



Molesworth & Featherston In The Loop



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PROGNOSIS

The OECD checks out the NZ economy. There's something in it for everyone: we get a thumbs up and a few suggestions to do better.

MEDIA GOSSIP

The Herald sexes up its Lions coverage.

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Rolling poll

It's a cliffhanger

National went within a breath of claiming the lead in our rolling poll of polls after this week's New Zealand Herald Digipoll gave them a four point lead over Labour. Today's NBR poll will put National in front.

NZ First continues its steady climb towards 10 per cent and is on the cusp of being a mandatory part of any Government. The Greens are holding above 5 per cent - just - although the polls seem to wildly vary for them between 3-4 per cent at one end and 6-8 per cent at the other. Given their strong youth vote we suspect a methodological cause. Are all the polls picking up the time when the young are most likely to pick up the phone? Or weighting cellphone calls enough? Or at all?

So the numbers prior to this morning's NBR poll entering the data (assuming sitting party leaders stay popular enough to win their seats again):

	Percent	Seats
Labour	39.08	49
National	38.93	48
NZ First	9.75	12
Greens	5.23	7
Maori	2.00	2
United Future	1.51	2
Progressive	0.25	1
Act	1.83	0
Destiny	0.36	0

It's our old friend a 121 seat parliament with Jim Anderton as an overhang seat, and a slim majority to either a Labour-Progressive-NZ First or a National-NZ First -United team. However, the really fascinating outcome we can't really be sure of is if, as expected, the Maori Party wins a handful of

electorate seats – let's be conservative and say four – assuming Nanaia Mahuta, Parekura Horomia and Mahara Okeroa hold out against the tide. Then there is a three seat overhang (Anderton plus two Maori party) and the necessary number for a majority rises to 62. Then a Labour-Progressive-Green-Maori deal comes into the edge of the frame.

That emphasizes how urgently we need a poll of the Maori seats, or at least a bigger Marae Digipoll sample in individual seats, to let us know what is happening. The distribution of seats – and the size of a potential overhang – could yet be the most crucial factor in Government-formation. It is currently the most misunderstood or underestimated factor at play and we pundits need more data. (No, we can't afford to do it.)

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The week

A plan is being hatched

The Government is using the four week parliamentary recess to promote itself as a stable, able administration and highlight its successes – not to mention some judicious re-launching of policy.

This week is health week, which suggests next week will be devoted to education, followed by older citizens, including a head-on clash with New Zealand First to oppose its attempts to win the superannuation bidding war. Finally there'll be a week to underscore industrial issues for Labour's union friends – who are becoming increasingly active, financial and strident in opposing National.

Look for an announcement of the election date soon after the House returns for its final three week session in late July. September 17 is still enjoying most-favoured-poll-day status in this publication. However, even the last possible date of September 24 may be on the table again if Helen Clark wants to give herself maximum time to win back support.

We expect the recess to be followed by a heavily negative campaign, aimed at reminding the electorate of National and Don Brash's past as well as to counter the tax cut policy National is set to announce as soon as Helen Clark names the day.

The final weeks of the campaign will likely emphasise the positive, but right now the heads are down in the Government who are having trouble crunching the numbers to form a Labour-Green-Progressive deal, with or without United Future support.

The Week and the Week Ahead

Standard achieved; could do better

A major OECD review of the New Zealand economy is expected to be released next week, on Monday night New Zealand time.

It's expected to give an overall thumbs-up for the general shape of the New Zealand economy (we expect current account and trade deficit problems - discussed below -- will not feature). The government will be pleased with the overall report, but the opposition will be gain traction from a couple of areas where we expect New Zealand to be told we could do better:

- More bang for bucks: The OECD is likely to be critical that new spending is not high quality enough. National's campaign on the swelling public sector will get a boost here, with calls for better priority-setting.
- Labour utilisation: We expect the report to recommend more incentives to help with the cost of childcare and criticism of some parts of the Working For Families package for creating disincentives to work.

We're also likely to hear praise for plans (announced in last year's budget) to provide free early childhood education for all three and four years olds -- along with criticism of the decision to limit the subsidy to public and not-for-profit providers.

On the infrastructure front, expect to hear some recommendations for better competition, especially in the energy sector.

Tax debate

Poll tax

We think National won't be quite as excited as the Herald seemed this week when its poll claimed 36 percent of respondents would want tax cuts even if it meant interest rate increases. Had the Herald given respondents numbers, instead of slogans, it may have achieved a significantly lower result.

