

MANUFACTURING MATTERS . . .

. . . A KEY TO REBUILDING THE
NEW ZEALAND ECONOMY

An industry-led initiative to partner with
government to
support NZ's
post-Covid
recovery



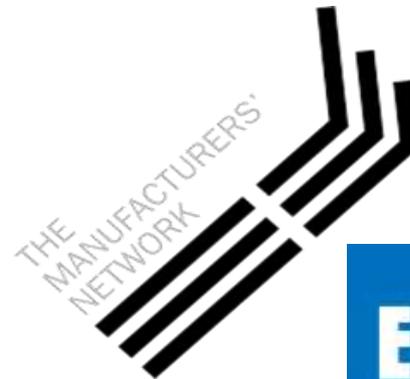
TARGET OUTCOMES

A call to action for government to engage with the sector on the development of a Recovery and Growth Strategy for New Zealand's manufacturing industries

- to agree to a co-development process (a Manufacturing Accord)
- to identify and address key policy issues that will impact on the future of manufacturing as a whole
- to co-create a strategy to support manufacturing through the current crisis and realise government's intent to grow the contribution of New Zealand's manufacturing businesses to our economy

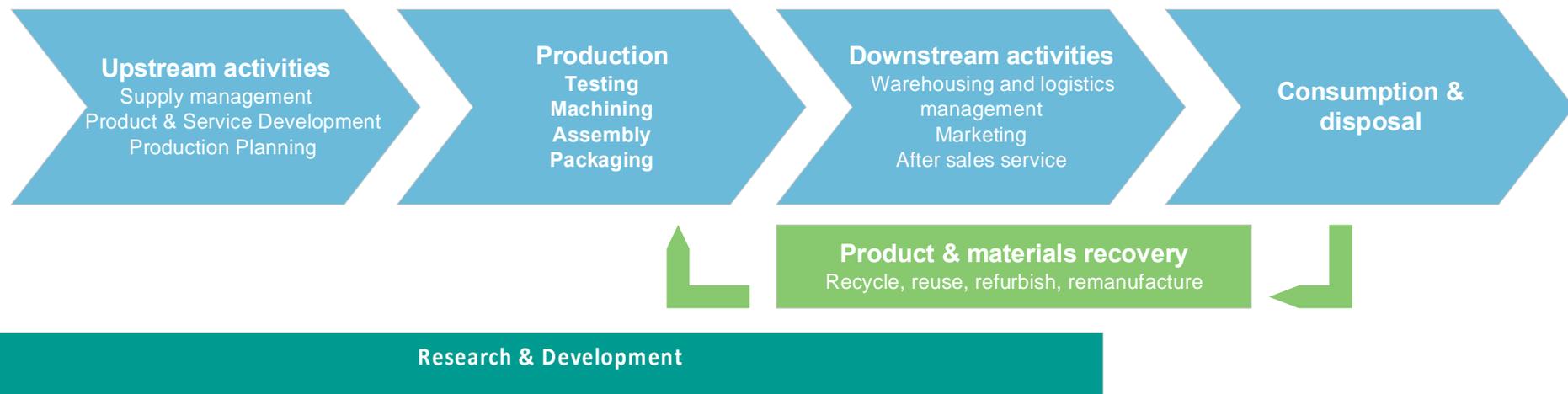
NEW ZEALAND MANUFACTURING ALLIANCE

A significant and diverse group of manufacturing organisations



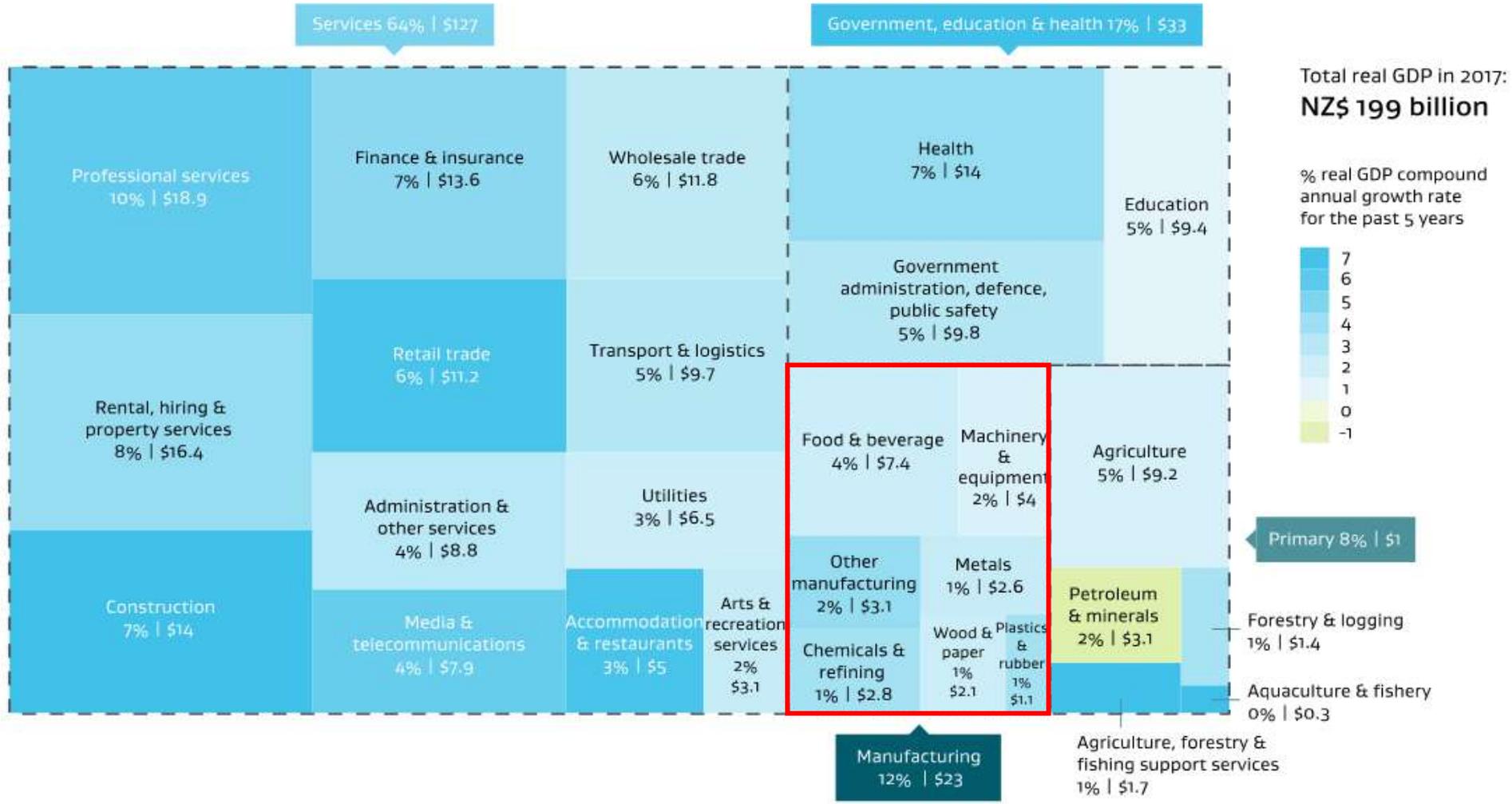
MANUFACTURING FUELS OUR ECONOMY

- 12% of the economy (\$23b GDP)
- Over 50% of exports
- 10% of jobs
- Diverse workforce, employs more Maori & Pacifica than any other sector
- 42% of total business R&D
- Essential to the success of other key sectors of the economy



The manufacturing sector makes up 12% of New Zealand's economy (\$23 billion)

Real GDP by major sector
 % real GDP; NZ\$ billions, year end March 2017



Note: Real GDP is calculated based on 2009/10 prices. Total real GDP figure excludes owner occupied property operations, GST on production and import duties.

