

ILSS Submission Targets Low Interest Rates, Low NZ Dollar, Low Inflation

The executive chairman of EROS Capital Ltd and Red Stag Timber Ltd, which operates Waipa Mill, New Zealand's largest sawmill and timber processing plant, Phil Verry, announced today that he will be making a personal submission to the Finance & Expenditure Committee of parliament, which will shortly review the operation of Reserve Bank monetary policy.

He says the submission, of 116 pages, will present a comprehensive solution to the mounting calls for new methodology for the operation of monetary policy, to replace present policy which has become demonstrably antagonistic to the nation's interests.

Mr Verry says the core change is to remove Reserve Bank interventions into the interest rate markets via the failed OCR, and into the NZ currency exchange rate markets, which have massively distorted both markets and have caused severe price instability in the two most important markets of the economy.

"We have now fully developed the 'Interest Linked Savings Scheme' (ILSS) to a suite of highly effective savings-based instruments that can be: easily implemented and managed; targeted to avoid 'collateral damage'; and operated flexibly", says Phil Verry.

"Savings are the natural antidote to inflation. In effect, the ILSS savings will be free new wealth that present policy gifts to foreign lenders by OCR surcharges on market interest rates, or destroys by consequent overvaluation and volatility of the NZ\$"

"We expect the Select Committee to be strongly supportive of the ILSS solution. It is infinitely superior, in every respect, to the methodology used at present, which is inflicting so much unnecessary damage to the productive sectors of the economy, upon which ultimately everyone depends", he says.

Phil Verry says he expects several supporting submissions will be made by senior business leaders who have tuned into the reasons for the ongoing failures of monetary policy and the ILSS solution.

"The removal of the Reserve Bank interventions from the interest and NZ\$ exchange rates markets will allow those markets to rapidly fall to equilibrium values, which we and others have analysed: at interest rates at least 300 basis points below current levels; and exchange rates at 55-60 US cents and 65-70 AU cents for the NZ\$", says Phil Verry.

He says, once ILSS is introduced, all interest and exchange rates will be set by the markets operating freely without the distortions of Reserve Bank interventions.

"We have reports that already the smarter currency traders in the USA are selling down their NZ\$ positions, to currency traders in other regions, especially Asia, who have not yet woken up to the fact that the NZ\$ is about to have a very substantial overdue correction. We are moving our own liquid reserves out of the NZ\$, as in part has the Reserve Bank," he says.

Phil Verry says the ILSS solution will also open up a second front to combat inflation by stimulating supply-side capacity growth. It incorporates mechanisms for: a higher trajectory for economic growth, with low inflation, than has been

possible hitherto; stabilisation of the value of the NZ\$ within a band that is always viable for export growth, and resolution of problems in the housing market, too.

"At present, due to exchange rate pressures, New Zealand has the small country economy that is the most disconnected from the global economy in the world. We have stagnated, while other countries have raced ahead. Now our export revenues are only one-half of the level New Zealanders need them to be." says Phil Verry.

"The ILSS solution will easily address that problem, too. It will also massively increase deposits to KiwiSaver", he says.

Mr Verry says 1,000 copies of the ILSS submission are being printed, mainly for selective distribution later this week, when electronic versions will be emailed to all media, parliamentarians and others, who will also be mailed copies of the printed submission.