



## Export Growth the Key to Credit Rating

By John Walley

News that Standard and Poor's has put New Zealand's AA+ credit rating on a negative outlook has delivered a timely reminder that our current economic path is not sustainable. We have a policy framework that has caused New Zealand to have some of the highest interest rates in the world, attracting foreign capital. These high interest rates and tax distortions encourage consumption fuelled by asset backed borrowing. This has the effect of overvaluing the NZ Dollar and ruining returns to exporters. While these conditions remain we cannot expect a different result than the one we have seen for the past decade or two of ever increasing foreign debt.

John Whitehead, Secretary of the Treasury, has also presented a worrying speech on New Zealand's debt position.

Whitehead pointed out that while private debt levels are similar to countries like Greece and Ireland (who have had to be bailed out by the European Union and the International Monetary Fund), New Zealand's lower Government debt provides a point of difference. However, the longer the Government seeks to carry the economy through the recession the more this point of difference will fade.

With successive Governments continuing to incentivise asset backed borrowing through the tax system it is little surprise that the debt problem is expanding.

The impact of the tax system is most evident in firms' financials. Andrew Gawith from Gareth Morgan Investments wrote an article pointing to New Zealand's 'sub-prime' sector for the Herald:

# ConnectME

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*“Capital returns seem likely to remain the mainstay of total earnings for farming but the industry is vulnerable to falls in land prices (which is happening now).”*

*A combination of falling farm equity and pitifully low income returns quickly make farming an unattractive banking proposition. More focus by banks on ensuring income returns at least match the cost of capital would help shift the balance between income and capital returns as farmers would find it more difficult to get funding for over-priced farms.*

*That in turn might create a more robust and vibrant farming sector.*

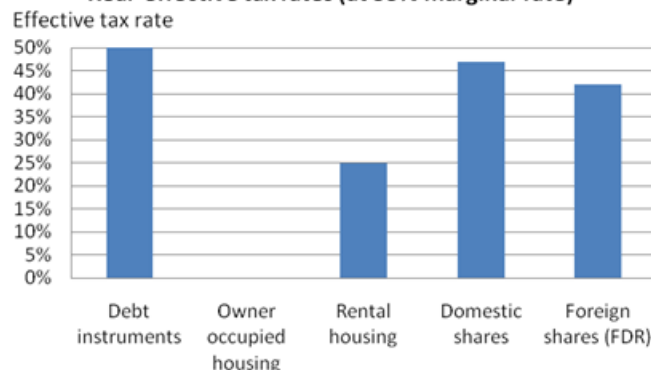
*Farming may not be as commercially inept as it first seems, but it is speculative. The financial benefits are almost entirely dependent on capital gains (rising land prices); income is puny and unreliable.”*

<http://www.interest.co.nz/rural-news/andrew-gawith-explains-why-farm-finances-dont-add>

*Asset bubbles are no substitute for cash flow; economies based on capital gains cannot be sustainable, so it is vital that the Government reforms tax laws to put profits and productivity at the forefront. An asset tax is needed to end the tax advantaged status of property. If advantages are necessary, target them at innovation, productive investment and high value exports.*

### Tax settings affect saving and investment....

Real effective tax rates (at 33% marginal rate)



## Sales Growth Starts to Stall

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during November 2010, shows total sales in October 2010 increased 3% (export sales decreased by 4% with domestic sales increasing 7%) on October 2009.

The NZMEA survey sample this month covered NZ\$522m in annualised sales, with an export content of 29%.

Net confidence rose to 0, up from the -11 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 102.5, up from 99.5 in September, the change index (capacity utilisation, staff levels, orders and inventories) was steady at 100, and the forecast index (investment, sales, profitability and staff) is at 107, up on September's result of 103.5. Anything less than 100 indicates a contraction.

Constraints reported were 80% markets and 10% skilled staff and 10% capital. Staff numbers for October decreased year on year by 1%.

"Sales growth stalled in October as the rise in the New Zealand dollar hit the tradeable sector," says NZMEA Chief Executive John Walley. "Low margins due to the currency pressure and worries that the world economy is showing few signs of a sustained recovery are the main concerns expressed by our respondents."

