A blue high-speed train is shown in a factory or assembly plant. The train is the central focus, with its windows reflecting the interior lights. The background features a complex structure of blue and orange beams and overhead lighting. The overall scene is industrial and brightly lit.

# GO SWISS

Learnings from The New Zealand Initiative's  
visit to Switzerland, 21-26 May 2017

**Oliver Hartwich**  
Foreword by Fraser Whineray

**THE  
NEW ZEALAND  
INITIATIVE**

## ABOUT THE AUTHOR



Oliver Hartwich is the Executive Director of The New Zealand Initiative. Before joining the Initiative he was a Research Fellow at the Centre for Independent Studies in Sydney, the Chief Economist at Policy Exchange in London, and an advisor in the UK House of Lords. Oliver holds a Master's degree in Economics and Business Administration and a Ph.D. in Law from Bochum University in Germany.

## ABOUT THE NEW ZEALAND INITIATIVE

The New Zealand Initiative is an independent public policy think tank supported by chief executives of major New Zealand businesses. We believe in evidence-based policy and are committed to developing policies that work for all New Zealanders.

Our mission is to help build a better, stronger New Zealand. We are taking the initiative to promote a prosperous, free and fair society with a competitive, open and dynamic economy. We develop and contribute bold ideas that will have a profound, positive, long-term impact.

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# FOREWORD

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I had the privilege to lead The New Zealand Initiative's mission to Switzerland. It was a fantastic opportunity to learn what works (and what doesn't) in Switzerland.

My view of Switzerland was through the lens of the business environment, and the most critical asset, people.

In Switzerland, people don't ask the Government to create jobs because they believe that businesses will create jobs. And they do.

Switzerland is a high wage economy, and we wanted to find out why.

More than 2,300 municipalities compete to create the best environment in which to do business. Where Swiss businesses succeed, they create jobs, and their cities and citizens succeed with them.

Switzerland has been so successful that the demand for people has resulted in a sustained shortage of labour. Net migration is similar to New Zealand's, and 400,000 people commute across the border every day from Switzerland's EU neighbours. The local workforce of 4.1m is leveraged by another 2.1m people working internationally for Swiss companies.

The Swiss economy has focused on higher value products and services. It is supported by net migration on

the receiving country's terms and greater productivity. Investment in both labour-substituting capital and human capital is strongly incentivised.

Switzerland's dual-education system ensures that Swiss companies play a part in delivering education. They help young people gain skills, experience and knowledge to be as productive as possible.

The Swiss have understood how important it is to be internationally competitive. The proportion of their economy exposed to international competition is substantially greater than for New Zealand. Being in the middle of Europe obviously helps but there is more to it than favourable geography. It is as much a matter of the right mindset.

Just as the competitiveness of New Zealand's flora and fauna atrophied through 200 million years of isolation from Gondwanaland, is our economy too domestically focused to really become a high wage economy, without just serving each other more expensive coffee?

I am not an economist but I look forward to hearing what economists make of Switzerland's education system coupled with devolved, incentivised and outward-looking policy settings. I welcome the Initiative's contribution to this discussion.



**Fraser Whineray**  
Chief Executive, Mercury





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## INTRODUCTION

On 14 February 1961, the Swiss Consul General to New Zealand sent a diplomatic cable back to his home government to report on a meeting he just had with Prime Minister Keith Holyoake.

Having exchanged the usual diplomatic niceties, the Prime Minister expressed his astonishment at Switzerland's system of direct democracy. As a conservative, he said, he could not quite understand why a government would subject itself to the whims of the people like that. He then asked the Swiss diplomat if Switzerland would start to centralise its political structures, which looked clumsy and slow to him.

The Swiss diplomat calmly explained to the Prime Minister how direct democracy, federalism and localism were at the heart of Switzerland's success model. But in his cable, he noted: "This seemed plausible to [the Prime Minister], without convincing him, and he remarked that he would take a look at Switzerland himself."

We do not know if Prime Minister Holyoake ever visited Switzerland. What we do know is that in the 56 years that have passed since this meeting, not much has changed in New Zealand-Swiss relations.

When New Zealanders look at Switzerland, they see a country that may superficially remind them of their own. Mountains, lakes and stunning scenery are features of both New Zealand and Switzerland.

At the same time, New Zealanders do not know much about the way Switzerland works – and they understand it even less. Switzerland's highly decentralised system of government seems confusing; their direct democracy may appear archaic; and though there is a Swiss federal government, it is always made up of all major parties with no real parliamentary opposition.

From a New Zealand perspective, it is hard to imagine how this weird system of government works. It is even harder to figure out how Switzerland has managed to become rich: a land-locked country, with no natural resources, four official languages but now twice New Zealand's per capita GDP.

The New Zealand Initiative has often highlighted Switzerland in our publications. We sent our researchers to Switzerland twice to study the housing market and local government finance system. On both occasions, the researchers came back inspired by what they had seen.



