

The Government vs Auckland

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The relationship between central government and the Auckland Council has reached a new low, following the rejection by deputy mayor Penny Hulse of designation for three special housing areas in the PM's electorate.

Pressure grows for a rate cut

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The RBNZ has already adopted a strongly easing bias, which got support from the clutch of employment data released Wednesday. Employment is up strongly over the year, as is participation, while wage pressure is relatively weak. But on its own, it's not enough to clear the way for an OCR cut.

New financial stability measures next week

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The central bank will round off a suite of recent actions both to recalibrate its view of monetary policy and stress its fears about an Auckland real estate bubble. Wednesday's Financial Stability Report should see new bank capital adequacy ratios for residential property investors.

Is Key over it? And what about JColl?

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The PM has seemed testy and tired at times in recent weeks. The ponytail sting has stung him personally. But at over 64% in the Herald Digi-poll immediately after the humiliation, his personal ratings remain stratospheric. It's unclear how much of the recent publicity about Judith Collins's ambitions was planned, and how much is media speculation caused by Key's stumble.

Spark's last stand on copper pricing

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Spark is effectively seeking to repeat the "Axe the Copper Tax" campaign, launching a "Be Counted" campaign urging consumers to lobby the Commerce Commission as it finally decides on the pricing for Chorus's copper broadband services. The govt is keen on simplicity post-2020.

A second tough season for dairy looms

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Sentiment is softening over the extent of global dairy price recovery expected in 2015/16. Whereas expectations were once for a rebound above \$6 per kg/MS, markets are now tending to the lower end of a \$5.50 to \$5.75 range. That will be tough for many farmers.

Legislation: animal testing ban law in place

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The Animal Welfare Bill passed its third reading, having been stalled since introduction in August 2013 by opposition from centre-right parties to the ban on animal testing. The measure became an early concession to the govt's recognition it no longer has an assured majority.

STOP PRESS: UK election result

We note also that early exit poll data from the UK General Election suggests a sharply divergent result from that predicted in opinion polls, with the Conservative Party appearing well ahead to be the largest party in a hung Parliament.

The Govt vs Auckland

The Cabinet is coming to the end of its tether with the Auckland Council, with this week's announcement by deputy mayor Penny Hulse opposing new special housing areas in John Key's electorate something of a last straw.

What is particularly irking senior Ministers is the suggestion that there is not already major infrastructure investment committed for transport corridors to the proposed areas. What Ministers see is the council seeking to reduce its own transport investment commitment while wanting earlier starts on taxpayer-funded initiatives. The view is that Auckland Council is now overplaying its hand.

One of the greatest concerns is that the council will ratify what central government regards as a wrongly prioritised approach to the city's urgent infrastructure needs, with the council's responses more geared to the demands of influential local lobbies, including the Transport Blog group, than accelerating the expansion of affordable housing.

It wants to avoid a Canterbury-style intervention, but such drastic action is in the mix, with Building, Housing and Environment Minister Nick Smith stating: "The Government also has the power to create special housing areas without the approval of the Auckland Council if they choose to overplay their cards and demands for money."

While it will strive not to become involved, Wellington is also deeply unimpressed by the Auckland port schemozzle, which it sees as the outcome of the mid-2000's council decision to resume full ownership of the port. A commercial, non-politicised outcome would have been far more likely to emerge, Ministers believe, were it privately owned. The port company has sought to quantify the economic cost to NZ and Auckland if fewer large cruise ships arrive. So far, that argument appears to have had as little cut-through as the rest of the port's efforts to create focus on the economic rather than the aesthetic impact of an expanded port operation.

The prospect of a 9.9% rates rise, including a new targeted transport infrastructure levy, is likely to play into the government's hands if it chooses to ramp up its accusations that the Auckland Council is failing Aucklanders by making too little progress on housing supply, among other issues.

Action on housing investor tax in Budget?

The Treasury and IRD are actively considering the potential to increase resources going into chasing residential property investors, who are already obliged to pay tax on capital gains at their top

marginal personal tax rate when trading actively in property.

