

A very buoyant public mood

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While some Wellington watchers are watching the new govt's early moves with a mixture of concern and scepticism, the honeymoon with the general public is not just far from over, but arguably has a way to run. The UMR right/wrong track survey shows a huge 48-point gap between optimists and pessimists on current national direction.

Three big issues emerging

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Three major issues emerging for the new govt are: its ability to remain within its own fiscal parameters; pressure on the cost of labour; and changes to the foreign investment regime. Finance Minister Grant Robertson has yet to announce a date for the pre-Christmas fiscal update and budget policy statement. The assumed date of Dec 14 may be slipping.

Overseas investment regime changes may be far-reaching

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The govt is working already on its coalition agreement commitment to "strengthen the Overseas Investment Act". In prospect are further restrictions on sensitive and rural land sales and a possible public interest test that could extend to non-agricultural assets.

Tax group's limited mandate

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Inheritance taxes, land and capital gains taxes that touch the family home and the rates of income tax and GST are off-limits for the Tax Working Group, whose full membership is likely to be announced by Christmas.

Select committee composition

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Contrary to earlier expectations, the National Party (and ACT) do not end up with a majority on any of the 12 subject matter select committees, although eight of them are tied, including the powerful finance and expenditure committee. The govt has a majority on four committees.

Forward programme

Tying down members of the new ministry to pre-Christmas breakfast dates has been a challenge, but members will be aware that **David Parker is confirmed for the rescheduled date of Friday, Dec 1, at the Stamford Plaza in Auckland.** As we went to print, dates for Wellington and Auckland with Regional Development Minister **Shane Jones** were almost confirmed. Jones's insight into the aspirations and likely stance of the NZ First party in the coalition will be of particular interest. We will advise dates as soon as we have them and are working on January and February breakfasts with the intention of advising dates pre-Christmas.

Year-end looms

This is the second-to-last edition of HUGOvision for 2017. The final full edition will appear on Friday, Dec 15, when we expect to report the contents of the govt's pre-Xmas fiscal update and budget policy statement. As always, we will report ad hoc on any major developments before or after that date, as necessary.

New govt: 3 key issues emerging

Three key issues stand out for particular attention for business decision-makers as the new govt beds in.

They are:

- new sources of **labour market cost pressure**;
- the **overseas investment regime** creating more hurdles than just home purchases;
- **spending pressure** threatening Labour's budget responsibility rules.

The first two of these issues are dealt with in later items. However, the first to get a serious airing will be Labour's ability to operate within its own stated fiscal envelope. At this stage, the pre-Xmas **HYEFU** (half year fiscal and economic update) and **BPS** (budget policy statement) are still most likely to emerge on **Thurs Dec 14**. However, with less than a month to that date, there is no certainty, suggesting feverish activity at the Treasury and in the Beehive to bring together a document capable of satisfying both the huge expectations of the new govt's change-embracing constituency (*see next item*), and business and financial markets observers seeking signals of stability at a time when international commentary – viz. this week's **Forbe's commentary** predicting recession and a loss of NZ's enhanced global position as the latest example – is quietly **raising the risk premium on NZ as an investment destination**.

The govt disappointed teachers unions this week on their pay claim, but confirmed a \$50 per week increase in student allowance.

Other signs of early caution are also creeping in: planting one billion trees is a target, not a plan; reducing immigration is not about numbers, but

quality; parts of the international education sector are not about to be shut down overnight.

These are not signs of capitulation or failure, but of a new administration getting to grips with the reality of govt versus the utopian aspirations of opposition.

That makes the pre-Xmas fiscal statement particularly important as a way for a govt currently still putting its Beehive team together to settle the terms on which it starts the new year.

A very buoyant public mood

UMR's right/wrong track measure of the national mood has long been a bellwether of political fortunes. The graph below shows the trends since 2013 and indicates a powerfully optimistic mood among NZers.

The **17% 'wrong track' reading is the lowest ever recorded in the series**, which has run since the mid-1980s and the 65% 'right track' is close to historic highs. This indicates a **substantial mismatch between the mood among professional Wellington-watchers and business audiences and the mood in the general public**.

