

BRIEFING FOR THE INCOMING GOVERNMENT

Canterbury business policy priorities
for Incoming Ministers



Canterbury businesses want to be part of shaping Aotearoa New Zealand's future.

The Canterbury Employers' Chamber of Commerce is the home and voice of business in Waitaha Canterbury. Representing over 2,600 businesses and approximately 75,000 employees, we are the largest business support agency in Te Wai Pounamu South Island. We also form part of the BusinessNZ Network, alongside BusinessNZ, the EMA, Business Central and BusinessSouth.

Canterbury businesses are bold and have big aspirations for their future and for the future of the city, region, and country they choose to do business in. But like the rest of the country and the world, our region is facing challenges of productivity and growth, particularly now, as we also navigate an economy still recovering from the effects of COVID-19 and the global economic slowdown associated with it.

In the short term, despite remaining confident about their own earnings, businesses in Canterbury would like to see policies that combat high inflation, increasing compliance costs and regulatory uncertainty, a dwindling infrastructure pipeline in the South Island, and a persistently constrained labour market.

There are also longer-term challenges and opportunities that can get lost in the short-termism of a three-year election cycle including digital acceleration and decarbonisation.

With a strong backbone of manufacturing, construction, and agriculture, alongside our growing reputation as a hub for innovation and new technology, Waitaha Canterbury is in a good position to move in tandem with Government and lead the transition to a more innovative, productive, and sustainable economy.

The following report, informed through in-depth discussions with Canterbury business leaders from a wide range of sectors and sizes, sets out a range of fit-for-purpose policy settings that will enhance the role of Government as an enabler of that transition.

If we work together and get that right, our businesses thrive, our economy grows, and our communities enjoy higher standards of living.



Leeann Watson | Chief Executive
Canterbury Employers' Chamber of Commerce

Priorities for the Incoming Government

- 01 Reduced inflation and interest rates**

Manage Government spending and remove the Reserve Bank's dual mandate to curb inflation and rising interest rates.
- 02 Fit-for-purpose workforce settings.**

Ensure settings are in place that enable a fit-for-purpose labour market for employers and employees.
- 03 A skilled workforce, now and in the future.**

Invest in education so every student that leaves the education system has a strong foundation of skills for the world of work. Support those in the workforce to respond to ongoing disruption and uncertainty, through upskilling and retraining.
- 04 Regulatory certainty and reduced compliance costs.**

Reduce counterproductive regulatory barriers and associated compliance costs that significantly impact business' ability to thrive.
- 05 Investment in infrastructure.**

Build for future growth and productivity through prioritising and improving connectivity, resilience, and sustainability and an investment pipeline in the South Island reflective of our contribution to GDP.
- 06 Driving innovation, sustainability, and resilience**

We need to prioritise stronger links between Government, scientists, academics and researchers, and business to enable the rapid uptake of new knowledge and innovation to global markets. This also includes better access to finance, grants, and depreciation mechanisms.
- 07 Support for small business**

Ensure that small businesses can thrive by enhancing access to finance and implementing a small business lens over compliance activity.
- 08 Action on crime and antisocial behaviour.**

Commitment to increased authority and resources to expedite and sufficiently deal with crime and antisocial behaviour.
- 09 Recognition of the critical role Canterbury plays in the economy.**

Christchurch and Canterbury recognised and celebrated as a thriving region to work, invest, travel and live

01 Reduced inflation and interest rates.

Recommendations

- 1.1. Carefully manage Government spending to reduce domestic inflationary pressure.
- 1.2. Replace the Reserve Bank's dual mandate with a new Policy Targets Agreement that makes it clear that inflation control is a priority.

The cost of doing business has risen significantly over recent years, with inflation running at levels not seen in a generation and interest rate rises following closely behind. Labour market constraints, exacerbated by the COVID-19 pandemic and immigration settings that did not allow businesses to access the right skills and experience for their businesses, have also contributed to cost pressures.

Confidence is declining, and businesses are starting to defer investment as they focus on managing costs and profitability. For businesses to focus on innovation, productivity and sustainable growth, significant and sustained effort is required by the Government to reduce the drivers of domestic inflation, and that means good financial management.

The Reserve Bank's ability to control inflation has been weakened by its dual mandate where there is conflict between managing inflation to keep prices stable while supporting maximum sustainable employment. The 2018 amendment to the Reserve Bank mandate should be reversed and replaced with the sole objective of managing inflation.

02 Fit-for-purpose workforce settings.

Recommendations

- 2.1. Create immigration settings that are open, simple, and predictable.
- 2.2. Develop a talent attraction strategy to reinforce New Zealand is open for business.
- 2.3. Reintroduce 90-day trials for all employers.
- 2.4. Depoliticise minimum wage rates and ensure they are stable and predictable.