"The currency lottery remains the overriding issue for manufacturers and exporters. Even firms who are able to cope with the currency at these elevated levels are concerned because there is simply no good reason for the currency to be where it is today, so it might be anywhere tomorrow – returns from export efforts have become completely unpredictable."

"Add market uncertainty to an unpredictable and overvalued currency and investment in capacity expansion and associated job growth are a long way off."

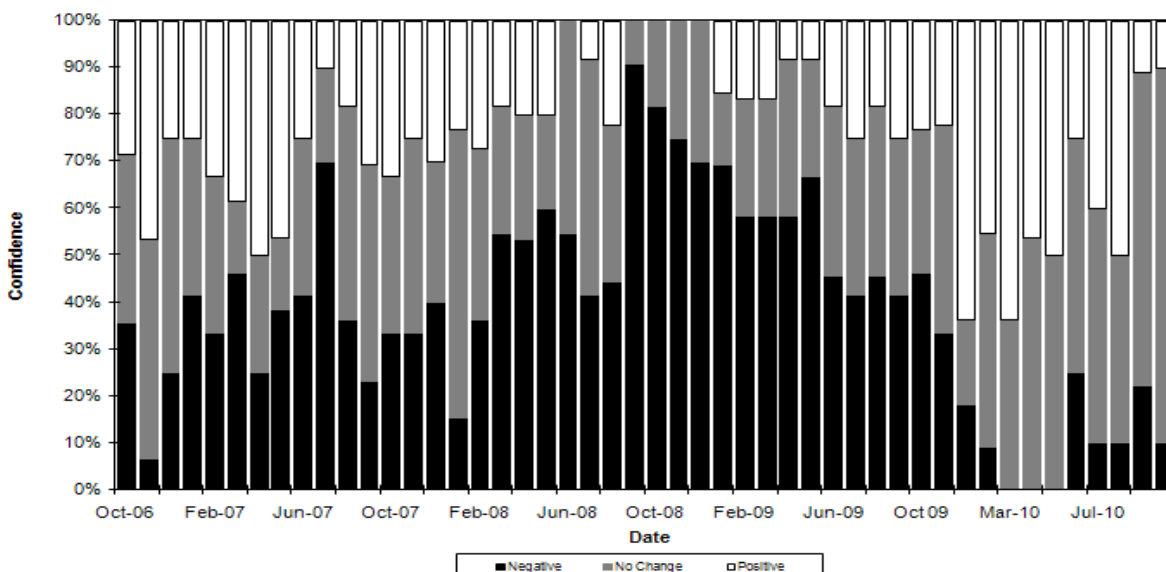
"Our members find it impossible to reconcile the statements from the Government and its officials that our economy needs to rebalance with their inaction on the currency problem. The policy loose end that is the exchange rate requires management not indifference. The high value-add exporters get hit hardest by currency fluctuations, yet these are exactly the businesses that New Zealand needs to create a high wage economy."

"The concerns expressed by Standard and Poor's and the Treasury about New Zealand's debt position make policy changes all the more urgent. As Treasury Secretary John Whitehead mentioned, the only factor separating New Zealand from countries requiring bailouts such as Ireland and Greece is relatively low levels of Government debt, but the longer the Government has to stimulate the economy in the absence of private sector investment the worse the public debt situation becomes."

"We need to see measures to lower the uncertainty faced by the tradeable sector. Only growth in the tradeable sector will get us out of this slump; that means managing the exchange rate, saving more and taxing assets and income equally."

*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



## Coordinating Large Patent Portfolios – Single Family (Part III)

A lack of coordination in a patent portfolio can lead to massive cost blow-outs, inconsistency between patents, validity concerns and fragmented protection. The converse however, not only avoids the above problems, but also can lead to a tight package that can be readily worked, licensed or sold.

As an IP owner, you need to ensure that your investment in large portfolios is focused appropriately. It may be helpful for you to compare your IP attorneys practices against these commonsense guidelines.

### **Validity, Scope and Litigation.**

When we are investigating the strength of a patent in a particular jurisdiction, we often look at the scope of the claims granted in other countries to give us a guideline as to validity.

