HUGOvision

Assessing the economic and political environment in New Zealand

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Contact: hugo@thehugogroup.com.

Minnows make their mark in flag poll rescue

Labour's performance in the Red Peak flag debate has been revealing. On Wednesday they focussed on attacking the Prime Minister, repeating their criticism of the cost of the process and demanding that a yes/no vote on whether to change the flag at all be contained in the first referendum. Their speeches were sour and humourless.

Only NZ First supported their position. Even so, Labour then chose to support the Bill that would allow Red Peak on the ballot, a concession that public opinion was running the Red Peak way. Overnight, though, as social media and the commentariat all congratulated the Greens for kick-starting the process that persuaded the govt to allow Red Peak on the ballot, Labour's speeches changed.

They began to focus on the Greens. Sue Moroney accused them of selling out. That appeared to be a massive admission by Labour that they had completely misjudged the public mood on the flag and had been trumped by the Greens.

Given that John Key's about-face on the Red Peak option was also a massive climb-down, Labour's failure to capitalise on that change of heart ranks as a serious own goal.

The Red Peak change was also intriguing for the way the small parties worked together. The ACT, Maori, United Future and Green parties all talked to each through the process which led to the Greens producing the Bill that the Govt then took over.

It may be that this was a special circumstance.

But the fact of apparently amicable communication between them is significant. One factor is almost certainly the change of leadership at the Greens and the appointment of the personable and wily Andrew Campbell as their Chief of Staff.

The Govt will be pleased with this new mood of co-operation; Labour will not.

A political fortnight for Paula Bennett

Associate Finance Minister Paula Bennett has had two opportunities to showcase her own brand of political judgement in the past fortnight. Her decision in concert with Land Information Minister Louise Upston to block the sale of the Lochinver station to Shanghai Pengxin is a landmark shifting of the goalposts on sensitive land sales to foreigners. While Stevenson Group may yet seek a judicial review, it's tempting to suggest that the bar for allowing foreign farmland investment now is that the land in question be demonstrably poorly run when placed on the market.

Bennett repeatedly sought information reviews from the Overseas Investment Office in the 14 months it took to reach a decision, with an eye to limiting the potential for a successful review. Her request for an independent evaluation from Covec's John Small also helped bolster a decision that all involved will insist was made on the facts under the current regime, but which is also the political path of least resistance. A would-be future leader would find it useful always to say it was her decision not to let Lochinver go into foreign hands. It is a clear piece of political positioning.

Less significant but also attracting headlines was the release of the Rules Reduction Taskforce, renamed as the Loopy Rules Report. Almost a year after its establishment, the report had some useful policy suggestions, albeit reheated in several cases. These aimed mainly at speeding up building consents and reducing compliance costs for building work certification. The latter caused a spate of headlines questioning the deregulatory instinct and linking it to the leaky homes crisis.

In both cases, Bennett may have been surprised by the extent of negative coverage in areas where she would have expected a strongly positive political reaction. Most of the coverage on the Lochinver decision focused on whether the process was politicised, how long it had taken, and the value destruction for the owners. However, the decision was in tune with opinion polls showing growing public distaste for land sales to foreigners.

Chinese investor interest running hot, despite Lochinver

The **Lochinver** decision may well have a chilling effect on foreign, particularly Chinese, investment in NZ farmland, but there's no evidence to suggest that wider Chinese interest in NZ investment opportunities will be dented.

In all three major cities in the last fortnight, there have been significant expressions of interest in major new capex projects by Chinese infrastructure investors. In Auckland and Wellington, the **Fu Wah** group is looking respectively at a $200m hotel development in the Viaduct Basin and development at the former Air Force base at Shelley Bay and Wellington's runway extension project.

Meanwhile, the international arm of China's largest procurement and tendering company, **Guoxin**, has signed an MoU **with Christchurch City Council** committing to raise a US$2b fund for projects in the city. While MoUs and expressions of interest don't add up to projects on the ground, there is clearly a wave of non-farm investment available, especially with **Shanghai Maling** putting up $263 million for a 50% share of **Silver Fern Farms**. Speculation is rife that the unexpectedly large capital injection will allow Silver Fern to pursue the merger it has long sought with **Alliance Group,** whose directors are conducting a roadshow for cooperative farmer shareholders to sell its new strategy.

