

Little vs Key – Labour’s new strategy

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Labour has a slight spring in its step. Andrew Little got a housing bill into the House, the govt is exposed on foreign investors and foreign tax evasion. Labour is also convinced it can accelerate the slow decline in John Key’s personal popularity. Andrew Little will lead the charge and other Labour MPs are being told: ‘get in behind’.

The Panama Papers – serious, but ...

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NZ media has over-reached in its attempt to portray NZ as a deeply embedded part of global tax evasion. Our foreign trust regime is clearly permissive and exploited, but attempts to find revelations in the fully released database this week have been a damp squib. Add in the activist the Right loves to hate – Nicky Hager – and the govt may slide through another purple patch.

RMA reform – expect change

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The select committee considering the Resource Legislation Amendment Bill is hearing a wave of submissions raising substantive points of concern about the proposals that have emerged in the govt’s compromise RMA reforms. Expect material changes to the bill as it stands.

Sunlight on the OIO

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Despite gaining the ability to raise fees for vetting ‘sensitive’ land and asset purchase proposals from foreign investors, the Overseas Investment Office faces an inquiry into how its staff failed to tell its ministers things it knew about a controversial buyer who passed the ‘good character’ test.

Budget 2016 – spending pressures and debt trump tax cuts

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Low inflation robs govts of their secret weapon for tax revenue growth – fiscal drag. Bill English’s announcement that tax cuts are off the agenda for election year reflects the much reduced room for fiscal manoeuvre created by a structural shift in tax base growth. Spending pressures in areas like health are also evident.

RBNZ prepares a new mattress at the bottom of the cliff

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House prices are rising again fast, and not just in Auckland. While supply remains the fundamental problem, the central bank is undertaking serious examination of new loan-to-income ratio restrictions, judging that LVRs have done all they can.

Media shenanigans

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Journalists were transfixed by the high-drama departure of MediaWorks CEO Mark Weldon, but were reminded of how commercially challenged their sector is with announcement of a Fairfax/ NZME merger that might just get approval from the competition regulator.

Panama Papers – less smoking gun than swirl of innuendo

In its nearly eight years in office, the National-led govt has learned that issues of concern to the Left and the Wellington commentariat often don't translate to concern among the wider voting public.

If Dirty Politics in 2014 and the tea-pot tapes in 2011 couldn't dent National during an election campaign, why would the Panama Papers have any more impact in the middle of the current electoral cycle?

Until we see new political polling, it remains to be seen whether the massive leak of tax documents will affect either National's or Key's standing. However, **Key is devoting serious personal resource to ensuring his position remains defensible**, including a Saturday morning spent quizzing senior IRD officials last weekend as well as the full day he claims he spent last month tracking down associates from his life before politics to query their possible involvement in trust-enabled tax avoidance.

However, unless there are revelations still to come, it may well be that the worst is over for the govt on this issue. Despite the vaunted collaboration between govt-funded news organisations TVNZ and RNZ with activist-journalist Nicky Hager, **no disclosures of any substance emerged following publication of a massive searchable database**, based on the leak of Mossack Fonseca documents. RNZ was reduced to claiming as an "exclusive" story the fact that Auckland PR operator Deborah Peard had found her name in the papers and tweeted the fact publicly. Hardly an investigate coup. **Hager's appearance in the mix is a gift for the govt.** His modus operandi is to team up with sympathetic journalists and attack govts and this is no different.

Likewise, the degree of local attention being paid to the mention of Key and NZ in the 'John Doe manifesto' published last weekend isn't mirrored in global reporting. All the same, it seems unlikely that NZ's high anti-corruption rankings will survive, being in part a self-ranking by citizens of each country where Transparency International polls.

If NZers collectively shift their view about the country's reputation for honesty and integrity, there will be some cost to reputation. A decisive move against the current foreign trust regime might help, but nothing so far suggests the govt is attracted to this course of action and it will wait for the Shewan report before acting, so there is unlikely to be anything in the May 26 Budget.