Like the rest of the country, Canterbury faces challenges in accessing the right talent. Employers tell us that recent immigration settings, despite some recent progress, still have not positioned us well in the international jobs market. The lack of clarity and certainty on pathways to residency leaves us as a country well down the list in comparison to markets such as Canada or even Australia.

The wider perception that 'New Zealand is still closed' because of tight immigration policy settings is making it harder for businesses to attract much-needed talent.

Our immigration settings need to be open, simple, and predictable, and focused on improving employers' ability to attract the international skills and talent that employers need today and in the future. Uncompetitive settings are exacerbated by administrative and bureaucratic barriers that delay visa applications.

Business is made up of people, and to maximise successful outcomes for all, employers are committed to creating strong relationships and good working conditions for their employees.

There are also many risks for employers and significant costs in recruiting and investing in new employees. Providing labour market settings to support and enable employers to employ people who have limited skills, experience or who have faced challenges will not only support employers, it will also ensure those more vulnerable in society are given more opportunities for employment. The 90-day trial provides those on the fringes of the labour market with opportunities that employers may not necessarily be willing to provide, given they often carry greater risks.

At the same time, businesses feel that the process of setting the minimum wage has become too politicised. The increases have become unpredictable, with the business community granted little notice and too little consideration of the economic circumstances many small businesses face.

An example of another country taking action to reduce minimum wage uncertainty is the UK, which has a Low Pay Commission – an independent body that advises the Government about the National Minimum Wage. Each year the Commission carries out extensive research and consultation with employers and employees and analyses relevant data to understand the state of the economy, labour market, and the impact of minimum wage.

03 A skilled workforce, now and in the future.

Recommendations

- 2.5. Ensure the education system focusses on essential skills like reading, writing and maths, and provides a strong foundation for work-readiness skills like time management, communication, and critical thinking.
- 2.6. Collaborate with employers to better inform career pathways in emerging industries and technical careers like advanced manufacturing.
- 2.7. Continue to support the uptake of apprenticeships.
- 2.8. Invest in a vocational education system that is agile in responding to workforce needs, by putting employers and the people they want to employ at the core.
- 2.9. Support employers to navigate disruption and transition through upskilling their workforce for the future.

Canterbury is home to several world-class universities and educational institutions, which contribute to a skilled and talented workforce. However, employers are concerned about the diminished essential skills and soft skills that high school and university graduates are entering the workforce with. The latest available rankings from the OECD show a deeply concerning decline in reading, mathematics, and science capability from previously high levels of performance, with more rapid declines among the lowest-achieving students.

New Zealand needs an internationally regarded and globally competitive education system across primary, secondary, tertiary, and vocational training – to provide a system that enables every student to leave school with a strong foundation of skills and open pathways to enable them to be set up for the world of work.

There needs to be a focus on children turning up to school and that they are taught by well-resourced teachers using a global best practice curriculum, that keeps abreast of the rapidly changing needs of the workplace and society.

Business needs to be able to easily collaborate with educational institutions to develop industry-relevant education and training programmes that align with their needs. In Canterbury, this means focusing on skills development in sectors with growth potential, such as technology, agriculture, and advanced manufacturing.

Coupled with the declining performance of our education system, is the widening of the digital skills gap. Globally, by 2025, it is estimated that up to 40% of the core skills needed for specific jobs will change and 50% of employees will need to learn new skills. New Zealand business is beginning to see this gap grow and is concerned that the Government does not yet appear to have an adequate plan – with genuine engagement and consultation with business/employers – for how to resolve this widening skills gap.

04 Regulatory certainty and reduced compliance costs.

Recommendations

- 3.1. Review compliance cost drivers for business and ensure an 'all of Government' understanding of the impacts of regulatory compliance and put in place a programme to reduce compliance where it does not add value.
- 3.2. Prioritise robust regulatory process to ensure Government is not placing counterproductive compliance costs on business.
- 3.3. Genuinely partner with business on amendments to the regulatory systems that impact them.

New Zealand has long been seen as a good place to do business because of our predictable, stable, and evidence-based regulatory environment. However, businesses tell us that they now see increasing regulatory uncertainty and risk as increasing the cost of doing business and negatively impacting business confidence; therefore, impacting their appetite to invest.

It is not just policy uncertainty that affects confidence; it's the pace of change, along with rapidly increasing compliance costs that is adding frustration and fatigue. Canterbury is a region of SMEs, and rapidly increasing regulatory burden of this type and the cost is disproportionately impacting them. SMEs say that on average, overhead costs like rent and insurance have recently increased by \$1500 per month, with an estimated \$240 of that coming from increased compliance activity.

