



Rough ride eased by spending on roading projects

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THE ECONOMY is in for a rough ride next year, even worse than the Government is forecasting, but there is a silver lining for companies building roads and schools.

The Treasury is expecting the economy to be weak for the next couple of years, but tax cuts and \$5.8 billion of extra infrastructure spending over five years should help.

Finance Minister Bill English said the capital spending allowance in next year's Budget would rise from \$900 million to \$1.45 billion. There will be a total of \$5.8 billion in extra capital spending over five years.

However, offsetting that the Government is dropping Labour's proposed \$1 billion insulation fund and some KiwiRail spending, though the amount was not quantified yesterday.

However, sources said the extra infrastructure funding was likely to be spread around the regions and projects such as the Wellington region's \$1 billion Transmission Gully motorway plan were likely to be "well down" the list of priorities.

The Government was expected to take a hard-nosed approach to road and other infrastructure projects, to make sure the projects had a wider benefit.

Companies likely to benefit

from extra infrastructure spending include Fletcher Building, which already has a backlog of \$1.2 billion in projects, listed engineering services company Opus and a variety of road building firms such as Fulton Hogan, as well as smaller regional firms and subcontractors. Most of the companies are New Zealand owned.

Fletcher Building was among the best performing leaders on the NZX, rising 8c to \$6.15 yesterday.

Opus shares were down 3c to \$1.15.

Some of the extra spending should soak up workers who lose their jobs in the house building slump.

Mr English said in the shorter term, the projects that the Government could get up and running were in housing and "perhaps education". In the longer term, there would be a stronger focus on roads, but not everything will get money.

Some of the big road projects proposed for Auckland "do not have strong merit" and the threshold for projects would be "fairly high", he said.

Fletcher Building investor relations manager Phillip King said it had expected more spending on roads and schools which was part of Fletcher's core business.

Infrastructure was a broad category including roads, bridges, schools and hospitals. "And much of that is beneficial to our busi-

ness," Mr King said.

Fletcher Building is involved in the Manukau harbour crossing in Auckland, the Tauranga bridge, the Eden Park stadium project and Mt Eden Prison.

Opus International chief executive Kevin Thompson said the \$5.8 billion over five years implied professional fees of \$300 million.

"Roading and education is right in our space - so that is very positive [for Opus]," he said. The extra road work would help ease traffic congestion, which would help improve general productivity, but mainly in cities, he said.

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Treasury expects the economy to grow weakly next year before recovering in 2011, but BNZ reckons the downturn will be worse.

