

## Implications of sustained migration inflows

Pp 1&4

Local media have been quick to note HSBC's caution this week about the one-time 'rock star economy', but more significant is evidence that net migration inflows remain far higher than predicted. Is NZ becoming a fundamentally more attractive place to live in an unsettled world?

## Fiscal policy realignment

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Having achieved a long-promised Budget surplus, but with small deficits ahead, Finance Minister Bill English is signalling changes to the targets the govt uses for fiscal policy.

## Urban land for housing – some radical recommendations

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The Productivity Commission's proposal to allow central govt to force local govts to release land for housing makes enormous sense on paper. The political reality may be more difficult. However, the govt is determined that price signals should drive land use rather than politicised city planning processes. How far will the govt go ahead of 2016 local body elections?

## Special economic zones for regional development

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Economic Development Minister Steven Joyce is said to be looking favourably on proposals to allow local govt to establish 'special economic zones' that would cut through red tape, particularly RMA consenting processes, to spur capital investment.

## Interest rate cuts still a matter of when

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Market expectations of an OCR cut by the RBNZ next week are fading, although a 25 bps cut before Christmas looks inevitable. Less likely is a move by the US Federal Reserve to cut rates this year. Expectations are drifting into early 2016.

## Flurry of EV announcements coming

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The govt and the Greens both have policy packages to promote the uptake of electric vehicles up their sleeves for pre-Christmas announcement. Also likely before then are the terms of reference for the review of the emissions trading scheme. A new scenarios project seeks to guide the debate on NZ's future energy choices.

## Pay equity taskforce

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The govt is forestalling inevitable strike action by establishing a pay equity taskforce to recommend how to deal with an appeal court ruling that says workers in female-dominated workforces should be able to make claims for equal pay.

## NZ El Dorado? What do the migration stats mean?

The Reserve Bank will be pondering the relentless growth in migration and its role in underpinning housing demand in Auckland while ensuring wages remain subdued while employment growth bounds away. Among the considerations: **is this a structural change in the attractiveness of NZ as a place to live?** Compared to much of the world, NZ looks increasingly benign and peaceful. NZ is far more modern and better connected to the rest of the world than it used to be, especially as Auckland grows up.

### Queenstown is becoming a global elite playground.

The current record inbound flood is expected to abate once Australia's economy revives. But how much will it bounce back and how far away is that? Aust is in for rough triple whammy of much lower capital investment, low commodity prices and fiscal problems from the free-spending 24 years without recession. NZ has become relatively attractive to Aust lately, and may stay so for some time.

That could mean net inward migration stays high longer, **intensifying the need for swift development of affordable housing in Auckland**, particularly.

Affordable housing is starting to come on stream, but greater supply may be required if NZ enjoys a sustained burst of inward migration as a safe, trustworthy part of the world to be based.

**The Daily Telegraph newspaper recently featured NZ as a top destination for entrepreneurs** in a sponsored section advising Brits who want to emigrate about their global options.

**For the govt, there is political upside in a migrant influx** that still mainly comprises more NZers staying or coming home. That is **stronger economic growth** through increased consumer demand.

With dairy picking itself up off the floor in the last couple of months and other **industry and consumer sentiment surveys indicating a steadying of mood after a mid-year fright**, the pre-conditions for the 2017 election don't look as gloomy as they did a few months ago.

Meanwhile, record tourist arrivals are so strong that Auckland International Airport has raised by between 12% and 27% its capex needs for the next financial year to as much as \$260m for terminal expansion.

## Will the govt heed the Prod Com's housing land advice?

This week's Productivity Commission final report on using land for housing becomes all the more

important in the context of a prolonged population influx.

