

Speaking notes: CACCI Conference Panel

Innovation for competitiveness

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First let me thank you for the honour of being invited to be on the panel responding to today's speakers. It is indeed a great pleasure.

I'd like to start by giving a little bit of background about myself because that is relevant to the topic. My businesses involved in investing in and working with companies commercialising industrial technologies. During my working day I have close involvement with a New Zealand government owned industrial research lab and its spin out companies; have been helping to establish an industry in New Zealand based on high-temperature superconductors; as well as working on our own business interests.

One of my companies is a golf putter company that has the grip and head manufactured by Taiwanese interests. I would like to acknowledge the excellent service and "can do" attitude we get.

What I thought I would talk about is some of the things that Chambers might do to encourage innovation and competitiveness in their local economy. I will mention four initiatives we are working on in the Wellington Chamber by way of example.

But first I need to tell you a little about New Zealand and our local Chamber movement. What works in one place may not work in another because culture and environment is so important. So treat what I say with caution what works for us mightn't work for you – but I do think there are some ideas that might be useful.

New Zealand is a small country with 4 million people, remote from markets (our closest neighbour Australia is a three-hour flight away). Our businesses are small - we regard a business with a US\$10m turnover as large. We really only have one multinational Fonterra, our dairy cooperative. Our capital markets are relatively thin and inexperienced in venture investment, particularly when it comes to emerging high tech sectors.

In the early 1970s New Zealand had one of the highest per capita incomes in the world. This was built on our trading relationship with the United Kingdom which gave us along with Australia almost exclusive rights to sell primary produce to the British. When the United Kingdom entered the European Economic Community we lost much of that that preferential treatment and our standard of living has been falling steadily since. Only in the last decade have we managed to stop the relative decline. Largely as a consequence of deregulating our economy and opening it up to

international competition in the late 1980s. As an aside we moved from almost all out trade being with Britain, to by far the majority now being with the Asia Pacific region.

Wellington, where I come from, is the capital city. Our current claim to fame is that we are home to Peter Jackson (director of Lord of the Rings and King Kong) and his associated production companies.

The Wellington Regional Chamber of Commerce is one of four regional chambers that cover the country. In each provincial city we have independent Chambers and they draw support from their regional “hub”. We have over 2000 members in the Wellington urban area.

The chambers are voluntary organisations funded by members and we have competition from other business organisations. We attract membership from not just the private sector but also government departments, tertiary education institutions and even schools. In some ways this is a strength.

I'm sorry this background has taken some time but I hope it provides a context for the rest of my contribution.

The Wellington economy is domestically focussed because central government is such a large part of it. This limits our growth potential. However we do have strengths in the physical and natural sciences, tertiary education and the creative sectors (this includes strengths in the application of ICT).

Our Chamber has given quite a bit of thought recently to how we can encourage greater innovation and therefore increase our export competitiveness. In doing this we identified four areas where we could make a contribution:

1. we are a services economy, and many of our companies do not understand how to export services;
2. we are government town, but we are very poor at leveraging international business opportunities off a public service that has a good reputation worldwide;
3. our research and education strengths could be better translated into export earnings (from students and research services), and there are commercial opportunities that are being missed that could help build the local economy;
4. our small companies needed taking the practical steps from innovation, improved productivity, competitiveness and then to business growth.

So what are we doing?

As a Chamber we have always organised training programs for our members. We concentrate on the shorter courses, generally less than half a day because we find that owner of small businesses can only really spare that much time.

So to encourage services exporting we are putting together a series of courses focused on how to do it. We are taking some of our major members who have been

successful in exporting services and intend to use them to mentor our smaller members. In addition because there is nothing like direct commercial opportunities to encourage small companies to take risky steps, we are working with the larger members to see if they can take some of their smaller suppliers with them into export markets.

The kind of infrastructure that is required when exporting services is different from that required for goods. For this reason we are focusing on broadband availability (as no doubt all the rest of you are), and how we can get direct links from Wellington airport into an Asian hub once the next generation of wide bodied aircraft become available (Wellington airport is currently limited by the length of its runway). The airport company is an active member of the Chamber and is joining with tourism interests to help promote this opportunity to Asian airlines. Easy international access by people to your city is an essential part of trade in services.

We are also encouraging our government to include trade in services in our free trade negotiations.

New Zealand has a small scale but high-quality public service. It is often able to innovate in ways that larger governments find difficult. Unfortunately much of our innovation has simply remained within the public service because there has been no real mechanism to allow it to get it out.

We have therefore started working with our public service (and Ministers) on ways to help identify the know-how and business systems in the public sector that might be valuable, and how we can take this to international markets. You will recall that many of the government departments are already our members, and this makes the task somewhat easier.

In the education and research area there is widespread agreement that the interchange between these institutions and the rest of the Wellington economy is not as strong as it should be. Working with the main universities and research organisations (who are again members) we are helping to establish a couple of innovation centres that can be locations where those involved in incubation, commercialisation and industry development can work together.

Finally in conjunction with our central government we have been running productivity workshops for our smaller members. These involve case studies from other small companies that have successfully taken steps to increased innovation and improved productivity. They talk about how they did it, what went right and what went wrong. This approach has proved remarkably popular.

In describing these activities I don't think I'm talking about anything particularly special within the Chamber movement. I'm sure you're all engaged in similar activities. The point I am wishing to make is that encouraging innovation and hence competitiveness in your local economy requires a number of responses. There is no silver bullet.

As Chambers we have roles to play in spotting underused resources in our local economy and helping to unlock its potential; working with our big members to help them make the linkages that will make them more innovative; identifying where

public infrastructure and government policies are standing on the way; and, most of all, providing the help, support and services to smaller members so they can see the practical things they can do to encourage innovation in their companies and help them to grow.

Thank you very much.