

## Convention of New Zealand Society of Accountants

*Delivered on 25th March 1991*

Thank you for the opportunity to talk to you today about lobbying technique. As your invitation put it - "how to gain the support of the decision-makers".

Ten years ago, in Rob Muldoon's heyday, a good living could be made organising conferences on how to lobby government. Every interest group in the country was desperate to climb on to the gravy train of government support.

People used to believe the economy ran on lobbying the way a car runs on petrol. They thought that, if the lobbying ever stopped, the wheels of industry would come to a grinding halt from Cape Reinga to the Bluff.

It is a simple matter to cull the files of the late '70s and early '80s.

Let me give you first, in summary, the standard lecture delivered in that period to all those panting interest groups.

- Map all relevant decision-making paths and networks in their entirety. Successful lobbying does not limit its focus to people at the top.
- Set up systems to monitor significant developments at every level.
- In particular, identify and butter up middle grade advisors at working level in departments. They are the point, not Ministers or Departmental CEOs, where most ideas and initiatives start or get killed off. Anything that does originate higher up will, sooner or later, be referred to them for professional analysis and comment. If you lose at this level, you are unlikely to win higher up, but you start at an advantage, most lobbyists neglect them. They will be flattered by your attention.
- No matter how short-sighted, selfish, or anti-social your demand, always dress it up in the selfless rhetoric of national good and public interest. If you are marketing Thalidomide, for example, you need to be able to demonstrate the high cost in human life and suffering when people needing treatment are deprived of new drugs for an excessive period of time by the testing requirements.
- Remember that the national interest is a fashion industry. The keynote may be jobs one year, and balance of payments the next. You will look unprofessional if you fail to keep abreast of the latest presentational fad.
- Know the role of all relevant interdepartmental committees. Find members willing to keep you up to date with their activity.
- Monitor Ministers' offices; be on friendly terms with their staff. Position yourself as a valued informant to all of these people, an expert they can turn to for advice, independent, informed and impartial, on all issues crucial to your own gain.
- Identify allies, neutrals and opponents among backbench MPs. Mobilise, inform or kneecap them, as appropriate.

- Appoint trustworthy people to liaise with each and every MP in his or her own electorate. Show that you are capable of helping or hurting where it matters most. Help them to understand what you need to mobilise increased support.
- Establish groups who will act to your instruction at electorate level. They can write letters to newspapers, ask questions on talkback radio, phone MPs at home in the weekend. Half a dozen apparently unrelated calls on a Sunday about a single topic will galvanise the most amazing speeches by marginal backbenchers in Caucus the following Thursday.
- Follow the example of General Motors; develop a Speakers' Bureau. These are lists of people in every centre nation-wide who have frequent opportunities to make speeches to service clubs, church groups, and other events reported by the local news media. They speak to your instructions, but they have no visible connection whatsoever with you. The General Motors book of basic instruction in the US on which issues to push and what to say about them is 4 inches thick. What outsiders see is a groundswell of more or less universal spontaneous support at local level.
- Know your Caucus committees. Keep them judiciously briefed; ready for activation as necessary against crackpot ideas that arise at Cabinet or departmental level.
- Know how to use both the Government and Opposition research units. A few overworked people in them, not usually very well informed, generate the speech material for virtually every lazy MP in Parliament. Your help will improve the accuracy and relevance of their material.
- Maintain helpful contact with appropriate advisors in the PM's Department. Those people are often seconded from outside industry on a sector basis. Their natural sympathy may be with you, not the Government. Use them as a pipeline straight to and from the Prime Minister.
- Keep track of questions, petitions, commissions, inquiries, legislation.
- Make submissions. Use the select committee structures. Get to know the committee clerk. Write on one side of the paper. Leave wide margins. Position your organisation as a uniquely valuable provider of accurate information designed to bias the outcome in favour of your own vested interest. There is no need to go on. You get the idea.

The complete list is as long as your patience, as wide as your pecuniary interest, and as deep as your lobbying budget.