The final report looks almost written to order with its endorsement of Bill English's entrenched view that 'plannerism' is a massive problem in NZ local govt, most particularly in Auckland. That said, the final version has won some praise from inveterate govt critics in the ngo sector, and the emphasis on "harmful social effects" of unaffordable housing is a potentially useful reframing of the issue. At its heart, the report argues that because urban land has become relatively unaffordable, developers only build homes that wealthy people can buy. That robs the housing stock of affordable housing both for sale and rent. Overcrowding, ill health and obstacles to wealth accumulation are among the problems that creates. In cities like Auckland, where regulatory settings discourage growth both "up" and "out", the inevitable effect is house price inflation. **Get Auckland wrong and the national economic productivity gains inherent in the growth of cities will be reduced or lost**, the report says. The commission proposes putting some stick into the mix to force local governments to choose between the competing interest groups that routinely stifle decision-making. By proposing the govt have the power to require the release of land for urban development when existing urban land gets too expensive, a very simple tool is created to force locals' hands. It remains to be seen whether the Cabinet will endorse such an anti-democratic measure in the year before an election.

**Ministers are still working out how to use the report but are determined to "get to a system that uses price signals to drive land availability".**

## Fiscal policy

The review of the govt's fiscal targets promised by Bill English when he announced the Budget surplus marks a gear change in fiscal management.

English says the review has been prompted by the structural shift in future tax receipts caused by low inflation and wage growth, which reduces fiscal drag.

The implication is that fluctuations between Dec 2014 and now in the 2014/15 surplus make English less enthusiastic about definitive forecasts about budget surpluses in the future. The short term reality is that none is likely through the remainder of this term of govt. He also admitted govt spending will have to rise in some areas, after what is effectively a five year freeze.

The threat of strike action by PSA members working for MBIE over minimal wage offers indicates a growing mood of resistance in the public sector

to how tight the screws have been turned – along with a new PSA leadership seeking to assert itself and choosing a soft target in the lumbering super-ministry.

Tolerance for small deficits may also see a revision of govt debt repayment targets. Ministers have agreed the govt needs to be able to be “active”. A slight easing or reframing of fiscal restraints should give some extra headroom to introduce new measures.

These won’t be big items but there may be more scope to make announcement’s such as next month’s electric car incentive package.

## NZ First still in the box seat

Though polling continually shows National with the largest share of support among the parties in Parliament, the same polling also shows it could not get enough support party MPs to form a govt.

Unless something were dramatically to change, it appears inevitable that National will have to deal with Winston Peters and NZ First after the next election. Ministers have got over the Northland by-election loss and recognise that dealing with Peters is unavoidable. They are unimpressed with an increasing level of anti-National invective from NZ First’s deputy leader Ron Mark, so are now working contacts who are close to Peters.

Foreign Minister Murray McCully appears to be playing a key role in this campaign. National is convinced that Peters will honour his long proclaimed pledge to negotiate first with the party with the largest share of the vote after the election. Noteworthy also is the **Greens’ expectation that Peters will “break right” if forced to choose**, despite cosyng up to the left.

Meanwhile, **the two latest political polls show no change in patterns of support for the main political parties and their leaders**. A TVNZ Colmar-Brunton poll, taken earlier this month, shows National’s support unchanged from Sept at 47%, Labour down one point to 31%, the Greens unchanged at 12% and NZ First up 2 points at 9%. PM John Key’s preferred prime minister rating was steady at 40%, Labour leader Andrew Little fell 2 points to 8%, to level-peg with NZ First leader Winston Peters. The Roy Morgan NZ poll, which showed a sharp drop for National in September, showed a return to 50% support, and put Labour at 31%, the Greens at 12% and NZ First at 6.5%.

## ETS review and fuels of the future

Climate Change Minister Tim Groser expects to present Cabinet papers with recommendations on the emissions trading scheme review within the next few

weeks, with the first half of 2016 earmarked for the review proper. He gave no other detail at a climate change and business conference earlier this week although the 2-for-1 transitional deal for heavy non-tradeable sector emitters looks unlikely to survive. The same conference saw Environmental Defence Society head Gary Taylor seeking consensus for a **Land and Water Forum-style collaborative approach to spur action on climate change mitigation by major emitters** and other stakeholders. Ministers were positive.