For example, a New Zealand patent claim may be broader than that granted in countries where examiners have inventiveness as a consideration. This can be a clue as to validity of the New Zealand patent (or an indicator that amendment is required). However, if the patentee was aware that claims elsewhere had to be narrowed as a consequence of relevant prior art, then the option to amend a New Zealand patent may not be available to them and a patent could be invalidated.

Conversely, you may wish to litigate in a number of countries. If your patent portfolio has claims covering different subject matter in each country, then the coordination of a litigation process can be difficult. For example, the competitor may infringe in some countries but not others, although performing the same “infringing acts”.

These are good reasons for having a coordinated patent portfolio.

### **Assignments**

Ideally all assignments for a particular portfolio should be finalised at or before the Patent Cooperation Treaty (PCT) stage. This way, individual assignments do not have to be recorded in each country thereby multiplying costs unnecessarily.

If the need for an assignment occurs after National Phase filings, then work with your attorney to address the most cost effective time for recording that assignment. For example, it may be worthwhile to record an assignment once you know that an application is about to proceed to grant.

### **Annuities/Renewals**

One of the scary things about a large patent portfolio is that annuities and renewals for a number of countries often have to be paid on the same day.

Again, these need to be budgeted for, plus you need to determine whether it is worthwhile continuing with patent protection in each particular country.

Your attorney should have knowledge of what extensions of time are available for paying renewals, likely costs for doing so and any implications of late payment. Further, for European applications you can decide in which countries to pay renewals - or not. Therefore you should never choose to blanket renew a European patent or application, but to review it on a country by country basis.

### **Conclusion**

This series has covered just a handful of techniques to be used in coordinating a large patent portfolio. Hopefully these are evident in your interactions with your IP attorney as a way to ensure that your investment is cost effective.

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

## Chinese Banquet Etiquette

Doing deals in China involves more than simply convincing a customer to accept the best deal you can pitch. Building a relationship (guanxi) is a very important part of business life, critical to winning any deal.

Any relationship requires time to develop and needs to be based on good faith. The Chinese are just as much concerned about your good faith, as you are about theirs. They want to make sure you are compatible with them on a personal level. Be honest about who you are – never try to fool them that you are someone you are not. You will be found out.

What better way of testing if a good relationship is possible between two parties than over food – at a traditional Chinese banquet?

The banquet is a way of bestowing respect on a visiting business partner, and you should accept the invitation.

- Bring plenty of business cards. There will be people attending you have not yet met – probably the real decision makers. Present your card with humility and respect, with both hands. Give and receive with “ni hao” and “xie xie”.
- There will be drinking. Remember the banquet is test of your character and not primarily a test of who can drink the most. Actually, you don't need to drink at all – a face saving lie such as “I am sorry, but I am on medication” is an acceptable way out. If you do drink, don't drink alone. Make eye contact with someone else and drink with them. Most importantly, make sure you maintain your good humour and self-control throughout the banquet.

Draining your glass in one go (ganbei) is great for showing your host you are a serious contender and a good person. Just make sure you can deal with the inevitable consequences of that challenge.

- During the banquet there will be many courses of shared dishes from which each guest will serve themselves. Try a little from each dish. Not sure what to do? Ask your host what to do. Talk about the food – it's great way of showing interest in your host's culture. Keep an eye on how everyone else takes the food. For example, at some banquets you will serve yourself with the chop sticks you eat with, and at others there will be separate serving chop sticks, for hygiene reasons.

There are many rules of etiquette you can study preparing for a banquet. Paying attention to these is a fine way of showing respect to your host and prospective business partner. But do not worry too much about these. The main point of the banquet is to get to know each other, find out if you are both personally compatible for business. Talk about your family, your lifestyle, and learn about your host's too. Maintain a relaxed, easy manner, keep smiling good-humouredly and have a good time. And of course, be yourself.

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



## Workplace Exposure Standard Soft Wood Dust – Final Decision

The Department of Labour advises that final decision has been made to the Workplace Exposure Standard for softwood dust.

### Decision on the WES

The WES for softwood dust has been lowered.

The **previous** WES for softwood dust was:

- 5mg/m<sup>3</sup> TWA (Time Weighted Average)

The **new** WES for softwood dust (effective from December 2010) is:

- 2mg/m<sup>3</sup> TWA for both eight-hour and 12 hour shifts.

The previous short term exposure limit (STEL) of 10mg/m<sup>3</sup> is withdrawn.