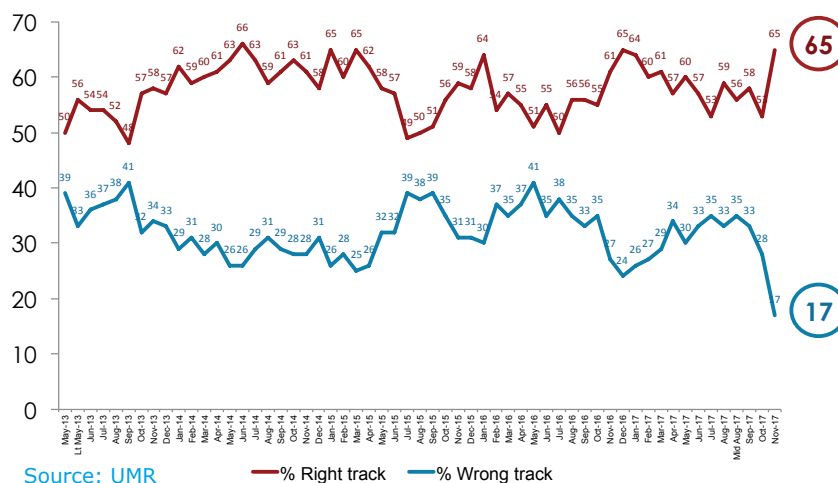
While commentators and some in the business community are already expressing scepticism about the new govt's capacities and agenda – pointing to particularly to a somewhat chaotic start in Parliament – the public honeymoon with the new administration is far from over.

Much of that is down to the PM, Jacinda Ardern, who has captured a mood for inter-generational change with a political persona described by one govt insider as **"the least cynical leader ... in 35 years in Australasian politics"** which they suggest is **"both deeply refreshing and very risky."**

A drumbeat of commentary anticipating a slump in the polls for the coalition is not reflected in the first reading post-govt formation from the traditionally volatile **Roy Morgan** poll. Taken between Oct 30 and Nov 12, immediately after the govt was formed, Labour was up 2.6 points to 39.5% and the Greens gained 3.7% to 10%. National lost 3.9 points to 40.5%, while NZ First slipped 2.2 points to 5%. Among early strong performers for the Greens has been Associate Transport Minister **Julie-Anne Genter**,

The mood

Generally Speaking are things in New Zealand heading in the right direction or are they off on the wrong track?



Source: UMR

— % Right track — % Wrong track

who has grabbed the road toll 'crisis' with both hands, giving her profile on a populist, non-Green issue that **helps establish the Greens as an active part of a govt of which they are only a support partner.**

Ardern's instinctive style

The risks are apparent in unintended gaffes caused by Ardern's unguarded, instinctive style. These can range from disclosure of personal anecdotes such as Donald Trump possibly mistaking her for Justin Trudeau's wife or her response to Trump's comment on her election that "no one marched in the streets".

They can also be seen in the instinctive ways she responded to developments on both TPP and Manus Island during her travel to APEC.

On TPP, she wrong-footed other leaders by immediately disclosing to the NZ media that Trudeau had snubbed a key leaders' meeting where Japanese PM Shinzo Abe had expected a momentum-building photo opportunity and signing ceremony. Aust media were initially briefed that it was no big deal while Canadian media were told it was a "scheduling mix-up".

On Manus, Aust irritation with Ardern was intense, despite her comments in Viet Nam being overblown by NZ media travelling with her. With mounting political difficulty at home, Aust PM **Malcolm Turnbull** believed he had put the refugees issue to bed when he met Ardern in Sydney the Sunday before APEC. Her repeatedly raising the issue – done at least in part to placate her left-wing constituency over her embrace of TPP – overshadowed Turnbull's own APEC agenda. That saw Aust diplomats and political operatives actively briefing against NZ. The ALP has weighed in on NZ Labour's behalf. **Bill Shorten** called Thursday for for Turnbull to **"please do the deal with NZ"**.

Ardern's instinctive style is part of her mass appeal. Examples: on her Asia swing, she spontaneously interrupted her official welcome in the Philippines to greet children dancing in 30 degree-plus heat producing spontaneous feel-good footage; and her much-photographed 'fan-girl' hug with Lorde at the NZ Music Awards on her first night back in NZ. **The line between calculated political choreography and genuine warmth is almost impossible to distinguish with Ardern. It may not exist.**

Govt mulling 'public interest' test for foreign investments

The Cabinet is actively considering extensions to Overseas Investment Act criteria, including a more

rigorous approach not only to the sale of sensitive and rural land, but also to the sale of other non-farming assets.