Cutting a cent off the 19.5% tax rate would save \$9 a week. Pushing the threshold out, from \$38,000 currently towards the average wage of \$42,000 would deliver nothing to those paid less than \$38,000, but we'll assume housebuyers receive a similar gain). A one percent increase in interest rates costs about \$25 a week on a \$150,000 mortgage.

Not everyone has a \$150,000 mortgage, and the degree of interest rate increase is of course as hypothetical as the original question. But not many people are going to choose a \$9 gain for a \$25 loss.

Economy

Wages, jobs, globalisation

Wage subsidies to make working 'more rewarding financially than living off welfare' are recommended in a new OECD Employment Outlook report on the effects of globalisation.

It also says adequate income support, case-management, counselling and training to help job seekers find new jobs quickly are also needed.

‘Job losses in some sectors, along with new job opportunities in other sectors, are an inevitable accompaniment of the process of globalization,’ the document says. (Losses in some sectors and gains in others, we could observe, are the inevitable result of just about everything).

There is a concession workers across developed countries are feeling less secure because of ‘rising imports, outflows of foreign direct investment (sometimes tied directly to the relocation of production) and inflows of immigrants’.

‘The rapid integration into the world trading system of China and India, with their huge pools of low-wage labour, and the recent enlargement of the European Union have fuelled fears of job losses and wage cuts. While anxieties about globalisation, though widespread, may not always be justified, the OECD acknowledges that adjustment to these new conditions is neither automatic nor painless.’

‘Workers that lose their jobs in sectors hit by competition from imports often find it harder to get new jobs and may have to accept big pay cuts. In many cases, they are older and less educated than other job-seekers, with skills that no longer correspond to current needs. Failure to acknowledge the worker adjustment challenges of globalisation, and to implement much-needed reforms, may erode public support for open trade policies.’

For all that, though, New Zealand does well placing fifth in the report’s survey of non-employment rates (people aged 15-64 not in the workforce).

Media Tattle

Black arts

The All Blacks’ first test demolition of the Lions finally forced the New Zealand Herald to admit that the tourists are not up to scratch. A few other sports scribes reckon the Herald has been bending over frontwards to please its lord and master, former Lions star Sir Anthony O’Reilly. Colour writers with the team were turning in passive and sympathetic pap, and even its normally ascerbic rugby writer Wynne Gray seemed to be drinking too deeply of the bromide-laden office tea.

When the Lions’ chief leg-puller Alastair Campbell decided to take a swipe at the local press coverage of the tour, where else would he do it but in the O’Herald? He said in the piece that he “offered” it to the Herald because it was the one paper that had given rounded coverage of the tour. Yeah, right. The nice Herald even paid for the article by making a donation to Campbell’s favourite charity. How sweet. Let’s work this one out, shall we – a public relations person, whose job it is to obtain favourable coverage for his team – pens a turgid over-long rant saying New Zealand media should sex up their Lions coverage. And the Herald PAYS for it? Doesn’t the *client* usually pay the PR person?

And just when you thought the Lions tour was a sinking ship, up comes Sir Anthony with a lifeline. Among some chums he’s flying to Auckland for the third test, look for the name... gasp...Sean Connery. And Ben Bradlee of Washington Post fame, according to a source we met in a carpark late at night. The paper is also flying plane loads of advertisers to games around the country.

Comments

Maori vote

Anita Williams writes to make the strategic case for the Maori party to campaign only for electorate votes.

“Strategically, their party votes should go to Labour. If the Maori Party get 0% party vote, there will in effect be 7 overhang seats in a parliament of 127 (+Jim Anderton =128)”.

She also points out the potential for Maori MPs to dominate a substantial part of the next House: 7 Maori seat; 6 ex Maori-seat Labour MPs (excluding Tamihere); 5-6 General or List Labour Maori MPs (Jones, Beyer etc); 6-8 across the other parties (Te heu heu, Henare, Turei and at least four NZ First, for example).

That leaves a possible 25-27 Maori MPs, which is over 21 percent of even a 127-seat parliament, which our correspondent describes as a ‘win-win-win’. (To which we point out they could get a win-win-win for Win if enough of them belong to NZ First).

FINE PRINT**THE LOBBY EDITION**

Come rain, hail and video analysis at press conferences, the Governor’s Edition of Molesworth & Featherston spear tackles the leaders every week.

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