

## **Huge Crown capex jump over next 4 years**

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By announcing an \$11b increase in capital spending over the next four years at the same time as a new, lower target for net Crown debt, the govt is challenging Labour to articulate a better plan but also gives the Opposition leeway to announce alternative major spending plans of its own. Given the size of the capex budget, there would appear to be room for tax cuts in 2018.

## **Amy Adams's task – accelerate social housing reform**

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Bill English stopped short of elbowing old friend Nick Smith out of the Cabinet, but he has finally acknowledged Smith's procrastination and political mis-steps by giving the super-efficient Amy Adams all the operational tasks in the social housing portfolio.

## **Labour: trying hard, still struggling**

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Polling is showing no lift in support for the Labour Party, notwithstanding a mixed few weeks for the govt. Andrew Little's anti-immigration stance, while probably popular with swinging voters, is playing as poorly to his traditional base as Phil Tywford's 'Chinese-sounding names' ploy in 2015.

## **TPP: the trade deal that would not die**

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The late May meeting of APEC trade ministers in Hanoi is shaping as critical for the emerging Japanese push to revive the TPP trade pact without US participation. While Japanese enthusiasm for TPP is against the country's protectionist traditions, Tokyo apparently sees an opportunity to become more influential in the region at a time when China is increasingly calling the shots.

## **Hard questions for the Electricity Authority**

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The Electricity Authority did the only thing it felt it could by binning the model it was using for its vexed transmission pricing methodology review, but the circumstances have left big questions over its own handling of the material prepared for it by Aust consultants Oakley Greenwood.

## **Jones edges closer to NZ First candidacy**

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Shane Jones continues to court an NZ First candidacy and has confirmed he will not extend his MFAT contract as a special ambassador to the Pacific. However, it remains unclear whether he has gained the support of party leader Winston Peters, who will face opposition from parts of his own caucus if Jones parachutes into a senior role.

## **Mixed signals from US on Paris climate pact**

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Close observers of the global momentum for early implementation of the Paris climate change pact are speculating the US may not now withdraw, but will instead become a laggard contributor. Decisions may emerge at a G-7 meeting in Italy next month.

## Pre-Budget jostling

The sense of a more defensive govt with a mounting range of issues running against it continues, although it did make a silk purse from the unavoidable \$2b settlement of the Terranova resthome workers' claim.

Immigration statistics this week, showing another record net inflow of 71,932 long term arrivals in the year to March 31, was **fuel on the fire of an issue that is now pivotal in Auckland** and widely linked – whether rightly or wrongly – to spiralling house prices.

The Interest.co.nz Home Affordability Report found **unaffordability for a first home buyer is now at its highest since the reports began in 2004**.

For Auckland, the report finds “a typical first home buying couple earning the median wage for their age group would now need to set aside more than half their after-tax income to meet the mortgage payments on a lower quartile-priced home”.

Elsewhere, labour disputes are on the rise – a common feature of election years – and concern about the state of mental health services is emerging as a surprise touchstone issue.

However, Labour's capacity to capitalise on the govt's problems remains unimpressive.

The party barely registered the fact that, two days after announcing the Terranova pay equity settlement, the govt introduced legislation annulling the basis on which the courts ruled the settlement should occur, setting a very high bar for a repeat.

The much-hyped potential for a rejuvenated Labour platform, thanks to **Jacinda Ardern's impact on the party's image and campaigning, also appears overplayed**. Andrew Little remains a cautious and uninspiring orator whose 'stump speech' feels more like bland talking points than a call to action.

At a campaign event in Rotorua last week, the audience of some 150 represented a cross-section of NZ society by age, ethnicity and gender. However, basic organisational aspects of campaigning were lacking. While Little is confident the party has more volunteers on the ground than in any of the past three elections and that its fundraising capability – moribund under David Cunliffe – is working better, the impression is still of an organisation that is relearning how to campaign.

