# HUGOvision

*Assessing the economic and political environment in New Zealand*

May 26 2017

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## An election-winning Budget?

Pages 2-3

National's march into what was once Labour's natural territory continues. The Budget seeks to portray a mixture of caution and prudent largesse in an election year offering that targets low and middle income families while holding out the prospect of a tax threshold uplift in the near future for its natural base of higher income earners. NZIER's verdict: "A prudent and economically unremarkable budget … but a politically savvy one."

## Why the govt ignored corporate tax

Page 2

Finance Minister Steven Joyce is signalling willingness to lift income tax thresholds for the top tax bracket and to reconsider the 28% corporate tax rate, if he gets a chance in future Budgets. He's also starting to focus on tax on retirement savings. This year's family tax package, however, is all about securing the political centre.

## Spending the lot

Page 2

Fiscal prudence and a bit of luck with the dairy recovery has produced a strong forward track for tax revenue, with nominal GDP rising an average 5.1% annually through to 2021. That's emboldened the govt to announce spending and tax plans that run slightly ahead of receipts, producing small cash deficits in the next two fiscal years.

## Port politics

Page 4

Incomplete plans to split the Ports of Auckland into two companies, one owning land and the other the port's operations, have come to public light far earlier than is useful for the parties trying to square the circle that requires mayor Phil Goff to keep faith with his promise to move the port with the fact that no investor is likely to want the port operations without a long lease.

## State-owned NZ media well-positioned?

Page 6

Radio NZ's "ice age" is over. After eight years of frozen funding, the state-funded broadcaster has won an $11.4m budget increase. The uplift is as much a tribute to current ceo Paul Thompson's achieving more with the same as it is to public pressure. Meanwhile, profitable TVNZ is in talks with shareholding Ministers to withhold dividends as it pursues a plan to secure a local niche in ad-carrying linear and online programming. The NZME/Fairfax merger is beginning to look irrelevant with two US private equity bidders circling for all of the Fairfax operation.

## Upward pressure on power prices makes a rare showing

Page 6

A robust economy, including an improved outlook for the energy-hungry Tiwai Point aluminium smelter, is combining with unusually low inflows to the South Island's hydro storage lakes. While a deluge could change all of that very quickly, investment analysts are noting a significant spike in wholesale electricity futures price next year. The recent period of depressed wholesale prices may be changing.

*Text finalised May 25*

*Contact: hugo@thehugogroup.com.* 

## An election-clinching Budget?

We are adding to the sea of commentary that accompanies any Budget, but the only question that really matters is whether it improves the govt's chances of re-election.

**In our assessment, it must**. Critics will say it has failed to address the housing crisis, and they're right if the measure for that is the sudden construction of far more homes than the 17,000-odd for Auckland that Amy Adams pulled out of a hat in pre-Budget announcements.

However, a package that improves the budgets of 1.3m-plus households by an average $26 per week represents a **material political reach into middle NZ**. The changes to the **Accommodation Supplement** will assist renters in high-cost areas by more than that, even if some of that increase flows straight to private landlords' pockets in the form of higher rents.

And the income **tax threshold changes – while not fully compensating for fiscal drag since the last tax system change in 2010** – put meaningful sums in low and middle income households' pockets.

The only potential losers are a small group. They include low income, single, childless workers who lose the Independent Earner Tax Credit, but most will be compensated by the increase in the income threshold on the bottom tax rate of 10.5% from $14,000 to $22,000.

The changes to the **Working for Families (Family Tax Credit) scheme also deliver meaningful sums to lower and middle income families.** The decision to lower abatement thresholds and raise abatement rates skews the changes to lower income families. For the govt to make no feint in the direction of its most well-heeled supporters or to offer any direction on a cut to the corporate tax rate indicates how determined Bill English is to demonstrate a less flinty face to the electorate and to smother Labour's potential attack lines.

The same applies to new capex and opex in education and health, with the large increase in **mental health funding** likely to neuter an issue on which the govt had become vulnerable.

The Budget is also difficult for Labour to criticise except to shuffle its priorities or suggest it has been insufficiently generous to struggling families, risking the 'spendthrift' tag it has been working so hard to prove is unfounded.

The reality remains that the govt is fairly steady at around 45% in current polling, but needs 47%-plus if it wants to govern again with just the Maori, Act and United Future parties for support.

