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East Bunny

Bonus

It's a short week, Parliament isn't sitting and half the country seems to be on holiday...so instead of cancelling this week's edition altogether this edition is a free update for all subscribers. Never say we don't share the love.

The Week and the Week Ahead

Cabinet

Cabinet on Monday resolved to tell the Gulf Cooperation Council that New Zealand wants to start negotiating a free trade agreement.

It also agreed to publish the five-year stock take of the national plan of action against the sexual exploitation of children.

Defence and Trade Minister Phil Goff is off to the United States for meetings with defence and trade reps and will attend a US-NZ partnership forum. National leader Don Brash will also be there.

On the official data front, work stoppage statistics and on Friday, external migration numbers.

The walking access group will release its consultation document soon.

On Wednesday, a delegation of most of the Government's front bench descended on the business and economic forum in the Hawke's Bay, led by Prime Minister Helen Clark and including Michael Cullen, Steve Maharey, Trevor Mallard and Parekura Horomia.

Next week Cabinet will meet on Wednesday after Tuesday's Anzac Day holiday.

Ministers have also finalised the dates for the hand-over of the governor-generalship. The formal state farewell for Dame Silvia Cartwright will be at Parliament on August 2, before she officially finishes her term on August 4.

Judge Anand Satyanand will be sworn in on August 23.

Rolling average poll

Mole poll static

No new data this week, so poll-driven fruitcakes will have to make do with a second look at last week's now-stale offerings.

The numbers are:

	Percent	Seats
Labour	42.81	53
National	42.06	53
Greens	6.28	8
NZ First	3.14	0
Maori	2.42	4
United Future	1.23	2
Act	0.93	1
Progressive	0.11	1

It is a 122 seat House with two overhang seats, one for Jim Anderton and one for the Maori party.

Parliament

The Key to wealth and ignominy

National's finance spokesman John Key has always impressed us, as he has most political watchers. So, we are here to help.

You put your foot in a potentially steaming one, John, with that decision to take out a mortgage on the Wellington digs to take advantage of a perk available to MPs.

(It became known through the otherwise innocuous – because it does not give details of size of wealth and assets – register of MP's assets.)

Yes, most MPs structure their affairs to take advantage of the freebie. Yes, it is a rational economic decision. But are you not mega-wealthy? Can't you make more than the average wage on those Merrill Lynch shares every time the currency yawns and stretches? You are also fond of berating the Government for providing middle-class welfare through things like the Working for Families extension – as you did last week in this newsletter. Well, sorry John-boy. Is this not middle class welfare capture extraordinaire? Do you need the cash? It is costing those poor taxpayers you are fond of saying need relief.

Take our advice. Pay off the mortgage with your loose change and lance a potential boil before Labour wakes up to it.

Economy

Relax. Prices went up a bit.

Inflation again came in over the three percent target in the Reserve Bank's policy targets agreement. Stats figures out yesterday showed prices rose 3.4 percent in the year to March, though only 0.7 per cent in the first three months of this year.

Petrol prices drove the increase. Stats said the 23.5 percent rise in oil prices was the highest since the third quarter of 2000, when petrol prices increased 31.1 percent. Despite higher pump prices, international air fares suspiciously fell 12.3 percent (commentary variously blamed a trans-Tasman fare war and seasonal pricing on Asian routes).

Analysts said the inflation result was about on expectations and showed the domestic house price bubble that's been exercising the Reserve Bank has eased at last. Translation: Go ahead and ease interest rates this year - but it's not going to happen when the OCR is reviewed next week.

"For the upcoming OCR review we expect little change in wording from the March monetary policy statement," Westpac said. "We believe the RBNZ is overdoing the threat to long-term inflation from [petrol prices], with downside risks coming from a protracted period of very weak economic growth."

There is some logic to under-weighting the effect of higher petrol prices on inflation. The oil price spike is already causing the current account to deteriorate. If the Reserve Bank responds by keeping interest rates higher than they need to be, then the NZ dollar will be valued higher than it needs to be and the current account will deteriorate more than it needs to.

Worrying about inflation from high oil prices is like worrying about the weather. It's not as if the Bank can do much about higher oil prices. Oil demand is pretty inelastic (at least in the short term affected by the OCR). If the medicine doesn't make much difference to the malady - and causes bad side effects - why bother administering it?

The Bank's policy targets agreement allows one-off price spikes to be ignored. The sharp jolt in oil prices is a good example of a battle we don't need to fight.

Christchurch

People's republic overthrown?

Fire sales of the city's assets, service cuts, rate rises, talk of a challenge to the mayor, legal threats to force councillors to pledge loyalty to the chief executive...All is not well in the People's Republic of Christchurch.

Many in the council are still reeling from a series of articles in the Press written by Martin Van Beynen, whose insider stories were too close for comfort for many in the council hierarchy. The stories outlined the loss of twenty of the 25 managers at the Council in a two year period following the appointment of a new chief executive and a battle for the heart and soul of the people's republic.

