

New Zealand Business Roundtable Cocktail Function
12 June 2008
Comments by Rob McLeod

Welcome and thank you for coming.

The New Zealand Business Roundtable has had a very productive twelve months.

A highlight of our year was the visit of Nigel Lawson, former British Chancellor of the Exchequer, who delivered our Sir Ronald Trotter Lecture in Auckland last year. Lord Lawson's topic was the economics and politics of climate change, an issue in which we've taken a very active interest.

Other notable visiting guests included Donald Tsang, chief executive of Hong Kong Special Administrative Region, and Gary Banks, chairman of the Australian Productivity Commission.

This year's Sir Ronald Trotter Lecture, which will be at Te Papa on 7 October, will be delivered by Stephen Jennings, a remarkable New Zealand businessman and Business Roundtable member who founded and runs the Moscow-based global investment bank Renaissance Capital.

Stephen is ranked by London's *Financial News* as among the top 100 most influential people in European capital markets and has been described by a fellow banker as the only foreign oligarch in Russia. His lecture will explore lessons New Zealand can take from developing economies and draw on his experience in Russia and sub-Saharan Africa, where he now spends much of his time.

Details of the event are on our website and, as an aside, I encourage you to look at our website where you can find all of our published work and a great breadth of material.

For those of you who are fans of P J O'Rourke I'm pleased to say we have arranged (in conjunction with the Centre for Independent Studies) to have him speak at an event in Wellington in early December.

Our focus on outreach has continued over the year and among the highlights was another very successful public policy symposium for emerging business leaders which we held on Waiheke Island. We will hold this event again in August this year, also on Waiheke Island.

A new initiative has been a series of forums on public policy topics for students and young professionals in Wellington and Auckland, and we plan to extend this to Christchurch and Dunedin.

We've also been holding regular CEO forums in Wellington, the next of which will be with chief executive of Fletcher Building and Business Roundtable member Jonathan Ling on 15 July.

Other activities have included the preparation and presentation of numerous submissions on issues such as the Regulatory Responsibility Bill, the proposed Emissions Trading Scheme, and the Royal Commission on Auckland Governance.

Among our published reports have been studies on local government, income distribution and the costs of taxation, and working papers in our major study on impediments and improvements to Maori economic and social progress.

This year we also contributed to the production of Paul Goldsmith's recently published political history of tax in New Zealand, titled *We Won, You Lost, Eat That!*, and shortly we will be publishing a study on property rights.

I'd like to take this opportunity to acknowledge and thank our 50-odd members and our affiliate and alumnus members for another year of solid support – we depend on their input and backing. I'd also like to thank my vice chairs Bill Gallagher, Bill Day and Nick Calavrias for their support. And in particular I'd like to thank Roger Kerr for his unstinting commitment to our mission.

I'd also like to recognise our strong working relationships with the other major business organisations. We've worked together to good effect on a number of joint initiatives with Business New Zealand, the New Zealand Chambers of Commerce, Federated Farmers, the New Zealand Institute of Chartered Accountants and others, in areas such as tax, climate change, the Regulatory Responsibility Bill, and property rights.

And we'd all like to see more business leaders step up and join forces in taking an interest in national affairs.

Looking ahead, we have another busy year. Our overall focus as always is on growth and the economic directions of country.

To this end, we congratulated the government on the successful conclusion of the New Zealand-China Free Trade Agreement.

There's also been encouraging news for those of us who've been pressing for more discipline on regulation. Last month, Parliament's Commerce Committee chaired by National MP Gerry Brownlee recommended that a high-level expert task force should be established to carry forward work on the concept of a Regulatory Responsibility Act.

All the main business organisations supported the concept of regulatory responsibility legislation. The New Zealand Institute of Chartered Accountants and the New Zealand Law Society made good contributions. The committee's report was unanimous, with Labour MP Paul Swain playing a particularly helpful role.

It appears likely that minister of commerce Lianne Dalziel will accept the committee's central recommendation to set up a task force made up of members with "extensive knowledge of public policy and economic, legal and constitutional matters", a move we strongly support.

It's also pleasing to see the lower company tax rate applying from April this year.

However, we see the recent budget as a missed opportunity to use tax policy to improve productivity and growth.

The government's own 2001 Tax Review which I chaired recommended adoption of a lower and flatter tax structure to promote these goals.

While personal tax cuts are welcome, they won't even offset fiscal drag for many taxpayers. With greater spending discipline and growth-oriented tax changes, much larger tax reductions could have been achieved without putting inflation and a sound fiscal position at risk.

The economy and credible policies to improve its performance must be foremost in the forthcoming election debate if New Zealand is to have a better future.

The budget rightly noted that *"New Zealand needs to significantly lift productivity in order to build a high value, high wage economy to better compete globally"*.

Productivity has been a major concern of ours for some time. Current figures make very sorry reading and, together with the weak outlook for growth in business investment, indicate that the income gap between New Zealand and Australia is set to widen further.

It is well established in economic research that a country's institutions and policies are the main determinants of productivity and income growth.

There is little doubt that increased government spending, taxation and regulation and other policy reversals over the past decade are the major factors contributing to the much lower productivity growth rates we are now seeing.

Looking across the Tasman we see both the Rudd government and the state Labor governments cutting tax rates and moving ahead with policies such as deregulation, privatisation, and a greater role for the private sector in areas such as health, education and infrastructure.

Business here and across the Tasman is strongly supportive of these directions.

Better policies of the kind I've touched on would greatly boost New Zealand's attractiveness and economic performance to the benefit of all New Zealanders, especially the least well off.

And that is the mission of the New Zealand Business Roundtable: to promote policies for a better New Zealand, in the interests of all New Zealanders.

Thank you, and enjoy the evening.