



NEW ZEALAND AIR LINE PILOTS' ASSOCIATION

NZALPA Submissions

On

New Zealand Firms: Reaching for the Frontier Issues Paper

Background

The Productivity Commission has been asked to define and study frontier firms in New Zealand. It is intended that the Commission will identify characteristics of frontier firms that correlate with productivity performance and study related causative factors. Inherent to this study will also be an analysis of the innovation, diffusion and reallocation of knowledge and technology in the economy and what the Government can do to improve the situation.

NZALPA's Perspective

The New Zealand Air Line Pilots' Association IUoW is a professional association and union representing pilots in New Zealand (ranging from general aviation pilots and flight instructors to commercial, domestic and international jet pilots), air traffic controllers and flight service operators. Our members operate one arm of the physical connection between New Zealand and the world.

Our members are therefore keenly aware that their contribution to ensuring products and services (including technology and knowledge) are able to flow through global value chains. Much of the technology and not an insignificant amount of the knowledge that diffuses or is reallocated throughout the economy also depends on human and freight mobility.

Responses to Issues Paper

NZALPA is concerned that in order to maximise the scope of identifiable interventions for improving diffusion (and reallocation) the Commission needs to investigate the ownership as well as the access to the public physical (including internet) infrastructure through which goods and services travel to reach overseas markets. NZALPA notes that Table 4.1 of the Issues Paper identifies foreign-owned firms as providing higher average rates across five measured patterns. NZALPA encourages the Commission to explore why this characteristic was one that was universal across firms reporting higher propensity for all those behaviours in that survey. NZALPA also encourages the Commission to consider a deliberate attempt to consult with majority NZ owned operators of public physical infrastructure – particularly where at the border interface.

Understanding how information and technology crosses the border is axiomatic to a study of how global frontier technologies are adapted to country-specific circumstances. However, NZALPA suggests that access to and control (and ownership) of the infrastructure that bridges the border may contribute also to the diffusion and reallocation of knowledge and technology once it has made the initial crossing of the border. Much of the infrastructure that we use to cross the border is used in common to cross from one part of the domestic economy to another. We suspect that this principle applies not only to the aviation industry but also to more apparently intangible aspects of infrastructure.

Beyond this the infrastructure that enables connection to the global frontier has the capacity to form part of or constitute its own internationally oriented clusters. The Commission should consider the effects of the fact that while New Zealand owns its own flag-carrier airline, we do not own significant maritime assets of a similar nature. The Commission should consider how this affects the policy leverage and measures available to bring frontier firms closer to the global frontier through this medium of transport. The Commission should also explicitly consider the extent to which diffusion of information (and intangible technology) relies on human mobility across the border.

In some ways the cluster metaphor that the Commission touches on is evocative of idea of infrastructure by its nature. That metaphor recognises that information diffusion often occurs through similar industry networks. Access to and control over these infrastructural networks should be investigated as characteristics that may or may not correlate with productivity performance.

Questions

We see our concerns as relating to the following questions:

Q6 What are the most important drivers of the diffusion of technology, ideas and business practices from frontier firms to other firms in New Zealand?

The Commission identifies participation in trade and global value chains as a driver that has the potential to intensify exposure to information, ideas and technologies. Good international connections also enhance other drivers such as skills and management quality, research and development, access to finance and labour mobility. Our experience suggests that all of the above factors can be influenced by the connections that firms have with firms in similar markets globally. These international connections are often created or maintained through cross-border human mobility.

Q8 In your view, what are the key ingredients that would lead to a successful New Zealand economy, and what would success look like?

Cohesive civil society that values diversity, high trust in government, an efficient and predictable legal system and macroeconomic stability are all key ingredients. However, so is well maintained and planned infrastructure. Such infrastructure – especially where it meets and diffuses border crossing traffic – should be connected across all infrastructure modes. Infrastructure is not only the physical connections between geographical places but can also refer to the connections used by knowledge to travel between different sectors of the economy and community. The proper development of such infrastructure can ensure that the objectives of information and technology owners when they cross the border are understood by all parts of the supply chain

Q13 What are the main challenges for New Zealand firms that aspire to reach the performance of the best firms globally?

The inverse of the observations at Q8 above can apply in relation to this question.

Q16 What types of international connections make the biggest difference for diffusion from the global to the domestic frontier? What could be done to improve these kinds of connections?

This question rightly can be directed to examining the nature of the relationships that enable diffusion. However, we also hope that the Commission will examine what modes of transport (including those modes that do not require human mobility) and what physical destinations of travel or communication provide the biggest contributions.

In this regard, we believe that the air travel connections make a significant difference in the diffusion of knowledge and technology from the global to the domestic frontier as they form a crucial part of how skilled labour, investors, managers and innovators form connections with domestic firms.

The improvement of air travel connections can be informed by an understanding of how those firms (and indeed global firms) utilise those connections.

Q26 Which policy levers matter the most and would have the largest potential impact in helping New Zealand frontier firms get closer to the global frontier?

NZALPA suggests that public physical infrastructure is a major policy area with the potential to influence firm-level productivity. Good access to infrastructure can facilitate the mobility that an efficient labour market requires. It also facilitates international connections.

Governance, the labour market and international connections are also all important policy settings. We would also suggest that the Commission should take account of New Zealand's demographic settings including what measures are taken to address the aging population and ensure the availability of (young) unskilled labour.

Q27 What measures could the business sector take to help New Zealand frontier firms get closer to the global frontier, improve diffusion from frontier firms, or support resource allocation from lower to higher productivity firms?

We will be watching the Commission's findings in this regard closely and so it would be helpful if the Commission could examine how the business sector can ensure that the modes of international connection that would be most suitable to New Zealand firms can be maintained or developed. Modes of communication and transport need not be seen "as a given" and with government incentives and policy direction new and bold initiatives could increase productivity in connections themselves.

Conclusion

We thank the Productivity Commission for the opportunity to submit on this Issues Paper and look forward to hearing from the Commission if it has any questions arising from our submission.