

Don't Sell, Invest!

Productive Economy Council



Closed business in 42 countries
2011 exports* circa \$68M NZD



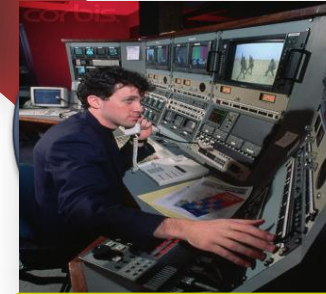
Serial Entrepreneur



Corporate Manager



Idiot



State Employee



Owner Operator



Union Worker

**My
Learning
Process**

Local in everyday



* companies I founded / co founded

We are all investors

- We invest in our...
 - Kids
 - Schools
 - Sports clubs
 - Carriers
 - Businesses?
 - Friends and our wider society ??
 - Country???



130 years of the same/similar experience

- 1773 Capt Cook brings sheep to New Zealand
- 1789 Cook introduces Europeans Pigs to New Zealand
- In 1793 Captain King, Governor of New South Wales, gave the local tribes (Bay of Islands) some pigs as well as wheat and maize seed.
- In 1882 the first export of refrigerated mutton & butter left New Zealand
- We quickly became a nation of farmers



But is this really the best we can do?



If being a food bowl to the world is our only default strategy shouldn't we ensure we retain ownership of our land, processing, brand, distribution?

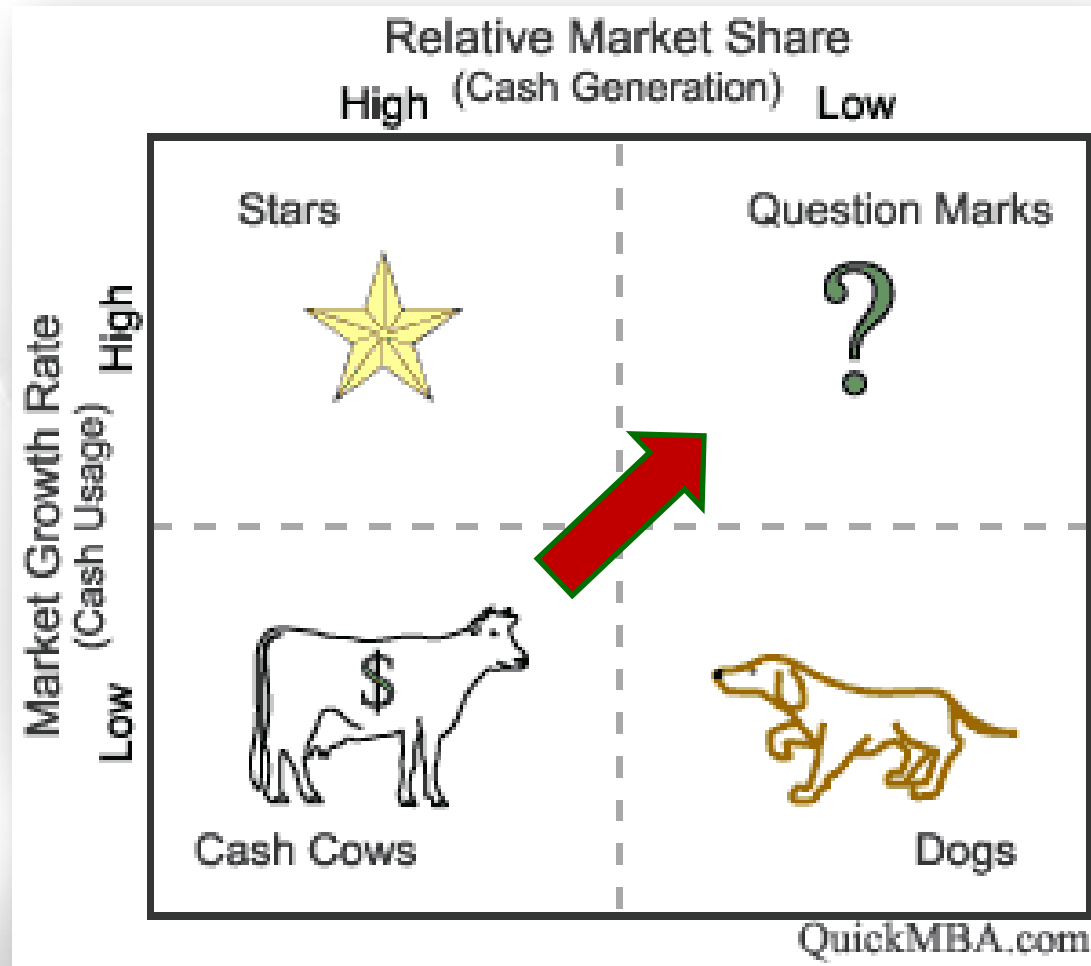


We actually flew in 1903!

- According to witness statements, Pearce flew and landed a powered heavier-than-air machine on 31 March 1903, some nine months before the Wright Brothers.
- But his achievements weren't productised or commercialised
- One wonders what an alternative future New Zealand might have had if Pearce had some funding.



Farming is a cash cow, so we invest in?



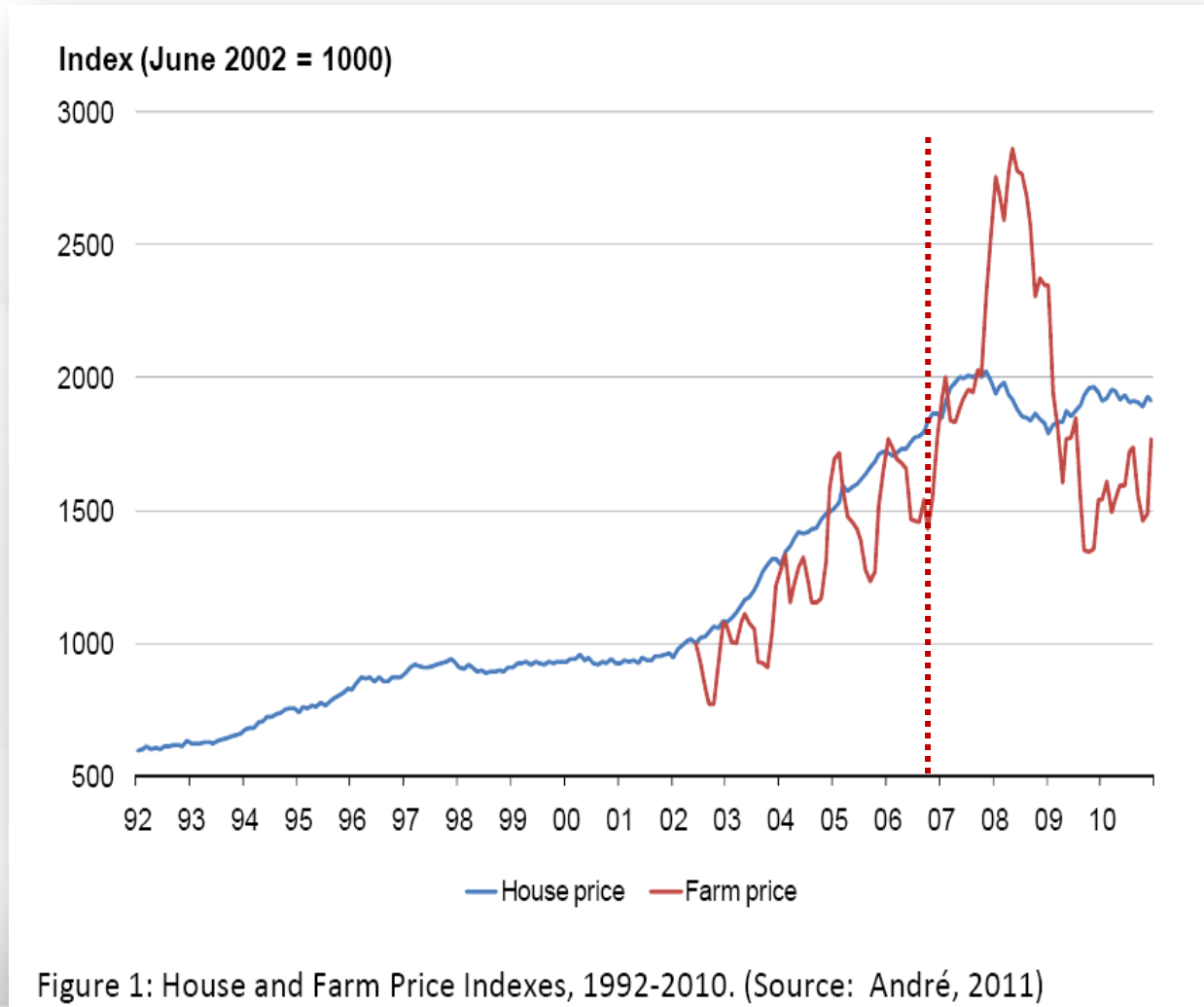
What I said about our policies!