Revenue Minister Michael Woodhouse issued a statement after Cabinet on Monday that NZ's tax system was transparent, the country has more than

100 tax treaties in place, including with some Latin American countries, and was given the highest rate possible for compliance with tax information-sharing practice by the OECD. "The real issue is around disclosure," Woodhouse said.

In summary: this looks like another case of murky prime ministerial associations that will entrench voters already opposed to Key and National but have limited impact on voting intentions. The acid drip of allegations against Key is, however, having an effect on his personal ratings, along with sheer length of time in office. As Key himself says: "They'll get sick of you one day."

Labour tries a new approach

A crude barometer of a political party's relevance is its capacity to draw a crowd to Parliament for drinks. On that measure, Labour attracted a more than respectable horde of businesspeople, PR types, lobbyists and Labour supporters from civil society to its annual get-together this week. **Even if the Panama Papers fall a bit flat, it senses the govt is in trouble again on affordable housing and foreign investment**, and is vulnerable on health budget constraints, although the Budget may seek to ameliorate that.

The more upbeat mood coincides with a change of strategy inside Labour to make the political battle more explicitly between Andrew Little and John Key.

Little's chief of staff Matt McCarten has redefined his role with the intention of focusing the whole caucus around Little, with McCarten by his side. **Labour believes it is time for Little to take the PM on directly and that will be the focus of much of their activity in the immediate future.** They say they have polls showing that National is losing some support and the Prime Minister's favourability is dropping. Accordingly, Little has hammered away at John Key on the Panama Papers, although arguably the Greens have had the better of that scrap. It was Greens deputy leader James Shaw's provocation that saw the PM ejected from the House on Wednesday and its statements on the issue have been better targeted.

Some close to the party are not so convinced by the strategy. The departure of Little's chief press secretary, Sarah Stuart, is part of the shake-up. Inexperienced in communications or political strategy, Stuart struggled in the year she spent in the role. Meantime, expect to see more of the big issues of the day channelled through the leader, with some senior spokespeople miffed to have their freedom of action curtailed. So far, though, **what all the Opposition parties do agree is that support for New Zealand First continues to grow.**

RMA reforms – changes likely

The local govt and environment select committee is now deep in its consideration of the Resource Legislation Amendment Bill. The body language from the public hearings is that there's cross-party sympathy for many of the concerns being expressed by environmental, business and legal submitters about fundamental aspects of the bill.

Most at issue are:

- Whether the Bill's 'streamlined' process proposals will achieve their aim or whether a better alternative exists to try and improve the likelihood of a secure first-round resource consent outcome. There is considerable focus on a proposal from Prof Peter Skinner, a former Environment Court judge and sitting ECan commissioner, to have hearings processes directed by an Environment Court judge. The suggestion is this would be likely to improve process and reduce the potential for appeal;
- Widened ministerial powers to make final decisions on regional plan-making issues. The Auckland District Law Society warns this could become a "Henry VIII clause". "It is likely that any exercise of these powers could place significant constraints on a local authority's ability to determine the appropriate planning framework for their regions or district. The nature of the planning approval process becomes ministerial rather than judicial", and is "constitutionally highly problematic", says the ADLS, which submits it should be removed from the Bill;
- The potential for the proposed 'collaborative processes' to be more lengthy and uncertain than current processes. Many submissions fear collaborative processes will be subject to takeover by vested interest groups, who may game or skew the outcomes, and that the process will only be as good as the collaborators chosen and the quality of each process's governance. Others, such as the mining sector, worry that a collaborative group may not include stakeholders relevant to a particular industry if it is not yet established in an area. The fruits of collaboration could be to lock out future development. However, Jan Wright, the Parliamentary Commissioner for the Environment, praised the way the collaborative process has worked in the Land and Water Forum. She argues it has allowed flexible policy development in an area where the state of knowledge is constantly being updated;
- Loss of merit appeals to the Environment Court is widely opposed, both on natural justice grounds and because of concerns that new processes outlined in the Bill may not work as intended and

there need to be safety valves to allow decisions to be contested. Of all the areas being contested by submitters, this seems the most inevitable area of change;

- Iwi participation. Concerns in this area fall into two camps: i) principled worry about how unelected Maori participants in local govt plan-making processes will operate and what the rules about issues like payment and consent will be in the fraught area of cultural impact assessments; ii) a welter of individual submissions from members of the public opposing race-based measures. These are not 'form' submissions but, in many cases, strongly worded personal views. The select committee is avoiding discussion of the racially divisive elements in public hearings, letting people have their say. But this is the touchstone for Winston Peters's belief that the RMA reforms are his biggest vote-catching issue this year, especially in provincial NZ.

