

John Walley, CMA Chief Executive

March 2008

Are We Building Well?

In 1959, Mr A R Dellow, General Secretary of the New Zealand Manufacturers' Federation, delivered a speech to the Rotary Town and Country Forum, in which he described his vision for manufacturing in 2000. Tasked with looking 40 years ahead of his time, Dellow opened his speech with the words of Mark Twain, "A man who goes around with a prophesy gun ought never to get discouraged. If he will keep up his heart and fire at everything he sees, he is bound to hit something by and by". In other words, if you cover enough topics, then one of your forecasts will eventuate.

Dellow's address certainly covered a wide range of topics, and as he looked towards the turn of the century, he envisaged great things for manufacturing in New Zealand.

Having forecast that New Zealand's population would pass the four million mark, Dellow commented that "the diversity of skills and occupations must also grow and our industries must expand if some of these people are to have satisfying and useful jobs". He recognised that manufacturing, along with farming, was a key element to New Zealand's future standards of living and stated, "first and foremost our economic health and strength depend on production - production of goods and services - production for our own consumption - and production of goods for export to enable us to buy in return the goods we need and do make for ourselves".

Dellow's idea of the "factory of the future" was built on his belief that New Zealand's workshops would be massive enterprises, fully automated with the latest technology and consisting rows of machine "linked electronically to the central control room and a system of push buttons will guide their functions and operations".

For Dellow, these large factories would bring a "second industrial revolution" to New Zealand, along with a growing number of medium and smaller enterprises that, although not fully automated, would manufacture speciality and exclusive goods, serve the local community's demands for consumer goods such as televisions, and produce components for larger units.

In other words, these smaller companies would form the basis of the complex supply chains.

His speech stressed the importance of spending money on research, the need to utilise natural and man-made materials on the strength of cheap hydro electric power, and he observed that "events of today are already pointing to developments in the next 40 years". Dellow spoke of the need to build export markets and he believed that a strong local market for manufacturers would encourage further export growth rather than the other way around. He addressed the issue of trade protection policies and the need to keep pace with the increasing automation of factories overseas, although it is unlikely that in 1959, he considered the solution would entail our companies relocating production offshore.

Finally, Dellow spoke of the changes and advancements that he saw lying ahead. His view was that New Zealand would move away from the rigidity of the Monday to Friday working week and that factories would work around the clock delivering better buying and selling opportunities but greater productivity as well. Dellow believed that technology and science would continue to advance, and he concluded his speech by telling his audience that no matter which of his predictions came to be, the future was a challenge. "It is for us in 1959 to help create the right kind of climate so that existing industries will be attracted. Government and industry must work closely together so that industry can have confidence to look and plan ahead under a reasonably long term policy".

Dellow may have talked about prophets, and while this speech may not be one of exact prophecy, he picked some trends correctly. Dellow's hope was that in 2000, people would look back and remark that "they built well". I wonder, would Dellow and his contemporaries agree that what was built in the intervening period was 'well built' from the standpoint of productive meaningful employment within manufacturing, and in 50 years time, will New Zealanders look back and say that we built well?"

John Walley

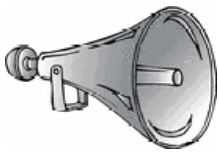
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If You Are Not Selling to Australia, it's Getting Worse

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during February 2008, shows total sales in January 2008 increased 8.55% (export sales increased by 12.9% with domestic sales increasing 2%) on January 2007.

The CMA survey sample this month covered NZ\$258m in annualised sales, with an export content of 62%. Net confidence increased to 8, up from the -10 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 101, up from the previous month's 97.5, the change index (capacity utilisation, staff levels, orders and inventories) is at 102, up on the previous month's result of 99, and the forecast index (investment, sales, profitability and staff) is at 105.75, up on the previous month's result of 104.2. Anything less than 100 indicates a contraction.

