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OUR TIME HAS COME —*New Zealand*

Preface

There are countries that are simply too big to have one time zone, while others have always been a bit eccentric in their time-keeping. But for others, such as New Zealand, enterprising minds are trying to turn time to their economic advantage.

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Every weekday morning, for a fleeting but glorious couple of hours, New Zealand comes as close as it ever will to leading the global economy, by being the first market of the new day to open.

It's a modest distinction, one that reaps the country little more than occasional first billing on CNN's financial round-ups. The business activities of this placid South Pacific nation of four million, just west of the international date-line, barely register elsewhere: America is logging off for the day, Europe is heading to bed and the neighbouring markets of Asia are stirring in theirs.

New Zealand's early jump on the business day is a just product of its geographic isolation from say London or New York. But it's also something that historically has confined and defined life here – the "tyranny of distance" relegating the country to the margins of the world economy. Yet New Zealand's government now believes its time zone could become an economic lifeline.

The hope is that, combined with a raft of assets that include the country's transparency, political stability, strong property rights, ease of doing business and, in the longer term, its quality of life, New Zealand's time zone could prove an attractive proposition to the financial giants that sell managed funds – those huge collective investment schemes – into

06.00 – 12.00

The New Zealand business day kicks in



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Asia. Currently, nearly 90 per cent of these managed funds are sold to investors in the Asia-Pacific region from countries other than their own. Most are run out of Luxembourg and Ireland – the major European “domiciles” for managed funds.

New Zealand believes that Asian investors would be better off buying into funds based in its territory instead. “The European model is not exactly what Asian investors want, but no one’s come up with one better,” says Craig Stobo, the man behind the proposal. “We’ve got all the essentials here but we have never sold it as a package to anyone.”

Auckland-based Stobo, a steely former diplomat who is chairman of three companies involved in the industry, first presented the concept at a “jobs summit” held in the wake of the financial crisis. The government was impressed, and appointed him head of a group tasked with finding a way to make it happen.

Fund managers tend to base themselves close to the markets they trade on, and would have little interest in relocating to a financial hinterland. But New Zealand believes it could involve itself in the global funds industry by providing lucrative, if unglamorous, middle- and back-office services – technical accounting and legal work such as pricing units, registering transactions and acting as trustee – to financial giants selling funds in Asia (wrestling that work off the European domiciles).

The initial indications are that by establishing itself as Asia-Pacific’s first regional domicile – a role New Zealand thinks it could perform more effectively than many potential competitors in Asia



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due to its political and legal attributes – the country could generate 3,000 to 5,000 jobs and NZ\$250m (€135m) in tax revenues each year.

The nation has an established industry providing administration and accounting services to locally managed funds trading on its modest domestic capital markets. But the current 30 per cent tax on non-resident earnings deters global funds that trade on international markets from outsourcing work to New Zealand (to do so would see funds forfeit a third of their income to the New Zealand government in tax, for no conceivable benefit).

Dropping that rate to zero per cent, a vital step in making the country a more attractive base for global funds, would cost the government a mere NZ\$10m in foregone taxes. “The downside seems to be very small and the upside seems reasonable,” says Stobo.

Despite this, the proposal has met with scepticism locally, with one pundit declaring, “There was something risible, if not absurd, about any sentence with ‘New Zealand’ and ‘financial hub’ in it”.

Yet there is support where it counts. Prime Minister John Key is particularly enamoured, having seen the benefits of becoming a domicile when, as head of Merrill Lynch’s global foreign exchange, he relocated the company’s back-office to Ireland in the 1990s. Today, Ireland is the world’s third biggest domicile, behind Luxembourg and the Cayman Islands.

One of the cadre of young executives driving the scheme is Hugh Stevens, the affable 39-year-old head of BNP Paribas Security Services NZ. Speaking in his offices above Wellington’s business district, he says Key’s political sponsorship will be vital, both to push through the project at home, and to sell New Zealand’s advantages to the industry’s big fish, only a couple of whom would need to be swayed to make the project initially viable. “It will take a whole-of-government, ‘New Zealand Incorporated’ approach,” he says.

Stevens says his company, a major player in the domestic managed funds industry, would seize the opportunity to grow its New Zealand business if the tax rate was changed. “It’s a wonderful place





Tea time: India

On the tea plantations of Assam in India's northeast, they work to their own time, "bagantime", which is one hour ahead of Indian Standard Time. Micro-time zones such as this exist because India's official adherence to a single time zone can be disruptive to those in the east, 2,000km from the capital.

"Why wait for Delhi offices to open at 10am?" says BG Verghese from the Centre for Policy Research. "When Delhi is open till 18.00 out in the east you have to switch the lights on early and you can't enjoy the evening." Residents in the northeast are pushing for their own time zone, but the government says India does not need multiple time zones as this would confuse illiterate farmers. It seems the tea pickers of Assam will be working to bagantime for some time to come. — JS

East v west: USA

Before 1883, Americans followed "local time", which was governed by city-hall clocks or church bells. So Atlanta's 12.13 was St Louis's 11.50 and Houston's 11.27. This led to scheduling mayhem in the country's rail sector, and it was the train operators who established the standard time zones.