Also a potential **threat for Labour is the prospect of a historic defeat for the Jeremy Corbyn-led Labour Party in Britain** at the snap election called for June 8, a fortnight after a potentially game-changing NZ govt Budget. (*see pp. 4&5*). Meanwhile, Labour strategists say the **party is seeing no lift in polling**

conducted by UMR. That is **consistent with the latest Roy Morgan poll, showing Labour unchanged at 29.5%** and the Labour / Greens combination at 43%, compared to National at 45.5%, down 1 point. NZ First rose 3 points to 10.5% support.

## Little on immigration

Typical of the challenges facing Andrew Little is the backlash amongst Labour liberals against his anti-immigration rhetoric. His comments that he would reduce immigration by “tens of thousands” undoubtedly resonates with swinging voters, is consistent with the Greens' views that migration needs to slow, and is a pale and therefore more respectable version of NZ First's anti-migrant rhetoric. The bones of a post-election accommodation on immigration is available between the three parties.

Little, however, **ended up on the back foot** in interviews about exactly what he meant, and was at pains in the regional setting of last week's Rotorua meeting to emphasise his focus was Auckland.

Challenged by a local bar owner about the unavailability of NZ workers, **Little said foreign workers would remain important to regional economies, including horticulture, pastoral farming and the tourism/hospitality sector**. Likewise, Labour's housing spokesman, Phil Twyford, freely acknowledges that foreign workers will be an essential part of the workforce required to kick-start Labour's KiwiBuild policy to build 10,000 affordable homes a year.

Little appears uncomfortable but committed to dog-whistling on this issue, even as the govt's efforts to tweak immigration settings are seen by critics as fiddling.

## Why Amy Adams got most of the housing portfolio

Bill English's minor Cabinet reshuffle rewarded Gerry Brownlee with the foreign affairs portfolio for the hard yards put in on Christchurch reconstruction and leverages his defence portfolio experience in the current uncertain global environment.

The more interesting move was taking Nick Smith out of all but the regulatory elements of the housing portfolio. It appears this was less about cauterising Smith's tendency to blunder politically and more about **getting some momentum into Housing NZ's land and building programmes**. Smith's reputation in the Beehive is as much for stalled decisions as it is for public blunders. **Adams, however, has a reputation for moving at pace**. At least one large social housing initiative, involving transfer of

hundreds of houses in Christchurch, is running well behind schedule and risks butting up against the Sept election.

## Electricity Authority's own goal

The Electricity Authority is right to be concerned that the incentives for investment in the national grid are screwy as they stand. With the wave of emerging disruptive technologies – especially affordable large battery storage – it is becoming more important than ever to ensure that the chunky capital commitments required to maintain the grid be as rational as possible.

However, the EA's announcement this week that it is abandoning the cost-benefit analysis it's been using as the basis for its hotly contested proposals since May last year is a serious blow to its credibility.

The CBA from Aust consultancy Oakley Greenwood has unravelled under scrutiny from the EA's critics, leading to questions as to why the work was not more rigorously peer-reviewed when it was first delivered.

**It is too strong to suggest the EA has bent to political pressure**, but the timing of events is very unfortunate. Having promised a final determination this month in its already delayed process, the EA has now punted its conclusions out to the first half of next year. That pushes the controversial decision past the Sept 23 election, no doubt to Energy Minister Judith Collins's relief. The fact that she wrote to the EA expressing concerns about the Transmission Pricing Methodology issue in recent weeks allows conspiracy theorists to posit ministerial intervention.

That is not fair. If the EA has bent to pressure, it was self-applied.

## Shane Jones – leaving MFAT, but NZ First move unconfirmed

Former Labour Cabinet Minister, Shane Jones, is to finish up as Special Economic Ambassador to the Pacific at the end of May, when his contract expires. He is then expected to announce he will be a candidate for NZ First at the election, although it remains unclear whether he has yet had a face-to-face meeting with Winston Peters on the matter. He has been maintaining a diplomatic distance and communicating with Peters through his partner, Dot Pumiho. Jones is understood to want the foreign affairs portfolio if NZ First enters a coalition.

