HUGOvision

Assessing the economic and political environment in New Zealand

July 31 2015 | Confidential to HUGO members

Text finalised July 31

Nats conference showcases future leaders

The 700 members of the National Party who gathered in Auckland for their annual conference could reflect that they were looking at the most politically successful govt we have seen since Sir Keith Holyoake led the Nats back in the 60s.

Yet perhaps what was most interesting was that for most of the conference the Prime Minister was either in the background or not there at all. This is the man who under a year ago had his name emblazoned on the tee shirt of every National member on the campaign trail as Team Key took to the hustings.

Instead, delegates saw National's next generation of leadership on display, even if it was co-ordinated and chaired by Bill English.

The Sky City platform was occupied by Ministers like Paula Bennett, Jonathan Coleman, Amy Adams, Simon Bridges and Nathan Guy. The old favourites like Steven Joyce, Nick Smith, Gerry Brownlee and Hekia Parata were there and did their turns on the platform but the time given to the other Ministers suggested that this was the beginning of a plan to broaden the govt in the public mind.

Even so, English seemed to dominate the conference. He was the only MP other than the Prime Minister to make a keynote speech and he chaired a whole-of-conference session on the economy. His message has been slightly fine-tuned since he returned from China and he is now candidly admitting that the dairy price slump poses a problem.

But he argues the govt has already shown with its response to the GFC that it knows how to manage its way out of trouble and that though dairy prices are low, so are interest rates and the dollar and other exporters like tourism, horticulture and international education will benefit from that.

It was left to Guy, Adams and Bridges to enthuse about the possibilities in regional NZ and to Bennett and Coleman to detail the successes the govt is starting to get with its investment approach to social services.

Full house for the Greens

It's too early to call it a trend, let alone an outcome, but the recent polls carry a suggestion that the greatest beneficiary of Labour's attacks on Chinese foreign investment and the TPP is the Green Party. Labour is essentially static, albeit now entrenching above 30% instead of below, and Andrew Little is flatlining in the latest TVOne, TV3 and Roy Morgan polls, at less than 10% support. The Greens, however, look to have a bump in support at National's expense. Following the arrival of new co-leader James Shaw, a certain kind of soft National supporter may be starting to peel off and reconsider the Greens. The buzz around the party was palpable at its first "Open Home" drinks party at Parliament for some years. Their 15th floor conference room at Bowen House, the scene for the event, was jam-packed, with a lot of money in the room. Lobbyists were in abundance not only from the usual suspects like BusinessNZ, but from numerous industry associations and individual corporates. Without doing much visible since Shaw's election, the Greens have buzz that Labour would kill for at the moment. James Shaw will be our guest at Hugo Group breakfasts in October, by which time we expect his impact on policy-making and party positioning will be starting to become more apparent.

Local Government and the Resource Management Act

The most consistent grumble from delegates came over the failure so far to reform the Resource Management Act. The Ministers took two lines on that. Publicly they said that electing the right people to local govt would make the need for reform less urgent while continuing to argue more use of RMA-mandated National Policy Statements can accomplish much of what they had hoped for in their original reform proposals, now stymied by a lack of support from its Maori and United Future party partners.

Local Government Minister Bennett was making sure everybody understood that though she no longer favours council amalgamations she was expecting substantial local government reform – a theme she rehearsed at the Local Govt NZ conference earlier this month.

She may be drawing on the advice from the Productivity Commission's 2013 report proposing coordination between councils or contracting with third parties for regulatory services could lead to improved performance. Environment Minister Nick Smith floated the possibility of councils delegating some regulatory enforcement work and resource consenting to contractors to create a more competitive dynamic in consent processing. The proposal alarmed the Green Party and Smith acknowledges there are questions about where liabilities for an enforcement failure might lie. That has been a key issue over the leaky buildings saga. But it might be expected that would be covered off in the reforms of the RMA that are going ahead later this year.

Labour and the TPP

Labour's toing and froing on the Trans Pacific Partnership doesn't actually matter. Assuming a deal can be done at the international level - and that remained an open question at this week's ministerial negotiations in Hawaii - the govt can count on the support of Peter Dunne and Act's David Seymour to pass the necessary legislation. Dunne, who has stalled RMA, remains strongly supportive of TPP.