Source: National accounts, Statistics New Zealand, and MBIE analysis

REAL GDP VALUE BY MANUFACTURING SECTOR

Data shows Plastics & Rubber at \$1.1 billion GDP (0.5%)

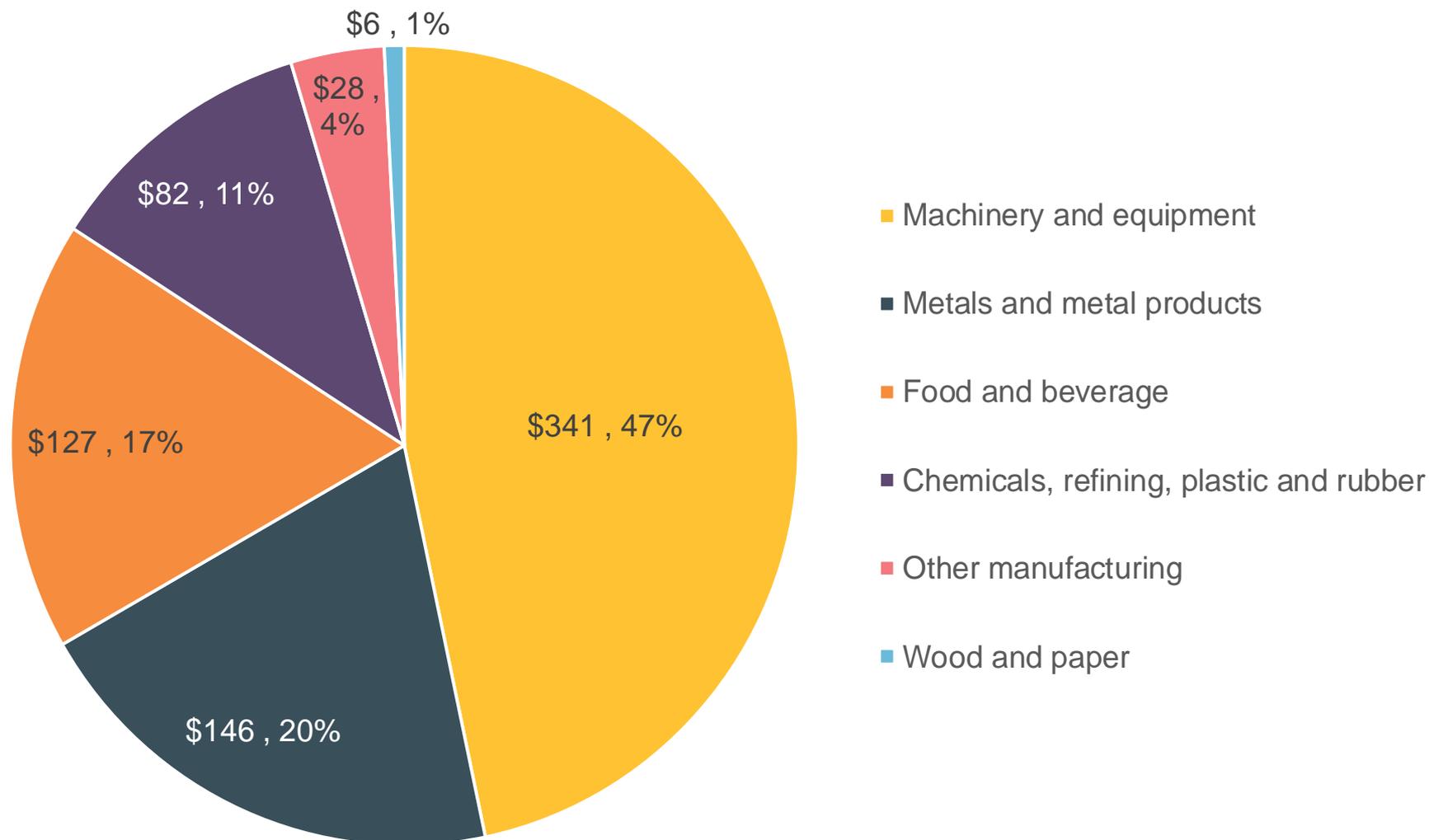


