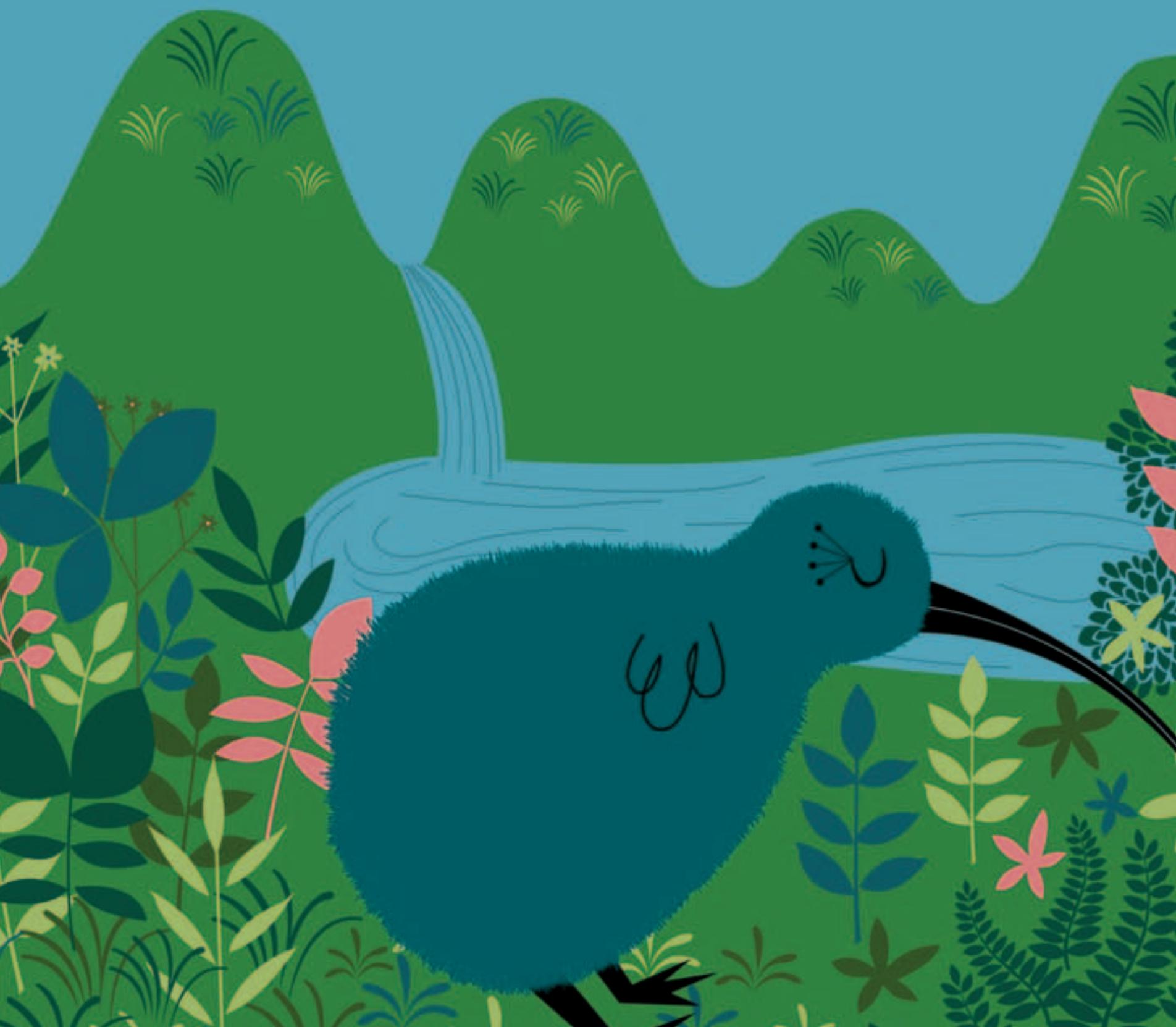


World Report

New Zealand

06 OCTOBER 2007

The Kiwis are Taking Off



New Zealand

Life on the edge

Kiwi ingenuity is fuelling cutting-edge global industries in communications, biotechnology and, of course, film

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New Zealand enjoys one of the lowest population densities in the world. Four million inhabitants in a space similar to the size of the United Kingdom mean New Zealanders have plenty of room to think.

