

**H R Nicholls Society**

**A Tiger on Your Tail?**

**Douglas Myers**  
**CHAIRMAN**  
**NEW ZEALAND BUSINESS ROUNDTABLE**

**MELBOURNE**  
**3 APRIL 1992**

## **A TIGER ON YOUR TAIL?**

In thinking about this opportunity to speak to you this evening, it struck me how lucky we are to be living in an era of explosive change. Winston Churchill's remark about 19th century British Prime Minister Lord Roseberry having the misfortune to live in "an age of great men and small events" certainly does not apply to us.

Today change is the norm, and fortune favours the bold. From Eastern Europe to Latin America to South Africa, those on the side of radical change are winning. After decades of graveyard calm, the Australasian model too is under assault. The challenge for today's leaders in business and government is to rise to the level of these events.

Decisive steps have been taken in New Zealand and Australia away from fortress economies and the combination of statist and welfarist policies that led to mediocrity and stagnation. Both countries have moved towards a similar vision of an open, internationally oriented Australasia, successfully integrating into the Pacific basin and the world economic system. Moreover, as Alan Wood recently observed in *The Weekend Australian*, there is little disagreement about what is needed to realise this vision:

"... reduction of foreign debt, tariff cuts, low inflation, structural reform, labour market reform, high productivity, higher national savings, social cohesion and trade and foreign policies aimed at promoting open global and regional trading systems."

New Zealand seems to attract greater interest in Australia these days. There are good reasons for curiosity. As one New Zealand financial analyst recently observed:

"These are worrying times. The pall of gloom and despondency - that comfortable insecurity blanket - that New Zealanders have wallowed in for so long seems to be lifting.

"Most of the economic news this year has supported an extraordinary notion: that the ailing New Zealand economy appears to be on a recovery path."

Some of the government's leading critics in the business sector - who attracted media coverage never warranted by their numbers nor the quality of their analysis - have begun to recognise that the future for their businesses and the economy may be bright.

The same phenomenon is apparent in the farm sector. Most farm leaders, like most business leaders, backed the changes of recent years but some, particularly in the producer boards, kept demanding 'less theoretical' and 'more pragmatic' policies. Thanks to the government's steadfast resistance to such calls, the outlook for agriculture is improving. One of the former critics, Wool Board chairman Pat Morrison, was recently on record as saying:

"The pain felt by farmers in the past eight years might not have been in vain... Never in his life had agriculture had a better foundation - realistic exchange and interest rates, realistic levels of taxation and labour market reforms that made New Zealand competitive."

To top it all off, a recent cartoon depicted Winston Peters, the noisiest dissident within the government's own ranks, as wanting to end his own life on the grounds that Ruth Richardson might have been right all along!

I don't want to give you the impression that a universal constituency for economic rationalism has suddenly broken out. When he wrote to me about this meeting, your president noted that there had been a substantial effort in Australia to show that policies such as the Employment Contracts Act had brought nothing but misery and hardship, "the expected outcome of 'New Right' policy." There are still plenty of economic irrationalists and other lost tribes wandering around in New Zealand. Ken Douglas, president of the Council of Trade Unions, announced in the new year that:

"In 1991 the last of Treasury, [Business] Roundtable, Roger Douglas and Ruth Richardson's 'crackpot theories' was discredited by the practical responses of the real world."

Prominent CTU member Bill Andersen, another adherent of the 'true faith', warned against:

"... the right wing Yeltsin forces that are working hard to reinstate the 'free capitalist market' that has wreaked so much damage on New Zealand and other countries,"

and professed his undying conviction that the "real democratic socialist construction" would yet materialise. Bill Andersen stands out as a member of a very select group still able to believe that the Berlin wall was built to keep the West Germans out.

And a like-minded academic, Pat Walsh of Victoria University, declared that:

"... there must be growing concern [over the impact of the Employment Contracts Act] and other policies of which it is a key component and their contribution to the nation's progressive slide into a major depression."

What is to be done about such people? The answer is nothing. We should preserve them as international treasures whose scarcity value will increase as their numbers plummet in all other parts of the world.

What these commentaries have in common is the fallacy that the policy changes of the last few years in New Zealand rather than the legacy of the last 50 years of economic mismanagement have been the cause of our problems. The key political difficulty is that the government has still not got across to enough people in the community an understanding of why we had become an economic basket case and why New Zealanders had no choice but to change. Naturally academics, remote from the real world, are the last people likely to be of any help in this task.