On balance, **this Budget looks positive for that kind of minor upside**.

## Burning the floorboards?

All that said, the Budget does spend to the limit of the projected surpluses. An unexpected economic downturn could quickly erode the mild surplus track left after new tax and spending commitments. On a cash balance basis, relatively modest increases in opex announced today for the next four years, averaging $1.8b a year rather than $1.5b in the December Budget Policy Statement, put the govt into **a small cash deficit in the 2018 and 2019 fiscal year**s.

A **new opex allowance of $1.7b** a year is built into the forward opex spending track, with a 2% increase each year.

Capex has increased in the year ahead by $1b since the BPS barely five months ago. While that offers **opportunities for firms engaged in infrastructure provision**, the **quality and inflationary implications of such a large, front-loaded spend** may yet be tested.

## Spending impulse from tax package

Stimulus from the family tax package is limited. The Treasury forecasts a marginal (0.1%) decrease in unemployment from the family tax and accommodation package as household spending is expected to rise as a result and to add around $3b to nominal GDP over five years for a **"modest, positive impact on GDP in the long run"**.

## High immigration continues

The Budget rhetoric made no mention of it, but high net migration is assumed in the short to medium term. The **Treasury has abandoned its practice of the last three years of forecasting a reversion to the historic mean of 12,000 net incoming migrants** was the default setting for out-years. Net migration of 72,000 for the June 2017 year is an uncontroversial forecast, but it dips to just 67,000 in the June 2018 year, is at 52,000 in June 2019, and then 36,000 and 20,000 in the following two years. In other words, **over the**

**five years from 1 July 2016 and 30 June 2021, migrants arrivals are forecast to add 247,000 new citizens against forecast natural population increase of 165,000.** It won't be long before Winston Peters notices that.

## Tax plans for the future

While the Budget text did not mention either the top tax bracket or corporate tax rates, Joyce used remarks to journalists in the Budget lock-up to make clear that both are on his radar, if he gets the opportunity.

Also in his sights is the tax treatment of retirement savings, although he gave no hint on his intentions. NZ's taxed/taxed/exempt approach, in place since the late 1980s, is increasingly seen as out of step and limiting savings fund growth.

The tax forecasts include "conservative" expectations of **$100m a year from moves against cross-border tax avoidance**, covering transfer pricing and permanent establishment avoidance, interest limitation relating mainly to related party debt, and hybrid financial instrument mismatches. Legislation in these areas is expected to be in place by Sept 2018.

## Budget economic forecasts – highlights

- nominal GDP growth averages 5.1% over the five year forecast period, which includes the year almost now finished to June 30 2017;
- that drives the increasing tax revenue that makes this Budget's tax and infrastructure largesse credible;
- labour participation rates remain very high, hovering around 70%, notwithstanding ongoing high net immigration;
- real wages remain suppressed throughout the forecast period to 2021, with sub-1% increases forecast in 2018 and 2019, but otherwise no change over the five years. As a result, real unit labour costs fall significantly through the forecast period;
- labour productivity, falling in the 2016 and 2017 years, is seen rising by an average 1.3% annually through to 2021, on an hours worked basis;
- rising interest rates and slowing net migration moderate real GDP growth to 2.4% by 2021;
- Treasury assumes a more stable TWI track than it has tended to produce in recent years. While it sees a fall from around 78.0 today over the next four years, a TWI at 76.0 or above is assumed until the end of 2020, when the forecast dips sharply to 74.7 by mid-2021;
- the 90 day bill rate is at 3.9% by 2021;
- Aust slows while the US grows more quickly.

### Summary of Fiscal Forecasts (2016 actual: 2017-2021 forecasts)

| Year ended 30 June | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Total Crown OBEGAL (% of GDP) | 0.7 | 0.6 | 1.0 | 1.4 | 2.0 | 2.2 |
| Core Crown residual cash (% of GDP) | (0.5) | 0.0 | (0.6) | (0.5) | 0.5 | 0.4 |
| Net core Crown debt (% of GDP) | 24.4 | 23.2 | 22.8 | 22.1 | 20.6 | 19.3 |