The Budget may contain additional resources for IRD to chase property investors. It already runs a Property Compliance Programme, which assessed some \$52.4m of discrepancies last year, against an annual target of \$45m, which was established in 2010 after an increase in funding to the IRD. Auckland has been a particular focus.

One of the most common errors taxpayers make is to think that by buying a property in a hotspot area, with the idea of renting it out for a short period and then selling it, they will not attract tax on the capital gain. The intention of resale from the outset makes the profit taxable. Similar rules apply to "do-ups".

This year, IRD is tracking to slightly exceed the 2015 target with \$56.6m in additional tax assessed already. Even increasing staff in this area would be likely to increase revenues, as the rule of thumb is that \$1 applied to tax investigations yields \$7 of revenue, making it one of the best returns on investment available to the Crown.

A step closer to a rate cut

Labour market data published this week isn't decisive, but it's a further step in the direction of a cut to the Official Cash Rate from the RBNZ some time this year. We are still not convinced that will happen, but the odds are improving.

Soft wage-setting is one of the boxes they need to tick at No. 2 The Terrace on the way to cutting the OCR under the new parameters laid out in detail in both deputy governor John McDermott's speech on monetary policy setting a fortnight ago, and last week's OCR press release. The Household Labour Force Survey and Labour Cost Index tell a simple story: very limited wage pressure because there's still spare labour, partly thanks to recent strong net inward migration.

Employment growth was up 0.7% for the quarter, for annual growth of 3.2%. Participation rates rose again to a new record high of 69.6%, up two basis points on the December quarter figures. That partly explains why the unemployment rate, at 5.8%, didn't budge from quarter to quarter, when market consensus was betting on a fall to 5.5%. This suggests some difficulty starting to emerge in soaking up the high net number of inward migrants, whether returning NZers or foreign nationals.

There was further confirmation for these trends in the filled-jobs measure from the Quarterly Employment Survey (QES), also released Wednesday, which jumped a seasonally adjusted 1.8% in Q1. On a full-time equivalent basis it increased 1.7%, to be 4.1%

up on a year ago – the fastest annual growth since 1996. Hours worked were big in the March quarter, with the HLFS version up 1.4% and the QES measure surging 2%. All of this augurs well for Q1 GDP growth, forecast to be around 0.8% expansion.

The quarterly slowdown in the private-sector Labour Cost Index (LCI), at 0.3% in the March quarter, was consistent with recent seasonal patterns, but just short of market expectations at 0.4% for a 1.8% annual rise, below the 2% forecast by the RBNZ in the March MPS. However, 1.8% inflation in the LCI should not be seen as a weak figure. It is in fact consistent with the mid-point of the CPI target band. The scenario rate-cut the Bank has been painting is if such core inflation measures, and general inflation expectations, make a play for the low end of the Bank's 1% to 3% zone. Even if this did occur, the central bank would be looking for entrenchment over several quarters.

There is still a question, which the Budget may partly answer, about the anticipated cost of a public sector wage round. Health, in particular, is expected to soak up a big part of the available extra \$1 billion for new spending this year. A chunk of that will anticipate nursing and other skilled staff pushing successfully for a better than inflation outcome after an extended period of wage restraint.

Nonetheless, money markets are pricing just over 25 basis points of OCR cuts by the end of this year.

Dairy outlook weakening

Fonterra cut its forecast farmgate milk price by 20 cents to \$4.50 per kilogram of milk solids, citing volatile global commodity prices and oversupply, ahead of this week's GlobalDairyTrade auction, at which prices reached a new five year low.

Attention is turning now to the outlook for next season, as two seasons of low prices in a row would spell a more serious challenge to the sector's fortunes than a single season slump. Market expectations, which had been optimistic for a return to levels above \$6kg/MS are now well under that mark, with the low end of a range of \$5.50 to \$5.75 becoming a consensus view.

Fonterra's cut is deeper than was Westland Milk Products' reduction, to between \$4.90 and \$5.10/kgMS from a previous range of \$5-\$5.40/kgMS. A better-than-expected season end means NZ is currently competing with European producers for sales in the Middle East and Asia, as Europe heads toward its seasonal production peak.

New macro-prudential rules next week?