I was convinced that New Zealand had reached an economic milestone when 15 economists from Auckland University wrote an open letter to the government in mid-1991 deploring its action to reduce government spending and the deficit in what they saw as the middle of a recession. You will recall the similar warning by 364 British economists to Mrs Thatcher in 1982, almost the exact time that Britain began its longest post-war recovery. Our organisation was signalling an economic upturn in the second half of last year, and sure enough subsequent figures confirmed real GDP grew by 1.3 percent in the September quarter.

I am looking forward to Auckland University's next performance appraisal of its economics department staff. As David Clark recently observed in the *Australian Financial Review*:

"There is no proposition so nonsensical that at least one professor of economics cannot be found to support it."

It goes without saying that views ranging from scepticism to hostility about the path New Zealand has been following, including its labour market reforms, go back a long way. Even within the Business Roundtable, I remember one member publicly declaring we had a "death wish" for advocating wholesale changes to labour law. Radio New Zealand's chief political reporter branded us "politically naive". The vast majority of our members believed, on the other hand, that the old labour model could not work in the new economy, and that the only debate was about the extent and timing of the creation of better structures in which management and workers could respond cooperatively to change.

Sceptics about reform also overlooked the fact that public opinion, as revealed consistently in polls that our organisation commissioned, was massively in favour of letting workers make their own decisions about union membership, choosing how to be represented and doing deals with their own employers. Most of us had no illusions that overcoming vested interests and translating that support into political action was a long-run process - a minimum of 5 years, our advisers reckoned. The H.R. Nicholls Society has had a similar long-term view, and I am sure the rewards - to Australia and Australians - are not far away in your case either. Deep down I suspect most Australians now recognise that your disappointing unemployment and productivity statistics will not go away until changes are made. Both the main Australian political parties are talking labour market reform. Regrettably, as with the Labour government in New Zealand, the limited scale and slowness of changes which the present government is prepared to contemplate mean that you're continuing to lose ground.

I won't go into any detail about the developments in the New Zealand labour market over the years leading up to the Employment Contracts Act. They've been covered at length in papers at previous meetings. Suffice to say that a lot of positive change was occurring as the economy reacted to deregulation and tight financial policies, as the previous government removed itself from involvement in industrial disputes and made some limited changes to labour laws, and as employers and their workforces got closer together to stay viable and protect jobs. In this sense the Employment Contracts Act was not a leap into the unknown but an opportunity to accelerate a process that had been underway for several years.

The tragedy is that it didn't happen earlier. If the Labour government had moved quickly to free up the labour market, curb its spending and reform welfare arrangements, I believe the inevitably difficult period of adjustment would have been halved, as would the rise in unemployment. The blame for these outcomes lies squarely with those in the previous government who set their face against such changes and then opted for a teabreak in the reform process.

By the time the present government came into office in October 1990, the intellectual battle was over, the business community was strongly behind radical change, the government was clear in its thinking about what needed to be done, and had won a

clear-cut mandate for labour market reform. Despite this, we endured many weeks of fear-mongering and overblown rhetoric from vested interests and the chattering classes as the bill moved through Parliament. Hostility was fanned in the media by claims that the reforms were an attack on living standards rather than an opportunity to raise productivity. It is interesting now to look at the before and after situation in the light of these utterances. To give you some examples:

- Editorials in *The Dominion* predicted that New Zealand would be plunged into a "dizzying industrial free-for-all". Columnist John Kennedy said the Bill "will tear the community apart". The ABC in Australia was promoting the same rubbish.
- The unions threatened industrial mayhem : Ken Douglas warned that "the munitions factory is having the chains taken off the door".
- A handful of traditionalist employers joined in the union criticisms. Typically they wanted more crutches and props to lean on; one large retailer complained that "the bill would give workers too much freedom of choice". Usually those companies were protected by the system from competition and had never bothered to manage their labour resources, and they wanted to keep things that way.
- Many in the news media had a field day highlighting these "splits in the employer ranks". They saw the issue as the traditional battle between the employer movement and organised labour, rather than between vested interests on both sides and those who saw the necessity to respond to competition in the open economy.
- Industrial reporters were typically opposed to the Bill. Patricia Herbert of Radio New Zealand described it as "a recipe for exploitation". Exploitation in New Zealand is defined as paying someone less today than yesterday even if the firm is under water and the queue for similar jobs stretches halfway down the main street. Even giving someone a job at a low entry-level rate of pay can qualify as exploitation.
- Industrial relations academics - a group at risk of having their human capital written off like many industrial relations practitioners - provided a range of dire predictions. Raymond Harbridge of Victoria University said the Bill would lead to "a proliferation of industrial disputes", Ian McAndrew of Otago University said it would make "stable and sensible bargaining between a firm and its employees virtually impossible", and Don Clark of the Auckland Institute of Technology proclaimed that the Bill was "unworkable" and would need "serious amendment" within weeks of enactment.
- The Department of Labour - the equivalent of your 'fridge dwellers' - was opposed to the reforms, and even the Reserve Bank said that they "may not engender the rapid, beneficial outcomes (especially regarding wage moderation) that may be hoped for".

