

Business NZ election survey 2005

Large survey of over 1100 NZ businesses

- Conducted June-July 2005
- All types, sizes, locations
- Asked questions about policies affecting business
- Qualitative survey – to reveal business thinking on issues (not quantitative in terms of numbers voting for or against issues)

Political party survey

- Parties asked the same questions that businesses were asked
- Conducted July-August 2005

Key questions:

- What's top of mind for business - what are the issues most concerning business?
- How does this compare with what the political parties said?

What's top of mind for business?

Three issues:

1. The skills shortage – can't get skilled staff 57%
2. Government spending – concern at high levels of Govt expenditure 55%
3. Energy uncertainty – about stable, affordable supply of electricity in the future 54%

These top 3 were a surprise.

- They outweighed other issues that might have been expected to be top of mind – e.g. ERA (40%), tax (38%), roading (38%)
- However, some of these other issues may play a part in the top three
- Skills, Government spending and energy uncertainty are fairly complex issues.
- All of them are 'fixable', but not with a single bullet.
- All of them require significant, long-term change in policy settings.

Skills shortage

Not just an issue of insufficient apprenticeships

Not just student loans driving skilled people overseas

Not just problems with the quality & relevance of tertiary education

Not just the 'stop & start' immigration flow into NZ

The skills shortage is the visible symptom of an underlying problem of *competitiveness*.

The NZ economy is not growing enough high-paying jobs – other countries are creating high-paying jobs faster than we are, 'sucking' skilled Kiwis out of NZ

Many factors involved:

- Relatively high tax burden, making it harder to attract investment in NZ businesses
- Rigid employment law, discouraging job creation
- Resource management law, making it difficult to get developments off the ground

Fixing the skills shortage requires fundamental change in these & other policy areas

Govt spending

Survey respondents criticised *how* the money is being spent, more than the amount being spent e.g.:

'Govt spending on the wrong things'

'Too much spending on govt administration as opposed to delivery of govt services'

'Too much spending not enough investment'

Fixing this issue not just a matter of constraining govt spending – requires a rethink about where govt should be investing taxpayer dollars

Energy uncertainty

Survey respondents indicated a lack of confidence in being able to get a stable supply of electricity at an affordable price

Difficulty in making business plans

Unable to plan on basis of known costs

Unable to assume that electricity supply will be constantly there

Memories of winter of 2001 (high spot prices, electricity blackouts) contributing to uncertainty

Major uncertainty mentioned by respondents: unknown future costs resulting from Kyoto Protocol & carbon taxes

Fixing this issue again not a single bullet; many factors involved:

- Not enough investment in new energy generation plant for more than 20 years
- Partly because unattractive to invest to compete against state-owned enterprises (they can call on the deep pockets of the taxpayer)
- Partly because existing generation facilities have already recouped establishment costs & can operate more cost-effectively than new facilities
- Partly because successive deregulations have resulted in power companies having regional monopolies – not much competition, electricity prices not being driven down
- Partly because of conservation lobby holding back development

Clearly, policy changes needed to get more private investment in energy generation

Changes need to be fundamental, rather than band-aid

So how did the govt policies – as communicated in the political party survey – stack up against those 3 top concerns?

Skills shortage

Skills policies: All parties listed positive policies to get more apprenticeships, more industry training, better secondary & tertiary education outcomes

All parties except the Green & Maori party supported increasing numbers of skilled migrants with good English language skills

Regarding the issues that lie behind the skills shortage:

Tax burden, making it harder to attract investment in NZ businesses

The parties were asked if they would lower the tax burden

- National, ACT, United Future, the Progressives & the Maori Party supported a lower tax burden (these were closest to what business wants)
- NZ First opposed any increase in the tax burden
- Labour defended the current tax burden as low by world standards
- Greens did not address the question but instead said they would focus on shifting the type of tax, towards taxation of pollution & scarce resources

Rigid employment law, discouraging job creation

The parties were asked if they would repeal the ERA

- National said it would get rid of the 2004 amendments to the ERA, and rewrite the ERA that was passed in 2000 (this was closest to what business wants)
- ACT said it would repeal the ERA and replace with an employment contracts Act
- Labour, Progressives, Greens & Maori Party said they would keep the ERA
- NZ First & United Future did not answer the specific question

Resource management law, making it difficult to get developments off the ground

The parties were asked what changes were needed

- ACT: improve regard for property rights; limit definitions of 'environment'; speedier process (this was closest to business views)
- National, NZ First, United Future: clarify, reduce delays & other changes
- Labour, Greens, Progressives, Maori Party: largely ok, perhaps some changes needed

Govt spending

The parties were asked if they would cut spending, including the Super Fund, to less than 30% of GDP by 2010

- ACT, United Future & the Maori Party said yes (this was closest to business views)
- National said it had no particular target of that kind
- Labour, NZ First, the Greens & Progressives did not answer the specific question

Energy uncertainty

The parties were asked what their plans were in relation to energy uncertainty

- National mentioned fixing the RMA (this was closest to business views)
- ACT mentioned fixing the RMA & problem of govt ownership
- United Future mentioned fixing grid constraints & resource hearings issues
- The Greens & the Maori Party mentioned conservation, fuel standards, new energy sources
- Labour & the NZ First gave unclear responses

Specific significant findings:

Division on China

- There was a high degree of agreement across all businesses on all issues
- This was despite the range in size, type & location of businesses
- The only area where there was significant disagreement was on the issue of a free trade agreement with China
- Some respondents were positive about the opportunities to sell into China
- Other respondents said it would harm the NZ economy or harm their own business
- Some wanted a free trade deal with China
- Some wanted no trade deal at all with China
- Others wanted tariffs or other barriers worked into the deal, to prevent onslaught of goods from China

Approval for Govt on trade deals generally

- While the respondents disapproved of many policy areas undertaken by the present Govt, there was strong approval for the Govt's achievements in getting trade deals generally

Desire for FTA with US

- There was a strong desire expressed for a free trade deal with the US
- It was the fourth most important issue for business, behind the skills shortage, govt. spending and uncertainty of energy supply