Business NZ’s Energy Council published a major piece of scenario work, seeking to lay the **foundations for more constructive discussion about energy choices out to 2050**. The Kayak and Waka scenarios involve respectively market-driven and govt-driven responses to climate change and energy use. Kayak gives stronger economic growth, higher incomes, and greater energy reliability and affordability. But CO2 emissions are higher. Waka has lower growth, lower carbon emissions and less fossil fuel use, but under both scenarios, it’s presumed NZ starts importing LNG at some point. Kayak assumes a carbon price of \$60 a tonne, while Waka is pitched at \$115. The initiative involves some complex ideas and will be prone to media misinterpretation. Viewed as a credible set of parameters for debate, and supported by key govt agencies and major energy producers and users, it has some potential to inform policy-making.

## Govt ramps EVs, targets fleet purchasers

The govt will announce a package to encourage EVs before Christmas, as will the Green Party in early November. In the meantime, EECA has published a tool aimed at corporate fleet purchasers to encourage better understanding of the whole of life economics of EVs versus internal combustion engine vehicles.

70% of new car purchases are by fleets and fleet uptake of EVs is seen as vital to establishing a functioning second hand EV market. Beyond that, a greater range of affordable models is likely to be the largest impediment to uptake. A recent tender for the new Crown VIP fleet attracted no pure EV bids.

## Pay equity working group

The recent **appeal court decision** on pay rates in the aged care sector **backing predominantly female workforces’ claims for pay equity** have forced the govt’s hand on the issue. A working group to develop principles for dealing with pay equity claims under the Equal Pay Act is being formed and will make recommendations in March next year, with legislative change likely. ■

## DOMESTIC ECONOMY

### OCR cut next week?

Opinion is finely balanced on whether the RBNZ will make a 25 bps cut to the OCR at next Thursday's monetary policy update. A cut of that size is still expected before the end of the year. Either way, a dovish statement is expected as most recent local data has calmed nerves about a bigger slowdown in the NZ economy.

The rebound in the currency is unwelcome. It's now about 7% higher than the RBNZ assumed and will exert its own downward pressure on such inflationary pressure as exists. A key reading will Wednesday's Q3 labour market data. Employment indicators remain firmly positive but not quite as firmly as before, while labour supply remains unambiguously strong. The unemployment rate will probably tick higher.

### Forex cover trends

Exporters have been maintaining relatively light cover in the last 12 months, a period when the kiwi dollar was at record highs. Now, however, fund managers are at higher-than-average levels of cover. Importers were notable for running very light levels of cover throughout most of the uptrend in kiwi from 2010 to 2014. It's something of a **puzzle that exporters have not begun to add cover more aggressively, especially those exposed to the kiwi/greenback crossrate**. One possible reason is that exporter hedging policies are anchored to a post-float average, which would be slow to respond to the fact that kiwi has strengthened, in trend terms, over the past 30 years.

### Record migration statistics

For six months in a row, more NZers have returned from Aust than left for its shores – the first sustained reversal in that flow since the early '90s. NZ had a record net gain in migrants of 61,200 in the Sept year. The annual gain in migrants has been setting new

records for the past 14 months. There were 118,800 arrivals in the Sept year and 57,600 departures. A net gain of 5,600 migrants in Sept was the second highest ever, with seasonally adjusted permanent and long-term monthly net migration having fluctuated around 5,100 over the past 13 months. Of the migrant arrivals in the Sept year, some 24,700 were from Australia, with two-thirds of those being NZ citizens returning home. Another 14,100 were from India, with three-quarters having student visas, 13,400 were from the UK, mostly on work visas, and 10,700 were from China, with about half having student visas.

