



4th September 2018

We support our government-appointed Business Advisory Council

Cooperative Business NZ fully supports last week's announcement by our PM, Rt. Hon. Jacinda Ardern, to set up a Business Advisory Council.

While this will no doubt help bridge the gap between our government and the business sector, there are a good number of issues and opportunities that this Council can focus strongly on, including:



Ms Ardern

Christopher Luxon

- reversing the decline in business confidence
- driving true sustainability across our business sector economically, environmentally and socially
- reducing skills shortages
- improving productivity.

Business Confidence

Our business confidence is reported to be at a nine-year low with the following contributing to this since our change of government last September:

- the raising of the minimum wage
- more frequent and impacting strikes by our public servants, and with more to come
- the looming prospect of Fair Pay Agreements (with two more yet to come during our government's current term)
- the decision of our government not to send anyone to the Deloitte Top 200 awards last November, along with other business group events
- the decision to cease all new oil and gas exploration permits off the Taranaki coast
- little mention of, nor incentives provided for, NZ business in the fiscal budget released back in June.

Despite this I see a good number of reasons for optimism. For consumer-facing businesses, the unhealthy combination of a wealth effect from runaway house price inflation and a negative household saving rate is being replaced, at least partly, by some actual cash income growth and not just from the families package which kicked in two months ago. The number of people employed grew 3.7% in the year ended June while their collective weekly gross earnings were up 5.5%.

Our overall terms of trade, the ratio of export to import prices, is at the most favourable level on record boosting national income. Added to this, our exchange rate has moved in an exporter-friendly direction. The official cash rate remains at an all-time low and the Reserve Bank indicates that it is in no hurry to change it, and that the next move is just as likely to be down as up. Bank lending to businesses grew 5.7% in the year ended July, a seven-month high. It has never been cheaper for the Government to borrow, with 10-year bonds trading at a yield of just 2.6%.

So if it is not the state of the economy that explains the gloomy and potentially self-fulfilling level of business sentiment, what else might it be? Perhaps it is policy uncertainty.

"I understand the desire for certainty in order to make decisions big and small," our PM has recently said. "But certainty shouldn't be confused with stasis and complacency, which are the enemy of progress and for that matter the enemy of innovation."

Our new government has a clear agenda: to tackle pervasive structural challenges which our PM lists as: skill shortages; lack of investment in the productive sector; a shallow national pool of capital; an infrastructure deficit; low productivity; environmental degradation; and "challenges which can broadly be defined as the future of work".

These are difficult issues and the process of deciding how to address them is complicated by the fact that there are three parties in this Government, each with its own constituency and perspective. Policy changes have to be negotiated among them and this is hardly a model for fast and unexpected change however the breadth of input, as our PM contends, leads to better decisions.

Sustainability: economic, environmental and social

NZ business and our politicians have placed a lot of emphasis on economic sustainability over the past 100 plus years. Our co-operatives and mutuals lead the way here with their endurance and longevity, over two-thirds of our top 30 co-ops and mutuals now being over 25 years old and with 5 over 100 years. Not many NZ co-ops have gone under over the years.

Over the past 20 years at least we have seen far greater focus, and money spent on achieving environmental sustainability. We have become more aware and responsive towards global warming, climate change, carbon emissions and recycling. Here our larger agri-producer co-ops have led the way with their significant investment (in the billions) and signing up to such initiatives as achieving 90% swimmable rivers by 2040, reducing the burning of fossil fuels as a source of energy, and raising the bar substantially in relation to both on-farm and manufacturing practices. These include the fencing of 98% of waterways on our dairy farms, the treatment of effluent and the recycling of packaging materials.

Will our contribution here in NZ be enough globally? In a recent [NZ Herald interview](#) Helen Clark claimed the world is facing an apocalypse with only a 5% chance that global temperatures will avoid a catastrophic two degree rise by the end of this century.

Social sustainability in NZ is another matter however, with the gap between rich and poor widening faster than ever despite such initiatives and raising the minimum wage, tax reforms and a range of government regulations. Of the UN's 17 [Sustainable Development Goals](#) set in 2015 and all to be reached by 2030, NZ probably struggles the most in addressing those that relate to society including reducing poverty and homelessness.