Indications are that the RBNZ will give notice next

week of its intention to implement a new set of rules requiring banks to carry additional capital for lending undertaken by investors in multiple residential properties.

The release on Wednesday, May 13, of the six monthly Financial Stability Report, is the expected vehicle for announcement. Consultations on the proposal concluded on April 17 and the bank was to have made a policy decision by the end of last month.

The consultations involved a new asset class treatment for loans to residential property investors and other capital-related proposals. Other parts of the consultation cover proposals for new risk weights for reverse mortgage loans, the removal of the qualifying revolving retail exposure class and the foundation internal ratings based approach.

Govt Still Has Mojo

The Prime Minister is looking and sounding distinctly tired, even irritable, but he is showing no signs of stepping aside before the 2017 election.

In fact, despite the inevitable personal niggles in relationships between a team that has spent the last 7 years in govt, his senior Ministers remain far more focused and unified than, say, the Abbott Cabinet across the Tasman.

Whether the Budget's intended action on child poverty marks out new ground for the Key govt remains to be seen.

However, Bill English's 'investment approach' is now entrenched as an approach to social welfare reform, and is set to push far more deeply than has already occurred into results-focused contracting and competition between govt and non-govt agencies for effectiveness.

Whanau Ora is an early example of this kind of policy action. For that reason, it faces no serious challenge, despite the Auditor-General's report criticising set-up and administration costs. The A-G said the policy was making a difference on some of the most difficult issues facing NZ society – "an innovative idea should not be abandoned just because of implementation problems".

The Productivity Commission's draft report on effective social services can also be regarded as something of a blueprint. Note, though, that the report finds evidence that social services costs tend to rise when people are empowered to pursue the services they need. English will wear

International Growth Fund

The \$30M International Growth Fund, administered by NZTE, will no longer be available to very large companies. Fonterra Branding and F&P Healthcare have benefited in the past, but firms turning over \$500M+ will no longer qualify. Grants will be made on a 40:60 govt/private funding basis, instead of 50:50.

that because it will lower long term costs. But the additional spending will be largely at the expense of programme cuts elsewhere in the short term. The Budget surplus goal remains a political imperative, even if it is all but abandoned for the financial year ending next month.

State sector reforms are also requiring govt agencies to work much more closely together, and to focus far more on understanding Auckland's issues.

The challenge facing the govt though is that what they are proposing is beyond the conventional political discourse.

As English acknowledges both the media and the Opposition intrinsically believe that if you are seeking to reduce state expenditure and move functions outside the public sector then someone must be missing out.

It's still about John Key

A great still depends on John Key's ability to connect with middle NZ.

Looking at his performances this week since he has been back from the Middle East he has sometimes seemed to lack energy, although put him in front of a business audience and he lights up on cue. He has clearly been rattled by the ponytail-pulling episode, albeit polling since then has seen National still above 50% support, Key himself rating nearly 65% as preferred PM, and Labour and Andrew Little languishing. Labour remains consistently below 30% and Little, post-Northland by-election, now barely outranks Winston Peters as preferred PM.

If Key were to retreat back into himself because of the flak he has been taking over the pony tail incident or other matters involving his Ministers, then National's ability to convince the electorate of both its Budget and its new approach to the welfare state would be negatively impacted as would its chances of forming

a fourth term Government.

Ultimately it still all depends on him.

A Collins comeback?

It's not clear whether a round of media appearances, including speculative pieces in both The Herald and Fairfax papers suggesting she was on her way back, were orchestrated by Judith Collins herself. The Press Gallery has scented Key's demise in recent events and is looking for angles on his eventual replacement. There's also the matter of a minor Cabinet reshuffle when Tim Groser retires to become ambassador in Washington, perhaps as early as next month. Collins has been tipped for the Revenue portfolio held by Todd McClay, who as Associate Trade Minister can reasonably expect to step up to full responsibilities in that portfolio, perhaps keeping only SOE's. Her route back to the Cabinet table is unlikely to be that easy. She might get a post outside Cabinet, but a full return would be unlikely. Too many senior Ministers – English and Brownlee for a start – would be opposed.

And in two separate press conferences, Key, conceded she would be a contender when a vacancy arose but there would be other contenders as well.

