

## **The Labour-Greens pact – the risks**

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Green Party supporters showered Andrew Little with the kind of adulation he might welcome at a Labour gathering when he spoke at the Greens' AGM last weekend. But will the MoU between the two parties do any more than drive NZ First into National's arms? It's a big risk.

## **National's housing dilemma – an Achilles heel defined**

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It is increasingly clear the govt has no answer within the current political cycle to skyrocketing house prices. This week's announcement by two trading banks to end lending to non-resident investors may be more help than the new National Policy Statement on urban land development.

## **Remuneration – holidays and pay equity**

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Peace has broken out between employers and unions on a way forward for settling what could be very large pay equity claims, which may hit govt finances hardest. Things are stickier when it comes to fixing widespread non-compliance with the Holidays Act.

## **Global affairs: huge tests for the status quo**

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The Brexit vote, the Australian federal election and the US presidential election are all shaping up as litmus tests for the durability of the political consensus of the last three decades that has pursued globalisation, market liberalisation and politics of inclusion rather than exclusion.

## **Monetary policy – odds on a cut in August**

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The RBNZ felt very little pressure to cut the OCR at this week's monetary policy statement. The next MPS is sooner than usual, in August, by which time there will be a lot firmer information about both the domestic and global economy on which to base a decision to cut.

## **Media convergence and mergers**

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The proposed mergers of Sky TV-Vodafone and NZME-Fairfax represent fundamental shifts in NZ's telecommunications and media markets. The common thread in both is the need to find lower cost, more efficient models at a time of unprecedented competition from disruptive competitors.

## **More time for RMA and Te Ture Whenua reforms**

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The select committee considering RMA reforms has been given an extra three months, reporting back now on Sept 3, while submissions to on the Maori land/Te Ture Whenua reform bill has also been extended.

## Labour and the Greens – driving Winston into National’s arms?

Conventional political wisdom suggests that when a major political party shares a platform with a smaller rival, greater benefit accrues the smaller party. If that logic holds, **no wonder the Greens were more than happy to have Andrew Little address their annual conference last weekend.**

The push for a more formal working relationship, if not a full political alliance, with the Greens came from Labour’s shadow kitchen Cabinet, including Grant Robertson, Jacinda Ardern, and Phil Twyford, backed by Little’s chief of staff, Matt McCarten, who has some experience of stitching together such arrangements from his time with the Alliance in the 1990s. The move is calculated to build on the **momentum Labour believes it is building, particularly on the housing issue**, and a judgement that the electorate is starting to tire of the govt. Labour’s internal polling was showing that earlier in the year, although the latest public polling doesn’t. The rallying cry for the new united front – #change the government – equates roughly to “time for a change”, one of the fundamental impulses in electoral cycles.

**Little may also believe his skills as a trade union negotiator will stand him in good stead** when nutting out positioning with the Greens.

However, **the move has seriously irked NZ First Leader Winston Peters** who is choosing to interpret the move as a deliberate snub by Labour, although he protests too much if he really believes that. NZ First’s position has always been fluid pre-election and **NZ First’s post-election behaviour has always been to follow the party with the largest share of the vote** into power. There is no reason to think that will change next year, which means NZ First must be judged most likely to go with National. By bulking up as a joint campaigning entity, the Labour-Greens ticket is better able to argue that NZ First can safely join it if the two parties together can rival National’s election night tally.

The slight improvement in Labour and Green party standings in the single poll taken since the MoU was signed is too little to go on, especially as only half the 1,500 sample were polled after it was announced. Indeed, the TVNZ Colmar Brunton poll **reinforces the mountain the Labour-Greens combination has to climb. Labour remains below 30% (up 1% age point at 29%) when it needs to be 35%-plus to have a hope of forming a govt**, while the Greens were up two points to 12%. National, at 48%, remains in the box seat, especially as John Key remains stable at 39% for preferred PM against Little’s 8%. For all Winston

Peters’s bluster about momentum, NZ First didn’t move in the latest poll (9%). However, NZ First remains attractive to National as a support partner capable of giving it a clear majority, especially if the Act, United Future of the Maori parties fail to win electorate seats. **Electoral accommodations to try and defeat Peter Dunne in Ohariu and to strengthen Labour in the Maori seats seem likely.**

Many question also whether Peters could work with the Greens. He refused to answer questions about his relationship with the party, but note that NZ First did develop a significant body of environmental policy for the 2014 election. Also, the **appointment of former NZ First MP Deborah Morris-Travers as Metiria Turei’s chief of staff is seen as one route to creating a working relationship** between the Greens and NZ First.