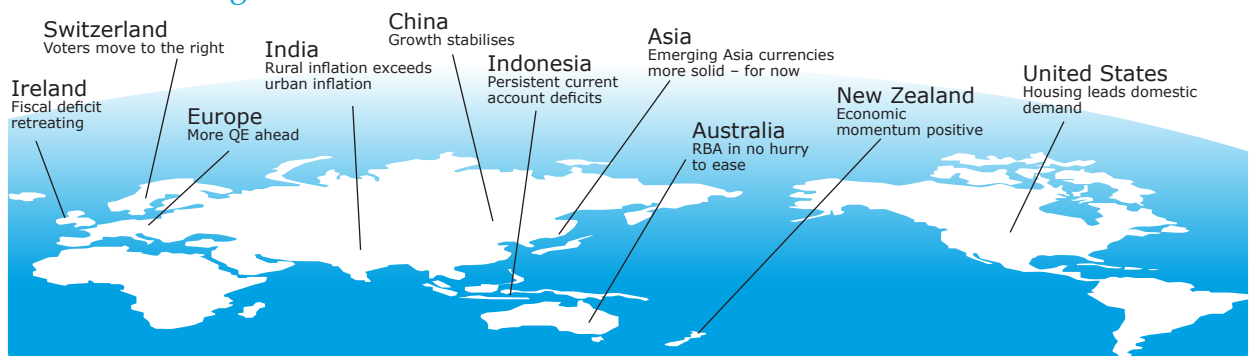
### Services sector activity

NZ's services sector, which accounts for about two-thirds of the economy, was at its most buoyant level in almost eight years in Sept. The BNZ-BusinessNZ performance of services index rose 0.8 points to 59.3 last month, its highest level since Nov 2007 and extending a run of continuous expansion since Aug 2010. All of the five sub-indices were above the 50 reading that separates contraction from expansion. The improved performance in the services sector comes after a similarly upbeat gauge of the manufacturing sector last week with the BNZ-BusinessNZ performance of manufacturing index rising to 55.4, its highest level in seven months. The composite index, which melds the PSI and PMI, is consistent with annual gross domestic product growth of about 3.5%, BNZ said.

### Push for special economic zones

At first blush, Local Govt NZ's advocacy of a new system of 'special economic zones' may appear a dirigiste throwback idea. However, it's got strong backing from the likes of local govt funding review member Rob Cameron, backed by analysis from the NZ Initiative think-tank. Forget talk of special tax breaks. This proposal seeks areas where pre-designation for certain types of business activity would clear a path through consenting processes. ■

### The world at a glance



## Fed tightening retreats further?

The US Federal Reserve is in the usual black-out period ahead of its Oct 29 FOMC meeting, but the signs are that US monetary policy-makers remain divided on when to raise interest rates.

The near certainty of a rate rise in December is now slipping, with focus shifting into early next year. Fed-watchers have been particularly struck by the Oct 12 speech of recently appointed board member Lael Brainard, who argued forcefully for a 'wait and see' approach. Brainard's concerns rest mainly on the outlook for the Chinese economy.

As the most recently appointed member of the Fed board, Brainard is not the most influential. Chair Janet Yellen has never been voted down and she relies particularly on the more hawkish vice-chair Stanley Fischer for guidance.

However, after the October meeting, all eyes will be on any sign of either a greater degree of discipline on Fed members' public utterances, or a new consistency in their messages.

After almost a decade without raising rates, the Fed's first upward move will surely be very deliberately signalled to minimise inevitable global financial market volatility that will occur as investors adjust to a new environment.

## ECB ready for more QE

The European Central Bank is willing to engage in further interest rate cuts and quantitative easing, if slowing growth in China and other emerging

markets threatens the EU's sluggish economic recovery. ECB president Mario Draghi says the bank will "re-examine" its existing policy settings at its Dec 3 meeting and is ready to move on the "size, composition and duration" of its QE programme, which has already seen bonds worth some 1.1 trillion euros issued. The ECB was "less sanguine" about global economic growth, especially in light of Chinese economic developments, Draghi said.

## Some better signs from China

Given the widespread scepticism about the accuracy of Chinese official GDP statistics, the latest 6.9% annual growth reading for the Sept year is more important for its direction of travel than for the number itself, and its apparent evidence that the real economy has not suffered significantly from recent stockmarket gyrations.

Nominal GDP growth – regarded as better indicator than headline real GDP growth, slowed from 7.1% in Q3 to 6.2% in Q3. On the positive side, credit growth picked up to 14.3% in Sept on relaxation of lending restrictions and better liquidity conditions.

