

30 November 2023

To: Andrew Bayly, Minister for Manufacturing.

Congratulations on your appointment as the first Manufacturing Minister.

The Aluminium Extruders Association of New Zealand (ALENZ) welcomes your appointment as a key Minister in the Coalition government, who can enable New Zealand manufacturing to continue to grow and succeed.

ALENZ, comprises four independent manufacturing businesses, that account for almost 90% of aluminium extruded in New Zealand supplying construction, transport, and marine sectors across New Zealand. refer <https://alenz.nz/about-us/>

To ensure a stable and secure future for manufacturing in New Zealand, for our members and our customers across complex supply chains, the following policies and measures are essential.

Clear and consistent policy settings for a secure supply of energy at stable cost

Ongoing security of energy supply and stability in energy pricing is a basic requisite for the future of manufacturing in New Zealand.

Our aluminium extrusion businesses currently rely on high quality, high temperature heat provided by natural gas. A stable transition to high quality, high heat renewable energy sources is critical for our businesses to remain globally competitive.

We see that global investment decisions in manufacturing are increasingly driven by energy supply stability, and New Zealand needs to compete internationally for investment in manufacturing.

Empowering New Zealand's manufacturers to succeed in a world where domestic subsidies and other measures increasingly threaten their global competitive position

Success for our manufacturers is increasingly determined by trade policies driven by market distortions caused by domestic subsidies.

The New Zealand government needs to:

- ensure that current government procurement rules are fully adhered to *at all levels*, and wherever central government funding is involved in the purchase of products and services.
- work with government agencies in key markets so that non-tariff barriers and other trade-distorting practices are removed or, at least, reduced.

- bring New Zealand's system of trade remedies up to a standard and practice where it is fit for purpose to address the significant distortions in our domestic market caused by the dumping of subsidised imports which are frequently
 - non-conforming products with short product life, creating higher maintenance/repair costs
 - products with higher embodied carbon manufactured with non-renewable energy.

Access to Capital for Growth and Productivity Improvement

Current depreciation rules are completely out of touch with actual replacement schedules for machinery and equipment in manufacturing.

Industry needs to be able to depreciate investment over its actual useful life. In addition, and to facilitate the introduction of advanced manufacturing technologies to improve productivity and energy efficiency, a scheme of targeted accelerated depreciation is required.

Accelerated depreciation applied to energy and carbon reduction investments in the manufacturing sector will be far better use of tax payer funds as it a tax deferral rather than a grant. It would also be more equitable for SME's who struggle with compliance costs for GIDI fund applications.

This also enables a much fairer access for all of the SME's across New Zealand that otherwise struggle to meet the high thresholds demanded by the GIDI fund.

Innovation support that is Fit for Purpose

The system in place to stimulate and support innovation in manufacturing is underdelivering for the majority of New Zealand's manufacturing businesses, and measures proposed in the Advanced Manufacturing ITP will do little to change that. The system needs to be re-designed based on a proper understanding of how innovation actually happens in manufacturing SMEs.

Andrew, we would welcome the opportunity to host you at our next meeting to discuss further the key issues raised above and to explore how we can work collaboratively to raise the profile and contribution of New Zealand's manufacturing.

Yours faithfully



Nicholas Collins

ALENZ Chairman