel, Hon. Clayton Cosgrove and Tim Barnett.

This is an opportunity for MEA members to meet and interact with politicians and present their views on current economic conditions and government policy. It also provides members with an opportunity to better understand the standpoint of the politician and the implications of policy, so that as a business owner, you can better position yourself to take advantage of the regulatory framework.

This meeting is "off the record" to encourage open and frank discussion. There will be no charge for MEA members to attend this event, please RSVP by Wednesday 28 November to Trudy Diggs, [trudydiggs@mea.org.nz](mailto:trudydiggs@mea.org.nz) or phone 0800 353 2540.

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### **Dr Alan Bollard - Governor of the Reserve Bank** Friday 25 January 2008, 2.45pm (for a 3pm start)

**Special Interest**

You are invited to an informal meeting with **Dr Alan Bollard, Governor of the Reserve Bank**. This annual event is your opportunity to share and exchange views with the Reserve Bank. This meeting is "off the record" to encourage open and frank discussion.

There will be no charge for MEA members to attend this event, please RSVP by Wednesday 23 January 2008 to Trudy Diggs, [trudydiggs@mea.org.nz](mailto:trudydiggs@mea.org.nz) or phone 0800 353 2540.

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### **Health and Safety Representative Courses 2008**

**Workshop**

We have negotiated to work in with the Council of Trades Unions (CTU) and gain access to their 'no-charge' courses for MEA members.

We will be offering Stages 1, 2 and 3 Health and Safety Representative Courses. If you are interested in partaking in any of these please let **Verity Register** know ([verityregister@mea.org.nz](mailto:verityregister@mea.org.nz), or phone 03 353 2543) by Friday 30 November 2007, stating numbers and which course, and we will then work to arrange these FREE to MEA Member courses for you and your staff in 2008. CTU information flyers are also available on request.

## Making it Happen for New Zealand

It is interesting to look at the innovation imperative and what it means for New Zealand in general, and businesses in particular.

The following is a quote drawn from a book called "Creating Wealth" by Lester Thurow, an MIT economist:

*"Successful companies must be willing to cannibalise themselves to save themselves. They must be willing to destroy the old while it is still successful if they wish to build the new before it is successful. If they won't destroy themselves, others will destroy them. Companies that have resisted change have gone out of business.*

*Only a handful anywhere have stood the test of time, but they have destroyed themselves to survive. The roots of the telecommunications giant Nokia go back to Finland's forestry industry in 1865....*

*Only General Electric survives from the original Dow Jones Industrial Average Stock Index published in 1896. Of those listed on the Capital S&P 500 in 1957, only 74, or fewer than 15% were there 40 years later. Significantly, GE is a reinvention specialist. But not every business is a GE.*

*More significantly, the pace of change has accelerated since the S & Poor's index of 90 big US companies was established in the 1920's. Back then, the turnover rate in the S&P 90 averages 1.5% a year and new members could expect to be there for 65 years. By 1998, turnover in the S&P 500 was almost 10% a year. Companies had an average life span of no more than 10 years..."*

Incredibly, the life expectancy of businesses in today's fast moving world has fallen to just ten years or less, and clearly, according to Thurow, being willing to change is the key to survival.

This brings us to the New Zealand of today and what is happening in the business world and the economy.

Two clear trends have emerged.

One is the unfortunate decline in the manufacturing sector and its proportion of GDP, and the other is the corresponding increase in the service sector and its proportion of GDP.

If one cares to look at some simple economics, by and large it is the industry sectors that actually produce commodity products or goods that are the real wealth creators. Indeed no commerce can really commence without first having some product to kick-start the process.

Consider a manufacturing enterprise with its high level marketing executives, sales people, accountants and administration executives.

As these people ply their very necessary trade and attempt to grow the business, it is only the human endeavour of the people who are actually making goods and actually creating tangible value that enables these businesses to survive in the competitive stratosphere.

Further, if executives and workers expect higher salaries and rewards, then they need to sell more goods and thus have the people on the shop floor produce even more to increase profit.

If we now look at the bulk of the services sector, the advertising industry, marketing consultants, freight and distribution companies, lawyers and accountants, media companies and even the telcos, we may well argue that these industries do not create value as such, but can only survive by working to facilitate more sales and profits *within the manufacturing sector* in which that they then can share. And as long as the people on the shop floor can keep turning out more added-value products, then there will be enough profit to go around; in simple terms everybody will then be happy.

But look at what has happened to manufacturing; wage pressures and a high exchange rate are driving manufacturing offshore to the low wage developing countries. Further, the demand created by our service industries, our clever marketers and advertising firms, is simply demanding that the factories in developing countries produce even more goods.

The clear result of this is that our balance of payments deficit grows ever larger with apparently no end in sight. But it is even worse than that, because we are even seeing the export of some of our service industries with the likes of call centres, software development and printing being outsourced to cheap overseas providers.

The question thus needs to be asked, how do we address this issue?

The cry from Government in New Zealand, and indeed other developed countries, is that in order to remain viable we must become smarter; to do what we do best by creating intellectual property that can, by virtue of monopoly protection, such as patents, allow us to have a stake in the value that such endeavour creates. New Zealanders "do excellent science and technology" and it is vital that we inspire and make it happen in this sector in order for us to prosper into the future.

