

Economy on the cusp

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The NZ economy appears to be an inflexion point – the difficulty is working out which way the trend is likely to break. Sentiment recovered in the third quarter after the earlier plunge in dairy prices. However, the latest weakness in global auctions for milk powder could turn that around.

Dairy industry dynamics

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China's decision to end its one child policy looks like good news longer term for growing dairy demand, but in the short term much manoeuvring is occurring in Australasian dairy asset ownership.

Labour puts on a good show at its annual conference

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The Labour Party's annual conference achieved what it needed to – a show of unity after years of disharmony. However, the only policy development of significance was Phil Twyford's adoption of National's approach to eliminating urban boundaries and an innovative proposal to have new suburban infrastructure funded by local govt bonds.

Cabinet reshuffle complications

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Foreign Minister Murray McCully's prolonged hospitalisation is raising the prospect of a more fulsome Cabinet reshuffle than the rejig required to accommodate Trade Minister Tim Groser's expectation that he is heading to Washington to replace Mike Moore.

Competition and insolvency regimes under review

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Commerce Minister Paul Goldsmith has launched reviews of competition and insolvency law. The more significant of the two is the review of the competition tests in the Commerce Act, which MBIE has concluded are not performing their intended task.

US interest rate rise next month still odds-on

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Despite concerns the US economy's underlying growth potential may be permanently weaker than in the past, the latest minutes from the US Federal Reserve suggest a cautious first interest rate hike is still likely next month.

Keep an eye on Fiji

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Fiji should be the South Pacific's most viable island state, with significant natural resources and tourism assets. However, the tendency for its military to want to run the country is proving very difficult to shake, with recent developments suggesting a military takeover by stealth.

Competition law review

The public consultation process announced this week by Commerce Minister Paul Goldsmith on Section 36 - the primary competition test clause - of the Commerce Act has the potential to change the environment within which large firms operate. Goldsmith has released an MBIE critique of the Commerce Commission which says it has not been sufficiently effective in curbing excessive market power. One question being asked in the consultation process is whether the bar has been set too high to determine market dominance. MBIE are suggesting it has. Options for change include going as far as to change the basis of the whole competition regime to an effects based regime like the EU and the USA. That would seem unlikely though, given that any legislation should ideally be compatible with Australia.

The Commerce Commission itself has been lobbying for the past two years or so to have the power to initiate studies of markets. Goldsmith seems to sympathise with this proposal but has pointed out that the Productivity Commission already does some of this work.

The Productivity Commission has – and is having – a powerful influence over the govt. Its work on the building materials market has already been one of the arguments that Goldsmith used to support his changes to Standards NZ to make it easier for overseas building materials suppliers to enter the NZ market.

Submissions on the issue, which has been bubbling under since a ComCom conference in 2013, are due by Feb 9.

2016 Parliamentary timetable starting to emerge

Parliament is already winding down for Christmas. It's becoming difficult to get to see Ministers because they are trying to clear their desks.

Select committees have a stack of work in front of them – there is a surprisingly large list of legislation in the wings at present – and at least one, Transport and Industrial Relations, is looking to work through the summer break to get the **new employment standards legislation** out of the way.

Only then will it be able to deal with reviews and submissions it heard as far back as July.

The House itself will take next week off and then return to rise on Dec 10. It will return next year on Feb 9.

Because the Prime Minister is off overseas again next week after he returns at the weekend from Manila, it

is likely he will be in the Chamber for only two more days before the end of the year.

The foreign affairs select committee is waiting for the completion of the National Interest Assessment on the TPP before it can begin to hold what will undoubtedly be acrimonious hearings on the agreement. Its hearings this year on the Korea Free Trade Agreement attracted a wide range of anti-globalisation activists and dragged on for several weeks. The TPP hearings will be a much bigger affair.

The govt's desire to have a signing ceremony for signatories to the TPP in NZ in early Feb already has TPP opponents dusting off their placards in anticipation of a rowdy reception.

McCully factor complicating Cabinet reshuffle plans?

We have learnt that Foreign Minister Murray McCully had to be readmitted to hospital this week with a post-operative infection after surgery to remove a "benign" tumour from an unspecified part of his body. While he has now been discharged again, he is reportedly very weak.