The National Rifle Association alone has a staff of 275 people in the States, half a dozen full-time lobbyists, and a lobbying budget of millions. American PR firms, who are not exactly disinterested because they make a fortune from it, describe three preliminary steps to develop essential mechanisms:

- A communications network to warn of present and potential future problems, issues and trends emerging in society generally.
- A scanning process to establish the scope and magnitude of social problems identified by the early warning system; the nature, extent and source of the societal pressures confronting the corporation.

- And not least, a response structure comprising internal organisation and decision-making processes to develop effective responses.

In the political area, standard US corporate PR textbooks describe four separate elements of corporate political strategies:

- Campaign financing.
- Direct lobbying
- Coalition-building
- And indirect lobbying via the development and exploitation of grassroots consensus.

Let me now set all this in a somewhat wider context.

What we have here is a classic case of the blind leading the blind, and both falling into the ditch. History in this country and elsewhere demonstrates that the bitterest curse you can wish on your most hated opponent most probably is: "My friend, may the Government support you."

Government support came close to destroying the farm industry. Manufacturing was even less lucky. They got more support than farming over a longer period of time.

Protection developed cost structures that precluded local firms from developing their potential for international commercial growth. Protection proved a lousy deal. They gained the local market but it cost them the rest of the world. To escape from that cul-de-sac many of them have been forced to tear their old structures apart. The cost to owners is enormous. Staff levels are decimated. Thousands are put out of work.

And that's the best option! Firms that refuse to face up to it tend to find themselves in even worse trouble.

Without government support, however, those firms could have grown up producing to market demand at market prices. They could have been thriving, well-adjusted businesses making a lot more money for themselves and this country.

Western democratic society works because, unlike most other systems, it does not seek to allocate resources on a basis of grace, favour or privilege. Producers compete for markets. Consumers buy what suits them best.

The State creates and enforces a legal framework for producers based on an equal opportunity and fair competition for markets. If a firm wants to prosper, it has to use resources efficiently and put the customer first. No other mechanism in history has had more success in generating an ongoing long-term increase in human living standards.

Looking at it in that broad context, your interest in lobbying bothers me. It seems to be an unguided missile. The invitation asks me, for example, to tell you how to gain the support of the decision-makers.

Suppose I ask a simple-minded question. "Support for what?" The letter doesn't say. Why not?

I guess, because that question is fundamentally irrelevant. Lobbying is not about support for what - that is to say, issues. Lobbying is about support for who - that is to say privilege.

When you ask, "support for who?" there is always an answer - and it is always the same answer. "Me! Me! Me! Me! Me! - my group, my interest, ahead of their group, their interest."

That is why lobbyists have always preferred to hold their key meetings in private with people at the top. That dark side of lobbying arises, as Edward Kennedy once said, from secrecy and the widespread suspicion that secrecy will breed undue influence or corruption. Corruption can take many forms.

When we say two people are in each other's pockets, we do not necessarily imply that money is changing hands. We may simply mean that by continuous association, they have come to share a particular viewpoint, to the exclusion of all others. A built-in bias has been created.

That is exactly the aim of lobbying. It seeks to undermine the neutrality by which the State ensures fair, open competition as a basis for productive efficiency as a means to economic growth.

The lobbyist's objective is to capture and use the coercive power of the State to seize economic gains earned through fair market activity by the community as a whole and reallocate the benefit as a privilege for the unearned enjoyment of favoured groups who are thereby enabled to evade any necessity to achieve the normal level of efficiency and performance demanded by the discipline of commercial markets.

Such systems are particularly dangerous because, once they develop momentum, they become almost unstoppable. Even fairness itself ends up being recruited as a reason why the need is for more privilege, not less.

Two or three months back, for example, the new government gave tax relief on farm and forestry development. Rob Muldoon reacted instantly: 'if they can have it' he said, 'I want exactly the same privilege for every manufacturer.'

Privilege, once established, becomes politically very difficult to roll back. The benefit is concentrated on relatively small groups. It is worth a great deal to them. They tend to be coherent, articulate, influential, organised and aggressive. By contrast, the cost is dispersed across the community as a whole.