Policy support since the summer is expected to underpin Q4 infrastructure investment, sustaining modest recovery in property sales, and buoying auto sales and production. However, the outlook for 2016 remains softer. Large additional stimulus packages are not expected, external demand will remain weak for Chinese exports and property destocking is having a marked impact on the industrial and mining sectors. ■

## Trading partner growth

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

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		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
<b>NZ Trading Partners</b>	100	3.7	3.4	3.7	3.8	3.6	2.2	1.2	2.1	2.5	2.0
<b>Forecasts for New Zealand</b>											
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	0.4	2.0	2.4	1.8
<b>The World</b>		2.8	2.6	3.0	3.1	2.9	3.1	3.2	3.6	4.3	3.4

## CORPORATE ROUND-UP

### Dairy prices

Dairy product prices fell in the latest GlobalDairyTrade auction, after gaining strongly in four consecutive sales. The GDT average winning prices fell 3.1% to US\$2,735 per tonne. Some 34,519 tonnes of product was sold, down from 35,243 tonnes two weeks earlier. Whole milk powder dropped 4.6% to US\$2,694 a tonne and skim milk powder fell 4.5% to US\$2,178 a tonne. The decline took market watchers by surprise because NZ dairy futures on the NZX Dairy Derivatives market had predicted both whole and skim milk powder prices would rise at the latest auction and the futures had become a useful indicator of direction if not the magnitude of price moves. Two weeks ago, dairy futures were suggesting whole milk powder would rise to US\$3,000 a tonne by the end of 2015 but that now looks delayed until May 2016. **We see potential for a 2016/17 payout as high as \$5.80 per kg/MS if current prices hold.**

### Milk production

Fonterra's milk production has dropped heading into the seasonal peak as suppliers respond to low dairy prices by winding back output. Fonterra said its milk intake for September, when production typically ramps up ahead of the peak in mid-October, was 8.7% below the year-earlier month. Its intake for the season to date, from June through September, was

down 5.3% from a year earlier. Farmers have cut production in response to Fonterra's lower payout forecast for the current season.

### Dairy investor

A2 Milk's largest shareholder, Freedom Foods Group, has reduced its stake in the milk marketing company after its takeover proposal was turned down. Sydney-based Freedom Foods sold 42.5m shares in the milk marketer for A\$28m, reducing its stake to 10.4% from 17%. Freedom Foods is controlled by the Perich family, who are major suppliers of A2 milk and intend to maintain a strategic stake in the company.

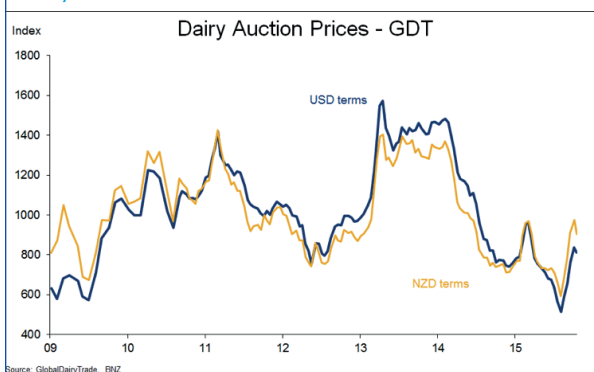
### Cladding suit

Law firm Parker & Associates says it now has more than 500 potential claimants for its leaky homes lawsuit against James Hardie Industries, transforming the case into a class action against the maker of Hardiflex cladding. The Wellington-based law firm first filed a claim in the High Court in August on behalf of Tracey Cridge and Mark Unwin, alleging James Hardie was negligent in its design, manufacture and supply of the Harditex cladding system, while calling for other claimants to join the suit. James Hardie has vowed to "vigorously defend" the allegations. The 'Cladding Action' case would be New Zealand's first leaky homes class action, the law firm said. Claimants were now moving quickly to officially opt in, it said. A second plaintiff class of owners of properties clad in James Hardie's Titanboard product is also being assembled to be added to the claim.

