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**BONUSES BETTER THAN STRIKES** Strike action for the 5% wage claim is unnecessary. Strikers would be better off negotiating productivity bonuses. Increases tied to performance would be easier to justify than an across-the-board 5% claim, says McBride HR, a company conducting regular surveys of remuneration in NZ. This year's survey showed executives' rises averaging around 6% and workers' around 4% - similar to previous years. Kevin McBride says the best way for operational staff to get higher pay would be to go for productivity pay. In NZ currently 60-80% of senior managers' pay is performance based, while only around 30% of operational staff pay is bonus-based. Contact [kevin@mcbridehr.co.nz](mailto:kevin@mcbridehr.co.nz)

**NEW KIND OF TRADE DEAL** The recently completed Thai/NZ trade deal is a good one overall, says delegate member Phil O'Reilly. Credit for the outcome has to go to NZ's negotiator and to the Prime Minister who energetically supported the delegation in person. Tariffs on NZ horticultural products will disappear this year, sheepmeat and manufactured goods tariffs will be gone by 2010, wine tariffs by 2015, and cheese and butter tariffs by 2020 - good news given Thailand's market is 60 million people. But what's in it for Thailand? After all, you can't sell much into a market of 4 million... The answer: thinking Thais aren't so much regarding NZ as a market, but as a partner - they want to work in partnership with NZ to create broader product lines to contest the truly big Asian markets (China 1.5 billion and India 1 billion). This is a good way to leverage off trade agreements: with the WTO multilateral approach progressing only very slowly, many countries are seeking bilateral agreements, and some are going further, working towards common third-party trade agreements, forming strategic alliances from the ground up. Contact [poreilly@businessnz.org.nz](mailto:poreilly@businessnz.org.nz)

**TAX SEPARATES THE TASMAN** Working together towards common third-party deals should be how Australia and NZ should work together too - but we're far from that. A lot of the CER work has been done, but some of the basics aren't there yet. Tax is a stumbling block - trans-Tasman harmonisation should start with tax harmonisation. The call for recognition of imputation credits has been well heard, but there's also the rate of company tax itself - NZ businesses pay higher company tax than their Aussie counterparts, who also get concessions, incentives, allowances and rebates. NZ companies are paying more than their share, and companies both sides of the Tasman need better integrated tax rules. Contact [ssummers@businessnz.org.nz](mailto:ssummers@businessnz.org.nz)

**KYOTO STYMIES CER** Another area that should be harmonised is energy policy. Unfortunately, a glaring trans-Tasman gulf is set to emerge in 2007, when NZ's Kyoto liabilities take hold...while Australian companies will have no carbon taxes or other liabilities stemming from govt decree. How can you have meaningful CER when one partner has carbon taxes and the other doesn't?

**CARBON TAX LOOMING** The govt is seeking to ease the burden on some NZ firms, offering the chance of a negotiated greenhouse agreement (NGA) - a lower rate of carbon tax - if a firm can show their international competitiveness will be threatened by the tax. NGAs aren't easy to get, for example you'd have to be reasonably large company with big energy usage, and you'd have to commit to achieving 'world's best practice for emissions' (so far only two NGAs have been awarded). But it's probably worth a try, as the level of carbon tax, to be announced in this month's Budget, is expected to be substantial. Unfortunately there's no comprehensive policy in place for small or medium sized companies, apart from a grant scheme that brings [distorted incentives](http://www.climatechange.govt.nz) Contact [www.climatechange.govt.nz](http://www.climatechange.govt.nz)

**ICE MAIDENS THREATEN COMPANY RIGHTS** Businesses observing the NZ govt's interest in all things Scandinavian may wonder if the latest Scandinavian development may yet be imported here - compulsory places for women on company boards. The Norwegian govt has threatened to close

companies that don't have at least 40% women on their board by 2007. Norwegian business groups and the Oslo Stock Exchange are up in arms about the [move](#), saying it threatens the right of shareholders to elect their own board.