Constraints reported 8% production, 31% staff and markets 62%. Staff numbers for January increased by just over 2.9%.

"The feeling amongst respondents is that if you are not exporting to Australia at present, you are likely wondering why you are exporting at all. A good number of our respondents see Australia as a significant market, so with a stronger Australian dollar and maybe a set of input cost in US\$, it is not hard to see why sentiment has improved a bit", says Chief Executive John Walley. "There has also been a faster start to the year as the extra week of holiday period pushed more work into the New Year".

"Freight volumes are holding up although respondents report that costs are increasing, and there is still strength in construction and infrastructure projects in New Zealand. There is concern as to the brittleness of the domestic economy.

With the building sectors expected to cool, this will have an impact on some domestically focused manufacturers".

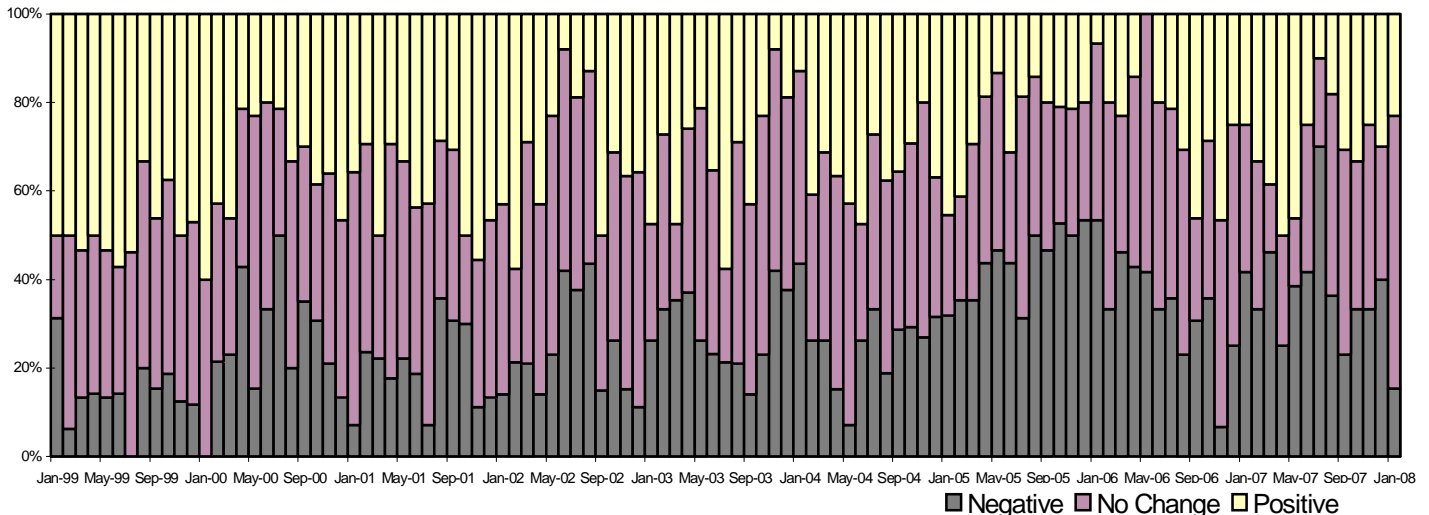
"On the export side, Australia is one of the most robust economies in the world right now and that presents opportunities for New Zealand companies that sell there. Export turnover increased in January. For those selling beyond Australia the pressure on margins and revenues continue to mount. It is worth noting that the survey was closed before the latest record breaking NZ\$ cross on the US\$ and we expect more New Zealand based manufacturers to downsize and move offshore".

"There is no denying that the problems within the US economy and world-wide credit fears are having an impact on New Zealand, and an increasing number of people are now recognising that the two economy problem cannot continue. New Zealand has the largest spread between the rate of inflation and interest rates in the OECD and as interest and exchange rates bite, the Government must provide some answers".