Both the PCE and Greater Wellington Regional Council have been among submitters to suggest the time is coming for a total rewrite of the RMA. GWRC chair Chris Laidlaw called for the select committee to "send the bill back to the Minister" and allow "blue

2016 CEO Retreat

The 2016 Retreat will commence with lunch on **Thursday August 18**, and conclude after lunch on **Saturday August 20, at Millbrook Resort near Queenstown.**

We are delighted that **Professor Ross Levine** from the Haas School of Business at Berkeley will be leading the session on global economic trends. Professor Levine was the principal economist at the World Bank, is and Advisor to the World Economic Forum, a member of the US Council of Foreign Relations and has written extensively on the global financial crisis. **Dr Michael Fullilove**, Director of the Lowy Institute, will lead the session on geo political divides. We explore the impact and implication of technology with **Clare Moncrief** Principal Executive Advisor for CEB on executive leadership and company organisation; **Dr Babar Jan Haleem** APAC Director Big Data and Analytics Specialist Team at Oracle speaking on algorithms, predictive technology and data capital; a McKinsey led session on the speed, scope, scale and impact of technology and a session on trust led by **David Brain**, President and CEO Edelman Asia, Pacific, Middle East and Africa. We have a couple of speakers to confirm and the full programme will be sent to you in a week. Please note that partners are encouraged to attend participate in the Retreat.

skies thinking” from the Productivity Commission and Local Government NZ to emerge first. The commission was initially slated to produce its urban planning report early 2017, but says it’s now expecting a final version by November. A reversion to separate legislation covering urban planning and environmental resources separately would be one outcome, although such reform seems unlikely to occur under a fourth term National-led govt. This administration has tried and failed to get the RMA reforms it wanted twice already and is facing the prospect of the current proposals being substantially altered at select committee. The appetite for more political shenanigans in this policy area would be limited, especially as a full reform of the RMA almost certainly be a multi-term project. Labour’s most senior minister on the select committee, David Parker, appears sympathetic to such a split in principle.

Tradable water rights for councils?

Economic Development Minister Steven Joyce has floated the idea of “tradable” water rights as a way of resolving the impasse over water allocation after the govt’s “Next Steps for Freshwater” consultation document. Speaking at last weekend’s mid-North Island party conference, Joyce appears to be suggesting a system whereby councils would buy water rights and then re-sell them. The system would incorporate some allocation decisions by the councils and would involve iwi consultation. The govt is concerned to avoid being taken to court by Maori over water and wants to pre-empt any move in that direction. However, any such suggestion of tradable water rights would meet stiff opposition from National’s farming constituency. In its submission on the ‘next steps’ document, Federated Farmers opposes a freshwater management regime based on the “highest value use” of water because it sees this as a route to establishing a tradable market in water rights. Determining water use by the highest bidder will be a measure “who has the deepest pockets” rather than highest value use, Fed Farmers says. It also opposes discharge allowances, arguing incentives to improve water quality will diminish once limits are reached.

National gets behind Crone

The National Party may have decided to stay out of the Auckland local govt elections but the party president has now endorsed mayoral candidate Victoria Crone. The PM will be at a \$200 a head fund raiser for Auckland Future. But the group has yet to sign up some centre right Councillors like Dick

Quax and the remnants of Citizens and Ratepayers (including former MP and Mayor, Christine Fletcher. National is anxious to avoid looking fragmented in Auckland in case that flows into the general election.