The new WES will be implemented over a two-year period, commencing 13<sup>th</sup> December 2010. This means that employers have two years to make any changes necessary to meet the new WES.

Although it is usual to have a more stringent 12-hour TWA to allow for the greater period of exposure and shorter recovery time, the Committee felt that achieving a lower 12-hour TWA within two years would not give industry enough time to implement controls needed to reduce exposure. new WES.

## No More “LA” for LAQCs

Say it how it is. I am a great believer in naming something as it is, like One Tree Hill, White Cliffs of Dover, Loss Attributing Qualifying Companies (LAQCs).....From 1 April 2011 LAQCs will be misnamed as they won't be able to do what their title promises. Although, having said that sadly there is no tree on One Tree Hill either.

LAQCs have historically been a useful entity for SME businesses; primarily due to the ability to pass through tax losses to shareholders from an income tax perspective and access capital gains tax efficiently, while still providing the limited liability shelter of a corporate structure.

More recently, LAQCs have been viewed by the Inland Revenue as being increasingly used as a tax planning tool, especially as the gap between personal tax rates and company tax rates increased. When losses pass through to shareholders they are often used to offset against personal income at a rate of 38%. However, conversely, as profits are earned, these remain taxed in the company at a rate of 30%. Clearly, the mismatch between the rate at which a loss is utilised versus the rate at which profit is taxed allows for an arbitrage opportunity to be taken advantage of.

Finance Minister, Bill English, during his May 2010 budget speech, signaled the end of this treatment and, following lengthy discussion and compromise, new draft legislation has been introduced. In essence, from 1 April 2011 losses incurred by LAQCs will not be able to be passed through to the shareholders. Instead, the losses will be carried forward by the company and, subject to shareholder continuity thresholds being met, will be able to be offset against future profits.

However, you do have a number of choices (and it has now been signalled that the new rules will allow changes to be made to the business structure without triggering the usual tax consequences, provided valid elections are made within the first six months of the first income year after 1 April 2011):

- Default into doing nothing (my wife would expect me to take this course of action), i.e. continue along as a qualifying company without the ability to offset losses;
- Revoke status as a LAQC and be taxed as an ordinary company;
- Elect to restructure into another business structure, such as a limited partnership or sole trader; and
- Finally, the new rules introduce a new hybrid entity for tax purpose – drum roll – the “Look Through Company” (LTC), which you could elect to transition into.

The LTC has flow-through attributes for tax purposes, in that losses and profits alike are taxed in the shareholder's hands (in accordance with their percentage shareholding) and not the company's. Although losses pass through to shareholders, special loss utilisation (limitation) rules will be introduced. Under these rules a shareholder will only be able to use the losses against other income to the extent they reflect their economic loss, i.e. if you haven't got “skin in the game”, you won't be able to use the loss to offset against other income. Similar rules are currently in operation for limited partnership structures.

Changes to rules generally mean more compliance complexity and uncertainty in the short term.

One size does not fit all and the devil is always in the detail - it makes sense to review your position and future needs together with the alternative structures that are available prior to making any decisions.

*This article was provided by KPMG. 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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## Special Interest Sessions 2011

Special Interest Sessions 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).

### Dr Alan Bollard, Governor of the Reserve Bank.

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.

#### Christchurch

Date: Friday 28 January 2011.

RSVP: By Friday 21 January 2011.

Time: 2.45pm - 6.00pm.

Cost: No charge.

#### Auckland

Date: Wednesday 16 February 2011.

RSVP: By Wednesday 9 February 2011.

Time: 2.45pm - 6.00pm.

Cost: No charge.

This meeting is "off the record" to encourage open and frank discussion.

## Forums

Forum start times vary but generally sessions run for 90 minutes. Forums are open to all members of your staff, and to both 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).

### Credit Management Health Check

**Thursday 3 March, 4:00pm, Auckland**

If your business has survived the difficult last twelve to eighteen months, you may need to have your credit structure and credit systems finely honed. This presentation will be thought provoking and practical.

#### This Forum will give an overview on the following:

- Checking on your credit management process.
- Understanding how important it is to have your business protected with strong Terms of Trade.
- Robust collection processes.