Voters welcome unity, so the disappearance of long-standing ambiguity about the Labour-Greens relationship may help. However, the pre-election arrangement means **Little cannot escape unanswerable questions about what happens post-election if Peters is his only route to govt**, and tries to exclude the Greens from the Cabinet table. Unless Labour can poll convincingly above 35%, it will have very little leverage, while National can be relied on to be endlessly pragmatic when finding a deal that Peters would accept.

## Labour-Greens-Plus – the emerging political calculus

Amongst the speculation since the MoU was announced, only one possibility should be categorically ruled out: a Peters prime ministership. That is a bridge too far for either National or Labour, with Little giving the suggestion an unequivocal “no”. In the meantime, there is no question the MoU between the two centre-left parties has lifted spirits among many in both, although the right of the Labour caucus opposed it and there are pockets of resistance among die-hard Greens on the left.

Note also that the Maori Party has signalled its willingness to swing either left or right. Its national poll ratings have improved slightly recently and it believes its Budget wins will resonate with Maori voters. However, it is far too early to believe that it can expect to win any more than one or two of the Maori seats at the next election.

## National’s housing dilemma

Auckland’s housing affordability dilemma looks no more soluble after Housing Minister Nick Smith unveiled the govt’s latest response, the National Policy Statement on land for urban development, than beforehand. Even if the NPS had contained,

as Labour's Phil Twyford wanted, more specific instructions on infrastructure funding and urban intensification, it was never going to be a magic wand. Rather, the toxic combination of a building industry skills shortage, lack of competitive scale in the construction sector, very high section prices, and rampant speculator activity (46% of the Auckland market are investors), only underlines the reality that there is no more of a quick fix available in Auckland than any other globally attractive city.

The implication is that, no matter what the govt does now, the politics increasingly favours Opposition parties' prescriptions. Labour has KiwiBuild, an almost certainly unrealistic promise to build 10,000 affordable homes a year for 10 years and sell them to first home-owners; it would abolish the Auckland urban boundary altogether; and has an elegant solution to infrastructure funding based on issuing long term local govt bonds. The govt shows no inclination to commit funds to a home-building spree, while it won't mandate the use of infrastructure bonds, even though Nick Smith says recent policy changes would facilitate their use.

NZ First would clamp down on immigration, although that wouldn't solve the net migration surge created by NZers either staying put or returning home, or the skills shortages that would result. The govt won't stop migration for three key reasons: 1/ It remains dependent on wealth effect of higher real estate values to underpin its current support; 2/ it remains reliant on strong net migration to drive consumption-led GDP growth; and 3/ international students are a big part of the reason long term migration is up. Doubling international education revenue to \$5b is a key Business Growth Agenda target, which Steven Joyce would be loath to turn off.

The govt's unwillingness to act beyond existing measures, combined with the increased media focus on both housing unaffordability and the incidence of over-crowded accommodation and homelessness, makes the govt vulnerable to a switch in sentiment away from welcoming ever-rising real estate values to concern that the country is entering unsustainable territory for ordinary, aspirational families.

## The urban development NPS

The new NPS is not the last shot in the govt's locker on Auckland housing costs. That, arguably, comes when it responds to the Auckland Council Unitary Plan, in mid-August. The NPS simply primes the govt to respond and gives a heavy steer to the council on its expectations.

