

## The political climate changes after Paris

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The initial burst of self-congratulation among politicians and climate change activists after the Paris climate change accord has inevitably given way to focus on the huge range of policy decisions that must now follow. Momentum will be politically challenging. Fossil fuel producers are likely to run down inventories even harder than they are now.

## RMA reform – not dead yet?

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Only a fool or a natural born optimist would give the odds of a new round of attempted reforms to the RMA any chance of swift resolution. Nonetheless, the groundwork is already being laid for the next stage in a debate that moves at an almost inter-generational pace.

## Auckland mayoralty

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Earlier in the year, it looked as if Phil Goff might be the acceptable centre-left face to lead the centre-right Auckland Council that the National Party dearly wants to see elected next year. The entry into the race of the novice politician and putative centre-right candidate Victoria Crone complicates that.

## The Fed moves, the RBNZ beds in at a new low

Pp 4&5

The US Federal Reserve finally raised interest rates for the first time in nearly a decade, while the RBNZ cut to a historic low of 2.5% and appears content to sit there. The stage is set for a divergence in NZ exchange and interest rate movements against the US.

## 2016 – a better year?

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The outlook for the NZ economy in 2016 is weaker than was forecast officially earlier in the year, but both the Treasury and RBNZ see a more robust 2016 emerging than the slow-starting 2015. Sept 1/4 GDP figures confirmed a more positive outlook, heavily influenced by migration flows.

## Chorus's big win

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Chorus shareholders were handed a \$290m windfall with the Commerce Commission's final determination on access to the copper network. However, the saga has dented investor confidence in NZ's regulatory institutions and there's still a high chance of judicial reviews to come.

## Wishing you a Merry Christmas and Happy New Year

This is the last issue of Hugovision for 2015. We will return with the first edition for 2016 on Jan 22. In the meantime, may we take this opportunity to wish all Hugo Group members all the best for the festive season and, with any luck, a well-earned break.

## Climate change policy after Paris

The ink was barely dry on last week's Paris climate change accord before critics began to emerge, expressing legitimate concerns as to whether a non-binding pact would allow ongoing brinksmanship. "We have had 20 years of procrastination. We are likely to get more of it," said Sir Geoffrey Palmer, in a gloomy assessment. He suggests some sort of global legislature – a long shot at best, one would have thought – will be required to make a deal stick.

In numerous areas, including on questions vital for NZ such as the use of forests as carbon sinks and the creation of a global carbon market, the rules have yet to be written. Much rests on the extent to which the momentum created in Paris can be sustained through to 2020, when the system of Intended Nationally Determined Contributions to lower greenhouse gas emissions will kick in.

The following implications are clear for both the global process and NZ:

- **Developed countries will be under pressure between now and 2020 to increase their proposed level of carbon reductions.** That's the implication of the gulf between the 2.7 degrees global temperature rise calculated (roughly and imperfectly but as good a guide as exists) and the 1.5 degree stretch target agreed in Paris.
- NZ's argument that it has limited options because of its reliance on renewable electricity and high agricultural GHG emissions is logical, but unlikely to prove politically sustainable. **National may prefer to leave more ambitious targets to centre-left parties, reasoning that even it wins a fourth term and governs until 2020, a fifth term is unlikely.** Labour and the Greens would be responsible for target commitments post-2020. **The appointment of Paula Bennett as Climate Change Minister indicates, if anything, an even more politically calculating approach than that adopted to date.** While climate change is elevated to the 4th-ranked Cabinet minister, John Key has appointed Bennett because he wants someone who can "understand all the issues";
- **A single system for measuring countries' contributions is scheduled to emerge by 2024.** Over the same time period, a patchwork of localised carbon markets should start to produce convergence on a global carbon price;
- Expect carbon to become significantly more expensive over time. The 2-for-1 offset in the NZ emissions trading scheme is almost certain to be phased out in next year's review, with potential for mature industries to face a faster path to 1-for-1. The combination of the ETS review and the Paris agreement is already driving NZ Units back towards \$10 a tonne. At \$12 to \$15, forestry planting for carbon farming becomes viable;
- Vehicle and fuel emissions standards are likely to standardise internationally, while greater use of natural gas in transport is likely;
- **Expectations on businesses to do better than 'just good enough' will rise as consumers seek leadership from business as well as political leaders. There is unlikely to be much brand upside in such moves as it will be regarded as BAU. Failure to move, however, carries downside risk;**
- **Owners of fossil fuel deposits are likely to continue to accelerate depletion of existing assets, ahead of increased decarbonisation.** That may keep the lid on oil and gas prices over the medium to long term.