National Party membership drive

The National Party is setting membership targets for its electorates of 5% of the list vote in each seat. The party currently has a total membership of around 35,000 making it easily the biggest political party in NZ. But the importance of the big membership is the role members can play in spreading the word in workplaces, social groups and among friends. The party has rally begun its campaign for 2017 already with the building of its membership. MPs are out doorknocking and key marginal seat selections will take place in the last three months of the year.

OIO in the gun on ‘good character’

The Overseas Investment Office has escaped intensive formal review in recent years, but that ends with an inquiry ordered into its failure to send relevant information to ministers in the case of the Onetai Station sale in 2014. The Argentine buyers, found criminally liable for environmental pollution, passed the ‘good character’ test. The review will examine current applications as well as the process that saw the OIO fail to record all its processes in the Onetai transactions.

Foreign real estate buyers stats

LINZ, which hosts the OIO, released information intended to persuade NZers that only 2-3% of real estate transactions involve foreign buyers. Unfortunately, using tax residency as a proxy for nationality hasn’t worked as the govt hoped it would when it started requiring tax information from overseas buyers last Oct. It’s impossible to tell how many NZ tax-resident trusts and businesses might have purchased property for foreign investors. NZ-resident taxpayers who weren’t buying their ‘main home’ made up 50% of the total transactions surveyed between Jan 1 and March 31. The new series also suffered from confusion among work and student visa-holders, meaning the survey will be further tweaked. Its release now was a judgement call, said LINZ ceo Peter Mersi, made on fears further delay could be construed as a cover-up.

Privacy regime

The Privacy Commissioner should have fining powers and be able to oversee spy agencies, a visiting UN Rapportuer on Privacy, Jon Cannotaci, told a Wellington seminar. 

Budget 2016 – fiscal prudence over lolly scramble

Bill English has portrayed the withdrawal of election year tax cuts as prudence over voter bribery. But what it arguably **really shows is the extent of the pressure in parts of the govt's own departmental budgets**. The \$1b a year cap on new spending has delivered cuts in real terms in numerous areas, particularly health, which English is signalling will get a boost in this year's Budget. Last Dec, that allowance had risen to \$3.5b over the 2016/17 and 2017/18 fiscal years, with \$2.5b loaded into the election year Budget. Instead, more will be spent this year with less next year and a reduction of \$1.2b over the next five years in the previously expected allowance for new spending.

English says this is necessary to be sure of meeting the goal of cutting net Crown debt to GDP from a peak of 25% of GDP post-GFC to 20% by 2020. Again, this self-imposed goal is prudent rather than essential. NZ's govt debt-to-GDP ratio is low by international standards. However, with nominal tax revenue rising less than usual because of low wage and price inflation, English is hedging his bets on the extent of available fiscal largesse in the next few years. He also remains in a position to 'surprise on the upside' with modest tax cuts next year or signalled for 2018, should the fiscal position outperform Budget forecasts.

Note also that there will be a cut to the Crown's new capex budget, with some new infrastructure funded from other parts of the Crown balance sheet.

RBNZ serious on loan-to-income ratio restrictions

The REINZ residential real estate figures, released hours after the RBNZ's six monthly financial stability report, on Wednesday, are proof-positive that the housing market is on a tear again, and that Auckland alone is no longer the problem.

While the central bank wasn't specific in the report about what macro-prudential levers it might pull, governor and deputy-governor Graeme Wheeler and Grant Spencer were very forthcoming in subsequent media and parliamentary briefings. They clearly judge that LVRs have run their course, especially as the impact of new restrictions last Nov had only a temporary effect. Instead, they're looking to loan-to-income (LIR) lending restrictions, as are commonly used in other countries. In the UK, they're set at 4.5x household income, which would be a challenging level in Auckland, where the median house price is now 9x average household income. Labour's

Phil Twyford fears LIRs at around that level would destroy the bankability of some affordable housing developments currently on the drawing board. Bill English is similarly concerned about 'unintended consequences'. First-home buyers or owner-occupiers could be excluded from an LIR regime, as statistics collected by the RBNZ since mid-2015 show the legion of small-scale private property investors tend to be more highly geared relative to their incomes than homeowners.

