

ManufacturingNZ Election Manifesto 2020

New Zealand manufacturing contributed to 10% of real GDP in 2019 (\$23 billion) and is a large employer at over 242,000 people. NZ manufacturers contribute as much to the economy percentage wise as manufacturing in the USA and nearly double that of Australian manufacturing. Having said that, manufacturing output declined post the GFC and was just recovering in the last 5 years until Covid19 came along in 2020.

Manufacturers Challenges have been

- Finding the right skilled staff
- International competitiveness/trade protectionism
- Local Government regulations
- Transport and infrastructure
- Need more help on R & D and adoption of Industry 4.0 technology approaches
- Meeting climate change emission reduction targets

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. While the current Coalition Government has boosted investment in R&D through grants (Callaghan Innovation) and R&D tax incentives, as a country our expenditure on R&D as a percentage of GDP is still well below the OECD average. We don't see the support for manufacturing that we see for other sectors e.g. agriculture (Ministry and Minister) and we are advocating for a more strategic, coordinated and holistic approach that includes a manufacturing champion in Cabinet. Why will future generations want to work in manufacturing if they don't see it being valued at the highest level?

Manufacturing in a Covid19 World

ManufacturingNZ is of the view that New Zealand will need to learn to live with Covid19 in such a way that businesses can continue to operate, trade and travel in a Covid19 safe way. We advocate for a sophisticated and "high-tech" border, for timely access to importing critical skilled talent, and for business travel. Fast tracking and tracing of cases (e.g. Bluetooth Covid Card) and a risk-based approach to the operation of businesses, based on a

Covid19 operational safety and health plan. Definitions of “essential” and “non-essential” businesses should be done away with and the judgement instead be on the ability to operate in a Covid19 safe way.

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. Manufacturers will be investing in training and upskilling their employees, but if they have a good talent pipeline with the right practical and technical skills then they have a good base to build on. Increasing adoption of Industry 4.0 technologies will change the skill mix required and the future of work. (Contact Rachel Simpson, BusinessNZ for more detail on the best way to achieve this rsimpson@businessnz.org.nz)

Covid19 is demonstrating the important role immigration policy plays to ease critical skills gaps, so New Zealand needs a plan on how to safely access the global talent it needs to supplement domestic labour supply. This is an urgent issue affecting a lot of different sectors and we need a safe, timely, transparent and predictable approach to access the talent needed. In addition, the definition of a skilled worker being paid double the minimum wage is not realistic in some of our provincial towns where a percentage of our manufacturers are based. People from overseas provide vital skills not available in the labour market and support international knowledge transfer to build the capability of NZ businesses. The current immigration settings are not forward looking to support NZ's economic recovery. Improvements to immigration settings that provide both a supply of overseas talent for NZ businesses, and provide the right mechanisms to keep them in NZ are needed. Not only do we need more skilled migrants, we also need to keep the ones we already have. Some of the rules around work visa renewals, work-to-residency, partner visas, etc. have all changed. This is affecting a number of our skilled workers and we are at risk of losing them as they can't get extensions or bring their families to NZ. All of the above requires simplification of the immigration process for firms to engage with, improved service delivery and consistency of decisions.

