HUGO*vision*

Assessing the economic and political environment in New Zealand

December 15 2017 | **Confidential to HUGO members**

Singapore stunned by treatment over housing ban

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One of NZ's best and longest-standing friends in the region, Singapore, is stunned by the govt's handling of the ban on foreign purchases of existing housing, which is a breach of the NZ-Singapore FTA. Wellington expects a renegotiation but Singapore expects to be treated like Australia under CER, and be exempted.

Fiscal & economic update – robust, if growth forecasts are right

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The Labour-led govt's half year fiscal and economic update projections look respectable, and not markedly different in broad outline from what the previous govt would have been happy to table. The difference is in the new administration's policy priorities and questionmarks over whether it has sufficient headroom to afford so far uncosted policies, especially if growth comes in below the Treasury's reasonably bullish forecasts.

Next generation telco bunfight – opening salvoes

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Deployment of 5G mobile technology is unlikely to start in earnest until early next decade, but a suggestion from Chorus that a shared, govt-assisted approach to its roll-out sparked an incandescent response from Spark and Vodafone.

Who will lead TOP?

The founder and funder of The Opportunities Party, Gareth Morgan, has listened to the feedback and is supporting a process next year to select a new party leader. The most likely candidate, the telegenic and eloquent deputy leader Geoff Simmons, is taking the first half of the year to decide whether to throw his hat in the ring.

Special soils to be recognised in NPS

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The politically unappealing prospect of the rich volcanic soils used for market gardening south of Auckland disappearing under new suburban subdivisions is sparking govt discussion of a National Policy Statement to protect so-called 'special soils'.

Extractive industries face reality of an unenthusiastic govt

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It should come as no surprise to the extractive industries – mining, oil and gas – that a govt heavily influenced by the Green Party and a new generation of Labour MPs concerned more about climate change than the previous govt should be unenthusiastic about expansion in their sector. However, the reality of that positioning is starting to take shape, with intensive agriculture seen almost in "extractive" terms also.

Season's greetings

Thank you to all Hugo Group members for your engagement this year. This is the last issue of HUGO*vision* for 2017. The first issue of the new year will be on Jan 26.

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Housing ban strains Singapore relations

The Singaporean govt is contemplating retaliation against NZ if its citizens are not exempted from the ban on foreign purchasers buying existing NZ homes in the same way as Australians are.

One of this country's closest diplomatic allies, Singapore signed its first FTA with NZ back in 2001 and has been NZ's strongest supporter in ASEAN for many years.

It is deeply aggrieved that it learnt through the media that the NZ govt would breach the Singapore FTA with the housing ban and is now confused and further irritated by the way Foreign Minister Winston Peters has played the issue subsequently.

Peters told Parliament this week that, in a meeting during the recent APEC/ASEAN summit trip to Viet Nam and the Philippines, his Singaporean counterpart had explicitly ruled out discussing the issue because he believed there as a solution in train.

However, that solution – to treat Singaporeans the same as Australians and exempt them from the ban rather than breach the two countries' FTA – has not been delivered.

In fact, it appears Peters blind-sided MFAT officials who included such a recommendation in a Cabinet committee paper for Trade Minister David Parker last week. Instead of backing that advice, Peters argued against it and was backed in turn by the PM, Jacinda Ardern.

To complicate and make matters worse, Housing Minister Phil Twyford and Land Information Minister Eugenie Sage intimated at their press conference unveiling the housing ban legislation amendments this week that the Singapore FTA was in the process of being renegotiated and that if that was unsuccessful, an exemption for Singaporean purchasers was a likely outcome.

In other words, the govt has simultaneously offended a close international friend while opening the way to humiliate itself by offering that friend the opportunity to refuse an FTA renegotiation.

The incident smacks of govt inexperience in the same vein as Ardern's potentially damaging pursuit of the Aust govt over Manus Island detainees and of Peters's bumbling promise to release a coalition negotiation background document, which the Ombudsman now agrees is not subject to the Official Information Act and which Ardern does not want made public.

Difficulty ahead for extractive industries

While the new govt's fiscal and monetary policy settings are emerging very much as expected, its markedly less supportive approach to extractive and land-based industries is emerging as a defining characteristic by comparison with the previous govt.