Likewise, the **China Southern** airline has committed to a new direct service between Guangzhou and Christchurch, despite being believed still to be suffering a significant cash burn on its direct service to Auckland. China Southern is also the only one of 22 airlines using Wellington airport at present that has not told **Wellington International Airport** that it would not plan to use an extended runway. Whether a single Chinese airline would commit to loss-making direct long haul flights to three NZ cities must, however, be doubtful.

That said, the Lochinver decision has not gone unnoticed in Beijing. **Economic Development Minister Steven Joyce was quizzed on the decision by Chinese Vice Premier Wang Yang at the annual New Zealand-China Partnership Forum.**

"We are hoping that it [Lochinver] is an isolated case," Chinese Vice Commerce Minister Wang Shouwen told the NZ Herald.

Where to now for TPP?

TPP negotiations are coming down to the wire, although NZ Ministers are hanging tough ahead of what could be final talks next week in the US. There is still no acceptable offer on the table on dairy from the 'big four' of the US, Canada, Mexico, and Japan. Trade Minister Tim Groser appears to be putting all his eggs in the 'soft power' basket now – effectively hoping to shame the dairy protectionists into enough of an offer on dairy to make it politically acceptable at home in NZ to endorse the deal. Groser is convinced a pluri-lateral trade agreement is the only way to push through protectionism with this group of countries. None has been willing to pursue a bi-lateral trade deal with NZ despite efforts spanning three decades, unlike the bi-lateral FTAs with China, Korea and Taiwan. This is a horses for courses situation, where the govt is determined to prise the door open, even if it doesn't look like a win at home. Departing the TPP altogether in the absence of any movement on dairy remains an option, but it is almost unthinkable that the signatory nations would force one of the TPP founders to that point. The only question is how small a deal Groser and John Key, who will bend Barack Obama's ear on the matter at the UN General Assembly next week, can get away with politically. TPP talks are now confirmed in Atlanta, Georgia, next week, but Groser is urging a "by the end of the year" approach, rather than pushing earlier deadlines.

Trade policy refocused

India and the Gulf States are on the backburner for FTA negotiations, replaced by a focus on the Latin American Pacific Alliance trade grouping – Mexico, Colombia, Peru and Chile – and an FTA with the EU. The latter is looking particularly doable, with UK and German leaders David Cameron and Angela Merkel supportive of such an effort for the first time. NZ is now lagging many competitors in Europe by having no updated trade arrangements since the mid-90's Uruguay Round of GATT talks cut agricultural tariffs. European producers are now beyond the heavy subsidies of the Common Agricultural Policy, NZ doesn't represent a threat to European grain or sugar interests, unlike Australia, and there is growing desire in the EU to play catch-up in Asia. NZ's most well-worn argument – that it represents a non-threatening avenue to a high quality FTA – is working in Brussels. A second string to the bow is NZ's deepening integration into Asian trade blocs. To support the Latin American push, a new embassy will be opened in Bogota. Groser has put significant effort into wooing Mexico, the powerhouse economy of the alliance. India has disappointed. The Modi administration is clearly unready to engage in trade liberalisation, while the India-NZ Business Council has imploded for now.

RMA Bill close

Uncontroversial RMA amendments should emerge in a new Bill shortly, although no significant change is expected to the contentious Sections 6 & 7.

EECA to publish on EVs

Political momentum is building in support of electric vehicles. An EECA report on their whole of life economics and environmental impact is due in coming days.

Russel Norman to Greenpeace

Russel Norman's appointment to replace Bunny McDiarmid as head of Greenpeace NZ is welcome if only because it replaces a leader who was past her use by date. Norman will not have to show the same discipline as an environmental campaigner as he had to muster to be the leader of an environmentally focused political party, but he should understand the value of credibility better than his predecessor.

