

# Molesworth & Featherston

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Business and political news

31 August 2004

There is another endorsement of the strength of our economy on the way. Unsurprisingly, the polls are showing a solid lead for the Government. We have the details of this week's Cabinet, Parliament's Order Paper, a look at the Australian election and fishy irritation and a bit more in this week's summary from inside the loop...

## **Bank on it**

New Zealand could be headed for a podium finish in a respected survey of the world's best places to do business.

The World Bank's 'Doing Business in 2005', is due to be released this month. The survey of 130 countries compares business regulations and enforcement -- factors such as the time it takes to set up or close a business, flexibility of employment laws and the difficulty of enforcing contracts.

Last year Forbes magazine placed New Zealand in the top eight countries globally on the World Bank's indicators, alongside countries like Singapore, Malaysia, Ireland and Switzerland as places where business is welcome. Denmark came out top.

A Molesworth & Featherston analysis of the same figures this year suggests New Zealand could improve its comparative standing in the new survey. If this were the Olympics, a medal would be in sight. A World Bank executive directors' briefing on the survey shows New Zealand outranking the world in the number of procedures to start a business and the cost of transferring property title. The introduction of online processing seems to have helped lift our standing.

It's inevitable the Government will use the survey to hammer Dr Brash again over his comments in the Australian Financial Review suggesting New Zealand is a potential pacific island basket case.

The World Bank's sources in New Zealand were mostly independent of government, including a stellar line-up of leading law firms (we noted a pleasing overlap with our own subscription and contributor base).

The World Bank study has its limitations. It has highly political aims -- as the (UK) Times put it, the study analyses 'how regulation hinders wealth creation'. And last year's study used the unlikely figure of 12% of GDP as the size of New Zealand's 'black' economy – a number we challenged last week.

More seriously, if its claim is correct that New Zealand is one of the world's best places for business, why does New Zealand produce so few world-scale businesses? The most likely explanation is that light regulation alone is insufficient to secure stand-out business performance – a country needs more, an explanation likely to irritate the World Bank.

### **Pollie poll**

The trend of recent weeks continues in our exclusive rolling poll of polls with further consolidation of Labour's 4-5 percentage point lead over National. If you consider the Green's dip under five percent to be a statistical blip, then Labour plus the Greens plus Jim Anderton is a viable Government, as is Labour plus NZ First and any number of combinations including United Future and the Maori Party.

National on these numbers cannot realistically construct a centre-right administration and must be wondering what to do next now that support for leader Don Brash is weakening.

Among the minor parties there is a small but perceptible improvement in Act's fortunes, although the party still has a mountain to climb. The Maori Party is consistently polling above 2 per cent and could soon displace Act as the fifth strongest polling party.

So the numbers are

Party	Percent
Labour	43.07
National	38.56
NZ First	4.96
Greens	4.95

Act	2.54
Maori	2.37
United Future	2.29
Progressive	0.40

## The Week and the Week Ahead

There is a buzz that Cabinet will reshuffled next January, which would sort out ministers for the election year run and ease Speaker Hunt off to his London retirement job.

Cabinet on Monday approved regulations implementing a low fixed-charge tariff as a required option for domestic consumers from power retailers. It also approved for introduction the Public Records Bill, which will replace the 1957 Archives Act.

It also finalised the bill dealing with business concerns about the so-called “unintended consequences” in the 2003 Holidays Act (making it clear there was no penal rate entitlement for those sick on public holidays and no penal rates on top of penal rates for those who already had them in their employment agreements). The bill, much to unions’ chagrin, will also allow employers to demand a medical certificate if they suspect people are throwing a sickie - and there will be no requirement for them to wait for a staff member to be off for three days in a row, as is the case under the current law.

At her post-Cabinet press conference Prime Minister Helen Clark said ministers had been working on a strategy to deal with seasonal labour shortages. “There was a meeting recently between Damien O’Connor, Paul Swain, and Rick Barker with the horticulture industry, and they will have some announcements to make this week about the way ahead,” she said.

Work is also well underway on a major document that draws together Government social policy across a wide range of agencies and departments into a unified framework. It will identify priority areas for attention in social policy over the next three to five years and will be released in the next few weeks.

Ministers decided to continue for another two years New Zealand’s contribution to the UN truce supervision organisation, on the border of Israel and Lebanon.

### **In the House this week**

Parliament will complete the first reading of the Ngati Awa Claims Settlement Bill and complete the Fisheries Amendment Bill (No. 3). The Maori Fisheries Bill will get its second reading, and there should be time for the first reading of Judith Tizard's Historic Places Amendment Bill and the third reading of the Resource Management (Waitaki Catchment) Amendment Bill.

Time permitting the Customs and Excise (Motor Spirits) Amendment Bill, will also get an airing.

On Wednesday employment minister Steve Maharey will release the industry training report for 2003, revealing the numbers in industry training and modern apprenticeships.

Thursday will see the launch of the food industry accord, which complements the Healthy Eating- Healthy Action strategy, which Annette King has been driving.

On Friday, Jim Sutton is off to the Apec trade Ministers' meeting in Jakarta.

Michael Cullen is at the Apec finance ministers' meeting in Chile for most of the week.

