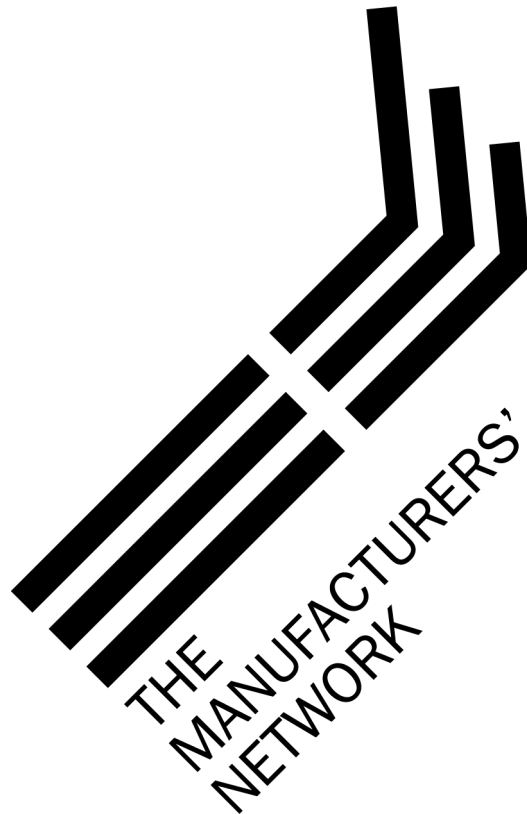
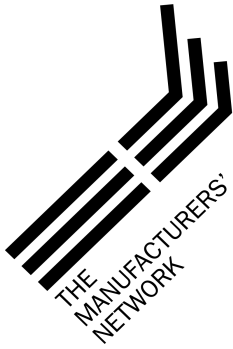


THE MANUFACTURERS' NETWORK NEWSLETTER

Your news for May 2018





The Manufacturers' Network News Highlights

The month of May will see The Manufacturers' Network involved in some high profile national events to promote manufacturing in New Zealand.

EMEX 2018

Come along to visit The Manufacturers' Network stand at the EMEX Trade Show at the ASB Showgrounds, Auckland on 1–3 May or attend the seminar programme which we will be presenting at. More information on the seminars we are running can be found on our website at www.themanufacturersnetwork.org.nz. Our stand is 1042 in Hall 1.



TechWeek18 –Innovation that's good for the world

The culmination of lots of time and effort will come to fruition during TechWeek18, held nationally from 19 - 27 May. In particular, The Manufacturers' Network are providing the headline events for Christchurch on Friday 25 May with a focus on high-tech manufacturing. Our headline events involve a full day of speakers, workshops, and panels. We are pleased to have David Chuter and Olaf Diegal as our keynote speakers, as well as offering panels on topics such as 'How to be globally competitive from the other side of the world', 'The future is female: The skills shortage and how to fix it', and 'How SMEs can employ advanced manufacturing effectively'.

For more information and to purchase tickets to TechWeek18 please visit www.techweek.co.nz

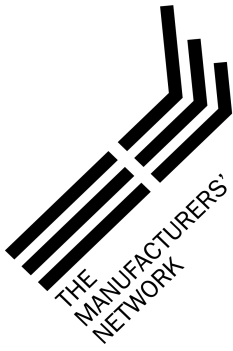


MaD2018: A Collaborative Future for NZ Manufacturing and Design

The MaD Network is a cross-disciplinary community of New Zealand researchers in manufacturing and design that works in close collaboration with industry to envision and shape New Zealand's future manufacturing economy. You are invited to attend the second annual Manufacturing and Design Conference—MaD2018, to be held in Auckland on 21 & 22 May 2018.