Meanwhile, departing Climate Change Minister Tim Groser detected a major shift in Paris to developed countries' interest in dealing with agricultural emissions. "Our ag people are very pleased with the result as they had been nowhere in the last 10 years. This is the beginning of a diplomatic process that five years down the track should yield some results."

## RMA reform – local govt weighs in, ProdCom issues paper

Meanwhile, Local Govt NZ is adding weight to a mood for a larger reform of NZ's environmental and planning laws with a "blue skies" paper on RMA reform.

It proposes three options, including scrapping the Local Government, Land Transport Management and Resource Management Acts and replacing them with new planning and environmental protection laws, much in line with the thrust of the Productivity Commission's issues paper for the urban planning investigation, issued on Dec 9. But the LGNZ paper recognises this move would result in considerable upheaval and could take "decades" to settle down, rather than the five-plus years that senior ministers have optimistically posited for such an exercise.

LGNZ proposes retaining the three existing Acts but to enact over-arching legislation to set regional strategic direction and the high-level parameters setting parameters for the "implementation" Acts.

Inevitably, this will be seen for what it is: a roundabout second go at creating a new balance between economic and environmental priorities, after the govt tried and failed to amend Sections 6 and 7 of the RMA. But with the NZ Council for Infrastructure Development singing from a similar hymn-sheet

and signs that Labour is now less convinced that existing planning law is working, the bones of a new approach may be starting to emerge.

## RMA reform timetable

The local govt and environment select committee has given March 14 as the deadline for submissions on the Resource Legislation Reform Bill, with report back to Parliament due by June 3.

The bill completed its first reading with National, Labour and the Maori Party in support. ACT and United Future joined the Greens in opposition, while NZ First abstained.

## An ugly end to the political year

A report on child poverty, a High Court decision against the police on their search of 'Dirty Politics' author Nicky Hager's home, and a media storm over the PM's alleged 'rape joke' gave the govt an ugly end to the political year. The radio stunt is survivable, although the PM's spin doctors may take a more careful approach to Key's appearances on populist radio, where he is always keen for profile. The Hager decision will have no impact on the polls. The biggest message in Justice Clifford's decision is for the police and their practice of seeking search warrants from pliable District Court judges with little experience of the law applying to the media. **The child poverty report, however, is dynamite.** John Key pledged action on child poverty after the 2014 election, but evidence of progress is scant. The ground is laid for Opposition parties to debate fiscal priorities: tax cuts or something more creative?

## Auckland mayoralty

There's been a mixed reaction to Xero NZ managing director Victoria Crone's decision to stand for the Auckland mayoralty. Though she is backed by Auckland Central MP Nicky Kaye and former National Party president Michelle Boag, she has not been endorsed yet by the party, nor by its unofficial local govt campaigning offshoot, Auckland Future.

The former National Party president, Sue Wood, is running Auckland Future full time and has only met Crone twice. Wood's concern is to get an organised, disciplined centre-right majority around the Council

table, with a low rates and privatisation agenda. The movement recognises that without mayoral support, that agenda would struggle. The privatisation strand is unlikely to sit well with Phil Goff.

Crone, by comparison, has no political experience beyond contributing to Labour's Commission on the Future of Work and participation at last month's Labour Party conference. By throwing her hat in the ring, Crone forces Auckland Future to choose between her and long-time National Party member and Orakei Board member, Mark Thomas, whose campaign so far has not gained support from most Auckland National MPs. However, Thomas does have the capacity to dilute centre-right support for a single candidate and harbours parliamentary ambitions since being forced in 1996 to stand aside in the Wellington Central campaign for ACT's Richard Prebble. He may seek to leverage any deal to stand down from the mayoral contest into a high National Party list position.