The mining sector is deeply concerned that coal mining in particular, but also gold and other hard rock mining, will be confined largely to existing consented sites or to areas which are not on conservation land. Given the preponderance of mining sites, both developed and undeveloped that are either on conservation land or require access through it, the scope for new mines appears very limited under the current govt.

It remains unclear whether consented sites which lack access agreements will be able to go ahead. The test case is Te Kuha, on the West Coast, which was consented in late November, but which requires access through conservation land.

Elsewhere, oil and gas interests are getting a strong signal that while they are acknowledged as jobs-rich, highly productive and that fossil fuel transition is a reality, they cannot expect the current administration to cut them any slack.

Pastoral farming is almost in the same boat because of the extent to which the dairy industry, in particular, is regarded by the governing parties – Labour and the Greens perhaps more than NZ First – to have squandered its social licence to operate.

The exception is forestry, which will be encouraged because of its potential to contribute to carbon sequestration. However, tensions are likely to emerge over the extent to which the "billion trees in 10 years" target will promote mono-cultural pine plantation, with potential environmental downsides.

NPS on special soils

In response to food industry lobbying and the unfortunate political optics of new South Auckland housing estates sprawling across prime volcanic horticultural land, the govt has begun work on a National Policy Statement on Special Soils. While the market value ascribed to land on the Auckland periphery is highest when applied to housing rather than agricultural use, the issue is clearly one that has troubled the govt as politically unwinnable.

Emotions high as 5G debate kicks off

Spark and Vodafone issued incandescent reactions to a suggestion by Chorus ceo Kate McKenzie that a govt-backed UFB-style model should be considered for 5G mobile technology.

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Sound fiscal outlook – but pressures abound

The govt published a set of updated Treasury forecasts in the half-year fiscal and economic update that the previous National-led govt would not have been unhappy to unveil.

Apart from a slightly slower debt repayment track, the difference between the two govts lies mainly in their political priorities. Labour wants to assist lower income NZers and to spend more on most public infrastructure, other than roads, than National would.

At face value, the money is there to do it, the economy is robust, and the Labour-led administration is already operating within its self-imposed budget responsibilty rules.

However, the outlook produced in yesterday's HYEFU and accompanying Budget Policy Statement rests on two key caveats:

- will the growth forecasts that underpin the forecasts be met? and
- is there enough opex and capex headroom in the forecasts to meet what appears to be an expanding list of demands on the public pursue, some of them low value?

Highlights of the HYEFU include:

- Economic growth averaging 2.9% over the next five years, peaking in 2018/19 at 3.6%;
- a Budget surplus projected to hit $8.8b, or 2.5% of GDP, in 2021/22. Note, however, that the macro and fiscal forecasts use slightly different GDP baselines. The fiscal ratios have used the upward historical revisions to nominal GDP recently published by Statistics NZ. That has the effect of lowering the various ratio measures, including revenue, expenses, and debt, making the govt's fiscal targets a little easier to hit for now. The macro-economic forecasts don't yet use those revised GDP figures. It's not a huge difference, but is worth noting. Also worth noting is that the larger surplus banked in the last fiscal year has given the govt a little extra headroom too ;
- net Crown debt falling comfortably to below 20% of GDP in five years;
- unemployment at 4% by 2020/21;
- and a sharp increase in GDP per capita from 0.5% growth in 2016/17 to 1.7% in 2018/19;
- nominal wage growth averaging well above 3% for the next five years;
- inflation rebounding to an annual rate of 2.2% by 2020, while 90 day bill rates roughly double to around 4% by then, with the neutral nominal 90-day rate forecast to be 4.5% by June 2022;
- the current account deficit rises from 2.1% of GDP this year to 3.9% in 2021 - higher but still manageable;
- ongoing expectation that net inward migration will drop from over 70,000 a year at present to the long-run average of 15,000, although the Treasury has a project to review that assumption in coming months;
- the TWI is assumed to fall from 76.5 at present to sit flat at 73.8 throughout the forecast period to mid-2022.

