

Government

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Politics and policy of the next three years Part one: The political structure and challenges

“The political crunch issues will be health, education and the Treaty of Waitangi.”



Colin James - Political Journalist, Analyst

The Labour party's clear win on 27 July and subsequent establishment of a government that spans 71 MPs continues the post-1999 policy of modest re-regulation and government facilitative intervention. Given a full term, this will be the entrenched base policy position, replacing the hands-off base position that applied from 1984-99. It has already won some support, mixed with grudging acceptance, in business and in parts has qualified backing from the National party. The government's policy approach will be “incremental”. It will give primacy to “innovation” but this is still an evolving idea. At the moment it is a mixture of high-level aspirations and a diverse and confusing range of programmes in the hands of a diverse range of agencies. For all that, “innovation” does provide a touchstone for government intervention. It is backed by stable and relatively conservative macroeconomic settings.

The political crunch issues will be health, education and the Treaty of Waitangi. The government has hamstrung itself in education and health by recentralising them at a time when society increasingly expects customisation. Treaty issues may stir standoff if mishandled.

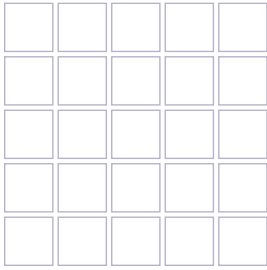
Effective interaction between government and business is essential – and Bell Gully's Government Group can help to facilitate that communication.

“We have a programme of initiatives to encourage dialogue, such as our pre-election seminar series,” said Bell Gully partner Simon Watt. “We were also delighted to sponsor an innovative musical event at the opening of Parliament this year.”

Our latest initiative is this newsletter, the first in a series by noted New Zealand political journalist and analyst Colin James, designed to keep you up to date with political and economic issues affecting your business. In this issue, Colin James examines the political structure and challenges facing Parliament over the next three years, while our next issue will examine the policy actions likely during the term of this Government.

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Politics and policy of the next three years (continued)

The parliamentary configuration

This is how Parliament looks:

Government numbers

This is nearer a classic Scandinavian situation than a German one (we borrowed MMP from the Germans).

The Scandinavian Option

The German Option

This configuration gives Helen Clark a **new opportunity**: to build a lasting centre-left government that can draw from its left and its right. In Sweden and Norway over decades until the 1990s centre-left parties were able to maintain governments based on the sort of configuration Clark has for the moment: a dominant left-of-centre party versus a fragmented right. Sweden has recently reinstalled a similar configuration.

This is a better configuration for Clark's ambition to establish Labour as the normal party of government than the German model. In the German model any balancing centre party can more readily switch allegiance to the right because the major centre-right party is as large as the major centre-left party. And if, as now in Germany,

there were not a centre party (the Free Democrats having repositioned themselves to the right of the Christian Democrats), a centre-left-based government would be anchored to its left and more at risk of a swing to the right.

Can Helen Clark seize her opportunity?

Whether Clark can build a durable government matrix on her present arrangement depends on three factors in her hands and those of her partners:

- **Peter Dunne must build a party.** He will have to do that under fierce attack from National, ACT and New Zealand First which regard United Future's MPs as having betrayed the right.

Dunne must also walk a very difficult tightrope, presenting his party as liberal (thus accommodating different points of view on moral issues without his party endorsing those points of view) and keeping his more morally conservative MPs in the tent when the government they are shackled to does some very liberal things: among Clark's ambitions for this term, for example, is the legalisation of gay marriages.

And Dunne must score some palpable and well-publicised policy wins while at the same time proving his party a stabilising force.

It is too early to assess whether he will achieve that but his experience and ability

and the level-headed early conduct of his tyro MPs suggest he has a reasonable chance — though we have yet to see whether some of them may think themselves hoodwinked by Labour ministers into supporting bills which they only part-approve or which fall short of their ambitions. He has a very strong personal incentive to succeed because this is his only shot at fulfilling his ambition, which for a decade has been to lead a centre party which makes governments — and if he succeeds this is likely to strengthen Labour's grip on power by helping it present a stable government to the electorate.

■ **Helen Clark must manage a three-way government** (four-way if you count Jim Anderton), which will require much compromise and delicate footwork if it is to succeed long-term. She must (1) help Dunne hold his MPs together, (2) ensure he has enough policy wins to make a strong case at the next election, (3) advance her programme even though United Future may vote against chunks of it and (4) keep the Greens in the tent to avoid shedding too many votes to them.

Clark comes from a Labour tradition of hard-nosed number crunching, which is not well suited to managing diverse support groupings. But she showed in her first term an ability to learn on the job and she has got her ministers paying very solicitous attention to United Future, punctiliously consulting them and scrupulously observing the commitment to consult United Future ahead of the Greens. If this holds good, she stands a fair chance of establishing the three-way arrangement on a strong enough

basis to survive the next election and embed the Scandinavian model.

Like Dunne, Clark has a very strong incentive to keep United Future in the tent and not cynically to play United Future and the Greens off each other.

■ **The Greens must deepen and widen their appeal** and must prove a stable and influential partner if they are to ensure that they are durable and that their occupation of the ground to Labour's left is not contested and fragmented. The Greens will in fact seek to use their position to strengthen links with social, peace, Māori and union activists and will probably find reciprocal interest, now that the Alliance has departed Parliament. They will also probably vote for more government bills than United Future and, once the first genetically modified organism is released, probably give firmish support on confidence and supply.