But the Prime Minister has clearly spotted an issue on which he can score some political points.

While Andrew Little keeps throwing crumbs to the party's anti-TPP left and frustrating his pro-TPP trade spokesman David Parker in doing so, Key is able to portray Labour as divided between the "sensible" right like Parker and former Trade

Minister Phil Goff and the party's left.

At this stage it is impossible to predict where Little is going to end up on this.

But it might prove to be a defining moment in his leadership. While pro TPP MPs are convinced he would not ultimately reject the TPP, others close to him are not so sure.

Meanwhile as negotiations in Hawaii enter their end game the big question will be whether the United States is willing to give NZ any concessions on dairy. That may depend on what concessions the Americans themselves can get out of the Canadians.

Without something on the dairy front, the govt will have a hard job convincing the public that they have not been rolled by the Americans.

Labour plumps for extremes to try and move the polls

The political rhetoric surrounding the impact of the TPP reached hysterical proportions at times this week, partly assisted by Labour leader Andrew Little's willingness to express extreme positions about its potential impact of the pact on foreign ownership of NZ assets and Pharmac. On foreign investment, Little asserted that FTAs must allow future govts to 'ban' foreign land and real estate sales rather than what every pact currently allows: restrictions and rules that govern how foreign investment occurs and is regulated. At its simplest, that is what the Overseas Investment Office does, for better or worse, given its reported inability to get timely answers on its recommendations on sensitive land from the two responsible Ministers: Associate Finance Minister Paula Bennett (who holds the designation on OIO decisions rather than Bill English) and Lands Minister Louise Upston. There is no suggestion the OIO would not continue to operate under TPP and that its current rules could not be altered.

Debate on TPP's impact on Pharmac is equally divorced from the detailed reality and again Little has misrepresented the nature of the threat, saying "no free trade agreements has ever before required us to give up important institutions like Pharmac". Nor does this one. Little is playing the politics well amongst his potential supporters – overstating while knowing it will almost certainly be too late to change by the time a Labour-led administration is elected.

These are further examples of Labour's apparent decision to campaign more recklessly, realising its 'voice of reason' approach, embodied in the policy complexity of former economic policy formulator David Parker at the last two elections, is insufficient to shift support Labour's way.

It's a potentially dangerous game. The early polling after Labour's similarly daring but unedifying attack on Asian buyers of Auckland real estate shows little bounce for Little despite wide public acknowledgement of the issues.

Auckland politics

The govt has had enough of Len Brown. Ministers are quite openly critical of him, particularly his reluctance, perhaps refusal, to agree to an outside review of Auckland's transport strategy.

They are also aware of deep disquiet among the National Party's Auckland members over the performance of his council on matters like the unitary plan and rates setting. A big part of the problem is the impotence of the old Citizens and Ratepayers organisation. Now called Community and Residents, some key centre-right councillors prefer independent status. Informal talks have been going on both at caucus and at the party's board about how to deal with the problem, but a proposal to simply have the National Party enter Auckland's local body politics in its own right has been rejected by the caucus, who fear National-aligned councillors represent as much of a political liability as an asset.

More likely is that an informal network involving prominent National Party members with some MPs will evolve into an umbrella body that will select candidates to promote and back with campaigning resources, which may or may not include money.

In turn the candidates, if elected, would be required to accept caucus discipline. The objective is to gain a centre right majority on the council. People involved in this proposal from across National's spectrum, are reluctant to endorse any mayoral candidate, suggesting they may be willing to see Phil Goff become mayor.

