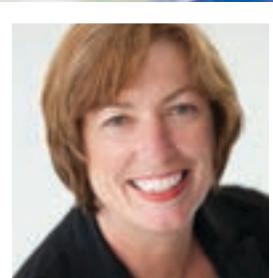


ELECTION MANIFESTO MANUFACTURING 2014



The voice of business



From Catherine Beard
Executive Director, ManufacturingNZ



MANUFACTURING VITAL TO THE NEW ZEALAND ECONOMY

Manufacturing remains vital to the New Zealand economy – it is the largest economic sector, contributing 14.6% to the country's GDP in 2012. This makes New Zealand one of the more manufacturing heavy economies in the OECD.

Manufacturing employs 191,000 people, making it the fourth largest employment sector in New Zealand. Most jobs are relatively skilled or highly skilled and the average wages are higher than in the retail, accommodation and food services sectors.

There has been a notable shift away from pure manufacturing to bundling of manufacturing and services (also known as the "servitisation" of manufacturing).

The manufacturing sector is a bigger investor in R & D and innovation than the primary and services industries and has a range of jobs, from traditional tool making through to CAD design, marketing, sales, service support and research and development.

Manufacturers would like to see the following industrial policy from Government:

- Increase in R & D grants, soft loans and investment. We need a step change here as we still lag behind our trade competitors in R & D investment and this contributes to our 30% income gap with the most advanced economies.
- Depreciation rates need to better reflect modern manufacturing. Electronics and computer technology are commonly embedded in steel assets and companies are forced to waste time splitting assets into their various elements. Most of the cost/value is not in the steel any more. If this was better reflected in depreciation rates companies would reinvest faster and productivity would improve, again closing the income gap with advanced economies.
- Addressing the skills shortage (noting that CEOs say talent-led innovation is the number one competitive advantage).

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Manufacturers need more young people emerging from our educational institutions with world class trade training, engineering, ICT and management skills.

- Improving business relations in key markets – the most successful manufacturers are exporting 60-100% of their output, so we need to support more manufacturers to export.
- Maintaining and improving stable economic and social parameters such as the exchange rate and corporate tax rate. Of the small advanced economies we compare ourselves to we have a higher than average tax rate. When combining production costs and tax rates, New Zealand rates at the most expensive end (28th out of 32) of OECD countries.

1. Confederation of Danish Industry Annual Benchmarking Study of OECD countries <http://publikationer.di.dk/dikataloger/120/>



THE MOST SUCCESSFUL MANUFACTURERS ARE EXPORTING 60-100% OF THEIR OUTPUT, SO WE NEED TO SUPPORT MORE MANUFACTURERS TO EXPORT.

Alongside existing initiatives ManufacturingNZ recommends:

- Develop an overarching Manufacturing Policy to ensure coherence across various policy settings and signal to the wider community that manufacturing is a vital part of the economy.
- Expand existing programmes that have shown demonstrable success, e.g. Better By Design, Better By Lean, NZTE's High Impact Programmes (HIPS) in marine, aviation, IT, food and beverage, medical technologies, etc. More Path to Market initiatives with a view to de-risking new market entry and ensuring the product offering is the right one. Use the HIPS to facilitate collaboration amongst SMEs in similar sectors.

- Encourage more collaboration with research institutions and companies internationally.
- Increase the supply of skilled workers with skills that are relevant to industry needs.
- Government is responsible for around 40% of GDP and is one of the largest project spenders in the NZ economy. In the absence of many large multinationals in NZ and with a small domestic market – the Government should help grow companies of scale by ensuring the economic benefits of using local suppliers are factored into their purchasing policy. This is standard practice in many countries, including the US, UK, Australia and across Europe. Government procurement should not be used to protect local companies from international competition but to give them the opportunity to become internationally competitive, with products and services that can be sold in international markets.

A more sophisticated and strategic approach to government procurement will help grow local capability. Big credible customers make better platforms for investment and international expansion.

**FOR MORE INFORMATION
SEE THE REPORT
NEW ZEALAND
MANUFACTURING SECTOR:
ITS DYNAMICS AND
COMPETITIVENESS**

www.manufacturingnz.org.nz