Business wants to be more involved in consultation and see the Government using existing rules and regulations rather than introducing new ones.

“We need to draw a line between competitive and regulated markets.”

- Business leader

05 Investment in infrastructure.

Recommendations

- 4.1. Develop both a short- and long-term plan for key infrastructure in the region, to provide investment certainty, which considers the role of central and local government, alongside the business community.
- 4.2. Ensure when we are investing in core infrastructure that we are building for future growth, not just what we need today, and engaging with the business community to understand what that future growth looks like.

Infrastructure investment and resilience matter deeply for business competitiveness as well as community prosperity. We have seen our infrastructure deficit increase, and the building of new infrastructure has become incredibly costly and time-consuming compared with international best practices.

The Government must provide a long-term view of New Zealand's commitment to future investments in infrastructure that will give industry certainty and the confidence to make their own investments. The future of this investment and management could include public-private partnerships, and a commitment to a range of instruments such as infrastructure bonds, private investment, innovative funding and financing, and user pays models.

There must be a significant focus on leveraging infrastructure to enable growth opportunities for our region. We have seen how infrastructure can enable growth in a regional economy following significant private and Crown investment in Christchurch over the last decade. Rolleston for example grew by more than 770% between 2001 and 2021, our house prices are \$155,000 below the national median, and our commute times are significantly shorter than in other main centres.

Canterbury is heavily reliant on key connectivity infrastructure that needs investment to ensure the region's resilience and business productivity remain strong. This investment includes the completion of works on the Ashburton Bridge and Woodend Bypass, the reliability of Cook Strait ferries, coastal shipping, and the network capacity for the uptake of transport electrification. Additionally, we must focus on expanding digital infrastructure to ensure widespread access to high-speed internet across our rural communities.

“We are horrible at investing ahead of demand.”

- Aged Care leader

06 Driving innovation, sustainability, and resilience.

Recommendations

- 5.1. Build stronger links between science and business to support the development and uptake of innovative technologies.
- 5.2. Introduce accelerated depreciation on research and development.
- 5.3. Properly fund the activation of industry transformation plans.
- 5.4. Engage with businesses to provide clear and easy-to-understand guidance and support to plan and execute their decarbonisation journey.
- 5.5. Prioritise investment in New Zealand's freight and supply chain resilience and introduce more transparency around Government support for exporters.
- 5.6. Continue to pursue high-quality, comprehensive free trade agreements.

Canterbury has an innovative entrepreneurial culture and a supportive business community. This makes us an attractive home for startups and established businesses alike, but to remain competitive we need to prioritise stronger links between Government, scientists, researchers, and business. This will enable the rapid uptake of new knowledge and innovation.

Already being a hub of innovation, Government must power up business investment in research and development and unlock their ability to invest now in the technologies that will take our economy into the future. To do this, we support accelerated depreciation initiatives, particularly for our advanced manufacturers who offer short-run prototyping not generally available anywhere else in New Zealand. By opening up accelerated depreciation, businesses can invest right now – rather than waiting for new Wellington-based 'Innovation Hubs' announced in Budget 2023.

Government needs to play its part by ensuring effective, up-to-date and enabling regulation that develops alongside the needs of business and allows investment in new forms of technology as they emerge. Industry transformation plans are a welcomed first step in achieving this flexibility but will need adequate funding to be properly activated.

The Government should also help with facilitating business' implementation of new technology and systems to improve productivity, and aid in transition to carbon zero. With access to finance and funding being one of the biggest barriers for business, there is an opportunity for Government to play a significant role in enabling businesses to remain competitive while making the transition.

While Canterbury is proud of their focus and achievements in low emissions and energy efficient developments, we recognise there is more to be done. Many businesses, particularly SMEs, do not have the in-house expertise or capacity to start their journey to decarbonise and need support to stay abreast of rapidly evolving climate policies and regulations. Government plays a critical role in regulating the system to give businesses and consumers the best information to make investment decisions on decarbonisation. Many of these businesses would

benefit from clear milestones and a further understanding of what 'net zero' means for them, and what funding might look like to get there.

In the manufacturing sector, which contributes 64% to Canterbury's GDP, businesses are looking at significant costs around decarbonisation and will require support as they innovate towards a zero-carbon future. A key priority must be encouraging businesses to adopt and support initiatives focused on renewable energy, waste reduction, and environmental conservation.