Pharmac is safe

Even if John Key lost in the court of public opinion this week by conceding that a patent extension for pharmaceuticals would end up costing NZ more for subsidised drugs, the underlying reality is that Pharmac's basic form is not under threat. Far from the originally feared dismantling or outlawing of a govt drug buying agency – the claim made by TPP opponents based on 'big pharma's' opening negotiating positions – Pharmac faces no threat to its existence under TPP, based on the detail available from Wikileaks, which has published secret negotiating texts. Anti-TPP activist Dr Deborah Gleeson of La Trobe University's Public Health Dept, reckons "the initial very onerous US proposal seems

Continued on p5

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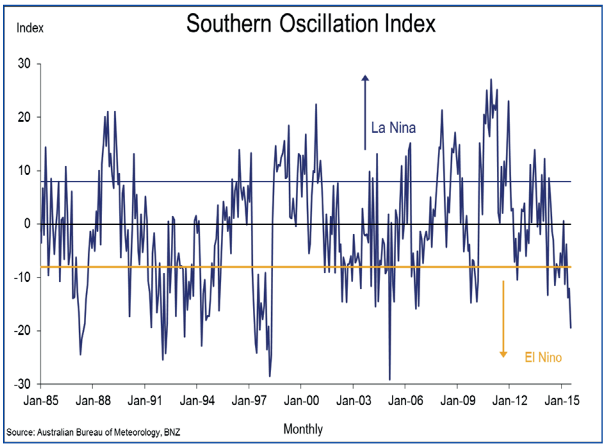
July 31 2015

DOMESTIC ECONOMY

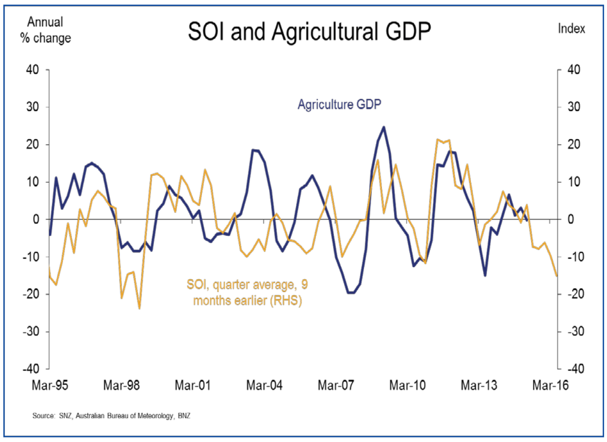


El Nino – one to watch

Economic ministers' reaction to the ongoing slump in dairy prices has been to stress the strength of other parts of the economy and the "automatic stabiliser" effect of the fall in the NZ/US dollar exchange rate.

However, one factor worth keeping an eye on is the development of an El Nino weather pattern, which routinely brings with it east coast drought conditions to both islands.

The Southern Oscillation Index (SOI) graph at left shows El Nino periods below the yellow line.

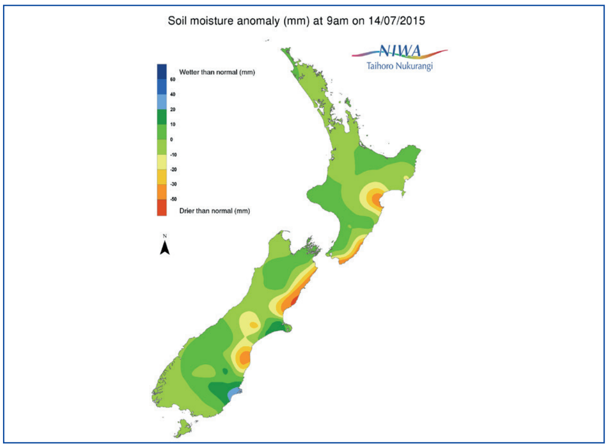


SOI and output correlation

The graph at left shows a clear correlation between El Nino droughts and reduced agricultural output.

The significance of a prolonged El Nino developing this year is simply its capacity to create a 'doubling down' effect on the slump in global dairy prices.

As well as low prices, farmers would expect to produce lower total volumes of product.