For more information or to register please visit www.mad.org.nz





CEO COMMENTARY

Manufacturing Report – Beyond Commodities: Manufacturing into the Future

During April the Ministry of Business, Innovation and Employment (MBIE) released their report: *Beyond commodities: Manufacturing into the future*. The release of the report at a joint EMA and The Manufacturers' Network event in Auckland featured the Minister for Economic Development, Environment, and Trade and Export Growth, the Honourable David Parker, speaking about the report and manufacturing in New Zealand. The release also featured a panel discussion of Kiwi manufacturers, discussing the opportunities and issues they face to grow and thrive.

I had been engaged with MBIE's Sector Team for over two years, meeting with MBIE staff to provide information and discuss how the report could best represent the true nature of manufacturing in New Zealand. The result is an outstanding report, providing far more in-depth analysis and granular insight than its predecessor. It'll be a very helpful tool in illustrating the key role manufacturing plays in our economy.

Manufacturing contributed 12% of New Zealand's real GDP (\$23 billion) in 2017 and made up 11% of national employment, which represented 241,000 employees.

For a very long time, our members and the wider manufacturing sector have felt that government – and the wider public – has not had a good understanding of the manufacturing sector. In addition to giving a clearer picture of the manufacturing sector as a whole, the report acknowledges the importance and contribution of 'so called' low and medium tech manufacturing. It's easy to get caught up in the high-tech and IT sectors, and we often see government do so, but we cannot forget or undervalue the hard work and critical contribution in employment, growth and exports that companies defined as low and medium tech manufacturing bring to our economy.

The key to developing useful policies in any area is to get the facts right first. This report is a great step forward in understanding our sector. We are very pleased to see MBIE and the Minister show a commitment to the manufacturing sector and a willingness to work with industry to further harness its potential.

During Hon David Parker's speech and responses to questions, the upcoming Tax Working Group (TWG) came up a number of times. He reiterated the importance of addressing current tax imbalances which favour investment in assets (largely existing housing) over productive investment in businesses, like manufacturing.

He views this as a key step in developing the manufacturing sector into the future by providing better access to capital for manufacturers. Labour has had a couple of false starts on bringing the fundamental changes to the tax system New Zealand needs, and we will have to wait and see if the TWG comes out with a quality and efficient proposal to address the issue – and if any Government has the political will to implement such changes.

The Minister also echoed what we have heard from Professor Goran Roos in the past (a link to the Roos presentation can be found by searching his name on our website), who discussed the importance of manufacturing for building a country's economic capability, complexity and innovation, which in turn allows further growth in high value products, exports and support industries. In this vein, the MBIE report once again highlighted the heavy lifting manufacturing does in the innovation space, being by far the biggest spender of business R&D – manufacturing made up 42% of business R&D expenditure in 2016.

Having said all that, we have no illusion that a report alone will mean more Government support for manufacturing. We now need to work with Government to develop policy responses to best support growth in manufacturing – we need industry to speak up in the number of upcoming policy discussions to ensure this can happen, and The Manufacturers' Network will again take a lead role in that process, but we also need your comments and feedback to make sure we can best represent your views.

In another matter related to one of our policy demands, R&D tax credits, the Government has now released their discussion document on the reintroduction of R&D tax credits, following their election promise. We would encourage all members to check this out and provide feedback to ensure the system can effectively support all forms of innovation in manufacturing.

To read the MBIE report in full, go to: www.mbie.govt.nz/manufacturing.

To see the R&D Credit discussion document, go to: www.mbie.govt.nz/info-services/science-innovation/rd-tax-incentive.

Member Events Coming up



Dr John McDermott

Join us for an afternoon with Dr John McDermott, Assistant Governor and Head of Economics at the Reserve Bank of New Zealand. This event for members will be held on 21 May in Auckland. Seats are limited.

Register for this and other events via the Events page at: www.themanufacturersnetwork.org.nz



Paul Ash

Paul Ash, Director of the National Cyber Policy Office for the Department of the Prime Minister and Cabinet is coming to speak to members in Christchurch on 18 June.

Register for this and other events via the Events page at: www.themanufacturersnetwork.org.nz

Health and safety and employment legal updates for manufacturers.