"A possible solution is a variable rate compulsory superannuation scheme, similar to the model used by Singapore that could replace or work alongside the OCR as a monetary policy tool. This is a solution that could benefit all of us, yet politicians refuse to reset policy frameworks to reduce the interest rate spread and provide assistance and support for the overall economy".

"One respondent to our survey pointed to Dr. Cullen's comments this week that relief for local exporters will have to wait until global investors regain confidence in the US economy. It is a sure sign that politicians are out of ideas or unwilling to show leadership when they claim nothing can be done, or it is someone else's fault".

Confidence



The End of the Youth Minimum Wage

As has been signaled for some time, the youth minimum wage has been scrapped. The original justification for allowing a lower rate was to make it easier to get young and unskilled individuals into employment, and to encourage employers to employ youths instead of adults.

As of 1 April 2008, there will no longer be a youth minimum wage. Instead, the adult minimum wage, currently \$11.35 per hour (rising to \$12.00 per hour on 1 April 2008) will apply to all employees aged 16 years and over. However, Parliament has still recognised the cost of training youths up to effectively carry out their jobs, and as such there will be a "new entrants" minimum wage rate of \$9.60 per hour before tax. Employees will be considered "new entrants" if they are 16 or 17 years old unless:

- they have completed 3 months or 200 hours of employment (whichever is shorter); OR
- they have been supervising or training other workers; OR
- they are subject to the minimum training wage, being those employees who are required to undergo training, instruction or examination for the purpose of becoming qualified for their occupation (NB. the training wage which remains unaffected at \$9.00 per hour, rising to \$9.60 per hour on 1 April 2008).

The three months or 200 hours of employment can be undertaken by more than one employer and can include time worked before 1 April 2008 as long as they are aged 16. Any employment undertaken prior to turning 16 does not count towards this calculation.

The effect of this new law is simple – it merely narrows the youth wage (now called "new entrant wage") to certain youths:

- Those under 16 years old.
- Those who are new to employment.
- Those who are in training (e.g. apprentices).

The law recognises those skilled youths who are in supervisory positions from a young age should be paid as skilled workers, and removes the irony that they could be paid less than those adults they are supervising.

Some have argued that the new legislation will do more harm to youths than good. With a belief that youth workers are naturally less skilled, some people believe that it will encourage employers to employ older, more skilled workers, for the same cost. Others argue that it will encourage youths to obtain work outside jobs requiring formal training as the adult wage is higher than the minimum training wage.

This article was provided by Brannigans Human Capital. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or phone 0800 353 2540.



MEA HR Advisory Services

Penny Shaw, Senior Consultant - Brannigans Human Capital: Penny has experience in the facilitation of a wide range of HR functions including employment relations, performance management, negotiating skills, recruitment and selection and human resource audits.

Sarah Bradshaw - McPhail Gibson & Zwart: Sarah is experienced in drafting employment agreements/contracts for service interpretation of all legislation relevant to employment issues, attendance at mediation, advocating in the Employment Relations Authority and the Employment Court and conducting of disciplinary meetings for employers.

Juanita Wilson - Next Step Solutions: Juanita offers a practical, common sense approach to HR challenges in the areas of manufacturing, retail, distribution, administration and professional environments, advice on HR, health and safety process and systems, recruitment and selection, skill assessments, performance review systems, training and development and change management.

For any human resource/employment questions please contact:

MEA HR Advisory Services on our website: www.cma.org.nz, or phone: 0800 353 2540, or email: meassist@mea.org.nz.

Tightening Up Your Terms and Conditions of Trade

Terms and conditions of trade are an essential feature of any supply arrangement. To ensure that you are getting the most from your terms and conditions, it is important to review them regularly and confirm that they address the issues most likely to arise in your supply context. We set out some of the most important elements of effective terms and conditions of trade below.