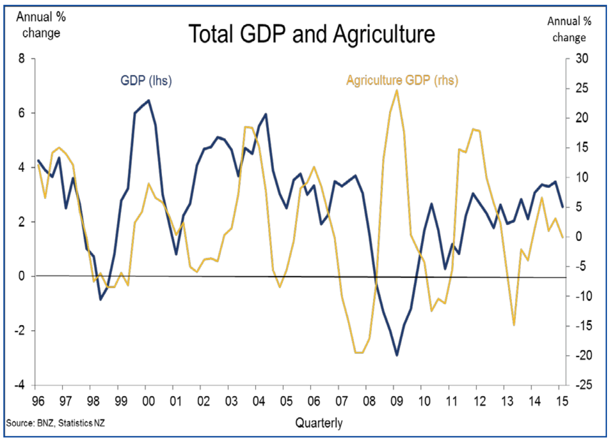
Little sign yet, but...

Both the first graph and the one at left indicate that if there is an El Nino, it is only just starting to form.

It is the prolonged periods of SOI 'below the line' that create economy-sapping droughts. Short downward spikes are less concerning.

Unfortunately, a MetService alert of July 28 describes 'a major El Nino in play', with Pacific Ocean temperatures at their highest since the 1997/98 El Nino, which caused a serious drought for NZ farmers and can be seen in the top graph.

The current El Nino is expected to last to early 2016.



Does it really matter?

An El Nino would be especially difficult for farmers and would place inevitable additional stress on rural economies and highly geared farming operations.

However, the correlation between El Ninos and total GDP output is weaker than the relationship between El Ninos and agricultural production.

The graph at left shows that both negative and positive correlations have occurred in the past two decades. Tourist operators and firms exporting non-agricultural goods and services should receive a fillip from recent exchange rate depreciation.

Continued from p3

to have been essentially abandoned in the face of opposition from the other TPP parties." Similarly histrionic campaigning from other countries is to be expected at this stage of negotiations. The same can be seen in Canada on the threat of opening up to dairy competition, in Japanese fears about the rice market and the conflicted politics of TPP in the USA. Results from the ministerial meeting in Hawaii this week will almost certainly determine whether there is further progress possible, US presidential elections notwithstanding.

What is a 'high risk' business?

Another area of dramatic overstatement was Labour's abandonment of its support for the Health and Safety Reform Bill – a political gift from the govt after it dithered for months on the detail before a watered down version was reported back from select committee last Friday.

However, the degree of dilution is relatively light and the amended Bill won backing from the Business Leaders' Health and Safety Forum, which had strongly expressed its fears about the extent of revision to law that sprang from the response to the Pike River coalmine deaths in 2010. *(See details in the legislation section.)*

However, one area of contention is likely to arise again because of the select committee's decision to introduce the concept of 'high risk' industries. Such businesses will not be able to escape the softer rules for 'low risk' small businesses.

Where this could get interesting is in the designation of farm work. The amended bill removes the farmhouse as a workplace and parts of the farm are only deemed workplaces if and when people are actually working in that place. Farmers will explicitly not be liable for the health and safety of members of the public who have been granted permission to cross their land.

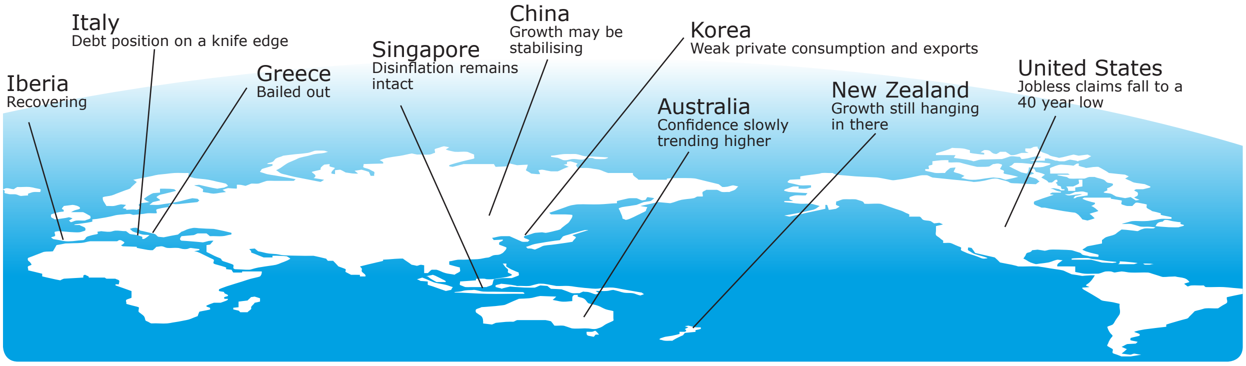
However, farming and forestry workers have represented the largest source of work-related injuries since 2002, according to Stats NZ. There is no detail yet on how regulations will be set, but early indications suggest farming should at least be in the mix for designation as a 'high risk' industry. That won't go down well with the farm lobby that so vigorously and successfully held up the legislation in the first place.