*The New Zealand Initiative delegation visiting the Town Hall of Lugano, Ticino*

To find out more about Swiss policy settings and spread the learnings on Switzerland, we invited members of The New Zealand Initiative to join us for a study tour.

From 21 to 26 May 2017, a group of 39 people headed by Mercury's chief executive Fraser Whineray took part in the Initiative's 'Go Swiss' delegation. Our delegation mainly comprised of CEOs and chairs of large New Zealand companies, who travelled with us to share in the Swiss experience.

Our group was unusual in many respects. It was very high level, probably the most senior New Zealand business delegation in recent years. And yet it was not about finding new business opportunities or establishing trade links. It was a pure ideas mission intent on discovering policy settings

that could form the basis of reform initiatives for New Zealand.

The group was based in Lucerne, from where we also travelled to Thurgau, Zurich, Lugano and Mt Pilatus. We met with Swiss politicians from all three tiers of government. We talked with industrialists, business leaders, regulators and heads of business associations. We listened to people from central and private banking backgrounds. We engaged with entrepreneurs, regulators, journalists and public intellectuals.

It was a week of learning that left us impressed with some of the features of Switzerland we discovered. It also made us question New Zealand's own policy settings, which we often take for granted. And our visit inspired us to think boldly about New Zealand's future.

This document summarises some of the key themes that emerged from our visit to Switzerland.

Though this document has been circulated to members of our group for discussion, this does not imply that everyone involved came to the exact same conclusions. But they would have all thought about the issues that are highlighted on the following pages. And they are prepared to contribute to a discussion on how to apply our learnings to public policy reform in New Zealand.

We believe that developed economies can and should learn from one another. In doing so, we need to move beyond old stereotypes and prejudices. And we have to question ourselves.

That is exactly what The New Zealand Initiative's delegation to Switzerland was all about.

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# A DIRECT AND PARTICIPATORY DEMOCRACY

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If there is one standout feature of Switzerland's system of government, it is its system of direct democracy. Yes, there are other countries that have referenda as well – and over the years New Zealand has voted on its flag, asset sales and the electoral system. But in no other country are referenda such an integral part of the political process as in Switzerland.

Referenda have a long history in Switzerland, going back hundreds of years. Involving the people in political questions started in Switzerland at a time when other European nations were still governed by absolutist monarchs.

At a formal level, there is a difference between the nature of the sovereign in New Zealand and Switzerland. In New Zealand, derived from its British heritage, sovereignty rests with Parliament. In Switzerland, meanwhile, the sovereign is the people.

This difference is much more than a formality. It has practical implications.

Because the Swiss Parliament is not the sovereign, it is not the highest instance of political power. Hence, parliamentary decisions can be overturned in referenda. It is

democracy in the original meaning of the word. The people rule.

For this reason, too, there is not the usual dichotomy between government and opposition in the Swiss Parliament. All major parties jointly form the Government, comprised of just seven Federal Councillors. These Councillors have a dual function: they are members of the Government and thereby jointly responsible for governing the country, while at the same time they head up a government department just as a minister would in New Zealand. As one of our Swiss speakers explained it to us, under this system there is no parliamentary opposition because “the opposition is the people”.

The benchmark for initiating a referendum is low. For example, only 50,000 signatures are required to subject a new federal Act of Parliament to a plebiscite. As some of our speakers explained, this has the effect of slowing down legislation because there is always potential for legislation to be challenged in this way.

Though this process slows down the work of parliament, it probably also means that the quality of legislation is higher – and there is more need to make a good case for legislative change. A shoddy



*“It is democracy in the original meaning of the word. The people rule.”*



Peter Spuhler, CEO of Stadler Rail

*“Direct democracy is not just a feature of government at the federal level, it is practised at all tiers. Councils, cantons and the federation each call their respective citizens to the polls several times a year.”*

*Councils, cantons and the federation each call their respective citizens to the polls several times a year.”*

piece of law, pushed through Parliament without a proper public debate, is more likely to be struck down in a referendum. Conversely, good legislation, especially once confirmed in a referendum, will create more popular buy-in.

Direct democracy is not just a feature of government at the federal level, it is practised at all tiers. Councils, cantons and the federation each call their respective citizens to the polls several times a year.

What impressed us was not just the routine with which serious questions of policy are decided by the people but also the disciplining effect this can have on government spending. In the city of Zurich, for example, referenda must be held for any proposed capital expenditure exceeding CHF 20m (approx. \$28.3m) or recurring expenditure of CHF 1m (approx. \$1.4m) per annum. It left us wondering how some of New Zealand’s more controversial pieces of public expenditure would have fared had they been subjected to a similar level of public scrutiny.

Another feature of Swiss democracy that impressed our group was the nature of the Parliament. It functions as a part-time parliament.

The National Council, one of the two chambers, meets four times a year for three weeks at a time.

