

# Molesworth & Featherston

---

Business and political news

7 September 2004

It's a fight on the right in the race for Auckland, the government's economists see the good times, we check polls in the US, Australia and the Maori seats, there are details from this week's Cabinet and lobbyists need to get up to speed on the industry sectors being lined up for special attention. Plenty of newspaper gossip and the return of our executive lifestyle review...

## Money or the Banks

The Auckland mayoral race is heating up to be the most interesting in the country (as it should be, given Auckland's economic importance to the rest of New Zealand) with challenger Dick Hubbard now ahead of incumbent John Banks in a recent Herald poll.

The big question is whether Christine Fletcher will withdraw – she is irrelevant to the race except to the extent she may draw votes away from Mr Hubbard and give Mr Banks a second term.

The real race – Hubbard v Banks – cannot strictly be characterised as a traditional left against right battle. While Mr Hubbard is clearly to the left of, say, the Business Roundtable, the cereal millionaire can hardly be described as a raving socialist. He is likely to secure the traditional left and green vote, while also having significant appeal to those businesspeople attracted by the “triple-bottom-line” message of the Business Council for Sustainable Development, which he and Warehouse boss Stephen Tindall set up.

Further evidence leading Auckland businesspeople may be seeking change comes in the form of Kim Ellis, Managing Director of Waste Management NZ Ltd, who put his name to advertisements to be run in local papers on Wednesday on behalf of a group calling itself ‘Action Hobson’, contesting the three Auckland City Council seats in the plush suburbs of Parnell, Remuera and Epsom.

In the advertisements, Kim Ellis will strongly oppose the planned Eastern Motorway supported by Mr Banks (and about which local Epsom MP Richard Worth has also expressed scepticism in a recent local newsletter).

Mr Ellis' company has around 120 trucks on Auckland roads at any one time. His personal view is that Auckland's challenge is not to build more motorways through the city's most desirable suburbs – motorways that will soon become congested – but to reduce vehicle traffic in congested areas.

In an apparent challenge to publicly-owned Ports of Auckland, he will say that "includes our trucks from Waste Management, the port company's trucks, private cars and anyone else who uses the road transport system."

Action Hobson, which has pulled off a coup with Mr Ellis's public support, argues Auckland has experienced fifty years of mismanagement over transport issues and needs finally to make the decision to invest in world-class public transport such as that found in Vancouver, Perth and Hong Kong – apparently at any cost.

But the group, which has drawn support from some of Auckland's oldest and wealthiest families in Remuera and elsewhere, appears also to represent a challenge to Mayor John Banks' style. Mr Banks is hardly the genteel Mayor Remuera expects, and his approach to the job, including support for things such as the proposed V8 race, has more conservative elements in Auckland enraged. His embrace of economic development priorities (and nationalisation of Westhaven marina) appears to place him economically left of many of his supporters.

The questions is whether Dick Hubbard and Kim Ellis are merely lone voices in the business community, or whether they represent the start of conservative and Big Business Auckland establishing a coalition with environmental advocates to take Auckland on a different path.

If such a coalition can be pulled off in Parnell, Remuera and Epsom, it would represent something of a lesson for the National Party, which, through efforts such as the Blue Greens, has tried without success to combine "conservatism" in terms of economic and social policy with "conservation" of heritage and the environment.

### **Put that slowdown on hold again**

Treasury is picking stronger than expected growth in the second half of the year, which should ensure another 4 per cent-plus growth figure for the year to next March. The boffins at No 1 the Terrace continue to push a slowdown out into the future like a bow-wave on their forecast model.

In their update for August they said recent data suggested June quarter GDP would be similar to the quarterly growth forecast in the Budget Update. "The strong

quarterly growth of 2.1 per cent in the March quarter means such a result will see the level of activity in the first half of the year substantially higher than forecast."

Even with a revision down from 2.3 per cent to 2.1 per cent for the quarter by Statistics NZ growth in the March quarter was strong.

Private consumption is likely to have made another solid contribution to GDP growth in the quarter, and there was a positive contribution from business investment, with plant and machinery imports suggesting solid investment growth in the June quarter. "The net external sector is likely to have detracted from growth in the June quarter. "

They tipped economic growth to slow over the rest of 2004, but the momentum in domestic activity may mean growth does not slow as quickly as forecast in the Budget.

### **OCR review Thursday**

Treasury's upbeat view will be shared by the Reserve Bank, which will again increase interest rates on Thursday according to the reckoning of all observers. It's expected to hike interest rates to 6.25 and continue to warn of further rises ahead.

The Australian Reserve Bank board is also meeting this week but it's considered unlikely to move interest rates across the Tasman, especially in an election campaign. This means our dollar will get further support for its current 93-cent level against the Aussie.

### **At least they tried**

From NZIER's quarterly economic update last week:

"Growth came in at around 3.5% in the year to March 2004. The economy is forecast to record 4.3% growth in the year to March 2005."