*“I will argue that **to not address the current problems that we have with tax and monetary policy will result in the shrinking of the productive and export sector, resulting in long-term balance of payments issues, continuing the unproductive investment in asset-based wealth creation, all resulting in increasing the divide between the haves and the have-nots to the detriment of New Zealand as a whole**”*

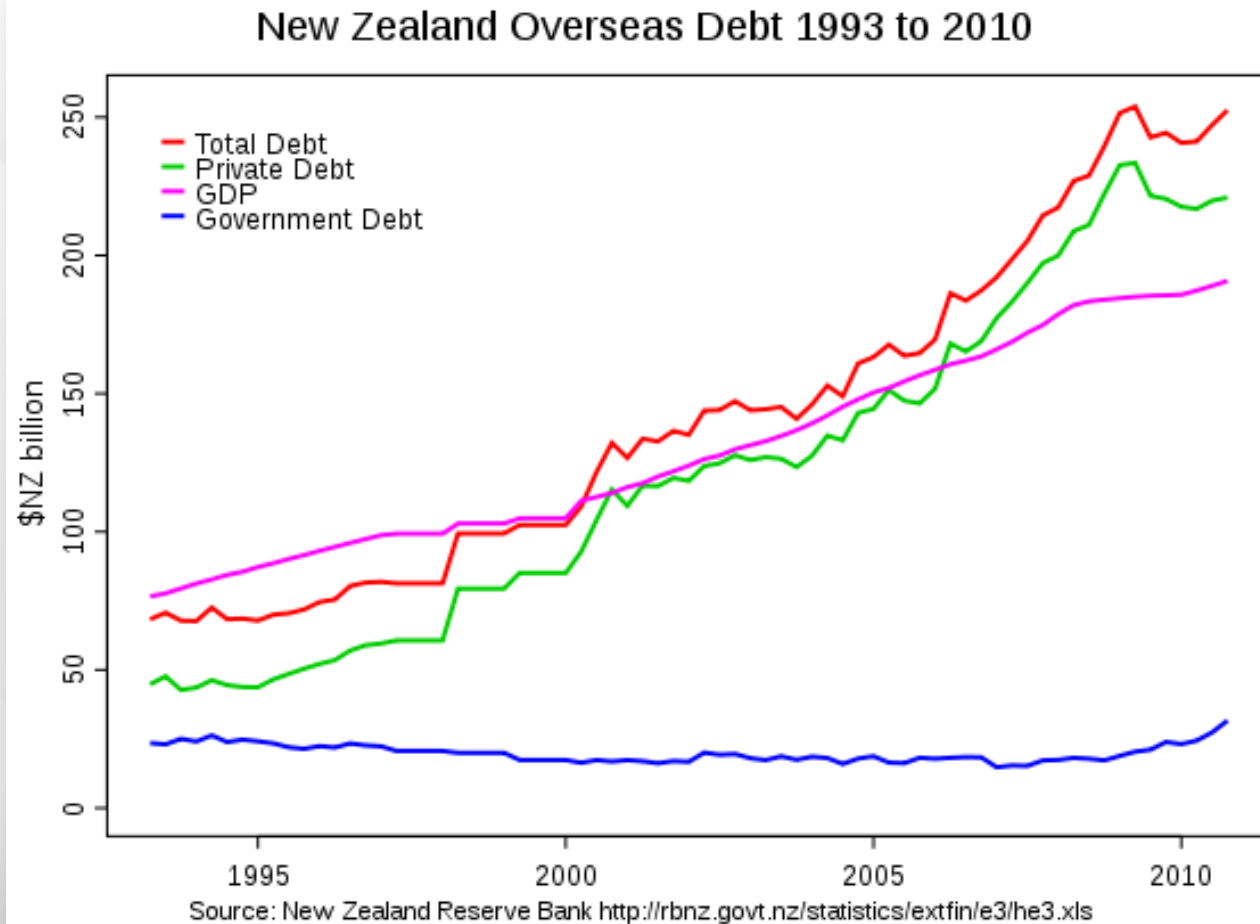
Selwyn Pellett :Inquiry into the
monetary policy framework **September 2007**