It is now a fortnight since there has been any official news on McCully's condition, which suggests he may be away for a while.

Authoritative sources have said he would retire at the next election but there may now be some thought being given to bringing that forward. This could complicate the Cabinet reshuffle that has been expected early next year, at the latest, and to instal Tim Groser as ambassador in Washington to replace the ailing Mike Moore.

John Key always plays reshuffles close to his chest but the potential need to find a new Foreign Minister or at least an understudy could make this reshuffle more complicated than the minor changes initially contemplated.

Happy families at Labour conference

Labour Party leader Andrew Little was gratified to emerge from the party's annual conference in Palmerston North without broadly positive press coverage, albeit the positivity related more to Labour's unusual show of unity than new policy. The conference 'challenge sessions' on key policy areas, such as the future of work, were more like briefing exercises for the rank and file. Housing spokesman Phil Twyford announced Labour would issue a National Policy Statement to stop urban/rural boundaries distorting urban land prices and encouraging urban densification - a policy similar

to National's. Where **Labour would go further is in using long-dated local govt bonds to fund new suburban infrastructure**, to reduce up-front pressure on new housing costs.

In the end, Little has delivered what he promised for the first year of his leadership – a more disciplined political party.

Major new policy is next year's crucial objective, with greater specificity and insight required from Grant Robertson's Future of Work Commission exercise.

Note the recent report from CAANZ, the chartered accountancy lobby, and NZIER that examined the **impact of disruptive technologies on NZ**.

It found that while only 12% of professional roles were at high risk of automation, some 75% of labouring roles and a around half of all accounting roles, other than treasurers and company secretaries, are at high risk of automation. In polling of 2,300 NZers conducted by Colmar-Brunton for the report, there was a high degree of recognition that these threats exist, but a lower than appropriate level of recognition that such change required planning and preparation. Intriguingly, **44% of those polled believed the primary responsibility for the cost of retraining should fall on the individual**. Another 32% thought costs should fall to employers and **only 24% thought the govt should pay**.

Insolvency law review

Commerce Minister Paul Goldsmith has the bit between the teeth pre-Xmas, announcing a review of insolvency law as well as the competition law review. A working group will focus on the use of so-called 'phoenix' firms in voluntary liquidations to escape liabilities and continue trading. The issue is acknowledged in the building industry, but the examination will assess whether there's a broader problem. The group will also look at the potential to reform the regime around voidable transactions, including the potential to recover funds lost in Ponzi schemes. The last update to insolvency law was in 2006 to allow voluntary administrations as an alternative to liquidations.

The working group will be chaired by former Deloitte partner Graeme Mitchell and includes Chapman Tripp partner Michael Arthur, lawyer Crispin Vinnell of law firm Anthony Harper, KPMG director Vivian Fatupaito, PwC director John Fisk, Debtworks executive director David Young, and a nominee from the Official Assignee. A report is due by mid-2016. The group will also investigate whether the Insolvency Practitioners Act is fit for purpose, following some concern that a more proactive regime may be preferable.

Tax policy - a big agenda

Revenue Minister Todd McClay is seeking feedback on a **review of NZ's 130-year-old tax secrecy provisions** as part of a tax administration law review that would give govt agencies more access to tax department data. McClay wants to **update the country's 21-year old Tax Administration Act**, releasing a discussion document on making tax simpler in tandem with another paper aimed at making it easier for companies to pay income tax and GST. The tax legislation review proposes relaxing tax secrecy laws, which it says are "considerably broader" than most other jurisdictions, to only keep information confidential that would directly or indirectly identify a taxpayer.

McClay also announced that **e-commerce transactions involving digital goods and services purchased offshore will be liable for GST from Oct 1 next year**. The announcements disappointed NZ-based bricks and mortar retailers, who had hoped to see a Customs dept discussion paper on ways to charge GST on low value goods imported from offshore. That paper is now not expected until April next year, raising concerns that Customs is less willing or able to confront the challenge of e-commerce tax collection at the border than the IRD, which has overall responsibility for GST.

In a speech this week that traversed the govt's response to the OECD BEPS international anti-avoidance agenda, McClay said there would be particular focus on "**interest limitation rules** and whether or not they are cast appropriately", as well as the expected tightening of anti-hybrid rules.