As Nick Smith has said, there is now a confluence of major policy initiatives coming together later

this year, which include the Unitary Plan, the enactment of RMA reforms in Oct or Nov, and the finalised NPS, due to take effect in Oct also. The Auckland Transport Alignment Plan completes the patchwork of current Auckland initiatives. All will have some bearing on the political climate at local body elections, where higher income earners and homeowners tend to vote in greater numbers than low income earners and renters.

However, even if the govt chooses to get heavy with Auckland Council, the NPS mechanisms are achingly slow from a political – let alone improved housing affordability – perspective. Councils have until the end of 2018 to implement new data-gathering requirements and to amend their urban planning accordingly. **Much will rest on exactly what metrics councils are required to produce, but that detail has yet to emerge from officials.** The quality of execution of data-gathering, the extent of comparability between different local govt zones and the decisions that then flow from whatever data emerges will all then bear on the efficacy of the NPS. Likewise, the quality of decisions about infrastructure provision.

**In this climate, it doesn't matter that Labour's plans almost certainly add up to a charter for urban sprawl.**

For as long as Labour sounds as if its plans are more coherent and fresh, compared to National, the issue has the potential to become a foundation for Labour to build on more widely.

## Holidays Act – souring sentiment

The Cabinet seriously considered but rejected a review of the Holidays Act last year, according to documents released by MBIE on an OIA request from the CTU.

The heavily redacted Cabinet papers from around April last year report a "large private employer" spent more than \$600,000 on audits and amendments to their payroll system, which saw wages arrears of \$1.2m paid to 1400 employees and say one in five (22%) of calls received to the MBIE service centre relate to Holidays Act compliance. Another firm, with 5,000 employees, was spending \$400,000 a year to ensure compliance.

However, "a significant proportion of the workforce (across both private and public sectors) may be currently underpaid for leave, with most affected employees owed between \$250 and \$500 per year."

They note high compliance costs, inconsistent and miscalculated entitlements, and note that arrears can

### Learning from the TPP

Trade Minister Todd McClay was not impressed with the communication skills of his predecessor, Tim Groser, over the TPP negotiations. He has moved to offer a different approach next week to the RCEP negotiations in Auckland by holding a public stakeholder event during the negotiations and live streaming it as well.

The RCEP partners are: Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Australia, China, India, Japan, South Korea and NZ.



be backdated six years, but that a previous attempt to review the Act in 2009 was abandoned because it was likely to lead to some workers losing entitlements. It appears the same decision against a review was reached on this occasion, also as a planned mid-2015 public consultation on the issue didn't occur. However, a joint working group of officials, union and business representatives have been considering the issue in the background. The CTU is using the MBIE document dump to call for an independent inquiry to recommend a remedial process that should stretch back more than six years and says it has "lost confidence in MBIE's ability to deal with this issue".

### Pay equity guidelines

The guidelines published this week for approaching pay equity claims require thorough assessments of claims involving work predominantly performed by women, and followed by 'good faith' negotiations, with the Employment Relations Authority and courts available only as a last resort.

One key missing ingredient, however, is consensus from the Joint Working Group on how to select appropriate comparators "in terms of industry or sectoral proximity to the employees in the pay equity claim". So far, the principles are "silent on this issue".

That said, business lobbyists and unions are comfortable with the report because it effectively rules out any further cases being brought in the first instance before the Employment Court and lays out a timetabled process for dealing with claims. The govt is going to be the main loser since most of the workers expected to be eligible to make pay equity claims work in the health sector and are covered either by District Health Board payments or through contractual payments to private facilities. Bill English has said that along with the **IRD computer replacement, the pay equity claim is one of the two largest fiscal challenges the govt could face this year.**

### Defence White Paper

The Defence White Paper requires an additional \$20b spend on defence over the next 15 years. Deferred expenditure and the fact that all of the NZDF's Force's major assets are reaching end-of-life means the govt now faces the single biggest equipment replacement programme since the end of WW2. Diplomats gave the paper a lukewarm reception, though expectations were never high. Its ambiguity on China was noted. Unlike Aust, NZ is unwilling to provoke China with provocative language about the South China Sea, although Gerry Brownlee did raise the issue at last week's Shangri-La regional defence conference in Singapore last week. ■