As a result, professional politicians are a minority in the Parliament. Of the 244 members of both chambers, only 43 are full-time politicians.<sup>1</sup> There are, however, 49 practising lawyers, 43 entrepreneurs, 19 consultants, 18 farmers, 12 teachers and 8 medical doctors.

It is perfectly acceptable to be a member of Parliament while continuing to pursue one’s professional career. Over the course of our visit, we met several former and current MPs who had impressive CVs outside politics. These included:

- Roger Köppel, the publisher and editor-in-chief of the weekly newsmagazine *Weltwoche*. In 2015, he was elected to Parliament with the highest vote count of any candidate.
- Christa Markwalder, Head of Government & Industry Affairs at Zurich Insurance Group. She has been in Parliament since 2003 and served as President of the National Council in 2015/16.



- Peter Spuhler, the owner of Stadler Rail and one of Switzerland's most successful entrepreneurs. He served as an MP for 13 years.
- Hans-Ulrich Bigler, the CEO of the Association of Small and Medium Enterprises, representing 250 business organisations and 300,000 companies. He has been in Parliament since 2015.

Such biographies are not the exceptions in the Swiss Parliament but the rule. In conversations with these and other speakers, we also heard that engagement in public affairs is in no way resented – even though it requires flexibility of employers for dealing with employees elected to public office.

In summary, we found the following to be the most interesting elements of Switzerland's democratic system:

- Elections are important but referenda are an even bigger deal. The people as the sovereign have the final say in all matters local, regional and national.
- Legislation is more cautious given the possibility of referenda. This slows down decision-making but ensures better quality outcomes and public buy-in.
- Referenda have a disciplining effect on fiscal policy at all tiers.
- As a part-time institution, Parliament can attract high calibre candidates, introducing considerable professional expertise into the legislative process.
- The level of civic engagement in politics is much higher than in New Zealand. Public office and public administration are held in high regard.



Lucerne

# FEDERALISM AND LOCALISM

Direct democracy, with its constant referenda and public assemblies, may be the most eye-catching element of Switzerland's system of government. Equally, if not more important for the functioning of Swiss government is its highly-devolved nature.

Coming from New Zealand, it is hard to comprehend just how decentralised Switzerland is. A few comparisons may help to understand it better.

With a population of 4.8 million and a landmass spanning 268,021 km<sup>2</sup>, New Zealand has 78 sub-central units of government. These include

territorial authorities, regional and unitary councils.

Switzerland, meanwhile, has more inhabitants: 8.4 million. But its area is much smaller at only 41,285 km<sup>2</sup> (roughly the size of Canterbury) and within this small country, there are 26 cantons (regions) and 2,294 communes.

In other words, where New Zealand has an average of 61,500 people per sub-central unit of government, the corresponding value for Switzerland is only 3,620 people.

And where the average New Zealand sub-central unit

covers 3,400 km<sup>2</sup>, in Switzerland that area is just 18 km<sup>2</sup>.

The small size of Swiss political units is already astonishing. But these political units are not only small but also powerful. In fact, communes and cantons are the most important part of Swiss political life.

Symbolically, this is visible in the fact that Switzerland does not even have an official capital. Bern is the seat of the Federal Government and Parliament but it is only the de facto capital.

Practically, the importance of the two lower tiers of government is reflected in their tax revenues. The Swiss Confederation receives taxes equivalent to 9.5 percent of Swiss GDP. Cantons and communes combined receive more than that - 10.5 percent.<sup>2</sup>

Based on these figures, Switzerland appears to be one of the most decentralised countries on earth. However, the term 'decentralised' is misleading. That is because Switzerland was never centralised to start with and so it did not have to decentralise. It would thus be more appropriate to speak of Switzerland as a non-central country.



Council borders in central Switzerland  
(section: 30 km by 30 km)



Throughout the whole week, all our speakers stressed the importance of Switzerland's non-central system of government. They emphasised that this was one of the country's strengths.

From a New Zealand perspective, this may sound odd. We have been taught to believe that bigger usually means better. After all, this was the main argument behind the Auckland super-city merger and the Government's drive to amalgamate further parts of the country.

Many New Zealanders believe that local government is the more incompetent and wasteful part of government. Giving local government more power and money thus seems counterintuitive.

Given this widespread perception of local government, New Zealanders would not easily understand why Switzerland's super-devolved system is a competitive advantage.

However, having spent a week in Switzerland, we could see that a different way of running local and regional government affairs is not only possible. It may be beneficial.

The key to understanding Swiss local and regional government lies in one word: incentives.

Because there are local, cantonal and federal taxes for both personal and company incomes in Switzerland, each tier of government participates in increases in tax revenue. And because the structures of local government are so small, there is competition between neighbouring councils. They do not only compete in the delivery of public services, but also on tax – each council is able to set their own individual tax rate. It is the government equivalent of competition in the market place.

Such competition has a disciplining effect on councils and cantons. When they pursue wrong and wasteful policies or introduce overly burdensome regulations, there is an exit option for residents. They could just move a few kilometres

down the road to find themselves in another jurisdiction.