Turnbull a fillip for animal spirits

Malcolm Turnbull's clinically executed coup on Tony Abbott has had the immediate effect of lifting poll ratings for the Liberal coalition by around 5 percentage points. Early indications suggest Aust business sentiment is buoyed by the change, although Turnbull's practical capacity to affect significant early change on the country's economic fortunes is limited. There is little room for fiscal stimulus. Monetary policy is loose, and in the hands of the RBA. The scale of Turnbull's challenge was summed up by NAB chief economist, markets, Ivan Colhoun, who reported he had "**never experienced such overwhelming negativity on the outlook for the Aust economy** and $A in all my years marketing the Aust economy offshore".

However, the greatest political challenge from the change is to the ALP and its leader, Bill Shorten, whose political shortcomings are expected to become more apparent in Abbott's absence.

It must be doubtful, from a NZ perspective, as to whether a Turnbull-led administration will be any more amenable to addressing NZ's hardy perennial request for **mutual recognition of imputation credits**. The Aust Treasury is entrenched in its opposition. However, Turnbull is well-disposed to NZ, as evidenced by his early citing of John Key's political success.

Likewise, new Treasurer **Scott Morrison** knows NZ better than many Aussies. He headed **Murray McCully**'s controversial Office of Tourism and Sport in the late 1990s, where he was seen as McCully's 'hard man' in a shake-up of the Tourism Board. Morrison is widely seen as Turnbull's natural successor. That could ultimately become a point of tension, but not yet.

Andrew Robb retains the International Trade portfolio and is one of the few older generation survivors in Turnbull's Cabinet reshuffle, which pundits suggest is a careful mix of rewards for supporters and nods to the future. For example: the appointment of **Abbott loyalist Josh Frydenburg**, a rising Liberal star, as Minister of Energy and Resources.

Fed to move in December?

RBNZ governor Graeme Wheeler is almost certainly right in suggesting that when the US Federal Reserve finally raises interest rates, it will be the most well-signalled move in the history of monetary policy.

Accordingly, it was hardly a surprise that Fed chair Janet Yellen didn't announce an increase after the Sept 16/17 FOMC meeting.

Attention now turns to the Dec meeting, where a 25bps hike is expected. Previous market expectations that there could be as much as 150bps of increases through to the end of 2016 are being wound back to more like 100bps as global economic conditions cited by the Fed as cause for caution appear likely to persist.

Market-watchers are concerned, however, that the Fed's dovish stance may also denote fear of error, leading to inaction, rather than conviction that no action is warranted.

Weakness in China persists

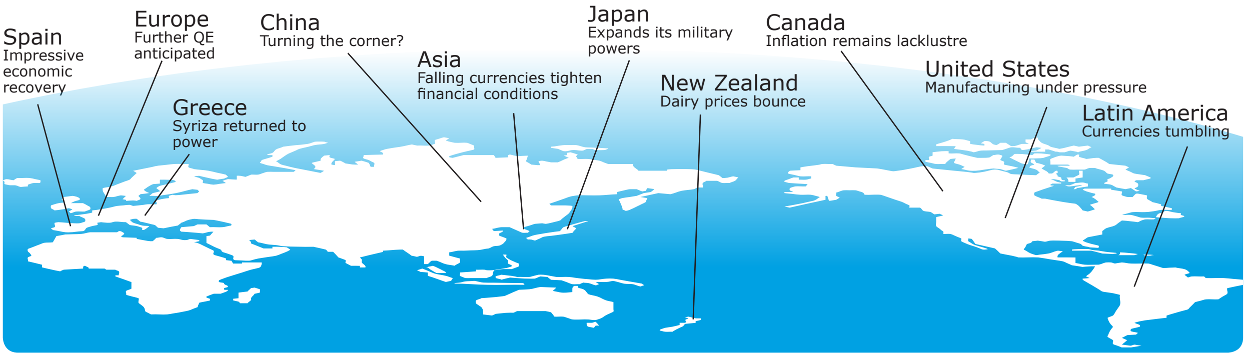
The weakest reading in six years from the Caixin PMI flash index adds to the evidence of a much slower rate of growth in the Chinese economy.