This forum will be run by a team from Tavendale & Partners to provide an update from a legal perspective on two key areas affecting manufacturers: A review of the Health and Safety Act, more than a year on from the changes, and an update on key employment issues.

The forum will be offered twice, on 2 May and 10 May, both sessions are at The Manufacturers' Network.

Register for this and other events via the Events page at: www.themanufacturersnetwork.org.nz

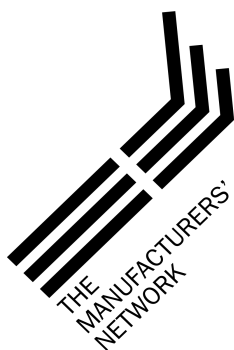
Winning the battle to attract, develop and keep the right staff—Breakfast workshop.

The Manufacturers' Network is pleased to offer our members a breakfast workshop, hosted by the inspiring speaker Tony Smale, on how to win the battle to attract, develop and keep the right staff in the midst of a labour market paradigm shift.

Come and join us on Tuesday 29 May to be a part of this discussion.

Register for this and other events via the Events page at: www.themanufacturersnetwork.org.nz

Our events are open to all members of your staff.



Open Letter

Dear Head of News,

I want to take this opportunity to respectfully raise an issue we see in the words used on RNZ National when reporting on changes in the exchange rates of New Zealand's currency – in the Business section of Morning Report, for example.

In this reporting, a rise in our currency is described as 'strengthening', while a fall shows a 'weakening' – or a number of other expressions that will create the impression among listeners that when the value of the NZD increases against the USD, for example, that is a good thing for New Zealand.

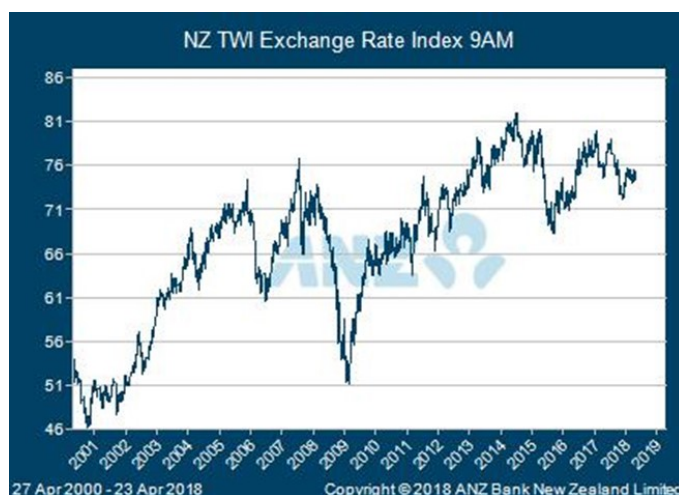
While we accept that this language is commonplace in reporting of our exchange rate well beyond RNZ, simply using these terms without wider discussion on what a rise and fall means for the New Zealand economy, and particularly, our exporting businesses, does a disservice to the large part of our productive economy which is impacted by these changes.

We do see quality reporting on the exchange rate sometimes, in the longer-form programmes and in many discussion segments and articles. However, in the daily news reporting, which is a primary source of news for many, it is often simplified to the strong or weak dichotomy of the currency, giving many the impression that strong is good, while weak is bad.

A 'stronger' currency works well for importers and consumers of imported goods, lowering costs and improving their competitiveness against New Zealand-made goods, whereas providers of exports and import-competing goods and services get hit as our currency appreciates.

Recent Governments, both National and Labour, have had a target of increasing our exports as a percentage of GDP. That comes out of the realisation that, in order to grow the wealth of our country, we need to increase our exports. The persistently high exchange rate works against that, particularly in an environment where our competitors are benefitting from their respective Governments' active efforts to gain them a competitive advantage via a lower currency.

The following graph clearly shows the significant appreciation trend we have experienced on the Trade Weighted Index over the last almost two decades.