Of course, that does not mean that the Swiss constantly move in search of lower taxes and better services. But just the option of doing so has a disciplining effect. Underperforming councils would also struggle to attract new residents.

The way that local and cantonal government are funded determines their behaviour. In Switzerland, they are rewarded for positive economic outcomes. When a village, a city or a region grows, their budgets automatically grow too. Out of this growth, new infrastructure can be funded. It also makes it easy to tell residents why economic growth is good for a place.

When economic growth happens in Switzerland, local communities directly benefit from it. They are then able to fund new community infrastructure like libraries, schools and sports facilities. They might also receive tax cuts as communes can make use of economies of scale. Councils may also choose to cooperate with neighbouring councils in the delivery of public services without having to merge with them.

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Contrast this Swiss model with New Zealand. When economic development occurs, all the GST, income tax and corporate taxes end up with central government. Local government may only be able to increase its rates somewhat but typically not enough to cover the additional infrastructure expenditure, let alone share the spoils of growth with existing residents.

We heard a presentation on the economic development strategy of the city of Lugano in the Italian-speaking part of Switzerland. Despite the small size of Lugano (about 70,000 inhabitants), its plan was highly sophisticated and driven by the desire to make the city and its tax revenues grow. We could also see how incentives for economic development helped to build new tourism infrastructure when we toured the area around Lake Lucerne and Mt Pilatus.

We believe that the Swiss model holds valuable lessons for a reform of the way local government is organised and funded in New Zealand. At the same time, we also note that there are some structural differences between our two countries.

As mentioned above, it is easier never to centralise than to decentralise. New Zealand also lacks the Swiss tradition of trusting bottom-up decision-making. We currently do not attract the same calibre of people to public office as Switzerland does.

Having said that, we believe that a different set-up of local government would change both the way in which local government behaves and make an engagement in local politics more attractive.

These are the elements about localism we found most inspirational:

- Switzerland's structure of government is the antithesis to New Zealand's centralism. Political decisions are taken much closer to the people affected by them.
- Smaller political units may lack economies of scale but make up for scale effects by being more efficient.
- Swiss local and regional governments have much stronger financial incentives to promote economic growth than their New Zealand counterparts.
- Competition between neighbouring jurisdictions ensures that councils pay close attention to the wishes and needs of their residents.
- Tax competition at the local level is a crucial element of this competition.
- Councils can voluntarily cooperate in service delivery without having to amalgamate.



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# DUAL EDUCATION

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Direct democracy and localism were among the features of Switzerland that we were aware of before departing New Zealand. That was not least because The New Zealand Initiative had previously undertaken research in this field.

What we were less conscious of was the importance of Switzerland's dual education system for the country's economic competitiveness. By the end of our week in Switzerland, this system had become the most talked about subject in our group.

At first glance, the state of tertiary education in Switzerland may appear surprising. Switzerland is home to continental Europe's only world-leading university (ETH Zurich). Of the top 100 universities in the world three are in Switzerland, which is remarkable given the size of the country.

And yet only about 20 percent of Swiss school leavers opt for an academic education. How can that be?

The answer is that there is a highly attractive alternative to academic studies: Switzerland's dual education system.

To translate this into 'vocational training' would not do justice to what the Swiss are offering to the majority of their school leavers. It is a combination of learning-on-the-job and further school studies at dedicated education institutions. Time is spent in almost equal measure between theory and practice - and both theory and practice are acquired in parallel.

Dual education also differs from New Zealand's understanding of vocational training because it encompasses more jobs than those we would typically associate with vocational training. They include both blue and white-collar jobs, and dual education is regarded as a pathway to many jobs that require a university degree in other countries. In Switzerland, however, it is possible to rise to C-suite jobs after taking the dual education pathway.

Switzerland offers a highly developed, flexible and differentiated range of education options (see pg 14). To explain how they work in detail is beyond the scope of this briefing document.



*Prof. Dr. Sarah Springman  
Rector of ETH Zurich*

*"Of the top 100 universities in the world three are in Switzerland, which is remarkable given the size of the country."*