The govt is highly focused on the mid-Aug release of the final decisions on the Auckland Unitary Plan. In his pre-Budget speech this week, and backed by ministerial chatter of a willingness to consider 'nuclear options' to accelerate housing supply, English put the onus squarely on local govts to make house-building faster, easier and less expensive.

Cyber-crime

The govt is establishing a Computer Emergency Response Team (CERT) and introducing a cyber credentials scheme for small businesses to combat the potential economic impact of cyber-crime.

Some \$22.2m is allocated over the next four years to fund the initiative.

Economic indicators

All three measures of **Auckland property market** strength pointed to a robust, albeit not much stronger, growth rate in April than March. Barfoot & Thompson sales were down 12% from April 2015, while the average sale price rose 8.6% to \$873,599. Quotable Value said Auckland house values grew at a 16.5% annual pace in April, slowing from 16.9% growth in March. Real Estate Institute figures show the median house price in metropolitan Auckland rose to \$840,000 in April from \$745,000 a year earlier, and record median prices were set in Waikato/Bay of Plenty, Taranaki, Canterbury/Westland and Otago. The national median price rose 7.7% to \$490,000 in April.

Wage inflation remained subdued in the first quarter, holding at 0.4% for a little changed annual rate of 1.6%. While the jobless rate rose to 5.7%, employment grew faster than the total working-age population. Employment rose by 1.2% to about 2.4 million people, or 65.1% of the working-age population, which climbed by 0.8% to about 3.69 million.

The BusinessNZ-BNZ **PMI showed manufacturing activity rose in April**, after two months of reversals, led by new orders and production, while employment contracted for a third month. The index stood at a seasonally adjusted 56.5 last month, up from 54.7 in March. ■

CORPORATE ROUND-UP

Media

APN News & Media and Fairfax Media are in talks to merge their NZ operations, creating a dominant publishing, digital and radio media company listed on the NZX. APN is separately proposing to spin off its NZME unit in NZ, issuing shares on a one-for-one basis to existing shareholders, while raising A\$180m in an entitlement offer to strengthen its own balance sheet. APN and NZME would become more attractive takeover targets after demerging and the split wouldn't result in markedly weaker balance sheets, Deloitte says in its independent evaluation. First NZ Capital suggests Fairfax's NZ assets are worth just A5 cents on the dollar and that quitting the NZ portfolio will be welcomed by investors as it will simplify Fairfax's return to profitability and involvement in fundamental asset realignments that are expected, assuming Aust media laws governing cross-platform ownership and regional audience dominance are repealed. That process is **likely to be delayed by the Aust federal election on July 2 for both houses of Parliament, and assumes a Malcolm Turnbull-led Liberal/National coalition is returned.**

In NZ, **any merger would require Commerce Commission approval. Conventional wisdom suggests this should be possible** as news can be accessed from multiple sources. However, the companies' **assumption the transaction could be completed by the end of 2016 looks heroic**, if the Comcom's careful approach to the Z/Caltex merger is a guide. Elsewhere, MediaWorks journalists indulged in public jubilation at the departure of unpopular ceo Mark Weldon. The financially challenged company's commercial future is no clearer as a result. **MediaWorks has been banned from RBNZ press conferences, although the central bank may relent on lock-ups for journalists if they are 'pen and paper' only affairs**, and can be held in a sealed communications environment,, possibly with an accreditation system. **Lock-ups for bank analysts appear very unlikely to resume** as international banks complained on discovering their competitors were receiving pre-release briefings from RBNZ officials at the analyst lock-ups.

Agriculture

Fonterra cut its forecast farmgate milk price for Australian dairy farmers this season to A\$5/kgMS from A\$5.60/kgMS, while offering interest-bearing loans of up to 60 cents/kgMS tied to supply and repayable in 2018. Cost of goods sold for Fonterra Australia would drop about A\$48m. Fonterra followed Murray Goulburn in cutting the payout, provoking anger from a newly formed farmer group, Dairy Power, which is lobbying the federal government for

an independent review of the dairy industry.