At this stage, it's reasonable to think that Goff remains ahead in the race.

## Govt keeps fiscal thumbscrews on Auckland

Reserve Bank governor Graeme Wheeler suggested at the Dec monetary policy statement that some big infrastructure spending in Auckland would be "helpful" in boosting inflation towards the 2% target and this week's Budget Policy Statement included a \$1b additional capex allowance. However, Bill English is in no

hurry to accommodate Auckland without completing the Transport Alignment Project, the negotiation with Auckland Council on the city's transport infrastructure plans. This includes the Central Rail Loop, currently scheduled to begin in 2020. The continuing pressure on Auckland is for two reasons: it wants to force the consideration of asset sales to help fund the plan; and it has concerns about the East-West Connection project, linking Onehunga with Penrose/East Tamaki. This route will require large-scale Public Works Act acquisitions. Surprisingly, the Public Works Act was excluded from the Productivity Commission's investigation into urban planning. Meanwhile, this week's unexpected zoning changes to encourage denser suburbs have inflamed affected citizens. ■

### 2016 CEO Retreat confirmed dates for your diary

The 2016 Retreat will commence with lunch on **Thursday August 18**, and conclude after lunch on **Saturday August 20**.

The revamped format will give a combination of a day tailored to senior executive development, led by an expert of global standing, and a day the traditional 'deep dive' of novel subjects.

You can choose to attend either or both programmes.

### The Fed finally moves

It's been a long time coming but the US Federal Reserve has finally kicked off the rate hike process with its first rate rise in almost 10 years, to the surprise of absolutely nobody. The Fed raised the target range for the funds rate by 25bps to 0.25% - 0.5%, exactly 7 years to the day after it last cut rates in response to the GFC.

The Fed's key words were that it "expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."

This provides the flexibility to move faster, should the data allow, so could be seen as very mildly hawkish, as could the clustering of seven members of the Federal Open Market Committee who opted for a 1.375% 'dot point' estimate for this time next year. That said, only one member expects a funds rate above 2% by then, compared with four at the Sept FOMC meeting, while estimates over the following two years have been lowered, by 25bps to 2.375% in 2017 and 12.5 bps in 2018 to 3.25%.

While labour resource use had diminished 'appreciably' since early this year, the US economy is still judged to be expanding at a 'moderate' pace. Household spending and business fixed investment have been increasing at 'solid' rates, housing has improved further and net exports continue to be seen as 'soft' – an apparent consequence of the US dollar appreciation.

Removed from the latest statement were references to 'monitoring global economic and financial developments' and that 'inflation is anticipated to remain near its recent low level in the near-term.'

In her press conference Fed chair Janet Yellen said

markets and investors should not "overblow" the significance of the first policy move as policy will remain very accommodative.

### Uneven growth outlook

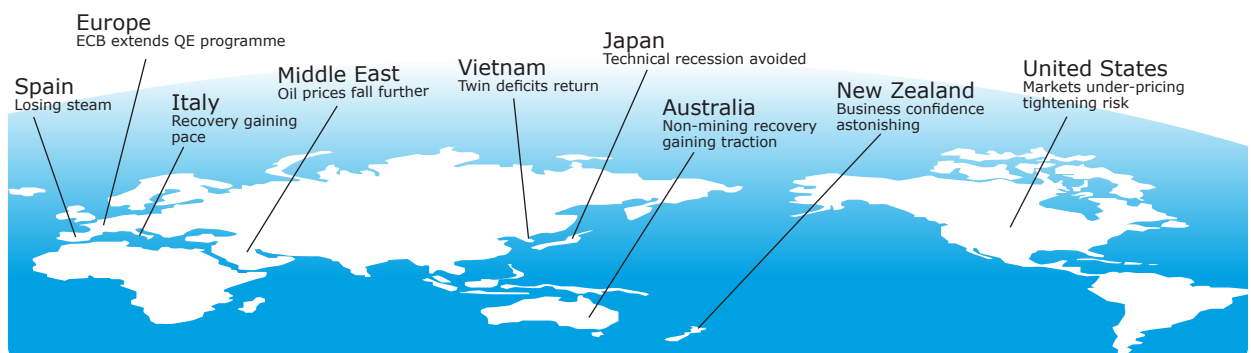
Most global leading indicators have either stabilised or are turning up and consumer confidence remains resilient, but growth remains uneven. The UBS global economics team suggests an upside surprise for the Chinese economy could be preferable to much better US growth, because although the Chinese economy is less integrated globally, Chinese interest rates are only tenuously linked to trade partners' interest rates. China could generate a stronger global growth aggregate without forcing higher global rates. An upside growth surprise in the US, however, "would probably produce higher rates that could be punitive for some of the world, particularly emerging markets."