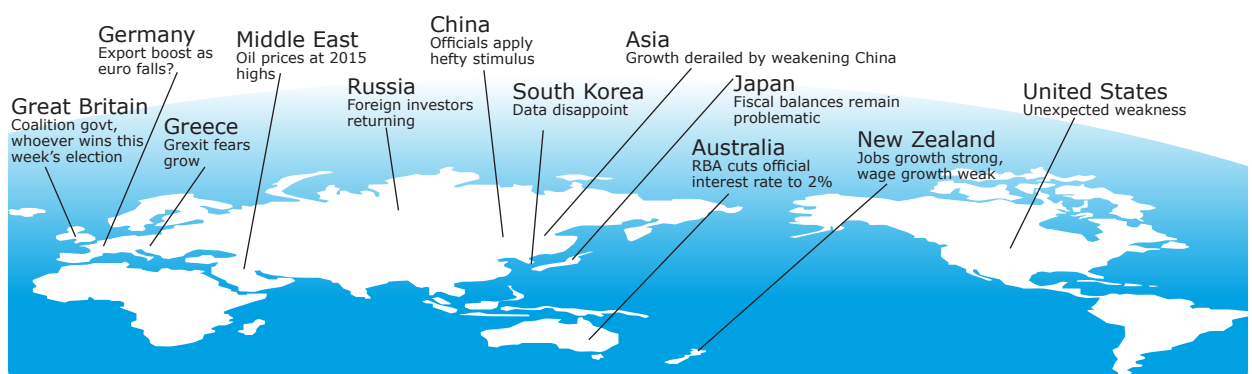
Telecoms regulation

There are clear signs the govt favours greatly simplifying the regulatory regime for telecommunications after 2020 and to align it with the regulatory regime for other monopoly networks.

That opportunity arises for telecoms regulation after 2020 (see last Hugovision) and follows lengthy court actions involving both the regulated price of copper wire services offered by Chorus, and the weighted average cost of capital formula for regulating electricity, gas, and airport pricing.

However, with the final determination of copper pricing due now in December, Spark is seeking to

The world at a glance



engage public opinion on the issue, in what looks like something of a rerun of the politically successful 2013 “Axe the Copper Tax” campaign, masterminded by Auckland PR adviser Matthew Hooton.

While previously Spark ceo Simon Moutter has expressed a greater preference for certainty than a perfect regulatory outcome, the new “Be Counted” campaign is an expression of frustration with a process that has dragged on far longer than expected. The campaign seeks to engage the public to lobby the Commerce Commission to reverse the draft determination that partially restored Chorus’s position while hammering Spark’s and other listed telco retailers’ share prices earlier this year.

The timing is dictated by the expectation that a new draft determination will be released some time in June ahead of the final determination in December. The campaign will leverage Spark’s customer base and substantial social and digital media reach rather than advertising through traditional media channels.

Spark is arguing the draft determination will produce copper network access prices are “almost 80% higher per line than the median charge of comparable countries”, or around \$180 more per year.

While Spark says it will pass back any savings to consumers between the finally determined price and the price increases the company implemented earlier this year after the commission’s first draft determination, it isn’t guaranteeing any pass-through of any further cuts the commission might deliver. The argument is that prices for broadband services

are largely being set by retail market competition now.

Hooton, incidentally, is now advising the “Stop Stealing Our Harbour” campaign against the Ports of Auckland wharf extensions.

Ruptions at India-NZ Business Council

New Zealand-India business relations risk a set back following an acrimonious split that has seen the long-established India-NZ Business Council weakened at the expense of the India-NZ Friendship Society, an initiative driven by the recently arrived Indian High Commissioner to Wellington, Ravi Thapur.

Just weeks after mounting a heavy-hitting and well-attended one day India-NZ Investment Summit in Auckland, the INZBC has seen the former chair, Sunil Kaushal, removed and its treasurer, Bhav Dillon, pop up at the rival organisation.

