

Hon Gerry Brownlee
Minister of Economic Development

10 August 2009
Speech

Priorities for New Zealand in the current economic environment
Hon Gerry Brownlee Opening Address to the 2009 EDANZ Conference
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Introduction: Weathering the downturn

The Government understands that times are currently tough for businesses and local communities and that Economic Development Agencies are working hard to respond to these challenges.

You are "on the ground" delivering the solutions and knowledge that we need to emerge strongly from this recession.

I encourage you to continue in your efforts to deliver regional economic development activities which will help strengthen the national economy

As you know, what began as a crisis in the American and European financial markets rapidly developed into a concerted worldwide recession.

Many governments are still working to stabilise troubled banks and cope with rapidly rising unemployment.

New Zealand has avoided the worst effects of the crisis due to our sound banking sector, an export base that gives us a comparative advantage in hard times, swift and measured responses by our Government and the Reserve Bank - and of course the resilience that ordinary Kiwis and businesses have displayed across the country.

Our banks remain stable and are now, along with Australia's and Canada's, among the most stable in the world. The retail deposit and wholesale funding guarantees that we have maintained are working.

Our export base gives us a comparative advantage in hard times. While consumers are putting off buying new cars or flatscreen televisions, they still need our dairy products, meat, wine and fruit.

The Reserve Bank's OCR cuts have lowered borrowing costs for individuals and firms.

We have aimed to protect the hardest-hit New Zealanders from the worst effects of the recession. We are focused on helping businesses protect jobs and giving New Zealanders who lose their jobs the best chance of finding a new one.

As a result, we have committed to a fiscal stimulus that will amount to about 5% of GDP over this year and the next - high by world standards.

While our path has been smoothed by these actions, we have not escaped the global downturn - firms are facing challenges including tighter credit and falling domestic and overseas demand.

Ultimately, we must use this recession as the occasion to shift our country onto a higher growth path. To truly "recover", we must improve the way we do business, and make hard work and innovation more rewarding.

We have a real chance to emerge from the recession in a stronger position than most other countries - with higher levels of productivity growth and improved export competitiveness.

Today, I'd like to talk with you about the opportunities that I see amidst the current turmoil.

First, I want to introduce some important themes from the Government's new Economic Growth Agenda, and some steps we have already taken towards lifting productivity and creating a better environment for growth.

Second, I want to talk about the areas in which local economic development organisations can support and strengthen our work.

Seizing the opportunities will take some hard work - and a lot of the creativity that our country is known for - but I believe that we are up to the task.

A New Focus

My colleagues and I spent our first 100 days in office focusing on quickly implementing our campaign promises to make it easier for employers, workers, and households to weather the downturn.

In that time, we accomplished a lot in the way of loosening restrictions on business flexibility and pumping a significant amount of money into the economy to support jobs - from the \$1 billion in income tax cuts that have been putting more money in average workers' pockets since April to the nearly \$500 million worth of roading, housing, and school projects that we accelerated.

Now, while we're still concerned with helping ordinary Kiwis and businesses ride through the recession, we also have to think about the future for New Zealand - how we will emerge from the downturn in a stronger competitive position.

To address this, my colleagues and I are developing a new Economic Growth Agenda. One thing that won't change is our commitment to putting common-sense ideas into practice - this plan will be about actions, not words.

I expect economic development agencies to have a strong role in delivering and supporting our Agenda in a number of key areas.

Key Message: Emerging stronger

The Economic Growth Agenda announced by the Prime Minister on 15 July isn't just about surviving - it's about maximising our opportunities and emerging from this downturn in a stronger position relative to the countries we compete with internationally.

We are seeking to raise New Zealanders' incomes and narrow the income gap that has opened with Australia and our other trading partners.

We aspire to raise exports from their current level of 30 percent of GDP to 40 percent, and achieve income parity with Australia by 2025.

To do so, we'll need to play to our strengths - our expertise in food production, our beautiful landscape, unique culture and clean environment, and our Kiwi ingenuity - and take good opportunities to create and market higher-value goods and services.

This will mean improving our economic fundamentals and making smart investments in six key areas:

We will invest in productive infrastructure, including new road, school and hospital projects and an ultra-fast broadband network that will help our firms overcome the "tyranny of distance" to reach new customers abroad.

