



# Manufacturing

Manufacturing is critical to the New Zealand economy and should not be taken for granted.

The manufacturing sector accounts for nearly 10 per cent of all jobs in the economy and more than half of New Zealand's exports.

Yet the current Government has taken the manufacturing sector for granted. It has added costs and strangled businesses with red tape. Under Labour, even before Covid-19 hit, the manufacturing sector contracted for the first time in seven years.

National will not make the same mistake. If New Zealand is going to recover from the current economic crisis quickly, we need all parts of our economy firing on all cylinders. To do so, we must reduce costs for business, encourage investment, reduce taxes and make it easier for businesses to hire new staff.

## National's Manufacturing Plan will:

- Lower Taxes on Investment
- Create More Manufacturing Jobs
- Ensure Better Industry Training
- Ensure Fairer Competition
- Grow our Technology Sector
- Ensure a Secure and Affordable Supply of Energy
- Better Mental Health Support for Businesses

National will provide a better voice for manufacturing by expanding the role of the Minister of Small Business to include Manufacturing.

## Lower Taxes on Investment

National will encourage businesses to invest in significant new Plant, Equipment and Machinery by offering a 12 month tax incentive for investments over \$150,000.

National has already announced a policy to allow businesses to instantly deduct new capital investments up to \$150,000.

This policy will allow businesses who invest in Plant, Equipment and Machinery worth more than \$150,000 to double their depreciation rate on that investment over the life of the asset. The policy will apply to new investments for 12 months.

The policy will encourage new investment by reducing the cost and therefore increasing its return. In our first Budget we will assess the state of the economy and the effect on job creation, with a view to extending the scheme.

## Example

A manufacturing business is considering investing in a new piece of machinery worth \$1 million, which would have a depreciation rate of 10 per cent. But the business is uncertain about the future so is reluctant to invest in the new machinery.

However, because of National's policy, they would be allowed to depreciate the asset at 20 per cent per year which will reduce their tax liability by \$100,000 a year for five years. Because of the tax incentive, the decision to invest is now justified so the business goes ahead with the investment, which creates jobs and lifts productivity for the business.

## Fiscal Impact

The total cost of the package is estimated to be \$430 million per year for five years. After which, tax revenues will likely rise as firms will not be claiming the depreciation they would otherwise be. There are uncertainties about the fiscal impact based on the impact of the economic crisis on new business investment, which we assume will be offset by the incentive to invest created by this policy.



## Create More Manufacturing Jobs

Right now, more than 200,000 New Zealanders are on unemployment benefits. Better employment law and incentives for job creation will help businesses take on new staff to get them off unemployment benefits. National will simplify industrial relations legislation to reduce red tape and encourage businesses, including manufacturing businesses, to create new jobs.

Unlike Labour, National backs the private sector such as Manufacturers to create jobs and get New Zealand moving again.

Our JobStart policy will encourage businesses such as Manufacturers to create new jobs, get New Zealanders back into work and off Government welfare.

### National's JobStart scheme will:

- Provide a \$10,000 cash payment to businesses that hire additional staff as part of our commitment to keeping New Zealanders in jobs.
- Give businesses greater confidence to hire new fulltime permanent staff and could incentivise up to 50,000 new jobs.

### As well as JobStart, National will:

- Repeal the Government's changes to the Employment Relations Act including restoring 90 day trials for all businesses.
- Simplify the employment dispute resolution process.
- Freeze the minimum wage for 12 months.
- Get rid of the "no win no fee" provisions
- Better Mental Health Support for Businesses.

## Better Industry Training

National will halt and reverse the expensive and disruptive restructure of vocational education, and ensure the sector is focussed on delivering frontline education and skills.

The Government's expensive and disruptive restructuring plan for the vocational education sector is a massive overreaction to the issue of Institutes of Technology and Polytechnic's (ITP's) financial sustainability.

With demand for vocational training set to increase over the coming months and years due to rising unemployment, we should be directing all of our efforts and resourcing towards frontline education and training, not into establishing a centralised bureaucracy that will take years to get up to speed (and even then, will be less nimble and effective than our current, decentralised system).

The only Kiwis who have benefitted from this additional layer of management are the consultants who have been paid \$1.6 million in just six months, the CEO whose salary is more than \$680,000, and his six deputy chief executives each receiving between \$250,000 and \$400,000 per year.