The widely watched index fell to 47 in Sept, from 47.3 in August, to give the lowest reading since March 2009. Employment, output and new orders all fell, along with prices.

Speaking at the start of his swing through the US, Chinese president Xi Xinping continued to claim a 7% annual growth rate, but acknowledged the Chinese economy is under pressure.

Financial markets took heart from comments that the PBOC would not pursue competitive devaluation.

The world at a glance



Fonterra result – vertical integration appears to work

Fonterra produced a full year result consistent with its vertically integrated business model, where falling commodity prices should assist returns from its value-added business. The cooperative reported a 183% rise in net profit to $506m for the year ended July 31 as total revenue fell 15% to $18.8b on a volume increase in production of 9%, to 4.3m tonnes. A final payout for the 2014/2105 season of $4.65 per kg of milk solids for fully shared up farmers is forecast, with earnings of 40c to 50c per share on top, taking total payout to between $5 and $5.10 per kg/MS. Fonterra Shareholders Council described the result as disappointing and expressed particular concern about losses in the Aust business. There may still be some upside over the coming year, with $5 per kg/MS as a baseline return by the time the milk price is finalised this time next year. Bolstering the price outlook is an expected fall in total production of at least 5% in the current season, which is more negative than its previous projection of a reduction of up to 3%. Customer inventory levels are thought now to be about normal, so any shortfall in supply should show up in prices quickly.

Fonterra's improvement – will it stay the RBNZ's hand?

The Fonterra result is better than was factored into the RBNZ's Sept Monetary Policy Statement, and could become a reason to pause before cutting the Official Cash Rate (OCR) another 25bps in Oct. It is a close call. Meanwhile, the RBNZ has confirmed it believes the **'neutral interest rate' remains at 4.5% for the 90 day rate**, which we presumptively translate to 4.25% at an OCR level. However, there's a hint that it sees some prospect of the neutral rate falling. The combined judgement from the five models that it refers to when calculating the neutral rate "highlight **some emerging risk that the neutral interst rate is falling further**". The issue remains live at the central bank and might be expected to be addressed in a forthcoming monetary policy statement. Present interest rates are clearly below what the Bank considers neutral.

Tax: the brightline test tangle

Submissions to Parliament's Finance and Expenditure Committee this week showed just how rushed and ill thought out were the Government's pre-budget housing tax announcements.

The Law Society, Chartered Accountants, KPMG, EY, and Chapman Tripp all queued up to tell the Committee the proposals were unfair, overly complex and likely to lead to disputes with Inland Revenue. A major concern is that the only people likely to be caught by the test are home buyers who face a personal crisis – a death, divorce, bankruptcy etc – within two years of purchase. Speculative investors will rearrange their affairs to avoid the two year brightline restriction.