We will create a world-class tax system that rewards hard work and innovativeness.

We will reform regulatory road-blocks such as the unwieldy Resource Management Act.

We will put discipline into government spending and provide front-line services at a lower cost.

We will invest in lifting the literacy and numeracy skills of our young people.

We will implement responsive and targeted business assistance and align our innovation system with industry needs.

As Minister for Economic Development, I am leading work in the sixth area, and working with my colleagues on several others. In particular, I would like to talk to you about three of my key priorities under the Economic Growth Agenda:

Overhauling business support programmes to improve the benefits gained from investment in firms with high international growth potential;

Building on our areas of competitive strength and our science and innovation system; and Ensuring lasting economic benefits to New Zealand from major initiatives such as the Rugby World Cup.

Clearly, much of the Economic Growth Agenda is relevant to economic development agencies, as you are often the "front line" of support for growing and established businesses.

I understand that your priorities, including digital development, the Rugby World Cup Legacy Project, building management capability in firms, local infrastructure investment, and acting as a conduit between firms and Government growth and research funds, often relate to our goals, and I welcome your input and engagement.

Economic Growth Agenda

Although my colleagues and I are still developing further the details of the Economic Growth Agenda, we have already taken some initial steps. For example, we have:

Launched New Zealand Trade and Enterprise's new International Growth Fund, which is focused on supporting the firms that are most likely to succeed internationally and bring the greatest benefit to the New Zealand economy as a whole. This, along with our wider Review of Business Assistance, will change the way we deliver growth funding to firms.

Created the Primary Growth Partnership, which will provide up to \$70 million in matching funds for primary sector research. The Ministry of Agriculture and Forestry will be delivering funds by the end of the year.

Invested \$1.5 billion over ten years to roll out ultra-fast broadband to businesses, schools, hospitals, and 75% of NZ homes.

Started reviewing clunky regulation including the Resource Management Act and aquaculture related legislation.

Set up the NZ Insulation Fund to improve health and energy efficiency by helping home owners and occupants fit homes with insulation and clean heating devices.

Furthermore, we've got several important priorities coming up that promise to be quite relevant to your work as local economic development agencies:

I am working with Jonathan Coleman, the Minister of Immigration, on a new Business Migration Package, which we announced on the 28th of July.

We aim to ensure that new investor and entrepreneur migrant rules bring the most benefit to New Zealand by conducting targeted marketing campaigns overseas and linking new migrants into domestic business and investment communities. I expect EDAs to play a key role in doing so.

I am currently considering options for creating a network of food research development and commercialisation centres. This would establish a number of industry hubs across the country, allowing small and medium sized companies access to the facilities they need to develop new products and enter new markets.

I am working with Murray McCully, the Minister for the Rugby World Cup, to ensure that we are taking the actions needed to ensure that the event brings lasting benefits to New Zealand.

While the Rugby World Cup is a fantastic opportunity for us as a nation, its success hinges on getting things right at the regional level, with stadium development and local tourism and business initiatives. We expect to work with EDANZ and economic development organisations to link our "big picture" with regional activities.

I welcome your input to and participation in the Economic Growth Agenda that we are putting forward. Much of the important work of "making it happen" will take place at a local and regional level.

You are already involved in some of my key priorities, such as the Rugby World Cup and business migration, and I hope that you will continue to engage with us as work continues on issues such as business assistance grants, research and development initiatives, broadband roll-out and digital literacy, and infrastructure investments.

Conclusion.

While New Zealand is still facing significant challenges as a result of the world financial crisis, rapid action, good policies, and a dash of Kiwi resilience have brought us through the most dangerous times. However, we must now face up to the longer-term threats.

Over the past decades, our incomes have not kept up with those of our competitors, and our trade balance has slipped into negative territory.

Our Government seeks to reverse these trends by making innovativeness and hard work more rewarding.

As a result, we are laying out an ambitious Economic Growth Agenda that will commit to common-sense actions rather than just more words.

I've laid out a few of our actions, and expect to have a lot more to announce in good time.

Thank you for your time, and I look forward to working with you.