REAL GDP VALUE BY MANUFACTURING SECTOR

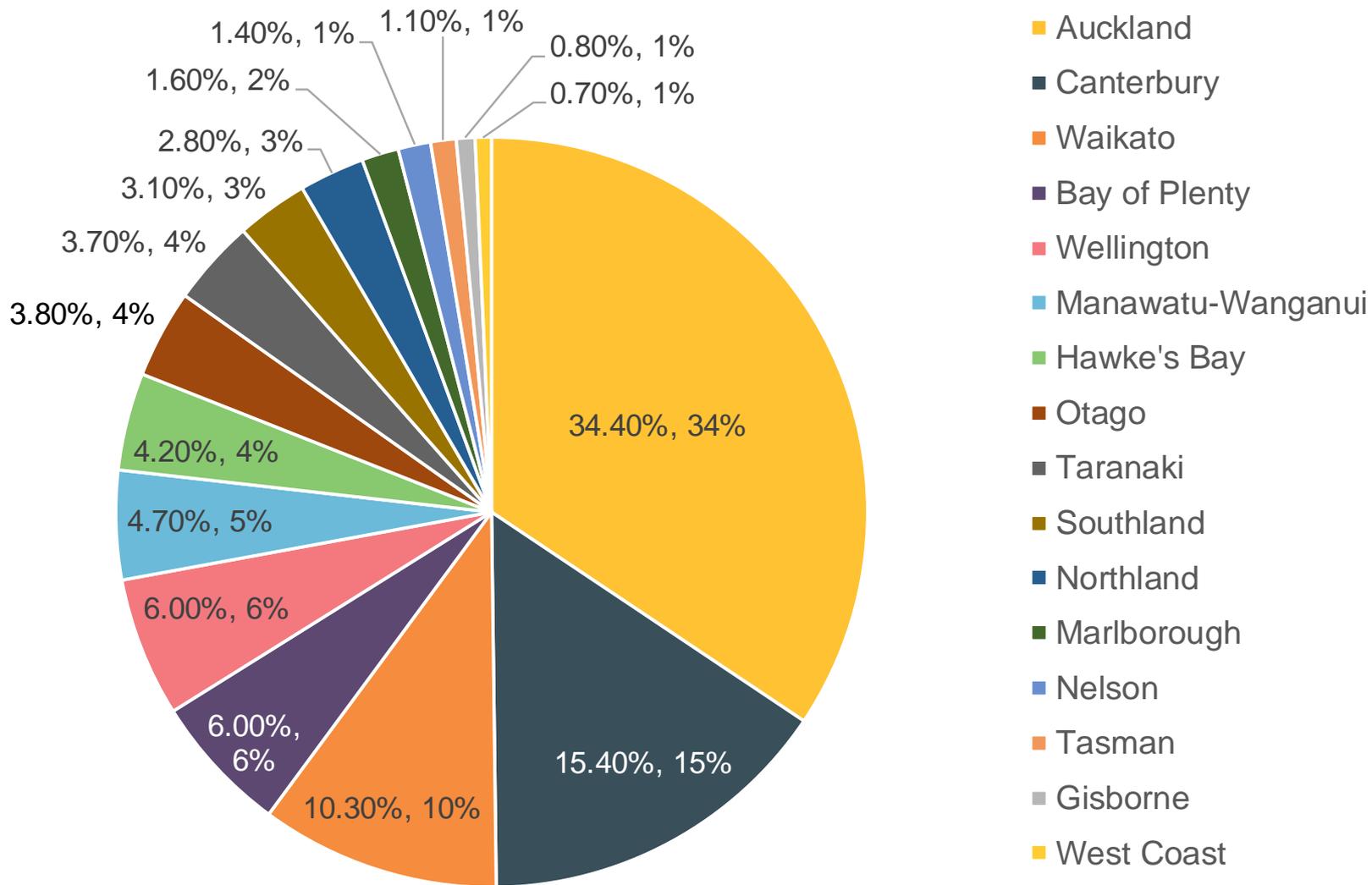
Conservative best guess shows that the Plastics Industry enables >50% of NZ Manufacturing (~\$11 billion, 5.5%)