This brings us to the question of what innovation actually is. A concept that has been so sadly misrepresented of late that it's very meaning and value has all but been lost.

For many, especially governments, the word is used as a descriptor for the entire process of commercialisation, often described as "from idea to market". Government initiatives to promote innovation are mostly aimed at enhancing outcome across the spectrum of these activities.

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## Continued: Making it Happen for New Zealand

Many consultants talk-up innovation and could well be accused of creating confusion. They talk about innovation being undertaken in an environment requiring the “alignment of people to the corporate goal”, and “implementing global top down strategies”, “involving 360 degree balanced score card reviews” and the like. Innovation has fallen foul of the buzz-word and snake oil purveyors.

How does innovation deliver real value, and how can innovation change the way people think and work? Do innovation methodologies deliver simple tools to people that they can use at work the very next day? Sadly, it does not in most cases.

The dictionary defines the word innovate as “change” and innovation as the “process of change”. Once people understand and embrace this simple definition, the rest is quite straightforward.

Of course we should all realise that innovation applies to everything we do, all products, services and process as well as perhaps even the way we lead our lives. The best definition of the word innovation would therefore be “**change that adds value**”. If we accept for a moment that this is a good definition, then the call to action for innovation would be any means by which we can stimulate change, for the better, or to add value.

Just to reinforce the point of the need for change, here is an interesting fact:

- The top 10% of electronics companies worldwide change 80% of their products every five years, such is their rate of innovation (have you ever seen the same model of SONY or Panasonic TV go five years unchanged?)

The message is clear, embrace innovation, drive change, or be ready to fall by the wayside.

If one wants to become truly innovative, in a systematic way, then all that is necessary is to gain an understanding of what value means for you and for your customer, then make changes to products that deliver better value. Indeed it does not have to be one of your own products that is changed; find a competitor’s product that is selling well and change it for the better.

Better still, go to some distant overseas market like the USA and find a product that is selling well in that market, bring it home and innovate it to add value and then return to that market with a better product.

However, whilst one may be inspired to innovate based on the simple process outlined above, how can we create incentives and structures for people and companies to have a go at the risky business of ideating and developing new products and technology?

The Government has programs that attempt (or is it allege?) to assist innovation and technology development.

We need to explore the most effective ways to fund such programs.

In New Zealand most, if not all, value creation incentives offered by Government are done on the basis of assisting a new offering to become successful. In other words, these schemes attempt to pick winners right from the early stage, and in the new product and technology business picking winners is fraught with risk, even for the experts. Further, the winners that gain Government support are too often picked on the basis of the quality of their story, as told by the technology entrepreneur in trying to convince the audience of bureaucrats that they are worthy of support. Who can blame them for telling a compelling story when survival is the issue?

One wonders how it would be if instead of trying to pick winners, there was some attempt by Government to reward success. This would be far less prone to investment risk on the Government’s part and would possibly provide an equal, if not greater incentive, for intellectual endeavour.

Recently, Singapore has introduced just such a scheme, and we all know that the Singaporean Government, unshackled by the overriding need to present policies that do not alienate too much of the electorate, often makes good long terms decisions. Further, the Singaporean Government also realises that their wage rates and small geographic size mandates that they have to work to build a truly clever country. Thus they are moving towards schemes that change behaviour and create incentives to pursue intellectual value.

Just recently in Singapore, a change to the taxation act means that newly established companies are untaxed on the first \$100,000 of profits for each of the first three years of operation. This is a great incentive; essentially it costs the Government nothing, and it removes the risk of trying to pick winners.

Surely it is time that the New Zealand Government started looking at similar schemes for start-ups, or maybe better still, a tax holiday on earnings from innovative products exported from New Zealand to a target country where a patent has already been granted for some new technology developed in New Zealand. If such a scheme was to be introduced it is likely that the focus of scientific endeavour may well switch to gaining patents of value in overseas countries and creating clever exports.

There are methods to stimulate innovation that actually work – that seems to be the easy bit. Is there the political will to make us more than exporters of primary products?

There is no doubt, New Zealand needs to become a clever(er) country; the question is how do we change behaviour to make it happen?

*This article was provided by Holliday Corporation Ltd. If you require further information relating to this topic please contact the MEA at [mea@mea.org.nz](mailto:mea@mea.org.nz) or 0800 353 2540.*

# MEAssist

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

**MEA's Associate Membership includes a wide range of specialists, consultants and service providers who can assist MEA Members with:**

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

MEA networks relationships and transactions between manufacturers FREE of charge.

Where the MEA stimulates a transaction with Associate Members a standard charge, or referral fee applies. This is invoiced to the Associate Member providing the service. These fees vary between Associates and reflect a wide variety of pricing models. The fee is constructed to be less than the usual marketing overhead recovery component of an Associate's pricing which enables a saving for Associates while using competitive market pricing which benefits all parties involved.



- Are you based outside of Christchurch, or not able to travel to Manca House?
- Want to meet with your customers or suppliers but worried about the cost of air travel?



**We have a solution!**

The MEA offers on-line meeting rooms - so you can web conference our forums and join in the on-line conversation without the travel, all from the comfort of your office. Members can also access this service to conduct conferences with suppliers and customers - worldwide.

Contact Trudy on 0800 353 2540 or email [trudydiggs@mea.org.nz](mailto:trudydiggs@mea.org.nz) to find out more.