- The Labour party opposed the Bill, making much of the evils of voluntary unionism. Now its position is that compulsory unionism will not be restored.

On the other side of the ledger, I recall the advice to us of Professor Richard Epstein of the University of Chicago Law School:

"Once it is clear that the old hidebound ways of doing business will result only in joint employer-employee ruination, they will quickly pass from the scene. Most employers and employees will quickly adapt to the change in circumstances and model their behaviour to the new environment in which production and competition count for far more than the obsolete work rules by which New Zealand labour has been hamstrung for so long."

Whose predictions were accurate?

Well, May 15 1991 - when the legislation came into effect - came and went, and there were no reports of children being sent up chimneys or down mines. This should have come as no surprise to any genuine scholar of 19th century industrial history. Dickens, although a confused social reformer, did not share the Fabian view of a conflict of interest between capital and labour. He urged:

"... the bringing together of employers and employed ... whose interests are identical, who depend on each other, and who can never be in unnatural antagonism without deplorable results."

In all probability Dickens would have approved the Employment Contracts Act, as would the Pope, according to reviewers of the latest encyclical, Centesimus Annus. Unfortunately the head of the Catholic Church in New Zealand did not read the document - or if he did he failed to understand it - and declared the Act to be "sinful".

The Act has now been in operation for almost a year. The first and perhaps the most pleasing thing to say about it is that industrial relations are no longer a headline issue in New Zealand. They have become de-politicised. For this reason it is not easy to discover and generalise about what has been going on at a national level. Employment contracts now have much the same status as other personal and commercial contracts; they have tended to become private rather than public property. Nevertheless, it is possible to build up a fairly clear picture of what has happened - and it is a dramatic one. As the National Business Review's industrial reporter - who was none too sympathetic to the changes - wrote late last year:

"The only surprise of the nearly six months since the Act was introduced is that so much has happened so quickly. The widespread expectation of anything up to 12 to 18 months of general inertia has proved misplaced, as a radical reshaping of working conditions has got underway."

So much for academic theories that the labour market is sluggish in responding to change. People with international business experience have commented that change can be accomplished in New Zealand very quickly - and I suspect the same is true in Australia as well.

A brief listing of some of the changes goes something like this:

- Occupational and multi-employer awards have become virtually obsolete. The Engineers Union tried to promote a revamped metal trades award, formerly a major document covering thousands of employers, but found only thirteen takers, none of them significant. The overwhelming majority of collective agreements have been at the level of individual enterprises, business units or sites.
- The thrust has been to eliminate or reduce uneconomic penal and overtime rates, change hours of work, introduce performance-related pay based either on output or skill levels, and scrap inefficient work practices.
- There has been a big swing towards individual contracts. Workers are again being recognised as people with personal needs and aspirations rather than standardised commodities. Virtually the entire workforce of 1,200 at Comalco's South Island aluminium plant are now on individual contracts, only 5 percent belong to unions and the unions are no longer active on site. All pay is performance-related; there are no automatic across-the-board increases. Such arrangements will continue to spread provided people feel their interests are well served.
- Union membership has fallen rapidly. This trend owes far more to worker choice than to any pressure by employers. It is in line with international trends when workers have freedom of choice. Staff in Lion Nathan's Deka chain, a national retailer, were offered a choice and 70 percent decided to opt out. The CTU has lost 20 percent of its members and Ken Douglas has predicted a loss of a further 20 percent in the coming year, which would reduce the unionised section of the workforce to around a quarter.
- Some unions, such as the previously significant clerical workers union, have been wound up, others have merged, new enterprise unions have broken away from occupation- or industry-based unions, and groups of workers have switched to other unions for bargaining purposes. Unions are learning that they must either serve the interests of local members or wither away. The ability of central power brokers to beat up on intimidated workforces and politicians has gone.
- The Act is not anti-union but it does place existing shop stewards and union delegates under pressure to perform. Many have failed that test, with the result that new bargaining agents have entered the market. Of the first 190 collective contracts involving over 20 workers analysed by the Department of Labour, around half were negotiated by agents other than unions.
- Contrary to all the predictions of industrial disruption, strikes are at an all-time low. I expect, however, that we shall see some last ditch efforts to preserve the old order, particularly in the public sector, before we settle into a pattern of non-disruptive behaviour more like Switzerland and Japan.
- There have been fewer alleged cases of 'exploitation' than might have been expected by some - confirming that most employers are not

