

Why Matt McCarten left as Andrew Little's chief of staff

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Tempting as it may be to see Matt McCarten's departure as Andrew Little's chief of staff as a further sign that Labour doesn't have its act together, the explanation is simpler. McCarten is a political organiser rather than a parliamentary tactician. He is far more useful in Auckland in charge of Labour's election campaign than at Parliament, where his skills are relatively weak.

Inflation-targeting comes under pressure

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RBNZ governor Graeme Wheeler's efforts to hose down NZ domestic debate about whether monetary policy should switch from inflation-targeting to some other target is unassisted by a clamour from key organs of the global business press asking the same question.

Sound and fury from the Maori Party

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Quite where it all leads is debatable and will remain so for some time, but there can be no dispute that Tuku Morgan's arrival as president of the Maori Party has put this previously somewhat moribund govt lapdog party on the political map.

Steaming on

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Latest confidence indicators suggest the NZ economy continues to defy its nay-sayers with robust, job-rich growth that continues in spite of the absence of inflation. It's not a bed of roses for everyone, and house prices are becoming more unsustainable, but the absence of inflation almost guarantees a further interest rate cut this year.

Dunne falls into line

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After mounting a staunch line in favour of Labour's private members' bill to give contractors a fairer go, United Future's Peter Dunne ultimately sided with the govt to defeat it. While he says he's not standing in 2017, his actions suggest he is still trying to preserve his options in the potentially losable seat of Ohariu.

Education reform

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Hekia Parata's announcement that online schools – or COOLs (Communities of Online Learning) were to become a part of the govt's education reform agenda was clumsy and unexpected. Behind the scenes, the political management is under scrutiny, but the policy stands. We have invited Hekia Parata to our December breakfasts.

RMA reform delayed again

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The select committee considering RMA reforms has been given another two months, until Nov 7, to report back to Parliament – the second lengthy extension for this troubled legislation. Nick Smith insists it can still be passed by Christmas and isn't changing much – despite significant redrafting.

Why Matt McCarten is leaving as Andrew Little's chief of staff

The re-deployment of Andrew Little's chief of staff, Matt McCarten, to Auckland to run the party's campaign there was not unexpected and makes sense. McCarten was not comfortable dealing with the day to day parliamentary processes that chiefs of staff have to handle. But he did bring a degree of order and discipline to what, under David Cunliffe, had been a very fragmented parliamentary party. The most likely replacement is Martin Taylor, currently the party's director of research and policy and former CEO of the Aged Care Association. He has his critics within the party, so that is not a foregone conclusion.

Little does need to make an appointment quickly because with no chief press secretary now for several months and with McCarten having been disengaged for some time, the perception is that

the debating Chamber or ask questions with factual errors in them. Little's tendency to announce new policy unilaterally adds to the uncertainty. Grant Robertson's day-long Future of Work Commission seminar in Wellington last week attracted almost no media interest. Symptomatic of the problems within the party was the fact that news of McCarten's redeployment leaked out on Monday before caucus members had been told.

Tuku Morgan shakes things up

Tuku Morgan is arguing that the statement from King Tuheitia withdrawing support for the Labour party is a game-changer. Morgan hints that a similar statement may soon be coming from Ratana. There has been extensive coverage of Morgan's claims in Maori media and already one Labour candidate from the last election (Rawiri Waititi, Waiariki) has announced he has left Labour and joined the Maori Party. Meanwhile, Nanaia Mahuta has hit back at what she alleges is Morgan's campaign to get her sister to stand for the Maori Party saying that to divide a whanau is not the Maori way; she has also criticised the King's speech saying "his statement, going into politics, is out of step with his mother and previous kings." She said she didn't think it would "shift politics" because it would be seen as a statement of an individual. Morgan, a close adviser to the king as well as president of the Maori Party, argues the speech pulled the rug out from under Mahuta and that she would opt to resign sooner rather than later.