National is optimistic this is good news for its prospects for two reasons. Firstly, Jones has become close to National through the MFAT role, albeit to two key figures who won't be present in the next

Parliament: John Key and Murray McCully. Jones also retains an intense dislike for some in the Labour caucus – a sentiment reciprocated by Labour MPs who recall past indiscretions and defections.

Secondly, adding Jones to the NZ First ticket increases the party's potential to draw in voters flaking off from the National vote and who might otherwise choose Labour.

However, the potential for a high party list position and even deputy leadership for Jones to cause serious divisions within NZ First cannot be discounted. Nor can the potential for friction between Peters and Jones, as both will compete for the same air-time.


As to Peters's coalition inclinations, one of his closest friends is saying that "his heart says Labour but his head says National."

## Party conference season starting

Bill English will be on home ground this weekend at the first of the National Party's regional conferences, in Christchurch. He will get a hero's welcome; the first South Island Prime Minister since Jenny Shipley and only National's third since the party was founded. English is well-known and liked in the South Island but too little known north of Taupo. The following week's Central North Island conference may be more of a challenge because questions about iwi participation in resource management and water are most intense in that region.

Meanwhile, Labour has scheduled its pre-election congress for May 13 and 14 in Wellington, while NZ First will hold its pre-election AGM in Auckland on July 15 and 16.

## Te Ture Whenua Bill

Maori Party leader Te Uruora Flavell is working to overcome opposition in Maori quarters to his flagship Te Ture Whenua Maori Bill. To try and sweeten the deal, the bill has undergone a number of changes at the committee stage, including amendments to the Public Works Act, rating of Maori land and the Family Protection Act. The Public Works Act changes will require authorities to have a strong justification to acquire Maori land and minimise land taken, where possible. The changes to rating will provide for papakainga housing on marae to be non-rateable for up to two dwellings. The bill will now restore the Maori Land Court's jurisdiction under the Family Protection Act when claims relate to estates with interests in Maori freehold land. 

### Better regulatory impact statements

The Act party has had a small win with an upgraded set of requirements for regulatory impact assessments accompanying new legislation. The changes include: more economic and cost-benefit analysis; more transparent analysis; earlier and broader engagement by agencies; and ensuring RIAs are 'fit for purpose'.



**DOMESTIC ECONOMY**

## Huge capex spend to underpin Budget

A year ago, the total increase in govt capex over the following four year period was \$3.6b. In this year's Budget, the projection for **new capex spending over the next four fiscal years is \$11b.**

That is a stark way of understanding the size of the govt's re-election war-chest, articulated in Steven Joyce's pre-Budget speech in Wellington on Thursday.

The adoption of a new net govt debt goal of 10-15% of GDP by 2025 is essentially meaningless for this term of govt, but it has the effect of cornering Labour and the Greens into a response. Labour has made much of the fact that net Crown debt to GDP was at zero when it left office in 2008 and has promoted a wrongheaded analysis among its supporters that there has been a debt blow-out in the last eight years. In fact, it peaked at 26% of GDP as the govt implemented the tax cuts in Michael Cullen's last Budget, borrowed rather than cut entitlements during the domestic recession and GFC, and then leveraged the Crown balance sheet temporarily to respond to the Canterbury earthquakes.

Joyce spent most of the speech on the debt target and infrastructure spending, saying the \$11b increase will take total Crown capex to \$23b over the next four years.

That will clearly have a stimulatory, not to mention inflationary impact, since skills shortages and input price escalation are most prevalent in the construction sector. It is also likely to be the foundation for a range of **high-spending announcements in the Budget, including in the education portfolio.**

He was less forthcoming on tax cuts, but indicated again the focus will be on **"the impact of marginal tax rates on lower and middle income earners, when we have room to do so"**. It seems inconceivable that, with the addition of \$2b of new capital allowances, there wouldn't be room in the current Budget to signal a tax package starting April 1 2018, assuming re-election of a National-led govt.