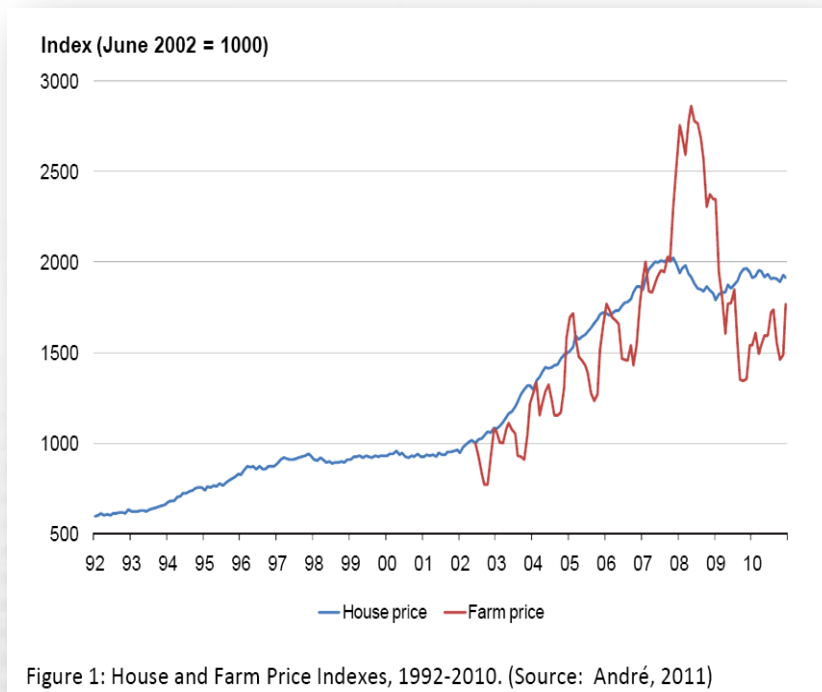
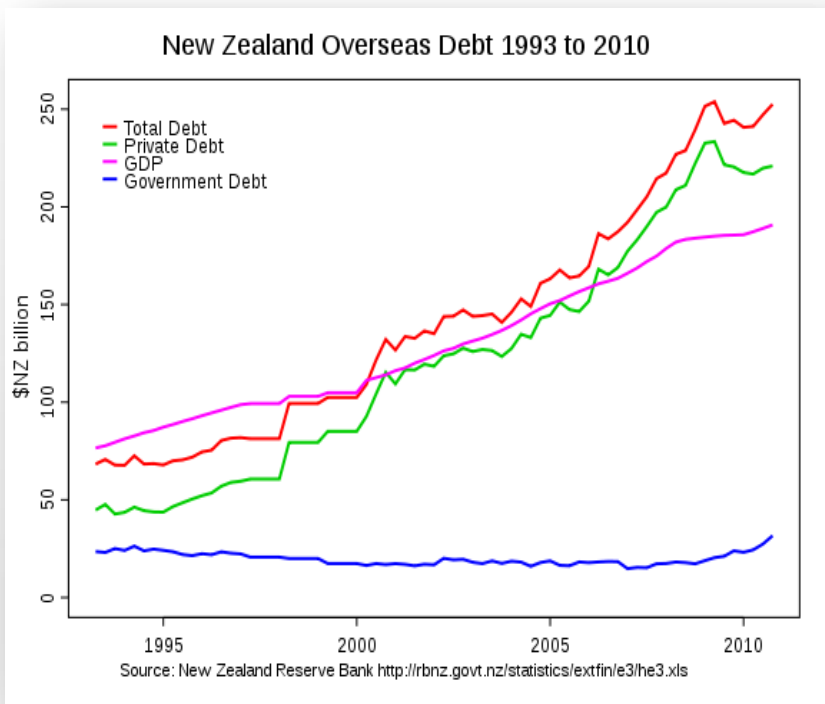
It wasn't rocket science.....



Graph look familiar?



It should now!



Losing our economic sovereignty?

- If we can't pay for our imports with exports we have to borrow off shore
- The security options for a loan are
 - our future tax revenue or
 - our physical assets
- We are mortgaging New Zealand
- Losing our economic sovereignty
- Leaving our kids with the debt!

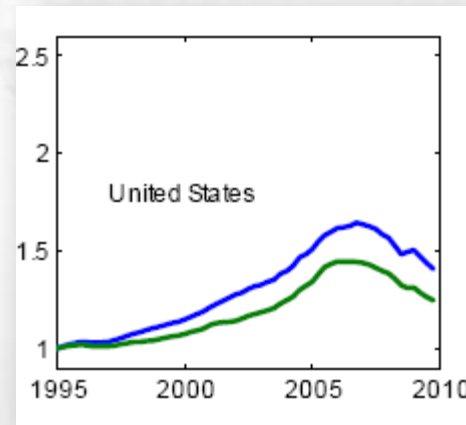
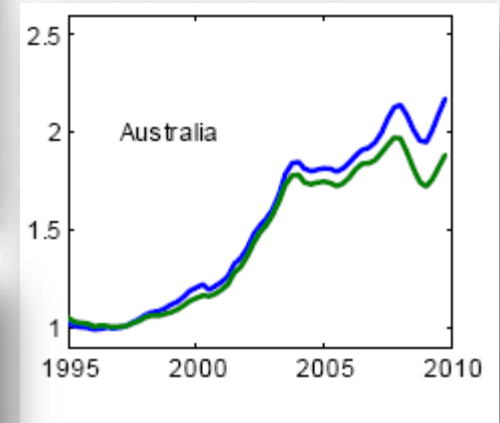
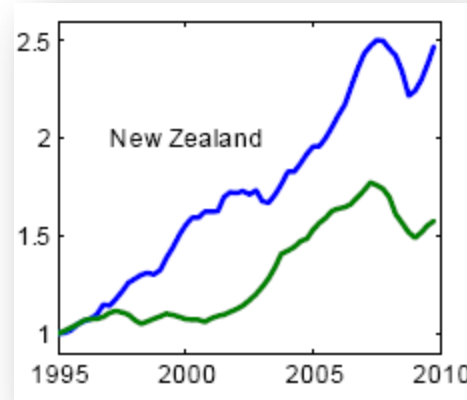
Foreign Ownership / Security
Foreign Ownership / Security