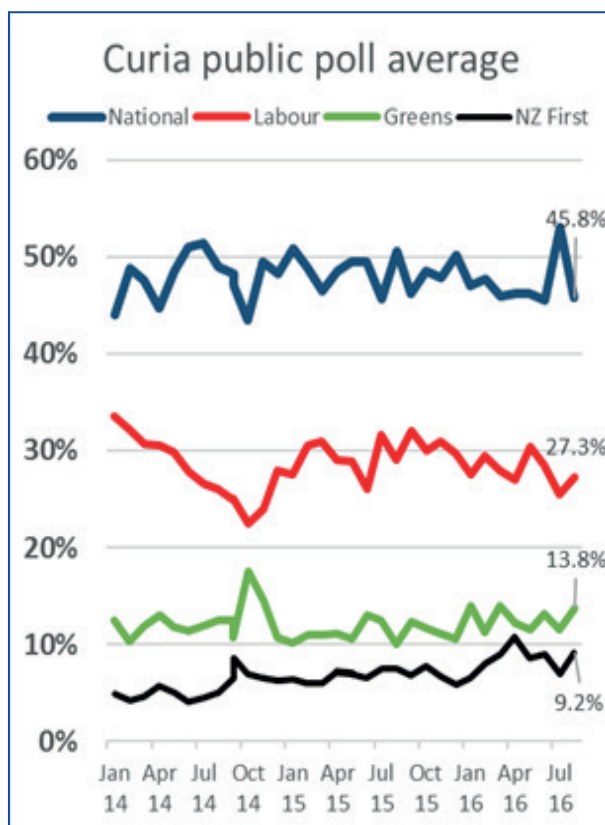
If there were to be a by-election in Hauraki-Waikato before the next election and if the Maori Party were to win it then National could govern without the increasingly unpredictable Peter Dunne.

Dunne is claiming victory over his objections to the way the govt allowed itself to be influenced by the Auckland EMA over the Minimum Wage (Contractor Remuneration) Amendment Bill and says "next time I raise concerns about issues in Labour Bills, they (the govt) will listen and act accordingly."

Coupled with his opposition to the changes in the Resource Legislation Amendment Bill, he may find that Morgan will give the govt the opportunity to ignore him in future. However, that requires Mahuta to resign. There is no sign yet that she is considering this seriously.

NZ at the United Nations

At the end of the year, MFAT will begin to scale back the 40-strong team in New York that has assisted while NZ has been on the Security Council. At least half will see their contracts end.



the parliamentary party is beginning to drift. While the latest Roy Morgan poll, which put National at a credible 46% rather than the unlikely 51% recorded a monthly earlier, the Labour/Greens vote when averaged over recent public polls remains barely sufficient to form a govt.

Labour's slide back to a less organised stance is seen when Little and other front benchers miss chances in

The future of other legacies from the campaign to win the seat, such as the High Commission in Barbados, is not so certain.

Meanwhile, the five-person team in New York working exclusively on Helen Clark's campaign to become Secretary General still believe she can pull it off. Others MFAT officials are less confident. Clark's "take no prisoners" style has made enemies and permanent members of the council, especially Russia, may prefer a more malleable Secretary-General.

NZ's term on the Council has entrenched a subtle redefinition of the country's foreign policy, which is now being described by McCully and his officials as supporting a "rules-based international order". For National, this is a move away from the old "trade is foreign policy" world. As NZ is finding in China, politics can influence economic forces that transcend trade. John Key will continue to tread a 'take no sides' approach on the South China Sea dispute when he attends the East Asia Summit in Laos next week.

Te Ture Whenua reforms running into heavy opposition

While submitters generally support the Maori land reform aims of the Te Ture Whenua Bill, currently before the Maori affairs select committee, there are serious concerns being raised about its complexity, the creation of a new Maori Land Service replacing the Maori Land Court whose structure and funding is uncertain, and the potential for a range of new terms to require case law for interpretation.

Perhaps most concerning are a number of submissions from large Maori incorporations already making good, commercial use of communally owned Maori land who fear the changes represent a business risk. Typical of the concerns is this submission from Wakatu Incorporation, in Nelson: "It adds limited to no value to existing and successful Māori incorporations" while inserting "many ambiguities in the wording of the Bill that present uncertainty and associated commercial and legal risk". Tuaropaki Trust, a central North Island trust with substantial geothermal interests says it is "totally opposed" to the Bill because it "creates ambiguity and uncertainty about (the trust's) governance and structure".

