

Policy | 2014

# Re-opening & upgrading Hillside

## HIGHLIGHTS

### Labour will:

- Use our \$200 million Regional Development Fund to re-open and upgrade parts of the Hillside Workshop to restore its place as a hub for heavy manufacturing
- Use Hillside as the South Island base for KiwiRail's heavy engineering and maintenance operations and short-run boutique rail manufacturing
- Ensure that government agencies, like KiwiRail, buy Kiwi-made whenever possible.
- Back Kiwi manufacturing at places like Hillside through our Manufacturing Upgrade.

### Labour's Plan

The current government failed to back Hillside. Its negligence cost Dunedin well-paying, high-skill jobs and cost New Zealand a vital piece of heavy manufacturing capacity.

The decision to source new rolling stock and wagons from overseas cost jobs, led to the closure of the Hillside workshop, and worsened New Zealand's current account deficit. On top of that, the imported wagons have had an extraordinarily poor maintenance record and asbestos was found in a number of locomotives.

Hillside is the emblematic centre of despair and opportunity. When KiwiRail closed its doors in December 2012, bar a skeleton staff, and proceeded to gut this once proud factory, it was a body blow. Not just to New Zealand's rail engineering capacity, but heart of manufacturing in Dunedin City.

Since then the once flourishing manufacturing and high tech hub that had been collaboratively developed amongst the 50+ engineering firms in this city, have diminished. One firm has dropped by two thirds in staff since Hillside's closure.

Our vision is not to hark back. We cannot recreate what existed at Hillside. But we can look forward and guarantee a future for boutique rail manufacturing.

Hillside's comparative advantage lies in its large footprint and existing heavy lifting equipment. The barren machine workshop requires a capital refit. The opportunity in the refit is to have it future-focused.

More than 2000 of NZs 3000 flat deck wagons still need replacing.

There are many other projects, including rail projects where a rejuvenated Hillside facility could collaborate with other Dunedin-based engineering companies to restore a strong manufacturing base in the city.

Labour's commitment to apprenticeships - and the existing courses at Otago Polytechnic mean that the work-force side of engineering in Dunedin is well catered for.

Labour has announced a \$200 million Regional Development Fund to make step-change investments that unlock growth in local economies. Re-opening and upgrading Hillside is a prime example of the kind of project that will benefit from the Regional Development Fund.

**Labour will re-open and upgrade parts of the Hillside workshop as a manufacturing hub for Dunedin.**

As was seen in the KiwiRail wagon procurement, a decision that is cheaper for a single government agency can be more expensive for the government and the country as a whole. Labour's new government procurement rules will ensure that contracts go to Hillside, not overseas.

**Labour will ensure that government bodies buy Kiwi-made whenever it makes sense, just as the governments of Australia, Canada, and the US do. This will be done in a way that is consistent with World Trade Organisation rules.**

Labour's Manufacturing Upgrade will give Kiwi manufacturers tax breaks for investing in new equipment and innovation, as well as ensuring that they get to compete with overseas firms on a level playing field. These policies will make Hillside more competitive.

**Labour will**

**Introduce an R&D tax credit at a rate of 12.5%.**

**Introduce accelerated depreciation for manufacturers to encourage them to invest in new, hi-tech equipment, starting with advanced manufacturers like Hillside.**

**Reform monetary policy to help get the dollar down to a fair level, so that businesses like Hillside aren't artificially undercut by overseas competition.**