

2 November 2004

The US votes and we look at the potential effects on New Zealand, ranging from trade to North Korea's nuclear programme, Iraq and the Kyoto agreement. Paul Holmes gets ready for Prime time. John Tamihere's prospects dim further. We check out this week's cabinet agenda, open the super-books at Superbank and a bit more in this week's intelligence update...

What will it mean for us?



With more than a hundred US polls released in the last two days, and almost a thousand since the beginning of September, forecasters are unusually unsure of the outcome of the US Presidential election. Betting markets and rolling average polls show a lead for President Bush and early voter exit polls are showing decisive swings to Senator Kerry.

The election is relevant to New Zealand in its effect on prospects for a trade deal, global security, the progress of multilateral agreements and the strength of the world economy.

Trade

Both candidates claim to be philosophically supportive of a free trade deal. It's unlikely a deal with New Zealand would be a priority for either.

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The Bush administration almost certainly faults New Zealand for our nuclear policy and our refusal to join the Iraq coalition. Its track record has been conspicuously protectionist despite the rhetoric and even its deal with Australia can only just be described as a free trade agreement. John Kerry has a free trade senate record, although his vice-presidential candidate is a protectionist and Mr Kerry has campaigned vigorously against outsourcing. He would be likely to appoint Clinton-era trade representatives, but sorting out a policy will inevitably take a while.

Third Way compatibility between New Zealand Labour and the Democrats would be of limited if any value.

War

A Kerry administration would seek a greater contribution from the rest of the world for rebuilding Iraq. Our record of being first in the queue for this kind of work could see our troops play a role beyond the current deployment. Not only would it help Iraq and position us as the good global citizen our armed forces these days are designed to be, it would help to produce trade brownie points.

We could expect 'security measures' in the US that are objectively little more than non-tariff barriers to remain in place no matter which side wins.

North Korea

North Korea is the most important foreign policy challenge for the US in our wider region. New Zealand has a stake in this: In addition to \$1.4 million aid over the last ten years, we also contribute to the Korean Peninsula Energy Development set up to build nuclear power plants to replace North Korea's plans for what would otherwise have been weapons-capable plants.

Kyoto

John Kerry has one of the strongest pro-environment voting records in the US Senate but he would walk away from Kyoto. He states, "The Kyoto Protocol is not the answer. The near-term emission reductions it would require of the United States are infeasible, while the long-term obligations imposed on all nations are too little to solve the problem." Instead he promises, "The U.S. will equitably match the initial efforts of our industrial-country trading partners and competitors. U.S. reductions will be achieved in a reasonable

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and realistic timeframe. China, India, and the other key developing countries must also join the effort by agreeing to reduce the growth of their greenhouse gas emissions." He is committed to spending \$10 billion on 'Clean Coal' research – to create 'cost-effective, near zero-emission coal technology'.

Economy

The most important difference John Kerry can make is on the economy, where as the Economist (which endorsed Senator Kerry) noted, "His record and instincts are as a fiscal conservative, suggesting that he would rightly see future federal budget deficits as a threat." Mr Bush, on the other hand, has presided over the longest recession since WW2 and been the first President since the Great Depression to destroy more jobs than he created. The US economy is growing now, but the Republican Party's fiscal recklessness will have a deep, damaging effect on the global economy. Over time it will produce a stagnating economy, higher global interest rates (the rest of us have to compete for the funds the deficits are sucking into the US) and reduced global demand. The outlook in Iraq is only going to worsen prospects, requiring further deficit financing to keep the troops in the theatre and hardly helping to bring down record high oil prices.

Whitey Flightey

The betting at TVNZ is that TV is bigger than Paul Holmes. For three months the company has been refusing to do more than a one-year deal with its star presenter, while he has argued it's difficult to hold or attract staff without an expression of confidence. TVNZ was beginning to rate the Holmes programme as near the end of its shelf life.

Few expect Paul Holmes to draw the audience he won on TV1. The new programme on Prime will be a Larry King format with a little current affairs thrown in. His appointment as co-executive producer formalises an informal arrangement that has characterised his programme for the last few years anyway.

Prime is to increase its news budget significantly. But it will struggle to overcome its fringe status as a fourth channel, even with the talents of programmer Andrew Shaw and programming grunt of Australia's 'Channel Nein'. The station's total revenue was just over \$9 million last year, and you have to take the presenter's salary out of that.

Holmes' rise to stardom began when he was hired at Auckland's 1ZB by then-manager Brent Harman. Today Harman – a former TVNZ ceo -- is chief executive of Prime Television Australia. He made contact with Holmes about a switch some time ago, but negotiations have apparently been driven by the New Zealand ceo Chris Taylor.

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Over at TVNZ, the fast money is on either a John Campbell-fronted current affairs programme in the new year or a switch away from current affairs at 7 o'clock. Close-up at Seven (already dubbed 'cock-up at sixes and sevens') does not have a future.

Meanwhile in other media movements

Maybe we can expect more exam stability. Paul Jackman, maybe the public sector's top-rated PR manager, is said to be leaving the Reserve Bank for NZQA.

Back-handed

The PM's comment she heard rumours about John Tamihere's on-going dealings – along with Margaret Wilson's brutal declaration on TV One's Agenda that 'no one is indispensable' -- are an early signal his ministerial career is over for now.

Labour's objective now is to save Mr Tamihere's seat in Parliament (and if he is cleared of illegality, his seat will be safe). Post-election rehabilitation will be possible but even the disinfectant of a renewed mandate may not be enough.