Among issues under consideration is the inclusion of a broad 'national interest' test, akin to that used in Aust and which saw Chinese investment in the Aust national grid blocked last year.

Detail is still in development, but it appears some essential infrastructure may not be able to be sold to foreign investors, even where it is already foreign-owned. On rural land, the intention appears to be to narrow the criteria under which sensitive land sales can occur, but to widen the Overseas Investment Office's powers to approve leaving fewer decisions in ministers' hands.

Two key things to note:

- the **OIO has yet to receive new instructions** from the govt outlining changes to its mandate, and **no ministerial delegations have yet been settled.** The Greens' Land Information minister **Eugenie Sage** will be one, but the associate finance minister who will be the other delegate has yet to be determined. As the Attorney-General and leading the OIA policy review, associate finance minister **David Parker will not get that delegation,** making **Shane Jones or David Clark** the most likely nominees.

Tax group's limited terms

'Fairness' and a commitment to a progressive tax system underpin the terms of reference for the Tax Working Group. However, a large number of possible solutions to the imbalance between tax on income and wealth are confirmed as off the table. While a land tax could be considered, it cannot apply to the family home or land beneath it; inheritance taxes are specifically excluded, as are income and GST rates. Two key areas where the TWG is to "have regard to" are housing affordability and "the interaction of the systems for taxing companies, trusts and individuals". The interaction of the income tax and transfer systems such as accommodation supplements and Working for Families will be considered separately.

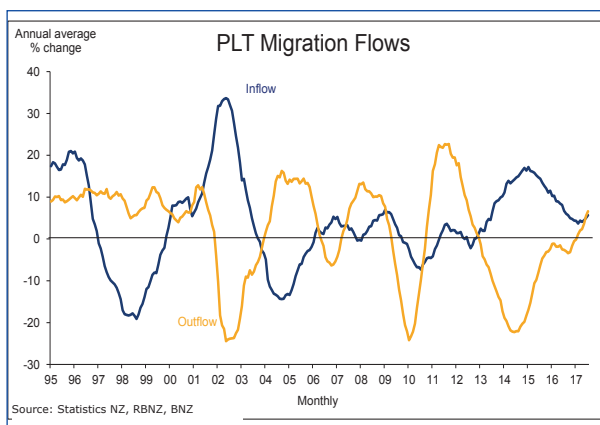
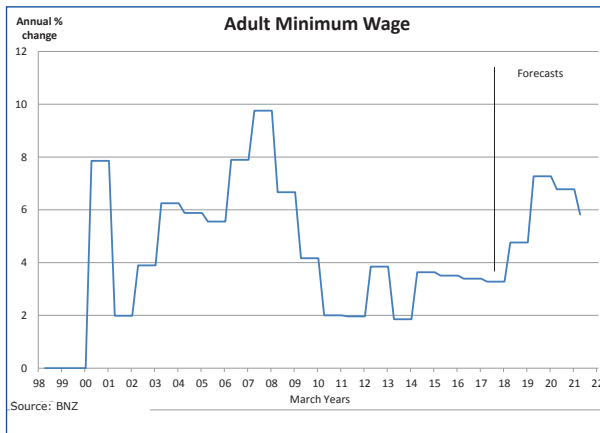
Getting the old band back together

Michael Cullen's appointment to chair the Tax Working Group is the latest example of the Ardern govt reaching back to the 1999-2008 Clark administration for ballast.

As noted in the last Hugovision, numerous former Labour advisers are populating the Beehive.

A fudge on GST on e-commerce

Applying GST to on-line purchases from overseas suppliers is politically akin to a capital gains tax – intellectually justifiable, probably necessary to level the playing field, and **poison with voters.**



Hence the slap-down for Revenue Minister **Stuart Nash**, who rashly proposed that GST would be applied, to the joy of domestic retailers and angst from thrifty shoppers with internet connections.

Guidance in the TWG press materials is opaque. "Any significant changes will not be implemented until the 2021 tax year," a Q&A document says, while noting "there may be some areas where work was already underway, such as **GST on on-line purchases**, where it may be possible to make progress ahead of that timeframe".

Pay equity joins labour relations agenda

The previous gov't's Employment (Pay Equity and Equal Pay) Bill was the consequence of the **\$2b pay equity settlement with aged care workers**. That settlement was trumpeted pre-election as a win for women in the workforce, but **the bill sought to thwart any repeat effort** by requiring employees to lodge such claims directly with employers and denying access to the courts. The bill was before select committee and there had been submissions on it but it has now been dumped and replaced (*see Legislation section*). A new approach to pay equity therefore becomes a further element in the **new gov't's extensive labour relations agenda**.