1. Operating balances before gains and losses 2. Net core Crown debt excluding the NZS Fund and advances

### Summary of Economic Forecasts (2016 actual: 2017-2021 forecasts)

| June years | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Real production GDP growth (% change) | 2.7 | 3.1 | 3.5 | 3.8 | 2.9 | 2.4 |
| Consumers price inflation (annual % change) | 0.4 | 1.8 | 1.6 | 2.1 | 2.2 | 2.1 |
| Unemployment rate (June quarter) | 5.0 | 5.0 | 5.0 | 4.6 | 4.3 | 4.3 |
| Current account (% of GDP) | (2.9) | (2.8) | (3.0) | (3.3) | (3.7) | (3.9) |

Source: Budget 2017

## Campaign funding

The 2017 **election campaign is looking much better funded than 2014**. As noted in the last issue of HUGO*Vision*, the **National** Party expects to spend well in excess of the $3.8m it put into the 2014 campaign. It seems **Labour, too, is better placed than it was in 2014**, when its fundraising capacity had been allowed to wither so that even known major donors were not approached. The new party leadership, under Andrew Kirton, appears to have gone some way to rectifying that. Ahead of its pre-election congress a fortnight ago, Kirton revealed the party had **"300% more in donations at the end of March" than it had going into the 2014 campaign**. While a major donor programme is back in place, the party claims it is also receiving a substantial number of small donations, with an average donation size of $33. **NZ First** is also talking up its war-chest, claiming to have attracted a number of deep-pocketed new funders, partly attracted by Shane Jones's candidacy.

## Shane Jones's resurrection

Winston Peters's presence at departing MFAT roving Pacific ambassador Shane Jones's farewell party in Auckland this week is **enough proof to conclude that he will declare as an NZ First candidate** when his MFAT contract expires on May 31.

He is expected to stand for the general electorate of Whangarei and to enter Parliament as a list MP, the only question being whether he comes in at #2 or #3. There is still the opposition of deputy leader **Ron Mark** to Jones's parachuting into a leader-in-waiting position to be finessed. The only one of Peters's caucus colleagues invited to the Jones farewell at The University of Auckland's Fale Pasifika was **Pita Paraone,** a Jones fan.

While Peters has made a show of appearing to support Labour policy positions while attacking the govt, NZ First believes internally that it is making most inroads with traditional Labour voters. While that might strengthen Peters's hand in seeking a coalition with Labour-Greens, it would also create the dynamics for a weak coalition govt. Meanwhile, National is comfortable with the idea of working with Jones and is said to be willing to offer him the foreign affairs portfolio.

## Port politics

The schism between the Auckland business community and the well-heeled inner city suburbs lobby opposed to extending the port on its existing footprint is ready to break out again. The former Westpac ceo in NZ, **Anne Sherry,** is expected in town in the next few days to make clear the risk to NZ tourism if new generation, large cruise ships are unable to berth in Auckland. Sherry is now executive chair of **Carnival Australia, this region's largest cruise ship operator.** The penny is said only recently to have dropped that proposed 'dolphin' buoys won't be enough to ensure the largest cruise ships can berth because they will be insufficient in poor weather and large tides. Carnival, which runs the P&O brand, among others, regards Auckland as an essential connector hub, with international passengers arriving and departing for cruises via Auckland International Airport.

Meanwhile, the leak of Auckland mayor **Phil Goff's** discussions with the port about splitting the business into a council-owned land-holding company and an operating entity that could be privatised, has complicated the political juggling act.

Goff's election promises included moving the port within 15 to 20 years, but that is too short a lease period to be attractive to a bidder for the port operations. Last year's Port Future Study suggested a minimum of 35 years and other such port splits have offered 99 year leases.

However, it appears that if Goff can get agreement for such a split, it will unlock govt infrastructure funds that Auckland Council would rather receive as a capital grant than a loan. The council is close to its debt ceiling and determined to maintain its AA credit rating.

## Public sector accountability

The only questionable aspect of Auditor-General **Martin Matthews's** decision to step aside during a State Services Commission investigation into the treatment of whistleblowers during his tenure as head of the Ministry of Transport is **how long it took him to make the move**. Nothing kills a crisis like a swift departure from the stage. Matthews lingered. At the **Ministry for Social Development, former Barnardos ceo Murray Edredge** did the right thing by resigning as deputy ceo for family and community services after a series of errors by both staffers and private sector contractors allowed NGOs to view one another's private client information. The MSD incident has also prompted a pause in the implementation of the policy requiring NGOs to share private client data with govt agencies. **Social service contracts will no longer require providers to disclose individual client level data** until a new data protection and use policy is in place. The change is an unavoidable setback for the social investment programme, which will need to restore such trust as previously existed between private social service providers and their govt funders.