### Developed economy politics: exclusion vs inclusion

The June 23 Brexit poll, the July 2 Aust federal election and the US presidential election in November are all animated by very similar impulses: powerful **disgruntlement with the impacts of globalisation, including income inequality, job losses to lower waged economies, and immigration.** The forces that make Brexit and a Trump presidency possible are the same forces as make TPP so hard to achieve, and are injecting a protectionist strain into the Aust election campaign. Senior IMF officials' musings about the inequality impacts of market liberalisation over the last generation are part of the same phenomenon.

Less equal societies produce social exclusion within their own borders, even as global equality has improved in the last 30 years. The outcomes of all three votes in the next five months will be important steers for the future of inclusive over exclusive politics. While an 'establishment' candidate, Hillary Clinton's selection as the US presidential candidate is emblematic of the issue. Her personal standing is deeply compromised by her 'politics as usual' credentials, with Sanders supporters threatening not to vote rather than support her.

### A close Aussie election looms

The Aust federal election looks tighter than ever. Fairfax polling last week put the ALP ahead of the governing Coalition on a two-party preferred basis, while independent SA senator Nick Xenophon may upset PM Malcolm Turnbull's aim of controlling both the House of Reps and the Senate. Polls suggest Xenophon may capture up to three seats on his Trump-style 'anti-politician' ticket, which includes an appeal to protections for the Aust steel industry and opposition to free trade agreements. The plan to revive the Aust Building and Construction Commission – the thwarted legislation used to justify the double dissolution – may not proceed if that happens. Turnbull is being urged to put more resource to the campaign for Senate. Meanwhile, **trade unions have succeeded in persuading Labor to review its support for FTAs with China and Korea, and the TPP,** with a view to removing investor state dispute settlement provisions. Union ad campaigns are scheduled for late in the campaign to highlight perceived fears of Aust job losses to China.

*Hugo members please note:* Peter Hartcher, political editor for the Sydney Morning Herald, will brief both Hugo breakfasts on July 4 and 5, immediately following the July 2 poll. ■

## Monetary policy – upside in waiting till August to cut

Deputy RBNZ governor John McDermott cut through a lot of the verbiage about the bank's decision not to cut the OCR in yesterday's Monetary Policy Statement. In essence, he said the fact that there will be an earlier-than-usual MPS in August means there is greater "option value" in holding the OCR for now and seeing how things look in two months' time. By then, June 1/4 CPI and GDP statistics will have been published, giving the central bank a much clearer picture of the economic lay of the land. By then also, the US Fed will have made its June decision - now expected to be no increase – and there will be a result from the June 23 Brexit poll.

The key line in the MPS was: "In the bank's judgement, more monetary stimulus than projected, to return inflation to target a little sooner, would generate more volatility in non-tradables inflation and output than is necessary." It then observes that "the PTA directs the Bank to also have regard to financial stability" and that current house price inflation is problematic in this regard. Lowering rates now might stoke house price inflation before the bank has put further macro-prudential brakes on the residential housing markets. Reading between the lines, it looks **almost inevitable that even more stringent LVRs will be imposed on residential property investors**, rather than owner-occupiers, in the near future. The RB is very happy with the way LVRs have reduced banks' balance sheet exposure to residential property, while deputy governor Grant Spencer said the proportion of investors in the Auckland housing market, at around 46%, is uncomfortably high. **Debt-to-income ratio limitations remain on the agenda but are some distance further from implementation.** Discussions are under way with Bill English and Treasury, but analytical work and data are far from complete.