**BRAIN DRAIN SKILL DRAIN** Grant Thornton's *International Business Owners Survey* shows NZ has one of the worst skill shortages in the world. It says the biggest constraint on expansion for NZ businesses is lack of availability of a skilled workforce (50%), nearly twice the global average of 28%. Recent Labour Department research found 'genuine skill shortages' in 15 of 16 trade occupations. And Statistics NZ figures show that in the year to March 2005, there was a net loss 330 of NZ citizens to Australia each week. Business NZ says an improved business environment – simplified legislation, less red tape, lower tax – would help stem the exodus of entrepreneurs and skilled workers. Housing group [Demographia](#) says part of the problem is local government planners restricting land supply through so-called 'smart growth' policies. Relaxing land use restrictions here would keep NZ house prices lower than in Australia, helping to make NZ more competitive against Australia for attracting skilled workers, they say.

## **BUSINESS STATS**

### **BRAIN DRAIN SKILL DRAIN – THE NUMBERS**

- Permanent and long-term departures exceeded arrivals by 1,400 during March 2005. Comparing March 2005 with 2004, there were strong falls in migration from China (down 49.4%), India (down 39.3%) and Australia (down 5.4%).
- The continued fall in net migration numbers has caused commentators to revise their predictions of net migration stabilising around 10,000. Currently there is no sign of the fall leveling off, and greater numbers of NZers are leaving.

### **UNUSUAL TRADE DEFICIT**

- Trade figures for March 2005 reveal an unusual deficit. Normally March shows a surplus (for the last decade it's been an average surplus of \$149m). But this year, imports for March were provisionally valued at \$2,987m, up 9.3% from March 2004, giving a provisional trade deficit of \$192m.
- Over the March 2005 year, the value of imports was \$35,457m, 9.6% higher than the year before. With an estimated \$31,092m value of exports, the estimated annual trade deficit is \$4,365m, equal to 14% of exports.
- Imports increased for 20 of the top 25 countries NZ receives merchandise from (comparing March 2005 with 2004). Chinese imports increased 19.6% and Australian imports increased 11.6%. Exports for March will be released next week.

### **TOURISM GREAT**

- Short-term visitor arrivals during March were up 11% on March 2004.
- The number of stay days during March was up 3% from March 2004, while the average length of stay fell one day to 17 days.
- Over the March 2005 year, there were 2,388m visitors, up 10% from the March 2004 year.
- The biggest increase in visitor numbers over the March year was Australians (+18% or 131,900). There were also increases from China (+31% or 19,800), UK (+6% or 17,200) and Japan (+9% or 13,100).

### **BUILDING ACTIVITY OK**

- Building consents for March stood at 3,027 units, compared with 3,037 in March 2004 and 2,537 in March 2003. It was the fifth highest monthly total on record, however the introduction of new building requirements through the Building Act 2004 after 31 March may have had an effect. Consents for new dwelling units (excluding new apartments) were 2,145 for March 2005, lower than the 2,489 in March 2004.
- Over the March 2005 year consents for 30,255 new dwelling units were issued - down 1,568 units (5%) from the March 2004 year.
- Eleven of 16 regions had a fall in new dwelling units (comparing March 2005 with 2004). The largest fall was in Auckland (down 122 units), followed by Bay of Plenty

and Otago (both down 55 units). The Wellington region recorded the largest increase (+197 units).

- The value of non-residential building consents was \$414m for March, compared with \$332m for March 2004 and \$200m for March 2003. Shops, restaurants and taverns had the highest value of consents for March (\$77m), followed by hostels & boarding houses (\$67m) and offices & administration buildings (\$52m). Over the year ending March 2005, the total value of factories & industrial building consents was \$537m, compared with \$391m for the March 2004 year.
- The trend for the value of non-residential buildings has continued to increase since January 2003, following a generally flat period from January 1995 to December 2002. *More information on [www.stats.govt.nz](http://www.stats.govt.nz)*

**WHATS' NEW** on [www.businessnz.org.nz](http://www.businessnz.org.nz)

- *No difference between public and business on tax*
- *Manufacturing expansion dwindling*
- *ANZ-Business NZ PMI for March 2005*
- *Carbon tax interventions getting complicated*
- *Teacher performance pay good for education*