Its people have taken advantage of this space to make the country what it is today, coming up with the ideas that have driven New Zealand forward. These ideas were often unreasonable: a belief in conquering the world's highest mountain, or in making the world's highest grossing film series outside Hollywood. Yet New Zealand's innovators continue to have a real impact on the world.

So how to translate this can-do attitude and creativity into economic growth? "We intend to move up the quality chain," insists deputy premier and finance minister Michael Cullen, "In the agricultural sector, for instance, we have to become more of an experimental farm and less of a production farm."

This kind of thinking has seen New Zealand move to the cutting-edge of traditional sectors such as agriculture. However, the latest Kiwi innovations are shaking up a range of industries worldwide. By combining unreasonableness and a gift for creative problem-solving, New Zealanders have the world in their sights like never before.

Wellington-based Weta Workshop provided design and digital solutions for the filming of 'The Lord of the Rings' trilogy, winning a whole host of international awards in the process, and has gone on to



become a fixture of the international film and television industry. Company director Richard Taylor sees New Zealand as the inspiration for such achievement: "Over a very short lifespan, we have seen New Zealand make a big contribution on the world stage, fashioning things from our unique attributes, our unabashed enthusiasm to give things a go."

The country is also benefiting from ad-

New Zealand ranked 2nd out of 175 countries in The World Bank's 2007 Doing Business Survey



vances in communications that mean the 'tyranny of distance' is no longer such an issue.

"We have a very specific and significant role in the world: to make new things," says Brian Sweeney, founder & director of The New Zealand Edge. He is convinced that being at the edge of the world is definitely not the end of the world. "New Zealand gives you a great vantage point from which to run a global business. It gives you perspective as you spend your time looking at and thinking about the rest of the world."

The business environment is certainly attractive. In 2007, the World Bank ranked New Zealand second out of 175 countries in its Doing Business survey, recognising the space and freedom New Zealand gives its people and those from abroad who all share a common aim – to do business.

"You can register a company and be up trading within about two hours," says New Zealand Trade and Investment CEO, Tim Gibson. "What we need to do is ensure that the broader business environment in New Zealand remains benign to companies."

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AT THE BOTTOM OF THE WORLD WE'RE USED TO TURNING PROBLEMS UPSIDE DOWN.

Fresh thinking is a major New Zealand export. We're famous for it, from our thriving biotech industry to our world class experts in film and special effects. Perhaps it's because we're a relatively new country, free from the shackles of conventional thought. Or maybe we just like coming up with new ideas, such as refrigerated shipping, the disposable syringe and the 3D virtual picture book – all conceived down here. So if you need new thinking, look to New Zealand. You'll find that the only well-worn path is the path that leads to innovation. Learn more at www.newzealand.com.





One of New Zealand's recent exports, A J Hackett's inaugural dive in 1986 resounded globally and spawned a new sport

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Premier Helen Clarke's government is providing space for the growth of New Zealand's reputation, with the 2007 Business Tax Reform lowering corporate rate tax to 30% and bringing New Zealand's tax laws in line with international norms. "Whilst we are focused on the need to provide more of our own capital, we are aware that there are a lot of good New Zealand companies who would benefit greatly from some degree of offshore involvement," says Dr Cullen.

Legislative reform is facilitating growth and FDI, and developments in new sectors such as communications and biotechnology are creating confidence in the future. In this environment Kiwi ideas will keep coming. In New Zealand there's time to think, and plenty of opportunities to act upon. ●

BIOTECHNOLOGY

World-class innovators hungry for capital

As a country with a long agricultural history New Zealand is a natural home for biotechnology argues Chris Boalch, director of Biotechnology at New Zealand Trade and Investment (NZTI): "New Zealand is renowned for its innovation in the life sciences, built upon a history of more than 150 years of research applied to agriculture and human health. Moreover, our global outlook is illustrated by the diverse range of connections between New Zealand scientists, companies and the international biotechnology industry."

The government is prioritising knowledge as the key to development. Tax credits on R&D were a priority in the Treasury's recent Business Tax Review, and promoting New Zealand as a biotech investment destination is a key part of NZTI strategy.

New Zealand is certainly gaining a reputation for combining world-class research with an efficient and focused commercial know-how, providing a strong return in both income and ideas for foreign investors.

This is in evidence at the University of Auckland. Ranked among the world's top 50 universities, the university possesses a commercial know-how often uncommon in academic institutions – one that a recent



New Zealand is gaining a worldwide reputation for efficiency, commercial know-how and innovation in biotechnology based on 150 years of research applied to agriculture and human health

OECD report described as "outstanding."