The capital increases are expressed as an additional \$1b in the next fiscal year, nothing the following year, and then an additional \$500m per year for the following two years.

## Inflation's back

First quarter inflation at 1% was above market expectations, giving a 2.2% annual rate, the first time in five years that the annual CPI has been above the mid-point of the RBNZ's 1-to-3% target range. The

message is that **core inflation is on the rise again** and that this can be expected to push through into higher inflation expectations and, potentially, wage claims, which are likely to be inflamed in some sectors by the pay equity settlement for resthome workers.

The RBNZ, however, seems to think inflation may come off the boil again. Key data to test this view will be today's ANZ business confidence survey and the May 3 labour market reports, which we expect to back up the view that inflation is firming and that the latest increase is not a one-off.

Financial markets are also questioning the RBNZ's commitment to the cash rate at a low of 1.75%. The **May 11 MPS will be a test of whether the RBNZ's view is shifting.**


While the central bank might tone down its GDP growth forecasts in the next MPS, this wouldn't much change the view on the output gap, but would be more an admission that potential growth is not as strong as previously judged. Meanwhile, the TWI is still about 3% below the level that the RBNZ assumed for Q2 2017.

## Economic indicators

**Consumer confidence** eased in April, weighed by a slowdown in the property market and growing expectations that interest rates will rise. The Roy Morgan govt confidence rating fell 7 points to 1pts in April with 58% of NZ electors (down 3.5%) saying NZ is 'heading in the right direction' and 29% seeing NZ 'heading in the wrong direction', up 3.5 points.

**Consumer prices** rose at their fastest annual pace in five-and-a-half years in the first quarter of 2017 as rising fuel prices, a tax on cigarettes and tobacco and the hot housing market stoked inflation. The consumers price index rose 1% in the three months to March 31 for an annual pace of 2.2%.

**Services sector** activity expanded in March as the new orders/business sub-index pushed higher as record migration and tourism have underpinned recent gains in consumer spending. The BusinessNZ-BNZ performance of services index rose 0.3 points to 59 in March, the second-highest level of expansion over the past 18 months.

**Annual net long term migration** hit a fresh record in the year to March, rising to 71,932 in the 12 months ended March 31 versus 67,619 in the same period a year earlier and above the prior record of 71,300 migrants in the Feb 2017 year. People arriving as permanent and long-term migrants outnumbered those departing by 129,518 to 57,586 in the latest 12 months. Of those arriving, 57,710 were bound for Auckland while 10,080 were headed to Wellington. 

## Trump's tax package

Having failed on several other fronts to advance his agenda, US President Donald Trump may be on safer ground pursuing a massive tax reduction package.

Key elements of the package, details of which are still in development, include:

- a cut in the corporate tax rate from 35% to 15%;
- a one-time tax reduction for funds repatriated by US companies from offshore – a sum the Administration says is in the trillions of dollars;
- Federal income tax exemption for people earning less than US\$24,000 p.a. and a doubling of existing deductions to reduce liability to federal taxes generally.

One wrinkle: US budget law requires that for tax cuts to be sustained, they must within 10 years be fiscally neutral. There is insufficient information yet available to know whether that is achievable. So far, it appears much of the funding for the package is expected to come from higher economic growth rates that the tax cuts would be expected to stimulate, a return to the so-called “voodoo economics” of the Reagan era.

Early US media commentary has focused on the extent to which the proposals would appear to disproportionately benefit the already wealthy.

## European elections

The electoral volatility of the last year suggests it would be unwise to assume that the ‘out-of-nowhere’ candidacy of **Emmanuel Macron** and his centrist En Marche movement will prevail in the May 7 French presidential election run-off. However, a credible case for his success can be based on the fact that he represents the only realistic alternative to the ultra-right candidacy of Marine Le Pen.

The more interesting challenge will be whether the embryonic En Marche can field a credible slate of candidates for the mid-June parliamentary elections or whether that vote will be the lifeline for the conservative and socialist parties that have been swept aside in the presidential election.