### **Fishy business**

The nation's professional fishers are crying into their bisque over the possibility that Conservation Department boss Hugh Logan might be keen to replace Warwick Tuck as the CEO of the Fisheries Ministry when his term expires. Seems it's not just the natural fear that a greenie might be at the head of the ministry. Also making them choke on their chowder was the recent move by DOC – apparently without Maffish knowledge – to bring a urbane Greenpeace-friendly Professor Daniel Pauly, of the University of British Columbia, to tell the world how New Zealand should unilaterally stop fishing productive sea-mounts ... at a time when the cabinet was contemplating its response to the issue through the United Nations and while the fisheries industry was pressing for a regional approach to the issue. Whoops.

### **Alliance of the few**

Just when we were contemplating how altruistic Matt McCarten and his merry men and women were to advise members to either vote Green or Maori for the list and the Maori seats – because the Alliance wanted a centre-left Government and would

only stand this time in general seats – papers from one of the Alliance’s regional ‘conferences’ were flashed before our eyes. It showed that the party needed to grow its membership base by “500 per cent (i.e. 1500-2000 members)”. Now by our calculation that means current membership is only between 300 and 400 ... and you need 500 to be a registered party. Perhaps it wasn’t so much choosing not to stand on the list as wondering whether they had the numbers to viably present as a party?

### **Brutally Franks**

There were headlines for last week’s suggestion from Act MP Steven Franks that he could switch to National if Act’s polling doesn’t increase, but observers recall similar comments from him on the topic before. In the past he has suggested the entire Act party could merge with National. His musings attracted extra attention this time because the issue was personalized to him alone.

It’s not only Mr Franks who faces a dilemma. The National Party has to work out how to handle Act’s polling.

Many in National would not be unhappy to see Act disappear. The party’s perceived radicalism washes off on National, and severely complicates post-election coalition-making.

On the other hand, National can’t afford to write off the three or four MPs Act could potentially add to the centre-right in a tight contest on the basis of today’s poll of polls. If Act looks like dwelling at one or two percent, National will kiss it goodbye. At four per cent plus, it will expect Act to get home under its own steam in the campaign. But at three per cent? That might be too much to haul back during a campaign and too much for National to dismiss.

It’s not just the left that might be hoping to see Act disappear. There must be MPs wondering whether the National Party could find a sacrificial lamb in an electoral seat. If you had to lose one National MP to bring in three Act votes...Epsom might be the easiest seat to fleece.

### **Howard’s end?**

Early federal elections are the standard fare in Australia. Prime Ministers call them when they think they can win. Losing PMs go the full term.

The odds of John Howard holding his job are pretty good, even though they shortened significantly after he called the election for 9 October.

The conventional wisdom holds Mr Howard had to take Australia to a vote before the US, because the potential for President Bush to lose created a serious risk to Mr Howard's chances. He couldn't call an election before the Olympics were out of the way, and it can't hurt to campaign in the warm glow of more medals than a red-blooded kiwi can stand

But current polls put the Liberal-National coalition behind. These things can be deceptive. John Howard lost the popular vote in 1998 (by a sizeable 2-point margin) yet hung on to power by sweeping the marginal seats.

The ALP leader Mark Latham has electrified the Labor Opposition, but old hands expect there'll be at least one spectacular Latham wipe-out during the campaign (possibly helping to explain why John Howard has called a very long campaign -- by Australian standards -- of six weeks).

### **Put your money on it**

The markets will give you around \$1.50 for a Liberal-National coalition win; \$2.25 for the ALP. All three major polls (Morgan, Newspoll and AC Neilson) indicate Labour is ahead at the moment. So who to believe, the polls or the betting markets?

An important academic paper was published in the Australian Journal of Political Science (yes we are aware of the irony) after the 2001 Australian federal election. Justin Wolfers from Stanford University and Andrew Leigh, a doctoral student Harvard's John F. Kennedy School of Government, compared opinion polls and betting odds.

They found opinion polls taken close to the election are quite accurate, but struggle to cope with the problem of marginal seats. The betting market not only correctly forecast the election outcome, it also provided very precise estimates of outcomes in individual electorates.

The authors suggested media attention should focus on reporting odds, rather than paying for polls.

The pundits are paying close attention to the theory this time round, not least because it gives a sizeable industry a bit of a nudge. We'll keep you up to play with the odds -- and the polls.

### **Media notes**

Rebecca Macfie is tiring of commuting between her Christchurch home and the Auckland office where she edits Unlimited magazine, so she's decided she doesn't

want to be editor any longer. The search is one for a replacement for her, though she will stay on as a highly respected writer.

### **About last week...**

A couple of you noted the IRD had not 'announced' a limited amnesty for tax evaders, as we mis-stated. A discussion document floating the idea was released.

We'll bring back the reviews next week – returning to fine lunching in Wellington's power cafes.

### **Fine print**

Molesworth & Featherston hits the stumps and the campaign trails every Tuesday to be your most up to date politics and economics newsletter.

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[rob@molesworthandfeatherston.info](mailto:rob@molesworthandfeatherston.info)

Politics and economics contributions to:

[rachel@molesworthandfeatherston.info](mailto:rachel@molesworthandfeatherston.info)

Your comments should be sent to:

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