The judges of the Maori Land Court have submitted it represents a "high-risk approach to legal reform" while the NZ Law Society is concerned that less well-resourced owners of communal Maori land will struggle to comply with the new regime, and will be forced to take costly legal advice to do so.

The issue matters because some 12% of North Island is in communal Maori ownership (almost none in

the South Island). Wakatu also suggests the bill fails to deal with the root problems with "uneconomic Māori land, including rating, resource management law, public works takings, land locked lands, paper roads and access to development finance". However, the bill has been consulted on extensively for years and is centrepiece legislation for the Maori Party co-leader Te Uruora Flavell.

Cool reception for COOLs

Hekia Parata's announcement of an Education Reform Bill that would enable online learning as an alternative to school attendance was a lesson in how not to announce a policy likely to inflame public opinion. Not only did Parata not lay any serious groundwork for the notion that COOLs – Communities Of Online Learning – were under consideration, but a dump of Cabinet papers from the Ministry of Education had not been authorised. Some Cabinet consideration had yet to occur.

However, the proposal is clear enough, that children should in future have the following choices:

- enrolment in a face-to-face school with staff;
- enrolment in a COOL with full time learning provided online, in an updated, contestable and potentially more widespread way than the traditional Correspondence School;
- face-to-face schooling augmented by COOL learning;
- enrolment in a COOL, with some learning provided by another COOL.

Any school, tertiary education provider or private provider will be able to seek accreditation to become a COOL. The concept is, in effect, a primary and secondary school version of MOOCs – online university courses. The jury is out on the efficacy of MOOCs. Motivated students can benefit from them, but rates of non-completion are high. The COOLs policy launch has been a gift to the Opposition.

Changes afoot in science and tertiary infrastructure?

A long-discussed proposal to merge Lincoln and Massey universities appears to be gaining momentum. If achieved, that could see Massey cede Wellington space to Victoria University. Meanwhile, Callaghan Innovation is deep in its business case for a long term redevelopment of its Gracefield campus in Petone. ■

Public service

John Key's speech on Aug 24 launching a new framework for policy development was noted by public service leaders as significant for its guidance to ministers to deal "professionally" with "unwelcome advice" and to encourage dissenting views.

For their part, public servants should ensure written 'free and frank' advice is tendered on complex or controversial subjects.

DOMESTIC ECONOMY**Growth without inflation – more good than bad**

August's ANZ Survey of Business Opinion was yet another piece of evidence confirming the NZ economy is growing at a solid pace, delivering reasonable profits to businesses and using more and more people in the labour force.

This is no comfort for the Reserve Bank, since inflation is still missing in action. Also, robust activity levels are not affecting all sectors equally. Per capita GDP is flat, thanks to strong net migration. In aggregate, however, the economy is not only performing at an above average pace but is set to continue doing so.

The ANZ's own-activity indicator climbed to 33.7 in August from 31.4 a month earlier – a remarkable outcome in itself as there is typically a significant seasonal drop at this time of year. On a seasonally adjusted basis, we estimate that the own-activity indicator rose from 34.9 to 40.9 placing it at its highest level since Nov 2014. Moreover, the indicator is consistent with GDP growth as strong as 4%, which is above our already optimistic expectation.

Nor is this jobless growth. Employment expectations rose to levels consistent with 3%-plus annual employment growth – itself enough to put an already low unemployment rate under further downward pressure.

With lofty GDP expectations and a tightening labour market, it should be no surprise that investment intentions are pushing higher too, further supported by ultra-low interest rates and solid profit expectations. Apart from agriculture, profitability in every industry group was above average, with construction leading the pack. Construction was also the most optimistic about its own activity outlook, notwithstanding somewhat weaker building consents in July. Expectations for residential construction remain supportive of a significant acceleration in building activity over the next 12 months.