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IMF: “The stock of agricultural debt has swelled by over 50% since early 2007 to reach NZD 48 billion (or 25% of GDP), of which dairy farming represents about 65%”



We won the property inflation race

- People felt wealthier
- But same old assets
- Funded with foreign debt
- Productive economy starved of investment capital
- The inrush of capital drove up the exchange rate



The exclusion of imputed rents and capital gains from the NZ tax base contributes to diverting household portfolios towards housing (IMF)



High exchange rate & low investment.....

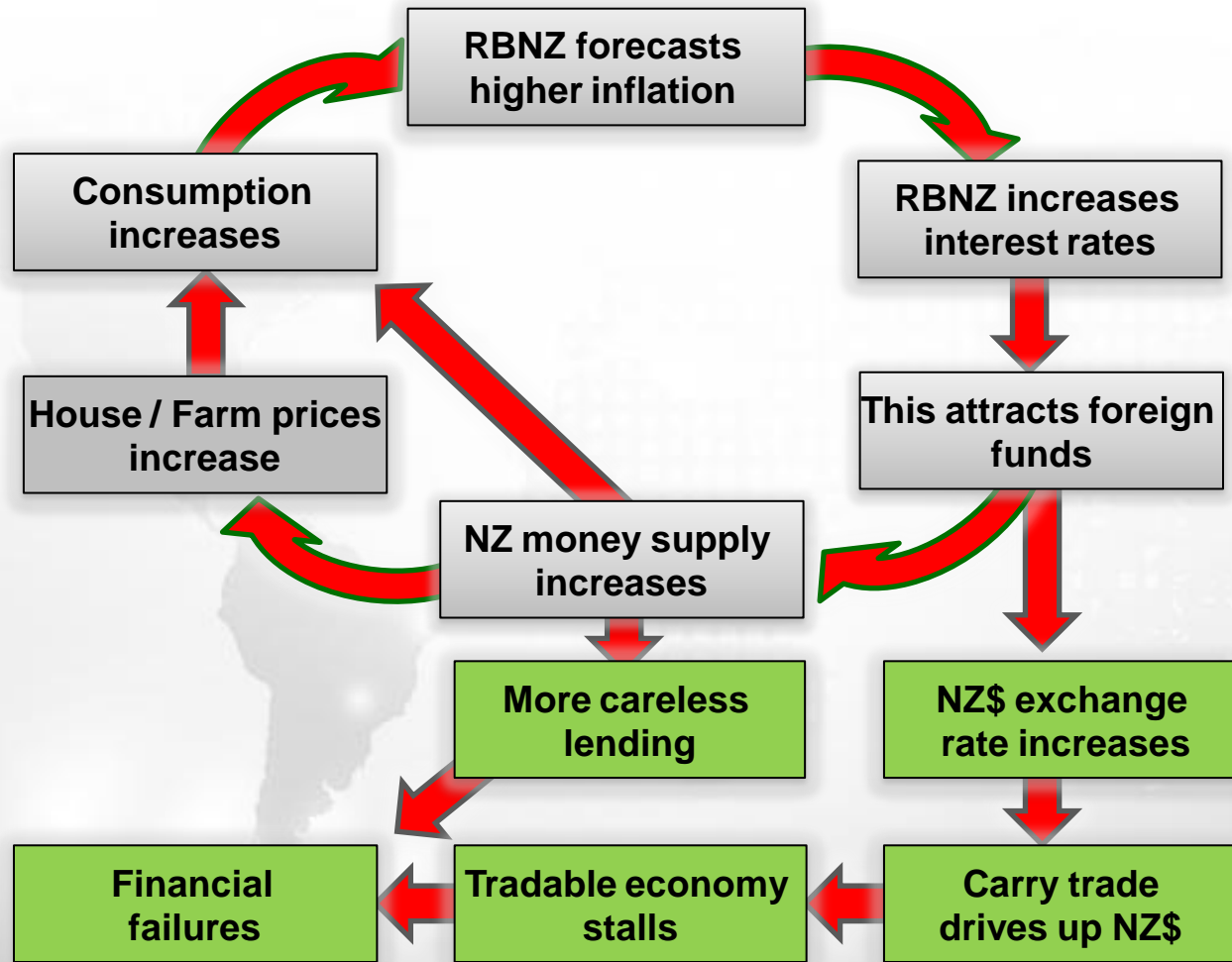
Ratio of Tradables to non-tradables output, 1995-2010