Fonterra has forecast a 63% rise in its payout for organic milk for the 2016/17 season to \$9.20/kgMS, saying it needs to secure supply in a competitive market where demand is rising worldwide. The co-op will also offer organic farmers a choice of a set premium over regular milk or a payout based on market returns for the first time starting next season.

Bank of NZ's charge for bad and doubtful debts rose 83% in the first half as it doubled its provision against its dairy book in the face of a sustained downturn. The charge contributed to a 3.3% decline in cash earnings to \$404m. **ANZ NZ** reported an 11% decline in cash profit to \$751m as growth in net interest income was offset by a charge against software. **Westpac NZ's** first-half cash earnings rose 2% to \$445m.

Corporate news

NZX v Ralec is rounding out the second of an expected nine weeks of hearings in the Wellington High Court. At its heart, NZX claims it was sold a pup when it bought the Clear Grain Exchange on the basis of what turned out to be wildly inaccurate forecasts from the vendors. Ralec's counter-claim is that NZX starved the business of promised capital, giving the grain exchange no hope of achieving performance targets tied to earnouts. Interest in the case is likely to grow with the scheduled appearance next week of former NZX CEO Mark Weldon, who Ralec's counsel says had dreamed of creating an agricultural version of Bloomberg out of Clear valued at up to A\$1b.

NZ Refining is to seek resource consents this year to dredge Whangarei Harbour at a cost estimated at \$30m to \$45m, to allow tanks to deliver heavier loads of crude oil. The dredging would allow tankers to carry their full capacity of 1m barrels, up from 600,000 to 700,000 barrels currently.

IkeGPS says rising sales of its new cloud-based IKE 4 product means it expects to break even in 2017. The company is also investigating a potential Nasdaq listing. **GeoOp** shareholders have overwhelmingly approved a merger with Australian mobile sales app developer InterfaceIT and welcomed Roger Sharp to the board, where he is to replace Mark Weldon as chairman. About 92% of votes cast were in favour of GeoOp buying InterfaceIT for \$9m in shares and convertible notes.

The govt will exempt drivers of electric vehicles from road user charges and give them extra privileges such as being able to drive in bus lanes as part of a plan to double EV numbers annually to a target 64,000 by 2021. The package includes \$5m over 5 years to promote EV uptake and a \$6m contestable fund to encourage low emission vehicle projects.

The govt will spend \$22.2m over four years to help combat cyber-crime, made up of \$20m of new operating funding and \$2.2m to establish a national Computer Emergency Response Team (CERT) to help prevent and act on cyber incidents. It also aims to have a cyber credentials scheme established this year capable of assessing whether small and medium-sized enterprises had basic protection in place.

Tourism

The **Tourism Industry Association** says the sector has outperformed the forecasts in its Tourism 2025 growth framework launched two years ago with tourism spending estimated at \$32.5b in the year ended March 31. It said that's been driven by a 20% increase in international arrivals in the past two years, and a 9.2% gain in domestic tourism. National guest nights rose 12% to 4m in March from a year earlier, Statistics NZ said. International guest nights rose 13.2% and domestic nights rose 11.5%. Associate Tourism Minister Paula Bennett told the industry's annual TRENZ conference that tourism spending is forecast to grow by 65% to \$16b in 2022. China will replace Aust as the primary source of inbound visitors within two years. Queenstown Airport's new night-landing lights are in operation.

SkyCity plans to raise \$263m selling shares to existing investors, providing funding for Auckland and Adelaide while keeping debt within the parameters of its BBB- credit rating. It is offering one new share for every 10 held at \$4.40 apiece.

The **NZ Superannuation Fund** is selling investments in five offshore private equity real estate funds to Switzerland's Partners Group AG, adding to three such funds it sold in April.

