



Molesworth & Featherston

In The Loop



INSIGHT

CONTRARY INDICATOR

Business confidence sags as the markets set new records

ENERGETIC

Meridian winds up a couple of big projects as Vector polishes off NGC.

WIN A GREAT BOOK

We're looking for your entries in our search to find how Alistair Campbell might have spun events in history.

There's a copy of David Barber's book of political quotes to win.

UPGRADE FOR MORE

Only in the Governor's Edition: The cabinet agenda, and this week's big new announcements. There is much more background, there are more stories and it all arrives earlier in the week.

Election date

Our pick stays with 17 September

Michael Cullen is keen to get National's tax cut policy out in the open as soon as possible to give the longest time to attack it. So the theory that an August poll date would surprise National and give it no time to sell the tax pack seems more than a little perverse.

Helen Clark this week gave the clearest signal she could that an August election was off the cards. She said she planned to run the four issues to be highlighted during the recess – health, education, superannuation and industry training – and then return to Parliament.

There is no way an election could be held on August 20 if the House resumes in the last week of July. To cancel the coming three-week sitting, scrapping plans to pass the Budget and the much-prized valedictory speeches of people like Richard Prebble, would only look like panic and would be hugely counterproductive for Labour. A slightly shorter sitting session (say two weeks instead of three) to accommodate a mid-September date cannot be ruled out.

But we are still firmly expecting it to be on September 17, because if Labour is right and the mood is turning, why would they rush?

Given that, we think it is time for National to stop bleating about Helen Clark setting a date. However, it is understandable – and sound strategy – for the Nats to hold off announcing their tax-cut package. You only get one bite at these things and if it is to be one of the strong themes for the campaign there is no point in blowing all the detail before hitting the hustings.

Markets

Bigger Bull

The NZX50 Growth Index has been reaching new highs. When it hit 3291.54 last Wednesday it set a new record and today reached 3300.

The market's performance is puzzling when confidence surveys show business confidence down, although we've previously flagged that business confidence cycles seem to bear little relation to GDP; In recent years confidence has been

lowest when the economy has been entering upswings. nevertheless, you would think confidence would be off because profits were off (what are they confident about?), and therefore share prices would track confidence more closely.

In its most recent survey the NZ Institute of Economic Research found most firms expect their own business to grow but a net 34 percent think business conditions will deteriorate over the second half of this year.

Difficulties finding new staff seem to have eased and it looks like unemployment could have bottomed out.

Although inflation is near the top of the target band, the Reserve Bank is also obliged to avoid un-needed volatility in output. If the economy really is slowing significantly, it might mean the RBNZ tightened too much this year, and if it slows more than expected it might have breached the Policy Targets Agreement requirement to keep output up.

We'll know soon enough, but we still believe the economy will keep growing at around 2.5 percent this year. That's slower than recent years, but a few years ago it would have been called a boom.

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Energy

Renewed energy

Meridian's plan B to replace Project Aqua is on the table. Its latest plan for the Lower Waitaki would reduce Project Aqua by over half, but at 210-260 megawatts it would still be a significant power plant (larger than Project West Wind, for example, which is capable of powering the entire Wellington region on a breezy day).

Instead of using canals, Meridian plans to divert water from Lake Waitaki through a tunnel and underground power station before putting it back into the river 36 kilometres downstream.

If Meridian can generate from this scheme at the cost it expects, between 5.5 and 7.5 cents a unit, it will be competitive with other sources becoming available. It will be higher cost than existing hydro but the effects of carbon tax and exploration costs will determine whether it will be cheaper than new coal and gas generation. Anyway, with growing demand there is pressure for a new development like this and the indicative cost per unit is at the lower end of MED's predictions for the cost of our future energy needs.

Auckland's power plays

New line

Vector is spending half a billion dollars to buy up the rest of gas network NGC, of which it already owns 67 percent. It's paying \$3.40 per share (including \$2.62 of Vector shares), with independent adviser Grant Samuel valuing the shares at 2.64 to 2.85.

So here we have a utility which, since 1998, has had no mission more important than avoiding another 90s-style blackout, and it's management's focus is on buying up a gas lines company that is already well established -- at a cost well above the price independent advisers say it is worth. Excellent. We'll continue to monitor and we'll inform you when we see some sign this might benefit Auckland business.

In the meantime we could recall that in June last year the management of Vector moved to eject elected representatives of the Auckland Energy Consumers Trust from its board. With a careful programme of media briefings against its owners, Vector built its case that the issue was about separating owners from governance. Yeah right. Others reckoned the real agenda was to allow Vector's privatisation and remove an old guard. The dispute more or less ended when then Energy Minister Pete Hodgson sided with the 'privatisers' and directed the removal of former National Party President John Collinge. Since then, Vector has been acting as much like an investment company as a public utility.

Local bodies

It's our city and we'll plan if we want to

It's an own goal for the North Shore City Council, which has this week been refused planning consent for a new library and civic building in the seaside suburb of Birkenhead – **after** demolishing the old building.

With municipal readers now having to visit a converted basketball court to borrow a book, questions are being asked about why the city fathers and mothers don't know that you should always get planning permission before starting work.

Independent commissioners said that the proposed building broke the city's own planning rules on height, carparking and a host of other things, and would affect traffic flow.

Interactive

Campbell Jive

Veteran journalist Dave Barber has kindly donated a copy of his book of political quotes for the best rewriting of history in the style of the great Lions PR man, Alistair Campbell.

"Don't vote, it only encourages them" is illustrated by cartoonist Bob Brockie. For a taste of its contents:

***"A conservative is someone who believes in reform, but not now."* - US satirist Mort Sahl.**

This is a column we just might keep going for a while, so keep those contributions rolling in, we'll keep publishing some of our favourites and send the beszt of the lot a copy of the book.

Rob Hosking sent us this week's:

Brave Brits scotch Anzac attack

British troops today landed on the shores of the Dardanelles peninsula in a bid to stop the unprovoked invasion by Australian and New Zealand forces. In a surprise attack, the far-flung colonials launched themselves at the Turks despite the efforts of British troops to restrain them. "We cannot stand by and allow this naked aggression by the colonials," British government spokesman Alistair Campbell said. "Where they stand, we will stand - and stop them."

Asked about reports the Turks were hiding 'weapons of mass destruction', Mr Campbell said those claims had obviously been "sexed up".

British troops valiantly tried to separate the combatants. They were supported by a strong naval presence, which gallantly shelled the heights of Chunuk Bair just as the New Zealand troops arrived on the summit. First Lord of the Admiralty Winston Churchill said the tactic of sending troops to separate combatants was a new departure, but suggested it could be useful in the future, for example in the Suez region.

Comments.

More Campbell soup

UK reader James Shaw has 'seen and read a lot from and about' Alistair Campbell.

'While he was once the most formidable weapon in the Labour arsenal, his usefulness as a PR man ended the day Greg Dyke was fired as Director General of the BBC. Mr Campbell, the man and his tactics, are now more famous and subject to more scrutiny than his clients. It does not matter whether he is justified in making a story out of something (like, say, spear-tackling). The moment he does make a story out of it, he becomes the story.'

FINE PRINT

THE LOBBY EDITION

It's a clean sweep of the Opposition every week in Molesworth & Featherston. We welcome your comments. Comments addressed to the editor will be considered for publication unless clearly marked Not For Publication. Comments are almost always heavily edited. Send them to:

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