Figure 4: Ratio of Tradables to non-tradables output, 1995-2010. (Source: The Treasury)



Or monetary policy protects farming and kills other productive exporters

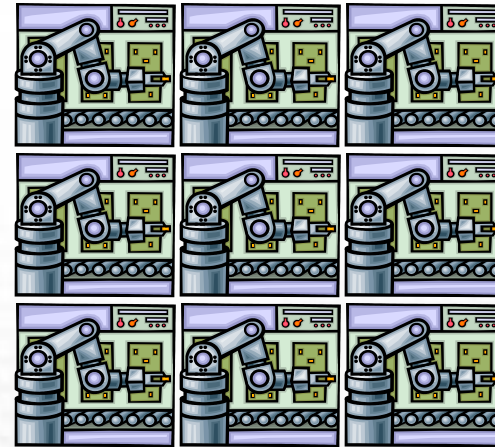


Balanced exchange rate

= balanced current account



Imports / consumption



Tradable/Export

Current Account

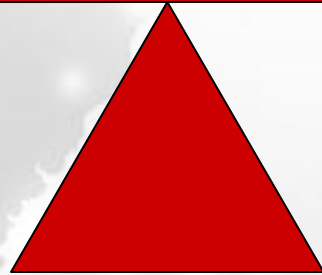
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Surplus

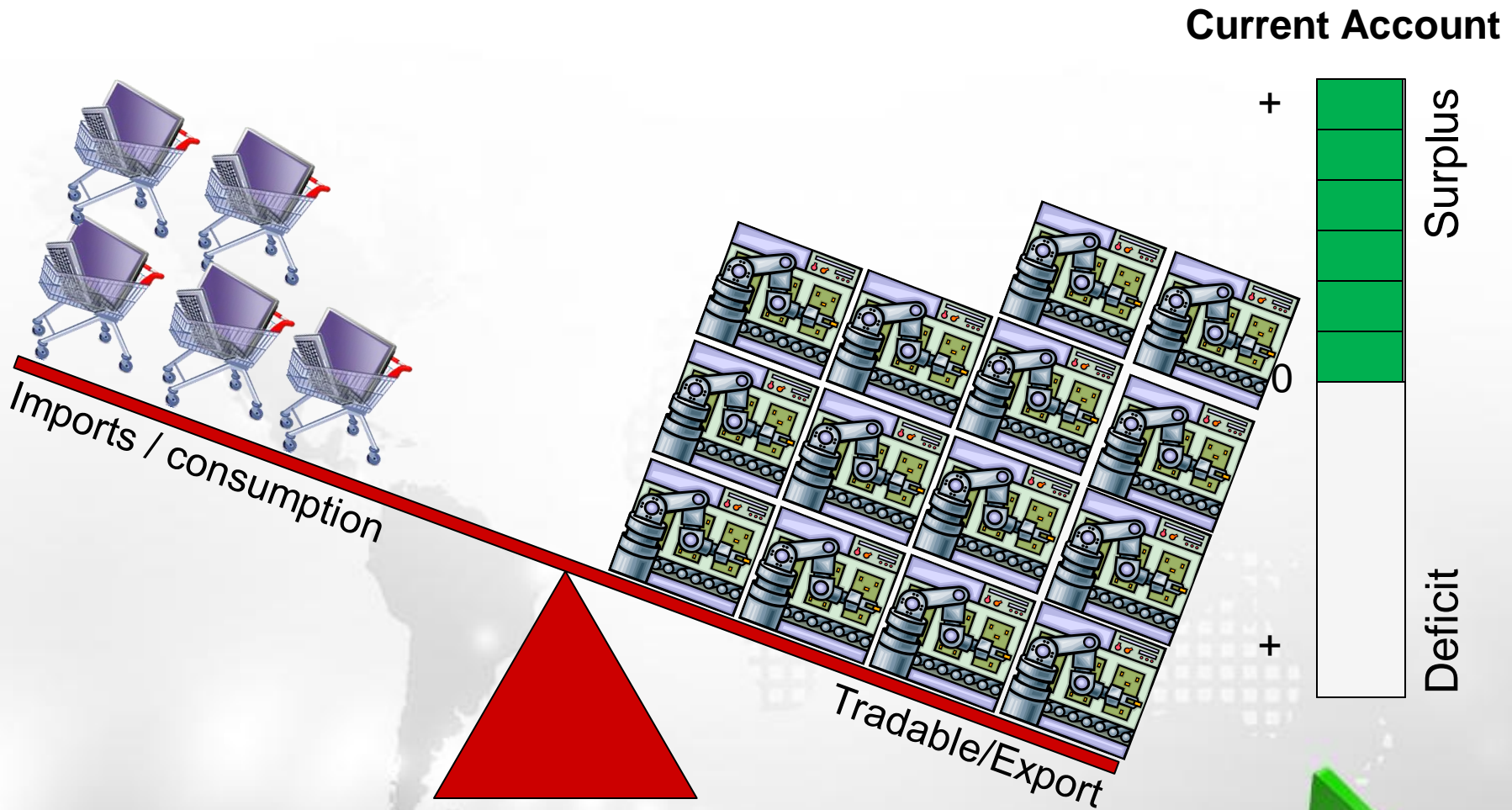
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Deficit