As the graphs to the left show, there is **pressure growing on remuneration on several fronts**. These include the increase to the adult minimum wage to \$20 an hour between now and April 2021, a spike in the cost of employing under-18 year olds by abolishing youth rates, and some pressure starting to emerge on total labour force numbers as permanent long term migration starts to head down.

This may in part reflect the tougher stance already in place on admissions of international students, who have work rights in NZ and count as long term migrants.

Pike River politics

The key difference between the last and the current gov't's approach to Pike River mine re-entry is control. Where the previous gov't said 'we know best' and declined a mine re-entry, the current gov't is setting up a dynamic that may allow the families of deceased miners who wish to enter the mine – and that is not all of them – decide it is too dangerous. That is **basic risk communications principle at work: empower the group experiencing outrage** and make them responsible. That is the only way the families will ever agree the task is impossible – an outcome the new gov't is clearly still contemplating by declining to "guarantee" re-entry. ■

Migration eases as more new migrants and kiwis leave

Annual net migration stood at 70,700 in the year to Oct, having peaked at 72,400 in the July year. The falling rate of increase was mainly caused by an increase in non-NZ citizen migrant departures, up 22% on the same month a year earlier to 27,400, although the overall increase was also driven by a net 72,100 non-NZ citizens arriving. Chinese migration continued to be the largest on a net basis, making up 9,600 of the 72,100 net arrivals, down 6.5% on a year earlier. Short-term visitor arrivals rose 8% to a record 3.7m in the Oct year.

Meanwhile, more NZ citizens are leaving the country than arriving, with a net outflow of 1,400 NZers in the year to Oct, although total arrivals were up 0.4% at 32,100 for the year while departures were 0.3% down at 33,600.

Confidence wanes

Consumer confidence fell to a seven-month low in Nov as households grew less optimistic about the economy's fortunes. The ANZ Roy Morgan consumer confidence index declined to 123.7 this month from 126.3 in Oct, falling for a second month while remaining at historically elevated levels.

Dairy prices ease again

Dairy product prices fell for the fourth straight auction on the Global Dairy Trade platform, prompting increased speculation Fonterra will lower its milk payout forecast. ANZ senior economist Phil Borkin said Fonterra may cut its forecast for 2017/18 early next month. ANZ's current forecast is \$6.25-\$6.50 per kilo of milk solids while ASB Bank is forecasting \$6.50 compared with Fonterra's last projection of \$6.75/kgMS.

Activity slows slightly

Services sector activity slowed marginally in Oct but was robust despite political uncertainty. The BNZ-BusinessNZ performance of services index fell 0.3 points to a seasonally adjusted 55.6 last month. The performance of manufacturing index fell 0.4 of a point to a seasonally adjusted 57.2 in Oct.

Real estate

Households have trimmed their expectations on whether property prices will rise, although they still anticipate higher consumer prices, a survey for the Reserve Bank survey shows. A net 7.3% of the 750 households surveyed by UMR Research expect house prices to rise, down from 40% in the Sept quarter survey. House prices are seen edging up 0.1% in the next year, less than the 2.8% increase seen in the previous survey. ■

Canada to follow US out of TPP?

Japanese press reports suggest Canada may walk away from the Comprehensive and Progressive Trans-Pacific Partnership, renamed at Canada's insistence at a leaders' meeting in Viet Nam on the margins of the APEC summit earlier this month.

That would take the grouping to just 10 economies, following the departure of the US in January after Donald Trump's election and increases the importance of Japanese market access to every other remaining member.

Canada's reluctance to proceed, and willingness to blow up the Viet Nam meeting's intention, appears directly related to its greater focus on the renegotiation of NAFTA, at the US's insistence.

NZ defence and security policy

Jacinda Ardern confirmed on Monday that the previous gov't's \$20b defence procurement programme would stand as would the broad proposals within the plan. At the **top of that list is a proposal to replace the six P3 Orion maritime surveillance aircraft** which were purchased in 1966-67. They have notched up some of the highest flying hours in the world, a lot of it at low altitude over the sea. They have been upgraded but are now near the end of their operational lives.