Auckland Uniservices manages the university's intellectual property and actively matches research to business opportunities. With consistent annual revenue growth, Uniservices has become the largest university-owned research and technology company in Australasia.

A recent collaboration between the UK and the university involves a potentially powerful new weapon against cancer. The drug, which restricts the blood vessels that feed tumours, was originally developed at the University of Auckland. Now licensed to UK

biopharmaceutical company Antisoma, it has succeeded in four Phase 2 human clinical trials targeting lung, ovarian and prostate cancers and has led to a \$1 billion deal with Novartis.

There are plenty of opportunities for investment and commercial partnership throughout New Zealand and the universities will certainly play a prominent role. As Mr McCutcheon suggests, "We're interested in the use of fundamental research to create opportunities for New Zealand. This is the most significant long-term economic contribution that the university can make." ●

Beyond technology, people are at heart of vision

Technologically advanced ASB Bank is constantly awarded for its innovation and customer service. An industry leader, with NZ\$48.6 billion in total assets, ASB aims to stay one step ahead with its unique vision, says managing director Hugh Burrett.

What do you think defines New Zealand's approach to business?

I think our size is an advantage. Whether you talk about a business or a country, as you get bigger you need more of a rigid structure and framework. That tends to stamp out innovation. I always take the view that policy is a guideline and that if a customer has got a reasonable request that doesn't expose us to too much risk, then we should change the policy and do what's appropriate for the customer. That's a hard culture to breed but it's important to have that common sense, can-do attitude.

ASB celebrated its 160th anniversary in June 2007 and continues to win awards, in part, because of innovative financial services. What is the importance of innovation in the banking industry?

I think it is important to challenge what you do and why you do it every day. You have to invent new ways of doing things. You can't strip costs out of a business forever so the only way to become more efficient is to change how you operate. That means you have to innovate. It comes back to how we manage our culture and our peo-



Celebrating its 160th anniversary this year, ASB Bank continues to win awards for its innovative financial services

ple, and how we encourage our people to innovate. Another of the things we do is to try and look at things from the customer's point of view. Ultimately, people are the strength of any organisation.

New Zealand banks are often more technologically advanced than their UK counterparts. What can the UK banks learn from ASB?

Many banks have developed isolated systems for different segments of the banking group that don't talk to each other. We were fortunate as an organisation when we started off because we could develop a great online system and database from scratch

so that we can go into any one of our terminals and pull up a customer, be it an individual, a farmer, or a business.

In other words, beyond technology are people, the clients and employees who are at the heart of your vision.

We have a very well understood and articulated vision to be New Zealand's best bank and financial services provider, excelling in customer service. I believe that whilst we can be very smart and slick with technology, other organisations can copy all of these things. That's why I come back to saying the one sustainable competitive advantage you can have is customer service. Part of our vision is that we want to look after people's financial needs from the cradle to the grave. That goes from savings to investment, covering your risks from in-

surance and perhaps, in time, providing the old folks home for them.

ASB Bank was chosen as the Government's default provider for the recently launched KiwiSaver superannuation scheme. What advantages can the scheme bring?

I think it is a good thing for the country because it will raise awareness of investment. Kiwis do not currently have a good understanding of the share market, it's seen as something risky. I'd like to see a better understanding and more investment in the share market. This will be one of the results of the superannuation scheme. I think that will be good for New Zealand and New Zealanders.

How do you see ASB's relationship with overseas markets?

As we become more globalised we'll see more investment across borders until you get to the point where you just talk about investing in the world. Some people invest here, some there. I foresee a blurring of the lines to the point where it is just one big investment pot. ●



Kiwis take flight - NZ grasps global opportunities

With the increasing effect of the growing Asian consumer market on global economic trends, New Zealand's position has shifted, providing a door to the Pacific for UK companies. As David Skilling, CEO of The New Zealand Institute suggests, "For the first time in our history, New Zealand is located in roughly the right part of the world."

Michael Barnett, chief executive of Auckland Chamber of Commerce agrees. Citing the quality of life in New Zealand's largest city as one of its attractions, he also feels that the changing global economic picture means Auckland is well positioned for future growth: "I see us as being a hub in the Pacific in terms of trade, a site for event tourism, and an attractive destination for investment."

