

Government

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Politics and policy of the next three years Part two: The policy programme

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



Colin James - Political Journalist, Analyst

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“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 second 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 policy actions likely during the term of this government. Our previous issue covered the political structure and challenges facing Parliament over the next three years.

The general policy thrust

United Future is still working out its policy stance on most issues. Its initial claims are for family initiatives, which Labour should be able to accommodate (Labour’s core supporters will probably welcome some gestures towards social stability), action on drugs and more roads. The **Greens’** top issue is getting the transport strategy implemented.

Otherwise, the main elements in the government’s policy approach this term are outlined below.

Consolidation and convergence

This government is about **consolidation** and **convergence**: consolidating the 1980s-90s revolution, partly by smoothing some rough edges; and establishing boundaries around political debate which forces convergence of the two main parties (if National is still a main party).

Incremental change

This assumes no silver bullet is available and rejects major or rapid reform. However, the government is also aware that, having cashed in on ending the 1980s-90s reforms, it must now turn about and persuade individuals to accept the inevitability of lifelong personal change if its “innovation” ambitions are to succeed.

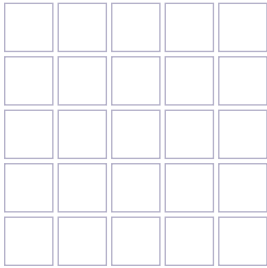
The base: social democracy modified by globalisation

The government’s leadership learnt its politics as classical social democracy, which it has modified under the constraints of economic globalisation.

- The aim is a more **socially equitable society** with a high standard and quality of

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Politics and policy of the next three years (continued)

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living comparable with northern Europe and North America.

- The means is by **redistribution of resources** through an active but not stifling government.
- That needs **high relative incomes** overall which requires faster economic growth. That is the government’s prime current focus. So education is a subset of economic policy.

Macroeconomic stability

This relies on (1) fiscal conservatism, coupled with a new Treasury push for more rigorous evaluation of programmes and prioritisation within and across portfolios, plus (2) continued modestly firm monetary policy, unchanged in fact (though changed in political rhetoric) from the regime Don Brash ran.

Personal and company tax rates are unlikely to change significantly, though a dedicated health tax (extracted from existing personal income tax) is likely in 2005 and will be open to being raised in future. A carbon charge will be levied from 2007 as part of the implementation of the Kyoto protocol on climate change.

An open, relatively lightly regulated economy

This accentuates free trade (qualified to some extent with environmental and labour standards) and generic regulation, subject to some specific regulation, notably of utilities and labour.

More labour regulation is scheduled on safety (already in the House), holidays, redundancy, protection of workers when elements of a business are sold or contracted out, extension of parental leave cover and fine-tuning the Employment

Relations Act. Otherwise, new Commerce Minister Lianne Dalziel is promising a seamless transition from Paul Swain as the focus in that portfolio shifts from the re-regulation of utilities and the stockmarket (though the gas industry and insider trading are yet to be decided on) to more technical and ongoing issues such as e-commerce, insolvency and intellectual property protection.

Extensive facilitative supply-side economic interventions

These are to promote “**innovation**” via an array of programmes to expand research, encourage and fund commercialisation of new ideas, start-ups and clusters, expand exports (including exploiting the “kiwi diaspora” and establishing “beach-heads”), modestly boost skills immigration and local skills development, actively seek foreign investment, especially to develop local initiatives, and to encourage regional development.

A heavy focus on education as an economic instrument

This is to lift overall performance, principally at the tertiary level and also among underperforming Māori and Pacific islanders, which is part of the reason for a greater emphasis on early childhood education, to lift quality and extend the reach (particularly to pick up lower socioeconomic children). Education ambitions are constrained by limited funding. There will also be much effort to bring teachers into the tent after the standoff this year.

A focus on infrastructure repair and development

This will be seen in telecommunications and roads and particularly for Auckland and

forestry areas. The Budget now has a long-term capital development path, within a gross debt level of 30% of GDP. Private-public funding of roads and tolling will be supported in a Land Transport Management Bill due in the House this year.

Transport is a major element, given more urgency by the appointment of Paul Swain, who is not theory-driven and likes projects. Both United Future and the Greens have a particular interest in transport.