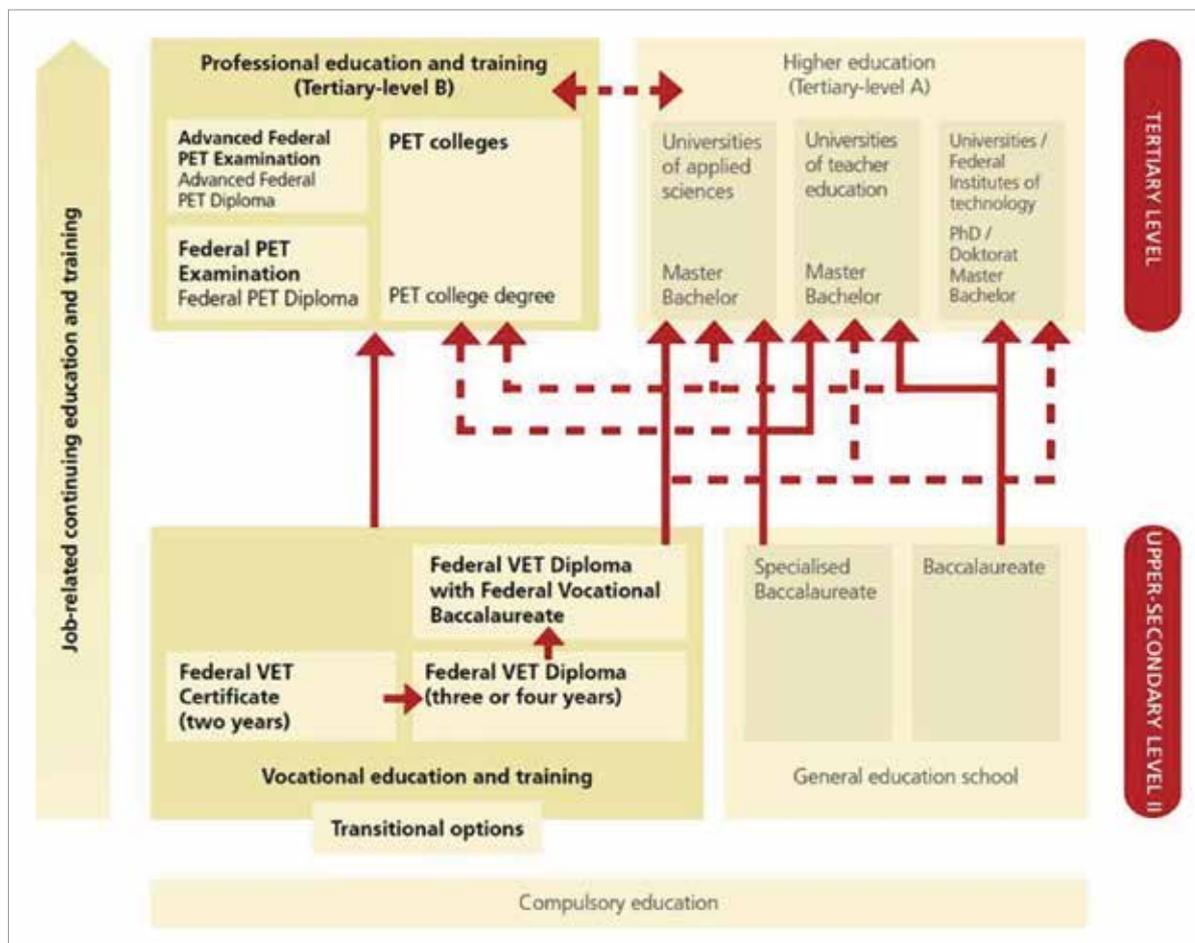
However, the basic idea behind the Swiss dual education system is easily explained. Swiss school leavers should receive a high-quality education that will lead them to gainful employment. It should also enable them to continue their education journey along flexible pathways. This then creates a high skills, high wages economy.

One of our speakers, a senior finance executive, told us of his

son who first trained to become a nurse. Having worked as a nurse for a few years, he acquired a further vocational qualification as a medical-technical assistant. Another few years later, he is now finishing a related university degree and already planning a PhD project at an American ivy league university.

What made this personal story even more interesting from our perspective was that the father

said he had always been happy with and supportive of all of his son's education decisions. In other countries, New Zealand included, parents are often disappointed if their children decide against a university education. Not so in Switzerland: There is no higher social status associated with a university degree, and conversely there is no stigma associated with taking a vocational training pathway. Both options are equally accepted and similarly well-regarded.



Basic structure of the Swiss education system<sup>3</sup>



Stadler Rail Factory, Bussnang

How well the dual education system works was visible when we visited the factory of Stadler Rail in Bussnang. There, of the roughly 1,700 employees, about 70 are apprentices. In this way, Stadler Rail is investing in its future and helps to shape the workforce it needs.

Youth unemployment in Switzerland stands at 3.6 percent, there are more than 58,000 companies training apprentices, and the savings for businesses from vocational training are estimated to be more than \$700 million each year.<sup>4</sup>

For our group, the key points learned on dual education were:

- There are highly attractive options for Swiss school leavers, both for those wishing to pursue academic studies and others preferring a vocational training pathway.
- There is equal respect for academic and non-academic education.
- The cooperation between companies and schools in the delivery of vocational training is a crucial determinant of dual education's success.
- Switzerland does not pigeon-hole its students but keeps open a variety of development options throughout their professional life.
- Companies are a key driver behind delivering solid education – and they are a key beneficiary of this system as well.



Stadler Rail, Bussnang

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# A FLEXIBLE LABOUR MARKET

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Another feature of Switzerland we found executable in New Zealand was the liberal nature of its labour market. Switzerland is a country in which it is easy to enter into and terminate employment contracts.

