

Hon David Carter

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## Metals New Zealand Industry Conference



Thank you for inviting me to open your conference, it's a pleasure to be here.

**Driving Innovation and Productivity** is the theme of the day, and that drive is also at the centre of the Government's economic growth agenda.

Today, I want to talk about the value your sector adds to the economy. And I want to talk about what the Government's doing to keep your businesses driving forward – so collectively, we can have the tradable sector of the economy performing substantially better.

What is not well appreciated is that the tradable sector – the way New Zealand earns its way in the world – went into recession in late 2004.

The economic security that New Zealanders felt from 2004 to 2009 was, in fact, a myth.

The economy was cushioned by a massive 50 percent increase in government spending, by a splurge of consumptive spending by many New Zealanders, and finally by a speculative property boom.

Such a scenario was unsustainable.

On a world scale, we are a small economy, but we can – and must – be far more adaptable and efficient. Being small is not in itself a disadvantage, provided we move with speed and flexibility.

In fact, the Christchurch earthquake has highlighted how well a small country like ours can respond to the human and economic consequences of a catastrophic event.

In the face of tragedy we have shown resilience, and that's something we can all feel proud of.

But that continued resilience depends on a strong economy. We have seen the consequences when natural disasters occur in less developed countries.

By contrast, New Zealand's developed economy means we have well-built infrastructure and rescue services. We can afford world-class emergency and health services.

But make no mistake, that strength comes from the engine room of the economy – from firms themselves.

It is your ability to earn those export dollars that enables New Zealand to respond to challenges, and deliver a good standard of living for its people.

Many of your firms also have a specific role in getting Christchurch – and the wider region – back on its feet.

As a Cantabrian I am very grateful for that support. Thank you all for your contribution.

No one should underestimate the challenge of rebuilding Christchurch.

I have been inside the cordons on a number of occasions. We have all seen the TV coverage, but when the cordons are finally lifted, we will all learn that the destruction is far greater than anyone imagined.

The rebuild will be huge. But collectively, we will do it.

I want to talk briefly about the Government's economic strategy. Our goal is simple: greater prosperity, security and opportunities for all New Zealanders.

Our six point plan is:

One: Support better science, innovation and trade

Two: Remove red tape

Three: Deliver better, smarter public services

Four: Invest in productive infrastructure

Five: Lift education and skills

Six: Create a growth-enhancing tax system

If we keep focussed on these things, it will show that Government is doing its bit to deliver.

What Government can't do is grow the economy alone – only with the help of your businesses can we do that.

As Government, our job is to clear away barriers, run a tight ship ourselves, and get on with the things that only governments can do – like negotiating Free Trade Agreements.

These are actions that will benefit every business in New Zealand.

Given the conference's focus on innovation and productivity, I'd like to talk about the Government's work on innovation.

As we all know, real innovation is not about bright ideas that go nowhere. It must be about business intelligence that turns into profits.

Many New Zealand firms are innovative, but we need more of our firms to become even smarter, and through that, more productive.

That's why Government has made major new investments to stimulate business innovation, including \$190 million over five years for business research and development (through the MSI budget), and a further \$70 million each year for primary sector innovation through the Primary Growth Partnership (through the MAF budget).

PGP, as it's known, has in just over 18 months already invested over \$470 million in primary sector R & D.

We have already allocated \$96 million through the Technology Development Grants, and applications for the next tranche of \$48 million opened last week.

We have also reformed our Crown Research Institutes to ensure they connect better to business – I know that's an area where many of you have an active interest.

Research and development is particularly important to high value manufacturing and services firms. We are currently reviewing the R&D needs of these firms and I understand some of your members participated in this review.

I hope you will accept there is a different attitude from this Government, as we work to encourage researchers to connect with businesses, and thereby help the development of products, processes and technologies that will succeed on the global market.

A key role for Government is to ease access to export markets.

We now have Free Trade Agreements in place with Malaysia, Hong Kong and ASEAN, and new agreements are under negotiation with India, the Gulf States, the Trans-Pacific Partnership, Korea, Russia and others.

We are also working on strategies to take a "New Zealand Incorporated" approach to Australia, India, the US, and with ASEAN, the EU and the Middle East.

These will complement the work already done on a China strategy.

We must continue to work hard to ensure that government activities are organised in the best way possible to open the doors for exporters.

I'd like to turn now to the high value manufacturing and services sector.

The sector is already an important economic player, with these firms employing seven percent of New Zealand workers, and contributing ten percent of our exports.

High value manufacturing firms are, almost by definition, smart firms.

They are more likely to do research and development – nine percent of high value manufacturers do R&D, compared to an average of about four percent. It's not surprising that they edge out other firms with their rates of innovation.

Your sector is extraordinarily diverse; you reach different product markets, you depend on different kinds of skills, and you face different barriers and constraints.

Recognising the diversity of the sector is important – it brings home that no single initiative will act as a silver bullet to accelerate the economic growth of New Zealand, which it desperately needs.

The vision of Metals New Zealand is that the industry is "a prosperous, vibrant, sustainable and socially responsible contributor to the New Zealand economy."

And your focus today on innovation and productivity shows that your vision doesn't stop there.

I spoke earlier about the country rallying around in the wake of the Christchurch earthquake. These are challenging times and your firms will have a key role to play as we move into the rebuilding phase.

Recovery and rebuilding will place new demands on all the different parts of the building and construction sectors, including construction grade steel, cement and timber.

We will be looking for world-leading and innovative building solutions from all.

A complicating factor may be additional demand from Japan, which will also need steel and other construction products for rebuilding, and its own steel and construction products industries may in the short term be unable to meet this demand.

These are challenging times for your sector, for the country, and for the global economy.

But history shows that out of great challenges can come great change and great opportunities.

Metals New Zealand has a vision of how it can drive your industry forward, and I believe that the innovative firms in this sector have the talent to make that vision a reality.

However, I agree with the comment from your Chair that as an industry you do lack profile. And he is also right; you are not about to get a Minister of Metals and an associated bureaucracy.

But my door is open to you if there are issues you wish to present to me.

I wish you all the best for your conference today, and once again thank you for your efforts in helping Christchurch get back on its feet.

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