**There is one further rate cut factored into the MPS forward projections, with the possibility of a second still in the mix.** This is the same projection as the Reserve Bank produced in its March MPS. Meanwhile, the NZD, which was already rising ahead of the announcement, has taken another solid upward hike. However, Graeme Wheeler noted how little control the RB has on the currency. **Despite 125 basis points of OCR cuts in the current easing cycle, the TWI is virtually unchanged.** All the same, one of the key assumptions behind the RBNZ's forecasts is that the NZD falls. An average TWI of 71.6 is assumed for the Sept 1/4, compared to 75.30 after the MPS. **The current level of the TWI, if sustained, would knock 0.5% off the RBNZ's CPI**

**and, probably, cash rate track.**

The tension in the RBNZ's outlook remains between housing and the currency. At some stage, the central bank will have to choose one or the other. The housing market shows no sign of cooling because lack of supply continues. **This puts NZ in a very different position to Aust or the UK, where there are indications that construction activity has risen so strongly that house price inflation will peak.**

## More media convergence

The proposed merger between **Sky TV** and **Vodafone** resets the stage for competition between the country's two dominant telcos. However, analysts have been quick to note that the deal, valuing the combined entity at close to \$5.5b, **appears as much a response to slowing growth in both telco and video-on-demand markets as a growth initiative.** Sky has been subject to earnings downgrades, with substantial customer losses to lower-cost and free internet streaming services, including **Spark's** Netflix-style Lightbox service. Spark has outperformed Voda in the mobile market in recent times, but neither has shown strong earnings growth. **A key aspect of the deal is anticipated savings for the combined group of \$415m on an NPV basis.** Meanwhile, challenger **2Degrees reported improved EBITA-level earnings** of \$78m vs \$58m the year before, although the statutory loss of \$33m was little-changed on 2014, while revenues were up 43%. CEO Stewart Sherriff wouldn't be drawn on ASX capital-raising plans, the subject of media speculation which the company hasn't denied.

Elsewhere, the proposed merger between **Fairfax Media's** NZ operations and **APN News & Media's** NZME unit would have 11.7% of NZ's digital advertising market, which is dominated by Google and Facebook, their application to the Commerce Commission says.

## Economic statistics

**NZ's terms of trade rose 4.4%** in the first three months of the year as cheap petrol led a 4.3% decline in import prices while export prices were little changed.

NZ firms grew more confident about the state of the local economy for the third month in a row, with gains most evident in construction. A net 11% of firms surveyed in the **ANZ Business Outlook** in May were upbeat about the economy's prospects for the year ahead, up from 6% in April, with a net 30% positive about their own prospects, compared with 32% a month earlier. **Manufacturing sales volumes** fell in Q1, as meat and dairy product manufacturing posted their biggest quarterly declines in more than three years. ■

**CORPORATE ROUND-UP****Corporate actions**

Graeme Hart's **UCI Holdings** auto parts business has filed for bankruptcy protection in the US as it looks to restructure. In a statement, the company said it had filed under Chapter 11 of the US Bankruptcy Code. In Feb, UCI missed a US\$17.3m interest payment to bondholders, who hold US\$400m in bonds set to mature in Feb 2019. **High net worth investors** and institutions have stumped up \$3.3m via an issue of new shares to help mobile marketing platform **VMob** pursue offshore expansion, particularly in the US. **Steel & Tube** said it's in talks with "multiple agencies" in NZ and China over pile casings used in the Huntly bypass bridges that weren't up to scratch. The company supplied imported steel used by **Fulton Hogan** and **HEB Construction** which was found to be too weak for four bridges on the bypass after being cleared by earlier inspections. Steel & Tube is among several companies being investigated by the **Commerce Commission** over the sale of seismic steel mesh. Separately, Fulton Hogan managing director Nick Miller is to step down after seven years in the role. The **NZ Superannuation Fund** sold down its stake in **Z Energy** for \$292m, leaving it a 1.5% stake. The fund sold 36.4m shares at \$8.01 apiece in an underwritten block trade. The pension fund has reaped \$1.1b in proceeds from Z Energy since investing \$209.8m in 2010. **G3 Group's** biggest shareholders are likely to sell some of their holdings when restrictions lift in Nov putting the NXT-listed mail operations and document manager back in compliance with listing rules if it hasn't raised more capital by then. **Kirkcaldie & Stains'** directors reiterated their recommendation that shareholders reject veteran investor Ron Brierley's takeover offer after raising their estimate for the cash that will be returned once lease commitments are exited and the company wound up. Meanwhile Australia's David Jones is close to opening on the Lambton Quay site. **Vital Healthcare** plans to spend A\$84m to expand existing operations across the Tasman and make a series of new acquisitions.