The INZBC had been forging relations with the Confederation of Indian Industries (CII) after being rebuffed by a rival Indian lobby, the Federation of Indian Chambers of Commerce and Industry (FICCI). The summit saw commitment to the creation of an annual NZ-India business summit, alternating between the two countries and appeared capable of giving momentum to the NZ push for a free trade agreement with India. That is now in doubt. Thapur is a vocal opponent of the FTA push. Hopes of getting John Key to Delhi this year may fade. ■

Trading partner growth

(2013 actual; 2014-15 Consensus Forecasts; 2016-17 figures Hugo estimates)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
China	27.6	7.7	7.4	6.9	6.8	6.6	2.6	2.0	1.4	2.0	2.6
Australia	21.3	2.1	2.7	2.6	3.1	3.1	2.5	2.4	1.9	2.7	2.7
United States	10.1	2.2	2.4	2.9	2.8	2.6	1.5	1.6	0.1	2.2	2.3
Japan	6.9	1.6	-0.1	1.0	1.7	0.7	0.4	2.7	0.7	1.0	2.0
Eurozone	7.2	-0.4	0.9	1.5	1.8	1.6	1.3	0.4	0.1	1.2	1.5
United Kingdom	3.7	1.7	2.8	2.6	2.5	2.3	2.5	1.5	0.4	1.6	2.0
South Korea	4.0	2.9	3.3	3.1	3.6	3.6	1.3	1.3	1.0	1.9	2.4
Indonesia	2.3	5.6	5.0	5.4	5.7	5.7	6.4	6.4	6.0	4.7	4.7
Hong Kong	1.7	2.9	2.3	2.5	2.7	3.3	4.3	4.4	3.2	3.1	2.8
Taiwan	2.4	2.2	3.7	3.7	3.6	3.4	0.8	1.2	0.2	1.4	1.4
Singapore	2.6	4.4	2.9	2.9	3.4	3.7	2.4	1.0	0.1	1.5	2.1
Malaysia	2.3	4.7	6.0	4.8	5.0	5.3	2.1	3.1	2.5	3.0	3.0
Philippines	2.0	7.2	6.1	6.4	6.2	5.6	2.9	4.2	2.7	3.5	3.8
Thailand	1.9	2.9	0.7	3.7	3.9	3.8	2.2	1.9	0.3	2.3	2.6
India	1.5	6.9	7.4	7.7	8.0	7.5	9.5	6.3	5.4	5.6	5.5
Viet Nam	1.3	5.4	5.7	6.0	6.1	5.8	6.6	4.1	2.7	5.0	4.6
Canada	1.3	2.0	2.5	2.0	2.1	2.3	0.9	1.9	1.0	2.1	2.1
NZ Trading Partners	100.0	3.9	4.0	4.0	4.2	4.0	2.4	2.2	1.4	2.2	2.5
Forecasts for New Zealand											
Consensus		2.3	3.3	2.9	2.7	2.5	1.1	1.2	0.9	2.1	2.2
BNZ Forecasts		2.3	3.3	2.8	2.0	2.0	1.1	1.2	0.4	2.0	2.0
The World		2.6	2.7	2.7	3.2	3.0	2.8	3.0	2.5	3.0	3.4

CORPORATE ROUND-UP

Australian Budget

Next Tuesday's Aust federal budget is crucial not only to the ability of the Abbott govt to govern effectively, but also for Treasurer Joe Hockey. If Hockey's second budget fails to fire, Aust media reports suggest Abbott will be under pressure to replace him. Hockey has been notable for his relative absence in the political build-up, with Social Services Minister Scott Morrison fronting media on what politically challenging proposals to asset testing for wealthy recipients of old age pensions. Abbott has described this as targeting "liquid assets millionaires". Tax reform, with a possible increase in the Aust GST rate, is also on the cards, with Hockey writing in praise of NZ's low rate, broad-based tax regime and a similarly supportive commentary in Sydney's Daily Telegraph from John Key. As in NZ, one of the biggest challenges facing the Aust govt is the slowdown in tax revenues created by unexpectedly low inflation.