However, all this growth is failing to generate significant inflationary pressure, creating ongoing headaches for the RBNZ. In its August Monetary Policy Statement (MPS), the central bank stated that one of its key assumptions was that “inflation expectations gradually increase and reduce their drag on headline inflation”. There is no sign of this in the latest indicators. Inflation expectations in the ANZ survey fell to 1.44% from 1.49% last month and remain well below the RBNZ's target band mid-point. Even needing to look at the second decimal point indicates how closely one has to search for inflation in the current environment.

Arguably, the RBNZ has things the wrong way around. We may need to see headline inflation push higher before expectations do likewise rather than the other way around. Yet headline inflation is expected to fall further still.

The other key assumption of the August MPS was that “global conditions improve, generating a modest depreciation in the NZ dollar exchange rate”. It's a moot point what is happening to global conditions. What is less moot is that, for the time being, the exchange rate is actually drifting higher.

So, on the current trajectory, and assuming that the RBNZ is true to its word, **it's surprising that financial markets have not yet fully priced a rate cut before the end of this year.** While this is not a rate cut the real economy needs, it increasingly looks set to be one that will be delivered.

Economic indicators

NZ residential building consents fell 11% in July to a seasonally adjusted 2,629 from 2,938 in June, when they jumped 22%. On an annual basis, dwelling consents rose 13% to 29,084, marking the highest level for a July year since 2004.


NZ's merchandise trade deficit narrowed in July from the same month last year as imports such as crude oil fell faster than exports such as milk powder and meat. The trade gap was \$433m last month, from a surplus of \$110m in June and from a deficit of \$730m in July 2015. The annual deficit narrowed to \$3.03b from \$3.3b in the 12 months to June 30. The trade deficit appears now to be starting to trend narrower.

Resources and agriculture investment

Trans Tasman Resources, which made the first - and unsuccessful - application to undertake seabed mining under the new EEZ regime, has lodged a new application with the EPA.

King Salmon, the salmon farming company at the heart of a landmark case on RMA interpretation, intends to raise around \$30m in an IPO and dual-list on the NZX and ASX.

Shell has appointed JP Morgan to advise on the future of its NZ assets. Speculation in the local industry is that **Todd Energy** is the most likely willing buyer, although price and reaction from the Commerce Commission may both be stumbling blocks, should Shell seek to dispose of its producing assets in NZ.

Federated Farmers has expressed frustration at a High Court decision denying its appeal against the right of local councils to control the use of **GMOs**. 

GLOBAL AFFAIRS

CORPORATE ROUND-UP

Global financial press losing faith in inflation-targeting

The annual summit for central bankers at Jackson Hole, Wyoming, became a catalyst for some of the most influential global business media to go off-script on the subject of inflation-targeting.

While no central bank that currently has an inflation-targeting regime is showing any sign of giving it up, The Economist, the Financial Times and the Wall Street Journal all published commentary and editorials questioning whether inflation targeting's time is up.


The Economist proposed the use of nominal GDP targeting rather than seeking an inflation target. NZIER did the same about a year ago in a think-piece that was received with some derision at the Reserve Bank here.

The problem with nominal GDP targeting, the argument goes, is two-fold:

- firstly, NZ's nominal GDP is typically volatile because of its profile as a small, commodity-dependent, trading nation. The terms of trade have a great deal of impact on nominal GDP, which the central bank can do nothing about. If anything, a realistic nominal GDP target would require a much wider band than the 1-3% inflation target currently in place;
- secondly, targeting nominal GDP would still occur through the use of an interest rate mechanism. To the extent that the growing debate over inflation-targeting rests on the inability of interest rate manipulation to affect desired outcomes, switching to a nominal GDP target wouldn't change much.

In the meantime, this Friday's US non-farm payrolls figure looms as a bellwether for interpreting the mixed signals from US Federal Reserve governors at Jackson Hole and since. Chair Janet Yellen's comments have ended up triangulated with several apparently hawkish comments from board member Stan Fischer - one of the Fed's most influential voices - to raise the prospect of a Sept rate rise. If it happens, the Fed could affect the presidential election dynamics.