### NZ foreign ownership

A JB Were survey of foreign investor interest in NZ equities finds a marginal fall between 2014 and 2015, to 32.6% vs 33.0% in 2014.

Origin Energy's sell-down of its 53.4% stake in Contact Energy accounted for most of the drop from 25.7% to 23% in strategic stakes (holdings of more than 10%). This fall was largely offset by portfolio investor inflows and an increased in managed fund ownership. Other large reductions were seen at NZ Refining, (-26%) after the departure of a Canadian cornerstone shareholder. Foreign investors also reduced holdings in Fonterra Shareholders Fund (-9%), Tourism Holdings (-17%), and The Warehouse Group (-10%). These reductions were offset by ownership increases in Z Energy (+26%), Sky City (+18%), Air New Zealand (+16%), and Nuplex (+10%). The Z change reflects Infratil's sale of its stake, mainly to offshore shareholders, whose collective holding went from 33% to 56% of Z. ■

### The world at a glance



## 2016 – looking stronger than 2015

The economy appears to be heading into 2016 with good momentum. Q3 growth figures, at 0.9%, were 1bps stronger than expected and consistent with the Treasury's updated fiscal and economic update, which saw acceleration from a sluggish first half of 2015. Lead indicators for Q4 are encouraging, suggesting our current view of 2% growth in 2016 may be beaten. The strong El Nino will inevitably have an impact on primary production and export volumes next year, but ongoing strength in the tourism sector should provide significant offset. Note also that the Treasury is anticipating a knock to growth of around 0.4% from El Nino, below the 0.6% impact of the 2013 drought. Meanwhile, domestic demand may prove stronger than anticipated, especially if very strong net inward migration persists. Again, this week's Treasury forecasts expect a return to mean - an average annual inward flow of 12,000 - in 2018, with the current surge peaking in the March quarter of 2016. The RBNZ saw it similarly in its monetary policy forecasts the previous week. Unemployment will rise, but only because the rate of job creation will struggle to keep up with labour market supply increases. Real wage growth remains subdued because of plentiful labour supply.

While inflation will remain low in the near term, especially as crude oil prices have fallen even further this month, annual inflation should creep back into the 1 - 3% band in the first half of the year. The first meaningful domestic data release to watch in the

New Year will be the Quarterly Survey of Business Opinion, due Jan 19.

On interest rates, the Treasury and RBNZ are only slightly at odds. The central bank sees a flat course for rates until March 2018, while the Treasury sees some prospect for tightening towards the end of that timeframe.

The gov't's political priorities are clear in the Budget Policy Statement: some \$2.5b is earmarked for new spending in the 2017 election year Budget, with tax cuts on the agenda. However, a slower downward path for net Crown debt, caused mainly by slower nominal GDP growth and its impact on tax forecasts, means contributions to the NZ Super Fund will be delayed now until 2022/23, rather than the 2020/21 resumption announced back in May. Bill English remains optimistic that better forecasts will emerge by the time of the 2016 Budget.

Meanwhile, the gov't has received the first round of Budget spending bids from depts and is apparently pleasantly surprised to find officials generally appreciating the need for stronger business cases and "less entrepreneurial" attempts to wangle new funds.