FTA talks with China underline where Kiwi export sights are set. "A good agreement will save us a hundred million a year in tariffs," says minister of trade, Phil Goff. "It will also have similar benefits for China."

In the last 25 years the proportion of exports in terms of GDP has stagnated at roughly 30 per cent.

Schemes such as NZTE's Beachheads project aim to turn the tide, advising companies wishing to sell overseas.

KEA, a global community of New Zealanders, also ensures that knowledge from abroad flies home.

CEO Ivan Moss explains, "We have the second highest percentage of people living abroad of any country. Travelling and working overseas is part of the Kiwi DNA. Kea has over 22,000 members in 174 countries. We provide opportunities for our members to connect with New Zealand and contribute to development and future prosperity by sharing knowledge, contacts and opportunities around the world."

Successful exporting is not easy and recent British interest in food miles has raised questions about the sustainability of Kiwi products. Mr Goff answers: "99.75 per cent of all New Zealand produce going to Europe is sea-freighted and the cost per item is probably less than that to take the product from the supermarket to your home."

Companies that have taken the plunge are



Since 1987 Opus has carried out major UK projects including new Underground stations

now ambassadors for Kiwi exports.

Villa Maria's award-winning wines are enjoying worldwide demand. "Twenty-five years ago we had to walk the streets and cold call to find partners," says owner George Fistonich. "Now people come to us as first choice."

Export staples get new company

Dairy, meat, forestry and tourism are New Zealand's main export earners. But what about consultancy?

Opus International Consultants could be seen to be joining this list of earners, for in 2006 it was awarded the prestigious New Zealand Trade and Enterprise Supreme Exporter of the Year Award. For chief executive Kevin Thompson this was very gratifying and gave the consultancy recognition as a major exporter.

"It shows that there's more to New Zealand's international outreach than first meets the eye," he says. "We want to have a business with a global, rather than purely domestic dimension. We are now realising our vision by providing infrastructure solutions at home and in Australia, Canada and the UK."

September this year saw Opus acquire the large Australian infrastructure consultancy Qantec McWilliam. This increased its presence in that country with an additional 12 offices and many more clients. Having eyed the \$A19 billion to be invested in Australian consulting engineering over the next several years, it is expected this newest asset will contribute significantly to the company's growth.

With over 2,200 staff worldwide, having a local office is a key part of the Opus business model.

"It's tied to our core values of

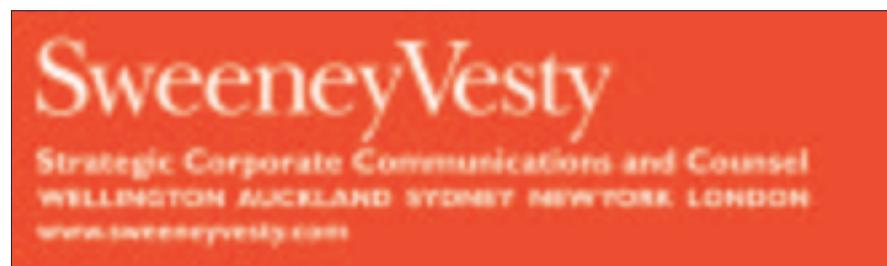
professionalism and excellence in service and delivery," says Dr Thompson. "It's also about being in the community, seeing the opportunities, developing relationships with our clients and being seen to be local. It gives us a high level of client intimacy and contact."

Opus' UK operations were consolidated in 2006, when the various companies it owned were unified as Opus International Consultants (UK) Ltd, with offices in London and seven other cities. The company has been present in the UK since 1987 and has carried out a

number of major projects including the development of two new stations and the refurbishment of a number of others on the London Underground. Opus is now successfully working in the areas of architectural design, structural engineering, marine engineering, road and traffic engineering, historic building refurbishment and infrastructure asset management in the UK.

The core of Opus' expertise remains most definitely Kiwi. Dr Thompson explains, "Necessity is the mother of invention and historically in New Zealand we have made do with facilities that are not always to the same standard as elsewhere. That means we focus on nurturing and maintaining an asset. We ask ourselves, 'how can we make things last longer and how can we stretch the limited resources we have as a small country?'"

With its international growth aspirations, Opus is applying the very same New Zealand attitude and style to its offshore operations, showing that the domestic market is not the only one benefiting from its Kiwi home-grown philosophy.



FTA Talks between China and New Zealand are underway, and when concluded the mutual financial benefits could run into hundreds of millions of dollars