

# Molesworth & Featherston

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Business and political news

27 July 2004

An update in the exclusive Molesworth & Featherston rolling poll of polls confirms the next government is Winston Peters' call at the moment. You'll find lots of political and media comings and goings, this week's Cabinet decisions, the Reserve Bank prepares to increase your mortgage rate again and a government department believes there is plenty of potential hydro power even without Project Aqua. All this, plus a little bit more, in this week's update.

## Mole Poll

A bad Labour result from some weeks ago has mostly fallen out of our data - at the same time as National seems to be opening the gap again - so the statistical outcome this week (showing the gap has narrowed) is slightly deceptive of the near term trend, as opposed to the trend over the whole rolling average. There are a couple of good Labour result about to fall out, so if the recent trend continues National will open about a 3.5 point gap in a couple of weeks time. The other new trend is a slight recovery in third party vote.

So assuming Peter Dunne and Jim Anderton win seats and Rodney Hide doesn't - we will change that assumption if we see any sign that Mr Hide is getting close to winning a seat or wringing a concession from National in Epsom or Tamaki - our numbers look like this:

	Party votes	Total MPs
Progressive	0.20%	1
Green	5.04%	6
Labour	40.15	51
National	41.71%	52
NZ First	5.01%	6

United Future NZ	2.22%	3
Maori	1.92%	2
Act	2.1%	0

It's a 121 seat Parliament with Jim Anderton's Progressives providing an overhang seat, though a Government would still need 61 seats. So it's almost neck and neck. National and United - the agreed bloc since Peter Dunne's party will go with the biggest party - has 55 seats. Labour, the Greens and Mr Anderton can muster 58. With the Maori party - and with Matt McCarten's Alliance all but backing them it is hard to see them opting for National whatever Tariana Turia may say - the left can only get to 60.

So it's Winston Peters in the driving seat. Either he could do a deal with National-United and get a wafer thin 61 seat Government, or he could go the other way, perhaps insisting that some of the minor players get the boot from any formal deal. Poor Helen. Poor Don.

### **Member's end**

Selection season has brought the resignations of a number of MPs. Still relatively young, National's Dr Lynda Scott and Roger Sowry are the biggest surprises.

There is never a single motivating factor behind an early retirement. Lynda Scott's departure after only two terms is thought to be partly linked to frustration with the policy-making process, and especially the highly influential role of Murray McCully, as well as signals that her centrist approach is on the wane in the party. Her resignation, and the impending announcement from Georgina Te Heuheu that she will not take any more humiliation at the party's hands, have precipitated an earlier-than-planned reshuffle of National's line-up. Could happen in the next few weeks even, our informants say. There has been a lot of un-scheduled activity in the leader's office in the last few days. An early reshuffle was teased in the National Business Review last week, although relying on Richard Worth and Judith Collins for their picks produced some strange forecast. Ms Collins will no doubt get a promotion along with Tony Ryall and John Key, who Dr Brash is grooming to take over as finance spokesman. But chances are much slimmer for 'One Hump' Worth (famous for camel riding when he should have been at a commemorative service in the Sahara) -- both a higher slot and the defence role are surely in his dreams.

Labour's failed 2002 candidate in Dr Scott's Kaikoura seat, Brendan Burns, is publicly ecstatic at his prospects now she is going, but in truth he doesn't stand a bolter's chance of winning it, especially with a swing against Labour. Appointed to

run a new government communications unit, quickly dubbed the Burns Unit, his prospects of a good list place have dimmed with the unit's poor showing and his obvious positioning on the right of the party. His selection in Kaikoura will be a convenient opportunity to re-engineer the unit that bears his name.

Also on the way out is Invercargill's Mark Peck. He was popular with his local constituency, but Labour has the seat on its short list of those it expects to lose - along with David Parker's Otago seat. Mr Peck is also on the right of the Labour caucus and some fratricidal viciousness meant he had little chance of advancement.

### **Acting up**

More signs this week that the Act Party is still divided, with the hint from the ghost of leaders' past, Richard Prebble, that he does not accept it is up to the party and the new leadership to decide whether to appeal the Donna Awatere Huata Appeal Court decision. Either Mr Hide has to rein him in or his authority will quickly be undermined. By the way, has anyone seen or heard from Rodney Hide lately? His profile has gone subterranean since he won the leadership.

### **Little big victory**

The leader of the country's biggest union, Andrew Little of the Engineering Printing and Manufacturing Union, easily beat off the challenge to his job winning 75 per cent of the ballot. Those close to the union say he now has the mandate to clean out some dead thinking, if not dead wood, and get some of his modernizing ideas in place - including a higher profile and a more pro-active push to get more members. Four years after the Employment Relations Act was put in place private sector union coverage is still a lowly 12 per cent of the workforce.

### **Paula poaching**

More churning in the print media as the Herald's Sunday paper draws nigh. We hear that Friday could see the formal announcement with a September or early October launch date. The latest to play musical keyboards is Paula Oliver from the Herald's Wellington business team who is going to Dow Jones Newswire. Another refugee from the Business Herald since the surprise appointment of Richard Inder as the Business editor? Others to head for the new paper are Sunday Star Times political reporter Jonathan Milne and Leah Haines from the Dompost's gallery office, so it looks as if the paper will have a two person and very energetic political

office to compete with the current empty SST office. Look for more urgent poaching from editor Cate Brett at the SST as she tries to fend off the new tabloid on the block.