Now civic groups beg news organisations not to declare election winners based on East Coast results for fear of discouraging westerners from voting – while East Coast media hate having to wait for news from the west – but other sectors adjust their pace to East Coast clocks. "If you're a San Francisco stockbroker, your enjoyment of the weather is tempered by the fact that you need to be at your desk at 6.00," says economist Matthew White, who has written about time-zone history. — SPI



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- 04 Wellington CBD seen from Queen's Wharf
- 05 Craig Stobo
- 06 New Zealand Institute's Auckland headquarters



12.00 – 18.00
As other global
markets wake up...

to do business,” he says, indicating the views from the window of Wellington’s scenic waterfront, where office workers are taking an early afternoon jog around an inner city beach.

Both Wellington, New Zealand’s capital, and Auckland, its largest city, rate highly as places to live for their access to nature and easy-going lifestyle. Of course, financial workers are swayed more by jobs and salaries than lifestyle considerations, but the government hopes that in the long term – as more jobs are created – it will be an extra advantage when enticing in skilled professionals.

New jobs and a focus on quality of life could also provide a path home for the self-exiled young professionals behind the country’s debilitating brain drain (nearly a quarter of tertiary-educated New Zealanders are living overseas, the highest rate in the OECD).

Asia-Pacific is unique among the world’s major economic blocs in not having a regional domicile for funds, despite its burgeoning middle classes being huge savers, and its markets having recently reached the critical mass to sustain such a development.

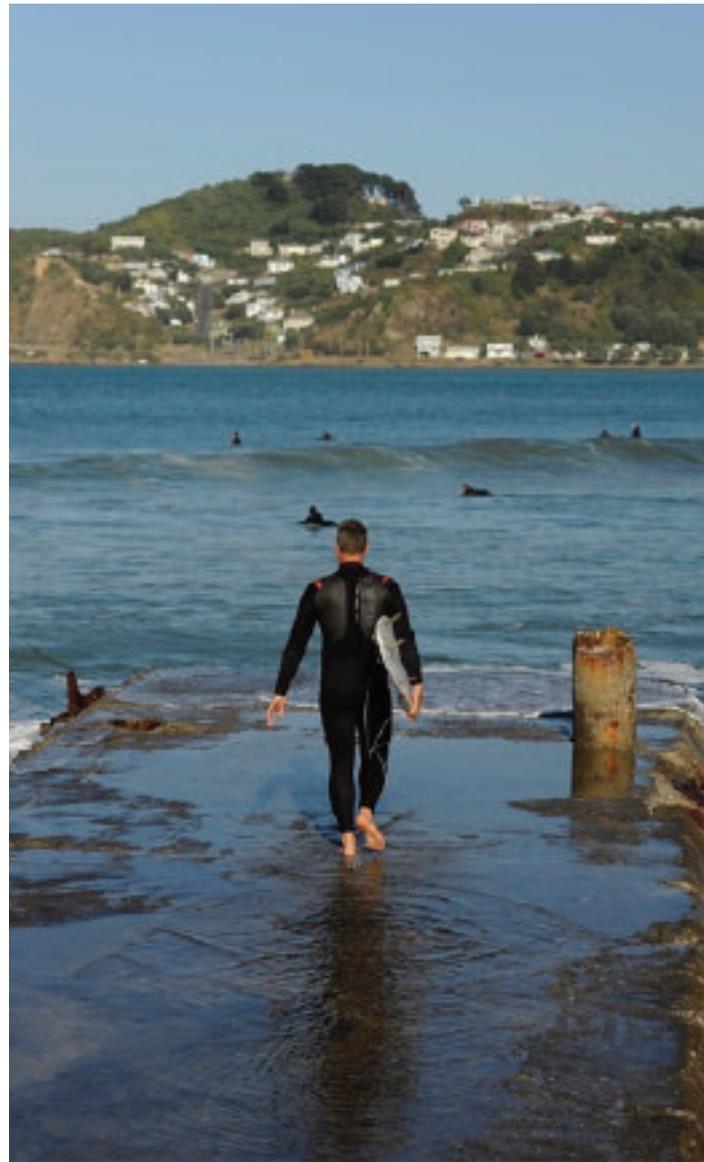
Asian investors have gravitated toward Luxembourg-domiciled funds that have many shortcomings for them. Key is that since pricing must be approved in Luxembourg, in Asia they receive prices from trades on the US markets a day later than New Zealand could provide the service.

“Because we’re the first business day to open after the US markets close, we’d be able to produce a price, sign it off, then release it to investors so they’d be able to make their next investment decision straight away,” says Stevens.