**Who should attend?** Business owners, finance managers and accounts receivable staff.

**Facilitator:** **Dave Wilson**, national Manager with EC Credit Control, has worked in the credit management industry for ten years after spending ten years in a Credit Manager's position within the finance industry.

## Monthly Survey of Business Conditions

The like to thank it's members that submit their Business Survey every month. The Association's survey is the only survey that we are aware of in New Zealand that compares actual sales performance current month against the same month last year and contrasts that with a current measurement of confidence. As such the NZMEA's survey has unique value when compared to the other "opinion and feeling" surveys conducted by other organisations. Without the open support of our members the NZMEA survey would not be possible.



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## 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).

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### **Certified in Production & Inventory Management (CPIM): Basics of Supply Chain Management** **Starts Tuesday 15 February, Christchurch, 5 half days**

This module is often taken on its own by employees of all functions. All employees, regardless of job title, can benefit from this course and gain a better understanding of manufacturing business processes.

You will explore the basic concepts in managing the flow of materials in a supply chain. In this programme, you get a complete overview of material flow from internal and external suppliers to and from your organisation.

#### **Topics Include:**

- Elements of the supply chain.
- Just-in-Time (JIT).
- Total Quality Management (TQM).
- Manufacturing Resources Planning (MRP II).
- Demand planning.
- Capacity management.

#### **Who should attend:**

- Supply chain professionals wanting to complete their CPIM qualification.
- Master Planners and Schedulers.
- Operations Managers.
- Sales and Marketing Managers, because of the depth on demand planning.
- Demand Managers.

#### **Registration Closes Tuesday 8 February.**

For further details on this programme and to register online visit [www.mea.org.nz](http://www.mea.org.nz) and go to Events/Training.

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### **Certified in Production & Inventory Management (CPIM): Detailed Scheduling and Planning** **Starts Wednesday 16 February, Christchurch, 5 half days**

This module focuses on the various techniques for material and capacity scheduling. You will Study detailed descriptions of Material Requirement Planning (MRP), Capacity Requirement Planning (CRP), inventory management practices, and procurement and supplier planning.

#### **Topics Include:**

- Recognising techniques and practices of inventory management.
- Mechanics of the detailed material planning process.
- Planning operations to support the priority plan.
- Planning procurement and external sources of supply.

#### **Who should attend:**

- Supply chain professionals wanting to continue their CPIM studies.
- Master Planners and Schedulers.
- Operations Managers.
- Sales and Marketing Managers (because of the depth on demand planning).

#### **Registration Closes Wednesday 9 February.**

For further details on this programme and to register online visit [www.mea.org.nz](http://www.mea.org.nz) and go to Events/Training.



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## Business Interruption Insurance (101)

A major discussion point with our recent earthquake. So here is a '101' on the basics to hopefully clarify/demystify this important insurance subject. I will cover the subject more in depth in subsequent articles (sessions).

You insure your buildings/plant/stock against its own destruction (Material Damage insurance or MD). What can occur as a result of this damage is a trading or turnover loss (or reduction).

Business Interruption insurance (BI), also known as Consequential Loss and Loss of Profits indemnifies (i.e. puts back in the same position as prior to the loss) the business operation for this loss or reduction in turnover.

BI insurance requires therefore either/or:

- a. Income reduction.
- b. Increased costs.

Where *neither* of these occur, BI does *not* respond.

A BI policy will have all or some of the following elements:

- a. Gross Profit (or rentals or revenue)(GP).
- b. Additional Increased Cost of Working (AICOW).
- c. Wages (separately if not part of gross profits).
- d. Claims preparation fees.

Your *Gross Profit* (rentals/revenue) once determined correctly is the maximum amount payable by the insurer. GP by your historical trading will have a proportionate relationship to your turnover, i.e. "Rate of Gross Profit" e.g. Turnover \$1,000,000: GP \$300,000 rate of Gross Profits equals 30%)

So in simplistic terms, in the event of a claim the 'Reduction in Turnover' as a consequence of the insured damage is applied to the Rate of Gross Profit, e.g. Reduction in Turnover equals \$200,000.

$\$200,000 \times 30\% = \$60,000$  gross\* insurance claim

I state the *gross = claim* as their may be deductions from this for any 'savings' that have occurred as a result of the premises being damaged, i.e. purchases, power, freight.