Generally speaking, terms and conditions should clearly outline each party's rights and obligations under the contract of supply, and resolve any ambiguities that may otherwise generate uncertainty. (Invariably, uncertainty results in non-payment!). Key aspects of most supply agreements include the procedure for placing orders, delivery of the goods, the nature and extent of any warranties and limitations of liability, and when ownership and risk in the goods will pass to the customer.

Terms and conditions are also an ideal place to clarify a number of practical matters, such as those surrounding the price of the goods to be supplied and how payment is to be made. In addition to the agreed price of the goods, payment-related issues to consider include responsibility for GST and other taxes or duties, whether and when any deposit is payable, whether the price is subject to change and how this change will be determined, when payments should be made (i.e. upon placing the order, on an instalment basis or upon delivery), and interests and costs on overdue accounts.

Where your terms and conditions defer payment, it is important to state that the contract for supply creates a security interest in the goods for the purposes of the Personal Property Securities Act 1999, and to obtain the customer's agreement to this in writing. To maximise the benefit of your security interest, it is essential that you comply with the provisions of the Act, including registering a financing statement over the goods on the Personal Property Securities Register as soon as possible. Where payment is deferred, it is also worthwhile to specify in your terms and conditions that the customer shall not be entitled to withhold any payment for the purposes of any set-off or counter-claim.

If your terms and conditions set out a right to repossess goods, it is also necessary to ensure that they confer a right to enter onto premises occupied by the customer for this purpose. In the past, the Hire Purchase Act 1971 provided for a right of entry onto premises for the purposes of repossession.

This Act has since been superseded, however, by the Credit (Repossession) Act 1997, which applies when a creditor has a right to take possession of consumer goods, but does not confer a right to repossess, or a right to enter premises for the purposes of repossession.

Terms and conditions should be tailored to your business and to the particular trading situation, but also be drafted broadly enough to govern a wide variety of potential issues. General factors which you should consider include the circumstances in which you are entitled to refuse or cancel orders, which country's laws will apply if orders are accepted from overseas, what will constitute a default for the purposes of the contract and the effect of any such default, and to what extent optional statutory and/or implied warranties and conditions are excluded from or incorporated into your supply agreement.

Finally, it is important to be aware that to form part of a contract for supply, terms and conditions must be brought to a customer's attention prior to reaching a formal agreement. It is advisable to have the customer sign a declaration stating that he or she has read and agrees to be bound by the terms and conditions, and to retain a copy of this declaration for your records. This will go a long way towards ensuring that no question later arises as to whether or not your terms and conditions apply to a particular transaction.

This article was provided by Lane Neave. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or phone 0800 353 2540.



Did You Know...?

MANUFACTURERS AND EXPORTERS ASSOCIATION

Support

The MEA offers support from **our HR Advisors**, other members, MEAssist, our 90 day Service Calls and our qualified list of Associate Members.

Export support documentation, eg, Certificates of Origin. Business improvement planning via MEA's business diagnostic tool 'Mmeasure' or a "**Solutions for Progress**" session.



Strategic Thinking

Strategy must be one of the most fascinating topics in business. Senior executives spend many hours, days, weeks and even months developing strategic plans, master plans and blueprints for the future. They are defining the basis of business competition.

Strategy has its origins in the military where the generals would manoeuvre the troops and armaments into position before the battle commenced, hoping to out-position the enemy and secure a victory in the ensuing battle. A quick review of synonyms for *manoeuvre* suggests the following verbs - contrive, plot, scheme, plan, and the following nouns - plan, trick, plot, scheme, tactic, move, exercise, movement and operation.

In a military sense, the starting point is to ensure you have the right resources ready for action at the right places with the overall objective of winning the battle, and eventually, the war. Military strategy is a means to a political end.

Strategy is a plan, a consciously intended course of action, or a guideline to approach a business situation. This assumes that strategies are made in advance and that they are developed consciously and purposefully. Plans define an intended strategy.