Military influence rising in Fiji

There are concerns that despite last year's elections, the military is resuming its influence over affairs in Fiji. The Police Commissioner, the well regarded South African Ben Growenweld has resigned in protest at what he describes as excessive military intervention in policing matters.

The constitutional process to appoint a police commissioner has been sidestepped by the Prime Minister, Frank Bainimarama, who has appointed Colonel Sitiveni Qiliho, the commander of Fiji's land forces as acting commissioner.

A member of the Constitutional Appointments Commission, NZ educated Suva lawyer Richard Naidu has resigned his position in protest at this move.

Foreign Affairs officials in NZ say the situation is worrying and that it is further evidence that there is "unfinished business" in Fiji. ■

Global growth still weakening

The OECD has cut its global growth forecast to 2.9% per cent in 2015 and 3.3%, reflecting the sustained slowing of world trade caused in particular by changes in the Chinese economy. The revisions follow a similar re-rating by the IMF.

China sputters in November

The November MNI China Business Sentiment Indicator fell 10.3% to 49.9 after an unexpected surge to 55.6 in Oct, the second time the index has slipped below 50 this year. Falling domestic demand outweighed cheaper credit and reported improvements in corporate balance sheets. New orders and production fell by 6.6% and 4.2% respectively and respondents continue to expect easier monetary policy before year's end. Bolstering that view, input prices fell 17.8% to 45.6, while prices received fell 9.9% to their lowest index reading since 2008. The Future Expectations Indicator fell 12.3% to 51.2 from 58.4 in Oct, close to Sept's series low.

Fed keeps December rate hike alive

The US Federal Reserve continues apparently to favour the first of its anticipated series of interest rate hikes in Dec, although **debate continues over whether the long term potential of the US economy has shifted permanently lower.**

The minutes to the Oct FOMC meeting, released this week, set this concern against growing consensus among Fed board members and officials that recent global financial market volatility had not created new systemic stress in the US banking system, and that "downside risks arising from economic and financial developments abroad" had diminished and that "the outlook for domestic economic activity and the labor market" were "nearly balanced". That all adds up to only small rate rises if and when the Fed starts this long anticipated process.

Stronger signs from Australia

Aust's unemployment rate fell to 5.9% in Oct, one pip below NZ's, although the participation rate across the Tasman remains lower than here, at 65% (vs 68.6%).

The latest data also showed a far stronger than expected lift in new job creation, up 59,000 month on month, after a flat performance in Sept, to give an annual growth rate of 2.7%, the strongest in four years.

That's prompting a rethink among Aust bank economists about the prospects for another rate cut by the RBA. That now looks less likely, especially given consumer sentiment returning to average levels and business conditions holding above average. Put those factors together with the prospect of higher US interest rates pushing the Aust dollar lower, and the odds of the RBA holding through the early months of 2016 appears much stronger than it was. Many had anticipated a Feb rate cut.

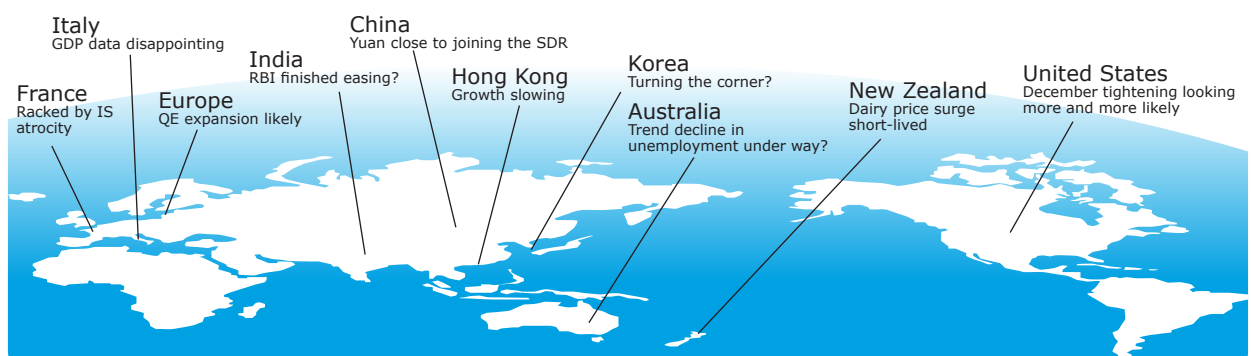
Job growth was reasonably evenly spread across the Aust states, although was strongest year-on-year in NSW, at 3.8%, followed by Victoria at 3% and Queensland, at 2.9%.

