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Trans-Tasman Circle Lunch  
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***Making “the lucky country” and “the plucky country” even better***

Kiaora

Good afternoon everyone.

Thank you, John.

You know you’ve made it when an auditor says something nice about you.

Price Waterhouse is a great partner of ANZ’s around the world... as their hosting of today’s lunch shows.

I would like to also congratulate John Weiss on founding the Trans-Tasman Business Circle just over 20 years ago.

The Circle has far surpassed John’s original idea of building a chamber of commerce between both countries.

There is no doubt that it is now recognised as one of the premier business organisations we both have.

While I was born and bred in Australia I have spent a fair deal of my working life in New Zealand.

I first worked in New Zealand in the late 90s when I ran UDC Finance, ANZ's asset finance company.

However, when Mike Smith asked me to go to New Zealand four years ago I knew I would be leaving behind a great country.

I think a lot of people take for granted just how lucky they are to live in Australia.

It has world-class golf courses, beautiful beaches, long hot summers, sporting teams that are occasionally great, wine and food that are consistently great and an industry that seems to endlessly dig money out of the ground.

So while I did have a pretty good idea of what life and work across the Tasman would be like before my family and I packed up in 2010, the last four years have given me a much broader and deeper relationship with New Zealand and, more importantly, New Zealanders.

While I would like to say I've spent most of my time enjoying the lifestyle and great friends, the reality is I have spent most of the last three years merging two banks – ANZ and the National Bank of New Zealand. That's behind me now so it gives me a little more time to do things like be here today.

Just before I left Melbourne, a colleague said... “Don’t worry - you’re only three hours’ flight away from civilisation.”

I’ve since come to realise that he, like most Australians, really don’t know or understand New Zealand at all.

More than three years on, you could say that I’m in the perfect position to have a look at Australia through a different lens and compare it to your neighbours across the Tasman.

And I’ve come to the conclusion that while New Zealand might not be “The Lucky Country”, it certainly is “The Plucky Country”.

New Zealand is a country with a total population about the same size as the population of Sydney.

So today I want to talk about The Lucky Country versus The Plucky Country...it’s a story that is a bit like the tortoise and the hare.

I want to talk about that comparison; what’s holding New Zealand back from even greater achievements, what Australia can learn from its friend, and what we could do together.

I say these things as an Aussie who has become a lover of New Zealand, someone who deeply cares about both countries’ futures and a person with a foot on both sides of the Tasman who can offer some outside perspective to each.

I’ve also been around long enough to know that they are only my opinions and that many people might suggest that being a South Australian ... or free settlers as we sometimes refer to ourselves ... I have no place to comment on either country.

But, anyway, here goes – and, I hope, my perspective might add to the on-going debate about making New Zealand and Australia better places.

New Zealand is filled with first-rate people who have made their own luck, and in my view they and the country punch above their weight in most areas.

If you look at just about every sport, from rugby, to netball ... even lawn bowls ... you'll see New Zealand does remarkably well given its small population. Even our cricket team has just beaten world heavyweights India on their recent tour of New Zealand. You can imagine how the Kiwis loved that.

And, in just over 30 years New Zealand winemakers have gone from a standing start to challenging the old world red wine makers who have over 200 years on them.

It's the same story in business.

Over the past 20 years the Government working together with business has transformed New Zealand from an economy dependent on favours from Britain to a more industrialized, free-market economy that can compete globally.

New Zealand today is the world's second largest dairy exporter, second only to all the combined countries of the EU.

On your side of the Tasman, other than a few blips here and there, Australia has had an unprecedented period of growth since the Second World War, with an enviable standard of living.

Donald Horne's 1964 book was right: Australia is "The Lucky Country".

The title of Horne's *The Lucky Country* comes from the opening words of the book's last chapter: "Australia is a lucky country, run by second-rate people who share its luck."

He was saying that while other industrialized nations created wealth using "clever" means such as technology and other innovations, Australia did not.

Instead, Australia's economic prosperity largely came from its rich natural resources.

Horne commented that Australia "showed less enterprise than almost any other prosperous industrial society".

Kiwis, on the other hand, don't dig up their wealth.

Instead, they have to make the most of what they have.

There's something Kiwis call the 'number 8 wire' mentality – they don't have the resources other countries do, so they find ways to use what they have to get the job done...

The saying is that Kiwis can create amazing things — all they need is 'a piece of Number 8 wire'.

Number 8 wire was the fencing wire of choice around New Zealand's many farms. Ironically, until 1963, it was imported from other countries, but it has become a powerful symbol of Kiwi adaptability.

But it's more than that.

It represents Kiwi creativity, innovation and productivity. They are always looking at ways to improve with what they have.

New Zealand gets over 16 per cent of its export income from tourism. In Australia it's 8 per cent.

Of course, there's a reason for that.

New Zealand is, without doubt, the most beautiful country in the world.

Australians agree – about 1.2 million a year visit, or almost half of all New Zealand's tourists.

Kiwis argue about just how "pure" their environment is.

This is an interesting insight into Kiwis.

They are very sensitive to misrepresenting themselves on this 100 percent thing. They want to play by the rules, and some say 100 per cent pure is a bit over the top.