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	7.3	6.8	6.6	6.6	6.5	2.0	1.5	2.0	2.6	2.0
Australia	21.9	2.7	2.3	2.7	3.1	2.7	2.5	1.7	2.6	2.7	2.4
United States	13.0	2.4	2.5	2.7	2.6	2.4	1.6	0.2	1.9	2.3	1.5
Japan	7.5	-0.1	0.7	1.5	0.8	1.0	2.7	0.7	0.8	2.0	1.6
Eurozone	7.3	0.9	1.4	1.7	1.6	1.6	0.4	0.2	1.2	1.5	0.8
United Kingdom	3.9	3.0	2.6	2.5	2.1	2.2	1.5	0.1	1.4	2.0	1.3
South Korea	4.4	3.3	2.5	3.2	3.6	3.2	1.2	0.8	1.8	2.2	1.5
Indonesia	2.2	5.0	4.8	5.2	5.7	5.2	6.4	6.5	5.1	4.7	5.7
Hong Kong	1.8	2.5	2.3	2.5	3.3	2.7	4.4	3.1	3.0	2.8	3.3
Taiwan	2.6	3.8	2.1	3.0	3.4	3.1	1.2	-0.3	1.4	1.4	0.9
Singapore	2.9	2.9	2.2	2.7	3.7	2.9	1.0	-0.2	1.1	2.1	1.0
Malaysia	2.5	6.0	4.8	4.7	5.3	5.2	3.1	2.1	2.8	3.0	2.8
Philippines	1.9	6.1	5.8	6.0	5.6	5.4	4.1	1.9	3.2	3.5	3.2
Thailand	2.0	0.9	2.7	3.4	3.8	2.7	1.9	-0.5	1.8	2.6	1.5
India	1.4	7.3	7.6	7.9	7.5	7.3	6.0	5.2	5.4	5.5	5.5
Viet Nam	1.4	6.0	6.1	6.2	6.1	6.1	4.1	1.5	4.2	3.3	3.3
Canada	1.5	2.4	1.1	2.0	2.3	2.0	1.9	1.2	2.0	2.1	1.8
NZ Trading Partners	100	3.7	3.4	3.7	3.8	3.6	2.2	1.2	2.1	2.5	2.0
Forecasts for New Zealand											
Consensus		3.3	2.4	2.4	2.5	2.7	1.2	0.5	1.9	2.2	2.0
BNZ Forecasts		3.3	2.2	1.8	2.0	1.8	1.2	0.5	2.2	2.5	1.8
The World		2.8	2.6	3.0	3.1	2.9	3.1	3.2	3.6	4.3	3.4

CORPORATE ROUND-UP

News media

NZME, which owns the NZ Herald and Newstalk ZB, is seeking to lay off around 150 staff, mainly from the NZ Herald, having already cut a quiet swathe through production staff at its radio operation last month. Coupled with the freeze on Radio NZ's spending and Fairfax's pursuit of 'click-bait' and reduced editorial rigor, these moves suggest a further shrinking of room for public debate on more serious matters.

That has implications for the way politicians operate.

National are on top of the changes in the media and John Key fits perfectly into a celebrity-driven media environment with a short attention span.

Labour have yet to find a leader who might be as comfortable in the new tabloid environment.

Fonterra full year result

Fonterra lifted net profit by 183% to $506m, with total sales volumes up 9% to 4.3m tonnes on 15% lower revenue, at $18.8b in the July 31 year. Gross margin rose to $3.28b, or 17.4%, from $2.46b, or 11.1% a year earlier, with performance improving in the second half. The result met market expectations. A change in product mix drove an 18% increase in gross margin from ingredients at $1.56b. The margin on the milk powder reference products Fonterra uses to calculate its milk payout fell 32% to $729m, while the margin on non-reference products such as cheese and casein jumped to $614m from just $12m a year earlier. Investment in additional drying plant capacity was "delivering tangible benefits" through improved flexibility. " In the second half we made the most of this flexibility, favouring production of products where we could secure higher prices and changing production from powders to cheese and casein to capture shifts in customer demand," the co-op said. Consumer and food service volumes rose 27% to 1.69 million tonnes and sales rose 26% to $6.7b. ROR on capital from ingredients was 9.3% and 25.5% for consumer and food services. Normalised earnings before interest and tax from consumer and food service surged 216% to $408m, up 300% to $202m in Asia, rising 463% to $45m for Greater China and 17% to $110m from Latin America. Oceania earnings contributed $51m, compared to a year-earlier Ebit loss of $24m, and included a $108m writedown on Aust yoghurt and dairy desserts assets.