Agriculture

NZ horticultural production topped \$7b for the first time in the year ended June 30 2014, giving the industry confidence it will reach its target of \$10b of production by 2020. Growers recorded strong growth across most produce, including wine, apples, potatoes and onions. The latest year's \$7.16b in production was up from \$6.7b in 2013, according to the Fresh Facts publication. Exports rose by almost 7 percent to \$3.9b. The national body, Horticulture NZ, used the figures to highlight the productivity of horticultural land versus dairy farms, with \$3.9b of exports produced from 123,000 hectares, while dairy exports of \$16.9b needed 1.7 million hectares.

Gold mining

OceanaGold has signalled its intention to buy Newmont Mining's Waihi operations for cash, plus adjustments, of US\$101m. Under a letter of intent, OceanaGold has an exclusive period until June 1 to complete due diligence and agree terms for the purchase. Buying the Waihi gold mine would add 100,000 ounces a year through to 2018 from the current Correnso Underground Mine operation, helping make up for depleting output from the Macraes gold mine in Otago, slated for closure in 2017. The transaction will be funded through existing cash and undrawn bank debt.

Coal

Solid Energy plans to cut 113 South Island staff, mainly at the Stockton mine, near Westport. The restructuring will cut coal production to 1MT p.a., from 1.4M, and save \$36M p.a, for one-off costs of

\$4.3M. That will stem losses while keeping output commercially relevant. The Stockton reduction is the latest in a string of setbacks for Westport since the collapse in the global price of coking coal.

Three years ago, Westport was starting to boom as Bathurst Resources prepared to mine for export on the Denniston Plateau. Bathurst now operates a clutch of small South Island thermal coal mines and would buy more for domestic supply, but has mothballed Denniston plans for now.

Commodity prices

NZ commodity prices have recorded their biggest decline since the height of the global financial crisis, led by falling dairy product prices. The ANZ Commodity Price Index fell 7.4% in April, the first decline of that magnitude since October 2008. Dairy prices fell 15% to be a third lower than a year ago. Meat prices rose 2.3% in April, while wool and pelt prices also gained and lamb prices fell. Horticulture prices increased 2%, prices for aluminium rose 1.5% and forestry prices were little changed.

Tamaki redevelopment

The government will transfer title of 2,800 Housing NZ properties in Glen Innes, Panmure and Point England to Tamaki Redevelopment Co, its property development joint venture with Auckland Council. Tamaki has been seeded with a \$200m, five-year government loan and is expected to become self-funding through a combination of rental income and sales of properties. It aims to build 7,500 homes on the existing sites in higher-density zones that are to include civic amenities and commercial activities. Over half of the new houses will be sold to help offset construction costs, and the remainder will be retained as social housing.

Port compromise

Ports of Auckland has proposed a compromise to its expansion plans in the face of vocal local opposition. It would now extend only one of the two wharves it had initially earmarked. But at the same time it has reminded opponents including elected members to its owner, Auckland Council, of the economic impact. The Royal Caribbean Cruise Line's 5000-passenger liner Ovation of the Seas, set to enter service next year, would be unlikely to be able to berth without the Bledisloe Three wharf extension, putting in doubt its visits to other NZ ports. That ship alone was worth \$12m to Auckland for the season and up to \$40m for NZ as a whole, according to the ship's agent. Port CEO Tony Gibson called the revised plan "a pragmatic, workable solution" that allows the company to handle the city's growing traffic in the

short term “while the long-term future of the port is debated.”

Campervan guidance

Tourism Holdings, the largest campervan rental business in Australia and NZ, has lifted full-year guidance for a third time and hired First NZ Capital to review its capital structure. Profit is now expected to be \$19.5m to \$20m in the year ending June 30.

Media industry

US hedge fund Oaktree Capital has increased its holding in Mediaworks Investments to about 78%, buying out Westpac’s 22% stake and Royal Bank of Scotland’s 15% holding. Oaktree was among lenders that forced the media company into receivership in 2013, putting the assets into a new entity, Mediaworks Investments, which they owned. As a result, debt in the business was cut to about \$100m from more than \$700m. The appointment last year of former NZX boss Mark Weldon as CEO has stoked speculation the business may be heading for an IPO or trade sale. Weldon said in March that “the equity holders in the business are not companies that generally are in the media for the long term, so they want to exit at some point.”