But, when considering the big picture, we have 100 percent in spades.

Yep, I called myself a Kiwi there.

I can't actually help that.

I am passionate about New Zealand.

It is a great place to work and to do business, but I'll get on to that later.

The insight here is how Kiwis have been able to take that 100 Percent Pure position, own it, promote it and make it work for them against just about every other country on earth.

Despite the extraordinary attractions of the world's sixth largest country, Australian tourist organisations are still trying to work out to position and promote the place.

Like Australia, New Zealand has always been a nation of exporters ... but let me make the point: in New Zealand government and business and the community - including the farm sector - work together to make things better for the whole country.

Here's one example.

New Zealand now has free trade agreements in place with 29 percent of the world's population and is in negotiations with another 26 percent.

Australia is lagging New Zealand on that score, and still doesn't have an FTA with the country of this century, China.

And there's still plenty of upside for the New Zealand agricultural sector.

Asia, particularly India and China, are rapidly expanding export markets.

I recently heard, for example, that its estimated 20 million Indians a year are having one more meal a day and generally that meal was a protein based one. That's like feeding an extra Australia each year. Astounding numbers!

Think of the opportunities there for food-producing nations like New Zealand and Australia.

More than 12 months ago ANZ released a major report on the future of agribusinesses in Australia and New Zealand. The "Greener Pastures" report showed:

- Rising incomes and changing diets in developing countries mean the world will demand at least 60 percent more agricultural output by 2050 compared to 2005–07; and
- What this means for New Zealand is that we could sell an additional \$550 billion in agricultural exports between now and 2050. This could increase to \$1.3 trillion with favourable conditions and targeted actions.

While the New Zealand domestic economy doesn't have the scale of Australia, it does seem to be doing a lot of things better.

I'm an accountant, not an economist.

So, perhaps I'm not qualified to comment here, but one thing that puzzles me is this:

New Zealand has about 4.4 million people, yet it survives with a 33 percent top tax rate, no capital gains tax, no payroll tax, and a GST rate only 5 percent higher than Australia's.



New Zealand really *is* open for business.

Australia has over 23 million people, a 47.5% top personal tax rate ... let me spell it out - that's 14.5 percent higher than New Zealand ... capital gains tax, stamp duties, and a raft of other taxes.

Australia, once again, had the benefits of a resources boom ... the longest economic expansion and the largest rise in incomes ... that a developed country had ever known.

But you would have to ask: what has Australia got to show for it?

I applaud Tony Abbott for announcing on election night that Australia is open for business, but it seems to me there are still a few doors that need to be unlocked before people can get in to DO business.

Unlike New Zealand, some people might be tempted to view Australia as being a little complacent.

I certainly get the feeling there is a lack of a sense of urgency by the average Aussie in the face of a completely new game that both countries face.

What's going on globally is not business as usual - we are just a little way through what will be looked back on as a period of great transition.

We are facing complex issues like climate change, funding an ageing population, trying to move to new industries where we can be internationally competitive, shifting to high-value manufacturing and value-added agricultural products, and really

understanding how to be part of the Asian century - to take advantage of our close proximity to the fastest-growing economies in the world.

New Zealand is now ahead of Australia in the World Economic Forum's Global Competitiveness Report.

It recently jumped five places to 18<sup>th</sup>.

Australia declined one place to 21<sup>st</sup>.

That drop, the report says, was because of higher cost structures, large regulatory burdens and labour market rigidity. This sounds like New Zealand pre the 1980s!

Clearly Houston, we have a problem.

Of course, New Zealand has benefited from having Australia as its closest neighbour and having a strong relationship, which was given a huge boost by the 1983 Closer Economic Relations agreement.

But regardless of CER we have always been linked and had a strong bond.

The ties between our countries have never waned, despite difficulties over the years.

As you know the Kiwis have never have gotten over that underarm delivery.

We both went to the 1908 and 1912 Olympics together as Australasia and, of course, famously served and tragically died together as ANZAC forces in the First World War.

A number of New Zealand's early political leaders, including Prime Ministers Joseph Ward and Michael Joseph Savage, were Australian born - both Victorians actually.

And, of course, New Zealand's given you something back – Pavlova, Phar Lap, Russell Crowe, and, of course, Quade Cooper.

I was here with Prime Minister John Key and some other New Zealand business leaders a few weeks ago meeting with Prime Minister Tony Abbott and Australian business leaders.

It was clear to me that the relationship is stronger than ever.

If anything, I thought Prime Minister Abbott was hungry to learn from New Zealand and what it's done to strengthen its economy since the 1980s and particularly since the Global Financial Crisis.

It seems Australia has some really tough issues to tackle - issues that New Zealand was forced to deal with a long time ago.

And I would argue that Australia hasn't had to deal with similar issues because the mining boom papered over those cracks.

The problem the new Australian government has is that unlike New Zealand in the 1980s - when, I'm told, the economy was closeted and on the verge of catastrophe - there's no sense of impending doom in Australia.

There's no "burning platform" to rally the public around and to drive through change in a short period of time.