Turnbull's star wanes further

The Australian newspaper's latest Newspan puts PM Malcolm Turnbull's popularity at a new low of 34% while support for the Coalition govt has slipped since the election, leaving the government and Labor at 50-50. Economic issues - debt and deficit reduction - feature as Aust voters' primary concerns, following by border security and resolving the same-sex marriage debate. 

Earnings seasons wrap

Aviation

Air NZ reported a 40% boost in full-year pre-tax earnings to \$663m on the back of higher passenger numbers due to the tourism boom and lower fuel prices to produce the best result in its 76-year history. **Auckland International Airport** reported a 17.4% net profit increase to \$262.4m, as the inbound tourism boom saw total passenger movements rise 9.1% to 17.3m, and eight new international airlines start operations, while Jetstar added regional destinations. International passengers (ex transits) were up 8.1% to 8.8m and domestic passengers up 9.8% to 7.9m. The international departures area is being upgraded and planning advanced for combining the domestic and international terminals and construction of a second runway. **Airways NZ** posted a 54% increase in annual profit and more than doubled its dividend to the Crown as it benefits from increased flights. The state-owned air traffic controller reported profit of \$23.2m in the year to June 30, ahead of its budgeted \$16.5m profit. **Airwork Holdings** has delivered a 58% boost in full-year profit to \$24.6m following strong earnings growth in the specialist aviation company's expanded fixed-wing aircraft business. **Queenstown Airport Corp**, NZ's fourth busiest airport, posted a 7% decline in full-year profit after recognising a charge related to the loss of a tax dispute, while growth in passenger numbers drove up revenue. Profit fell to \$7.8m from \$8.3m and included a non-cash provision of \$2.6m related to its adverse tax ruling. Revenue rose 27% to \$31.5m.

Telecommunications & media

Sky Network Television reported full-year profit of \$147m, including \$13m in one-off due diligence costs ahead of its proposal to merge with Vodafone's NZ business, down from \$171.8m a year before, on total revenues that rose fractionally to \$928m. **Chorus** said lower regulated pricing for access to its copper services were to blame for full-year profit stalling at \$91m, although it sees a resumption of growth in 2017. It separately announced that chief executive **Mark Ratcliffe** will step down in the middle of next year. Operating revenue barely budged at \$1.008b. **NZME**, which is awaiting Commerce Commission approval to acquire Fairfax Media's local assets, posted a 0.5% rise in first-half pretax earnings to \$32.5m as costs fell faster than revenue. Net profit jumped on a gain from the sale of its Australian Radio Network stake. **Vista Group International** more than doubled first-half profit to \$2.7m as the cinema software developer's series of recent acquisitions bolstered revenue. Revenue climbed 49% to \$40.7m.

CORPORATE ROUND-UP**Transport, logistics and infrastructure**

KiwiRail posted ebitdaf of \$85.5m - its so-called 'above rail' earnings shorn of infrastructure costs met by govt subsidy - in the year to June 30, down \$5m on the previous year. The state-owned rail and freight operator said revenue fell 3.7% to \$694m while operating expenses fell 1.9% to \$618.9m. **NZ Post** and its banking subsidiary **Kiwibank** reported lower full-year profits after tax for the year to June 30, with **Kiwibank** experiencing a difficult second half of the year. **Kiwibank** group, which includes savings, insurance and investment products, posted a 0.8% drop in profit to \$131m and **NZ Post's** fell 1.4% to \$141m. **McConnell Dowell Constructors** posted a 36% gain in full-year revenue to \$278.7m after winning contracts including the expansion of **Watercare's** Mangere Wastewater Treatment Plant and the **NZ Transport Agency's** Russley Road project in Christchurch. Profit climbed to \$6.1m from \$2.5m.

Retail & hospitality

Woolworths' NZ Countdown supermarket chain posted a 3.7% fall in annual earnings to \$314m due to a combination of food price deflation, competitive pressures and increased team-based performance payments as part of a customer service improvement programme. Sales rose 3.8% to a record \$6.1b.

Veritas, the NZX listed hospitality company that owns the **Mad Butcher** franchise, **Nosh** food markets and the **Better Bar Co** posted a net loss of \$4.6m in the year to the end of June 2016, compared to a profit of \$3.33m a year earlier.