AICOW are paid by insurers for those costs incurred to assist or improve production and sales post damage (thereby reducing *Reduction in Turnover* claim).

Wages may be insured separately or as a part of GP. Separation allows the flexibility of a reduced Sum Insured (thereby premium) and takes into account (and assumption) that full wages at the time of a loss will not have to be paid throughout the entire claimable time (Indemnity Period) e.g. 100% of the first few weeks may be payable, after that a reduced percentage of the total wage bill might be covered, thus lower Sum Insured (lower premium).

*Claims Preparation Costs* are in the main for external accountants or professional consultants (will include reasonable costs incurred by your own staff) costs to assist in the preparation of a claim.

"Indemnity Period" - you select this. Starts with the 'damage' and continues until the results of the business are no longer affected.

BI is the single most under insured or inaccurately insured class of business in insurance, bought about by complacency and lack of knowledge.

Setting the correct Sum Insured and Indemnity Period is vital.

### Insurable Gross Profit

There are many templates available that help to determine insurable Gross Profit, by starting with turnover, accounting for opening and closing stocks, then deducting uninsured expenses, i.e. expenses that vary proportionately with the reduction in turnover, e.g. purchases, freight. Then this GP figure depending on the indemnity period (if over 12 months) is multiplied by the same percentage as is represented by the indemnity period, e.g. 18 months 1.5 x the GP figure)

This resulting figure is adjusted for the future trends in the business e.g. anticipated trend in coming insurance / indemnity period is, say, 10%, so this is added to the GP figure.

### Wages

Either left in the GP as fully insured, or accounted for separately by qualification or dual wage basis.

### Additional Costs

Minimum Sum Insured of \$50,000 for business turnover up to \$1,000,000. Proportionally increase for turnover over \$1,000,000.

### Claims Preparation

Rule of thumb for Sum Insured determination:

Turnover	Claim Preparation Cover
Up to \$200,000	\$ 5,000
\$200,000 to \$500,000	\$10,000
\$500,000 to \$1,000,000	\$20,000
\$1,000,000 to \$2,000,000	\$30,000
Over \$2,000,000	\$50,000

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## Employee Use of Social Media and Employment Law Implications

Social media is here to stay and is a movable target as far as its use in the workplace, and its impact on the workplace. Social media encompasses culture, behaviour, communication and managing change. An increasing number of employees are using social networking sites like Facebook to share details about their jobs and working conditions. While an analogy can be drawn with “talking at the water cooler”, such discussions by an employee on Facebook could potentially have a greater impact on the workplace and the employer.

It is therefore important for employers to understand social media, develop a strategy for its use in the workplace and develop an appropriate human resource policy to deal with it. Set out below are some employment law issues that are impacting on the workplace due to the increasing and prevalent use of social media.

### **Disciplinary issues arising from the use of social media**

With regards to employee’s use of social media, employers concerns usually centre around the following issues:

- a) Employee misconduct and lack of control by the employer
- b) Time wasting and loss of productivity during work time
- c) Loss of integrity and reputation due to the employees actions

The term “Virtual Darwinism” is a relatively new expression, coined for inappropriate online content that has served to cost a job applicant or an existing employee their job. Another phrase which may become more common is “getting dooced”, which means being dismissed for something an employee has written on their blog.

For clarification, the same employment law principles apply regarding disciplinary issues concerning use of social media, as apply to other types of employee misconduct. An employer is entitled to take disciplinary action when the case warrants it. While in some cases the conduct occurs outside of the workplace, and can be described as “virtual misconduct”, the determining issue for the employer is not where the conduct occurs, but the effect that it has on the workplace and the employers trust and confidence in the employee.

Disciplinary action as a result of an employee’s conduct on social media has now entered the New Zealand employment law landscape. In a recent case a Postie was sacked for comments he had placed on Facebook. The employee in question set up and ran two Facebook pages, “PostieLad” and “PostieLand” which contained “highly unflattering” descriptions of NZ Post customers and negative references about the body shape of a colleague.