We also have had regular comments from the previous Governor of the Reserve Bank, for example, and economic commentators from across the spectrum, highlighting how our overvalued currency has held back growth in our tradable industries.

Of course the purpose of this open letter is to not try and prescribe what words you use in your reporting – we simply want to reiterate the importance of the issue. A choice of words which recognises the wider consequences of the currency would be a great way to promote a better understanding of the underlying economic issues we face as a country.

In reflecting the wider implications of currency movements you could help ensure that the wider public understand the full picture, rather than only seeing the side which very directly and obviously impact them (through buying cheaper products on Amazon and cheaper overseas travel, for example), while being unaware of the implications for Kiwi exporters and import-competing companies, and the jobs these businesses provide and support for those in our communities, without which we could not enjoy our current level of living standards, let alone the improvements we all want to see in the future.

I am looking forward to your response and would be happy to discuss this issue with you further.

Kind Regards,
Dieter Adam
Chief Executive, The Manufacturers' Network



Manufacturing Industry Alliance Update

Members of the Manufacturing Industry Alliance are busy pursuing particular aspects of government policies relevant to their own membership, but also of interest to the wider community of manufacturers.

MetalsNZ continue to put pressure on MBIE to change its 'hands-off, nothing to see here' approach to what clearly are unfair trade practices in some steel and aluminium imports, and the WPMA is trying to harness the government's enthusiasm to support regional economic development by pointing out that wood processing factories in the regions not only make sense, because that's where the timber is grown, but also creates high-value employment. At the same time we need to recognise that our domestic wood processors are suffering from unfair competition abroad – some of our key competitors in global processed-timber are heavily subsidised by their own governments.

At The Manufacturers' Network, we continue to bring to the Government's attention the fact that its own procurement practices aren't working as intended. Most recently we raised the issue with Minister David Parker and are still waiting for a response.

Dieter Adam, along with Jon Tanner, CE of the WPMA, held a meeting with Paul Goldsmith to engage with the opposition early on. In our meeting, we emphasised the critical issue of skills shortages for the future growth of manufacturing, and Paul Goldsmith suggested we should include Paula Bennett, whose portfolio includes tertiary education, in our next meeting.

By Dieter Adam

Industrie 4.0 and the Industrial Internet of Things – A tale of two countries

Hansgrohe, the billion-Euro makers of high-end tap ware, are adamant they're not planning to develop any of their products to be connectable to the internet. "While we use electronics to adjust the water temperature in some of our shower mixers, you're not going to see us offering gimmicks like showers you can turn on while still in bed" says company chairman Thorsten Klapproth. "Instead, the focus is on increasing the airflow in the shower flow. It saves water, and at the same time improves the shower experience for our customers."

When it comes to improving productivity in their factories, however, the company is strong on further automation and adopting Industry 4.0 technologies. This allows Hansgrohe to keep manufacturing in Germany, in spite of very high wage levels.

They're currently investing 30 million Euros in a new factory in Germany after looking at a range of locations in other countries. "In the end, raising productivity by optimising our manufacturing processes beats looking for low-cost locations", says Mr Klapproth.

We think this story, published in German newspaper, may point to different developments in the US, where the 'Internet of Things' is a major part of the 'Industrial Internet of Things', and Germany, where the technology focus is very much on production, rather than product, when it comes to digital networking. I'm looking forward to testing that hypothesis first-hand during our upcoming trip to the US in the beginning of June, where we'll accompany 24 New Zealand manufacturers on a study tour of the American interpretation of Industry 4.0.



Advanced Manufacturing Initiative Update

The Advanced Manufacturing Initiative's joint US study tour with the EMA and Callaghan Innovation is now getting closer. We have 24 Kiwi companies signed up, as well as a few Australian participants joining us that will make this a 'trans-Tasman venture'.

The programme for the week June 4-8 is complete, visiting American manufacturers Haas, Daqri and Triumph, as well as the UI Lab, a technology transfer hub involving the University of Illinois and manufacturers in the region.