## Dairy prices normalising

Fonterra raised its forecast for the final payout for the current 2016/17 season to $6.15 per kilogram of milk solids, up from its previous forecast of $6/kgMS, while raising its initial forecast for the 2017/18 season to $6.50/kgMS. It confirmed forecast earnings per share in the range of 45 to 55 cents for the 2017 financial year and retained its target for a full-year dividend of 40 cents per share. The payout forecasts compare with $3.90 per kg/MS in 2015/16 and $4.40 in the season before that.

If current international price and currency levels were to persist through the season, they are consistent with a milk price just above $7 per kg/MS. However, a pullback in international dairy prices over the coming 12 months is the more likely outcome, consistent with a relatively cautious opening forecast from Fonterra. Low oil and grain prices, along with a weak Euro, all point to the potential for production increases by global players from current, relatively low levels.

## Construction stats anomalous

Despite the obvious need for new housing in Auckland, Q1 construction indicators so far look weak. A slowdown in Christchurch is no surprise, but the fact that Auckland has also trended lower over the last year is puzzling.

Among numerous indicators causing concern is the big correction in Auckland building consents late last year, suggesting a potentially significant drop in activity has occurred in the first months of this year. Building Work Put in Place statistics, due on June 6, will be an important bellwether. If they go negative, Q1 GDP growth forecasts of around 0.7% are likely to be over-optimistic. Meanwhile, construction sector inflation remains strong, running at 3.7% yoy in the March quarter PPI and showing a 6.0% rise in residential building costs in the Capital Goods Price Index.

## Economic indicators

**Annual net migration** continued at a near record pace in April and short-term visitor arrivals also hit a new record, lifted in part by the timing of the Easter holiday. Net migration reached 71,885 in the year to April 30 close to the 71,932 record in the March year. **Merchandise exports** hit a record for the month of April, partly reflecting stronger dairy prices to produce a $578m trade surplus for the month. **Consumer confidence** rose in May, helped by a strengthening labour market that has driven unemployment to its lowest level in almost nine years. The **ANZ-Roy Morgan NZ** consumer confidence index rose 2.2 points to 123.9 in May. The current conditions index gained 4.6 points to 127.8 and the future conditions index edged up 0.4 of a point to 121.2.

## UK election tightens up

The UK Labour Party has enjoyed a mid-campaign surge ahead of the June 8 general election in the UK. However, a large gap still separates the Conservative and Labour parties. The Tories have slipped a little but remain in mid-40% territory, a winnable position under Britain's first-past-the-post election system, especially as Labour's rise takes it only into the 30-35% range.

The **Labour recovery appears based more on UK PM Theresa May's misjudged manifesto** announcements on means-testing for healthcare, from which she has now back-pedalled, although the popularity of the old-style nationalisation in Jeremy Corbyn's manifesto shouldn't be discounted.

While Labour's manifesto was widely derided by media and commentators as a return to a failed past, **the so-called 'failed past' has been attractive to both the US and UK electorates in the last year**, and helped push French electoral support for the National Front's Marine Le Pen to record levels of support.

## TPP-11 – will it happen?

TPP's status as an agent of geo-political positioning rather than purely a trade and investment agreement is writ large in the latest developments. Japanese leadership to try and complete the agreement without the US is more about Tokyo seeking both regional influence and domestic rationale for economic reform than trying to entice the US back to the table.

Japanese PM **Shinzo Abe has largely failed to loose the third and most politically challenging of his 'three arrows' of economic reform** – the micro-economic domestic policy reforms that will make the Japanese economy more competitive.

By cloaking himself in regional leadership for the resurrection of TPP, he creates not only an alternative pole to China, but also a platform from which to attempt again to push domestic economic reforms.

Trade Minister Todd McClay has treated revival of TPP as a career-making mission, while NZ's foremost TPP critic, Auckland University law professor Jane Kelsey, has increased her constant stream of emails to journalists and politicians culled from international coverage of the issue.