He was fired after an upset colleague brought the pages to the attention of his superiors. In his defence he said that he did not mean for the pages to be open to the public and sought his job back pending an investigation into claims that his dismissal was unjustified. Other points raised in his defence included the issue of disparity of treatment, i.e. other co-workers had posted comments on Facebook, but had not been disciplined. He also stated that the employer had known about the sites prior to the complaints and they had condoned it by not taking action about it in the past. In this case interim reinstatement was not granted.

In another recent New Zealand case, an employee posted comments about a fellow co-worker on Facebook, following a disagreement at work. The employee was dismissed as a result. In this case the Authority commented that:

“An employer is entitled (and indeed obliged if the issue relates to workers health and safety) to investigate problems between co-workers, even if the problems occur outside of work, especially if the genesis of those problems is in the workplace”.

There is also a very recent case regarding a former McDonald’s employee who posted disparaging remarks on his blog about his employer. His employer sought an injunction to restrain him from posting such comments. An injunction was not granted, however the Authority facilitated the employee providing the employer with an undertaking that he would refrain from posting any such further information. With the consent of the parties, the undertaking was made into a binding and enforceable order of the Authority.

### **Use in recruitment as a vetting tool**

According to a recent Wall Street Journal report, approximately 85% of US employers and recruiters “Google” a job candidate before or after a job interview. The most common use of social media in recruitment is for collecting information on job applicants via Google, Facebook and other social networking websites. The practice generally equates to gathering information on the candidates character. In the USA, some companies include on their recruitment application forms authorisation to collect information on the candidate from social networking sites.

In New Zealand, the practice raises numerous issues concerning possible breaches of the Privacy Act. In brief, the main issue for employers to consider is whether the information is accurate and therefore whether they can confidently use the information to form a view on the candidate.

*Continued on page 10*

## Business Interruption Insurance (101)

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### Indemnity Period:

Is what you select pre-loss as being the anticipated time you will take to get back into business. So with a claim insurance compensation ceases at the expiry of the indemnity period or when you are back in business, whichever comes first.

Businesses notoriously under insure indemnity period as the expectation is that they will soon be back in business (WRONG).

This is a basic overview - subsequent sessions I will discuss:

- Setting correct Gross Profit Sum Insured.
- Setting correct Indemnity Period.
- Extensions of cover under BI.
- What we are learning from the earthquake in regards to BI.

*This article was provided by IC Frith (NZ) Ltd. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone 0800 353 2540.*

## Employee Use of Social Media and Employment Law Implications

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### Can an employer read an employees emails?

An employer is generally entitled to examine employee emails on its system. An employer is however arguably limited in reading an employee's workplace emails where the employee has a reasonable expectation of privacy and where reading workplace emails has freedom of association implications (e.g. Union related communications).

### Developing a social media policy

Employers need to develop a well thought out policy on the use of social media to provide clarity regarding the issues discussed above. Essentially employers should consider how they can maximise the benefit and minimise the risk to the business of the use of social media. The question for employers is; what value does the use of social media add to your business? Given the prevalence of the use of social media, employers should take a balanced and considered approach.

In summary, employers need to be proactive in deciding their strategy for the use of social media. They should then create and adopt a social media policy, which is regularly reviewed. As a general guide, a social media policy should:

- Outline how social media can be used in the recruitment process.

- Dovetail with your IT, disciplinary and harassment policies.
- Provide guidelines for employee access to social media sites.
- State that confidential business information should not be posted online.
- State that derogatory comments about managers, colleagues, clients of the business (including those made outside the course of employment) may merit disciplinary action.
- Deal with blogging, i.e. that employee's must state that any blog they create is their own personal view, not the employers.
- Encourage use of sites which you do approve of, but set appropriate boundaries.
- State that monitoring will take place and that employees should not have an expectation of privacy.

In the current climate, having a well formulated social media policy is essential. Such a policy will set clear boundaries for employee's and also enable the employer to take necessary action, in the event that an employee actions contravenes the policy.