Dairy sales volumes

The rebound in dairy product prices over the past three GlobaDairyTrade auctions has been cheered by those trying to pick when prices have bottomed out, although the pickup has been helped by **Fonterra's** decision to wind back the volumes it puts up for sale on the platform. In August, Fonterra cut the offer volumes over the next 12 months for total NZ products by 56,045 tonnes, following a 62,930 metric tonne decrease in the previous three months. The company's global ingredients chief Kelvin Wickham said the bulk of the reduction is in whole milk powder, the biggest product by volume sold through GDT. The milk is instead being diverted into value-add parts of the business with higher margin and he estimated Fonterra was now selling about 70% of its total product through other channels. As a result, there has been no impact on inventories, he said. While overall tonnage sold rose in the latest auction to 36,050 tonnes from 35,865 tonnes two weeks earlier, the volume of whole milk powder was down 5% on the previous auction and down 43% from the same time last year. Whole milk powder soared 20.6% to US$2,495 a tonne, the highest since April, in the latest sale, while skim milk powder gained 17% to US$1,992 a tonne, a price that was last exceeded in May.

Dairy costs targeted

Fonterra, which is shedding more staff in the face of weak world prices, isn't alone in having to make cost adjustments. **Westland Milk** is reviewing staff roles throughout its operations and expects to lay off workers to cut costs at the country's second-biggest dairy cooperative. Ceo Rod Quin said the review is in two parts – this month and February. Low prices are "flowing directly into lower shareholder payouts, which are, and are forecast to be, below the cost of owning and operating a dairy farm in NZ," Quin said Westland employs more than 350 staff and had a wage bill of $43.6m in its 2014 year. Quin said the company cut costs by $15m in the latest year, but more was needed in response to the fall in international dairy prices.

Infant formula market

Synlait Milk, which counts **China's Bright Dairy & Food** as its biggest shareholder, posted a 46% drop in annual profit on disappointing sales of lactoferrin, a specialist ingredient used in infant formula, while it kept milk payments relatively high to ensure supply. Profit dropped to $10.6m from $19.6m a year earlier, at the lower end of its guidance. Revenue fell 25% to $448.1m. Synlait is "in a global operating environment where milk prices have fallen to unsustainably low levels and this is reflected in our FY15 revenue," chairman Graeme Milne said. Synlait lowered its forecast payout to $5/kgMS from the $5.50/kgMS level it signalled in June, still a premium to Fonterra's forecast payout.

Corporate governance

Ralph Norris is to join the Contact Energy board as chairman, replacing founder director **Phil Pryke**, who stepped into the role on an interim basis when Origin Energy sold its majority stake and ORG MD **Grant King** vacated the Contact chair. Norris knows Contact through his directorship at ORG, which he resigned in June in a move unrelated to the selldown, which appears to have been precipitated by the recently ascendant ORG chair **Gordon Cairns,** against King's wishes. Norris left the Fonterra board in May, claiming pressure of other commitments. He has been replaced on the Fonterra Shareholders Fund board in the last week by farmer-shareholder and banking executive **Ian Farrelly.** Pryke had initially thought to remain on the Contact board but was forced to rethink when it became apparent he would face re-election at the annual meeting in December and that key institutional shareholders opposed his reappointment.

Economic growth

The NZ economy didn't rebound quite as briskly as expected in the second quarter, after a first quarter marked by drought and a drop in oil output. GDP rose 0.4%, lifting growth from the slowest quarterly pace in two years, 0.2%, in the first quarter. While agricultural output grew 3% in the quarter and the mining sector expanded 2.5%, the primary sector's rebound was offset by a 1.8% contraction in transport, postal and warehousing activity, the largest quarterly decline since March 2009. Wholesale trade fell 1.1%, retail trade and accommodation was down 0.1%, and there was a 1.7% drop in arts, recreation and other services. Manufacturing shrank 0.4% in the quarter, the second quarterly contraction. Weak data will reinforce the projections of the gloomiest analysts in the market, including those at Westpac, who predict the Reserve Bank won't stop at just one more cut to the OCR (to 2.5%) but will push down to a record low 2%. NZ turned to a current-account deficit in the second quarter as the country earned less from the export of travel services, such as tourist spending. The surplus on services narrowed to $488m from $2.23b three months earlier, as exports of travel services fell to $2.76b from $4.15b.