Elsewhere, **both services and manufacturing sector indices are running strongly.** The BNZ-BusinessNZ performance of services index expanded at its fastest pace in eight years in Nov, at a seasonally adjusted 59.8 points. The PMI measure of manufacturing also picked up last month to 54.7 and has been expanding since Oct 2012. The composite index of the two measures stood at 58.7. 📊

## 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	6.9	6.5	6.6	6.5	2.0	1.5	1.7	2.6	2.0
Australia	21.2	2.6	2.3	2.6	3.1	2.7	2.5	1.5	2.4	2.7	2.3
United States	14.5	2.4	2.5	2.5	2.6	2.4	1.6	0.2	1.7	2.3	1.5
Japan	7.6	-0.1	0.6	1.2	0.8	1.0	2.7	0.8	0.7	2.0	1.6
Eurozone	7.3	0.9	1.5	1.7	1.6	1.6	0.4	0.1	1.0	1.5	0.8
United Kingdom	4.0	2.9	2.4	2.3	2.1	2.2	1.5	0.1	1.1	2.0	1.2
South Korea	4.2	3.3	2.6	2.8	3.6	3.1	1.3	0.7	1.5	2.2	1.4
Indonesia	2.1	5.0	4.7	4.9	5.7	5.1	6.4	6.4	4.9	4.7	5.6
Hong Kong	1.9	2.5	2.4	2.2	3.3	2.6	4.4	2.9	2.5	2.8	3.2
Taiwan	2.8	3.9	1.0	2.1	3.4	2.6	1.2	-0.3	1.1	1.4	0.9
Singapore	2.7	2.9	1.9	2.1	3.7	2.7	1.0	-0.5	0.6	2.1	0.8
Malaysia	2.5	6.0	4.8	4.4	5.3	5.1	3.1	2.1	3.0	3.0	2.8
Philippines	1.7	6.1	5.6	5.8	5.6	5.4	4.1	1.4	2.5	3.5	2.9
Thailand	2.0	0.9	2.7	3.1	3.8	2.6	1.9	-0.8	1.4	2.6	1.3
India	1.6	7.3	7.4	7.8	7.5	7.3	6.0	5.0	5.4	5.5	5.5
Vietnam	1.3	6.0	6.4	6.4	6.3	6.3	4.1	0.8	3.4	2.8	2.8
Canada	1.6	2.5	1.2	1.9	2.3	2.0	1.9	1.1	1.9	2.1	1.8
<b>NZ Trading Partners</b>	100	3.6	3.4	3.5	3.8	3.5	2.2	1.1	1.8	2.5	1.9
<b>Forecasts for New Zealand</b>											
Consensus		3.3	2.2	2.3	2.5	2.6	1.2	0.4	1.7	2.2	2.0
BNZ Forecasts		3.3	2.2	1.9	2.0	1.8	1.2	0.4	1.4	2.2	1.8
<b>The World</b>		2.8	2.6	2.9	3.2	2.9	2.6	1.9	2.5	3.4	2.6

## CORPORATE ROUND-UP

### Chorus's copper win

Investors decided Chorus was a clear winner in the Commerce Commission's final decision letting the network operator raise prices for access to its copper wires, sending the shares to a record high. Telecommunications Commissioner Stephen Gale said the regulator missed out a key component in its July determination over the cost of trenching, which caused most of the \$3.26 uplift to an average \$41.69 a month for access to Chorus's wholesale broadband and phone services. Chorus immediately raised its earnings guidance, though won't be able to backdate the price to December last year when an earlier level was set by the regulator's initial review, based on international benchmarks. Retailers Spark and Vodafone have roundly criticised the decision, saying they will pass on any increase to the consumer to protect their margins, and industry lobby Internet NZ foreshadowed the prospect of a legal challenge given the "extreme nature" of the increase. Professional investors didn't take confidence from the regulator's decision either, with **Devon Funds principal Paul Glass calling the commission's handling of the review a "regulatory debacle"** which makes regulated companies "almost uninvestable". Spark moved quickly to increase tariffs to reflect its increased costs. Chorus is on notice for credit rating upgrades, nonetheless.