**Agriculture**

Primary Industries Minister Nathan Guy is seeking feedback on proposals to reduce the amount of raw milk **Fonterra** has to sell to independent processors in the latest step towards full deregulation of the dairy sector. The proposed changes to the Dairy Industry Restructuring Act were triggered last year when independent processors in the South Island passed the threshold needed to review the law. **Guy's preferred option would mean Fonterra didn't have to sell to large, export focused firms** and reduce the volume of raw milk available to other processors by

60% over three years. Submissions close on June 29.

**Scales Corp** chairman Jon Mayson will step down from the apple exporter's board at next year's annual general meeting. Tim Goodacre has been appointed as deputy chairman. MD Andy Borland told the AGM that 4.1m cartons of apples had been picked in this season's harvest, up 1.5% on 2015. The percentage of the crop deemed suitable for export is expected to be slightly above last year's figure of 78%, he said. One third of the crop has been sold with "prices generally in line with expectations". **Godfrey Hirst's** High Court appeal against a merger of NZ's largest wool scouring operations was dismissed, allowing the creation of a dominant scourer in Cavalier Wool Holdings, whose owners include its carpet sector rival Cavalier Corp. **NZ commodity prices lifted** in May, led by horticulture. The ANZ Commodity Price Index gained 1% in May and was down 12% on an annual basis. Horticulture prices rose 6.2% in the month with the start of new season crop sales.

**Dairy product prices increased** for the second Global Dairy Trade auction in a row, led by butter milk powder and skim milk powder, while whole milk powder declined. The GDT price index rose 3.4% to \$2,329, the second-largest gain this year. Some 24,046 tonnes of product was sold, up from 18,113 tonnes at the previous auction two weeks ago. The **NZ Merino Co**, which markets the nation's wool to customers on behalf of suppliers, has signed a five-year, \$45m deal to supply fine wool to Italian luxury fabric manufacturer Successori Reda, its longest-ever contract.

**Legal affairs and regulation:**

**NZX vs Ralec** rounded out its sixth week in the Wellington High Court with contrasting accounts of the management style of Mark Weldon and Ralec's Grant Thomas. Counsel for NZX Brian Latimour got Thomas, Ralec's first witness, to agree that he had been sacked from previous jobs as a coach, newspaper columnist and radio commentator because he was "too outspoken." Thomas said in his brief of evidence that Weldon was "very defensive", ruled with an iron fist and didn't take kindly to feedback or criticism. NZX is arguing it was misled by Ralec ahead of buying the Clear Grain Exchange, while Ralec says NZX didn't allow Clear to succeed, denying them earn-out payments.

The Financial Markets Authority has launched an investigation into **Morgan Cooper Ltd** and Rodney McCall over potentially breaching market legislation. The market watchdog received a complaint about Morgan Cooper, which claims to offer foreign exchange programmes, and encourages anyone who



has been contacted by McCall, also known as Rodney Crichton, to contact the FMA.

## Company results

**The Cooperative Bank** posted a 16% gain in full-year profit to \$10.3m as its loan book grew at twice the pace of the wider financial system. Net interest income rose 5.5% to \$51.5m as its loan book grew 16% to \$1.8b and deposits rose 14% to \$1.79b. **TSB Bank's** annual profit more than doubled to \$61.6m as the lender wrote back some of the value of its exposure to state-owned coal miner Solid Energy. Net interest income rose 1.7% to \$128m as its loan book expanded 17% to \$3.83b and deposits grew 8.3% to \$5.8b.

