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New Zealand Productivity Commission
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Productivity Commission Trans-Tasman Review; Strengthening economic relations between Australia and New Zealand.

BusinessNZ welcomes the opportunity to provide some in-put into the thinking on the Trans-Tasman Review.

BusinessNZ undertook a survey of Major Company Group members two years ago to see what the burning issues were for them when it came to even closer integration of the Australian and New Zealand economies. The overall feedback was that good regulation is more important than having the same regulation. In some cases NZ regulation may be superior and in some cases Australian regulation may be superior. In addition there are sometimes competitive benefits to the New Zealand economy in doing things differently to Australia. Attached are the results of the survey which was undertaken on our behalf by Franks & Olgivie.

Removal of tariffs/barriers to free flow of capital

The number one issue that NZ business would like to progress and with some urgency (given this has been an unresolved issue for many years now) is the removal of any tariffs/barriers to the free flow of capital and investment between the two countries. We need mutual recognition of franking and imputation credits to unblock investment and ensure better returns to shareholders in both countries.

A paper is attached on this matter which outlines the problem and the benefits of having this resolved.

Infrastructure

In terms of infrastructure, we also consider that the efficiency of New Zealand's infrastructure regulatory frameworks warrants consideration as a part of the joint Australian/New Zealand Productivity Commission's project. We believe that the potential productivity gains from such consideration are potentially substantial and likely to outweigh those available from other recent studies undertaken.

BusinessNZ considers that improving the efficiency of the provision and utilisation of New Zealand's infrastructure and the methods by which it is regulated can have an important role to play in achieving the goal of increasing economic integration and improving economic outcomes. This is recognised in the issues paper. BusinessNZ

also considers that there may be lessons available from Australian regulatory best-practice, including the role and configuration of their regulatory institutions. Improved regulatory approaches in New Zealand (relating to, for example, the regulation of telecommunications, electricity and gas businesses) could enhance the ability to move goods and services from New Zealand to Australia (this latter point speaks to overcoming barriers to trade in goods, services and the movement of factors of production), as well as encourage more efficient levels of investment.

Emissions Trading Schemes

With regard to greenhouse gas emissions trading, BusinessNZ considers that the importance of linking warrants careful consideration.

In light of recent evidence of Australian businesses relocating to New Zealand to take advantage of our lower cost structures and more stable policy settings, BusinessNZ would need to be convinced that alignment of the NZETS in any form with Australia will not erode one of New Zealand's competitive 'wedges' (its lower carbon price). New Zealand needs to be certain before it erodes its scheme differences that it is doing the right thing for the right reasons.

Common Standards

Feedback from our manufacturing members is that common technical standards are a very useful enabler of the free flow of trade. It lowers transaction costs if companies are able to design product to one common standard and indeed this would be beneficial across the Asia Pacific region (like common standards for the European Union), provided all countries have input into the development of the standards.

Yours sincerely

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