We can't see any chance of a by-election. It would risk the government's majority and therefore risk sending the government to the polls on someone else's terms. It's much more likely the government would rather pull the trigger itself. Therefore a general election is orders of magnitude more likely than a by-election in Hauraki. Other than Labour, who would want a general election? National is doing much better than 2002 but is not well placed to fight a campaign, let alone defeat Labour. Of National's potential partners United and NZ First are well behind their 2002 levels of support, Act would be obliterated, and the Maori party doesn't yet have sufficient infrastructure in place. Labour's potential partners, the Greens and Progressive would be not much affected one way or the other. Labour doesn't want an election, but it's preferable to a by-election.

By the way, remember when there was a suggestion George Hawkins might be shifted out of Cabinet, and rumours flew that John Tamihere would quit in protest? As Winston Peters so cruelly noted, we haven't heard too many threats from George Hawkins to resign if John Tamihere isn't reinstated, nor threats from Clayton Cosgrove to stand aside from his select committee to reciprocate their backing of him. In the House on Tuesday he suggesting sacking George Hawkins and getting two more for the price of one



The week ahead

Cabinet on Monday discussed the next steps to be taken on the public service retirement savings scheme, which presumably approved the flagged increase in state subsidy from 1.5 per cent to 3 per cent.

That will be released by Trevor Mallard who, wearing his race relations hat, will release the next set of reviews of targeted programmes and policies later this week.

Two discussion papers were approved, one on the review of the Unit Titles Act and the other on fees and so on under the Commerce Act. Cabinet also considered a paper on the review of securities trading law, with new law in the pipeline.

There was also a paper presented by David Cunliffe on the next steps on policy and process for New Zealand's satellite opportunities.

A new public sector-private sector taskforce in 'a major industry sector' will be announced soon by Economic Development Minister Jim Anderton.

In the House this week the Ngati Tuwharetoa Claims Settlement bill, first reading, followed by progress on the Care of Children Bill, the Parental Leave and Employment Protection Amendment Bill and the Taxation (Annual Rates) Venture Capital and Miscellaneous Provisions Bill.

On Friday, the select committee will report back on the Foreshore and Seabed Bill, although because the select committee is equally split, it will be unchanged and any amendments will have to be made in the committee of the whole stage – i.e. on the floor of the House.

Today new statistics will be released showing language retention among ethnic groups.

On Wednesday, births and deaths figures will be updated for the three months ended September (literally ended for half the category).

On Thursday:

- the terms of reference for the Waiouru cadet School inquiry should be released.
- the new level of boarding bursaries for secondary students will also be announced for 2005.



- Land Information will release a discussion paper on how the Government handles its information on land.

Export figures for September will be released on Friday.

Next Monday will see the release the NOHSAC report which will, we hear, surprise everybody with the number of workplace deaths it will identify.

Super woof

Superbank may have only a few hundred mortgages on its books.

The bank's Australian parent St George Bank (which owns Superbank with supermarket chain Foodstuffs) yesterday released results for the year to September.

They show the bank has a loan book totalling \$46 million. At \$120,000 per mortgage, that would mean only 380 mortgages.

Heavy point of sale promotion has attracted \$328 million of deposits. (Kiwibank -- which started earlier -- has total assets of \$1.3 billion and in September reported deposits of \$960 million).

Rolling poll unchanged

No new data for the rolling poll of polls this week, so the numbers are unchanged. For the record they are (assuming as always the sitting minor party leaders hold their electorates):

Party	Percent	Seats
Labour	43.48	55
National	36.60	47
NZ First	5.23	7
Greens	5.01	6
Act	2.43	0
United Future	2.18	3



Maori 1.58 2

Progressives 0.33 1 (An overhang seat taking the Parliament to 121 seats because the Progressives party vote share would not qualify them for a seat.)

Willie away

We are intrigued by news from the NZ Herald that former All Black captain and Carter Holt Harvey supremo Wilson Whineray is a leading contender for Governor-General in 2006. He certainly has the credentials. No All Black has donned the robes before, so it's about time one did. But having been told earlier that republican Jim Bolger was also in line, only to have the great helmsman scotch that suggestion, we remain to be convinced it is more than the public musings of the Auckland old-boys' network where he is said to have strong backing among National Party members. (This is a Labour-led Government remember – Editors.) (Bring back Buck – Other Editors.)

Toxic-city

News of toxic sites identified in Auckland has caused repeated assertions about the dangers of DDT. But how serious is DDT? In fact it's been linked to one of the worst environmental disasters ever – but not for the reasons you think.

DDT was fingered by Rachel Carson in the Silent Spring, the book that gave rise to the environmental movement, as the cause of thinned eggshells in a variety of eagle. Many decades later studies showed conclusively there was no link. In the meantime alarm about DDT was fuelled by misuse of the product, with cases of it being dumped into swamps. Later studies showed DDT is about as toxic as fly spray – if you dump enough of it, you will poison everything. If it had been used appropriately, it was the most effective anti-malaria chemical known and suitable for household use (today there are more effective organic products available). Anti-malaria campaigners claim the DDT ban led directly to the avoidable deaths of tens of millions of Third World children from malaria.

We recommend following the advice of public health officials, but some residual DDT may not be the disaster early reports have suggested.

Fine Print

Molesworth & Featherston canters down the home straight on the first Tuesday in November and every Tuesday following.

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