### Irrigation scheme progress

The High Court has overruled the Environment Court to allow the Waitohi Irrigation and Hydro Scheme to proceed. Canterbury Regional Council and Hurunui Water Project had appealed the Environment Court's decision in September to decline consents for the \$400m project that will take water from the Hurunui River catchment to irrigate 60,000 hectares of farmland in the Hawarden area of North Canterbury. Hurunui Water Project will now seek funding to begin the scheme and hopes to be supplying farmers by 2018. Meanwhile, progress on the Ruataniwha scheme in Hawkes Bay has been delayed by Forest & Bird, which has challenged the Department of Conservation's proposed land swap, which would allow 22 hectares of Ruahine Forest Park be flooded as part of the project. The lobby group argues that DOC's director-general erred in law in revoking the land's status. Hawke's Bay Regional Investment Co, the developer and sponsor of the scheme, is nearing its target of firm commitments from farmers for the water, signing investors to stump up the \$195m balance of the \$275m cost, and expects conclusion early 2016.

### Direct food retailing

My Food Bag is approaching \$100m of annual

revenue after three years of home delivering ingredients and recipes for a week of healthy and easy-to-prepare meals. The business was founded by CEO Cecilia Robinson, husband James, dietician Nadia Lim and husband Carlos Bagrie, and former Telecom boss Theresa Gattung. The Parnell-based company has 60 staff and almost 30,000 customers. It has delivered more than 9 mln meals and is on offer in 14 cities across Aust and NZ. It is looking to expand, prompting speculation of a capital raising.

### Oil and gas sector

Inevitably, given global oil prices, the **govt's fourth block offer** for oil and gas exploration licences attracted fewer bids than the previous three and saw new licences issued only in the already proven Taranaki Basin. While some bids were received for frontier basin acreage in the Reinga-Northland and Canterbury-Great South basins, none were accepted. The nine licences issued, all to existing players in the NZ oil and gas scene, were notable for a tiny committed work programme of just \$4.4m, compared with \$110m of commitments for the 15 licences issued in 2014. **Shell NZ** announced a "strategic review" of its assets here. **Vector** shareholders voted overwhelmingly in favour of selling the company's gas transmission and distribution assets outside Auckland to Australian investor First State Funds for \$952.2m. The sale is also conditional on approvals from the Overseas Investment Office and ministers. Settlement is anticipated by March 31 next year. The Commerce Commission has delayed its decision on **Z Energy's application to buy Chevron NZ's downstream assets** until April, creating expensive delay in the two companies' merger plans.

### Fonterra's Australian strategy

Fonterra has sold its Aust yoghurt and dairy dessert business to Parmalat Australia for an undisclosed sum, having written down its value by \$108m in the 2015 financial year. The dairy company expects to return its Australian operations to profit next year under the stewardship of new Oceania managing director Judith Swales. Ceo Theo Spierings says the company's strengths in Australia are in cheese, whey and nutritionals, "complemented by our strong consumer and food-service businesses." Australia has been a problematic market for Fonterra for several years due to fierce competition for milk supply, too many brands and an over-capacity in production. That prompted the company to embark on a plan to turn around the performance, which has included the sale of Fonterra's stake in Bega Cheese, a deal with Bellamy's Aust to manufacture infant formula, and the merger of NZ's consumer brands with the Aust segment. Meanwhile, dairy product

prices increased in the latest GlobalDairyTrade auction, although the gains were less than expected amid concern about worldwide excess supply. Whole milk powder rose 1.8% to US\$2,304 a tonne. Some 24,888 tonnes of product was sold, down from 28,158 tonnes two weeks ago. In its updated economic forecasts, the Treasury does not see WMP prices returning to the long term average of US\$3,500 per tonne before 2017. RBNZ analysis suggests between 2% and 14% of dairy sector loans are at risk of default in the current production season.

### Milk price calculation

The Commerce Commission has signed off on the way Fonterra is calculating its milk payout this season but says it will be keeping an eye on issues such as its cost of capital calculation and interest-free support payments to farmers. Under the Dairy Industry Restructuring Act, the commission has to report annually on whether Fonterra's Milk Price Manual promotes setting a base milk price that incentivises the dairy cooperative to operate efficiently while providing for contestability in the market for purchasing milk from farmers. Fonterra collects about 85% of NZ's milk each year. The manual covers only the cost of raw milk at the farmgate rather than any other price component within the milk supply chain. The commission believes the financing costs of interest-free loans to farmers should be included and clearly described when calculating the base milk price, and will be following up on the issue in 2016.