**Restaurant Brands'** first-quarter sales rose 8.5% to \$96.6m following the acquisition of NSW's biggest KFC franchise. The 42 Aust KFC stores contributed \$8.1m. Excluding Aust, NZ sales fell 0.6%. **McDonald's Restaurants (NZ)** posted a 19% gain in 2015 profit to \$36.7m as the local unit of the world's biggest fast-food chain opened more outlets and lured consumers with custom burgers and drive-through coffee, while benefitting from lower raw material costs. Sales rose 10% to \$244m.

**Fronde Systems Group** recorded a full-year pretax profit of \$1.4m, compared with a loss of \$3.4m a year earlier. Sales fell 3.6% to \$57m, although Australian revenue climbed 19%, it said. **Oceania Natural's** annual profit rose to \$182,584 from \$1,154 a year earlier as revenue more than doubled to \$3.4m. Some \$2.8m of sales of its products based on manuka honey and noni fruit juice came from China.

**The Tiwai Point** aluminium smelter made an underlying profit of \$54m in 2015, down from \$56m a year earlier. Of that, only \$4m was made in the second half. Rio Tinto-controlled **NZ Aluminium Smelters** will decide by the end of July whether to sign a new electricity contract for 172MW of its total 572MW load at a new, higher price, and has warned that the smelter is "facing even tougher conditions in 2016" than it did last year. **Turners Group** beat its annual guidance with pretax earnings rising 13% to \$21.6m on an improved performance from its finance units and record returns from debt collection. Sales rose 76% to \$172m. CEO Paul Byrnes is to step aside to focus on a mergers and acquisitions role.

## Property

NZ **building activity** grew for a fifth quarter in January-to-March, with Auckland leading construction for both residential and commercial projects. The volume of building work put in place rose a seasonally adjusted 5.3% in the first quarter, the fastest growth since March 2014. Residential

activity rose 5.5% and non-residential gained 5%. Auckland house price growth appears to be stabilising since hitting a record in Nov last year, says Barfoot & Thompson. The average sale price edged up 0.1% to \$874,623 in May from April.

## Public sector

Land Information NZ chief Peter Mersi has been appointed CEO and Secretary of the Ministry of Transport after almost three years running the govt department that includes the Overseas Investment Office. Mersi replaces Martin Matthews, who is leaving after eight years as secretary of Transport and 18 years at CEO level in the public sector.

## Aviation

**Air NZ's** proposed sale of its 26% stake in **Virgin Australia** may be affected after the issue of new shares amounting to a 13% stake to a subsidiary of China's **HNA Aviation Group**, a deal worth A\$159m. Some analysts said the share purchase was a vote of confidence in Virgin, whose shareholders have provided credit to give the airline to review its capital structure and look for ways to boost its performance. The transaction may place a cap on the value of Air NZ's stake.

Air NZ's 2014 decision to retire its unprofitable of fleet of 19-seat Beech aircraft has played a role in the airline's decision to drop two regional NZ routes – Whanganui to Auckland and Blenheim to Christchurch, from the end of July. Demand for the flights hasn't proved enough to be economic for the 50-seat Q300 aircraft that replaced the Beech planes. Meanwhile it will up flights in and out of Tauranga because of increased demand.

## Corporate governance

Small and medium-sized companies struggle to attract high-quality directors, says **Financial Markets Authority CEO Rob Everett**. Candidates often had concerns that irrespective of the legal position, they would end up being stigmatised if the business failed. Everett rejected criticism of the Financial Markets Conduct Act, saying it hadn't led to a chilling effect on talented people considering becoming directors.

**Wynyard Group** is continuing with its boardroom refresh with two new appointments including NZ Venture Investment Fund chief Richard Dellabarca as deputy chair and former NextWindow executive Martin Riegel, while separately tapping former NZME publishing executive Phil Eustace as interim CFO. ■

## LEGISLATION

## Budget legislation advances

Budget legislation to abolish ETS subsidies and raise tobacco taxes were rushed through Parliament following the Budget. Neither take effect until 2017. Elsewhere, the local govt and environment select committee received permission to delay the report back of the **Resource Legislation Amendment Bill** until Sept 3, reflecting the weight of submissions and **some likely redrafting**, especially of collaborative process mechanisms. Submissions on the **Te Ture Whenua Act** reforms are also extended to July 14, from June 23. The long-stalled **Natural Health and Supplementary Products Bill** almost made it back to the House, but intense lobbying has given ministers pause for thought again. **Bills covering a contract law rewrite, more changes to the food safety regime and a wider consumer based test for imposing dumping duties** were all introduced.