UK PM **Theresa May** looks almost unbeatable in the June 8 snap election, given the weakness of Labour leader Jeremy Corbyn. Worth watching will be the performance of the Liberal-Democrats, who were wiped out at the polls in 2015 and represent a voice for the Remain vote. So too will the showing by the Scottish National Party. May will be under pressure to allow a second Scottish independence referendum before the 2022 general election unless the Conservatives put in an unexpectedly strong showing in Scotland.

## TPP on again?

Japan's complex relationship with both China and the US appears to be behind the emerging potential for the agreement to be revived, but without the US. The next opportunity to gauge momentum will be the APEC trade ministers' meeting in Viet Nam, later this month.

Trade Minister Todd McClay has taken a lead in the negotiations with the TPP partners because NZ is the depository nation for the agreement. So far, he has got Canada, Mexico, Japan, Aust and Singapore on board with the proposal to agree to a TPP-minus-Trump deal. He is apparently close to getting support from Malaysia. That leaves Chile, Brunei and Viet Nam. Canada is suggesting the UK could join too.

What is said to be impressing Japan is that the alternative to the TPP, RCEP, would give China a more influential role in trade in the region and that any bi-lateral deal with the US would be unlikely to deliver the benefits Japan would get from a multi-lateral deal like the TPP.


Thus the argument is that the 11 should sign and ratify now, and wait for the US to return post-Trump.

Meanwhile, the Politico news service is reporting preparation of an executive order to withdraw the US from NAFTA is close to being presented to President Trump, who has ramped up rhetoric against Canadian protectionism, particularly in the dairy and timber industries.

Elsewhere, the conjunction of Chinese and US interests in containing North Korean aggression appears to have created the conditions for the Trump administration to back away, for now, from its earlier apparent willingness to engage in a trade war with China.

## Will the US abandon the Paris climate deal?

Close NZ observers of the progress of the global climate change deal reached in Paris last Nov are starting to wonder whether the US will follow through on withdrawing.

Jo Tyndall, co-Chair of the Ad-hoc Working Group on the Paris Agreement and former climate change ambassador suggests the Trump Administration may settle for much-reduced emissions goals, given the momentum among other signatories and the fact the US is already signed up. There is no option for unilateral cancellation. A G-7 meeting in Italy in late May is seen as a likely decision point. Meanwhile, NZ and South Korea have begun discussing regional carbon market developments. 

**CORPORATE ROUND-UP****Technology and innovation**

**ERoad** says its annual loss widened as it spent more in the US and changed to the way it amortises development costs weighed on the bottom line, even as sales continued to grow. The net loss was \$5.5m to \$6.5m in the year ended March 31, from a loss of \$1.3m a year earlier. **Gentrack Group** says it wants to double earnings from its airport software business by 2019 after the utilities software developer agreed to pay 41m Danish krone (\$8.4m) for 79.8% of Denmark-based Blip Systems and 7.5m euro (\$11.4m) for 75% of Malta-based CA Plus. Earn-out agreements cover the remaining shares. **Syft Technologies** has moved its shares back to the Unlisted market, a move it says will boost liquidity and raise its profile as it eyes a future capital raising. The maker of high-tech chemical sniffer devices to test air quality moved its stock to Unlisted from Computershare's ShareMart electronic order matching system. US hedge fund **Matrix Capital Management** sold down its stake in **Xero**, selling to Silicon Valley tech investor TCV. Matrix sold 1.4m shares, or about 1% of the company, to TCV at \$20 apiece on April 14 in an off-market deal, for a total of \$28.6m. **Wellington Drive Technologies** lifted first-quarter sales 30% and the energy-efficient engine maker said its focus on Latin America continues to underpin its long march to profitability. The Auckland-based company generated ebitda of \$600,000 on revenue of almost \$13m in the three months through March, and expects strong sales growth to continue, chairman Tony Nowell says. Funds from private-equity fund **Invest South** and other investors will provide a capital base for continued growth as Dunedin-based **BISON Group** looks to expand its international footprint, the company's chief executive said. Established in 2014, BISON has developed technology to fill a key niche in response to new international maritime laws introduced last year that require the certified weighing of shipping containers.