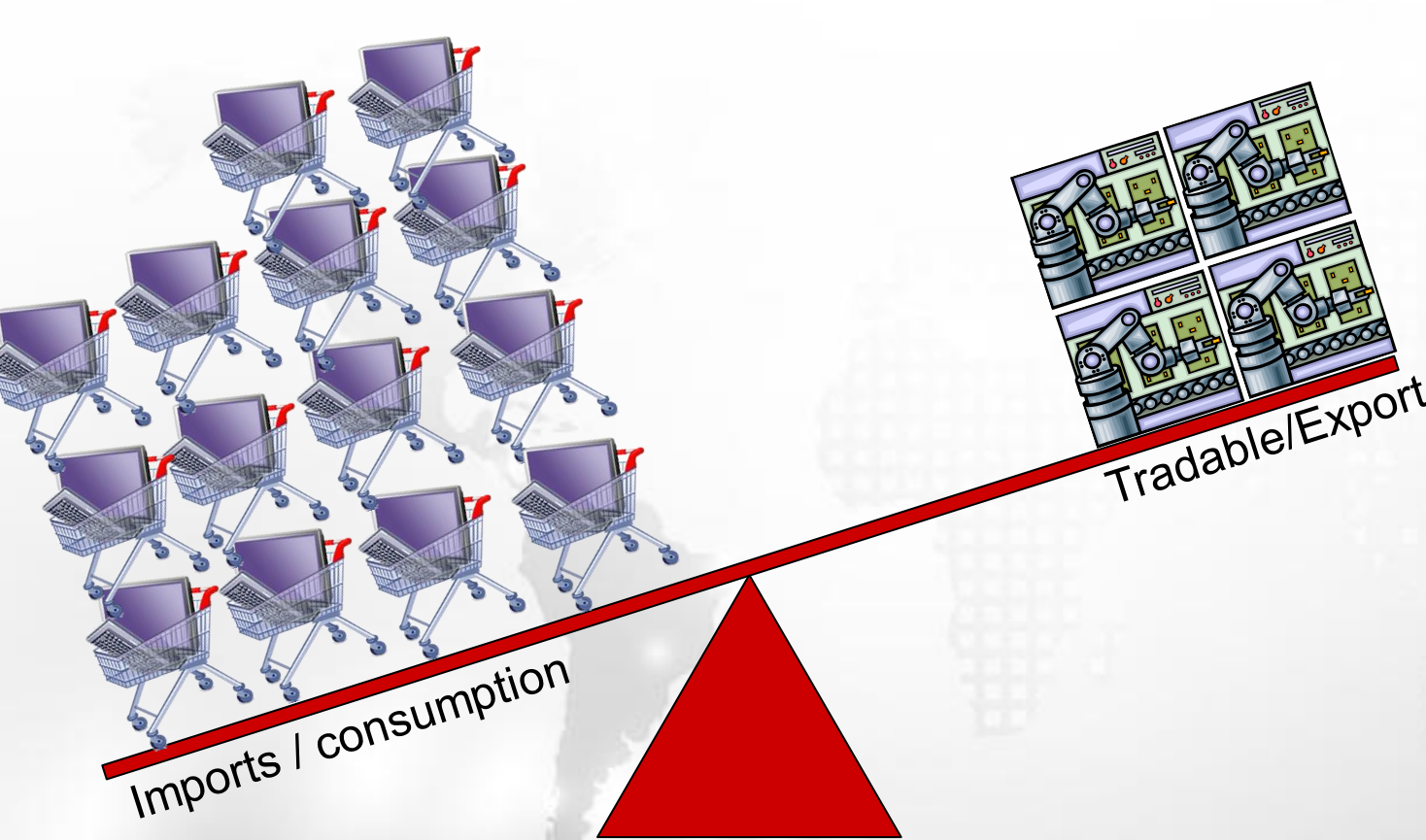
Low exchange rate



Exchanges rate at say 65 cents to USD

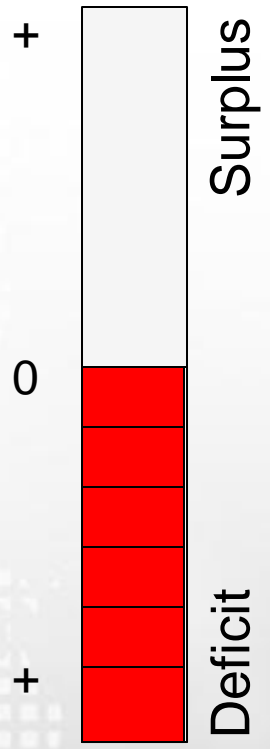


High exchange rate current

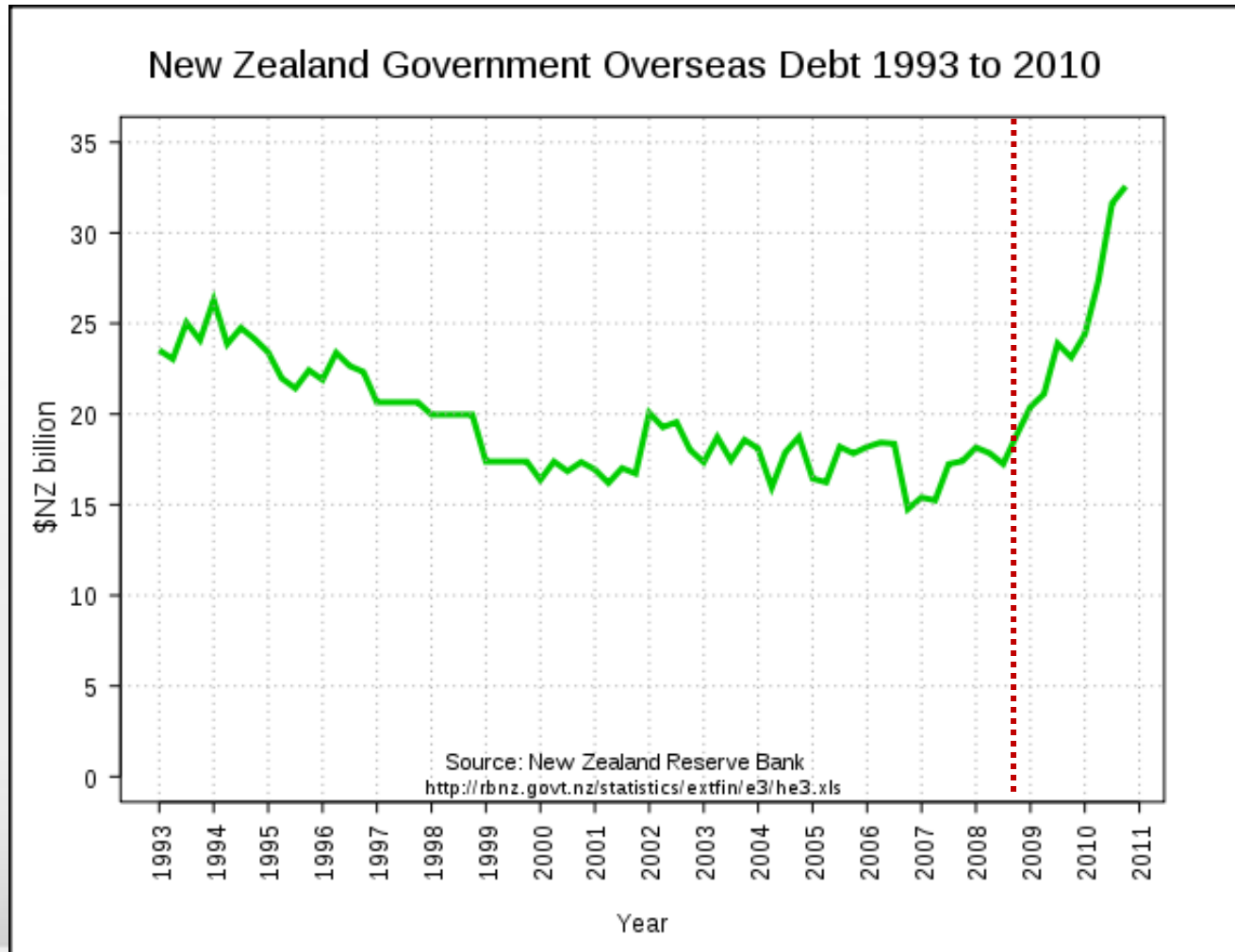


Exchanges rate at say 80 cents to USD

Current Account



Net Foreign Debt



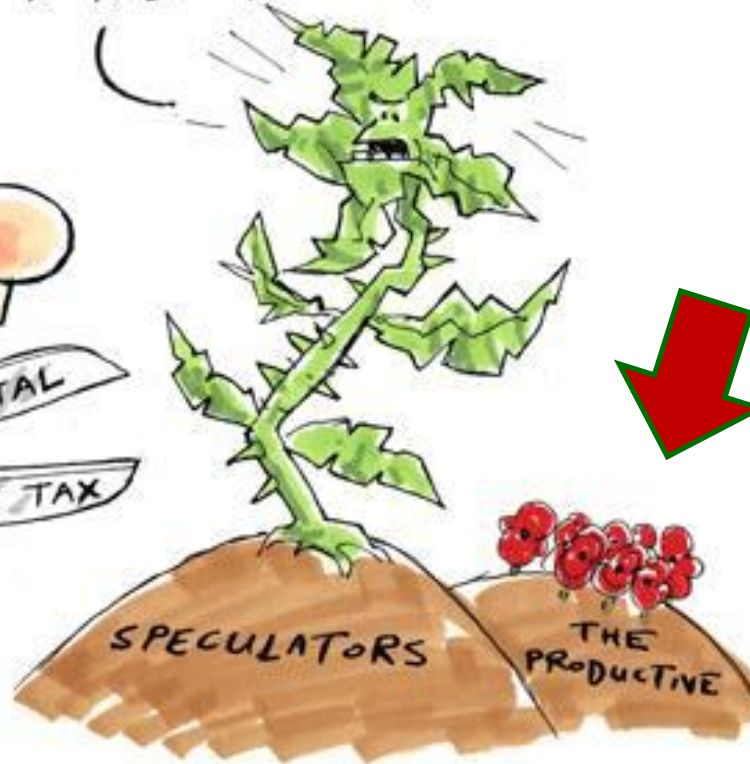
A high exchange rate at work on the productive sector



And it's effect.....



YOU CAN'T DO THAT!
CAN'T YOU SEE I'M
A TALL POPPY?