In Switzerland, unlike most other developed economies, there are practically no legal protections for employment contracts (with few exceptions). Unless agreed otherwise, an employee can be laid off with a month's notice in their first year. For employees in their second to ninth year with the same company, that notice period increases to two months, and for employees serving longer than ten years it is three months. No reasons need to be given for terminating an employment contract.

Though it is easy to appreciate such a deregulated labour market from a business perspective, it was remarkable to learn how much public support there is for keeping the market liberal. It is also worth emphasising that this flexible employment law goes hand in hand with a low unemployment rate and a very low number of working days lost to employment disputes and strikes. There is also no stigma attached to having one's employment contract terminated.

As our colleagues from Swiss think tank Avenir Suisse put it:

"There have been various federal referendums calling for additional regulations or restrictions in the labor market, such as: 6 Weeks Paid Vacation for All (2012), Initiative 1:12: recommending a fixed range between the highest and the lowest salary in a company (2013), and the Federal Minimum Salary (2014), but all were blatantly rejected. The only exception was the Minder initiative adopted in 2013. It denoted the nation's exasperation regarding certain policies, which excessively benefitted the compensation arrangements of senior executives in some large companies based in the country."

We were impressed by the level of national consensus on such a sensitive and politically charged issue. It is worth further study.

- The flexible Swiss labour market is a success factor for the Swiss economy.
- Switzerland upholds the "freedom to terminate" right, by which employment contracts can be ended easily by either party.
- There is a broad social consensus for keeping employment laws liberal.



Dr. Peter Grünenfelder  
Director of Avenir Suisse

*"Though it is easy to appreciate such a deregulated labour market from a business perspective, it was remarkable to learn how much public support there is for keeping the market liberal."*



Mt Pilatus, Lucerne

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# CONCLUSION

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Having spent a week in Switzerland, and with a dense schedule of meetings, tours and encounters, our group was inspired and impressed. In a landlocked country with few natural resources, the Swiss have built one of the most prosperous countries on earth.

Among the factors behind Switzerland's success are its political system which is built on citizen participation and engagement; its highly decentralised nature which fosters competition for better development ideas; its high-quality and flexible education system which provides tailor-made pathways for its young people; and its flexible labour market.

It was interesting to observe that throughout the week, all our Swiss speakers referred to these elements of the Swiss success story. Switzerland has obviously formed its own narrative in a way that New Zealand rarely has.

It is a narrative which emphasises Switzerland's independence. Harmonisation is the antithesis of what Switzerland is about. Where other countries try to harmonise their practices with the rest of the world or aim for best practice, Switzerland strives for smarter solutions.

The delegation visit to Switzerland was a first for The New Zealand Initiative. Its purpose was to engage our members in a dialogue on policy options for New Zealand. Since our return, we can already see this happening. Our members have individually spread their learnings from the trip within their networks. We have brought up ideas from our trip in conversations with other business leaders, politicians and journalists. And we sense that there is a great deal of interest in what Switzerland has to offer.

There are two mistakes we could make when it comes to applying the Swiss lessons to New Zealand:

- We could either naively believe that whatever Switzerland does well could work equally well in New Zealand; or
- We could unthinkingly dismiss Swiss lessons by asserting that Switzerland and New Zealand are too different to learn from each other.

Both views are mistaken. We must acknowledge where, for historical and geographical reasons, New Zealand will never be like Switzerland. One cannot replicate history or transplant national narratives.

Conversely, to just point out how different our two countries are would be a missed opportunity. It would be an ignorant view of the kind that Prime Minister Holyoake demonstrated more than half a century ago.

What we should do instead is this: Acknowledge the differences that exist, but work to identify individual aspects and elements of Switzerland's policy settings that could well work here – even in a modified form. We have no doubt that among them are the ideas of:

- High citizen engagement in democratic processes;
- Decentralisation and tax competition to incentivise economic growth;
- The dual education system, which creates high-quality and diversified training pathways; and
- a broad national consensus to keep the labour market flexible.

We believe that it is worth engaging with these ideas further. This could be done through research, further study trips and trialling them in New Zealand.