**The NZ Super Fund** has completely written off the value of its investment in US wind turbine company Ogin which is in the process of being wound down. The fund invested US\$55m in Massachusetts-based Ogin in 2013 to give the US start-up capital to develop new products before going public. Those plans didn't come to fruition and after Ogin failed to raise more capital last year, the Super Fund wrote down the investment to nil in June 2016 from \$47.5m previously.

**Telecommunications**

**Chorus** will join the S&P/ASX 200 Index on May 2, bringing to eight the number of NZ companies with a primary listing on the NZX that are also in the Aust benchmark index.

**Mining and resources**

Lobby groups Kiwis against Seabed Mining and Greenpeace may apply for a judicial review of **Trans Tasman Resources'** bid to mine iron sands from the ocean floor in the Exclusive Economic Zone, arguing the process is flawed. The hearing, which began in mid-Feb and has been extended to May 31, marks the second time TTR has sought permission to mine titano-magnetite iron sands on the seafloor off the coast of Whanganui. The company proposes extracting 50m tonnes of seabed material a year, from which up to 5m tonnes of iron sand per year would be exported for as long as 35 years.

Taranaki oil and gas explorer and producer **TAG Oil** is forging ahead with capital expenditure of C\$27.4m for exploration, production and work-over projects, with another C\$8.4m available if farm-in partners emerge and oil prices rise. The debt-free company says it's anticipating its "busy 2018 capital programme ... will not only satisfy the bulk of our commitments on our acreage, but also potentially contribute significantly to production and resource growth".

**Primary sector**

**Zespri** expects to post a record profit this year on revenue from the allocation of licences to grow the Gold3 variety. The company forecast profit of \$98m-to-\$103m in the year to March 2018. That's ahead of its forecast for the year just ended of \$71m-to-\$74m. Zespri's 2017 allocation of licences for its new Gold3 variety covers 400 ha. The Maori trustee **Te Tumu Paeroa** and **Bay of Plenty Regional Council** investment arm Quayside Holdings plan to spend \$30m developing 10 kiwifruit orchards on Maori land in the next 18 months. The orchards would be the biggest investment on Maori land, spanning 90 ha through the Bay of Plenty and Gisborne. The **Hawkes Bay Regional Investment Co** has made three new board appointments, including former Nat MP Chris Tremain, suggesting it hasn't given up yet on the **Ruataniwha** water storage project despite the election of a regional council that now opposes the scheme. **NZ log supply may fall** after recent stormy weather, as cyclones dented local production and disrupted sea freight. The East Coast and Hawke's Bay were significantly affected by Cyclones Debbie and Cook.

**Dairy product prices rose** at the Global Dairy Trade auction, the third increase in a row and offering a boost to sentiment. The GDT price index gained 3.1% from the previous auction two weeks ago to US\$3,139. Some 22,927 tonnes of product was sold, up from 22,642 at the previous auction. Whole milk powder climbed 3.5% to US\$2,998 a tonne.



## CORPORATE ROUND-UP

**Dairy farmers are likely to get a higher payout from milk processors next season** as global output remains subdued while demand picks up in China, underpinning prices, Rabobank says. The lender forecast a farmgate milk price near \$6.25 per kilogram of milk solids for the upcoming 2017/18 season, ahead of Fonterra's \$6/kgMS forecast for the current 2016/17 season.

### Transport and tourism

**Air NZ** is increasing domestic capacity as demand rises, particularly on the Auckland-Queenstown route. Passenger numbers rose 5.2% to 1.61m in March from the same month a year earlier as the airline expanded its available seat kilometres (ASK) 4.1% to 4.1m. Of that, domestic passenger numbers climbed 8.3% to 1.1m and ASK climbed 7.9% to 672m. Using larger planes on regional routes also contributed to greater domestic patronage.