MANUFACTURING DRIVES INNOVATION: EXPENDITURE ON R&D (\$M)



A MAJOR EMPLOYER IN NZ



Source: Infometrics regional database

CHALLENGES

- Low productivity (relative to competitors)
- Environmental protection (climate & circular economy)
- Skills shortages
- Unfair trade conditions
- Sub-standard imports



OPPORTUNITIES

TRADE POLICY

- A serious commitment to addressing non-tariff measures in trade negotiations
- Improving the responsiveness of trade remedies investigation processes
- Strong enforcement of standards and conformance
- Creating opportunities for local manufacturers by levelling the trade playing field

OPPORTUNITIES

INNOVATION

Harness Industry 4.0 to:

- improve productivity
- develop new products, services and business models
- attract highly-skilled workers into more rewarding jobs



OPPORTUNITIES

ENVIRONMENTAL

- Gain market advantage by meeting demand for processes, products and packaging that reduce environmental impacts
- Add value through 'low-emissions circular economy' activities
- A strong domestic manufacturing sector is critical a circular economy

OPPORTUNITIES

VALUE-ADDED SERVICES

- More opportunities to expand into high-value service areas such as installation, maintenance and repair, logistics, performance monitoring, consulting, design and engineering services
- Integrating product and services through digital connectivity

OPPORTUNITIES

CONSTRUCTION PIPELINE

Partner with the construction sector to meet the growing demand for prefabricated structures.

- Identify requirements of the \$12bn infrastructure spend and \$3bn shovel-ready recovery initiative
- Develop capacity and capability to meet that demand



MANUFACTURING SECTOR'S ROLE



GOVERNMENT ENGAGEMENT



Investing in **PEOPLE** by ensuring early access to vocational education and pathways, catering for the realities of unstructured skills development and the growing importance of soft skills, and recognising the significant amount of learning that occurs in the workplace



Developing **ENVIRONMENTAL ROADMAPS** with industries to identify how they will transition to meet emission targets and the role of different policy levers in supporting the transition (e.g. ETS, R&D support, skills support), and identifying options for minimising carbon leakage



Supporting **INNOVATION** through incentivising investment in Industry 4.0 technologies and the development of cleaner processes and products



Using **GOVERNMENT PROCUREMENT** to solve environmental and technological challenges whilst supporting domestic manufacturing opportunities



Committing to addressing non-tariff measures in **TRADE** negotiations, strong enforcement of standards and conformance, improving the responsiveness of trade remedies processes



INVESTMENT POLICY targeted at attracting high-quality foreign investment, which brings necessary capability, networks and innovation to advance domestic manufacturing, and that supports growth in risk/development capital

Government is a partner, supporting manufacturers to adapt through integrated policies

WHAT'S NEXT – SHORT TERM MEASURES

Support for Manufacturers

- Free / subsidised consultancy to identify opportunities for productivity improvement across all manufacturing processes, including supply chain management – focus on SMEs with ≤ 50 employees
- Free / subsidised consultancy to identify further opportunities for productivity improvement in manufacturing operations that have already started their *Industry 4.0* journey
- Evaluate measures to facilitate capital investment in improvements to raise productivity during a period of very tight cash flow

WHAT'S NEXT – STRATEGIC ACTIONS

Form a Manufacturing Accord

- A formalised partnership between industry and government (all agencies affected)
 - Undertaking a systematic analysis of all factors, policies and practices that currently stand in the way of growing the role of manufacturing in our economy, including, but not limited to
 - ❖ Unfair trade practices
 - ❖ Government procurement practices
 - ❖ Skill shortages
 - ❖ Access to capital, including depreciation regimes
 - ❖ Fit-for-purpose support for innovation, including for manufacturing SMEs
 - ❖ Analysis of supply chains to identify strategic strengths and vulnerabilities
 - Working group led by MBIE to develop a strategy and action plan for growing the sector over the next 10 years to 2030
- Address key policy issues impacting manufacturing identified above