Manufacturing

Ebos Group posted a 20% gain in full-year profit to \$127m as sales rose to \$7.1b and said it expects further earnings growth in the current year. **Metro Performance Glass** delivered a \$20.5m profit in its first full year as a listed company on sales of \$188m. The company achieved the increase in spite of supply constraints delaying the start of some work. **Hellaby Holdings** posted a 30% drop in full-year profit to \$19.6m as restructuring under new chief executive **Alan Clarke** continues. Revenue rose 2% to \$795.5m.

Services

CBL Corp posted an 18% drop in first-half profit to \$18.6m as losses on foreign exchange movements offset improved earnings and growth in the credit surety and financial risk insurer's gross written premiums. **Intueri Education Group**, whose chief executive **Rob Facer** left suddenly this month, posted a 43% decline in first-half profit to \$3.5m, saying a gain in revenue wasn't enough to offset the benefit of finance and other income in 2015 that wasn't

repeated in the latest year. Sales rose 17% to \$50m.

Primary sector

Scales Corp lifted first-half profit 3% to \$33.8m and raised guidance for annual earnings as its **Mr Apple** unit delivered a record crop and met its 2020 export volume target four years early. Revenue jumped 30% to \$209m. **Seeka Kiwifruit Industries** first-half profit rose to \$7.1m from \$3.7m, while revenue climbed 39% to \$134m. **Comvita**, the manuka honey products company, posted a 15-month profit of \$18.5m, broadly meeting its guidance while lowering its dividend payout ratio to chase "growth opportunities". **A2 Milk** met its June guidance with a return to full-year profit and a 127% jump in revenue that was driven by infant formula sales in Aust and China. Profit was \$30.4m from, a loss of \$2.1m a year earlier. Sales climbed to \$352.8m, within its guidance range, from \$154.8m a year earlier. **Delegat Group** lifted its dividend to 12 cents from 11 cents after the winemaker reported a record operating profit of \$37m, on a 9% increase in global case sales to a record 2.41m, including 1m cases sold in North America. **Zespri** reduced its forecast 2017 profit by \$4m to a range of \$66m-to-\$71m and some grower returns for the current season because a large crop of the green variety is softening prices.

Energy

Meridian Energy reported a 5% gain in full-year earnings to \$650m, reflecting a \$39m increase in NZ electricity sales to \$939m, and a lift from \$54m the previous year to \$70m in the latest year in international sales, mainly in Aust. **Mercury**, the electricity generator and distributor formerly known as **Mighty River Power**, delivered a 2.3% lift in operating earnings and declared a special dividend, reflecting its limited capital needs and the sale of surplus land. **Genesis Energy's** ebitdaf fell 2.7% to \$335.3m as a combination of lower electricity, gas and oil prices combined with ongoing retail market competition to reduce revenues slightly more than operating costs. Network owner **Vector** posted a 4.7% gain in adjusted full-year earnings on growth in Auckland and the expansion of its smart meter fleet, while signalling earnings growth may stall in 2017. Adjusted Ebitdsa was \$473m in the 12 months ended June 30, up from \$452m a year. **NZ Oil & Gas** reported a full-year net loss of \$29.8m, from a year-earlier loss of \$14.4m, including a \$29.8m impairment charge on the value of **Cue Energy**. but resumed dividends as cashflows have turned positive. **NZ Refining** posted an 82% decline in first-half profit to \$11.4m and trimmed its interim dividend as a build-up in global oil stocks weighed on the **Marsden Point** refinery operator's margins.

CORPORATE ROUND-UP

LEGISLATION

Tech stocks

Wynyard Group, the intelligence software developer, more than doubled its first-half loss and halved its full-year guidance. The net loss widened to \$36.3m in the six months ended June 30, from \$17.6m a year earlier. **GeoOp** narrowed its full-year loss and met guidance for revenue, based on pro-forma numbers that assume the inclusion of InterfaceIT. The NZAX-listed management app developer plans to raise as much as \$4m to sustain it until profitability in 24-36 months. E-commerce software seller **SLI Systems** narrowed its annual loss, reflecting cost containment during a restructuring following the loss of three major customers. The loss was \$162,000, down from a loss of \$7.55m in the previous year

Litigation and regulation

Owners of buildings constructed in the last four years are being invited to join a **class action** being mounted and funded via Adina Thorn Lawyers, who are also leading a similar action against the James Hardie group over leaky building cladding. The action intends to target suppliers of 500E steel mesh, including NZX-listed **Steel & Tube**.