There is **no guarantee the current surge of activity will come to anything**. The developing economies in TPP are less biddable on conclusion than boosters portray, while **protectionist Canada remains an impediment** to a smaller agreement among developed nation signatories.

# CORPORATE ROUND-UP

## Energy

Southern hydro storage lakes are well below mean for this time of year, prompting the System Operator (Transpower) to undertake daily monitoring and potentially changing the earnings profile for **Meridian, Contact and Genesis Energy,** all of which own South Island hydro assets. In a research note, First NZ Capital suggests the impact on Contact in the current financial year will be mildly negative, but that forward wholesale electricity prices on the ASX futures market suggest improved earnings and higher retail, commercial and industrial prices in the next financial year after a long period when wholesale prices have been depressed. **FNZC** forecasts an average $49.40 per Megwatt hour for wholesale electricity in the current financial year, down on last year's actual average of $59.60, rising to $75.30 per MWh in 2017/18.

**Infratil** beat annual earnings guidance with underlying ebitda of $519.5m after its recently demerged hydro and wind energy investments – **Trustpower** and **Tilt Renewables** – benefitted from favourable climatic conditions.

**NZOG** has bought back into the Kupe oil and gas field at a lower price than it sold to Genesis Energy just months ago. NZOG is buying Mitsui E&P Aust's 4% interest in Kupe for $35m.

## Telecommunications

After a brief period of calm, the battle lines for the next generation of telecommunications regulatory argument are starting to emerge. The govt-sponsored UFB roll-out has produced a step-change in connectivity for NZ broadband users, but it has also assumed that the main fibre owner, **Chorus**, becomes a backbone service akin to a monopoly electricity lines company. However, the desire by telco retailers, especially **Vodafone** and **Spark**, to cut Chorus out of the picture by providing alternative high-speed services – whether through wireless, co-axial cable networks or by overbuilding Chorus with their own fibre – is starting to become a point of tension. Will future govts see a national interest problem if retail telcos e**ffectively recreate the vertical integration that the Spark/Chorus split was intended to break apart?**

**Two Degrees Mobile** posted a maiden profit of $13.4m on revenue of $702.3m, the first time it's produced positive post-tax earnings after seven full years in operation.

## Primary sector

**Silver Fern Farms** plans to close its plant at Fairton in its first move to address over-capacity since China's Shanghai Maling took control at the end of last year. Sheepmeat processing at the plant has slumped in the past decade.

## Banking, finance and insurance

**Tower** narrowed its first-half loss to $8.4m from $8.7m a year earlier as a pickup in underlying earnings helped offset an unexpected increase in the cost of the Canterbury earthquakes. Tower said it is working with Canada's Fairfax Financial on the timing for a vote on its takeover offer, which would proceed unless a second suitor, Suncorp, makes a formal offer.

## Media

**TVNZ** is negotiating with its shareholding ministers and the Treasury for permission to retain earnings in the next few years to pursue a strategy that ceo Kevin Kenrick believes will secure a sustainable future in a sector facing deep disruption from global players such as Netflix for video streaming online.

Kenrick sees TVNZ-on-Demand long-form entertainment and news as an ideal venue for advertisers who are locked out of subscription-based streaming services. The streaming service serves around 6m programme views "in a quiet month". Short-form video is harder to monetise, but TVNZ's reach should make the state broadcaster an attractive partner for smaller, more amateurish players in video, including newcomers **RNZ** and **NZME**. No merger with TV3 is contemplated.

Meanwhile, **RNZ** has finally secured a funding increase. Campaigners for the $11.4m package undoubtedly helped, but ceo Paul Thompson's strategy to get more bang from the existing buck is likely to have held more sway with ministers. RNZ's listenership has risen dramatically and appears to be slicing into the **NewstalkZB** talk radio audience, dominated in the mornings by Mike Hosking, whose star may be fading.

**NZME** and **Fairfax** have until May 30 to lodge an appeal against the **Commerce Commission's** rejection of their merger proposal. While a pro forma appeal may be lodged to keep options open, the emergence of two US private equity bidders for the whole of the Australasian Fairfax group makes the merger seem like yesterday's news. **Fairfax NZ assets look ripe for break-up**, assuming one of the US bids succeeds, as neither has appetite for the NZ market. Auckland-based **Horton Media** and Dunedin's **Allied Press**, publisher of the Otago Daily Times, have both expressed interest in principle. NZME may take an interest in South Island titles, as it has almost no southern presence at present. **MediaWorks** will release financial performance figures next week that may show some improvement in the habitually loss-

making TV operation.