Meanwhile the Dompost's very able Business Day editor Craig Howie is going to the dark side, joining the ANZ Bank as its corporate communications manager.

Suddenly there are more jobs for well-performed political and business reporters than there are bodies to go around. We may have to give this up and get a day job.

### **Cabinet and the week ahead**

Cabinet finalised the details of the aquaculture legislation for introduction this year and passage before Christmas so the moratorium on new ventures can be lifted.

It also got close to finalising amendments for the Human Assisted Reproductive Technology Bill .

It noted the 2004 edition of the social report, measuring New Zealand against other countries, from the Ministry of Social Development. It will be publicly released early in August.

This week in the House will see two days of debate on the Estimates, followed by the Children Young Persons and Their Families Amendment Bill (No 4) and the Fisheries Amendment Bill (No 4) second reading.

Later this week will see announcements on school property, with the Government keen to crow about its school building programme to counter-balance the negative publicity in recent months from the school review (and closures).

### **High yield**

Is Reserve Bank Governor Allan Bollard the Donald Rumsfeld of the New Zealand economy?

On Thursday he will announce a further increase in the official cash rate - the interest rate the Reserve Bank pays your bank for holding your money - to six per cent. Most commentators believe that's it for this cycle. A Bloomberg news survey of thirteen financial institutions found only four expect a further 0.25% increase in September, and only the ASB is expecting a further rate rise in December.

Think of interest rate increases as the deployment of infantry and artillery to bomb the daylight out of the economy until inflation surrenders or flees the capital. The suggestion is 'Rummy' Bollard sent too few troops to begin with and will now have some difficulty extracting them. The ANZ Bank this week expressed its concern about 'the roller-coaster trajectory of interest rates since the OCR was introduced' and foreshadowed the possibility of an embarrassing policy reversal ('troop withdrawal') in 2005. The suspicion is a shortened 'shock and awe' increase in interest rates earlier might have produced a smoother cycle in the long run. A counter-veiling view is a short sharp shock may well have stifled inflation but at the cost of unnecessarily stamping on emerging growth. We say leave it alone, but we doubt Dr Bollard is listening, and there is some evidence on his side.

There is considerable evidence of underlying economic strength. Only today Statistics NZ figures show merchandise imports leapt 6.2 per cent in the three months to June - on top of a seven percent-plus rise in the first three months of the year. In addition commodity prices at a cyclical high have defrayed the costs of the dollar's continued strength.

### **Nice if you can get it**

Two hundred new jobs for \$1.5 million to computer giant EDS from Investment NZ's Strategic Investment Fund.

EDS's New Zealand CEO - TVNZ's former high quality chief executive Rick Ellis - is adamant the jobs would not have come to New Zealand without the New Zealand government demonstrating its commitment to a partnership - of which the funds were one dimension. EDS has committed to creating a total of 360 jobs by March 2006.

Economic development Minister Jim Anderton says the deal checks a number of development boxes: Relevant skills in a high tech industry, experience and new linkages with a global ICT firm and increased export earnings. EDS has been cutting back worldwide staff while the New Zealand workforce has been expanding.

National has attacked the deal, accusing the government of picking winners. But the policy is a difficult one for the Opposition. Mr Anderton privately enjoys the attacks because they help position him as pro-business and provoke expressions of support. If it's 'corporate welfare', the arguments are the same as for any form of targeted assistance: A tax cut across the board would either be insignificant or would cost far more, with the bulk of the benefit going to low quality (from a public policy point of view) recipients.

## Water world

There is as much as 2,500MW of new hydro power potential around New Zealand according to a study by the Ministry of Economic Development. That's enough for at least five or six years of new demand.

MED's report says there are probably more 'significant opportunities' not yet publicly identified. Most hydro potential identified is not being actively investigated.

The vast majority of potential is in the South Island. More than a quarter of the potential is on the Waitaki and another 17% on the Clutha. Other significant sources include Canterbury's Waiau; Ngaruroro in Hawke's Bay; Whanganui, Wairau, Hurunui and Mohaka.

North island development is a priority because that's where demand is and there are transmission capacity problems and efficiency losses in moving the energy from one end of the country to the other.

## Letters

Subscriber Peter G sent this.

Helen Clark was driving to the airport to catch a plane to the rugby. Travelling at high speed the car went around a corner and there in the middle of the road was a cow. The driver tried to avoid a collision but alas crashed into the cow, killing it instantly.

The Prime Minister instructed the driver to get out and visit the farmer and notify him of the incident. The driver left the car and walked off down the farm track.

Two hours later he returned to the car clothes ripped and in a dreadful state. When asked what had happened the driver said that the farmer gave him lots of whiskey, the wife supplied him with cigars and the teenage daughter shagged him for an hour.

"What did you say to the farmer about the accident," he was asked.

"All I said was 'I am the Prime Minister's driver and have just had an accident and killed the cow.'"

## Fine Print

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