Consumer confidence

NZ consumer confidence fell to a three-year low in the third quarter as a deteriorating outlook for the economy weighed on household sentiment. The **Westpac McDermott Miller** consumer confidence index fell to 106 in the September quarter, from 113 in June, the lowest level since September 2012. A net 15% of the 1,550 people surveyed expect mainly bad economic conditions in the year ahead, compared with a net 4.8% seeing good times ahead in the June quarter. The five-year economic outlook was more upbeat, largely unchanged with a net 24% better times over that period. The present conditions index fell 6.9 points to 108.2, and the expected conditions index dropped 7.1 points to 104.6. The Westpac survey follows the **ANZ-Roy Morgan** consumer confidence report, which showed the mood of Kiwis found a base in Sept after four months of declines.

Components sector

Rakon, the high-tech components maker that returned to profit in 2015, says earnings growth will stall in 2016 on slowing demand in the firm's telecommunications market. Managing director Brent Robinson said net profit for the year ending March 31 2016, will be in line with 2015's $3.2m. Rakon returned to profit after overhauling its global operations, and exiting the smart wireless device market, which didn't deliver enough margin, to focus on the burgeoning telecommunications sector. It has shifted manufacturing from the UK and France to NZ and India as part of restructuring to slash its operating costs.

Convention centre approval

SkyCity Entertainment Group has gained resource consent approval for the Auckland convention centre. It gets some $458m of gaming concessions as a result of agreeing to build the centre in a deal with the government. In May, SkyCity lifted the minimum it will invest in the development to $430m and said total costs including land may be $450m to $470m. It was forced to revise its original design after the government refused to contribute to costs that ballooned out to an estimated $530m, exceeding the initial estimate of $402m. The new design shrank the floor space to 32,000 square meters and reduced total capacity to 2,850 visitors from 3,000.

Coal miner sell down

Solid Energy's creditors have voted in favour of an orderly sell down of the failed, state-owned coal miner over the next 2 1/2 years, rejecting a last minute foreign bidder's request to delay the watershed meeting ahead of a possible buyout.

Innovation

Flintfox International's claims of super-fast speeds for its **nPrice** pricing engine have been backed up after the software was verified by a testing firm used in the Microsoft Partner programme. NPrice allows real-time pricing between businesses such as multiple manufacturers and retailers which can run to hundreds of thousands of items and includes not just the price but also variables like sales commissions, special deals, and bulk order discounts.

LEGISLATION

The govt is facing a squeeze on its parliamentary timetable, with just 21 scheduled sitting days left before Parliament rises for the year. Adopting and passing under Urgency a bill to allow the "Red Peak" flag to be included in the upcoming referendum ate into that time further. Peter Dunne and the Maori Party reminded the govt of its minority status by backing a second bite at extending paid parental leave to 26 weeks. Elsewhere, the Environmental Reporting Bill became law.

- *Italics denote update from previous edition of Hugovision*
- *A full compendium of the legislation before the House is available on our website.*

Bills Introduced

Climate Change (Divestment from Fossil Fuels) Bill: *A member's bill in the name of Russel Norman. Requires public fund managers to dispose of investments in companies involved in fossil fuels production and reduce exposure to climate change risks over time. Awaiting first reading.*

International Finance Agreements Amendment Bill: *Introduced on Sept 9. Enables New Zealand to become a member of the Asian Infrastructure Investment Bank. First reading on Sept 15 with all parties apart from NZ First supporting. Report back due by Oct 22 2015.*

Bills In Progress

Agricultural Compounds and Veterinary Medicines Amendment Bill: Introduced August 11. Extends protection for confidential information given in applications registering both innovative and non-innovative trade name products from five to eight years. *First reading interrupted on Sept 15 with parties indicating support; protection length debated.*