Meanwhile, **Sky Network TV** and **Vodafone** are to push on with their appeal against the rejection of the proposed merger by the Commerce Commission. There is a certain irony in this. The issue at the heart of the Sky-Vodafone merger is access to premium sports - arguably a fairly straightforward commercial matter. Far more complex and therefore prone to different judicial interpretation is the commission's rejection of the NZME/Ffx merger because the threatened loss of media 'plurality' outweighed gains for the merged entity of between $40m and $200m over five years. This is an issue that many, irrespective of their sympathies for the original proposal, would like to see tested by the courts. Yet that possibility is fading.

## Healthcare and retirement

**F&P Healthcare** lifted full-year profit by 18% to a record $169m after sales rose to an all-time high and said revenue may reach $1b in the current year from $894m in the 12 months ended March 31. Legal costs for its patent dispute with ResMed were higher than expected last year at $20.7m. Brokerage Macquarie Group maintained an 'outperform' rating on the stock and lifted its 12-month price target to $11.

**Ebos Group** has agreed to buy **HPS,** Aust's largest provider of outsourced pharmacy services to hospitals, for A$154m. The debt-funded acquisition would lift Ebos's underlying earnings by at least 5% in the 2018 year, it said. Key managers from HPS will be retained. **Pacific Edge** widened its annual loss to $21m from $15.7m on a slower-than-expected 62% gain in sales which the cancer diagnostic company said reflected that it took longer than hoped to close deals with large US health administrators. It expects to have all four of its Cxbladder products launched in the US by 2018. **AFT Pharmaceuticals** reported a full-year loss of $18.4m, up from a loss of $13.3m a year earlier but the maker of the Maxigesic painkiller says it will narrow its deficit this year and return to profit in 2018/19. Sales rose to $69m, meeting guidance, as sales of Maxigesic tablets jumped to 74m from 22m. Separately, AFT gained regulatory approval to sell Maxigesic in nine additional European countries.

**Arvida Group** more than doubled annual profit to $54m after the retirement village operator booked a $39m gain on the value of property and recorded a 23% increase in sales.

## Technology and innovation

**Xero** has won plaudits in a wide-ranging report on artificial intelligence by Asian broking firm CLSA, which counts the NZ accounting software developer among the top-10 listed firms in the region where AI and machine learning are having a demonstrable impact on their business. Last year, Xero launched a new product suite including automatic re-coding of transactions, no-coding invoices, and a chatbot on Facebook's messenger platform where customers can ask simple questions.

**Rocket Lab** successfully sent its first test rocket into space from its Mahia launch site on Budget day after several delays.

**Rex Bionics** has been offered a A$10m lifeline from Aust fund manager and fellow shareholder BioScience Managers. which will see the latter's stake rise to 64%. **Serko** narrowed its full-year loss to $3.3m from $6.3m as the online travel booking software firm boosted sales and scaled back spending. It affirmed its target for a maiden profit in 2018. Sales rose 9% to $14.3m and operating costs fell 10% to $18.8m.

## Retailers

**Briscoe Group** chair **Rosanne Meo** said the retailer's application for an ASX listing isn't driven by any "immediate expansion initiative" and it was prepared to be patient in seeking opportunities. She told the annual meeting that Briscoe would have greater visibility from a dual-listing and a broader shareholder base, which would give the company more scope to do deals.

## Courts and regulation

**The Financial Markets Authority** has issued 201 licenses to financial services firms in the two-and-a-half years of a new securities law regime that came with the Financial Markets Conduct Act passed in 2013. Of those, 66 were managed investment schemes, 53 were discretionary investment management services, 31 were independent individual trustees and 22 were derivatives issuers. The regulator received 253 applications in the period, of which 11 were rejected and 41 withdrawn.

## Corporate actions

**Chris Whelan** chose Budget day to announce his much-anticipated departure from the **Wellington Regional Economic Development Agency**. **Buckley Systems** has appointed its long-serving, Boston-based head of global sales, **Bill Dodge**, as chief executive, reporting to managing director and founder **Bill Buckley**. **Ryman Healthcare** managing director **Simon Challies** will step down next month, citing the toll of Parkinson's disease on his health.