The Boeing 737-based Poseidon P8 aircraft is the Orion replacement of choice for the US, Australian and British air forces. The first of 12 Aust aircraft was delivered last November. In April this year, the **U.S. State Dept approved a possible sale of the aircraft** to NZ at an estimated cost of \$2.14b. That will need to be confirmed by NZ by the end of March next year.

In its election manifesto, Labour said it broadly supported the capability upgrades outlined in the 2016 White Paper, but reserved the discretion to examine whether the proposed purchases met capability requirements at the best value for money.

The **govt will be under some pressure from Aust to confirm the purchase**. The RAAF would offer training and maintenance assistance. Ardern and Malcolm Turnbull are understood to have discussed the issue when they met in Sydney before APEC, with Turnbull stressing the need for the interoperability of the two Air Forces, particularly in their joint maritime patrols monitoring fisheries compliance in the South Pacific.

Some resistance might be expected from Labour's left at such a large sum being allocated to the armed forces albeit that the maritime patrols serve a largely peaceful purpose. ■

CORPORATE ROUND-UP

Primary sector

Fonterra's domestic milk collection lifted slightly in October as weather conditions improved toward the latter half of the month. It collected 208.8m kgs of milk solids in Oct, up 2.3% on the same month last year, while the year-to-date collection increased 0.3% to 502.4m kgMS.

A2 Milk sales rose 69% to \$262m in the first four months of the year and net profit more than doubled to \$52.3m. The milk marketer told shareholders at the AGM that it continues to benefit from strong demand for its infant formula.

Kiwifruit grower **Seeka** raised its annual operating earnings guidance after improved performance across most of its businesses, but warned it will take an impairment on the goodwill of its banana ripening and supply business of between \$1.75m and \$2.5m after the loss of a customer.

Innovation and technology

Air NZ is to experiment with **blockchain** technology to simplify and lower the cost of routine customer transactions. It is partnering with Winding Tree, a Swiss blockchain tech start-up that uses the **Ethereum** crypto-currency platform and which is already providing transactional authorisation services to **Lufthansa**. Air NZ cited flight and other bookings crossing borders and involving multiple currencies as being among the types of transactions blockchain verification could streamline.

Pushpay says it's planning on a US listing and likely a capital raising within the next 15 months, but the mobile payments app company doesn't plan to delist from the NZX or ASX. Its first-half loss widened to US\$12.5m from US\$11.3m a year earlier as revenue more than doubled to US\$29.7m.

Serko turned to a first-half profit of \$1.1m from a year-earlier loss of \$2.1m as the online travel booking software developer boosted trading revenue 30% to \$9.1m and reined in spending. It is seeking new international markets. Operating costs dropped 12% to \$8.5m.

Media

NZME should revisit the terms of its merger proposal with **Fairfax NZ** if the courts overturn the Commerce Commission's rejection of the transaction, says **First NZ Capital**. NZME has performed better than Fairfax, has a more resilient portfolio of assets because of its radio station network, and should not be paying a proposed \$55m to Fairfax as part of a deal that would give it a 41% share of the merged entity. FNZC sees NZME capable of continuing to earn reasonable margins but to be producing ebit at

half current levels by 2030 and to stop publishing physical editions of its newspapers by 2027. It poses the question whether NZME's emerging digital businesses should support a news operation, since they are capable of standing alone. **The Main Report Group** of companies, which publishes the long-running **Trans Tasman** political newsletter, faces an application for liquidation from the **IRD**. The newsletter has been published weekly since 1968.

Corporate actions

Singaporean logistics firm **Yang Kee Logistics'** \$55.4m, or \$1.22 per share, offer for NZX-listed logistics firm **Fliway Group** is at the upper end of an independent valuation range, and unless a better bid emerges the pros outweigh the cons, according to an independent evaluation by KordaMentha, which values Fliway's shares at \$1.04-\$1.24.

The settlement date to sell **Energy Mad** to **Ecobulb** has been delayed until February next year from Nov 17 to give the buyer more time to meet conditions. The energy efficient light bulb maker reported a six-month loss of \$29,753 from a profit of \$1.54m a year earlier and said inventory "is being liquidated in a difficult market."

Xero CEO and founder **Rod Drury** sold 3m, or \$94.5m, of shares in a placement to institutional and professional investors at \$31.50 apiece in his biggest transaction since taking the company public in 2007. Drury is still Xero's largest shareholder at near 13%.