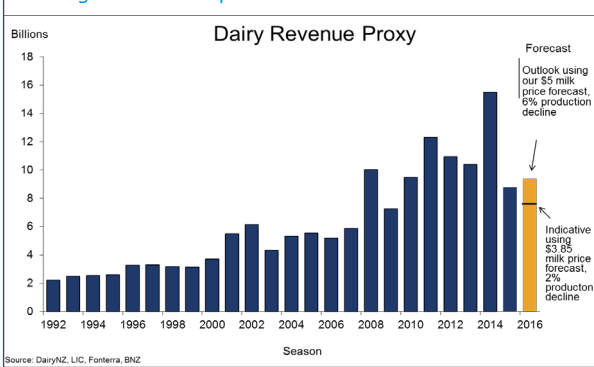
### Silver Fern sale

China's state-owned Bright Food Group has provided a letter of comfort to Silver Fern Farms that it will vote its 38% stake in Shanghai Maling Aquarius in favour of acquiring 50% of NZ's biggest meat company. SFF sees the vote by Shanghai Maling shareholders at special meeting of shareholders on Oct 30 as more of a formality than a significant hurdle, but it does anticipate six-to-nine months for consideration by the Overseas Investment Office. Ceo Dean Hamilton is optimistic the deal won't throw up any fish hooks for the OIO, given the sale is only of land where SFF's 19 plants are located, rather than farm land such as Lochinver Station. Shanghai Maling also needs Chinese regulatory approval for an investment outside of China. SFF's shareholders voted 82.2% in favour of the deal, comfortably exceeding the 50% threshold the board had set. Elsewhere, Shanghai Pengxin has declared its intention to appeal the OIO decision on Lochinver, seeking clarity on the 'counter-factual test' applied to determine whether the foreign investment adds

Dairy Prices Bounce



Raising Revenue Hopes



## CORPORATE ROUND-UP

sufficient extra value.

### Inflation slows

Non-tradables, inflation, stalled in the third quarter, and is expected to remain subdued, leaving the door open for further interest rates cuts by the Reserve Bank, should the bank still see reason to reduce borrowing costs. The consumers price index increased 0.3% in the three months ended Sept 30, meeting the Reserve Bank's forecast last month, and slowing from a pace of 0.4% in the June quarter, Statistics NZ said. The annual pace of inflation was unchanged at 0.4%, slightly ahead of the central bank's forecast and economist expectations. Non-tradables inflation, which covers domestic goods and services, was zero in the quarter, after rising 0.1% in June, and the lowest level since March 2001. The annual pace of non-tradables inflation slowed to 1.5% from 2%, its smallest increase since Dec 2001.

### Regulator's leadership team

The Financial Markets Authority has hired Barclays Bank executive Nick Kynoch as general counsel and replaced its HR manager as part of a revamped and expanded leadership team. Kynoch, who had been global head of regulatory compliance at Barclays' investment banking arm in London, will start with the regulator in January. The FMA also announced the appointment of Sarah Coleman, former HR director at law firm Chapman Tripp, as director of people and capability, replacing Diana Christensen. It also plans to hire a new director of external communications to replace Owen Gill, who joined the FMA last year on a fixed-term contract. Two existing team members – director of capital markets Garth Stanish and director of strategy and risk Simone Robbers – get expanded roles, while Liam Mason continues as director of regulation and John Botica as chief operating officer. Paul O'Neil, acting director of enforcement and investigations and currently listed as a member of the executive leadership team, will report to Kynoch when he starts in January.

### Content providers

Sky TV says 2016 net profit may fall to between \$153m to \$158m, from \$172m in 2014 because of costs to roll out new services and increased programming costs, including for the Rugby World Cup. NZ's biggest pay-TV company told shareholders at their annual meeting that revenue would be flat to slightly higher at \$928m to \$938m. Chairman Peter Macourt said the delivery of services including Neon, Sky On Demand and Fanpass had increased costs substantially and 2016 would also bring "a general escalation of content costs with the entry of new

competitors." Programming costs may rise to 35% of revenue from 32% currently. More competitors had entered the market in the past year than the previous two decades, ceo John Fellett said.