inherently nasty - and there has been no collapse in wages. There has been a greater spread of settlements, but real wages on average appear to have slightly increased.

- Industrial relations is no longer a separate discipline. The prospect of actually having to manage a workforce has been daunting to many managers. Middle managers with a new set of skills have been in strong demand. Often new agents in management positions have been needed to build trust, overcome historical tensions and speed up the transition to the new order.
- The end result has been to shift the focus of decision making decisively to the local level. Managers and workers have mutual incentives to demand better performance of each other. The conflict model has been exposed as irrelevant; the mould has been broken for all time. Humpty Dumpty will not be put back together again.

Of course, some old habits are dying hard. In the cleaning industry, the cleaning contractors have combined to negotiate a national contract. This has been explicitly organised with the union to ensure that collusion on price in the service market is underpinned by collusion on price in the labour market. Interestingly, the government-owned cleaning company has stood outside this arrangement. The chances of the cartel surviving for long in the new environment are close to zero. To speed up the process, scrutiny of labour market arrangements should be brought within the scope of our Commerce Act.

Generally, however, such stories are few and far between and accounts of the revolution which is occurring now that the focus is at the enterprise level abound. A Port of Los Angeles executive was quoted last month as saying the changes in labour conditions will place New Zealand at the forefront of the world shipping industry.

"I have been astounded," he said. "It's been a real eye-opener for me... You are going very well at the moment but you guys are going to be great guns when the economy picks up."

A recent story about a clothing firm in a provincial town summed up for me what the Employment Contracts Act is all about. The firm was a CMT (cut, make and trim) operation, employing 50 staff, and 95 percent of its costs were labour costs. It had been losing money for more than 2 years and at the end of last year the bank decided to pull the plug. The management and staff decided to abandon standard wage rates and to move to a piece rate system under which workers would receive 65 percent of the CMT price. Within a month, output had doubled, the firm was in profit, the workers' jobs had been saved, instead of taking home the award wage of around \$320 per week they were taking home around \$430, and the company has had to take on more staff.

We have seen the same kind of transformation in my own company, Lion Nathan. In the Auckland brewery back in 1983 workers used to drink on the job (as well as before and after), there were mattresses on the floor for them to doze off on, we had 16 complex awards which expired in December and a strike before Christmas was as predictable as Christmas itself. Today we have a health and leisure centre for staff and families at the brewery, no drinking, one enterprise collective agreement, a thoroughgoing commitment to training, there have been no strikes for five years, our

total wage bill is down but our individual pay rates are up, and productivity has increased by 300 percent.

A recent open day was held with shift workers acting as tour guides. It attracted 8,000 visitors. Production on the day was the highest in the history of the brewery.

The single biggest problem we have had to address as a company in recent years is raising the quality of management. In my experience real progress can only be made with changing work practices when managers accept the need for fundamental changes in their role. Some have not coped. In Deka, for example, 20 percent of store managers have been replaced, the impetus for change often coming from shop employees. Even more interesting, many of the new managers are being promoted from the ranks of employees.

Today I spend two thirds of my time on people management compared to next to nothing a few years ago. In those days treating staff as people rather than commodities bought on the basis of awards could make no difference. We never bothered to actively recruit graduates. Chief executives could get away with giving staff a ritual vote of thanks in the last paragraph of their annual report - if they remembered to include it at all. In the new environment you have to worry about people's aspirations, their training and their career paths all the time because if you don't, you won't be competitive. This year we have spent a total of \$10 million on training, much of it devoted at this stage to management. We have to attract and keep smart, energetic, focused people, provide them with authority and accountability, and step them up with training to more complex jobs. This is giving us higher output, and greater rewards for everyone.