The Greens have a strong incentive to keep the government in office because it is only through Labour that they can advance their programme. The Greens — like the Labour left and the unions — take the long view that it is more important to keep Labour in office and make incremental gains than press hard for destabilising large gains.

The strong incentives on all three forces to make the arrangement work, plus the good start all have made, set a up a reasonable prospect the arrangement will hold good into and after the next election. Peter Dunne's position is that unless the electorate clearly indicates a desire for a change of government, United Future will be likely to stick with Labour. National's

unremitting attacks on United Future has stunned them into wariness of a party some at least would, all things being equal, be more comfortable with.

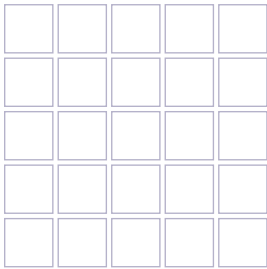
The counterfactual-National

Whether Helen Clark succeeds in embedding a Scandinavian matrix depends partly on whether National can rebuild itself to support levels of 35%-40%. That would set up the German model.

Bill English has, behind the scenes, been seeking to persuade National MPs that they need (1) to take a broad view that encompasses diversity of opinion instead of narrow and dismissive doctrine and (2) to present National as a competent party and not a factional muddle. He has had a first, but unconvincing, stab at restating the party principles on which new foundation policies will need to be based. He is taking lessons on how to present himself as more forceful, in-charge and authoritative.

He has until maybe early 2004 to prove his leadership. It is difficult to calculate the odds on that. He must perform a particularly difficult balancing act: first, reconnect with National's core vote, which will initially draw him away from the centre and then, without losing his core vote, broaden National's appeal again to appeal to voters who have begun to see Labour as the competent manager and are trying out United Future as a conservative centrist party.

And National will have **competition**. ACT is rebranding as a classical liberal party that will contest some of National's core vote territory. New Zealand First is much more



Politics and policy of the next three years (continued)

firmly entrenched in the segment of the electorate that is most concerned about cultural unity and security (the Treaty and immigration). And United Future has attracted some conservative vote.

The government and Parliament

Essentially, United Future will provide assurance Labour will stay in office and the Greens will back legislation that United Future opposes. Even if the Labour-United Future arrangement breaks down, the Greens are likely (once the genetic modification (GM) moratorium is lifted and the first GMO application is through) to pick up the support role.

The government will need support from National and/or ACT on some matters in any case: Jim Anderton will use his two votes alongside the Greens in opposition to free trade (and maybe the lifting of the GM moratorium) which will leave Labour plus United Future with only 60 votes.

In Parliament United Future's backing on procedural motions is starting to ease the logjam of legislation — though, paradoxically, thereby also speeding passage of bills (such as on occupational and safety, tertiary education reform and the reorientation of Television New Zealand), which they oppose. But select committees may be slower than in the 1999-02 term, because more chairs are in the hands of non-government parties, including National and New Zealand First — the government has a majority on only one committee. The Regulations Review Committee, which scrutinises legislation for regulatory excess, is also likely to remain active.

The cabinet and the ministry

Overall, it is a strong cabinet, with the strongest front bench since the mid-1980s reforming Labour cabinet. It is more than a match for National's lineup.

Helen Clark is pre-eminent to a degree not seen in a prime minister probably since Peter Fraser in the 1940s. She has a comprehensive grip on policy and communications.

Deputy Prime Minister Michael Cullen is deeply trusted to handle the macroeconomy. No major decision is made without his involvement and not just as Finance Minister. Trevor Mallard is the chief head-kicker, trusted to push through difficult projects and joins Cullen in restraining other spending ministers. Pete Hodgson is the minister for doing difficult and complex things and is widely expected to take over health when he has got climate change and energy policy further down the track.

Next layer down is a raft of ministers fully on top of their portfolios: Jim Anderton in development (now with the influence only of a senior minister), Phil Goff and Jim Sutton in justice and foreign affairs and

trade, Steve Maharey in social services — he is also the cabinet's resident "third way" philosopher. To these might be added a more confident Lianne Dalziel, now Commerce Minister, and Paul Swain, who is injecting some overdue momentum into the transport portfolio. Margaret Wilson is entrusted with advocating the left's agenda.

Expect the three new cabinet ministers, Chris Carter, Ruth Dyson and John Tamihere, to establish themselves as significant players. Outside the cabinet Damien O'Connor is expected eventually to build himself into agriculture, to free Sutton for trade.

For an up-and-comer watch David Cunliffe (parliamentary private secretary to Cullen and Dalziel), who is well thought of by Clark, and new backbencher David Parker, a lawyer with useful business experience.

■ Colin James is a political journalist of 30 years' experience. He writes a weekly political column in the New Zealand Herald and a monthly column in Management Magazine and is an occasional commentator on Newstalk radio and on television.

He is also managing director of The Hugo Group, a forecasting panel with a membership of around 70 medium to large corporates and is frequently asked to make presentations on the strategic environment to companies, industry associations, government departments and other groups.

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