The articles resulted in a forced public pledge of loyalty to chief executive Leslie McTurk by all current twelve Councillors and the mayor. But two of the councillors sought legal advice first.

Many council community functions have been cut back and there is a change from the community engagement philosophy of Vicki Buck's council five years ago. Rumours from the civic offices have a culture of staff fear of being seen to question direction. The ceo is said to hold up issues on her desk so she can read everything and make all decisions.

Supporters point to more efficient management, fewer staff and business models being applied to decisions. The result: Swimming pools and libraries closures are contained in the current community plan under consultation. Lyttelton Port is being flogged to a Hong Kong based enterprise by the council holding company (at a price that looks like a fraction of the company's value). Port sale opponents say the council's Red Bus Company and contracting business, City Care, are likely to be sold next (they have been removed from a list of assets that have to be kept in public ownership). All of this might be justified if the cuts were at least be cutting the rates bill. But they aren't. The council is planning a staggering ten percent rates rise.

All this is likely to spill out into the 2007 Council elections. Mayor Garry Moore, never the country's most effective mayor, is seen as responsible for the changes. He was originally the head of the 'Charter 2021' Labour ticket. Some of his ex Labour colleagues feel he has given the ceo too much of a free hand.

Alternative tickets are being openly discussed. Labour MP Tim Barnett has told people he will stand. Ex Banks Peninsula Mayor Bob 'this is your life' Parker is also picked as a contender. The rumour mill has it, however, that Bob and incumbent Garry Moore have done a deal that would see Bob as understudy with Gazza standing aside in 2010. The feeling is mayor Moore may well hold on against Tim Barnett, but a third strong candidate - Mr Parker or perhaps Cr Sue Wells - may see a split that might upset Moore's attempt at a third term.

The rest of the council may also face problems with growing public awareness of discontent, rapidly rising rates and services being reduced.

Labour, under the 'Charter 2021' banner, were the majority throughout the nineties and were totally wiped off the Council at the last election thanks to boundary changes and reductions in councillor numbers proposed by the Local Government Commission, and apparently supported by Mr Moore.

The next election will choose sixteen councillors and the Mayor, up from a depleted current Council of twelve (but not as high as the 24 member Council of 2001). Many blame the small Council -- made of some nice and not so nice people with a very limited vision -- as a key part of the problem.

Stay tuned for what could be acrimonious council elections even rivalling Auckland for rancour.

Industrial

Cleaning up

As we foreshadowed last week, cleaners in Australia and New Zealand are starting a campaign today to get building owners, tenants and contractors to adopt their ten point plan. They want better paid and more secure jobs, along with better recognition for the work they do. The SWFU union says the hourly rate for cleaners has increased by just 80 cents in the last 10 years (which doesn't exactly indicate the union's advocacy has been a roaring success so far). The SWFU says it's taken on an army of new organisers for the campaign, which kicks off today with rallies here and over the Tasman.

Media Tattle**Pulitzer the other one**

Former Evening Post snapper Melanie Burford has won a Pulitzer with a team of photographers from the Dallas Morning News for their work shooting refugees from Hurricane Katrina. A Pulitzer!

As previously reported, Listener deputy editor Tim Watkin leaves the building tomorrow for parts foreign, and with editor Pamela Sterling away, Christchurch reporter and all round excellent guy Bruce Ansley will be in the hotseat as acting editor.

Irene Chapple will be the new political editor at the Sunday Star Times.

Carroll du Chateau has gone to Review for the Weekend Herald and out of the newsroom?

Former Reuters and NZ Herald business reporter Ellen Read has joined Senate Communications Counsel in Auckland after a brief stint at the NZ Stock Exchange.

Media**Streaming pile of vid**

How likely is it that you will pay \$2.99 a week to watch Prime news on our mobile phone? Vodafone and Sky think enough owners of 3G phones want to access news while they are 'waiting on the bus in traffic or working late' to roll out the product this week.

Don't hold your breath for this initiative to revolutionise the way we get our news.

If you are spending your discretionary income on a 3G phone you are probably hungry for content, though people waiting for a bus are probably not big spenders and we don't recommend watching tv on your phone while you're driving. But among news-hungry owners of 3G handsets (not the largest demographic we can think of), you would have to ask whether Prime News is enough of a premium product.

Mobile communications will change everything about tv, but it's doubtful the future of video over mobile is in packaging up existing news bulletins and re-supplying them (no one even watches news that way over the wired Net). More likely, mobile streaming video will enable many more people to send their own video material to each other while on the go, and download very high-demand one-off products, such as extreme news events, sports clips, privately produced short-films such as the content on You-Tube and, ummm, Paris Hilton clips. Or maybe it will be something else.

We're still waiting to see who will move first with a genuine product supplying much of this.

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