

# Minority government installed in New Zealand

2 September 1998

After weeks of political instability, New Zealand Prime Minister Jenny Shipley announced the formation of a new minority government last week, formally ending the previous coalition between the National Party and the New Zealand First party.

Shipley is now reliant on the support of the right-wing Association of Consumers and Taxpayers (ACT), the single United Party MP, and nine so-called independents--eight of them defectors from NZ First.

The new government takes office amid unprecedented international economic turmoil. The NZ dollar slumped to a 12-year low of less than 50 US cents and economists predict it could plunge to 47 cents. The country is officially in recession after recording the second quarter of falling output.

New Zealand has been hit by falling commodity prices, particularly for wool and dairy products. Its economy is directly affected by the financial crisis in Russia, which is the second biggest market for New Zealand butter after the European Union, worth \$350 million per year.

The official unemployment rate has risen sharply in the past two months to just under 8 percent. Last week, one of the last remaining major manufacturing companies in the Wellington region, Kenson Industries in Wainuiomata, suddenly announced its closure, throwing 160 workers out of their jobs. It supplied components to the local car assembly industry, now virtually non-existent.

The National Party government's orientation was made clear by new Treasurer Bill Birch. In a speech last week to an Auckland business luncheon, he outlined a series of 'reforms' designed to assist big business.

Birch's program marks a further intensification of the assault on the jobs and living standards of the working class. Areas to be hit include accident compensation,

airports, electricity, tariffs, taxation, immigration policy, producer boards and water management. The first government actions are likely to be:

- The privatisation of the 14 remaining state-owned enterprises, estimated to be worth \$NZ30-\$40 billion on the private market. Television New Zealand is at the top of the list.

- The rescinding of its previous decision to drop asset-testing for the elderly in long-term public health care. Those requiring long-term care or hospitalisation could be forced to sell all their 'assets', including the family home, before becoming eligible for state financial assistance.

- The introduction of provisions to allow employers to force workers to bargain away public holidays for cash payments. The Employers Federation has long sought the end of guaranteed statutory holidays.

Big business lobby groups are also demanding the scrapping of the Labour Court in what amounts to a further erosion of the limited legal protection afforded to workers. Employers argue that contracts with employees should have the same status as other business arrangements.

The new cabinet line-up includes recognised right-wing political figures such as millionaire John Luxton and Minister of Labour Max Bradford, the architect of the scheme to sell-off public holidays. Bradford is being groomed to replace Birch when the latter retires.

ACT leader Richard Prebble last week reversed a previous announcement that the National Party could not automatically assume his party's support on no-confidence motions. He pledged ACT's 'unconditional' support for Shipley and then organised a public rally in Auckland in support of the new government.

Even though it is not part of cabinet, ACT will undoubtedly play a major role in the formulation of its policies. The party has already called on Shipley to

immediately slash a further \$1 billion from budget expenditure and to remove restrictions on the operation of companies.

ACT is the mouthpiece for those sections of big business demanding the complete demolition of the welfare state and ending of all barriers to the exploitation of the working class. The party was established prior to the 1996 elections by key figures from the previous Labour Party governments that initiated the so-called free market policies between 1984 and 1990.

Former Labour Party Finance Minister Roger Douglas, currently the chairman of Brierley International, founded the party by saying he would finish the 'unfinished business' of the Labour government. The current parliamentary leader Richard Prebble was the Labour minister responsible for initiating the wholesale sell-off of state assets in the late 1980s.

ACT has been joined by prominent National Party conservatives, including former finance minister Ruth Richardson, whose infamous 'mother of all budgets' in 1991 cut welfare benefits and threw tens of thousand of beneficiaries into poverty.

Shibley has included four former NZ First ministers in her new cabinet in order to ensure their continuing support. Former NZ First Minister of Maori Affairs Tau Henare has retained his portfolio and cabinet ranking at number eight, as well as being given the associate ministerial posts of Education and Corrections. Henare, a former union official, who once vowed he would never serve alongside Shibley, justified his decision with the lame excuse that that he could be more 'effective' in cabinet than 'on the opposition benches'.

Henare and former NZ First member Tuariki Delamere have announced that they intend to establish a new Maori political party. Such a formation, based on Maori nationalism, would only serve to divide the working class on ethnic lines and politically subordinate the most oppressed layers of Maori and Pacific Island workers to the requirements of New Zealand capitalism.

NZ First leader and former treasurer Winston Peters precipitated the political crisis last month when he led party members out of a cabinet meeting after sharp disagreements over the privatisation of Wellington airport. His decision was a cynical attempt to try to win

back support for the party, which has slumped to near zero in media opinion polls.

See Also:

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