Manufacturing and export opportunities could also be enhanced through support for Canterbury businesses looking to expand internationally. This can include trade missions, export training programmes, market research assistance, and access to financing for export activities. Businesses also tell us that more transparent access to the NZTE F1400 programme would be helpful, particularly for small businesses who want to understand what they need to do to get a higher level of service. There are many existing networks including the Chamber and BusinessNZ Networks, amongst others, who can readily deliver this type of support to their local businesses through collaboration with Government.

Further to expansion into new markets, and ongoing work to develop and formalise trade opportunities across the globe, supply chain resilience is essential not only for local business and communities, but also for our manufacturers and exporters who rely on a resilient shipping network and port system for both outward and inward freight. It must continue to be a priority for Government to ensure that our shipping networks and trade infrastructure are resilient.

“A lot of what I want to automate in my business is about making things more productive, but none of this investment comes cheap.”

- Business leader.

07 Support for small business.

Recommendations

- 6.1. The Government needs to provide access to finance for small business.
- 6.2. Extend collaboration with existing networks to enhance the support provided to small and new exporters.
- 6.3. Implement a small business lens over compliance activity to genuinely understand the impact on small business.

SMEs play a foundational role in New Zealand's economy, with 97% of businesses in New Zealand employing fewer than 20 staff. These businesses are particularly vulnerable to the state of the economy, disruption events, and global uncertainty. All these challenges impact their confidence and the increasing cost of doing business. In the current environment, the three major issues concerning SMEs are compliance costs, access to finance, and rising crime.

Building resilience comes at a cost for SMEs. For example, increasing their digital profile and reducing emissions through investing in transition initiatives all require the ability to access finance and this continues to be an issue.

Business understands the need for regulation, however, with limited resources, it is incredibly difficult for SMEs to meet their increasing compliance obligations. To small business, an environment that is conducive to their success means regulation that is relevant, understandable, and predictable; minimum wage settings that are depoliticised enabling adequate forward planning; and a regulatory environment that encourages small business growth. Examples of this include improved access to advice and legislation that is fit-for purpose.

“Government needs to acknowledge business as their greatest asset in moving us all forward.”

- Business leader

08 Action on crime and antisocial behaviour.

Recommendation

7.1. Commit to increased authority and resource to expedite and sufficiently deal with crime and antisocial behaviour.

Ram raids have taken most of the Government's attention with respect to rising crime and violence. While a prevalent form of crime recently, businesses across our city, region, and country continue to have major issues with other antisocial and criminal activity including, for example, the theft of livestock in rural New Zealand, and ongoing theft in general which has not received much attention or assistance. This has come at a significant cost to business through losses caused by theft, but also in increased costs incurred through investment in additional security and prevention measures. Businesses would like to see the Government addressing rising crime and violence in general.

Throughout the past year, we have witnessed a significant surge in violent and opportunistic crime throughout the country, predominantly within central business districts, but increasingly in suburban centres. Businesses, their employees, our residents, and visitors continue to be harmed by a continual stream of smash and grabs, ram raids, and theft in general that are leaving business owners out of pocket, and employees fearful for their safety.

We recognise that there are several complex factors that contribute to the causes of criminal activity, and that ongoing challenges such as the truancy crisis, increased cost of living and the lingering effects of the disruption caused by the COVID-19 lockdowns have created an environment where these actions are occurring at an increased rate, and that there are a number of long-term contributing social factors.

Christchurch is seen nationally as actively managing crime and antisocial behaviour better than other main centres, and the Government has provided some support with \$2m funding for the central city to increase the presence of security guards, and the launch of a pilot program to provide 'high frequency action and monitoring' by Oranga Tamariki for serious and repeat youth offenders.

But there must be consequences for criminal and antisocial behaviour causing losses and making people feel unsafe in the short term, and there must be further support for business, not just in funding tools such as fog cannons, but also by changing settings to ensure those who are involved in antisocial behaviour and committing crimes be appropriately held to account.

"People are getting tired of this mindless behaviour."

- Business leader

09 Recognise the critical role Canterbury plays in the economy.

Recommendation

- 8.1. Actively recognise the critical role Canterbury plays in the national economy and engage more with our local community to understand the opportunities it can provide for New Zealand.

There needs to be a greater recognition by Government on the role that Canterbury plays in the national economy and that Canterbury is the economic hub of the South Island. Too often we see Government announcements and policy changes that are focused on Auckland and Wellington alone, neglecting Canterbury and the wider South Island.

Canterbury businesses are innovative and continually adopting new technologies and investing in their people, and as a region, we are the perfect trial ground for new ideas and pilot programmes. We would like to see Government partner with us on more new initiatives and leverage the opportunities our city and region have to offer including the relative ease of doing business, our affordability, considering our new and emerging sectors and hi-tech, innovative culture

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