A blow to the 'investment approach'

There is mounting evidence that the problems reported at Serco-managed Mt Eden remand prison are common to state-run prisons also. The Corrections Dept is in the gun particularly over its management of the home detention of the murderer of an Auckland woman and tales of extreme violence in other state-run prisons have started coming to light. However, the political blow is greatest to National's pursuit of private provision in areas where the state has traditionally been the primary or only provider. The Serco debacle further erodes such little tolerance as there may have been for the experiment in privately provided social housing and the equally contentious proposal to create social bonds. It also seriously calls into question the assertion that a more transparent contractual framework with an external provider produces better results. Of course, it could be argued that Serco's failings have been discovered more quickly and publicly than Corrections', but that is not a winning argument politically.

The odds of Serco maintaining its contract at Mt Eden must be low, with the contract capable of being severed at any time between now and a May 1 2016 break date, half way through the 10 year contract. Its tenure at Wiri will be under intense scrutiny also. Serco is struggling with commercial underperformance, requiring a £550m emergency capital-raising late last year. The local unit lost $2.6m in 2014, although $1.5m of that was impairments on contract mobilisation and bid costs.

The world at a glance



Monetary policy: decoding Graeme Wheeler

Uncertain economic times and unorthodox monetary policy conditions are prompting a greater than usual level of commentary from the RBNZ about its intentions. Its one page statement last week announcing another 25 basis point cut in the OCR was followed by a speech this week in Tauranga by governor Graeme Wheeler.

However, so many conflicting factors are in play that the speech inevitably raised questions as well as answering some. Here's what we know:

- there will be further OCR cuts, probably two more in Sept and Oct, each 25bps, taking the OCR back to 2.5%, but probably not more, unless the economy dramatically weakens;
- monetary policy is now aimed at a weaker currency rather than attempting to influence house buying or investment behaviour, even though the bank realises low rates fuel willingness to borrow;
- the RBNZ thinks the dollar remains too high because of the significant deterioration it expects in the current account deficit. That is one of the bank's more contestable views;
- where once the neutral OCR was thought to be around 4.5%, it is now likely to be lower. This is an important structural shift in the RBNZ's thinking and is likely to be elucidated in the Sept 10 monetary policy statement. This change is indicative of the extent to which the RBNZ's inflation model, especially for non-tradables, appears to be breaking down. However, the bank remains confident it has not undershot its inflation target, when the factors leading to current sub-1% annual inflation are considered. It remains convinced inflation will return close to the 2% target by mid-2016. Given that the TWI is currently around 71.0, compared to an RBNZ assumption of 74.7 for the Sept quarter, its annual inflation forecast will likely have risen by around 0.5%. To the extent that non-tradables inflation reflects technological or structural change driving down prices in sectors such as electricity, telecommunications or insurance, there is no role for monetary policy .

In summary, the RBNZ doesn't perceive inflation to be as worryingly low as many do and does see the slump in the currency returning inflation to a "desired level" relatively quickly, thus mitigating the need for extensive rate cuts from here.

However, there would still be plenty of room to ease further should economic conditions deteriorate further. For example, if the forecast drought (see page 4) collides with further declines in commodity prices and a sudden Christchurch-led softening in building activity, then the odds of a recession will increase and a monetary policy response would be expected. This is not yet a forecast, but the probability is rising. We certainly expect unemployment rates to start rising a little as strong net migration continues, but new job creation fails to keep up.