## APPENDIX 1

# MEMBERS OF THE DELEGATION TO SWITZERLAND

NAME	POSITION	ORGANISATION
Fraser Whineray	Chief Executive & Head of Mission	Mercury
Malcolm Alexander	Chief Executive	Local Government New Zealand
Mark Averill	Chief Executive	PwC
Chelsy Blair	Operations Manager	The New Zealand Initiative
David Bridgman	Partner	PwC
Tim Brown	Management	Infratil
Tony Carter	Chairman	Air New Zealand
Barbara Chapman	Chief Executive	ASB Bank
Matthew Cockram	Chief Executive	Cooper and Company
Peter Cooper	Executive Chairman	Cooper and Company
Stephanie Davis	Country Director	Google
Michael Dunlop	Chairman	Acumen Republic
Andrew Grant	Senior Partner	McKinsey & Company
Chris Gordon	Partner & Chairman	Bell Gully
Peter Harris	Managing Director	CBL Insurance
Dr Oliver Hartwich	Executive Director	The New Zealand Initiative
Alan Judge	Chairman	EY New Zealand
John Judge	Chairman	ANZ Bank New Zealand Ltd
Adrian Littlewood	Chief Executive	Auckland Airport
Michael Lorimer	Director	Grant Samuel & Associates
Christopher Luxon	Chief Executive	Air New Zealand
Sir Christopher Mace	Director	The New Zealand Initiative
Douglas McKay	Chairman & Director	Bank of New Zealand & IAG
Fran O'Sullivan	Managing Director	NZ INC.
Roger Partridge	Chairman	The New Zealand Initiative
Kane Patena	Director, Governance & Assurance	Wellington City Council
Neil Paviour-Smith	Managing Director	Forsyth Barr
Bruce Plested	Chairman	Mainfreight
Sjoerd Post	Chief Executive Officer	Refining NZ
Simon Power	GM Consumer Banking & Wealth	Westpac
Chris Quin	Chief Executive	Foodstuffs North Island
Graham Rich	Managing Partner & Dean	PortfolioConstruction Forum
Sam Ricketts	Managing Director & Head of Investment Banking	First NZ Capital
Craig Stobo		Stobo Group Ltd
Mark Tume	Chairman	Infratil
Blair Vernon	Managing Director	AMP
Dr David Vogelsanger	Ambassador to New Zealand	Swiss Embassy
Sir John Wells	Chairman	CBL Insurance
Kelvin Wickham	Chief Operating Officer (NZMP)	Fonterra

APPENDIX 2

# MEDIA MENTIONS OF OUR DELEGATION



- How to fund the America's Cup defence (\$), *The National Business Review*, 7 July 2017.
- Make Kiwis run like clockwork, *Sunday Star Times*, 2 July 2017.
- What's the key to Swiss success? It's the education, *New Zealand Herald*, 17 June 2017.
- A tale of two countries, Dr Oliver Hartwich, *The National Business Review*, 16 June 2017.
- Finding secrets of Swiss success, *The Wellingtonian*, 15 June 2017.
- Fran O'Sullivan on the business delegation to Switzerland, *Newstalk ZB*, 7 June 2017.
- Unusual business in Switzerland, Roger Partridge, *The National Business Review*, 2 June 2017.
- Stolz und direkte Demokratie, *Weltwoche*, 1 June 2017 (German).
- Da Wellington a Palazzo Civico (Italian), *Ticinonline*, 24 May 2017 (Italian).
- Kiwi bosses set off in search of secrets behind Swiss success, *New Zealand Herald*, 15 May 2017.
- Why councils want to keep a lid on their population growth - Patrick Smellie, *Stuff.co.nz*, 6 April 2017.





## KEY FINDINGS AT A GLANCE

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### A direct and participatory democracy

- Elections are important but referenda are more important. The people as the sovereign have the final say in all matters local, regional and national.
- Legislation becomes more cautious given the possibility of referenda. This slows down decision-making but ensures better quality outcomes.
- Referenda have a disciplining effect on fiscal policy at all tiers.
- As a part-time institution, Parliament can attract high calibre candidates, bringing considerable professional expertise into the legislative process.
- The level of civic engagement in politics is much higher than in New Zealand. Public office and public administration are held in high regard.

### Federalism and Localism

- Switzerland's structure of government is the antithesis to New Zealand's centralism. Political decisions are taken much closer to the people affected by them.
- Smaller political units may lack economies of scale but make up for scale effects by greater efficiency.
- Swiss local and regional government has much stronger financial incentives to promote economic growth than their New Zealand counterparts.
- Competition between neighbouring jurisdictions ensures that councils pay close attention to the wishes and needs of their residents.
- Tax competition at the local level is a crucial element of this competition.
- Councils can voluntarily cooperate in service delivery without having to amalgamate.

### Dual education

- There are highly attractive options for Swiss school leavers, both for those wishing to pursue academic studies and others preferring a vocational training pathway.
- There is equal respect for academic and non-academic education.
- The cooperation between companies and schools in the delivery of vocational training is a crucial factor for the success of dual education.
- Switzerland does not pigeon-hole its students but keeps open a variety of development options throughout their professional life.
- Companies are a key driver behind delivering solid education – and they are a key beneficiary of this system as well.