— B.D.Y. —



**My grandchildren
want a different future**

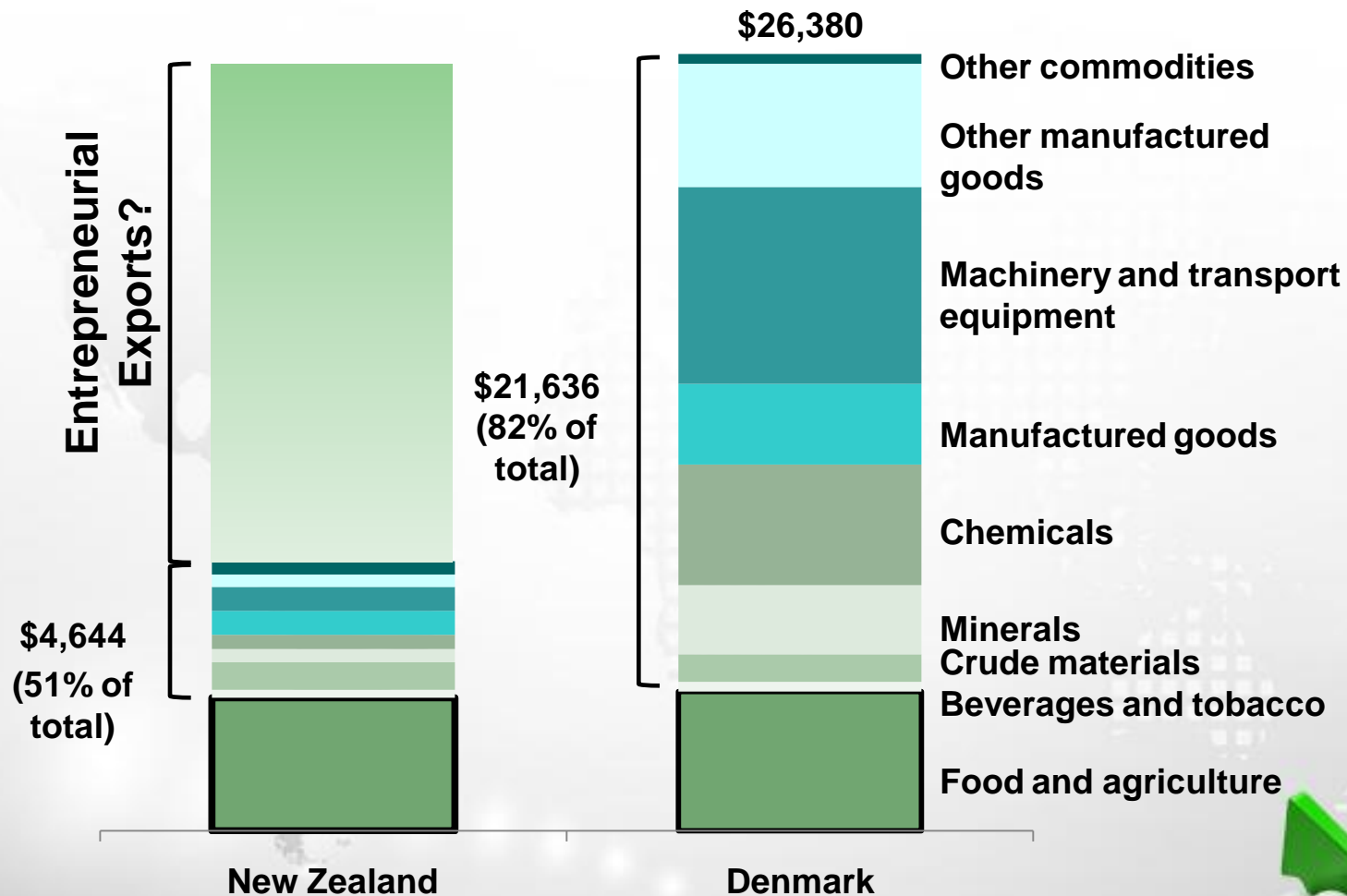


Let's start with a VISION

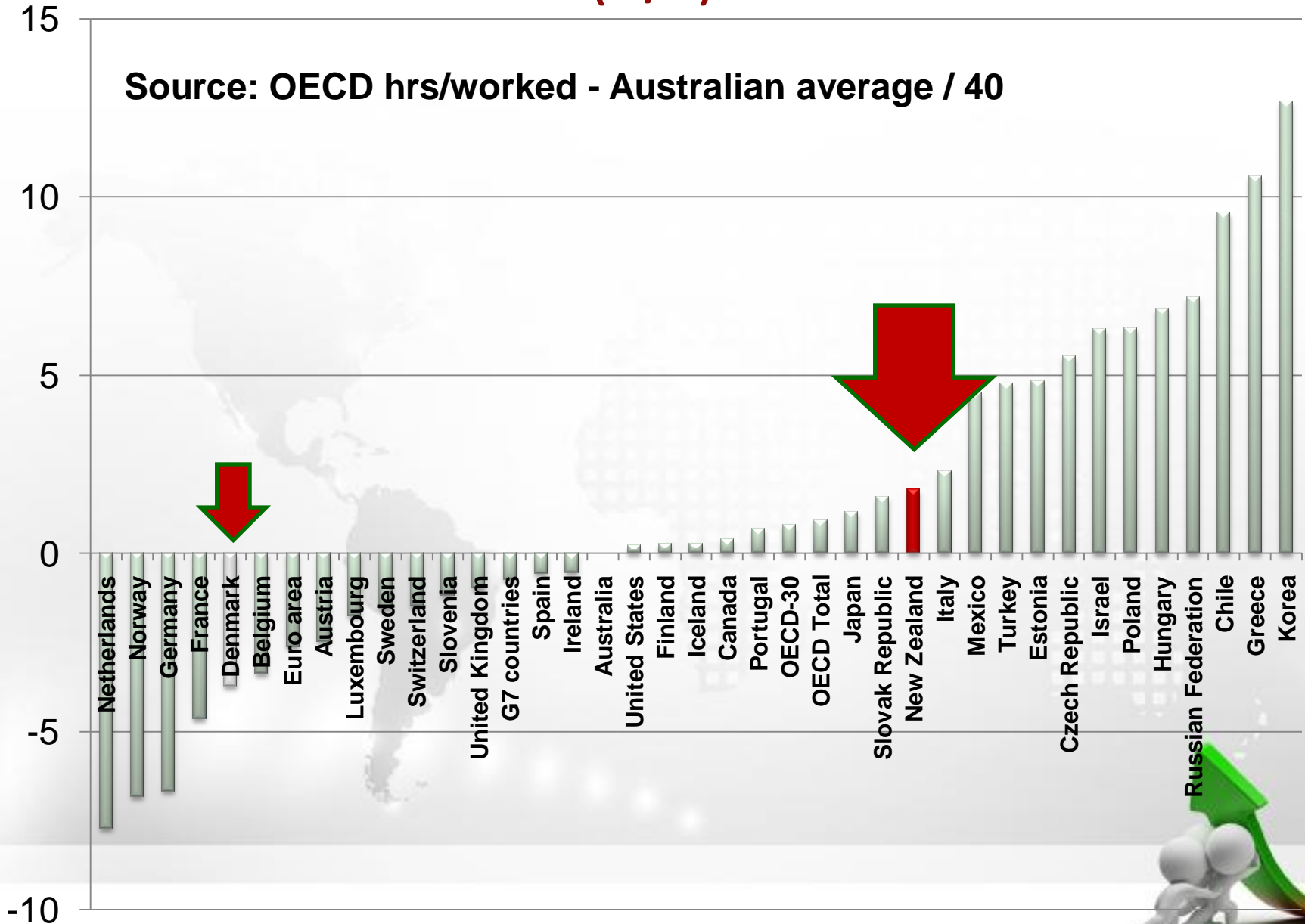
New Zealand will be the exemplar among small economies, by cohesively building a sustainable, high-wage, high growth, hi-tech economy that benefits all it's citizens, while fiercely protecting it's economic sovereignty and ensuring we create new strategic options for generation X & Y