From NZIER's quarterly economic update only last December:

"Growth will ease over the next twelve months...Growth of 2.7% and 2.3% is forecast for the years to March 2004 and March 2005 respectively."

We feel at some point the theory should have to fit the facts, rather than the other way around.

## Magnificent seven

Weekend polls suggesting the Maori party could sweep all seven Maori seats are being taken with a grain of salt around the Beehive. Prime Minister Helen Clark all but called the Marae-Digipoll a dodgy-poll.

Maori seats are notoriously difficult to poll accurately, and it's possible most respondents didn't deliberate over the split in their electorate and party choices.

Dover Samuels and Mita Ririnui are likely to face the toughest battles. Mahara Okeroa and Parekura Horomia are thought to be safest.

Labour believes support for the Maori party is coming mainly from former Green and NZ First voters, and probably some ex-Alliance voters, more than from former Labour supporters.

## Rolling Polling

No new data this week, although a New Zealand Herald poll of Auckland only - so we have not included it - broadly confirmed the trend.

So the numbers stay the same at:

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

Reader Phil notes the current rolling average poll of polls suggests that Labour and National would gain 102 seats between them. He correctly notes that's unlikely given MMP's history:

1996 – Labour + National: 81 seats. Others 39.

1999 – Labour + National: 88 seats. Others 32.

2002 – Labour + National: 81 seats. Others 39.

One could argue the three previous MMP elections came at a time of unprecedented unpopularity for the major parties. More likely, the minor parties will increase their vote share substantially during the campaign.

### **Those other polls**

Betting markets and opinion polls in both the US and Australia have taken sharp swings towards the re-election of conservative administrations.

President Bush recorded an eleven-point lead in two reputable US polls, although the polls have been faulted for Republican weighted samples. A third consecutive poll today giving the President a 52 percent vote share indicates a margin that looks close to invincible nine weeks before an election,

In Australia betting markets have swung further towards John Howard in the last week. Polls in marginal seats – a better pointer to the election outcome than national polls -- indicate convincing Liberal party wins. The ALP's focus has switched to marginal-rich NSW, but Melbourne has gone very bad for Mr Latham.

### **The week and the week ahead**

Cabinet on Monday approved a social security amendment including amendments to enable those living in retirement villages, who hold what are called 'licences to occupy', to be eligible for the accommodation supplement. It will also allow beneficiaries to elect to have their income stand-down assessment done over 52-weeks instead of 26 weeks.

Ministers also approved:

- a response to the Law Commission report on the court system that is to be tabled by September 16.
- a change to the Tax Administration Act giving statutory privilege for communications between recognised tax agents and their clients in certain circumstances.

- the Ministry for the Environment leading a review of river control and flood-risk management.
- rates relief for those affected by the bay of Plenty floods.
- a review of pressures on teacher supply in certain areas. Education Minister Trevor Mallard will announce decisions in the next two weeks.
- They “noted” a major review by the New Zealand Food Safety Authority of New Zealand’s food regulatory arrangements. (Four major discussion papers will be released).

### **This Week**

Foreign Affairs Minister Phil Goff is off to Europe for the six-monthly EU consultations, visiting the Baltic States, France, the Netherlands, and then on to the UN General Assembly.

On Wednesday EU trade commissioner Pascal Lamy will hold talks with ministers.

On Friday there will be an announcement in the East Coast of the major regional initiative for Tairāwhiti.

### **In The House**

The Government plans to complete the first reading of the Holidays Amendment Bill, finish the committee stage of the Resource Management (Waitaki Catchment) Amendment Bill, and then move on to the Maori Fisheries Bill – with some Government sponsored amendments.

Wednesday is a private members day.

### **Next in line**

Food and beverage is the next sector identified by the Ministry of economic development as a priority for engagement with the government. But other sectors should be queuing up urgently for their piece of the pie.

Sector strategies were pioneered with a successful wood processing strategy begun in 2001. Subsequently, textiles clothing and footwear has engaged closely with

government on a strategy tackling obstacles to growth. The government responded with packages spanning training, funding for industry planning and adjustment assistance.

Cabinet has given the Ministry of Economic Development until the end of September to come up with a plan for food and beverage sector 'engagement.'

Lobbyists take note: Other sectors have until the end of this year to put their hand up. MED, Treasury, NZTE, FoRST and the Tertiary Education Commission have until 30 December to select further sectors for 'high-level engagement'.

There are signs officials are getting jumpy about where this is all headed. Just because you're working closely with an industry is no reason to make policy advantaging that industry over others, their Cabinet paper warns.

"Sector engagement should not normally result in any substantial shift in resource allocations to favour specific sectors," the paper says. No one would say that unless they felt some 'substantial shift in resource allocation' was on the cards.

"As a general principle, interventions that aim to improve the implementation of existing policies and programmes, or improve the quality of regulation, should be favoured over interventions involving sector-specific direct assistance."