Fletcher Building's building products division chief executive **Matt Crockett** has resigned to take up a role with a global consulting firm.

Chch rebuild

The govt has called a halt to **Christchurch's multi-sports centre** project after learning its cost had blown out by \$75m to more than \$300m. While the city is still expected to get the same or a similar range of sporting facilities, Christchurch Recovery Minister **Megan Woods** has requested an urgent review of options for the project.

Capital markets

NZX is renewing its focus on its core market platform in what the stock market operator calls a "fundamental reset" of the business to drive shareholder value and reinvigorate NZ's capital markets. The new strategy comes after a five-month review.

First NZ Capital agreed to buy ANZ Bank NZ's online trading platform for an undisclosed sum and has developed a distribution relationship with the lender. First NZ will return the business to its previous name of Direct Broking and test the waters

with customers about what products it should be offering with its new foray into direct wealth, says CEO **James Lee**.

Banking and finance

Heartland has affirmed a 2018 profit forecast of between \$65m and \$68m in the year ending June 30 2018. Asset growth is expected to continue in the first quarter of next year, while cheaper wholesale funding has offset increased competition for retail deposits.

Rabobank NZ CEO Daryl Johnson has resigned, less than two years after taking over the reins of the rural lending specialist.

Retail

Kathmandu said first-quarter earnings rose despite sales dipping as it widened margins by selling less discounted stock. Sales rose 0.6% at constant exchange rates but dropped 1.6% on a same-store basis, it said, without giving more details. Aust same-store sales rose 2.9% while in NZ they fell 10%. Gross margin rose 2.4 percentage points, with the level of clearance stock about 40% lower than in the year-earlier period.

Manufacturing

Fisher & Paykel Healthcare posted a 4% gain in first-half profit to \$81.3m as revenue gained 8% to \$458m. The result included \$12.2m of patent litigation costs for its dispute with rival Resmed, up from costs of \$2.4m a year earlier. Excluding legal costs, profit would have gained 13%.

Juken NZ is to defend court action taken by rival **Red Stag Timber** over its J-Frame product, which it says is an attempt to remove the growing competitive threat of laminated lumber. Red Stag, which operates the country's largest sawmill, alleged in the Auckland High Court that Juken breached the Fair Trading Act by mislabeling its J-Frame laminated veneer lumber, failed to comply with the building code for structural timber, and misled customers.

Metro Performance Glass reported a 2.6% gain in first-half profit to \$11.8m as sales rose 22% to \$142m, driven by a full six-month contribution from **Australian Glass Group**, acquired last year for A\$43.1m. The company kept its full-year profit forecast broadly unchanged in a range of \$18.5m-\$20m.

US flooring manufacturer **Mohawk Industries** has agreed to buy Australasian carpetmaker **Godfrey Hirst**, which acquired failed rival **Feltex** more than a decade ago. No price was disclosed. The deal is expected to complete in the first half of 2018 and is

reportedly valued at A\$500m.

Food and beverages

Wellington-based craft brewer **ParrotDog** is seeking to raise up to \$1.4m in its second round of equity crowdfunding through PledgeMe. It is offering shares at \$1.40 apiece and will sell up to 1m shares or 7.75% of the company.

Renaissance Brewing has attracted 10 parties interested enough to undertake due diligence on buying the craft beer maker with bids due by the end of this week, say its administrators, who put it up for sale.

Foley Family Wines, which is controlled by US businessman Bill Foley, has bought **Mt Difficulty Wines** for about \$55m, subject to Overseas Investment Office approval.

Health and retirement


Arvida Group's first-half profit fell to \$14.5m from \$19.4m a year earlier after it booked a smaller valuation gain and faced higher employee costs after a pay equity deal. Revenue rose by \$13m to \$60m, underpinned by growth in care fees, which represent more than 70% of sales.

Commercial property

Investore Property, spun out of **Stride Property** last year, said first-half profit more than tripled to \$11.6m as acquisitions boosted rental income and it benefited from lower finance costs. Net rental income rose to \$22m from \$13.3m. Separately, Stride plans to spend \$43m transforming an Auckland bottling plant into a logistics site for the country's biggest rubbish collection and recycling firm, **Waste Management NZ**.

Argosy Property posted a 58% decline in first-half profit to \$23.4m listed property investor reported a little-changed portfolio valuation after several years of gains, and took in less rental income.