Core of the visit is attending the two-day *Internet of Manufacturing* Conference in Chicago (June 6-7). A number of the company representatives are also adding their own meetings around the event.

By studying first-hand how our American counterparts are approaching Industry 4.0 we hope to facilitate the uptake of innovative technologies in New Zealand, and be able to offer our members the most up to date advice and connections to do this.

By David Hawes

Soft skills training Focus Group - Recommendations

The purpose of the March Focus Group was to engage our members in the process of identifying and prioritising potential development/training services that could be offered through The Manufacturers Network to satisfy a requirement for training that was being highlighted by a number of our members.

Invitations were issued to members and a group of eight met on Friday 2 March. The group was a mix of small, medium and large businesses and included supervisors, managers, HR professionals and manager/owners.

The Focus Group was designed and facilitated by Fox Management Solutions Ltd in conjunction with The Manufacturers' Network.

The Major Recommendation

The Manufacturers' Network should facilitate the offering of training for **Emerging Manufacturing Leaders**.

Key aspects should include:

- a.) Modular programme – 0.5 – 1 day duration
- b.) Six modules
- c.) Three-weekly schedule, so over 18 weeks
- d.) Potential content to be covered:
 - i. The role of leadership and changing from peer to leader
 - ii. Understanding and dealing with different people and behaviours
 - iii. Understanding and working with different ethnic/national cultures
 - iv. Induction and training staff
 - v. Coaching for success
 - vi. Managing performance

e.) Members would be able to do individual modules or complete them all during that 18 week duration. Where all modules were attended The Manufacturers' Network would provide a certificate of attendance. While this is not a formal qualification it is envisaged that this would be recognised within manufacturing circles.

At this stage we are planning to launch this program June/July. If you have any questions or would be interested in participating please contact us on:
info@themanufacturersnetwork.org.nz

Further information will be released with dates in the near future.

A full report from the focus group is available on our website.

Think before you (privacy) act

We have seen an increase in employee privacy related claims and complaints, and employers and employees alike are seeking our opinion on privacy related matters more frequently.

The Privacy Act 1993* establishes 12 information privacy principles that set out how agencies may collect, store, use and disclose personal information. An agency is any individual, organisation or business, whether in the public sector or the private sector (so includes an employer). Broadly, an employer will hold personal information and so they must comply with the privacy principles. "Personal information" is any information about an individual (a natural living person) as long as that individual can be identified.

Employers must comply with the principles when dealing with employees' personal information.

The Privacy Commissioner recently considered a complaint by an employee in February 2018, who was justifiably dismissed from her employment. She subsequently complained that her privacy had been breached as a result of her employer sending a company wide email outlining reasons for her leaving her employment - the employer had discovered drugs and drug-taking tools in the employee's car while it was parked in the company carpark (Case Note 276280 [2018] NZPriv Cmr 2: Staff told of employee sacked for drug use).

It had come to light through the Commissioner's investigation that the ex-employee's colleagues had seen the drugs and drug paraphernalia in her car while it was parked in the work carpark (a clear breach of the employer's drug and alcohol policy). One of her colleagues had even taken a photo of the items. The employer (a large, national company) had met with the woman to discuss the situation and the woman agreed to leave her employment.

Three days after her departure, her manager emailed all employees disclosing the reasons for her leaving, which included details of the possession of drugs and drug related items. The woman found out about the email and complained to the Privacy Commissioner's office.

She said that email had caused her stress, humiliation and embarrassment and the impact it would have on her finding another job.

The employer said it was company practice to send an email to employees advising of staff changes and to be transparent about why an employee was leaving. However, the content of the email was usually discussed and agreed with the departing employee. In this case, the manager inadvertently sent the email about the woman's departure to all employees, rather than to the woman first. The manager had included the information about the woman's possession of drugs because it was apparent that staff already knew the information, and because the company had strict policies on drugs and alcohol in the workplace.