### Construction

Speculation about a break-up or buyout of **Fletcher Building** has re-emerged with investment banks said to be working on pitches on the other side of the Tasman, according to an Aust media report. The Aust Financial Review's 'Street Talk' column reported at least three investment banks are seeking a buyer for Fletcher after the shares sank 21%, wiping \$1.52b from the value of the building firm, over unexpectedly weak earnings from its construction division followed by a cut to guidance.

### Corporate actions

**NPT** shareholders voted against a property deal between **Kiwi Property Group** and NPT and voted in favour of board changes. Under the proposed deal, NPT would have purchased two buildings from Kiwi for \$230m, raising \$93.9m to partially fund the deal and issuing shares, giving Kiwi a 19.99% stake and allowing it to buy the management contract. Instead, chairman Tony Sewell and Jim Sherwin will be replaced by independent directors Allen Bollard and Bruce Cotterill, and Augusta Chair, Paul Duffy.

**Abano Healthcare Group's** spat with its shareholder **Healthcare Partners Holdings** has descended to accusations of lying as the parties prepare to face each other in the court room over a \$566,000 bill. The NZX-listed medical services investor filed papers in the High Court over unpaid costs arising from Healthcare Partners' failed partial takeover bid, saying Anya and Peter Hutson and James Reeves are being unreasonable and dragging their heels in meeting the bill under the terms of the Takeovers Code.

**Warehouse Group** has entered into an unconditional

contract to sell its Newmarket property in Auckland for \$65m and said the proceeds will be used to reduce debt. Settlement of the property sale is expected to be completed in July 2017 and the sale proceeds will generate a pre-tax gain of about \$12m.

### Food and beverages

**Cooks Global Food**, which owns the master franchise rights for the Esquires Coffee chain outside NZ and Aust, says it's on track to boost its coffee house network by more than 40% by the end of the 2018 financial year. The company anticipates it will have 140 stores by the end of the following year. Cooks increased its store footprint to 98 as at March 31 from 86 a year earlier.

**Restaurant Brands** lifted annual profit 7.8% as its local **KFC** business generated record sales, bolstered by the recently acquired Aust KFC business, allowing the fast-food company to increase dividends. Net profit rose to \$26m in the year ended Feb 27 from \$24m a year earlier.

Ownership of two of NZ's oldest food brands, **Gregg's** and **Raro**, is up for grabs as the Japanese owner of the **Cerebos** businesses in NZ and Aust puts them up for sale. Suntory Beverage & Food aims to sell its Australasian food and instant coffee businesses, along with its Singapore-based Asian Home Gourmet food unit in a process expected to take six-to-nine months.

NXT-listed winemaker **Marlborough Wine Estates** has more than halved its expected sales to a related party that's a major distribution channel in Asia. The company says Hong Kong-based Great Esprit, which is largely owned by an associate of MWE executive chairman James Jia, is likely to buy \$1.3m of bottled wine in the year ending June 30, less than half the \$3m minimum annual commitment signed in 2015.

### Regulation and courts

Wednesday, May 3, is D-Day for the long-gestating Commerce Commission decision on whether to allow **Fairfax NZ** and **NZME** to merge their news operations.

**RBNZ** deputy governor **Geoff Bascand** will take charge of the central bank's financial stability function when Grant Spencer fills in as governor in Sept. Bascand, a former government statistician, is currently head of operations.

The High Court has upheld a ruling that **Allan Hawkins' Budget Loans** and **Evolution Finance** misled 21 borrowers while enforcing loan contracts and sided with the Commerce Commission that 19 charges that were dismissed should be revisited. ■

## LEGISLATION

### Countdown to the Budget

Parliament did not sit in the last fortnight, but outside of the House, the govt released an exposure draft of the Employment (Pay Equity and Equal Pay) Bill, (*see p.2*). Further changes to the Te Ture Whenua Māori Bill were mooted as the govt sought to take the edge off criticism of the complex bill (*see p.2*).