Note **two interesting regulatory developments in Aust that look almost NZ-like.** The oil and gas sector regulator knocked back BP's plans for deep-sea drilling in the Australian Bight off the coast of SA on environmental grounds, while the federal govt has blocked the A\$350m sale of a cattle station owned by one of the country's biggest landholders to a Chinese buyer, based on a recommendation from the Foreign Investment Review Board.

Oil glut to last to 2020?

The International Energy Agency is predicting the current oil glut will last until 2020, reflecting the relentless gains being made by cleaner fuel alternatives and energy efficiency. Prices could remain around US\$50 a barrel or lower. ■

The world at a glance



DOMESTIC ECONOMY

NZ economy on the cusp?

The NZ economy appears to be at a point of inflection. A shift is in the offing but it's unclear whether service sector momentum will provide an uptick in activity or dairy sector malaise will drive further softening.

It seems reasonable to suppose that the recovery in business and consumer sentiment seen in Sept/Oct, when global dairy prices stabilised, may now be unwound at least to some extent. Sentiment had begun to slide earlier in the year during the initial plunge in dairy prices. A volatile outlook appears inevitable on that front for some time to come.

The inflation outlook remains similarly uncertain with global conditions arguing for further price stability but a falling exchange rate generating an inflationary pulse. This combination of factors is creating another dilemma for the RBNZ. We're expecting a further cut in the cash rate but then a protracted period of indifference until economic and inflation developments are given greater clarity.

55% chance of a Dec OCR cut

Market pricing for an OCR cut at the Dec 10 monetary policy statement has now risen to around 55%. Renewed softness in global dairy prices adds weight to our central view of a cut, to 2.5%, at this meeting, despite other activity and confidence indicators holding up. Adding weight to that view is the fact that the TWI is currently about 4% above where the RBNZ assumed it would be this quarter.

On top of weaker dairy prices, concerns about an El Nino-induced drought are starting to come into focus for agricultural producers and labour market indicators look weaker than the RBNZ had anticipated at the Sept MPS, even though the weak Sept quarter employment data may prove to have been a rogue result. All that said, there is a very high hurdle to the RBNZ cutting below 2.5%.

Currency Outlook

Across the major currencies, the Aussie dollar is likely to outperform and the kiwi underperform in the context of a broader US dollar rally. If the RBNZ cuts in Dec and the RBA doesn't, some convergence in investors positioning in NZD and AUD appears likely – both toward modest short positions against the USD. That should see the NZD/AUD cross trade back below 0.90, and on its way toward 0.85 by mid-2016.

House price inflation

The RBNZ's latest Financial Stability Report was important for its acknowledgement that house price inflation is spreading beyond Auckland. This may not be a bad thing if it relieves pressure on Auckland's market, but to the extent house price inflation outside Auckland catches up to that of Auckland itself, total financial risk increases.

Hamilton and Tauranga house prices are growing at 18% and 14% per year respectively.

At this stage, however, the RBNZ is keeping its powder dry on further macro-prudential measures. ■