In aggregate, across the total economy, the costs of privilege may place an enormous burden on the nation as a whole and on every individual in it. But per item per person, it is not crippling, and it is never clearly identifiable.

The losers are a vast majority, but they tend to be voiceless and disorganised, so they lack influence.

New Zealand got locked into that trap for 30 years, from the mid-1950s to the mid-1980s. Private sector lobby groups acquiesced in and demanded interventions responsible for enormous cumulative economic damage.

Each sector managed to acquire protection, concessions, perks subsidies, incentives and so on. But of course, their accounting was completely nuts. You get the privileges granted to your own sector by paying for the privileges of all the other sectors.

So even those who thought they were on a winner emerged as losers in the longer run.

Those costs were significantly responsible for the fact that our living standard in New Zealand has fallen from third in the world to about thirtieth in the past generation. By 1984, when Labour took office the power of the lobby groups had become one of the main obstacles to economic and social progress. Blunting their power was the real role of the summit conference in that year.

By giving them nation-wide TV exposure, in a sense, we put them on public trial. Under such a spotlight, they had enough sense to realise that if they persisted in seeking their own selfish short-term interest at the expense of the wider community, they would instantly lose the support of the public.

Having forced them into a commitment to put New Zealand first, we used the 1984 budget to hit the privileges of all the interest groups at once. Groups who felt inclined to complain about their own losses were paralysed by the knowledge that they stood to make major gains overall through the abolition of the privileges of every other interest group throughout the rest of the economy.

Since then, although groups like Manfed have continued in the same old way, we have seen new methods develop in our one two other cases. I am reluctant to call them lobbying, because they are totally different in both approach and objectives from anything we saw in the past.

Instead of seeking fresh privileges for its own group, this approach demands the systematic removal of all privilege, including its own - on the farm, in the factory, road, rail, air and sea transport, on the wharf, border protection, SOEs that don't perform, local bodies, education, the labour market, health, housing and the welfare system, wherever the inefficiencies generated by favouritism are imposing avoidable costs on the community as a whole.

In other words, it recognises that we increase our wealth by achieving real increases in our ability to compete on world markets.

This new approach aims simultaneously to give people at every level better incentives to participate with greater energy, skill and imagination in productive market activity, the real source of the wealth we all share as New Zealanders.

This change of approach is best demonstrated by the development of the Business Roundtable. It began as a loose coalition of the CEOs of major corporations discussing topics of mutual interest such as tax and tariff levels. When Roger Kerr was appointed Executive Director, Peter Neilson sent him a telegram: "Good luck! I hope you can convert them to capitalism!"

Since then, they have gone right back to first principles. You no longer find them arguing against privilege for others this week and in favour of privilege for themselves next week.

They have decided that what is good for all New Zealanders has more to offer to them in the longer run. They now seek, unlike traditional lobby groups, to take a consistent long-term view. In this new approach, the old lobbying methodology has undergone a revolution that reflects this fundamental change of goal.

Instead of making oral cases in private, seeking deals behind closed doors, the focus has been shifted to intensive systematic research which anyone can review and extended

written public presentation which deliberately seeks to initiate open and wide-ranging public debate.

In essence it is an approach that favours an open competition in the field of research, ideas and policy development. In essence, it says to competitors: "If you can present better research and a higher quality of thinking about the policy options, great, go to it, we welcome it."

The aim is quite specifically to drive the level of policy debate up to internationally respectable levels of excellence. It seems to me that this is the kind of approach the Accountants Society should be thinking about. Your clients, ahead of all else, need certainty as a basis for business success.

There is no certainty in the approach that seeks grace, favour or privilege based on the whim of changing governments.

The more successful you are in gaining privilege for clients, the more you undermine their certainty and everyone else's in the long run. In my view, you should be spending not more than about 10-15% of your effort on keeping your lines of communication open.

By contrast, you should be putting 70-80% into research, documents and speeches that aim to set a benchmark of international quality in areas of policy interest that are vital to the long-term future prosperity of this country.

If you take any other approach, you are wasting your time and money on a self-destructive exercise that is bad for New Zealand.