### Tourism strength, dairy weakness

NZ has demonstrated its twin-track economy with a booming tourism industry more than making up for the weaker dairy product prices. The annual current account deficit narrowed in the third quarter to \$8.1b, or 3.3% of GDP from a revised gap of \$8.3b, or 3.4% three months earlier. The annual surplus on services widened to \$3.3b, the biggest since Dec 2004. The travel exports component rose to a surplus of \$12.4b from \$11.7b, more than twice the value of travel imports at about \$5.3b.

### Level playing field for taxis

Uber would have to operate under the same rules as taxis under new regulations recommended by the Ministry of Transport. The review of regulations covering small passenger services, begun at the start of the year, has outlined five options and recommended one with fewer rules that apply to all operators in the sector. That include taxis, private hire cars, shuttles, dial-a-driver, and ride-sharing services. Uber, a mobile app service that lets people book rides, is already popular in Auckland and

Wellington and the use of ride-sharing apps (an extension of car-pooling) is expected to become more widespread. The global spread of Uber has met with opposition from taxi operators who currently have to function under tougher regulations that impose extra costs. Uber has argued that it is not a taxi service but simply links passengers with drivers who are private contractors.

### Competition regulation – real estate

The Commerce Commission is prosecuting five of the country's leading real estate agencies for alleged collusion in their response to a fee change by Trade Me. Two of the 13 separate parties accused have reached settlements.

### Auckland housing development

The NZ Super Fund, Ngai Tahu's property arm and New Ground Capital, will jointly invest in a \$113 million new housing development at Hobsonville Point. This is the Super Fund's first direct investment in the Auckland housing market.

The investors will purchase 1.95 hectares of former New Zealand Defence Force land in two lots from Housing NZ subsidiary, the Hobsonville Land Co, to build 200 new homes by late 2018.

Meanwhile, the Salvation Army is finding ways to become involved in the gov't's revamped social housing policy framework, having made headlines earlier this year by declining involvement. It will provide some 50 affordable new homes for older residents in the suburb of Royal Oak. The contract involves long term contracting combined with upfront funding tied to development milestones, rather than the sale of existing state houses, which the Sallies opposed.

### Scales dividend payments

Scales Corp, NZ's biggest apple exporter, will pay a larger dividend after again raising annual earnings guidance as a record apple crop drove its horticulture unit, but said it wasn't likely to be repeated in 2016. The board intends to lift the dividend to 6.5 cents per share, and pay a special dividend of 4 cents.

### Retail spending

NZ retail spending on electronic cards picked up in Nov, led by hospitality and clothing purchases. Spending on core retail rose a seasonally adjusted 0.4% in Nov. For the year, core retail spending rose 4.9%. Apparel purchases rose 3.6% in Nov, hospitality was up 2.7% and consumables rose 0.2%. Spending on durable goods fell 2.2%, the biggest monthly fall since February 2011. ■

## LEGISLATION

The 2015 parliamentary year ended with the traditional rush of business as the govt tried to clear its books and get more legislation to select committees. The govt announced it would be dropping provisions to criminalise cartel behaviour, which means the long stalled bill will now proceed next year. It should be noted this also changes competition law in other areas, particularly in regards to shipping.

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

## Bills Introduced

**Consumer Guarantees (Removal of Unrelated Party Lender Responsibility) Amendment Bill:** Introduced Dec 3 in the name of National MP Shane Reti. Will amend the definition of supplier in the Consumer Guarantees Act 1993 to exclude a lender who is an unrelated party from the definition of a supplier.

**Customs and Excise (Prohibition of Imports Made by Slave Labour) Amendment:** Introduced on Dec 3 in the name of Labour's Peeni Henare. Amends the Customs and Excise Act 1996 to make goods produced in whole or in part by slave labour a prohibited import.

**New Zealand Horticultural Export Authority Amendment Bill:** Introduced Dec 1. Amongst other things, allows horticultural grower groups operating under the Act to develop more flexible and targeted export marketing strategies and clarifies the powers of product groups to collect fees and levies to fund their export marketing strategies.