A heavy focus on the environment

This will be strongly endorsed and partly influenced by the Greens. Notable are the ratification of the Kyoto protocol on climate change (opposed by United Future), energy conservation (a major element in the transport strategy which promises a cycling and walking strategy), waste minimisation, a big extension of the number and range of marine reserves, rejection of mining and logging on conservation land, continued backing for “local democracy” in the Resource Management Act.

The government intends this country to be a leader in environmental protection. It is starting to get traction among some businesses, led by the Business Council for Sustainable Development. Ministers promote **triple bottom line** reporting, both by business and government agencies.

Pursuit of the traditional social democratic social ambitions

Health will go on getting around half new funding, though will remain underfunded, which will prompt politically uncomfortable outbursts by elected members of district health boards. Transfers to the less well off will continue also to be a preoccupation both in money (benefits) and in kind (housing).

But there is a shift in tone: ministers are starting to talk of social support as a mechanism to underpin individual and household *independence*, injecting some focus on getting beneficiaries into work. They see **social welfare spending as investment**, which must earn a return in the form of self-supporting individuals. Social Services Minister Steve Maharey is driving this.

Co-opting local energy

Maharey is also gently pushing the notion of working with and through *social entrepreneurs* to widen the ideas pool beyond the bureaucracy and to exploit local energy and also to get more bangs for taxpayer bucks. This form of devolution is also slowly gaining ground among ministers, though fraught with fiscal risks and potential for political embarrassment.

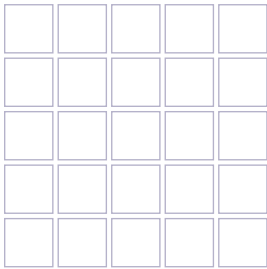
Tariana Turia is now Community and Voluntary Sector Minister and so in charge of a lot of the devolved spending, although Maharey will keep a close eye on the portfolio, both directly (as if it were a delegated associateship) and indirectly through his and Turia’s energetic parliamentary private secretary, Tim Barnett, who did a lot of the donkey work for Maharey when he was Community and Voluntary Sector Minister in the 1999-02 term.

Partnership with local government

This is in part co-option, as above, and in part following through on long-held beliefs in Labour circles of Helen Clark’s political formative years that social democratic ideas can be implemented at local level (e.g. the “People’s Republic of Christchurch”).

It also offers valuable networking opportunities, which Clark exploited in

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Politics and policy of the next three years (continued)

opposition and since: a lot of conservative local grandees are sympathetic to Labour as a result of being taken seriously.

The Local Government Bill is high on the list of legislative priorities: this gives local councils a "power of general competence" but rings that around with highly prescriptive consultation procedures. The new Local Government Minister, Chris Carter, knows little about local government (having a foreign affairs background) but is personable and in tune with Helen Clark and is active and working the networks.

Treaty of Waitangi "partnership"

This is a policy minefield with still undefined boundaries. The government has yet to acknowledge and confront the intensifying demand by a widening range of Māori for more sharing of power and more autonomy (including in financial management and accountability).

This is the essence of biculturalism as influential Māori see it: not just practising traditional and modernised Māori cultural expression such as kapa haka, not even just protecting in law traditional Māori cultural

practices such as in the use of marine resources, still less just in evening up the educational and economic imbalance; it is sharing decision-making at a high level.

How the government manages the "partnership" will be a defining issue of this term and will affect its support from middle New Zealand. The role of the Māori ministers (Parekura Horomia, slow-moving but with tribal standing, John Tamihere, anti-tribal, mercurial and focused on Māori economic enterprise and improvement in his associate small business role, Tariana Turia, promoting the whanau as the central unit of Māoridom, and Dover Samuels, probably in his last term) and the rest of the Māori caucus will be important in this because Labour very much does not want to lose the seven Māori seats. The Greens and United Future are likely to divide on their approach to this.

Constitutional change

Two changes are likely: the abolition of the Privy Council, a bill for which should surface late this year or next; and an almost routine willingness to override the Bill of Rights.

(Restrained) social engineering

Examples are anti-smoking laws, legalising gay marriages and measures to encourage (though not mandate) "pay equity" between men and women. The Greens will back these initiatives but how far Labour goes may depend on how much attention it wants to pay to United Future MPs' moral conservative bent. It will also be interesting to see how it meshes with the family initiatives.

■ *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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