Company results

Xero has sufficient cash reserves to reach breakeven without having to raise more capital, after posting a 67% jump in full-year operating revenue and a wider net loss. Xero posted a net loss was \$82.5m in the March year, versus \$69.5m in FY15. Operating revenue rose to \$207m from \$121m, offset by a 53% jump in opex to \$249m. **Z Energy's** share price hit record highs after the market judged its permission to buy Chevron's downstream NZ assets was net anti-competitive. Z reported a 1% fall in earnings on its preferred earnings measure - replacement cost operating ebitdaf - at \$238m for the March year. Costs associated with cutover to the merged entity came in at around \$25m. Lower oil prices accounted for much of the fall in revenue to \$2.5b from \$3.06b. **Comvita** boosted annual profit 68% as Aust sales overtook NZ as the largest market. Profit jumped to \$17.2m. ■

RMA reform dominates select committee agenda

The Local Govt and Environment Committee worked their way through submissions on the Resource Legislation Amendment Bill with the govt wanting a report back by June 3 (*see full report in Politics and Policy section*).

The Foreign Affairs and Defence Committee had to meet a shortened deadline for their consideration of the Trans-Pacific Partnership Agreement and related treaties. The Bill is in omnibus form when it could have been split into separate pieces of legislation to change the various laws affected. That's because **the govt wants to force Labour to vote against all of the TPP measures, rather than just those it opposes**, so it can be accused of being anti-trade.

Elsewhere **National's minority government status was underlined with Peter Dunne and the Maori Party joining Opposition parties to enable Andrew Little's Healthy Homes Guarantee Bill (No 2)** to complete its first reading and be sent to select committee for consideration. Dunne has indicated his support is very conditional and he has many doubts about the bill.

After three years of debate, **new building law to cover earthquake strengthening rules passed into law** with a wide consensus amongst major political parties.

The govt also passed one tax bill, which includes first moves to tax online transactions from offshore vendors, and introduced yet another ahead of the Budget on May 26.

- *Italics denote update from previous edition of Hugovision*
- *A full compendium of the legislation before the House is available on The Hugo Group website, www.thehugogroup.com*

Bills Introduced

Rates Rebate (Retirement Village Residents)

Amendment Bill: Member's bill of Ruth Dyson (Lab). Introduced May 5. Addresses an anomaly in the Rates Rebate Act to ensure retirement village residents are recognised as paying rates and entitled to apply for a rates rebate.

Maritime Crimes Amendment Bill: Introduced May 3.

Implements treaty obligations and introduces new offences relating to maritime terrorism, trafficking weapons of mass destruction and the transportation of fugitives by ship. Introduces a maritime boarding regime to clarify enforcement officers' powers.

Taxation (Annual Rates for 2016-17, Closely Held Companies, and Remedial Matters) Bill: Introduced May 3.

Sets tax rates for the coming financial year. Proposes amendments to the definitions of a look-through company and look-through counted owner, to tighten the eligibility criteria for a company electing to become a LTC. Other changes are proposed to non-resident withholding tax for related party and branch lending; the goods and services tax; related parties debt remission; loss grouping and imputation;

LEGISLATION

remission income, insolvency, and bankruptcy; aircraft overhaul reserves; NZ double tax agreements; Schedule 32 donee status for charities; land tainting and council controlled organisations; loss offsets by mineral miners; Working for Families tax credits; information sharing; and the application of the time bar to ancillary taxes; and makes other remedial amendments.

Trans-Pacific Partnership Agreement Amendment Bill: An omnibus bill introduced on May 9. Amends law as part of the implementation of the Trans-Pacific Partnership Agreement.

Bills in Progress

Health (Protection) Amendment Bill: Gives effect to the govt's decision in Oct 2013 to improve the range of measures available to protect the public from the harm associated with infectious diseases. *The committee stage was completed with Labour amendments to ban sun beds defeated.*

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. Ruled out of order last year for similarity to another bill, but able to be addressed this year. *First reading completed May 4 by 61 to 60.*

Keep Kiwibank Bill: Member's bill of Clayton Cosgrove (Lab). Would require any proposal to partly or wholly privatise Kiwibank to have the support of 75% of MPs or the support of a majority of voters in a referendum. *Labour delayed the second reading debate due on May 4 to ensure Andrew Little's housing standards bill would be voted on.*