Building (Earthquake-prone Buildings) Amendment Bill: Gives effect to decisions in Aug 2013 on managing earthquake prone buildings and gives the central government a bigger oversight role. Sets up a seismic register of buildings. Requires remedial work within 20 years, with an extra 10 years for category 1 historic buildings. Prioritises work on some buildings. Allows exemptions for certain buildings. Introduced Dec 9 2013. On June 23 2015, an interim select committee report presented a rethink, new timeframes and reclassification of buildings. Some to be covered by new law more quickly and others delayed or exempted. *Reported back on Sept 2 confirming changes announced in May, zoning areas into low, medium and high risk and prioritising education, hospital and emergency buildings. Includes a new priority category covering unreinforced masonry elements, such as a parapet or verandah, which could fall into a public area.*

Construction Contracts Amendment Bill: Amends the disputes adjudication process. The select committee made a number of adjustments. First reading June 2013. Committee stage debate interrupted on March 12. *Govt introduced amendments at the resumed committee stage on Sept 22, including treatment of sub-contractors' retention payments. The committee stage was interrupted when the House rose.*

Employment Standards Legislation Bill: Introduced on Aug 13. Omnibus bill making a large number of amendments to employment law, including parental leave, employment relations, holidays and minimum wages. Expands the coverage and flexibility of parental leave, including "stay in touch" provisions. Provides stronger enforcement of employment standards. Includes the new approach to "zero hours" contracts and unreasonable wage deductions. *First reading Sept 8, sent to the Transport and Industrial Relations Committee, with submissions closing on Oct 6. Only the Greens opposed. Labour supported but was unhappy with "zero hour" contracts treatment, parental leave changes and other matters.*

Gambling Amendment Bill (No 3): First reading on Nov 6 2014. Seeks to increase transparency of grant-making from the proceeds of Class 4 gambling; reduce potential conflicts of interest. *Committee Stage interrupted on Sept 9.*

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. Seeks to extend paid parental leave to 26 weeks. *Received first reading Sept 16 opposed just by National and ACT and sent to the Government Administration Committee for consideration. A report back is due by March 16. Its continued progress is reliant on the Maori Party and Peter Dunne still supporting the bill. The govt has indicated it will use its veto powers if it does survive to third reading. Some of the extensions of coverage proposed have been incorporated into the Government's Employment Standards Legislation Bill.*

Taxation (Bright-line Test for Residential Land) Bill: Introduced Aug 25. (See Domestic Economy section). *The bill is set to take retrospective effect from Oct 1.*

Taxation (Annual Rates for 2015–16, Research and Development, and Remedial Matters) Bill: Annual tax bill. *Reported back Sept 3 with many changes, mostly technical. Notably the eligibility for tax credits for loss making r&d was expanded and the administration handed to MBIE and Callaghan Innovation. Awaiting second reading.*

Bills Passed

Environmental Reporting Bill - Introduced Feb 20 2014. Sets up a mandatory environmental reporting regime to be conducted by the Environment Secretary and Govt Statistician. *Completed its third reading on September 24 with National, Maori Party, ACT and United Future in support.*

Accident Compensation (Financial Responsibility and Transparency) Amendment Bill: Introduced May 11. Lays down the principles of financial management of the ACC. Two broad objectives: improve transparency of how ACC's levied accounts are funded; ensure the residual levy is not over-collected. *Reported back Sept 14 with only minor changes and given its second reading Sept 19. Third reading completed Sept 23. Labour and Greens remained dismissive of the bill, but only NZ First voted against in protest at high levy rates.*

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 NZ-Korea FTA. *Second reading completed Sept 17. Labour supported the bill despite misgivings over the restrictions on future govts to impose different foreign investment rules. NZ First and Greens still opposed. Third reading completed Sept 23..*

Taxation (Land Information and Offshore Persons Information) Bill: Introduced on June 22. Enacts elements of Budget 2015 foreign property investor rules. Requires any "offshore person" buying a second home to provide an IRD number and bank account details. *Third reading Sept 10. All parties, bar NZ First supported, though Labour and the Greens said it was ineffective and full of loopholes. The govt indicated a third bill was one the way to deal with the treatment of withholding tax on property speculation.*

PO Box 25120, Featherston Street, Wellington 6146, New Zealand
PHONE 04 385 6249 EMAIL hugo@thehugogroup.com www.thehugogroup.com
THE HUGO GROUP