Fisher & Paykel Healthcare says it will “vigorously contest” what’s expected to be a lengthy tit-for-tat intellectual property dispute with ResMed. The American rival filed a patent infringement complaint last week in the Southern District of California as well as lawsuits in Germany and NZ, and to the US International Trade Commission against F&P Healthcare in relation to face and nasal masks just days after the Auckland-based company filed its own patent infringement lawsuit against the US company in the Californian courts relating to its flow generator products and masks.

Former Treaty negotiator **Sir Ngatata Love** was found guilty of obtaining property by deception in the High Court fraud trial over his dealings with property developers while chairman of the **Wellington Tenth Trust**. Love was remanded on bail before sentencing on Oct 6, with a pre-sentence report directed to contain a home detention appendix. Love’s dementia and probable Alzheimers did not prevent Justice Graham Lang from taking into account his evidence in his fraud trial. The charges came from a Serious Fraud Office investigation into a \$1.5m payment from a land developer into a trust controlled by Love’s partner, Lorraine Skiffington, which was then used to repay a property loan on a house he and Skiffington co-owned.

NZ-regulated auditors can operate in the EU after the the European Commission recognised the local audit oversight regime The **Commerce Commission** reviewed electricity and gas suppliers’ contracts and found 59 terms it considers unfair to consumers. ■

Dunne falls into line

After a long winter break Parliament got down to business again in August.

Amongst the events was a rather belated intense lobbying effort to get Peter Dunne to oppose the Minimum Wage (Contractor Remuneration) Amendment Bill. It was successful, but it left Dunne bitter and bruised about the methods of some business lobby groups. The govt gave Dunne an honourable way out by promising to use current regulatory tools to clamp down on abuse of contractors in exchange for his support. **Dunne may also have had an eye to the increasing likelihood of a Labour/Greens electoral deal in his Wellington seat of Ohariu at the next election.** Supporting the legislation may have been politic if he wants similar support from National – which is likely to be forthcoming – assuming he intends to stand again.

RMA reform bill delayed again

There was also another delay to the Resource Legislation Amendment Bill with the govt yet to find or reveal its way forward on resource management reform. Environment Minister Nick The deadline for the bill to be reported back from select committee is now Nov 7, having been moved from July to Sept already. The bill has been before the committee since last Dec. Its sponsoring minister, **Nick Smith, insists the bill is “making good progress” and is “confident we get (it) passed this year”.** There will be five sitting weeks of Parliament left when it’s reported back. The select committee has yet to see the post-submissions ‘second officials report’ on the bill, suggesting the Cabinet is mulling changes. However, Smith says there is “no major change in substance of the reform”. That **doesn’t rule out the possibility of changes on key issues to prompt objections, such as loss of appeal rights and overly prescriptive approaches to newly available ‘collaborative’ decision-making processes.** No change should be expected to Maori consultation elements, which are controversial in regional National heartlands and a campaigning point for NZ First. The **govt’s interest in keeping the Maori Party alive as a coalition partner should see those provisions survive.**

Budget legislation completed

Parliament completed Budget related legislation and the govt also gave priority to a number of matters relating to criminal law and sentencing, as well as setting up child sex offenders register which will not be open to the public. Further progress was also made on the Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill, though the bill now has a new name.

LEGISLATION

Members' Day caused a bit of a fuss after the long standing practice for the govt to stack the ballot with its backbench MPs' bills to restrict the time available for the Opposition's bills was highlighted. The tipping point for many political commentators was the very trivial nature of a bill concerning the advertising of lost luggage sales.