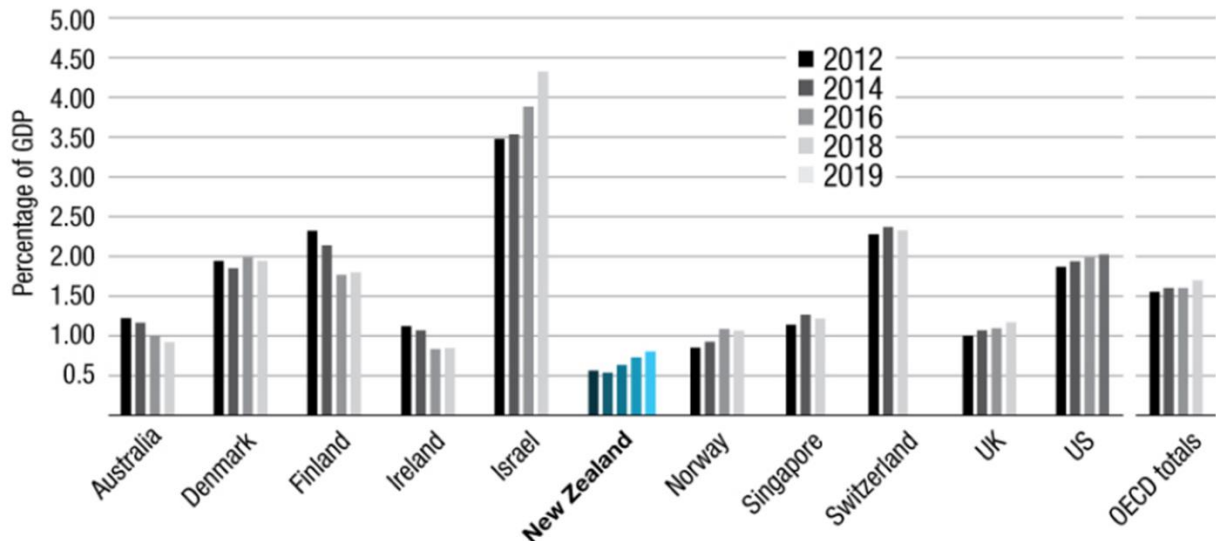
2. On-going investment in science and innovation

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. In addition to an increasing investment in R&D, New Zealand should look at what other countries are doing to support a transition to modern manufacturing. Australia has a Manufacturing Modernisation Fund, which co-funds manufacturers to invest in new technologies and upskill their workforce.

ManufacturingNZ supports investing in the upskilling our manufacturers on Industry 4.0 technology and its uses to ensure we do not get left behind the rest of the world in the race

to a digital transformation that is being led in Europe. This work is about to start being led by Callaghan Innovation in partnership with the EMA and Beca.

Business sector research and development expenditure as a proportion of GDP⁽¹⁾⁽²⁾



¹GDP is based on Stats NZ's GDP current price expenditure measure for the year ended 31 March for New Zealand.

²Expenditure figures exclude GST.

Source: Stats NZ

3. Competitiveness

- Depreciation rates for plant and equipment need to keep pace with technology change and more ICT imbedded in plant should mean faster depreciation rates. This should lead to faster turn-over of plant and equipment and increased productivity, through the adoption of new Industry 4.0 technologies and production methods.
- Local Government regulations need to be supportive of manufacturing, e.g. 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 offshoring 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.
- Policies to address Climate Change such as the Emissions Trading Scheme, can disproportionately impact energy intensive manufacturing. Care needs to be taken to

ensure the transition to a low carbon economy does not put our local manufacturing at a competitive disadvantage if other countries fail to impose similar costs.¹

- New Zealand manufacturers need to meet local and international product quality and safety standards and if they are claiming to meet a standard they have to be able to back that up. Imported product often claims to meet quality/safety standards but does not, and there are no checks or audits to stop unsafe poor-quality manufactured goods being imported into New Zealand. This is not a level playing field and ManufacturingNZ advocates checks at the border as happens in Europe and as happens in NZ already for counterfeiting.
- We have had some manufacturers raise the issue of a lack of product testing facilities in New Zealand (e.g. UL-accredited test lab, electrical safety in the USA, or CE – Canada) which is required for entry to those markets. This is a barrier to exporting as it takes a lot of time and cost to get new products certified, as they have to be shipped around the world for testing. ManufacturingNZ advocates that a survey be done of NZ manufacturers to see if there should be an investment in a product testing lab in New Zealand, accredited for all the big international markets.

4. 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.

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.

Ends

¹ Quality investment today will enable us to pay back debt tomorrow. Reckless spending today will only burden future generations. We have an opportunity today, to address our creaking infrastructure, tackle climate change, and build a healthy, more productive economy for tomorrow. Jarrod Kerr, Chief Economist, Kiwibank.

New Zealand has created a \$50 billion “response and recovery fund” of which \$20b, or 6.5 per cent of the country’s gross domestic product, has been set aside for the recovery phase. A similar amount in Australian terms would be A\$123 billion (NZ\$135b).

According to the RBA, New Zealand ranks second only to Canada among 14 developed nations for the size of its fiscal response to the coronavirus. Australia is 10th. Sydney Morning Herald.