The company did not consider it had breached principle 11, which says personal information should not be disclosed for purposes other than those for which the information was obtained.

The company accepted that personal information was disclosed but claimed there was no breach because many staff already knew the information. In addition, the company said it did not cause harm by sending the email because the information was already widely known.

After evaluating the responses of both parties, the Commissioner referred to two 2015 decisions of the Human Rights Review Tribunal. Referring to *Hammond v Credit Union Baywide*, the Commissioner was of the view that the difficulty with the company's defence was that the exceptions outlined in principle 11 do not include the circumstances where the information disclosed is already known to the recipient.

The Commissioner considered that it was unlikely that Parliament had intended that the operation of principle 11 be dependent on the subjective state of mind of the recipient of the information.

The Commission held that the email disclosed personal information causing significant harm to the ex-employee. Referring to *Taylor v Orcon Limited*, the Commission confirmed that all a complainant is required to show is that the disclosure was a *contributing or material* cause of that significant harm. In other words, the act or omission causing the harm did not need to be the sole cause of the harm.

The Commission considered that the disclosure made via email from a manager had considerably more weight, and would have been significantly more humiliating and embarrassing for the ex-employee, than the gossip already present in the workplace. Consequently, the Commission's view was that the company's action amounted to an interference with the ex-employee's privacy from which she had suffered significant humiliation, loss of dignity or injury to her feelings.

Following receipt of this view the parties arranged for mediation between themselves and a settlement was reached.

This is another reminder to us all that an employer needs to stop and think every time information about an employee is disclosed.

**Changes to the Privacy Act Imminent. Recently the Government introduced a new Privacy Bill to the House. More details can be found on the Privacy Commissioner's website at www.privacy.org.nz*

Disclaimer: The content of this article is general in nature and not intended as a substitute for specific professional advice on any matter and should not be relied upon for that purpose.

Recent Events: Lyttelton Port Company Tour

On 12 April the Lyttelton Port Company hosted 16 of our members to a tour of the port, a look at the control room and to hear about the Port's growth and expansion plans. Some of the interesting aspects that were raised included establishment of the Inland Port at Rolleston and the savings for all concerned (80 truck trips saved for each train), the plans for growth to accommodate the expected growth in containers (50% over the next 9 years) including land reclamation, dredging the access channel, new cranes and straddles. Also discussed were the plans for cruise ships, cafes and public access to the wharf area. The members who attended gained valuable knowledge of not only what's happening at the port but the reasons and thinking behind it.



Members looking at real time monitoring of container crane activity.

University of Canterbury Sustainability Survey

We have had a request to assist the University of Canterbury with a sustainability survey to determine the attitudes of Christchurch based firms to become more sustainable.

The Centre for Entrepreneurship is willing to offer the following services to businesses to become more sustainable/improve areas/processes within the business:

1. Engaging undergraduate students in your organization as interns and provide an opportunity for students to identify sustainability issues.
2. Working with postgraduate students who can solve a sustainability problem within your organisation.
3. Having academicians and practical experts in sustainability to consult your business to improve sustainability of your business.
4. Organizing workshops and training for professionals in your organization who can then look in to solving sustainability issues.
5. Sponsoring/Partnering in organizing sustainability challenge/competition for University students.

To understand the services preferred by businesses and to determine a firm's willingness to pay for the services, Selva Ganapathy, an MBA student who is passionate about sustainability, is conducting an anonymous market survey, which will take 5-8 minutes of time.

For more information, Selva can be contacted at: aid.selva@gmail.com.

Customer Experience Workshop

A group of members recently attended at workshop delivered by John Watt of Many Hats Consulting looking at Customer Experience and what their companies could do to improve in this area. Time was spent understanding what customer experience is and how it differs from Customer satisfaction. Interestingly it also highlighted that that having a good “Net Promoter Score” doesn’t necessarily mean loyal customers.