You can imagine what developments of this type mean for overall economic productivity. Productivity figures are the most important economic statistic. Productivity growth determines a country's long-term economic health. As recent newspaper articles in the United Kingdom surveying the Conservative government's period in office have observed, the most enduring legacy of the 1980s has been the improvement in labour relations and productivity, the curbing of trade union power and the fostering of a supportive business climate, allowing British industry to compete effectively once again.

The contribution of the Employment Contracts Act has, as yet, barely shown up in the aggregate statistics in New Zealand. It will come on top of the average annual rate of growth of labour productivity of nearly 6 percent over the past 3 years. This compares with OECD estimates of labour productivity growth in Australia of 0.9 percent per annum over the period 1979-90. How Australia proposes to achieve 4 to 5 percent rates of growth with this rate of improvement in productivity is something I am still trying to figure out.

The combination of low nominal wage growth, large productivity gains and a lower currency due to cuts in government spending and borrowing taking pressure off monetary policy have brought about a much healthier competitive position. The real exchange rate is now at a level similar to that achieved after the 20 percent devaluation of 1984, and the cost advantage relative to Australia appears to be as great as 20 to 30 percent in many activities. More importantly these gains, for once, look sustainable.

The clothing industry story also indicates the role of the new regime in preserving and creating jobs. One recent report in a business magazine suggested the Act was a failure because it had not restored full employment a full 9 months after it had come into effect! But to those not afflicted by such economic illiteracy, the portents are promising. Employment is growing again and the unemployment rate - which is much the same as Australia's - declined marginally in the December quarter.

Forecasters are not expecting most wage increases in the next couple of years to exceed 2 percent, and in some cases wages are likely to decline. The labour market is now much more sensitive to supply and demand. The idea that there is a risk of wage blow-outs in a deregulated and competitive market is nonsense. At present, there is an ample labour supply and we are seeing precisely the adjustments that occur in all well-functioning markets to balance supply and demand. Lower pay rates for new or less experienced employees, for example, have become quite common. As the labour market tightens and shortages appear in some skills, industries and locations, competition between employers for staff will force wages up. The more competitive market will quite properly give priority to employing the unemployed rather than grant wage rises to those currently in work.

We still have a major problem at the low skilled end of the labour market. As one Wellington manufacturer recently put it:

"In my opinion, most of the unemployed [in New Zealand now] are there because they have, in effect, priced their labour off the world markets."

We've got over the calls for manipulated currency depreciations from people who didn't realise that if depreciations count for anything it is as a means of cutting real wage costs - in a very blunt and inefficient way. Instead there have been renewed calls recently for wage subsidies to get the young unemployed into work. What these at least recognise is that the combination of the prevailing pay rates and the level of productivity of these workers makes them too expensive to be hired without subsidy. However, wage subsidies do not create more employment overall but only shuffle round the unemployment pack. We would do far better to acknowledge honestly that the price of labour for this category of workers needs to fall, and to supplement incomes where necessary through the tax and transfer system.

There is still a great deal the government can do if it wishes to get serious about tackling unemployment. Wages for the low skilled are kept well above social security safety net levels by the statutory minimum wage, thus causing a loss of many thousands of jobs. The absence of any time limit on the dole (following which people might be obliged to undertake training or qualify for restricted assistance) reduces the pressure on wages to adjust to competitive levels. The new Employment Court is continuing to operate on a basis which is fundamentally at odds with the freedom of contract philosophy of the new Act; it's becoming known as the Unemployment Court because of decisions which are raising the costs and risks of employment. In the public sector we still have national awards for groups such as teachers, nurses, police and the fire service which are rigid and unresponsive to the excess supply of people qualified to enter those occupations. Editorial writers and other commentators are now starting to call for these to be scrapped in favour of the more productive arrangements operating in the rest of the economy. And there is a raft of possible micro reforms ranging from trans-Tasman shipping to occupational licensing to privatisation of government businesses which could lower costs and create jobs.