Asian investors might once have tolerated this delay, but their growing consumer power will soon allow them to demand better. New Zealand’s greater

In the zones: Greenland

Despite being the least densely populated country on Earth, with fewer than 60,000 citizens across its more than 2 million sq kms, Greenland runs on four time zones. But with three of the four timezone populations coming in at under 700 (Pituffik in the northwest), 500 (Ittoqqortoormiit in the northeast) and 20 people (Danmarkshavn in the far northeast), such slavish commitment to the lines of the time zone map seems unwise. “It’s no problem for Greenlanders though,” says Søren Thalund of The Greenlandic House, the leading Greenland cultural organisation in Copenhagen. “They almost all run on one time zone, and Pituffik [airbase] and Danmarkshavn [weather station] are mostly inhabited by Americans and Danes anyway.” — JO



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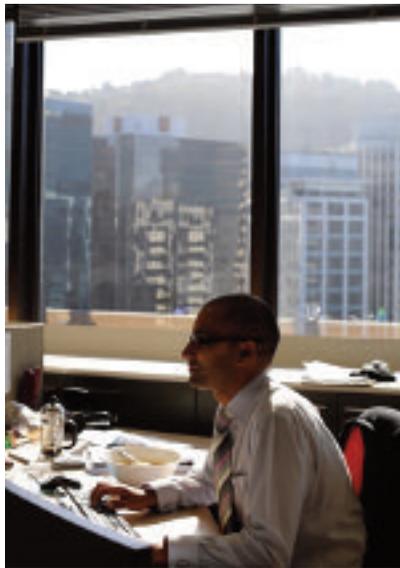


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- 01 Surfers at Lyall Bay, 15 minutes from Wellington's CBD
- 02 Mark Weldon, chief executive of the New Zealand stock exchange
- 03 Freyberg Pool in Wellington's waterfront
- 04 View from BNP Paribas's offices in Wellington



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- 05 HP Tower, Wellington, home to JP Morgan and BNP Paribas
- 06 Auckland (CBD is in the left of picture)
- 07 Dr Rick Boven, director of the New Zealand Institute



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Time out: Nepal

Being exactly five hours and 45 minutes off GMT seems pernickety, but it's practically conformist for Nepal, which until 1971 insisted on being 10 minutes out of sync with the rest of the world. The Himalayan state prides itself on having never been conquered by a foreign power (military or horological), and the inward-looking politics that dominated until the "opening up" of the 1950s meant Kathmandu time was calculated by the line of longitude running through Gauri Shankar – one of the country's holiest mountains. "Nepal's leaders have been anxious to preserve its identity, and such a tiny time difference in a part of the world where people are so relaxed about time-keeping presents no great practical difficulty," says SOAS Nepal expert Professor Michael Hutt. — JO

time overlap with Asia allows more opportunity for real-time communication during the business day, and its multicultural workforce would enable companies to serve Asians in their own languages.

The prospect has generated considerable excitement in New Zealand's small financial community, but not everyone is convinced their advantage in a potential showdown with Europe will be quite so clear cut.

In his offices in Auckland's Viaduct Harbour, Dr Rick Boven, director of the New Zealand Institute, a private think-tank focused on improving the country's economic standing, says not enough detail has emerged about the plan to really assess its potential. And it stands to reason that the same factors that would allow New Zealand to enter the industry might also apply to third parties with lower labour costs. "If we participate successfully in this, and it's a higher value activity than what we're doing at the moment, then it's certainly the direction we need to be taking," he says. "But if the prices of those activities are going to be set

Drawing the line: world time zones

At first glance the time-zone map looks like the work of a diligent mathematician, but the more you stare, the more you realise it is anything but. Why is all of China on one time zone while Russia stretches across nine and why do time zone lines kink and bend as they cross continents and oceans? The answer is that time zone lines are determined by governments and politics as much as the rotation of the earth. And that's why lobby groups battle to move lines to suit their interests. — (M)



- 01 An after-work football match, with Auckland Museum in the background
- 02 The Bellini Bar at the Hilton, Auckland
- 03 Longroom on Ponsonby Road, the place to be and be seen in Auckland

by the costs of Indian funds administrators, then it won't be a clever idea."

In the meeting room of New Zealand's stock exchange in Wellington – its corporate value, "Brave", emblazoned on the wall – chief executive Mark Weldon acknowledges New Zealand's location on the global clock is not a "slam dunk". And while price will be a key consideration to the proposal's success, it will not be the only one. "The math is going to be done," says the 42-year-old former Olympic swimmer. "But the world is moving away from outsourcing just to make a buck, to thinking about the quality of the service being offered."

New Zealand is well aware of its limits in size and capability. The objective is not slaying giants like Ireland, nor supplanting Australia as the region's hub for fund management. A small slice of a very large pie will suffice. "The world's such a big place – if you specialise in just a sliver, and offer that really well, then it can end up being hugely beneficial to your country," says Weldon. — (M)

18.00 – Post-work the Auckland way



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