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**THE NEW ZEALAND BUSINESS ROUNDTABLE  
AND WHAT IT STANDS FOR**

**SIR RONALD TROTTER  
MEMBER  
NEW ZEALAND BUSINESS ROUNDTABLE**

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## THE NEW ZEALAND BUSINESS ROUNDTABLE AND WHAT IT STANDS FOR

**I am delighted to be here today to talk to you about the New Zealand Business Roundtable. It's an organisation I am very proud to be associated with. Its mission of promoting better public policies relates to the welfare of all New Zealanders.**

The Business Roundtable is an organisation that believes in an open economy and it operates in a very open manner. It bases its arguments on careful analysis and well-established economic principles. Because some interest groups and politicians have felt threatened by its proposals they have tended to attack the organisation rather than debate the ideas. As a result, many myths and misunderstandings have been created. I hope to dispel some of them today.

The Business Roundtable began in the early 1980s as an informal, loose association of business leaders who had started to rethink the old ways of doing things. Most of you will vividly recall the features of our economy in those days: a mass of government interventions largely driven by the interests of various pressure groups.

Most business people at that time were pushing business or sectoral interests. I was one of them. Let me give you an example from my time with Fletcher Challenge. The company was a major exporter and a large employer. But high domestic costs resulting from the protected economy and a corporate tax rate of 45 percent meant we and many others struggled to make a profit on our exports. It didn't really occur to us to question the whole structure of the economy. So what was the solution? The government, with the encouragement of business, provided export incentives. Fletcher Challenge didn't have to pay tax for several years; export incentives were worth about \$40 million a year to the company.

Like many other business people at the time, I was a defender of export incentives. They seemed to be the only way of keeping export industries viable. But the reality was that while Fletcher Challenge was one of New Zealand's leading businesses and seen as a major contributor to the economy, it was in fact a corporate welfare beneficiary.

Likewise, I was one of the thousands of farmers who benefited from tax incentives and transport subsidies, supplementary minimum prices, livestock incentives and land development loans. I used a land development grant to clear some gorse. With tax deductions and loan write-offs, it cost me nothing and the taxpayer footed the bill for an exercise that was probably totally uneconomic. Thus I was among the few who were lucky enough to get a larger share of the cake, without noticing that the cake was barely growing.

Along with farmers, the most powerful pressure groups in those days were the Manufacturers Federation and the unions. All three sectors lobbied for their particular benefits and so the elaborate network of import controls, exchange controls, wage controls, price controls and subsidies was created. It was one huge interlocking grid of special interests. And, as we all know, in the mid-1980s the whole shaky structure fell over.

The catalyst that really sparked the formation of the Business Roundtable in its current form was the Economic Summit held in 1984, shortly after the election of the new Labour government. This event brought together representatives of all sectors of the economy and society who met in the parliamentary debating chamber to discuss the problems the country was facing and the need for new directions. I was chairman of the organising committee. It was a fascinating and rewarding experience.

A lot of information on the state of the economy was distributed beforehand and at the end of two days those present signed up to a joint communiqué that set the stage for reform.

Many senior business people involved in the Summit saw it as being in our own interest for the distortions and costs of subsidies, protection, debt and inflation to be removed. We saw that, long term, our prosperity was inextricably linked to the growth and prosperity of New Zealand.

We came together afterwards to form an organisation that would promote the development of policies for a more prosperous and growing economy. The Business Roundtable was formed with initially about 25 members and in early 1986 we engaged Roger Kerr as our executive director.

**Today, the organisation numbers around 50-60 chief executives of major New Zealand firms. Our mission remains unchanged. Let me read an extract from our founding document – our statement of purpose:**

The NZBR is committed to contributing to the overall development of New Zealand and to promoting the interests of New Zealanders concerned with achieving a more prosperous economy and fair society... . In an open and free domestic and international market environment, the interests of the business sector are closely aligned with those of the community at large.

Over the past 13 years, we have stuck firmly to those principles. We have not promoted special interests, and there has been no pressure within the membership to do so. In the early days, a few members who found they did not fully share these views simply resigned. Today, even though some members occasionally find our views run counter to what may be good for their business, they continue to be committed to putting the national interest ahead of any private or sectoral interest.

Our specific goals are simple: we want a better New Zealand; we want to see a growing, dynamic economy; we want smaller government – not for its own sake but to facilitate that outcome; and we seek broad consensus on sound policies.

How do we pursue these goals? Our basic tools are debate, research and published material.

We meet for half a day five times a year. At these meetings members identify and discuss the issues of most concern. Our membership is by invitation but it is a very representative cross-section of major businesses. Usually about half our members are able to attend each meeting, so that means everyone can literally get together around

one table to air their views. Our office has a total full-time staff of four and a budget similar to other business organisations. It uses outstanding academics and consultants from New Zealand and overseas to work on our projects.

We invite two or three speakers to each of our meetings to brief us or present views on issues of interest to members. We plan an annual work programme and commission research and analysis on a range of topics. Throughout the year we publish a number of books, reports and papers, and produce a steady stream of submissions and statements on issues we regard as important. Where appropriate, we organise seminars and forums and bring out top-quality international academics to stimulate and contribute to New Zealand debates.