- *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

Airport Authorities (Publicising Lost Property Sales) Amendment Bill: In the name of National MP Nuk Korako, drawn from the ballot on Aug 11. Will allow airport authorities to determine the most appropriate way to advertise lost property sales rather than the methodology in the current Act.

Companies (Annual Report Notice Requirements) Amendment Bill: In the name of National MP Matt Doocey, drawn from the ballot on Aug 15. Amends the Companies Act to allow shareholders to elect to receive a digital copy of annual reports or notices instead of a printed copy.

Education (Update) Amendment Bill: Introduced Aug 22. Amends the Education Act, and sets out objectives to guide the education system in the early childhood and schooling sectors. These objectives set of the govt's priorities for these sectors through the statement of National Education and Learning Priorities. Awaiting first reading.

Land Transfer (Foreign Ownership of Land Register) Amendment Bill: In the name of NZ First MP Mahesh Bindra, drawn from the ballot on Aug 11. Would require a public register recording the name and nationality of all overseas persons owning land in NZ. The register would identify the whereabouts of the land, as well its amount and value. A person who fails to comply is liable to a fine not exceeding 25% of the value of the land involved.

Residential Tenancies (Safe and Secure Rentals) Amendment Bill: In the name of Green Co-leader Metiria Turei, drawn from the ballot on Aug 11. Proposes a number of changes to the Residential Tenancies Act. These include; existing tenants having the right of renewal/right of first refusal once their lease period has ended; rental contract must include criteria to calculate any future rental increase; and the removal of tenants leasing fees. Would only allow rent on a house be increased once every 12 months and remove the ability of landlords to give a reduced notice period of 42 days in the event they decide to sell their tenanted property, and restores the standard 90-day notice period.

Taxation (Business Tax, Exchange of Information, and Remedial Matters) Bill: Introduced Aug 8. Introduces new disclosure requirements for foreign

trusts following the Shewan Inquiry. Also provides a new pay-as-you-go option for small businesses to pay their provisional tax, from April 2018. Also proposes removing the 1% monthly incremental late payment penalty on new GST, income tax, and the Working for Families tax credit debts, from 1 April 2017. Received first reading on Aug 11 with all parties except NZ First supporting. Its MPs argued the disclosure regime did not go far enough. Other Opposition parties indicated they would argue for the register of foreign trusts to be publicly available and not restricted to the Police and IRD. Referred to the Finance and Expenditure Committee.

Bills in Progress

Education Legislation Bill: Omnibus bill introduced on Nov 26. Changes administrative and governance arrangements for educational entities and funding organisations. Second reading completed on Aug 16 by 63 to 57 with National, Maori Party, ACT and UF in support.

Food Safety Law Reform Bill: Introduced June 2. An omnibus bill following the Inquiry into the Whey Protein Concentrate Contamination Incident. Debate completed on Aug 16 with the support of all parties and sent to the Primary Production Committee.

Health Practitioners (Replacement of Statutory References to Medical Practitioners) Bill: Amends statutes to increase the range of functions that can be performed by health practitioners 5. Debate on second reading interrupted on Aug 25 with all parties indicating support.

Judicature Modernisation Bill: Committee stage interrupted on Aug 24.

Resource Legislation Amendment Bill: On Aug 23, Parliament's Business Committee agreed the report deadline be pushed back again to Nov 7.

Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill: Completed committee stage on Aug 24, renamed the Smoke-free Environments (Tobacco Standardised Packaging) Amendment Bill.

Bills Passed and Defeated

Customs and Excise (Prohibition of Imports Made by Slave Labour) Amendment Bill: Bill defeated at first reading vote on Aug 24 by 61 to 60 with National, ACT and United Future opposed.

Shop Trading Hours Amendment Bill: Introduced Oct 22. Grants territorial authorities power to allowing shop trading on Easter Sunday. Completed committee stage (Aug 17) and third reading (Aug 25) by the same margin with Labour MPs unhappy National voted as a bloc in support of the bill.

Minimum Wage (Contractor Remuneration) Amendment Bill: Bill defeated and negated at committee stage. UF joined National and ACT in opposing the bill after intense lobbying. 