### Food production - obesity strategy

Critics of the govt's obesity package are pointing to the absence of sugar or fat taxes as evidence the govt is captured by the food industry. That is too harsh. National is philosophically disinclined to use taxes to promote social goods, and it was never likely to embrace the political risk of taxing popular, albeit unhealthy, foods and drinks, let alone risk the inflation potential of new taxes on food.

That said, the package marks a backdown from National's position in 2007, when it used Labour's anti-obesity rules for school tuck shops as Exhibit "A" in its case against Labour's "nanny state". Its own campaign is potentially more prescriptive than Labour's, with families of obese children starting school likely to face mandatory visits to health professionals for family diet and exercise regimes.

The gravity with which the govt is approaching the issue is demonstrated by the fact it is replacing one of its six 'key results areas', covering heart health checks and diabetes, with an obesity target. That target is that by Dec 2017 "95% of children identified as obese" in the before school check will be referred for clinical assessment and "family based nutrition, activity and lifestyle interventions". The focus on obesity has its origins in Bill English's actuarially based "social investment" approach. Industry has committed to voluntary measures reducing sugar, fat and salt, and packaging sizes and sponsorship of healthy eating and physical activity campaigns. The Advertising Standards Authority will review current codes.

### Airport investment

Auckland International Airport will increase planned capex to between \$230m and \$260m in FY16 ahead as it copes with much faster tourism growth than forecast. Capex of between \$190m and to \$205m had been planned earlier. The airport expects its busiest summer ever this year. Total passenger movements were up 5 percent to 15.8m in FY15, with international passengers up 5.7 percent.

Meanwhile, Wellington International Airport has dropped plans to seek consent for its proposed 300m runway extension through an EPA board of inquiry, favouring instead a process under the RMA. The expectation is that the resource consent application will be fast-tracked to the Environment Court, which will allow public input, but not through the more laborious public hearings process. ■■

## LEGISLATION UPDATE

- *Italics denote update from previous edition of Hugovision*
- *A full compendium of the legislation before the House is available on our website, [www.thehugogroup.com](http://www.thehugogroup.com)*

## Bills Introduced

**Greater Christchurch Regeneration Bill:** Introduced Oct 19. Provides a new legal framework to support the regeneration of greater Christchurch over the next 5 years. Replaces the Canterbury Earthquake Recovery Act 2011 to increase the role of local leadership and shift focus from recovery to regeneration. Received first reading on Oct 22. Opposition parties supported the thrust of the bill, but resisted the select committee report back being due by Feb 25.

**Shop Trading Hours Amendment Bill:** Introduced on Oct 22 to allow local authorities to create bylaws allowing shop trading on Easter Sunday, and enable shop workers to refuse work on Easter Sunday. Awaiting first reading.

**Electricity Transparency Bill:** A bill in the name of Labour MP David Shearer, requiring every domestic electricity bill to itemise bill components. Awaiting first reading.

**Healthy Homes Guarantee Bill (No 2):** A bill in the name of Labour leader Andrew Little. Intends to ensure every rental home meets minimum standards of heating and insulation. Speaker David Carter has ruled it out of order as it is too similar to a bill rejected by Parliament earlier this year. If the bill came up for debate in 2015 it would be struck down. However, it is unlikely to be debated until next year so will remain a live issue. Awaiting first reading.

**Local Government (Auckland Transitional Provisions) Amendment Bill:** Introduced on Oct 14. Amends the Local Government (Auckland Transitional Provisions) Act 2010. The purpose of the amendment is to provide more flexibility for the Auckland Unitary Plan Independent Hearings Panel to deliver its recommendations on the proposed Auckland Unitary Plan to the Auckland Council by the statutory deadline.