Customer experience was defined as how customers feel as a result of doing business with your company. It lives between the ears of your customer and is defined by them.

The graph below demonstrates the importance of caring for your customers.



The attendees spent time looking at all customer ‘touch points’ across their businesses and actions they could undertake to improve the experience at these points.



Work shop participants working on identifying touch points and actions.

If you want to find out more about this workshop please contact us on info@themanufacturersnetwork.org.nz

Networked Manufacturing / Industry 4.0 Turning Data into Information

A number of our members are now starting to put sensors on their machines and are gathering data for real-time production monitoring and quality control. Collecting the data is (relatively) easy, the challenge is to extract information from the data that really helps them to 'make the boat go faster'.

The Manufacturers' Network, in association with Siemens NZ, are offering members the opportunity to attend a lunch workshop in Christchurch on 14 May and in Auckland (in association with the EMA) on 16 May.

The target outcome of these workshops is to help our members understand the complexities of turning sensor data into operationally relevant information in real time, and how the Siemens approach, using Mindsphere, might help them with that.

We will have representatives from Siemens New Zealand and Australia present, as well as a few 'manufacturing practitioners' that have started to go down that route.

Lunch workshop 1: Christchurch 14 May 12:00pm–2:00pm

Lunch workshop 2: Auckland 16 May 12:00pm–2:00pm

To register for either of these workshops please visit our Events page at: www.themanufacturersnetwork.org.nz



Exporter Workshops

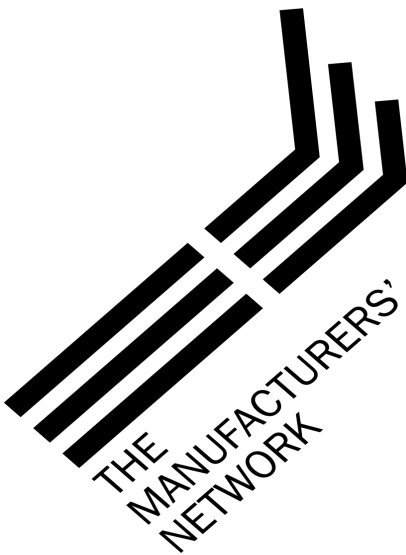
Leading European Growth – Sales, Marketing & Leadership in a digital World

Members of The Manufacturers' Network are invited to attend the German New Zealand Chamber of Commerce exporter workshops on 31 May (Auckland) and 5 June (Christchurch).

Frank Owen, NZTE Beachhead Advisor for Europe, is an experienced international business leader & entrepreneur having grown and advised successful global high technology product and services companies for more than 20 years. At these workshops he will cover:

- The European business environment (B2C & B2B)
- Selecting markets and building customer relationships
- Digital and traditional sales models and strategies
- Leadership, organization and processes

For more information and to register please visit the German New Zealand Chamber of Commerce website: <http://neuseeland.ahk.de/en/events/>



The Manufacturers' Network

Member's Page

Send in your questions, thoughts & successes to:
info@themanufacturersnetwork.org.nz

Member's Corner

Welcome to our new members:

CRONZ (Carpets and Rugs of New Zealand)
Foundation Foods
Hamer Ltd.

We would also like to acknowledge the continued support of our members who have recently renewed and have been members for 20 years and over:

Ashford Handcrafts
Gelita
Mecca Group
W H Harris
CWF Hamilton
Sutton Tools

R&D Tax Credit Discussion Document



Dieter Adam recently attended the launch of MBIE's R&D tax incentive discussion document, hosted at Enatel on 18 April. Government ministers Megan Woods and Grant Robertson were also in attendance. The document looks at the reintroduction of R&D tax credits, following Labour's election promise. We would encourage all members to check this out and provide feedback to ensure the system can effectively support all forms of innovation in manufacturing.

To see the R&D Tax Credit discussion document, go to:
www.mbie.govt.nz/info-services/science-innovation/rd-tax-incentive.



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