However, defining strategy as a plan is not sufficient; it also needs a definition that encompasses the resulting behaviour: Strategic planning impedes strategic thinking and strategic planning has failed because it is not the same as strategic thinking.

Strategic planning uses analysis by breaking a goal down into steps, designing how those steps would be implemented, and articulating the anticipated consequences of each step.

Strategic thinking uses synthesis by using intuition and creativity to form an integrated perspective, or a vision, of where the organisation should be heading.

The outcome of strategic thinking is an integrated perspective, a not-too-precisely articulated vision of direction that must be free to appear at any time and at any place in the organisation.

To kick-start strategic thinking we can ask some basic questions such as:

- What is your business?
- What are you trying to accomplish?
- What makes you different?
- How do you define and measure success?
- How do you ensure that you are successful?

Too often business managers take the answers to these questions for granted. They assume they are going to be successful but they have not articulated what that means, or how they are going to get there, or what they will do if and when they do get there.

Manufacturing excellence focuses on the production and delivery of products and services with an objective of leading the industry in terms of price and convenience. This implies world-class marketing, manufacturing and distribution processes.

Customer intimacy concentrates on designing and modifying products and services to satisfy a narrow definition of the customer, with the objective of long-term customer loyalty and long-term customer profitability. This suggests processes that stay close to the customer and build long-term relationships.

Product leadership produces a continuous stream of state-of-the-art products and services with the objective of quick commercialisation of new concepts and ideas. This requires research and development activities that are market-focused and agile.

Manufacturing strategy involves strategic thinking, manufacturing excellence, customer intimacy and product leadership all working together with a common goal and common purpose.

This article was provided by Gardiner Consulting Group and some content is based on "Operations Management for Business Excellence" published by Pearson Education in August 2006. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or phone 0800 353 2540.

Difficult? Me?

Difficult me?

Have you ever had that reaction when you tried to get someone to see things your way? It is unfortunate but true that very often the most valuable and creative individuals in an organisation are often the hardest to get on with.

We have all had the experience of the top sales person who refuses to comply with administrative orders, who ignores reporting procedures or can't be bothered to fill in expense sheets and just as you are about to come down on them from a great height, they bring in a record breaking order. Then there is the surly, taciturn engineer, whose idea of communication is a muffled grunt, but who can make any machine sing like a choir of angels. People like this are often so very important to the success of an organisation, yet they are also nothing but irritation to those who have to manage them.

Then there are the clients or customers who buy very well and are consequently very important for their revenue, but who are troublesome to deal with. They argue over accounts, often for very trivial reasons, or they constantly seek concessions, discounts or extended terms, or they demand instant attention at inconvenient times.

Really, whether you are buying or selling or managing or supervising, from time to time you are going to come up against people who you will class as "difficult", people who you find hard to cope with for whatever reason. When this happens, you can find it very time consuming and frustrating to get these people to cooperate with you and see things your way.

While you are asking yourself how you are going to deal with Mr Difficult this time, perhaps you should consider a slightly different question "who, where and what is the REAL difficulty?" Did you ever stop to think out exactly what is going on when it gets difficult? Sometimes a detached impersonal and analytical assessment of a situation can bring an astonishing flash of enlightenment - it might even show you that "difficult" can be a facet of what you do also!

This article was provided by The Test Agency Ltd. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or phone 0800 353 2540.



Workshops/Programmes

Workshops are open to all members of your staff and to members and non-members of the MEA. For more information or to register on-line, visit www.mea.org.nz and select Events.