Hart’s investments

Lenders to Graeme Hart’s UCI Holdings auto parts business have approved amendments to its credit agreements which are a precursor to asset sales. Hart’s Rank Group acquired UCI for US\$980m and FRAM Group for US\$950m in 2011 in leveraged buy-outs, at a time when he was near the end of building a global packaging empire in Reynolds Group Holding. Meanwhile, Hart’s Carter Holt Harvey, which is speculated to be preparing for an IPO, has conditionally agreed to sell its Kopine and Bestwood units to New Zealand Panels Group, which is 39% owned by Australian private equity fund Crescent Capital. Carter Holt’s Australian building products unit returned to profit in 2014, with earnings of A\$167.7m, as sales rose, an impairment charge reversed and it recognised its share of the sale of pulp, paper and packaging assets.

Migration

NZ migration hit a new annual record in March, as more students arrived from India and China and fewer locals left for Australia. The country had a net gain of 56,275 migrants in the year through March 31, 75% up on the 31,914 gain a year earlier. Migrant arrivals rose 16% while departures fell 13%, government figures show. NZ had a net loss of 2,300 people to Australia in the year through March, the

smallest net outflow since March 1992. Inbound migration was led by an annual net gain of 12,100 people from India, 7,700 from China, 4,900 from the UK and 4,000 from the Philippines. About 75% of migrants from India and half of those from China arrived on student visas.

Business confidence

NZ business confidence slipped from a seven-month high, led by retailing, manufacturing, agriculture and construction, while remaining relatively upbeat. A net 30% of firms were optimistic about the general economy in April, down from 35.8% in March, according to the ANZ Business Outlook. Sentiment improved in the services sector. The biggest decline in April came from export intentions, which dropped to 23% from 32% in March, likely driven by the high NZ dollar. The results are “consistent with an economy entrenched in a robust and steady economic expansion,” said ANZ Bank’s Cameron Bagrie.

Trade surplus

NZ’s trade surplus was bigger than expected in March, mainly as a result of exports falling less than expected. The surplus was \$631m in the latest month, from a February surplus of \$83m. Excluding the re-export of a drilling platform to Singapore, last month’s trade surplus was \$432m. Annual exports to China dropped 23% to \$8.6b due to weakening demand for commodities such as whole milk powder. Exports to Australia slid 4.1% to \$8.65b.

Insurance sector

Tower may record a small net loss for the first half after flagging an increase in provisions for Canterbury earthquake claim costs, while saying underlying earnings from its general insurer business grew strongly. The insurer expects claim costs in relation to the Canterbury quakes will increase by between about \$20.9m and \$22.4m after tax to a range of \$388m to \$397m.

Finance company sale

Fisher & Paykel Appliance Holdings, the manufacturer and consumer credit company owned by China’s Haier Group, is considering selling its finance operations after being approached by potential buyers. The company hired First NZ Capital to “assess potential options” for the future of its finance arm “in response to recent market interest,” and had already fielded several enquiries regarding its long term plans for the business, it said. The finance business owns QCard and the Farmers Finance Card. ■

LEGISLATION

Decks cleared for the Budget

April was a quiet time for Parliament with the month dominated by a three week adjournment around the Easter break.

When Parliament did sit the Government used its time to work through nuts and bolts business such as completing the Budget process for the 2013/2014 year with the passage of the Appropriation (2013/14 Confirmation and Validation) Bill. This meant completing a nine hour debate on the financial review of Crown agencies and departments, and the Government's finances. Parliament also approved the budgets of the Officers of Parliament – such as the Auditor-General – ahead of the May 21 Budget.

The month also was the first with a new composition of MPs following the Northland by-election, which robbed the govt of its election night one-seat majority.

The key event in the next three sitting weeks, starting May 19, is the Budget on May 21.