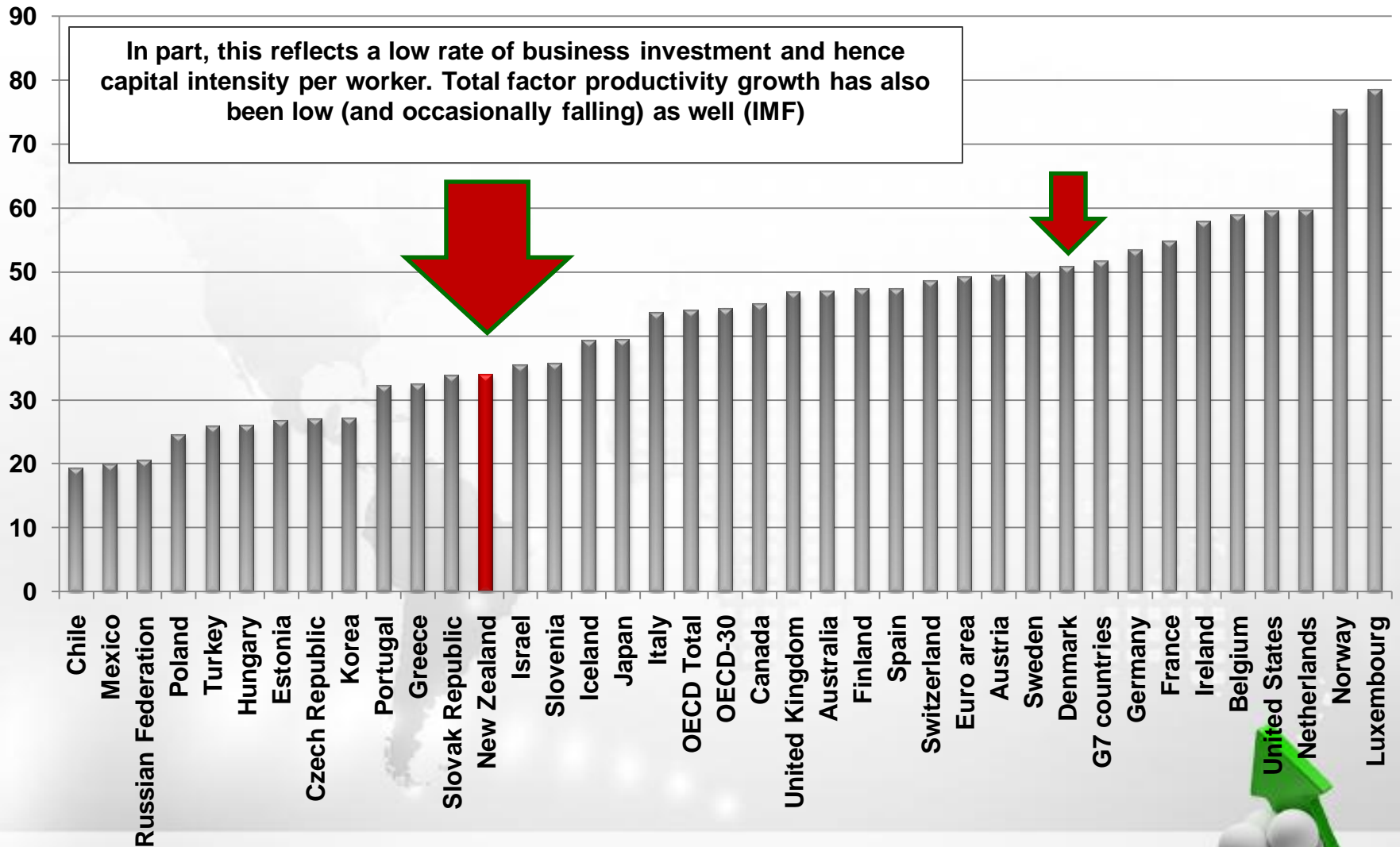
They want a diversified export economy



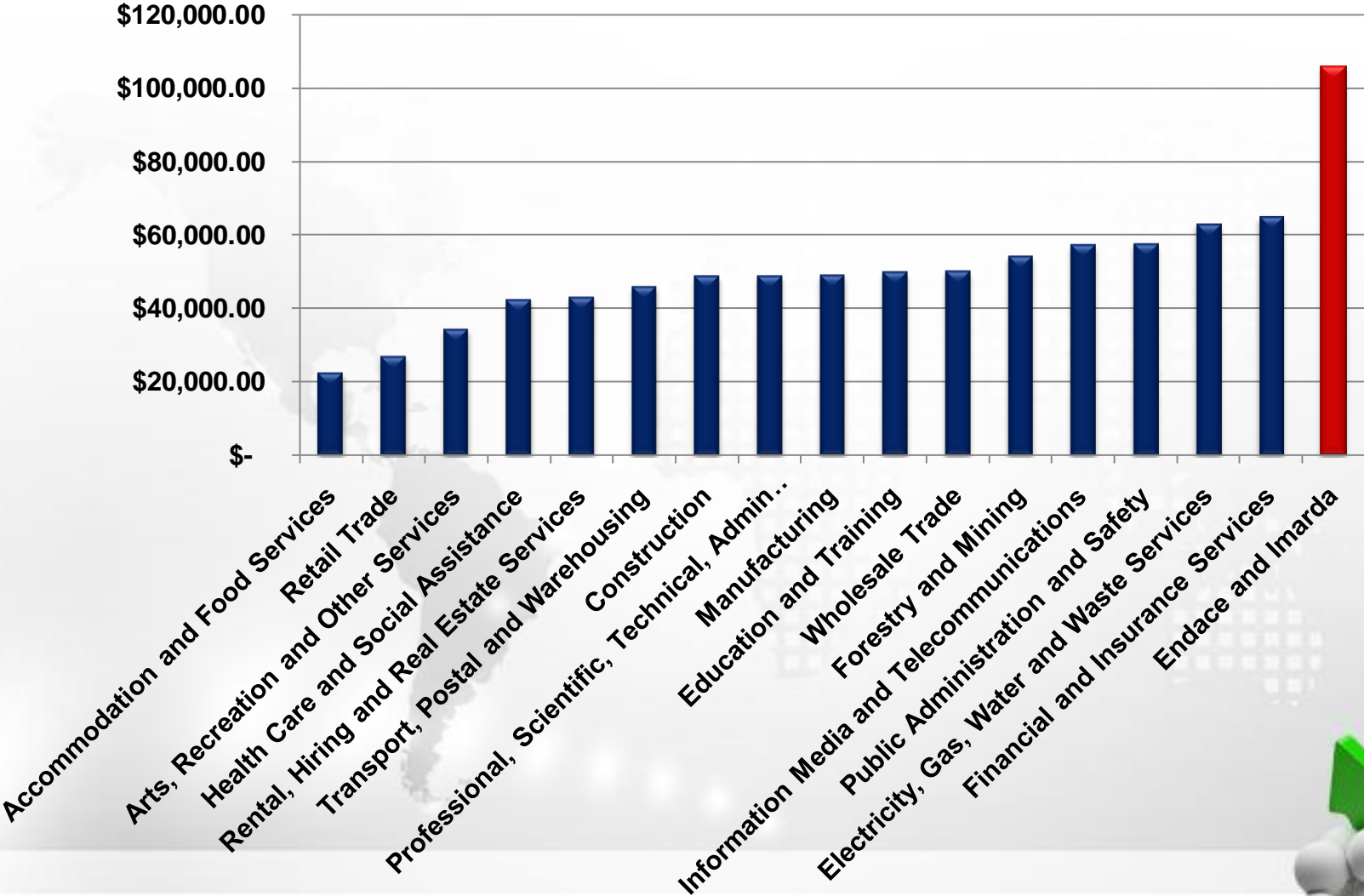
40 hr weeks worked (+/-) relative to Australia



GDP per hour worked, current prices, USD



Earnings rise with valuable exports



So scale up our entrepreneurs!

Assuming what I have done is repeatable and scalable (it currently isn't)

In 10 yrs time with seed capital of \$350K each, 100 entrepreneurs could.....

- add circa 7bn in exports P/A
- create 18,000 high paid jobs
- add \$500 million to 1 Billion in tax revenues
- and not a cow to be seen!

Could this be part of a strategic plan?



Just a few things to do first

- **Control the volatility of the New Zealand dollar (all below)**
- **Expand the scope of the Reserve Bank Act** to encompass jobs and exports instead of just a narrow focus on inflation
- **Invest in innovation** (R&D tax credits etc)
- **Improve savings private** (compulsory superannuation)
- **Tax capital** to remove distortions in the investment profile (CGT)
- **Balance the fiscal budget** (all income is taxed regardless of source, lift super age, remove interest free student loans etc)
- **Reduce Foreign Debt** (reduce demand for privately sourced foreign debt to inflate house and farm prices, spend less on imports, earn more from exports)
- **Invest in ourselves** to gain economic leverage (Government procurement policies and Super Fund investment criteria, NZX).
- **Manage immigration** carefully (to avoid stimulating housing inflation and excessive investment in new low yielding infrastructure)



We need entrepreneurs like Britain needed pilots

**“NEVER WAS SO MUCH
OWED BY SO MANY
TO SO FEW”**

THE PRIME MINISTER



There was a period in recent history where another island nation stood alone against a stronger adversary

- The initial battle was won by:
 - Superior technology
 - Training greater numbers of “just in time” pilots
 - Sheer guts and determination
- We need entrepreneurs not pilots but....
 - unquestionable national need
 - the personal qualities required
 - the urgency to select and train them
 - the profiling used in the screening
 - the responsibility these individuals carry on behalf of their nation

Entrepreneurial training

- Entrepreneurs are born not trained.
- We need to screen for entrepreneurial profiles early in the education cycle
- Typical attributes of successful entrepreneurs
 - suitable risk profile
 - an abundance of self belief, (ideally supported by a history of achievement)
 - superior intellect, hunger for learning and self improvement
 - the ability to inspire, communicate and get things done
- Supplementary courses at secondary school.
- Course needs to be developed with a broad range of successful entrepreneurs and then put into a limited number of universities
- Entrepreneurial apprentices spending four 3-6 month stints with senior entrepreneurs



Remember there is a lot to do first!

- Control the volatility of the New Zealand dollar
- Expand the scope of the Reserve Bank Act
- Invest in innovation (and entrepreneurship)
- Improve savings
- Tax capital
- Balance the fiscal budget
- Reduce foreign debt
- Invest in ourselves
- Manage immigration





Questions