The Social Services Committee will inquire **into how well social work sector legislation is working**.

- *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](http://www.thehugogroup.com)*

## Bills Introduced

**Contract and Commercial Law Bill:** Introduced on May 24, consolidates 11 Acts, dating as far back as 1908, in the first 'revision' bill in a new triennial statute revision programme. Parliamentary procedure is streamlined as the bills contain no new policy or substantive change. Select committee hearings still occur.

**Food Safety Law Reform Bill:** Introduced on June 2. An omnibus bill following the Inquiry into the Whey Protein Concentrate Contamination Incident. Amends the Animal Products Act, Food Act, and Wine Act 2003. Enables regulations on how risk-based plans and programmes are supplied and traceability and recall regulation-making.

**Our Work Our Future Bill:** Introduced May 26 by Andrew Little. Would require MBIE to amend govt procurement rules to make job creation and overall benefit to NZ a determining factor in decision-making.

**Trade (Anti-dumping and Countervailing Duties) Amendment Bill:** Introduced on June 8. Introduces a public interest test into the anti-dumping and countervailing duties regime. This involves an assessment of the extent to which the cost of imposing a duty would materially outweigh the benefit of imposing that duty. The test would allow for broader public interest elements, such as competition and consumer welfare, to be considered before an anti-dumping or a countervailing

duty is imposed. Provisions also allow an anti-dumping and countervailing duty to be deferred, not imposed, terminated, or suspended if users have been significantly impacted by a natural disaster or other emergency.

## Bills in Progress

**Natural Health and Supplementary Products Bill:** (Was Natural Health Products Bill.) Establishes a natural health products regulator in the Ministry of Health. *The govt had indicated it was ready to proceed with the committee stage. However an intense lobbying campaign from some in the sector, particularly exporters, has seen the bill once again parked down the Order Paper.*

**Overseas Investment (Protection of New Zealand Homebuyers) Amendment Bill:** Introduced Nov 12 (Phil Twyford, Labour). Non-residents only allowed to buy a residential property if they intend to live in NZ permanently or the purchase adds to existing housing stock. *First reading debate interrupted on May 25.*

**Parental Leave and Employment Protection (Six Months' Paid Leave and Work Contact Hours) Amendment Bill:** In the name of Sue Moroney (Labour). Extends paid parental leave to 26 weeks. *Passed its second reading by 61 to 60 on May 25, with National and ACT opposed. Govt intends to use financial veto to stop the bill passing into law. MPs completed the committee stage on June 8 after a govt filibuster.*

**Resource Legislation Amendment Bill:** Introduced Nov 26. *The select committee was due to report back by June 3, now extended to Sept 6.*

**Trans-Pacific Partnership Agreement Amendment Bill:** *Submissions close on July 22.*

## Bills Passed

**Climate Change Response (Removal of Transitional Measure) Amendment Bill:** Introduced May 26 under Urgency following the Budget. Phases out the transitional one-for-two surrender obligation measure from the ETS. *Passed through all stages on May 27.*

**Customs and Excise (Tobacco Products—Budget Measures) Amendment Bill:** Introduced May 26 following the Budget. Makes four annual cumulative 10% increases to the duties on all tobacco products. *Passed all stages on May 27 with just NZ First opposed.*

**Residential Tenancies Amendment Bill:** Introduced Dec 3, 2015. *Committee stage completed on May 24 with Opposition attempts to bring in more stringent standards defeated. Third reading completed May 31 on a voice vote.*

**Taxation (Transformation: First Phase Simplification and Other Measures) Bill:** Introduced on June 30. *Intends to make the tax system simple including tax on employee share schemes. Third reading completed on May 30 by a voice vote.* 