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 | 21.0 | 7.3 | 6.8 | 6.5 | 6.6 | 6.5 | 2.0 | 1.6 | 2.1 | 2.6 | 2.1 |
| Australia | 21.2 | 2.7 | 2.3 | 2.6 | 3.1 | 2.7 | 2.5 | 1.7 | 2.6 | 2.7 | 2.4 |
| United States | 14.5 | 2.4 | 2.5 | 2.6 | 2.6 | 2.4 | 1.6 | 0.2 | 1.8 | 2.3 | 1.5 |
| Japan | 7.6 | -0.1 | 0.6 | 1.3 | 0.8 | 1.0 | 2.7 | 0.8 | 0.8 | 2.0 | 1.6 |
| Eurozone | 7.3 | 0.9 | 1.5 | 1.7 | 1.6 | 1.6 | 0.4 | 0.1 | 1.1 | 1.5 | 0.8 |
| United Kingdom | 4.0 | 2.9 | 2.5 | 2.4 | 2.1 | 2.2 | 1.5 | 0.1 | 1.4 | 2.0 | 1.3 |
| South Korea | 4.2 | 3.3 | 2.5 | 2.9 | 3.6 | 3.1 | 1.3 | 0.7 | 1.6 | 2.2 | 1.5 |
| Indonesia | 2.1 | 5.0 | 4.7 | 5.0 | 5.7 | 5.1 | 6.4 | 6.6 | 5.3 | 4.7 | 5.8 |
| Hong Kong | 1.9 | 2.5 | 2.3 | 2.2 | 3.3 | 2.6 | 4.4 | 3.0 | 2.7 | 2.8 | 3.2 |
| Taiwan | 2.8 | 3.8 | 1.4 | 2.4 | 3.4 | 2.8 | 1.2 | -0.4 | 1.1 | 1.4 | 0.8 |
| Singapore | 2.7 | 2.9 | 2.0 | 2.4 | 3.7 | 2.8 | 1.0 | -0.3 | 1.0 | 2.1 | 1.0 |
| Malaysia | 2.5 | 6.0 | 4.8 | 4.6 | 5.3 | 5.2 | 3.1 | 2.2 | 2.9 | 3.0 | 2.8 |
| Philippines | 1.7 | 6.1 | 5.7 | 5.9 | 5.6 | 5.4 | 4.1 | 1.7 | 2.8 | 3.5 | 3.0 |
| Thailand | 2.0 | 0.9 | 2.6 | 3.3 | 3.8 | 2.7 | 1.9 | -0.7 | 1.5 | 2.6 | 1.3 |
| India | 1.6 | 7.3 | 7.5 | 7.8 | 7.5 | 7.3 | 6.0 | 5.0 | 5.4 | 5.5 | 5.5 |
| Viet Nam | 1.3 | 6.0 | 6.2 | 6.3 | 6.2 | 6.2 | 4.1 | 1.4 | 4.4 | 3.3 | 3.3 |
| Canada | 1.6 | 2.4 | 1.1 | 2.0 | 2.3 | 2.0 | 1.9 | 1.2 | 2.0 | 2.1 | 1.8 |
| NZ Trading Partners | 100 | 3.6 | 3.4 | 3.5 | 3.8 | 3.5 | 2.2 | 1.2 | 2.1 | 2.5 | 2.0 |
| Forecasts for New Zealand | | | | | | | | | | | |
| Consensus | | 3.3 | 2.3 | 2.3 | 2.5 | 2.6 | 1.2 | 0.5 | 1.8 | 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 |
| The World | | 2.8 | 2.5 | 2.9 | 3.1 | 2.9 | 3.1 | 3.2 | 3.6 | 4.3 | 3.5 |

CORPORATE ROUND-UP**Dairy industry dynamics**

A2 Milk's strong stock showing may be driven by excitement in Aust that the end of China's one-child policy means strong market for infant formula will theoretically double. Fonterra's Anmum brand distributor in China, Beingmate Baby & Child Food Co, hasn't fared as well on the Shenzen index. Their joint venture owns Fonterra's former Darnum plant in Victoria, Aust, which has annual capacity of 50,000 metric tonnes of infant formula. The company has made fixing Aust a priority. It exited a 9% holding in Bega Cheese, which has linked up with Blackmores to compete in China's infant formula market. Judith Swales has oversight of Aust at Fonterra and she now has oversight of NZ in her new role as managing director Oceania. She predicts a profit for the Aust business next year. The company has suffered from a cluttered portfolio of brands in a market where fresh milk had become a loss leader. Kiwi brands such as Mainland and Anchor are already in the Australian market. Fonterra's two Chinese dairy farming hubs could take another two years to become profitable but losses will reduce this financial year, it says. More concerning for Fonterra is production out of Europe which is keeping global dairy buyers well sated and dairy prices low. Prices have fallen in three GlobalDairyTrade auctions in a row and potential participants have dropped off. The number of qualified bidders fell to 609 in the latest auction, from 643. Analysts have come back into line with Fonterra's forecast payout, many having previously deemed the company too gloomy. Their range is now \$4.25-\$4.60 per kilogram of milk solids, compared to Fonterra's \$4.60/kgMS. Meanwhile, Fonterra directors are expecting a large, voluble annual meeting in Waitoa next week.