Trading partner growth

(2014 actual; 2015-16 Concensus Forecasts; 2017-18 figures Hugo estimates)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	21.7	7.4	6.9	6.7	6.6	6.5	2.0	1.4	1.9	2.6	2.0
Australia	21.9	2.7	2.5	2.9	3.1	2.8	2.5	1.8	2.7	2.7	2.4
United States	13.0	2.4	2.2	2.8	2.6	2.5	1.6	0.2	2.1	2.3	1.6
Japan	7.5	-0.1	1.0	1.7	0.7	0.8	2.7	0.7	1.0	2.0	1.6
Eurozone	7.3	0.9	1.5	1.8	1.6	1.5	0.4	0.2	1.3	1.5	0.9
United Kingdom	3.9	2.8	2.4	2.5	2.3	2.5	1.5	0.3	1.6	2.0	1.4
South Korea	4.4	3.3	3.0	3.4	3.6	3.3	1.3	0.8	1.8	2.4	1.6
Indonesia	2.2	5.0	5.0	5.6	5.7	5.3	6.4	6.2	4.8	4.7	5.5
Hong Kong	1.8	2.5	2.4	2.7	3.3	2.7	4.4	3.4	3.3	2.8	3.5
Taiwan	2.6	3.8	3.5	3.6	3.4	3.6	1.2	-0.1	1.5	1.4	1.0
Singapore	2.9	2.9	2.8	3.3	3.7	3.2	1.0	0.0	1.3	2.1	1.1
Malaysia	2.5	6.0	4.8	5.1	5.3	5.3	3.1	2.2	3.0	3.0	2.8
Philippines	1.9	6.1	6.1	6.2	5.6	5.4	4.1	2.4	3.5	3.8	3.5
Thailand	2.0	0.9	3.3	3.9	3.8	3.0	1.9	-0.1	2.3	2.6	1.7
India	1.4	7.3	7.8	8.1	7.5	7.3	6.0	5.4	5.6	5.5	5.6
Viet Nam	1.4	6.0	6.1	6.2	6.1	6.1	4.1	2.2	4.8	3.7	3.7
Canada	1.5	2.4	1.6	2.2	2.3	2.1	1.9	1.1	2.1	2.1	1.8
NZ Trading Partners	100	3.7	3.6	3.9	3.8	3.6	2.2	1.3	2.2	2.5	2.0
Forecasts for New Zealand											
Consensus		3.3	2.6	2.7	2.5	2.8	1.2	0.6	1.9	2.2	2.0
BNZ Forecasts		3.3	2.4	2.2	2.1	2.2	1.2	0.3	2.2	2.7	2.1
The World		2.7	2.5	3.1	3.0	2.8	3.0	2.6	3.1	3.5	2.9

D-Day for new Fonterra payout

Next Friday's (Aug 7) Fonterra board meeting will be a critical one, with the cooperative due to announce a very sharp cut in its forecast payout for 2015/16. The final figure will be informed by the outcome of next Tuesday night's GlobalDairyTrade auction. Futures market activity suggests a further slide from the very low levels seen in the July 14 auction.

A payout figure below $4 per kg of milksolids looks almost assured, a sub-viable level for most dairy farmers although more survivable for those carrying less debt.

Key questions will become the development of an El Nino drought, the speed with which marginal suppliers in NZ and globally exit the industry, and the buffering extent of any further falls in the NZ dollar exchange rate.

Rightly or wrongly, farmer shareholders are also going to start putting additional acid on directors and senior management at the co-op about their performance to date, the extent of recent restructuring and its impact on business cohesion and momentum, and the degree to which the Fonterra board is exercising active governance over chief executive Theo Spierings and his senior team.

One small lifeline for cash-strapped farmers – a proposal to establish an equity partnership trust that would give them access to private equity to help them with the compulsory 'sharing up' required in the event of additional milk production – has been placed on hold. The reason given is that UBS has unexpectedly stopped working for Fonterra after taking up a consultancy last year. UBS's departure is unexplained, other than to say the reasons are unrelated to the trust proposal, which is not dead and will be considered further.

Elsewhere, Chinese infant formula maker Yashili plans to acquire Dumex Baby Food from its 25% owner, Danone, and Danone in turn will use the proceeds to buy shares in milk producer China Mengniu Dairy, which indirectly owns 51% of Yashili.

