

## Here's to 2007

*Phil O'Reilly*

This year will be as good as we make it. Prospects for business will be influenced by the circumstances bequeathed by 2006 but, as always, success will depend on determination, drive and understanding of relevant markets.

2006 didn't turn out as badly as it might have. The predicted downturn didn't occur, property and commodity prices held up, and the sharemarket ended the year strongly.

We still have challenges. The Kiwi dollar, pushed up by our debt-funded appetites and greater government spending, made it hard for exporters to compete in overseas markets. A lot of New Zealand businesses were sold to overseas companies. And annual growth at 1.8% - the lowest in nearly five years – and relatively poor levels of business investment point to the need for an improved environment for enterprise.

Some of those challenges are being faced head-on, for example with a strong focus on exporting in '07, officially designated Export Year. It's hard to imagine a more important issue to tackle. New Zealanders need to have a deep understanding that a domestic market of four million people is simply too small to generate a high standard of living and that it's critical we export more. We need to develop a hunger for overseas success and not be satisfied with selling to a limited domestic market.

Other challenges have perhaps been overstated. Significant chunks of New Zealand companies were sold or onsold recently, giving the impression of a wholesale depletion of New Zealand equity. But 2006 was a record year for mergers and acquisitions globally, so we were not alone. Also, foreign investment is inevitably important to a remote and relatively newly-developed country – New Zealand was after all developed on the back of foreign investment.

The sale of New Zealand companies is a testament to the value created by Kiwi entrepreneurs. Moreover the proceeds of those sales is capital that can be invested in new ventures. The result can be dynamic, not depleting.

Whether the results are dynamic depends on whether reinvestment and new investment actually occur. My wish for 2007 is for fewer obstacles in the way of investment.

A simpler, more sensible approach to regulation would be a good start – a lighter regulatory touch in telecommunications, transport and energy could encourage much needed investment in those areas. Changing the focus of the Resource Management Act from sustainable development to sustainable management would remove some current barriers to investment while still protecting our environment. Moving away from 'total risk prevention by regulation' would be useful - over-regulation can do more harm than some

risks ever could. And getting climate change regulations right will be important. Restricting forest owners' rights in order to offset farming emissions won't work; we need solutions that foster investment in all sectors.

Other obstacles exist in aspects of law relating to employment relations, holidays, accident compensation and tax.

Business environment aside, success is fundamentally up to us as companies and individuals. Skills are crucial to success: the business sector must build skills and capabilities to identify and capitalise on the opportunities that inevitably present themselves.

Among other things we need to utilise our geographical position as a developed country close to Asia, to build a high value niche in international supply chains.

We should use our unique New Zealand environment and personality to build strategic connections and opportunities throughout the world.

And we have to build real cohesion throughout New Zealand around the importance of business success, and ensuring this means New Zealand as a whole is successful.

I look forward to more skills, investment, aspiration and success in 2007.

*Phil O'Reilly is Chief Executive, Business NZ*