Milk marketing

A2 Milk Co has raised its forecast revenue and earnings for the current year as sales of infant formula across Australasia and in China track ahead of expectations. The Auckland-based, Sydney-headquartered company expects ebitda of \$22m on revenue of \$285m in the year ending June 30 2016. That's an improvement on the previous forecast for earnings of \$12m on sales of \$267m. A2 Milk's cornerstone shareholder, Freedom Foods, sold its remaining 10.4% stake in the milk marketing company for A\$64m, taking advantage of a surge in the share price. Sydney-based Freedom Foods sold its remaining shares for A85c apiece and will reinvest the proceeds in other investments including a buy-out of oat-based cereal and snack manufacturer Popina and construction of a new UHT processing facility. Freedom Foods, which is controlled by

the Perich family, said last month that it intended to maintain a strategic stake in the company and continue supplying it with milk.

Meanwhile, New Plymouth District Council has sold Van Diemen's Land, the Tasmanian-based dairy producer that is Aust's largest milk supplier in a deal valued at A\$250m. NPCC will end up as a 19% shareholder in OnCard, a company that intends to build consumer brands based on Tasmanian provenance.

Poultry deal

ProTen, Aust's largest independent contract grower of broiler meat chickens, plans to expand its operations and is eyeing Asia for future growth. The company, whose shares trade on NZ's Unlisted market, expects to spend A\$140-A\$150m over the next two to three years to expand its Aust chicken farming business. The Sydney-based company this year raised a net A\$24.6m from investors and secured A\$60.2m of funding from Rabobank and Commonwealth Bank of Aust to aid its expansion.

Drone flight limits

Scion, the forestry crown research institute, will become the first organisation in NZ to fly drones beyond line of sight when it seeks approval under new Civil Aviation Authority rules to use unmanned aerial vehicles (UAVs) for forest monitoring. Scion has been conducting publicly and privately funded trials of UAVs for the past three months, including flying along the edge of forests to evaluate tree harvesting and using a UAV with interchangeable remote sensing technology to transmit information on tree health and pests in North and South Island forests. Callaghan Innovation expects CAA rule changes will attract offshore drone developers to test UAV technology in NZ, and points to Yamaha NZ, which set up an office last year. Yamaha is planning to apply in the next six months for beyond line of sight flights for its RMAX UAV, which sprays noxious weeds or drops fertiliser on farms that are hard to access on foot or by fixed-wing aircraft. Meanwhile, Auckland firm Advanced Security says its automated drones, flying pre-designated flight paths to check triggered alarm sites, is a world first.

Construction activity

Fletcher Building shares have been unloved by investors, falling this year in a rising market. The company has given an upbeat account of market conditions in NZ, forecasting a potential gain in 2016 earnings. It expects "healthy" levels of govt spending on infrastructure and some spillover effect of Auckland buoyant housing market. In Aust,

CORPORATE ROUND-UP

the outlook is mixed, with a potential slowdown in residential construction, especially apartments. Fletcher sees no pickup in commercial construction activity or infrastructure activity, in part because federal and state govts are running tight fiscal policy.

Pharmaceutical offer

Auckland-based AFT Pharmaceuticals is considering a \$49m initial public offering of shares to list on the NZX and ASX. The proposed offer would raise \$45m, and would combine with a \$4m sell-down by the Atkinson Family Trust, which owns 87% of the company. AFT, founded in 1997, made a loss of \$12.9m for the year to March 31, on \$56.2m revenue.

Services activity

NZ's services sector, which accounts for about two-thirds of the economy, expanded at a slower rate in Oct as it came off its highest level in almost eight years. The BNZ-BusinessNZ seasonally adjusted performance of services index slipped to an eight-month low of 56.2 in Oct, down from 59 in Sept which was the highest since Nov 2007. It comes after the survey of manufacturing which slipped to a seasonally adjusted 53.3 from 55. The two indexes combined suggest the economy is still growing at a reasonable clip.