The Australian public doesn't yet have a narrative in front of it - a clear view that there is a need for significant economic change and tough decisions rather than business as usual with the belt done up a few notches.

In New Zealand I actually think people are more sympathetic to the concept that a government has to do what's right for everyone in the long run.

New Zealanders are far more alert and cynical towards politicians bearing gifts, or pork barrelling as it's often called.

In New Zealand we've had the quadruple whammy of the GFC, a collapsed non-bank financial sector, a dollar at record highs and the country's second biggest city, Christchurch, devastated by earthquakes.

As well as being a terrible human tragedy, those earthquake rebuild costs – excluding disruption costs - are about a \$20 billion impact on the public purse, or about 10 percent of New Zealand's gross domestic product.

But the New Zealand economy is now bouncing back strongly because of the work done to strengthen its foundations.

Our ANZ economists are predicting 4 percent growth this year.

And unlike Australia, a surplus is around the corner.

Although New Zealand still needs to keep an eye on its spending, it will be in a great position in coming years to determine what it does with its surpluses.

Things are going really well for New Zealand, but the country still needs to ensure it has a compelling vision.

New Zealand can compete on the world stage, but we need to choose how best to do that.

Education is obviously very important, and we need to continue to invest in that.

But what is truly unique in New Zealand is freedom ... freedom in the sense of wide open spaces.

And I think this is why we get so much creativity coming out of New Zealand.

I doubt we can compete with the sheer number of PhDs coming out of overseas universities, but we can focus on producing adults that have a worldly outlook, a positive and creative outlook – one that matches our plucky country stance.

Kiwis can and do punch above their weight on the world stage and we need to continue to engender that confidence. After all, it got us to where we are today.

The one thing where New Zealand excels is its ability to harness the creativity of a small nation.

Think about what Sir Peter Jackson has done for New Zealand, Air New Zealand's world renowned safety videos, the New Zealand actors and musicians we claim as Australians.

And then there are the clever hi-tech manufacturers and entrepreneurs.

Gallagher's started it years ago with their electric fence technology and have since gone global with all kinds of security solutions.

Xero is revolutionising the global accounting industry using cloud computing.

Wynyard is providing cyber-crime analytics software to government organisations in Southeast Asia.

The list goes on.

Its creativity more than being able to reproduce the next widget at a cheap price that will see New Zealand prosper.

And future Governments need to really focus on how to foster, support and monetize that.

So, where to from here for the New Zealand/Australia relationship?

Issues like currency, economic and political union have been debated for many years.

I think the Eurozone crisis, particularly the debate about stricken countries like Greece needing their own currency to devalue, has put paid to the idea of an ANZAC currency.

As for political union, things are complicated enough as they are, although I'm sure John Key would front up to the challenge of running Australia as well as New Zealand if asked.

So if New Zealand is to stand alone Kiwis need to acknowledge and accept that over a 200-year period New Zealand has always prospered as a result of foreign investment and by being an attractive trading partner.

If you read that ANZ Greener Pastures report, it talks not only about the great opportunity for New Zealand agriculture but the enormous investment needed – some \$340 billion - if we're to realise that potential.

Sadly, as poor savers, all that investment isn't going to come from within New Zealand.

Even as the country's biggest bank, ANZ New Zealand, can fund only about two-thirds of our lending from New Zealand sources.

The rest – for New Zealanders wanting to buy houses or set up or expand their businesses – has to come from borrowing offshore.

But foreign investment can be an emotional topic in New Zealand, particularly if it's stoked during an election year by politicians appealing to the worst in people's characters.

The better side of our characters must argue against a fortress New Zealand mentality because it's morally wrong and just plain dumb business.

Taking on the world, and embracing it, will make New Zealand stronger and sustain its sovereignty.

In fact, I would go further.

I would argue that for New Zealand and Australia to be relevant on the world stage in 30 to 50 years' time, we have to work together far more closely.

Two small countries, rich in resources, should stand together to be heard as the world's more populous nations grow larger and faster than we could ever hope to.

I would encourage both Prime Ministers to look for ways to show our people that working together can deliver better outcomes.

Maybe start with simple things like sharing some diplomatic posts.

I'd like to see us, as New Zealanders and Australians, do more together to help each other get our fair share of the global pie.

But we'll need to be nimble, and we'll need to think outwardly if we are going to succeed. And we have to trust each other.

The underarm bowling incident I mentioned earlier probably did more to hurt New Zealand-Australia relationships than anything else I've seen.



It's something that I and I know many other Aussies feel very embarrassed about.

People still talk about it in New Zealand. So we just can't have any more of those sorts of stunts.

You just don't do that to your mates and as I said earlier, Kiwis like to play by the rules and they expect the same in return.

That said, we need to move on, and I truly believe we will need to work more closely together, or risk being swamped or considered irrelevant to larger nations in years to come.

There's a lot Australia could learn from New Zealand, but there's still more work for New Zealand to do.

If we can accelerate the rate of investment in New Zealand so we drive further towards our potential, then we truly will be the plucky country.

Then I suppose we'd have Russell Crowe and Quade Cooper wanting to come back!

Thank you for coming along today.

Have a great afternoon.

Thank you.

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