Parental Leave and Employment Protection (Six Months' Paid Leave and Work Contact Hours) Amendment Bill: Members Bill of Sue Moroney (Lab) *The evenly divided Govt Administration Committee failed to agree in its April 28 reportback on whether the bill should be passed, but recommended a number of changes if it did proceed, including delaying implementation to April 2017. It also removed the provision for work contact hours as the govt has already made these changes. As introduced, the bill would extend the period of paid parental leave from 16 to 26 weeks. Since its introduction paid parental leave has increased to 18 weeks.*

Residential Tenancies Amendment Bill: Introduced Dec 3 2015, will require smoke alarms and insulation in residential rental properties, and other tenancy improvements. *Completed second reading debate on May 11 with Greens and NZ First opposed.*

Sale and Supply of Alcohol (Display of Low-alcohol Beverages and Other Remedial Matters) Amendment Bill: Introduced Dec 7 2015. Is the latest patch up legislation for the Sale and Supply of Alcohol Act passed in 2012 and corrects minor and technical issues. Also clarifies that any company, as defined within the meanings of the Companies First reading interrupted on March 15 and *completed on May 5 with all parties agreeing to send the bill to the Justice and Electoral Committee.*

Taxation (Transformation: First Phase Simplification and Other Measures) Bill: Introduced on June 30. Lifts automatic refund threshold, allow IRD to communicate by means other than in writing or by post, simplifies the tax rules for employee share schemes. *Committee stage interrupted on May 10.*

Te Ture Whenua Māori Bill: A bill reforming Maori land law

introduced April 14 and already facing fierce opposition from some Maori interests after extensive consultation on the draft. *Completed its first reading by 63 to 58 with National, Maori Party, ACT and United Future in favour. Sent to the Maori Affairs Committee for consideration.*

Bills Passed

Building (Earthquake-prone Buildings) Amendment Bill: Gives effect to decisions in Aug 2013 on managing earthquake prone buildings and gives the central government a bigger oversight role. Requires local authorities to do seismic capacity assessments of non-residential buildings and multi-storey and multi-unit residential buildings. Sets up a seismic register of buildings. Clarifies what an earthquake-prone building is and allows rules to be applied to parts of the building. Requires remedial work within 20 years to ensure a building is not earthquake-prone, with an extra 10 years for category 1 historic buildings and exemptions for other work which would otherwise be required in building consents. Prioritises work on some buildings. Allows for exemptions for certain buildings. Committee stage completed on March 30 with Seymour's amendments shot down and third reading interrupted on April 12. *Third reading completed on May 10 with just ACT opposing.*

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 it will allow for transition to a fully elected council in 2019 following the govt appointing commissioners in 2010 over its handling of water issues. Reported back on Feb 15 with minor amendments including representation of Ngai Tahu on the transitional governing body. Labour and the Greens presented dissenting minority reports opposed to the bill in principle and much of the detail. Completed committee stage on April 5 in the face of strong opposition. National, Maori Party, ACT and United Future backed the bill. *Third reading passed on May 5 with just United Future joining other parties to oppose the bill.*

Taxation (Residential Land Withholding Tax, GST on Online Services, and Student Loans) Bill: Introduced on Nov 16 it proposes a new residential land withholding tax to act as a collection mechanism for the bright-line test. It also provides for the sharing of information between IRD and the Australian Taxation Office in relation to NZ student loan borrowers residing in Aust. It also proposes the collection of GST on cross-border services and intangibles, including internet downloads and online services. The wider issue of the collection of GST on small value imports has been pushed back into a discussion document next year. Only NZ First voted against the bill at its first reading on Dec 8, mainly because the GST collection provisions did not go far enough. Labour MPs also expressed support for wider GST collection on imports and doubts around the effectiveness of the bright line provisions. Referred to the Finance and Expenditure committee with submissions closing on Jan 26. Select committee reported back on March 21. Changes have been made around the administration of the withholding tax, including a new definition of an "offshore person". Many submissions focussed around difficulties in the new tax and potential unintended consequences. Completed its second reading debate on March 31 with just NZ First opposed. Committee stage completed on April 12 with no further amendments. *Third reading debate interrupted May 3 and completed May 10 by 109 to 12 with NZ First opposed.*