

2 February 2018

Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

Dear Minister

New Zealand Productivity Commission: Next round of inquires

Thank you for your letter received on 21 December inviting BusinessNZ's views on new topics that might be addressed by the NZ Productivity Commission (the Commission).

BusinessNZ believes that the Commission has so far done exemplary work providing impartial in-depth analysis of the topics it has examined. From our point of view, this clearly demonstrates the worth of an independent agency at arms-length from Government.

We also strongly endorse the Government's ongoing invitation to the private sector to contribute issues for inquiry as a way of enabling the Commission to identify topics that are both relevant to, and allow for, significant private sector input.

We were pleased to see that one of our topics we proposed last year – namely the identification of the productivity opportunities and risks associated with mitigating climate change – was taken up by the Commission through their low emissions economy issues paper. We look forward to seeing the Commission's final report on this in June this year.

Given our belief that regulatory policy has the greatest ability to improve productivity in this country, the areas BusinessNZ considers most in need of reform continue to fall largely into the regulatory policy basket. All options outlined could be examined either in isolation or as a package, depending of course on resources available and what the Government considers is most appropriate for the Commission to pursue.

In no particular order of importance, as each is important in its own right, are:

1. Productivity comparisons between centralised collective bargaining and enterprise level collective bargaining

BusinessNZ is interested in determining whether centralised collective bargaining (e.g. at industry, sector or national level) produces greater productivity than enterprise level collective bargaining.

Official statistics indicate that during the period ending with the introduction of enterprise level collective bargaining in 1990, strike action (lost productivity) and interest rates were at levels far above any period since. A clear understanding of why this was so will assist in avoiding similar outcomes from centralised collective bargaining initiatives such as Fair Pay Agreements.

2. Matching national skills needs with immigration controls and education outcomes

It is the common view amongst BusinessNZ's membership that skills shortages are prevalent and growing. Therefore, better planning of New Zealand's labour supply is one avenue to alleviate these pressures.

Given that labour supply is sourced primarily via the education and immigrations systems, better means of improving and integrating outcomes from these two systems must be found. This also requires a dynamic real time as well as predictive understanding of labour needs.

3. Factors that affect the performance of regional economies

The coalition agreement places a particular focus on regional development, whereby the Labour/NZ First Coalition there has agreed to set up a \$1 billion per annum Regional Development (Provincial Growth) Fund, including significant investment in regional rail, planting 100 million trees per annum (the Billion Trees Planting Programme), commissioning a feasibility study on options for moving the Ports of Auckland - including giving Northport serious consideration - and re-establishing the NZ Forestry Service. Other large-scale capital projects will also be considered along with a commitment to relocate government functions to various regions.

BusinessNZ believes there will be a number of risks associated with such a large regional development budget, as it is important to ascertain whether there are adequate controls ensuring quality expenditure of taxpayers funds. We believe there is a danger of focusing on perceived popular projects and not on sound investment, with taxpayers ultimately bearing the risk. Therefore, we believe an inquiry into factors that affect the performance of regional economies would assist in alleviating these concerns.

4. Improving occupational licencing in the services sector

This was proposed as a possible topic for the next stage of the 1st report of the Services Sector inquiry in 2014. However, the Commission considered the size and complexity of the topic made it better suited to a dedicated inquiry, and therefore decided against pursuing it further during their current inquiry.

BusinessNZ has previously requested that the NZPC investigate occupational licencing on numerous occasions. Given the importance of this issue to the business community, as well as the fact that the Commission has already highlighted the topic for a potential inquiry, work carried out on this issue would have sizeable benefits to the services sector as a whole.

I would be happy to meet with you to elaborate on any of the subject issues outlined above should you so wish.

Yours sincerely



Kirk Hope
Chief Executive
BusinessNZ