An example is the visit in a fortnight's time of Richard Epstein, professor of law at the University of Chicago and an outstanding law and economics scholar. During his week-long visit, we will be taking him to Auckland, Wellington and Christchurch where he will address groups and deliver lectures on topics such as takeover regulation, employment law, telecommunications regulation, MMP and educational theories.

We place a very strong emphasis on high-quality, objective analysis. Roger Kerr is ultimately responsible for maintaining our standards and is highly respected internationally for his work. Quality is particularly important in view of the fact that we do not seek to work through personal lobbying of politicians. Naturally we meet periodically with politicians and we try to maintain good relations with all major political parties, but we prefer to rely on our published material and analysis for influence. That does not mean that we are afraid to persist with arguments that initially encounter opposition. One cannot underestimate the power of ideas. It may take time, but in the end good ideas will count more than the vastly exaggerated power of vested interests. It is interesting to see policy ideas that are at first widely rejected reappearing later as someone else's proposal.

We will continue to critically question the way New Zealand does things and ask whether existing practices and structures are helping to make this country competitive.

Our stance on producer boards is an example. There we have taken on some of New Zealand's most sacred cows. We have argued for the elimination of unnecessary regulation and the inefficiencies associated with monopoly structures. If the government moves to introduce competition and create a normal commercial environment in this important sector, it will be good for everyone – growers, farmers and New Zealanders as a whole.

Producer board reform has very little to do with the core business of our members. In fact, probably only one Business Roundtable member company could be seen as a competitor to any of the boards. Our determination to pursue this issue is based on our view that deregulation would be good for New Zealand as a whole. That's why it was very disappointing to see the government back away from its agenda last year in the face of opposition from the boards. It's the same old problem of the electoral power of interest groups, all the more so under MMP.

Producer board reform is one of a number of issues we've been chipping away at for some years now. At the beginning our position was considered extreme. That's been the pattern with many of the issues we've pursued, such as port reform, the Reserve Bank Act, deregulation of the labour market, and changes to retirement income policies. Today, the results of these reforms are a fact of life – benefits we now take for granted from changes which a few years ago would have been considered unthinkable or outrageous.

Encouraging the state to get out of running business enterprises is another example. We were advocating this at a time when, for many politicians, 'privatisation' was a dirty word and evoked images of the family silver heading overseas. Now the results speak for themselves. Look at the advances in telecommunications and airline services, to name but two. Not even the most committed statisticians appear to be advocating a return to the bad old days of state ownership.

None of these changes – all radical ideas at the time – has been easily won. But when

you challenge sacred cows, you can expect opposition. New ideas will always be suspected and vested interests won't give up their privileges without a fight. Criticism is not something that bothers us if we are satisfied our thinking is sound.

Of course, the Business Roundtable has not been solely responsible for these changes. Many politicians, organisations and individuals have promoted similar ideas in New Zealand over the last 15 years, and their thinking has been in tune with worldwide trends. What is noteworthy, however, is that over the years virtually the whole of the business community has moved to policy positions similar to our own.

The notion of a group of leading business people promoting overall national interests has been difficult for the public to grasp, especially given the behaviour of business groups in the past. There have been plenty of emotive accusations of greed and self-interest, as well as political and ideological labels. However, the Business Roundtable is a strictly apolitical organisation and we are comfortable with any political party which shares our general perspectives. Thus, in the 1980s our thinking was broadly in tune with the economic liberalisation programme of the Labour government, while in the 1990s it has been more in line with that of the National government, at least during the early part of the decade. But the government's lack of positive direction in the last two terms of parliament has become a serious concern. The country has been drifting for too long and lost much of the momentum achieved in the early 1990s.

Our message to the government is quite simple: get the economy back on course. While the current upturn is pleasing, the outlook is not exciting and the country is still not where it should be. Serious underlying problems reflected in the large current account deficit and the growing unemployment rate are crying out to be resolved. The recent trends towards greatly increased government spending and ever-growing regulatory activity are not the solution. We are losing our competitive position and other countries are out-performing us again. New Zealanders don't deserve more pain after toughing it out through years of reform and restructuring.

Many unresolved issues require urgent attention. They include, for example, the

problem of our ageing population, roading reform, the need for further privatisation in central and local government, politicised health and education systems, and social welfare expenditure which is costing \$32 million a day. The government must get its house in order and look carefully at the quality of its spending and where it intervenes. We cannot create a strong economy and society without government, but that doesn't mean the government should be involved where the private sector belongs.

So, what messages can I leave with you today?

Think through the implications of government policy proposals: you will be paying for them. Every extra dollar the government spends not only diverts a dollar of income from New Zealand households but also cuts around 30 cents off total national income – because of the costs of raising taxes. Every badly conceived regulation reduces your living standards.

Support the political process and have your say. Help dispel the view held by many New Zealanders that more government equals a more caring society. We must refuse to allow governments to do anything that we can adequately do for ourselves and our communities. Only when the majority of New Zealanders support that view will we have a low tax rate, a high growth rate and low unemployment. But remember, you too must be prepared to give up the benefits that governments over the years have used to seduce you, like national superannuation for those who can afford to save and free health for those who can afford health insurance.

I hope I've helped dispel some of the popular myths about the Business Roundtable and what we stand for. I hope you share our ambitions for a better New Zealand. I hope you agree with our view that there is a large gap between the country's present position and its true potential. If you do, I hope you will think about how that gap could be bridged, consider our ideas for doing so on their merits, and support them if you find them sound.