<u>Date</u>	<u>Workshop/Programme</u>
Wednesday 26 March	Geothermal Power Workshop - Auckland (HERA)
Thursday 10 April	Reducing Inventory and Improving Delivery Performance (Half day workshop, Christchurch)
Monday 28 April	Production the TOC Way Workshop (Two full days in Auckland) Dates are: 28 & 29 April
Thursday 1 May	It's all About Winning! (Half day workshop, Christchurch)
Starting 5 May	Certified in Production and Inventory Management - Basics of Supply Chain Management (Five half days) Dates are: 5, 19, 26 May, 9, 23 June
Starting 7 May	Certified in Production and Inventory Management - Execution and Control of Operations (Five half days) Dates are: 7, 21 May, 4, 18 June, 2 July
Starting 8 May	Certified in Production and Inventory Management - Strategic Management of Resources (Five half days) Dates are: 8, 22 May, 5, 19 June, 3 July



Global Office PABX

For many of us in the world of commercial commerce today, the very idea of thinking or being “global” may seem pretentious, or even overwhelming. For some, doing business “overseas” would be a more grounded way of expressing our import and export endeavors; and for others, the term “international” business would be a satisfactory description of trading across national borders. With the internet’s world wide web now the norm, or even the place for the omnipresent international display and transacting of our goods and services, global commerce has certainly come of age. Now that we are here, how do we best adapt our existing corporate and client telecommunications systems to meet this seeming overwhelming global challenge?

Global is big for sure; however, conquering this global giant of business telecommunications with some good old fashioned (or in this case, new fashioned) ingenuity is as simple as picking up your phone. Provided your phone is connected to a seamless global telecom system, consisting of an international network of interconnecting gateways and servers that utilise the internet in conjunction with every local telecom service in the world; your “Global” Office PABX is not only a reality, but can actually be configured to provide affordable tailored solutions to your specific telecommunications requirements.

There was a time when PABX referred to hardware installed at your business premises that routed incoming calls from a central reception to branch, or multiple lines within your office location; in essence a “Private Automated Branch eXchange”. How has this local PABX technology become global? By converting the old PABX hardware technology into a software program that is placed on a global telecom hosted network server. The same call routing result is possible with the exception that your PABX can be accessed by a local call from most cities in more than 50 countries to company extensions that may also be located anywhere on the planet. From anywhere to anywhere...Voila! Global Office PABX!

The availability of Global Office PABX technology is here, and now with guaranteed commercial telecom voice quality and system service. With the remote hosted server option, there is no PABX hardware to purchase and the set up cost is minimal; with telephone handset expense dependent upon whether you wish to forward your calls and extensions to your existing telecom phones or to network telephone handsets (netphones). Your Global PABX system is billed monthly starting at about US \$100 per month, depending on the programmed configuration and the number of extensions required.

The cost of local and international/long distant calls ranges from free for all intra-office locations and customer incoming calls, to discounted toll charges with up to 90% savings against regular telecom rates for calls landed on any standard telecom number, including mobiles.

Global Office PABX comes equipped with a rich choice of features such as automated attendant, caller ID, toll free international call forwarding, call waiting, conference calling, call queuing, cell phone roaming, international phone numbers, free inter-branch extension calls, and easy web management access. Additional phone numbers and telephone lines can be added to the system any time at minimal cost; and should you decide to relocate your office, the system and your phone numbers can remain unchanged at your discretion.

If you are an export/import company; doing business overseas or simply contemplating expanding your existing business into global markets, contact your local global telecom service and discover the telecommunications advantages that a Global Office PABX can provide.

This article was provided by Combined Technology NZ Limited. If you require further information relating to this topic please contact the MEA at mea@mea.org.nz or phone 0800 353 2540.

FREE - METAL INDUSTRY GUIDELINES FOR SAFE WORK

Don't forget that you can still order your free Metal Industry Guidelines for Safe Work.

These guidelines have been developed by a number of stakeholders who have joined together to form a 'Metal Manufacturing Safer Industry Group'. The guidelines highlight a comprehensive range of hazards typical to the industry, and how to address them. The emphasis is on providing employers, supervisors and workers with practical information that can be used in everyday work practices to improve safety, reduce occupational illness and bring injury rates down.

The guidelines are available FREE of charge and if you wish to request a copy simply email your details to metal@acc.co.nz.

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