In other words, what the film industry got was for the film industry. The rest of you can go jump.

## **Media notes**

### **Bloody Sunday**

There are some in the newspaper business who will tell you it's not all tickety-boo at the new Sun Herald.

The newspaper is rumoured to be twenty staff short, and having to recruit in a time of severe staff shortages. Many journalists are not so interested in a paper where they will be paid monthly (the industry standard is weekly), there is no standard Herald redundancy clause and organisation is said to be chaotic.

Respected news boss Shayne Currie travelled to the capital to tap shoulders in late August – and signed no one. Not only that, but the Sunday Star-Times nicked the new papers' picture editor.

Meanwhile, the Sunday Star-Times is said to be aggressively defending its patch with sweet deals to pump up subscribers and lock in advertisers.

One of our subscribers reports she has been courted by both newspaper groups in the battle of the Sunday papers. The Sunday Star Times offered her a discounted \$88 year-long subscription and the magazine of her choice from the Fairfax stable. The Sunday Herald adopted a spot of "inertia selling" offering a free subscription tacked on to her existing six day Herald sub for as long as it lasted (up to nine months in her case) -- as well as other chances to win including \$10,000 worth of goodies. If she wanted to stop subscribing at the end, all she needed to do was phone and say – otherwise the Sunday sub would automatically be added to her Herald sub.

Meanwhile over at the Herald...

- Business reporter Irene Chappell has been poached by Fairfax.
- Watch for a promotion quite soon for Rick Neville, completing the INL takeover of the Herald.

### **Kremlinology**

NBR is a scourge of regional development, industry clusters, 'picking winners' by selecting priority industries for development focus, and of competitive application for R&D grants (instead of across the board tax cuts).

However, the NBR editor recently wrote Japan will not be easily toppled from its perch as the world's second strongest national economy...Its trade promotion organisation has been revamped and is building Japan's innovation profile...Its research and development strategy will be familiar to New Zealanders ... It has formed regional clusters of excellence ... A new competitive research fund ... and it is focusing on four priority sectors...

Do we spot a change of party line at the North Korean Business Review?

### **Where there's muck there's brass**

Rotting plants and animal 'waste' could be the new oil, the OECD says in a new report out today.

It wants governments to 'encourage;' technical innovation in biomass products to reduce the price gap with fossil fuels.

“The recent volatility in oil prices has underlined the potential increased cost competitiveness of energy and raw materials produced from biomass,” the OECD argues in a new report.

“A significant shift could take place this century from a fossil fuel to a biomass-based economy.”

The report, ‘Biomass and agriculture’, claims prices for some niche market bioproducts are already competitive with petroleum-based plastics. And it says bioethanol, produced from sugar and grains, can be used in existing engines with little modification, making it easier to exploit than other alternative transportation fuels such as hydrogen.

But the OECD doesn’t want subsidies to develop the technology. “Financial incentives for bioproducts, currently used in many countries, should be avoided as they distort markets and lead to a long term dependency on subsidies.” Instead it proposes carbon markets, which would provide credits to biomass producers for displacing fossil fuels.

## **Executive lifestyle review**

Keep those lunches rolling in. This week we resume our short series of reviews of capital’s power lunching venues...the places where decision-makers dine, lobbyists lurk and editors eat.

Located on Customhouse Quay, Pravda is haunted by a bevy of lobbyists with offices near the espresso machine.

Pravda’s capitalist appropriation of a Soviet icon is more metaphor than irony -- most of the diners are ex-socialists too.

Celebrity watchers need to know practitioners of the dark arts to go face-spotting there. You won’t find so many public figures, but the air hangs heavy with influence. You go there to meet quietly, not to be seen.

Pravda’s people are excellent; its food faultless without ever setting the world on fire. The wines are quality all the way through. Its the darkly under-stated and stylish décor fills a cavernous Stalin-era old office building with the grace, efficiency and Euro-charm of dark wood and red leather. Heavy china, crisp starched linen, rich excellent coffee and exquisite desserts.

Highly recommended.

\*Executive lifestyle review is an occasional series in which Molesworth & Featherston's selfless volunteers conduct consumer tests of inessential business products and services.

### **Fine Print**

Molesworth & Featherston is suspended from trading every Tuesday while we investigate what happened to the subscription money.

Products and services for review in the exclusive Molesworth & Featherston executive lifestyle review should be proffered to:

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

Politics and economics contributions should be emailed to:

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

We welcome informed original contributions and your comments. You are encouraged to subscribe online and view back issues at:

[www.molesworthandfeatherston.info](http://www.molesworthandfeatherston.info)

By arrangement, Molesworth & Featherston supplies original newsletter content and exclusive expert analysis for private clients.

This is a complimentary edition, but if you wish to forward it for commercial gain, you must make an agreement with us first. Copyright remains with the publishers.