BusinessNZ

ManufacturingNZ

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ManufacturingNZ Election Manifesto – Snapshot

Manufacturing is an important employer in New Zealand, employing 250,000 people and 14% of all jobs, creating lots of opportunities for skilled and unskilled labour.

Manufacturing pays $12 billion in wages each year with median weekly earnings of $959 per week, higher than the economy as a whole.

Manufacturing makes a big contribution to regional New Zealand and produces around 50% of our exports.

Manufacturers are innovating, investing $450 million in R & D in 2015 and they increased investment in plant and machinery by 20% between 2013-2015.

Growth sectors are food and products, beverage and tobacco, machinery and fabricated metals.

Countries that are now dominating global manufacturing have not left it to chance. They have specific strategies to increase investment in science, technology and innovation, technology transfer; intellectual property protection, a skilled well educated workforce and they have a cohesive national policy on manufacturing competitiveness.

New Zealand does not have a national strategy on manufacturing competitiveness.

Manufacturers Challenges are

- Finding the right skilled staff
- International competitiveness
- Local Government regulations
- Transport and infrastructure
- Need more help on R & D

Things Political Parties should focus on to better support manufacturing.

1. Talent driven innovation

NZ manufacturers need a coherent vocational education and training system and there needs to be a greater emphasis on the supply of high quality and responsive vocational education and training services - secondary, tertiary and in the workplace. Practical skills (trades training, lab technicians etc.) plus academically qualified (engineering, R & D, ICT) are all critical.

Immigration policy plays an important role to ease some skills shortages, so any steps to curtail this will impact on the growth in manufacturing. In addition the current system should be easier to access, especially for small to medium size firms e.g. accredited employers scheme.

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2. On-going investment in science and innovation

While investment in R & D has increased it is still low compared to the OECD average. Both NZ businesses and the government need to increase spending on science and innovation to move up the value chain, maintain a competitive advantage and create greater wealth for the country.

- Callaghan Growth Grants are good for those firms that get them, but too many miss out. The definition for eligibility for growth grants should be expanded to include more firms. Growth grants are favored by those that get them due to low transaction costs.

- The Callaghan project grants aimed at smaller firms are good for those that get them, but again too many miss out. The definition of R & D is too restrictive and the transaction cost of participating is too high.

- Firms want more help with R & D and an innovation and research system (Universities, CRI's, COREs, and Polytechnics) that is more responsive to business and properly incentivised to work with business.

- Internationally many countries have grants to promote investment in R & D, and also R & D tax credits. Whatever approach is taken, the objective is to get accelerated investment in R & D and business tells us this is less likely if transaction costs to engage are too high (too many hoops to jump through versus perceived benefit).

- Depreciation rates for plant and equipment need to keep pace with technology change, more ICT imbedded in plant should mean faster depreciation rates.

Local Government Regulations need to be supportive of manufacturing. Things like planning for manufacturing growth with appropriate zoning. Manufacturers looking for bigger premises for expansion in our bigger cities can find the price of land and zoning restrictions are forcing them out of traditional areas or making expansion too expensive. When this happens off-shoring becomes more compelling. Local Government should be enablers of growth and planning to keep manufacturers in New Zealand.

Transport and infrastructure are critical to manufacturing supply chain efficiency, so Government needs to be investing in infrastructure to keep business moving ahead of the demand curve. Playing catch-up slows down business and makes business less globally competitive.

3. Strategic Government Procurement

The government makes up over 40% of the New Zealand economy and is often the purchaser of large orders and the initiator of large projects. It is important that NZ firms have a fair and equal opportunity to win tenders in local supply chains and this would be facilitated by large government tenders placing greater emphasis on the economic, social and environmental impact of their purchasing. This coupled with taking into account whole of life value (quality) in tenders would contribute to greater participation of local firms in larger projects.

Participation in larger projects grows bigger companies that have the confidence to invest in their business and to proceed onto bigger international opportunities. Government tendering should focus on problem solving to encourage innovation and the cost of participating in tenders should be reduced. Far too many firms burn significant investment on failed tender bids and this is a drag on the whole economy.

Bigger companies have better productivity, attract and retain good management and staff, and make it easier to enter export markets with stronger balance sheets. Facilitating the participation of NZ manufacturers in larger government funded projects and overseas aid projects (NZ or foreign government aid projects) by improving their visibility with procurement managers, will help grow bigger and more resourceful domestic companies which will have a positive spin off for the whole economy.

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