We have yet to see whether the government is capable of pressing on and capitalising on the gains it has made. So far, and despite some shortcomings, it has done a good job, and this is starting to be recognised with a recovery in the polls. It is well within reach of its targets of achieving inflation below 2 percent, single digit home mortgage interest rates and a growth rate of 3 percent by the end of its term. We're seeing a lift in retail sales, dwelling permits and commodity prices; rising business confidence, capacity utilisation, investment intentions and export growth; a fast-improving trade balance; and strong rises in the share prices of a number of companies that are benefiting from the improved economic fundamentals. I'm not aware of any economy that has failed to grow after successfully curbing inflation. And the New Zealand economy has always moved strongly when it achieved - temporarily in the past - a competitive edge.

But there is at least another difficult year ahead before the improvements are likely to be apparent to the community at large. This remains the key political problem. Can the government dig deeper where it has not yet done enough and stay on course for long enough to persuade the electorate that the gains are worth the pain? Will we move forward to consolidate our position now that things are looking up or will we ease off and still be taking in water when the next wave hits us from offshore?

The risks are not so much of policy reversals or U-turns as of a loss of momentum, teabreaks, and a reluctance to take on controversial issues which upset powerful interests. This seems to be happening in the United Kingdom, where some in the Conservative party were fearful at the time of the leadership change that they had sent a boy to do a woman's job. In New Zealand the government has been putting out signals in recent weeks that "the hard decisions are behind us", "we are now in calmer waters", "this year's budget will contain no surprises" and so forth. Too often in the past these have been code words for complacency or policy paralysis which has brought us repeatedly back to the economic brink.

The reality is that New Zealand is still a very vulnerable economy. We still have a very high debt burden and a fiscal deficit that is running at over 3 percent of GDP, much of which is structural. If it were to remain at that level for the next 2-3 years, a further downgrading of our credit rating would be a near certainty. And despite the evidence of massive improvements in performance in all activities that have been deregulated and opened up to competition, we still have a fresh argument every time vested interests in a new one are threatened. At present we have one such debate going on over health sector reforms, and the howls of outrage from education unions facing moves away from national awards and automatic promotion to local contracts and performance pay are matched only by those from the producer boards whenever questions about their statutory monopolies are raised. And there must remain real concerns about the corrosive effect of years of welfarism and the acceptability of not working. The welfare state could still take the economy out.

While arguments about these issues go on, the rest of the world is not standing still. Even Argentina, a country which fell further and faster than New Zealand and Australia, is now deregulating, privatising, dissolving agricultural producer boards and reforming labour laws - and under a populist president. We travelled a long way down the protectionist road and we got what we asked for. There is still much to be undone.

This point was made by *The Economist* in respect of Britain in a recent leader:

"The plain truth is that Britain still needs a lot more deregulation, competition, opportunity; in short, a lot more economic radicalism."

I believe many New Zealanders accept that that truth holds for us too. There is no constituency for turning back the clock on GST, tariffs, corporatisation of state enterprises, shop trading hours and a host of other reforms that were fiercely contested at the time. I am sure the same will be true of the labour reforms. The Labour party has dropped the idea of going back to a "negotiated economy" or compact - a model once described as a rusty version of an Accord.

Opinion polls have indicated strong support for lower government spending, the 0-2 percent inflation target and greater choice and competition in education. A recent survey by Massey University reported that New Zealanders have over twice as much confidence in business and industry as they do in parliament and government departments, and that 89 percent are very happy or fairly happy with their lives.

These are promising findings. Politicians should remember them when they are getting beaten around the ears by lobbyists and vested interests who are given so much airspace on our television channels and national radio programme.

The fact that New Zealand has had a hard time of it in recent years should be no surprise. We are not, as many would have it in Australia, an experiment that failed - unless they are thinking of the experiment of the last 50 years. By the early 1980s, as John Stone used to point out, New Zealand was well on the way to becoming a banana republic, whereas Australia has only more recently contemplated that prospect. It is no exaggeration to say that the economic transformation needed was approaching the scale of Eastern Europe.

The previous government started out boldly, accomplished a lot, but never got a coherent programme together and ended up by throwing in the towel. The present government has had the courage to tackle the main outstanding issues, and its policy framework is now fundamentally sound.

It has been hard for many people, though nothing like the traumas Eastern Europe is facing, and we are not yet an economic tiger, just as we are not world champions at cricket. But recent experience with cricket should be a reminder to Australians not to write New Zealand off. Provided we don't lapse into complacency, I am quietly confident that we shall contribute a lot more to the trans-Tasman relationship over the next few years.