Kiwi Property Group lifted first-half profit 5% to \$47.9m as the listed property investor's rental portfolio benefited from new tenants, offsetting a little changed value for its portfolio. Rental income rose 9.4% to \$95m due to full contributions from H&M and Zara at the Sylvia Park shopping mall in Auckland, and the acquisition of Westgate Lifestyle and The Base in the prior period.

Christchurch City Holdings Ltd (CCHL), the investment arm of the city council, plans to sell as much as \$150m of five-year bonds, using the money to pay special dividends that will contribute to the city's infrastructure investment. It marks the first 'retail' bond offered by the investment company. 

LEGISLATION

All old Bills reinstated, bar four

The govt decided to **roll over all bills from the last Parliament with just four exceptions**. The most notable not to be reinstated was the Employment (Pay Equity and Equal Pay) Bill (*see separate item in Politics and Policy*). Other bills to be wiped had been around for some time without progress. They were Rodney Hide's **Regulatory Standards Bill**, Peter Dunne's **Taxation (Income-sharing Tax Credit) Bill** and the **Insolvency Practitioners Bill**, which stalled following report-back in 2013 after lobbying.

All reinstated bills return in the same stage as they were at in the last Parliament. Those before select committees have been assigned a **new reporting deadline of March 29, 2018**, although these could change again. No new select committee is bound by the position of its predecessor in the last Parliament.

Parliamentary business

The first two weeks of the new Parliament were mainly taken up with the **Debate in Reply to the Speech from the Throne**. This allowed MPs to make their maiden speeches. It also **masked the new govt lacking legislation for its programme**. This week the House was adjourned and next week resumes for four weeks with the last scheduled sitting day Thursday Dec 21.

It is expected the govt will roll out more of its legislation associated with its "first 100 days" programme. This is likely to include repeal of the tax cuts the last govt legislated to take effect next year and the new govt's plans to extend Working for Families and other policies. Next week will be the first Members Day and will be a chance to see what sort of bills this crop of backbenchers and National MPs put into the ballot. The govt may also take some time to make progress on non-controversial bills reinstated from the last Parliament.

- *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

Parental Leave and Employment Protection

Amendment Bill: *Introduced under Urgency on Nov 8 and completed its first and second reading on the same day. The Bill increases paid parental leave to 22 weeks from 1 July 2018, with a further increase to 26 weeks*

from 1 July 2020. Only ACT voted against the bill. Labour, NZ First, Greens voted against a National amendment allowing parents to share the entitlement and use it at the same time. They said the amendment was flawed and needed further work, but was an issue worth considering in a future govt bill. Committee stage completed on Nov 15.

Bills in progress

Healthy Homes Guarantee Bill (No 2): In the name of Andrew Little. *Adopted as a Govt Bill and began its committee stage on Nov 15. Amendments introduced by the govt changed the bill, which will now enable the govt to set standards for rental housing quality through regulations yet to be developed. The bill will commence on 1 July 2019 and all residential tenancies must comply with the regulations within five years of this, though earlier compliance dates may be prescribed by regulation.*

Select Committees

The parties forming or supporting the Govt have a majority on four of the 12 subject committee, while numbers are tied on the other eight plus the Regulations Review Committee. **There had been some expectation that National would have a majority on some committees, but this has not happened.**

The parties forming or supporting the govt have a majority on: Education and Workforce, Environment, Social Services and Community, Transport and Infrastructure.

Numbers are tied on: Economic Development, Science and Innovation, Finance and Expenditure, Foreign Affairs, Defence and Trade, Governance and Administration, Health, Justice, Māori Affairs, Primary Production, Regulations Review.

The prospect of tied select committees could make life difficult for the govt, but **National is only likely to use its numbers and five chairing roles to make mischief on major issues**. For instance, on tied committees National could refuse amendments to bills and they would not be made. In the event of ties, **select committee chairs have no casting vote**, adding to the pressure for select committees to run on a collegial basis with the majority of business completed by agreement and consensus.

There is also nothing that a select committee can do (or not do) to a bill which cannot be reversed by the House.

Despite this the govt will need to carefully manage the relationships between Labour, NZ First and the Greens. As National will be able work with other parties to form a majority on issues outside the parties' govt formation agreements. This is more likely with the Greens who are only a support party.

Details are now in the members-only section of The Hugo Group website: www.thehugogroup.com. 