In Government, National's efforts to boost trades training were highly successful. We developed Vocational Pathways for young people interested in a vocational career, the Trades Academies and Youth Guarantee places to ease transitions from secondary school to vocational training, and we rebuilt the apprenticeship system through our Apprenticeship Reboot.

In our next term we will expand on these efforts to strengthen trades training, return autonomy and independence to the ITPs, and ensure that industry training is led by industry, not Government.

### National will:

- Adopt a more industry demand driven approach by allowing business sectors (or regional groups of businesses) to work alongside Industry Training Organisations (ITOs) to design and manage training courses that result in people available at the right time, at the right place and with the right skills to meet the needs of manufacturers.



- Encourage Callaghan Innovation to partner further with the BusinessNZ network, regional Chambers of Commerce and Economic Development Agencies to deliver programmes to achieve process improvements offered by Industry 4.0.
- Unwind the costly ROVE reforms within our first 100 days, returning local decision making and remaining assets to regional ITPs.
- Disestablish the Workforce Development Councils.
- Provide businesses and apprentices with certainty by continuing the funding that has already been committed to subsidise apprentices and vocational training costs.
- Continue to develop National's highly successful Trades Academies and Youth Guarantee programmes to create clearer pathways into tertiary study for young New Zealanders interested in trades careers.
- Establish a Small Business Accelerator Fund to deliver management training to small business owners, to help them grow their businesses and generate jobs.

## Fairer Competition

It is critical that our manufacturers are operating on a level playing field.

### National will:

- Ensure government agencies follow Government Procurement Rules more rigorously. This includes an increased focus on 'whole of life' costing and meeting the Government's Supplier Code of Conduct (including supplier HSE, environmental and employment conditions), ensure products meet New Zealand standards and require sub-contractors to comply with New Zealand's procurement rules.
- Review the arrangements to allow for a more speedy lodgment and resolution of claims of material injury against 'dumped' products or those benefiting from price subsidisation.

## Growing our Technology Sector

National will double the size of New Zealand's technology sector by 2030 with a \$1.29 billion plan that will aim to create at least 100,000 new high-paying, future-proofed tech jobs. Doubling the size of the technology sector by 2030 is an ambitious goal, but one that we are serious about achieving. We're sending a strong message to New Zealand's best and brightest minds, both here and overseas, that technology and innovation will be championed by a National Government.

### National will:

- Conduct a 21st century update of our Intellectual Property laws in the context of current international arrangements to ensure they are fit for purpose.
- Establish a Minister for Technology.
- Offer 1000 tertiary scholarships per year targeted at students from low decile schools to undertake science, technology, engineering and maths (STEM) degrees.
- Establish a STEM-focused partnership school and restoring funding for specialist ICT graduate schools.
- Introduce a fast-track technology skills visa.
- Invest \$1 billion in technology infrastructure upgrades.
- Establish three targeted investment funds for tech start-ups worth \$200 million each, with the cost split evenly between Government and the private sector.
- Develop the world's most tech-friendly regulation.

## A Secure and Affordable Energy Supply

Affordable and secure energy underpins New Zealand's economy. Competitive and well-regulated energy markets are critical to ensuring a thriving manufacturing sector. If our energy supply becomes unreliable or too costly, it will reduce the competitiveness of our manufacturers in global markets.



National believes in a fuel neutral approach to an energy transition. The role of Government should be to regulate greenhouse gas emissions, not tell people what fuels they can use for different things, as Labour is doing with their proposed ban on coal fired boilers. Political targets for renewable electricity risk making electricity less affordable. With 85 per cent of our electricity already renewable, only 14 per cent of New Zealand's energy emissions are now from electricity. We need to focus on all energy emissions rather than just the 100 per cent renewable goal for electricity.

The Climate Change Commission advises that: "Going from 99 per cent to 100 per cent renewable electricity by overbuilding would avoid only 0.3 Mt CO<sub>2</sub>e of emissions at a cost of over \$1,200 per tonne of CO<sub>2</sub>e avoided. It is also likely to result in much higher electricity prices than in the business as usual future."

National will support current industries and their workforces as the strong platform on which new technologies will continue to emerge from.

## **Better Mental Health Support for Businesses**

National will partner with the Business New Zealand network, regional Chambers of Commerce and Economic Development Agencies to support those small businesses where mental health has been identified as a concern, and to engage with the small business to ensure they receive mental health support tailored to their needs.