Improvements to the Regulatory Impact Analysis requirements of new bills were announced (*see p.3*). When the **House resumes on May 2**, the govt will give priority to the Fire and Emergency New Zealand Bill and the Maori Purposes Bill. It is also expected to complete passage of the Education (Update) Bill. Political focus will be on the **May 25 Budget**.

As a result of the Cabinet reshuffle **Simon Bridges replaces Gerry Brownlee as Leader of the House** and is now responsible for guiding and prioritising the govt's legislative programme. Select committee changes were announced because of Raymond Huo's arrival in Parliament. Details are on the Hugo website in the Handbook, [www.thehugogroup.com](http://www.thehugogroup.com).

- *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

**Friendly Societies and Credit Unions (Regulatory Improvements) Amendment Bill:** Member's Bill from Stuart Smith (Nat), drawn from the ballot April 13. It amends the Friendly Societies and Credit Unions Act 1982 and is intended to remove unnecessary operating and compliance costs and promote greater efficiency, innovation, and accountability. It would bring credit unions into alignment with other financial service providers but is intended to maintain the element of mutuality and the requirement of a common bond between members. Awaiting first reading.

**International Transparent Treaties Bill:** Member's Bill from Fletcher Tabuteau (NZ First), drawn from the ballot April 13. The bill would require Parliament to approve all international treaties prior to them being signed.

**Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill:** Introduced April 6. Omnibus tax bill. Includes measures on employment and investment income information, electronic filing threshold for GST, amendments to the pay PAYE rules, and amends penalty and interest rules. Proposes changes to the collection of investment income information, **tax on employee share schemes and oil rig decommissioning**.

### Bills in progress

**Arbitration Amendment Bill:** Member's Bill from Paul Foster-Bell (Nat), introduced March 9. *First reading debate interrupted April 12, but all parties except for NZ First indicated support for it to progress to select committee.*

**Consumers' Right to Know (Country of Origin of Food) Bill:** Members Bill from Green MP Steffan Browning, drawn from the ballot Dec 8. *Completed first reading on April 12 with just ACT opposing. Sent to the Primary Production Committee for consideration.*

**Education (Update) Amendment Bill:** Introduced on Aug 22. *Completed 2nd reading April 11 and committee stage April 12. Labour, Greens, NZ First opposed.*

**Fire and Emergency New Zealand Bill:** Introduced on June 30 2016, repeals the two Acts governing fire services to create a single, unified fire services organisation. *Committee stage again interrupted on April 11 with just NZ First indicating opposition.*

**Outer Space and High-altitude Activities Bill:** Introduced on Sept 19. *Reported back April 21 with mostly technical amendments agreed unanimously, including tightening ministerial regulation powers.*

**Point England Development Enabling Bill:** Introduced on Dec 7, the purpose of the bill is to enable housing development on 11.69 hectares of land on the Point England Recreation Reserve in Tamaki in east Auckland. *Reported back on April 13 with Labour's filing a minority report opposing it.*

**Te Ture Whenua Māori Bill:** A bill reforming Maori land law introduced April 14 and already facing fierce opposition after consultation on the draft. *The bill is on the backburner while the govt works on amendments in response to criticism (see p.3).*

### Bills Passed and Defeated

**Broadcasting (Games of National Significance) Amendment Bill:** In the name of NZ First MP Clayton Mitchell (NZ First), drawn from the Ballot on Dec 8. *Voted down on April 12 with only NZ First and Greens in favour.*

**Resource Legislation Amendment Bill:** Introduced on Nov 26 2015, the 180-page bill comprised 40 changes to six Acts contained in 235 clauses and eight schedules. *Committee stage completed April 5 with changes inserted to ensure the Maori Party's support. This included excluding GM crops from ministerial powers to override local govt plans. Third reading completed on April 6 with just National and Maori Party in favour. NZ First stated repeal would be a requirement in govt formation.*

**Telecommunications (Property Access and Other Matters) Amendment Bill:** Introduced on June 29. *the Commerce Committee for consideration. Completed committee stage on April 4 with no major changes and completed third reading on April 11 with all parties in agreement.* ■