Yashili and Danone are partners in NZ, with Yashili to open a new milk powder production plant at Pokeno in October. Danone Nutricia dropped Fonterra as a supplier after the 2013 botulism scare and has since been sourcing product from Synlait and other manufacturers. Last year it bought two Kiwi dairy processing companies, Sutton Group and Gardians. The Pokeno factory will be the largest drying plant for infant milk powder in Asia.

Meanwhile, tougher times on the farm are taking their toll on the rural advertising and capital spend.

Monetary policy: deciphering the Fed

This week's statement from the US Federal Reserve following its Federal Open Market Committee meeting gives only a slight boost to the expectation that US interest rates will start to rise in September.

Key to the statement was the injection of three words: "some", "nearly", and "solid" and the fact that there were no dissenting views at this meeting.

However, whether rates rise at the Sept 17 FOMC meeting remains highly dependent on data yet to come. July and August non-farm payrolls, will be especially decisive.

The Fed said it would raise the target for the Federal funds rate once it saw "some" further improvement in labour market conditions, indicating that further improvement need only be minor. There was no change to its language on "moderate" economic growth, but recent jobs growth was "solid".

However, the statement retained a reference to risks to the economic outlook being "nearly" balanced. The consensus among Fed-watchers is that only when risks are judged "balanced" will a rate rise be likely to be green-lit.

Oil glut looks likely to last to 2017

Oil prices fell back in June and July on volatility in Chinese equity markets, the ongoing Eurozone saga with Greece, the prospect of a surge in Iranian oil in 2016, following the removal of sanctions because of its historic nuclear deal, and US production remaining around record levels, at odds with expected cutbacks last year. OPEC's aggregate output has exceeded quota for 13 straight months. Iranian supply is expected to start rising in the first half of 2016 and reach maximum output capacity by the end of 2016. The outlook is for oil remaining below US$70 a barrel for at least the next 18 months.

2016 CEO Retreat

Following feedback from members disappointed to be unable to attend this year's CEO Retreat and evidence that the traditional late March timing is problematic for many, we are changing the timing for 2016.

The dates will be confirmed before the end of the year, but for now you can pencil in a start on the evening of Thursday, August 25, concluding with the Retreat dinner on Saturday, August 27.

We are also planning a revamped format to give a combination of the traditional 'deep dive' novel subjects and a day tailored to senior executive development, led by an expert of global standing. You can choose to attend either or both programmes.

Time running out despite light agenda

Even with a relatively light load, Parliament has fewer than 15 sitting weeks left this year and the govt is running out of time to advance its legislative programme. Many of the limited hours available this month were taken up with urgent legislation passed through all stages to fix up the local government speeding ticket botch-up and progressing Budget measures. Other highlights included the report back from select committee of health and safety legislation and the re-emergence of the paid parental leave issue after a lucky draw from the ballot for Labour.

Bills introduced

Parental Leave and Employment Protection (Six Months' Paid Leave and Work Contact Hours) Amendment Bill: *Members Bill in the name of Sue Moroney (Labour) drawn from the ballot on July 23. The bill would extend paid parental leave to 26 weeks and allow some work hours during the parental leave period without penalty to the entitlement.*

Bills in progress

Accident Compensation (Financial Responsibility and Transparency) Amendment Bill: Introduced on May 11 and given its first reading on June 2 with general support. Lays down the principles of financial management of the Accident Compensation Corporation. It has two broad objectives: to improve the framework for determining how ACC's levied Accounts are funded so it more transparent, has a longer-term focus, and supports more stable levies; and to ensure that the residual levy is not over-collected. Labour supported the bill being sent to select committee but argued it was fairly pointless as it just seemed to codify current practice. *Report from Transport and Industrial Relations Committee due by Nov 3.*