## Bills In Progress

**Commerce (Cartels and Other Matters) Amendment Bill:** Introduced Nov 2011, first reading July 2012, select committee reported back July 2013. Completed 2nd reading in Nov 2014 with general support, then stalled on treatment of cartels. On Dec 8 2015 the govt indicated it would delete provisions criminalising cartel behaviour. Commerce Minister Paul Goldsmith was concerned criminalisation would have a chilling effect on positive collaborative arrangements. Strong civil sanctions remain as would the proposed clearance regime to allow competitors to seek guidance. ACT and United Future indicated support.

**Education Legislation Bill:** Omnibus bill introduced Nov 26. Changes administrative and governance arrangements for educational entities and funding organisations across the education sector. Amongst the changes is allowing schools to change their opening hours with the agreement of their community. Also allows licensed home-based early childhood education providers to offer out of school care to school-age children and a principal to be employed to manage more than one school. Strongly opposed by Labour, Greens and NZ First at its first reading on Dec 8. Sent to the Education and Science Committee with submissions closing on Feb 19.

**Minimum Wage (Contractor Remuneration) Amendment Bill:** Drawn from the ballot on June 4 in the name of Labour MP David Parker. Provides for contractors to be paid not less than the minimum wage. By agreement the report back deadline was extended to April 29 2016.

**New Zealand Business Number Bill:** Introduced on March 31. Enables certain entities (including corporate and public entities or unincorporated entities) to get a NZ Business Number and to be registered to a NZ Business Number register. *Second reading interrupted on Dec 3.*

**Residential Tenancies Amendment Bill:** Introduced on Dec 3. Will require smoke alarms and insulation in residential rental properties, and other tenancy improvements. Was supported by all parties in its first reading on Dec 8 and sent to the Social Services Committee with submissions closing on Jan 27.

**Resource Legislation Amendment Bill:** Introduced on Nov 26, the 180-page bill comprised 40 changes to six Acts contained in 235 clauses and eight schedules. Only major change to the principles of the RMA is the inclusion of natural hazards. Changes allow for greater use of national planning templates, faster and more flexible consent processes with a reduction in the need for consultation. Maori Party support was dependent on giving iwi greater input into planning processes. First reading completed on Dec 3 with Labour joining National and the Maori Party in support. The Greens, ACT and United Future opposed with NZ First abstaining. Was sent to the Local Govt and Environment Committee for consideration. Submissions close on March 14.

**Social Housing Reform (Transaction Mandate) Bill:** Introduced on July 1, would give ministers the authority to transfer Housing NZ Corporation properties and act on the behalf of the corporation or any of its subsidiaries. Reported back Dec 14 with minor amendments. Strongly opposed by Labour, the Greens and NZ First saying it gave ministers "extraordinary and unprecedented powers to directly negotiate the terms of the disposal of publicly owned assets".

**Taxation (Annual Rates for 2015–16, Research and Development, and Remedial Matters) Bill:** Annual tax bill, completed its first reading on March 11. Committee stage interrupted on Dec 1.

**Taxation (Residential Land Withholding Tax, GST on Online Services, and Student Loans) Bill:** Introduced Nov 16, proposes a new residential land withholding tax; information-sharing between IRD and the ATO for NZ student loan borrowers living in Aust; allows collection of GST on cross-border services and intangibles. Only NZ First voted against the bill at its first reading on Dec 8. Referred to the Finance and Expenditure committee with submissions closing on Jan 26.

## Bills Passed

**Support for Children in Hardship:** Introduced following the Budget on May 21. Committee stage interrupted on Nov 10. Committee stage completed on Dec 1 and divided into three bills which passed with all parties in favour on Dec 3.

## Bills Defeated/Discharged

**Affordable Healthcare Bill:** Member's bill in the name of NZ First MP Barbara Stewart. Voted down on Dec 2 with National, Greens, ACT and United Future opposed.

**Commerce (Supermarket Adjudicator and Code of Conduct) Amendment Bill:** Introduced on Nov 12 in the name of Green MP Mojo Mathers. Voted down at first reading by National, ACT and United Future on Dec 2.

**Electricity Transparency Bill:** In the name of Labour MP David Shearer. Defeated at first reading on Dec 2 with National, ACT and United Future opposed.