### A flexible labour market

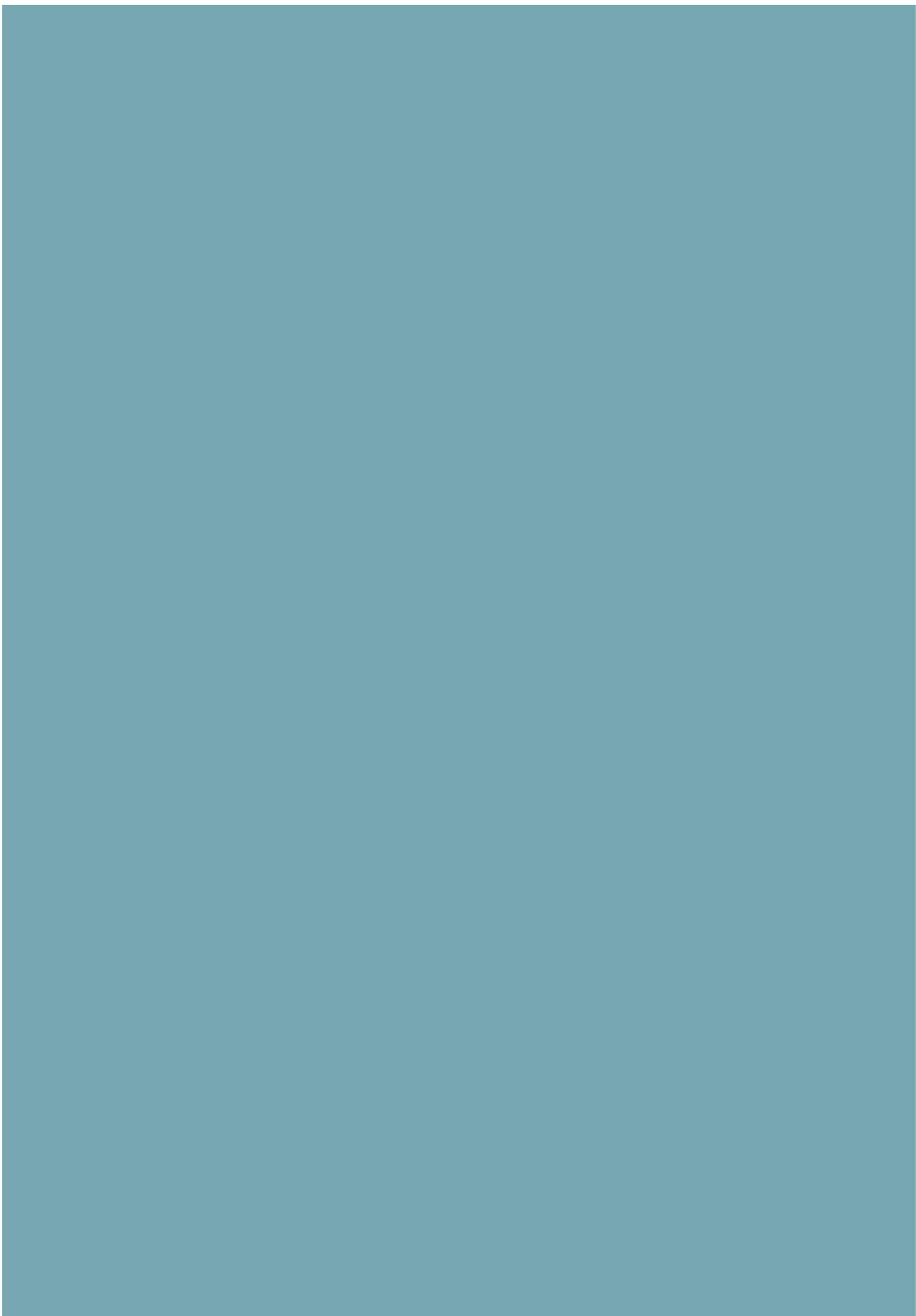
- The flexible Swiss labour market is a success factor for the Swiss economy.
- Switzerland upholds the “freedom to terminate” by which employment contracts can be ended easily by either party.
- There is a broad social consensus for keeping employment laws liberal.

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## ENDNOTES

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- <sup>1</sup> 'Im Parlament sind Bueezer eine Seltenheit', 20 Minuten (Zurich), 20 February 2015, <http://www.20min.ch/schweiz/news/story/Im-Parlament-sind-Bueezer-eine-Seltenheit-15316848>.
- <sup>2</sup> Swiss Federal Statistical Office, Tax system and receipts, <https://www.bfs.admin.ch/bfs/en/home/statistics/general-government-finance/tax-system-receipts.html>.
- <sup>3</sup> Federal Institute for Vocational Education and Training, Tertiary education with high labour-market relevance – Swiss professional education and training, 2014, <https://www.bibb.de/en/17764.php>.
- <sup>4</sup> Switzerland Global Enterprise, Vocational Training in Switzerland, <https://www.s-ge.com/sites/default/files/cserver/publication/free/factsheet-vocational-training-s-ge.pdf>.
- <sup>5</sup> Avenir Suisse, The Swiss Labor Market, 21 June 2017, <https://www.avenir-suisse.ch/en/swiss-labor-market/>.



"The Swiss have understood how important it is to be internationally competitive. The proportion of their economy exposed to international competition is substantially greater than for New Zealand. Being in the middle of Europe obviously helps but there is more to it than favourable geography. It is as much a matter of the right mindset."

**Fraser Whineray**

Chief Executive, Mercury

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