Bills In Progress

Environmental Reporting Bill: Introduced Feb 20 2014. Sets up a mandatory environmental reporting regime to be conducted by the Environment Secretary and Govt Statistician. First reading on March 5 supported by National, Greens, Maori Party, ACT and United Future. Labour agrees in principle, but disagrees with detail. NZ First, like the Greens, wants the Environment Commissioner to run the process. Reported back with minor amendments on March 30. Both the Greens and Labour oppose the bill as they wish statutory independence in setting the monitoring regime and reporting on it. *Debate on the second reading was interrupted when the House rose on May 5.*

Health (Protection) Amendment Bill: Introduced on July 31. Gives effect to the govt's decision in Oct 2013 to improve the range of measures available to protect the public from the harm associated with infectious diseases. This takes in some aspects of the stalled Public Health Bill. It also bans the commercial provision of ultra-violet sun tan treatment to those under 18. Received its first reading on Nov 6 with general support and sent to the Health Committee for consideration. *Reported back to Parliament on May 1 with amendments with the 18 year old age limit for sun tanning treatment remaining. Labour, NZ First and the Greens dissented saying all cosmetic ultra-violet sun tan treatment should be banned.*

New Zealand Business Number Bill: This bill introduced on March 31 enables certain entities (including corporate and public entities or unincorporated entities) to get a New Zealand Business Number and to be registered to a New Zealand Business Number register. *The bill received its first reading on May 5 with the Govt saying it hoped the business number would reduce red tape costs by giving businesses one way of interacting with the Govt. Opposition MPs said the bill has good intent, but feared it would just add to red tape and add yet another identification point for businesses. The bill was referred to the Commerce Committee for consideration.*

Organised Crime and Anti-Corruption Legislation Bill: Intended to bring NZ into line with international conventions. This includes requiring banks and other financial institutions to report all international wire transfers over \$1000 and all physical cash transactions of \$10,000 or more to the Financial Intelligence Unit within police. *The bill was reported back on May 4 with a number of amendments to the reporting regime for international transactions intended to make it less bureaucratic. Other amendments include allowing for bribes overseas to be punished by fines as well as imprisonment. It also makes clear money laundering in a foreign jurisdiction where it is not illegal is still an offence in NZ. The bill is generally supported though the Greens want bribes to cover even low value "grease" payments, currently excluded.*

Policing (Cost Recovery) Amendment Bill: Allows the Police to charge fees and recover costs for some of its services. Cabinet has agreed this will only apply to vetting services. *Fierce opposition led to the report back deadline being pushed back to June 29 with the Govt indicating it was considering exemptions to the charging regime.*

Bills Passed

Animal Welfare Bill: First reading August 2013. The bill seeks to improve the animal welfare system following the Government's review in 2011–2012. It does not alter fundamental policy settings. Reported back from select committee on June 26 with amendments around standards of welfare for animals, including live animals for export. The Greens unhappy the bill does not ban animal testing of cosmetics and want stronger protections for animals used in intensive factory farming. Completed its second reading on November 27 with the Greens still opposing. Ministers have indicated they are open to the idea of banning animal testing of cosmetics in New Zealand as it appears this does not happen in this country. Completed its committee stage on March 31 with a Government amendment banning the use of animals for testing of cosmetics accepted by all parties. The bill remains generally supported but a number of parties are concerned at the long transitional period for tougher rules over animal welfare, particularly in factory farming. *Passed its third reading on May 5 with general support, though Opposition parties still argued it did not go far enough.*

Immigration Amendment Bill (No 2): Sets a maximum sentence of seven years prison for employers who exploit immigrants and deportation for employers who hold residence visas if the offence was committed within 10 years of gaining residence. Also address gaps in the compliance regime and responds to new technology. First reading on Nov 19 2011 was completed with NZ First and Mana opposed, reported back from the Transport and Industrial Relations on May 16. Labour and the Greens withdrew their support for the bill saying it did not do enough to protect immigrant workers who wanted to report abuse. They also objected to the wide powers given to immigration officials. Completed its second reading on Feb 10 by 61 to 59 with National, ACT and United Future in favour. Labour and the Greens indicated they withdrew their support from the bill as it would not adequately deal with the problems around vulnerable immigrant workers. Completed its committee stage on March 31 with all parties but National, ACT and United Future still opposed with most speeches in opposition focussing on the powers given to immigration officials. *Passed its third reading on April 30 with National saying it would make a real difference in cracking down on the exploitation of immigrant workers. Labour, Greens and NZ First disagreed saying it was window dressing and would be counter-productive.*