Security software

Wynyard Group, the security software developer, is continuing to make sales of its software to high-level offshore customers. Its latest, a three-year \$4.5m contract with a national security agency it didn't name, to use its software for counter-terrorism and protect high value assets. Wynyard's crime analytics and investigations case management applications will be used by "a multi-national systems integration partner," the company says. In May, the company signalled an expectation of wrapping up "a significant national security solution" sale for delivery in the second half of this year.

Wool scouring monopoly

The Commerce Commission has approved a plan for Cavalier Wool Holdings to acquire NZ Wool Services International's wool scouring business and assets. The decision affirms the antitrust regulator's draft determinations in March and Oct where it said the public benefits would outweigh the loss of competition. The number of wool scouring operators in NZ has been reducing amid a declining wool clip and increasing exports of greasy wool to China, the regulator said. The merged scouring business will be 55% owned by Cavalier, private equity firm Direct Capital and the govt's Accident Compensation Corp,

with WSI parent Lempriere taking a 45% stake.

Sheep meat demand

Alliance Group, the sheep meat processor and exporter, reported a 25% drop in annual profit, saying it competed more aggressively in overstocked export markets. Net profit fell to \$4.6m in the year ended Sept 30. Turnover rose to \$1.4b from \$1.45b a year earlier. The company said it had lost between 20% and 25% of its Chinese sheep meat market, without being more specific. Droughts, flooding and a slowdown in key sheep meat markets such as the UK and China "has had a pronounced effect on our profit result," chair Murray Taggart said.

Consumer sentiment

NZ consumer confidence rose to a six-month high in Nov as sentiment continued to recover from a slump to a three-year low in Aug. The ANZ-Roy Morgan consumer confidence index increased 8 points to 122.7, the highest since May. The current conditions index rose to 123.5 from 115.4, while the future conditions component increased to 122.2 from 114.6. A net 9% of the 999 people surveyed said they were better off financially than this time last year and a net 30% expected to be better off in a year's time, the highest level in seven months.

Steel imports

Steel & Tube Holdings, NZ's biggest steel distributor, forecast a drop in first-half profit, citing the impact of lower-priced Chinese steel on margins. Profit would undershoot last year's \$10.8m first-half result, although the Wellington-based company wasn't specific on the size of the decline. CEO Dave Taylor told shareholders at their annual meeting today that increasing low-priced steel exports and imported pre-fabricated steel was putting NZ's steel industry under pressure. "Finished steel prices are now at their lowest level for almost 13 years." Many countries have imposed anti-dumping legislation to help protect their steel industries, which has seen some product redirected into open countries such as NZ, he said.

Financial Services Council loses members

The Financial Services Council lobby group has lost four key members in recent months, with Partners Life and AIA the latest to go, in protest at a council report on the local life insurance industry, which has yet to be published. AMP and Sovereign also left the group this year. Its executive director, former Labour Cabinet Minister Peter Neilson has seemed to struggle for traction at times, perhaps because he remains seen as closely aligned to Labour. ■

LEGISLATION

This week was the second to last for Parliament this year. After a break next week, the last sitting of the year will begin on Dec 1. The third tranche of the govt's attempts to cool the Auckland housing market through tax reform has passed, and the House went into Urgency to pass through all stages bills to deal with pressing issues such as the handling of deported criminals, an error in law over the benefit stand-down period and a technical bill on the Auckland Unitary Plan.

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

Bills Introduced

Commerce (Supermarket Adjudicator and Code of Conduct) Amendment Bill: *A bill in the name of Green MP Mojo Mathers introduced on Nov 12. Amends the Commerce Act to establish an industry-funded supermarket adjudicator, to resolve disputes between supermarkets and suppliers.*

Geographical Indications (Wine and Spirits) Registration Amendment Bill: *Introduced on Nov 3. Amends the Geographical Indications (Wine and Spirits) Registration Act which was enacted in 2006, but has not yet been brought into force. Awaiting first reading.*

Overseas Investment (Protection of New Zealand Homebuyers) Amendment Bill: *A bill in the name of Labour MP Phil Twyford introduced on Nov 12. Non-residents would only be granted permission to purchase a residential property if they intend to live in NZ permanently or the purchase adds to existing housing stock.*

Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill: *Introduced on Nov 3, establishes a single trans-Tasman patent attorney regime to increase competition, harmonise the occupational framework, and enable a single patent application and examination process to be implemented between IP Australia and the Intellectual Property Office of NZ. Awaiting first reading.*

Taxation (Residential Land Withholding Tax, GST on Online Services, and Student Loans) Bill: *Introduced on Nov 16, proposes a new residential land withholding tax to act as a collection mechanism for the bright-line test. Provides for the sharing of information between IRD and the Australian Taxation Office for NZ student loan borrowers residing in Aust. Proposes the collection of GST on cross-border services and intangibles, including internet downloads and online services.*

Bills In Progress

Affordable Healthcare Bill: *Member's bill in the name of NZ First MP Barbara Stewart proposing health insurance requirements for migrants. Bill transferred to Winston Peters. First reading debate interrupted on Nov 11. Facing defeat with National and Greens opposed.*

Radiation Safety Bill: *Repeals and replaces the Radiation Protection Act 1965. Reported back with mainly technical amendments on Aug 19. Second reading completed Nov 3 with all parties in support.*

Shop Trading Hours Amendment Bill: *Introduced Oct 22.*

Grants territorial authorities a limited power to create bylaws allowing shop trading on Easter Sunday, and enables workers to refuse work Easter Sunday. First reading on Nov 3 was a conscience vote. Referred by 75 to 45 to the Commerce Committee for consideration. National MPs whipped to vote in favour. Two Labour MPs supported as did NZ First MPs and ACT. All other MPs opposed.

Support for Children in Hardship Bill: *Introduced following the Budget on May 21 to lift benefit levels for those with children by \$25 a week from April 2016 with commensurate movements in Working for Families payments. Reported back with minor amendments on Oct 27 with second reading on Nov 5. All parties supported but Labour and others unhappy with tighter work rules. Committee stage interrupted Nov 10.*

Bills Passed

Local Government (Auckland Transitional Provisions) Amendment Bill: *Introduced on October 14 to provide the Auckland Unitary Plan Independent Hearings Panel more flexibility to deliver recommendations within its statutory deadline. Passed through all stages under Urgency with the third reading completed on Nov 19 with the Greens opposing.*

International Finance Agreements Amendment Bill: *Enables New Zealand membership of the Asian Infrastructure Investment Bank. Completed second reading on Nov 5, committee stage on Nov 10 and third reading on Nov 12 with just NZ First opposed.*

Organised Crime and Anti-Corruption Legislation Bill: *Intended to bring NZ into line with international conventions. Committee stage completed on Oct 21 with a Green amendment to make small "facilitation" payments offshore illegal voted down by National, ACT and United Future. Completed third reading, divided into 15 bills on Nov 4 by 109 to 12 with NZ First opposed.*

Taxation (Bright-line Test for Residential Land) Bill: *Enacts a new "bright-line" test, which will require income tax to be paid on any gains from residential property purchased and sold within two years, with some exceptions. Completed second reading on Nov 3, heavily criticised by Opposition parties but progressed by 109 to 12 with just NZ First opposed. Committee stage completed on Nov 10 with an Opposition amendment to extend the bright line test to five years defeated. Third reading completed Nov 12 with NZ First opposed.*

Bills Defeated/Discharged

Climate Change (Divestment from Fossil Fuels) Bill: *A member's bill in the name of Russel Norman. Transferred to James Shaw and first reading on Nov 11. Defeated by 73 to 48 with National, NZ First, ACT and United Future opposed.*

Electricity Industry (Small-Scale Renewable Distributed Generation) Amendment Bill: *A Member's bill in the name of Green MP Gareth Hughes drawn from the ballot on Aug 13. Intended to encourage small-scale renewable electricity generation. Voted down on Nov 11 with ACT and United Future joining National in saying the bill would distort the market.*

Public Health Bill: *Rewrites, updates and replaces the Health Act 1956 and the Tuberculosis Act 1948 and includes updates enacted in the Epidemic Preparedness Act 2006. National has shown no interest in proceeding with the bill since taking govt. Some aspects of the bill have been dealt with under subsequent legislation. First reading in Dec 2007 with select committee reporting back in July 2008. The govt has indicated the bill will be discharged and replacement legislation introduced.*