Health and Safety Reform Bill: Described by the govt as the biggest health and safety reforms in 20 years, it intends to put more onus and legal requirements on managers and company directors to manage risks and keep their workers safe. It also establishes stronger penalties, enforcement tools, graduated offence categories and court powers. The bill will be followed by two phases of regulations, expected to be released for consultation later this year. Report back delayed three times owing to govt sensitivities. *Reported back on July 24 with amendments allowing more flexibility and exemptions for low-risk small businesses (fewer than 20 staff). A new 'high risk' classification is proposed. Officer duties will now apply only with a very senior governance role with significant influence over the management of the business. Completed second reading on July 30, angrily opposed Labour and the Greens. NZ First opposed on grounds of additional expense to SME employers. Govt indicated it would release more detail about regulations over which industries would be declared safe and other matters before the committee stage. Bill supported by National, Maori Party, ACT and United Future.*

Health Practitioners (Replacement of Statutory References to Medical Practitioners) Bill: *Amends statutes to increase the range of functions that can be performed by health practitioners by changing references to medical practitioners to health practitioners. Introduced on June 26 with interrupted first reading debate on July 23. All parties indicated support.*

Tariff (Free Trade Agreement between New Zealand and the Republic of Korea) Amendment Bill: Amends law as part of the implementation and ratification of the Free Trade Agreement between NZ and the Republic of Korea agreed in Seoul, Korea, on 23 March 2015. Given its first reading on June 16, select committee report back due by Nov 3. *Indications are the bill will be reported back earlier than deadline.*

New Zealand Flag Referendums Bill: Given its first reading on March 13, the bill sets up a process for holding of two postal referendums on the NZ Flag. The first will determine which alternative flag design is preferred by voters, and the second whether that alternative flag or the current flag is to be the NZ Flag. Sent to the Justice and Electoral Committee for consideration with a report back date of July 29. Opposed by Labour and NZ First. Reported back from select committee on June 29 with Labour issuing a minority report saying it was not necessarily against changing the flag, but objected to the process. *Completed second reading on July 28, opposed by Labour, Greens and NZ First, has high govt priority.*

Minimum Wage (Contractor Remuneration) Amendment Bill: A bill in the name of Labour MP David Parker drawn from the ballot on June 4. It provides for contractors to be paid not less than the minimum wage. *First reading debate interrupted on July 22. Indications from National are it would oppose.*

Social Housing Reform (Transaction Mandate) Bill: Introduced on July 1, the bill would give ministers the authority to transfer Housing NZ Corporation properties and act on the behalf of the corporation or any of its subsidiaries. A*waiting first reading.*

Taxation (Transformation: First Phase Simplification and Other Measures) Bill: Introduced on June 30. Intends to make the tax system simpler. Amongst other things it lifts the automatic refund threshold, rewrites law to allow IRD to communicate in other ways than in writing or by post, simplifies the tax rules for employee share schemes from 1 July this year allows pooling method of depreciation to include assets valued up to $5,000 up from $2,000. *Awaiting first reading.*

Bills defeated

Fighting Foreign Corporate Control Bill: A Member's bill drawn from the ballot on March 19 in the name of NZ First MP Fletcher Tabuteau. It says NZ must not enter into an agreement with one or more foreign countries that includes provision for investor-state dispute settlement. *First reading debate held on July 22 and voted down by 61 to 60 with National, ACT and United Future opposed. Labour expressed serious concerns but supported select committee consideration.*

New Zealand International Convention Centre Act 2013 Repeal Bill: A Member's Bill drawn from the ballot on March 19 in the name of NZ First MP Tracey Martin. Would repeal the New Zealand International Convention Centre Act 2013. *First reading debate held on July 22 with the bill struck down by 61 to 60 with National, ACT and United Future opposed.*

Overseas Investment (Owning Our Own Rural Land) Amendment Bill: Member's bill in the name of Phil Goff (Labour). Narrows grounds for approving foreign purchases of rural land to investments that deliver benefits over and above what a NZ investor would produce and that creates substantial numbers of jobs and export increases. Introduced Dec 12 2013. *First reading held on July 22 with the bill defeated by 61 to 60 with National, ACT and United Future opposed. Goff indicated in debate Labour now believed it had allowed too much land to be sold into foreign ownership and would tighten the regime if elected.*

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