

The following is a personal opinion from NZI Director Greg Howell:

IMPORT REPLACEMENT

New Zealanders watching our economic predicament, are thinking hard about two of the most pressing issues facing our country. These are (1) how to make our economy larger. Not how to divide up the 'pie' which is obviously too small - but actually how to make the economy bigger. And (2) how are school leavers & graduates actually going to get work - because we should all be most concerned about desperate & disconnected young Kiwis unhappily sitting at home ...

I have a suggestion which may be able to assist with both issues.

It's called 'Import Replacement' and I'll attempt to explain it inside a few paragraphs:

(i) A dollar not imported is exactly the same value to NZ as a dollar exported.

(ii) If you as a consumer, or you as a business, choose a product made here in NZ rather than a product arriving on a container ship - that action grows NZ's economy by the cost value of the goods not imported*.

(iii) OK there are many products we don't make here, no point in crying about that. But for those where there is an equivalent made in NZ - you have the power as consumer to make a fundamental difference.

(iv) No, consumers won't pay twice the price, so for Import Replacement to work, local Kiwi manufacturers somehow need to carefully manage the price gap. Not easy with a NZ\$ heading higher ... although inflation in the developing world will help that shrink the price gap over time.

(v) No, we can't wait for politicians to take the lead on Import Replacement. Their only tool is legislation and this change has to come from us the people, not the law. The NZ Government also can't be advocating consumer-led 'protectionism' back home whilst signing free trade deals & standing beside our exporters on the global stage - so thankfully it can't come from them.

(vi) No, it doesn't have to be every product, every time you have the choice. But a small shift in your behaviour as a consumer will have a much larger impact than you think. This is not "buy NZ Made because you feel sorry for us" – this is keep the resources, the infrastructure, the skills, the pride, the money, the people, the precious employment right here. Handing these offshore to someone else is madness.

If NZ consumers choose NZ-made product instead of imports, the following things will happen:

NZ manufacturers suddenly get a boost in volume - the key to driving down production costs.

NZ manufacturers then become more price competitive.

NZ manufacturers respond to the volume increases by employing more staff.

NZ manufacturers begin to invest in new equipment & product development.

Then some of the then match-fit NZ manufacturers also look to export their products.

OK, it's not an overnight shift, but it'll start happening inside 12 months - no doubt about it.

Take our company New Zealand Insulators as an example:

5 of NZ's 27 electricity networks use a specific 22kV porcelain insulator - some 20,000 per annum. As at the start of 2011, all but one had migrated to a cheaper imported insulator. At NZI in Temuka we were down to making just a few hundred each year. During 2011 three networks agreed to pay 20+% more for a (better) NZI product made in NZ. We now make 1,800 a month, 2 new jobs have been the direct result - plus a more viable factory. Just one product, just three customers – and yet a dramatic impact.

Here's the Import Replacement maths on this example:

- > 18,000 22kV insulators now being made in New Zealand rather than arriving in a container.
- > Imported Insulator - cost NZ\$8, sell NZ\$11.
- > NZI brand Insulator - cost NZ\$11, sell NZ\$14.
- > $18,000 \times \text{NZ\$}8$ (cost of product not imported) = NZ\$144,000 Import Replacement dollars**.
- > NZ economy grows by exactly NZ\$144,000, every year.
- > NZI sales & factory volumes grow, 2 new jobs for Kiwis & a better insulator for our networks.

Maybe I'm missing something - but to me this shows how powerful Import Replacement can be.

Finally, some thoughts relating to the second issue:

New Zealand has a crisis in youth unemployment and this (in my view) is having & will have, a lasting & damaging impact on our society. Every one of us needs to be busy, to be included, to have hope. Jobs are the key to providing these. Our school-leavers & graduates need apprenticeships, internships and/or cadet intakes – which channel them into jobs. They need role models, structure, and the opportunity to gain credibility in the eyes of their peers & their family.

Forget the Government – the 'pure' global market myth, and their simplistic stance that 'only the strong should survive' – these things have completely failed our young people.

We need to take charge and modify our behaviour as consumers, to choose NZ products and in doing so, create the jobs so badly needed for young Kiwis.

Surely we're not so PC that we can't discuss helping our own people before we help others?

If this argument makes sense, the next step is behaviour change from **you** – to create jobs for young Kiwis, and to grow our economy. For that reason, wherever possible - please pay a little more and go for the product made here in NZ.

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* If the replacement NZ product has some imported components, then the exact value of the Import Replacement is less. But the value-add, the jobs, the skills - they're all here in NZ.

** In NZI's case there are two imported ingredients in our porcelain recipe, but they make up only a small fraction of the final cost. The case for Import Replacement is particularly strong when the product is entirely homegrown (like NZI).