## Bills In Progress

**Agricultural Compounds and Veterinary Medicines Amendment Bill:** Introduced Aug 11. Extends protection for confidential information in an application registering an innovative trade name product from five to eight years. First reading completed Oct 13 with Greens opposed to extending protections. With the Primary Production Committee.

**Electricity Industry (Small-Scale Renewable Distributed Generation) Amendment Bill:** Green MP Gareth Hughes's private members bill to encourage small-scale renewable electricity generation, including mandating 'feed-in' tariffs. First reading debate interrupted Oct 14. National not supporting.

**Environment Canterbury (Transitional Governance Arrangements) Bill:** Creates a mix of appointed and elected representatives for the Canterbury Regional Council from 2016-2019. Environment Minister Nick Smith says the bill will allow transition to a fully elected council in 2019, 9 years after the govt appointed commissioners to advance water issues. Completed first reading Oct 13 with the support of National, Maori and ACT parties. Sent to the Local Govt and Environment Committee with a report back date of Feb 15.

**International Finance Agreements Amendment Bill** Enables NZ membership of the Asian Infrastructure Investment Bank. Received its first reading on Sept 15 with all parties

supporting, bar NZ First. Reported back with minor amendment on Oct 22.

**Keep Kiwibank Bill:** Member's bill in the name of Labour MP Clayton Cosgrove requiring either that 75% of MPs or a majority in a referendum be required if Kiwibank were to be privatised in whole or part. Completed first reading on Oct 14 by 61 to 60 with National and ACT opposed. Sent to FEC.

**New Zealand Business Number Bill:** Introduced on March 31, enables corporate, public and unincorporated entities to get a NZ Business Number and be on a NZBN register. First reading May 5. Intended to streamline dealings with govt agencies. Reported back with minor amendments Sept 29 with even govt MPs wondering if it will be effective.

**Organised Crime and Anti-Corruption Legislation Bill:** To bring NZ into line with international conventions. Committee stage completed Oct 21 with a Green amendment to make illegal "facilitation" payments made in other countries by NZers. Voted down by National, ACT and United Future. The govt is happy with exceptions in line with Aust and US law.

**Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Bill:** Annual tax bill, contains changes to the tax treatment of R&D, GST and bodies corporate, changes to child support that claw back some planned reforms. Second reading completed Oct 20.

**Taxation (Bright-line Test for Residential Land) Bill:** Introduced Aug 25. Proposes a new "bright-line" test requiring tax be paid on gains from residential property sold within two years of purchase. Exceptions include the sale of an owner's main home, inherited property, or the transfer of property in a relationship settlement. The bill is set to take retrospective effect from Oct 1. Reported back from select committee on Oct 22 with minor changes. Labour, Greens and NZ First all opposed, claiming it will miss its target and is bad law.

**Taxation (Transformation: First Phase Simplification and Other Measures) Bill:** Introduced June 30. First reading Oct 13 and sent to the Finance and Expenditure Committee.

**Weathertight Homes Resolution Services Amendment Bill:** Introduced Feb 23. Second reading given on Sept 17 on a voice vote. Committee stage interrupted on Oct 21.

## Bills Passed

**Construction Contracts Amendment Bill:** Amends the disputes adjudication process. Completed third reading Oct 20 with unanimous support.

**Gambling Amendment Bill (No 3):** Given a first reading on Nov 6 2014 by 108 to 11 with NZ First opposed. Seeks among other things to increase transparency of grant-making from the proceeds of Class 4 gambling; reduce potential conflicts of interest; improve transparency. Third reading completed on Oct 15 with Greens, NZ First and Maori Party opposed.

**New Zealand Superannuation and Retirement Income Amendment Bill:** Introduced Nov 2013. Allows guardians to control entities formed to hold, facilitate or manage investments. Third reading completed Oct 20 with Bill English saying he did not believe there should be political interference in the Fund, with only the Greens opposed.

**Standards and Accreditation Bill:** Amends and consolidates the law relating to standards and accreditation of conformity assessment bodies. Repeals earlier legislation. Third reading completed Oct 15 with just National, ACT and United Future supporting with no change in positions. 