On the subject of economic sustainability is the significant issue of our four largest retail banks (ANZ, ASB, BNZ and Westpac) and their collective annual profits of over \$5 billion being returned to Australian parent companies. I wonder what proportion of these returns is being re-invested back into NZ. There must also be a duty of service to New Zealanders, including those based in small towns and rural areas, while we are seeing more and more bank closures in provincial NZ. It also surprises me that the market share of NZ-owned banks, including The Co-operative Bank, SBS Bank (NZ's oldest registered co-operative), TSB and Kiwibank is less than 10%, given these banks provide competitive services and interest rates (investment and lending), and return their profits to their members i.e. New Zealanders.

Why aren't more Kiwis banking locally? Why can't Kiwibank become at least 60% member (customer) owned and therefore constitute being a co-operative? And perhaps the biggest question of all, is this huge transfer of funds to Australian banks each year sustainable for NZ as a country?

Skills shortages

Skill shortages and other capacity constraints are biting in some sectors, our building and construction industry probably at the forefront. Profit margins are under pressure, the labour market is tightening, and the migration cycle appears to have peaked a year ago.

But the population and workforce gain from immigration remains very high by historical standards and the Government is working on plans for addressing regional skill shortage lists, recognising the shortcomings of national ones. Developing effective ITO's and successfully encouraging our younger generations into seeking relevant skills training obviously hold the key longer term, and more so than immigration in terms of sustainability.

Productivity

An interesting paper written by Paul Conway, and published on the NZ Productivity Commission's website, states that capital invested per hour worked across the New Zealand economy was almost 40 per cent lower than in Australia, with New Zealand firms investing considerably less per hour worked in 19 of the 24 industries included in the study. In particular, weak investment by New Zealand's largest firms was said to reflect governance issues with many of NZ's larger organisations reluctant to provide capital for growth and a strong aversion to risk.

Conway states: "Most obviously, public and private investment in R&D as a share of GDP is among the lowest in the OECD, with New Zealand's larger firms performing particularly poorly. In part, this reflects the structure of the New Zealand economy and composition of exports, which are skewed towards low-R&D industries and products respectively."

Clearly NZ businesses must be seeking to add value wherever possible rather than providing commodities to overseas markets, the exporting of raw logs and live sheep being prime examples.

Investment in R&D holds the key.

In conclusion

Focusing on all of the above is just as important for the Business Advisory Council as being a bridge between business and our government. Our co-operative sector, which currently generates almost one-fifth of our GDP and employs over 50,000 people, can play a big part in advising this Council, and therefore our government, while also helping to drive true sustainability across NZ business, our environment and amongst our people. The Business Advisory Council now has a grand opportunity to help steer our new government in the right direction. I am now planning on dedicating our remaining 3 Co-op Roundtable Discussions this year towards gaining feedback and ideas from our Members that can be provided to this Council.

NEW CORPORATE ASSOCIATE MEMBER

Lifeline Aotearoa has been helping New Zealanders in crisis for over 50 years – and its services are needed more than ever today.



Free community helplines (Lifeline 24/7, Suicide Crisis Helpline, Kidslines) as well as text support service HELP (4357) are answered by qualified counsellors and trained volunteers in Auckland and Christchurch.

Lifeline also provides specialist counselling and corporate and volunteer training, says the charity's Executive Director, **Glenda Schnell**, pictured.

"We receive over 10,000 calls each month from people of all ages and ethnicities who are struggling with a wide range of issues. These can include relationship and work problems, mental health, grief, abuse, bullying and loneliness," she says.

"Sadly, we've seen the suicide numbers increase yet again. Anyone who thinks they, or someone they know may be thinking about suicide or anyone struggling to deal with the loss of a loved one through suicide can call 0800 LIFELINE (543 354), or text HELP (4357).

"We help an average of six people a day at high risk of ending their lives. Those who call Lifeline can trust that their concerns, heartache or troubles will not be judged, that they will be heard and can find hope. "Calls to our helplines are free, confidential and available 24 hours a day, seven days a week," Glenda says.