LEGISLATION

# Election countdown looms

There are now fewer than 30 scheduled sitting days before the House rises ahead of the election campaign.

Progress has continued on the controversial reform of Maori land law, although the bill remains in its committee stage due to its length, complexity and entrenched opposition.

## Budget legislation

Parliament went into Urgency following the reading of the Budget for a first reading and referral of the **Care and Support Workers (Pay Equity) Settlement Bill,** with select committee deliberations shortened consideration to get it passed by July. All stages of the **Taxation (Budget Measures: Family Incomes Package) Bill** were due to be passed, for 1 April 2018 implementation.

- *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

***Autonomous Sanctions Bill:*** *Introduced May 10. Extends the range of sanctions the govt can use to influence the behaviour of a foreign individual, entity, or regime responsible for a situation of international concern. The sanctions currently available are considered inadequate and inflexible and not in line with NZ's security partners. Increases penalties for sanction breaches.*

***Employment Relations (Restoring Kiwis' Right to a Break at Work) Amendment Bill:*** *Bill of Labour MP Sue Moroney, drawn from the ballot on May 11. Seeks to repeal changes to the Employment Relations Act concerning rest and meal break provisions.*

## Bills in progress

**Arbitration Amendment Bill:** Member's bill in the name of Paul Foster-Bell introduced March 9. *Completed first reading May 10 and referred to the Justice and Electoral Committee for consideration.*

**Customs and Excise Bill:** Introduced Nov 23. *Reported back May 16 with changes to provisions for levies on domestically manufactured tobacco, fuel, and alcohol, and fuels remixed within NZ.*

**Crown Minerals (Protection of World Heritage Sites) Amendment Bill:** Labour MP Ruth Dyson's bill, drawn March 23. *First reading interrupted May 11. National and NZ First oppose, set for defeat when next debated.*

**Education (Tertiary Education and Other Matters) Amendment Bill:** Introduced Feb 8. *First reading completed May 11 with Labour, Greens and NZ First opposed. Referred to the Education and Science Committee.*

**Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill:** Introduced Oct 27. *Reported back May 9 with minor changes. These include clarification of regulations concerning secondary networks (electricity networks that are indirectly connected to the national grid) and the policing of EVs in special vehicle lanes.*

**Maritime Transport Amendment Bill:** Introduced Nov 10. *Reported back May 16. Labour and Greens minority report objected to addition of mandatory random drug testing and changes allowing foreign-registered ships to carry freight to the Chatham Islands.*

**Rates Rebate (Retirement Village Residents) Amendment Bill:** Member's bill in the name of Ruth Dyson. Introduced May 5. *Report back extended from May 9 to July 6.*

***Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill:*** Introduced April 6. Omnibus bill which continues to update administration of tax law and IRD. *Completed its first reading on a voice vote on May 24, sent to the Finance and Expenditure Committee for consideration.*

**Te Ture Whenua Māori Bill:** Introduced April 14. *Committee stage interrupted May 3. Opposition MPs contesting many elements.*

## Bills Passed and Defeated

**Education (Update) Amendment Bill:** Introduced Aug 22. Labour, Greens and NZ First oppose. *Completed third reading on May 11 with no parties changing their position.*

**Equal Pay Amendment Bill:** In the name of Green MP Jan Logie, drawn from the ballot March 23. *Voted down at first reading on May 11 with National, ACT and United Future 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. *Committee stage completed on May 2 and third reading on May 5 with NZ First still the only party in opposition.*

**Trade (Anti-dumping and Countervailing Duties) Amendment Bill:** Introduced June 8. *Completed committee stage on May 23 with no substantive changes. National MPs argued the public interest test would probably only be applied during national emergencies. Opposition parties still argued it would encourage the dumping of goods to local businesses detriment. Third reading completed on May 24 with National, ACT and United Future in favour.*

**Youth Employment Training and Education Bill:** Member's bill in the name of NZ First's Darroch Ball, introduced March 9. *Defeated at first reading on May 11 with National, Greens, Maori Party, ACT and United Future opposed.*


PO Box 25120, Featherston Street, Wellington 6146, New Zealand
PHONE 04 385 6249 EMAIL hugo@thehugogroup.com www.thehugogroup.com
THE HUGO GROUP