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



*We wish all our members a very happy holiday season and a successful 2011. Thank you for your support over the past year.*

*From everyone at the NZMEA and Mancan House; Andrea, David, Karla, John Rigby, John Walley, Holly, Maggie, Peter, Tom, Tonia and Trudy.*

# MEAssist

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:

- |  |  |
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| <ul style="list-style-type: none"><li>➤ Strategic Business Development</li><li>➤ Business &amp; Technology Planning</li><li>➤ Business Coaching</li><li>➤ Market Research &amp; Marketing</li><li>➤ Export Marketing</li><li>➤ Advertising &amp; Branding</li><li>➤ Communications &amp; PR</li><li>➤ Import &amp; Export</li><li>➤ Customs, Logistics &amp; International Freight Forwarding Services, Including Part Container Services</li><li>➤ Finance, FOREX &amp; Banking</li><li>➤ Accounting, Payroll &amp; Tax</li><li>➤ Investment Capital</li><li>➤ Insurance Services</li><li>➤ Debt Collection</li><li>➤ Business Sales &amp; Valuation</li><li>➤ Research &amp; Development Services</li><li>➤ Product &amp; Prototype Development</li><li>➤ Product Design Process</li><li>➤ Intellectual Property Risk Assessment &amp; Commercialisation</li><li>➤ Intellectual Property Patent Registration</li><li>➤ Engineering Analysis, CAD &amp; FEA</li><li>➤ Project Management</li><li>➤ Operations Management</li><li>➤ Theory of Constraints</li><li>➤ Lean Manufacturing Programmes</li><li>➤ Competitive &amp; Agile Manufacturing</li><li>➤ Kanban, Production Planning &amp; Scheduling</li></ul> | <ul style="list-style-type: none"><li>➤ Condition Monitoring - Products &amp; Services</li><li>➤ Risk Management</li><li>➤ ERP, MRP Solutions</li><li>➤ Supply Chain Management &amp; Certified in Production &amp; Inventory Management (CPIM)</li><li>➤ IT Systems – Design &amp; Implementation</li><li>➤ Website &amp; Software Development</li><li>➤ Industrial Automation &amp; Control</li><li>➤ Recruitment &amp; Selection</li><li>➤ Human Resources Management</li><li>➤ Conflict Resolution &amp; Mediation</li><li>➤ Employee &amp; Immigrant Settlement Management</li><li>➤ Management, Leadership &amp; Team Training</li><li>➤ Training Analysis</li><li>➤ Knowledge &amp; Information Management</li><li>➤ Employment Law</li><li>➤ Change Management</li><li>➤ Temporary Staff</li><li>➤ Technical Publications</li><li>➤ Business Graphics &amp; Printing</li><li>➤ Energy, Water &amp; Waste Auditing</li><li>➤ QC &amp; QS Management</li><li>➤ Health &amp; Safety Systems &amp; Training</li><li>➤ International Travel</li><li>➤ Fire Evacuation &amp; Compliance</li><li>➤ Drug Testing</li><li>➤ Maintenance &amp; Asset Management</li><li>➤ Factory &amp; Plant Efficiency &amp; Utilisation</li><li>➤ Strategic Pricing</li></ul> |
|--|--|

We facilitate relationships and transactions between manufacturers and exporters FREE of charge.

Where the Association facilitates 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.



## Membership Benefits

**Networking:** probably the key activity of the NZMEA, your participation in any NZMEA event will build your network with people who have similar experiences or problems and some will have solutions.

**Have your say:** with officials, politicians and other leaders, we arrange regular meetings with those who make policy in New Zealand.

**If you have any questions regarding our Membership Benefits please contact us:**  
website: [www.mea.org.nz](http://www.mea.org.nz), phone: 0800 353 2540, email: [mea@mea.org.nz](mailto:mea@mea.org.nz)

# what's on

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
<b>December</b>				
6 Programme: National Diploma in Competitive Manufacturing (Auckland)  Programme: First Line Management (Christchurch)	7 Programme: First Line Management (Christchurch)	8	9 Time for a Complete Rethink (Christchurch)	10
13 NZMEA CEO Forum (Christchurch)	14	15	16	17
20	21	22	23 NZMEA Office closes 5pm and reopens 10 January 2011	24
27 Christmas Day Holiday Observed	28 Boxing Day Holiday Observed	29	30	31
3 New Years Day Observer	4 Day After New Years Observed	5	6	7
<b>January</b>				
10 NZMEA Office reopens 8am	11	12	13	14
17	18	19	20	21
24	25	26	27	28 Special Session: Alan Bollard (Christchurch)
29	30	31		