Cooperative Business NZ welcomes Lifeline to the co-operative community.

Lifeline has been there for people to turn to when in distress, with compassionate, effective counsellors just a phone call away. For more than half a century, Lifeline has been an outstanding contributor to New Zealand's health and social sector.

Lifeline's 24/7 helpline 0800 LIFELINE, Suicide Crisis Helpline – 0508 TAUTOKO and 0800 KIDSLINE receive no Government funding and are reliant on [sponsorships](#), [donations](#) and [bequests](#). All funds raised by Lifeline are used directly, to support the provision of its services throughout Aotearoa.

This crucial service provided to vulnerable New Zealanders directly saves lives while improving mental wellness across a broad spectrum of New Zealanders. With over 660 suicides committed in NZ in 2017/18, and with this trend unfortunately rising, we all need to be closely supporting those in need.

Lifeline is a leading 24/7 national provider of key support services to the vulnerable and we are proud to have them become part of the NZ Co-op Family. Any financial support for this organisation would be greatly appreciated.

Our Corporate Associate Members

Cooperative Business NZ offers Corporate Associate membership to chosen businesses and organisations which wish to provide their products/services to Co-operative Businesses NZ's Members and/or wish to support the co-operative business model and co-operative movement here in NZ.

Here is a summary of our current Corporate Associate Members and their services:

1. **Baycorp:** debtor information and debt management
2. **Buddle Findlay:** legal, including advice and guidance on NZ co-operative legislation
3. **Deloitte:** accounting, audit and financial advisory services
4. **LBMX:** leading provider of technology solutions for purchasing co-operatives, buying groups, members and their suppliers
5. **Lifeline:** helping New Zealanders in crisis, 24/7 confidential support from qualified counsellors and trained volunteers
6. **Sheffield Search:** executive search and selection, organisation development
7. **Silvereye:** public relations and marketing communications consultancy
8. **Syndex:** digital technologies providing registry, administration, shareholder relations services and a share trading platform – all enhancing transparency, liquidity, independence and price discovery
9. **Westlake Governance:** best practice co-operative governance.

- For more details on each CAM visit [Corporate Associate Members](#)

Educational & networking events

Here is a summary of our events and key dates during 2018:

1. **Co-op Business Leaders' Forum**, Fonterra Centre, Auckland, 27th February
2. **Co-op Business Roundtable Discussion**, Sheffield's offices, Auckland, 19th April
3. **International Workers' Day**, 1st May
4. **Co-op Governance Accelerator Programme (2-day)**, Buddle Findlay's offices, Wellington, 9th & 10th May
5. **Cooperative Business NZ new director elections**, nomination period: 28th May to 27th June
6. **Cooperative Business NZ annual awards (4)**, nomination period: 1st June to 27th July
7. **Co-op Business Roundtable Discussion**, Deloitte's offices, Auckland, 29th June
8. **ICA – Asia Pacific Forum**, The Development of Co-operatives, Port Vila, Vanuatu, 5th to 7th July
9. **International Day of Co-operatives**, 7th July
10. **Co-op Governance Accelerator Programme (2-day)**, Rydges Latimer, Christchurch, 13th & 14th August.
11. **Cooperative Business NZ AGM / Annual Awards Dinner**, Rydges Latimer Hotel, Christchurch, 14th August.
12. **Co-op Governance Essentials Seminar (1-day)**, Buddle Findlay Offices, Wellington, 19th September (we still have several places available, please email me if you are interested in attending)
13. **ICA Global Summit**, Buenos Aires, Argentina, 21st to 26th October
14. **Co-op Business Roundtable Discussion – NZ Co-op sector issues and opportunities for Business Advisory Council**, Christchurch, 31st October, Venue TBA
15. **Co-op Business Roundtable Discussion – NZ Co-op sector issues and opportunities for Business Advisory Council**, Wellington, 7th November, Venue TBA
16. **Co-op Business Roundtable Discussion – NZ Co-op sector issues and opportunities for Business Advisory Council**, Auckland, 14th November, Venue TBA.

Regards



Craig Presland
CEO, Cooperative Business New Zealand.