Much, however, rests on those growth assumptions being met. They rely on ongoing strength in key export commodity prices, a surge in construction activity spurred in part by the KiwiBuild programme, and rising labour force productivity.

If the economy underperforms, the already fairly slender margins of spare opex and capex to meet a very wide range of so far uncosted, but announced policies will become very stretched.

Unallocated operating allowances of $2.6b are built into Budget 2018, while the next four Budgets have $1.875b available. That is not a lot of wriggle room to meet competing demands for higher public sector pay, particularly from the education and health sectors, or other cost pressures that could come to bear beyond policies already on the books, such as increasing police numbers.

Unallocated capex is also tight, particularly if Auckland transport infrastructure and defence capex needs continue to balloon as they have been. The HYEFU adds a further $500m to the cost of the Auckland Transport Alignment Project, which could top out now at $6.5b. No allowance yet exists for the promised Dunedin hospital rebuild of Waikato University's School of Rural Medicine, let alone for both air force and naval upgrades that National signalled but did not budget for.

Total unallocated capex allowances sit at $3.4b a year for the next two Budgets, falling to $3.1b and $2.7b in the subsequent two. At least $1b a year of the first three years is already pre-committed to Shane Jones's Regional Development Fund.

Slower growth would also tend to keep interest rates lower for longer, as the central bank's response would be more muted.

So the big question is whether funds for the remaining govt policy, yet to be specifically allocated, can fit within these new allowance bands. As much as the HYEFU held its shape remarkably well, the real test will be the next Budget.

Living Standards Framework

Along with creating all-of-govt KPIs to reduce child poverty, Robertson made clear the new administration would also be moving to actively adopt the Treasury's Living Standards Framework alongside traditional measures of GDP growth, to attempt a more holistic approach to measuring national well-being to cover: natural capital, human capital, and social capital as well as financial and physical capital.

Labour market shifts

The HYEFU notes that the combination of the families package income boosts for beneficiary families, and the removal of sanctions against beneficiaries judged not to be seeking work actively, could lead to a reduction in total numbers seeking work, and in some increase in the cost of the social welfare system. Labour force participation is forecast to decline from 71.1% at present to 69.8%, still high by OECD standards, by mid-2022.

DOMESTIC ECONOMY

Confidence/activity at odds – in manufacturing, at least

Businesses are **heading into 2018 with less confidence** than in 2017 and the tight labour market is the number one headache for employers, a survey by the Employers and Manufacturers Association has found. Businesses expecting conditions to improve dropped to 24% from 47% in the prior survey, and those expecting conditions to worsen increased to 28% from 4%.

By contrast, however, the BNZ - BusinessNZ Performance of Manufacturing Index **(PMI)** showed a bounce back to Sept levels of activity in Nov, at 57.7, seasonally adjusted. That's up 0.4 points on Oct and continues a tight band of expansion in the last four months. The sector has remained in expansion in all months since Oct 2012. The **sub-index value for production (62.1) was at its highest level since July 2013**, while finished stocks (57.5) was the highest recorded since the survey began.

Manufacturing

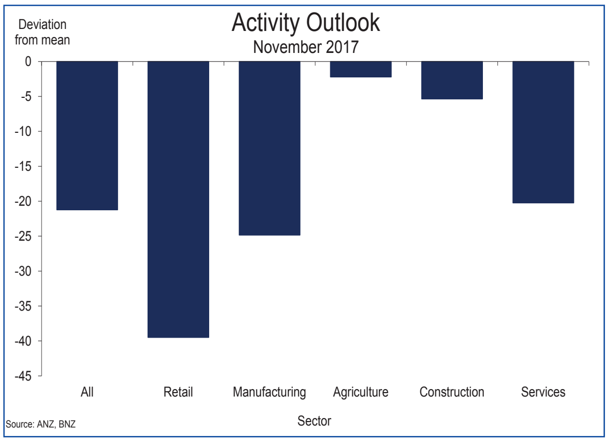
Manufacturing sales volumes were boosted by chemical and plastics makers and transport equipment producers in the Sept quarter, a period when leading indicators showed firms remained optimistic in the run-up to the general election. The volume of all manufacturing sales rose a seasonally adjusted 0.3% in the three months ended Sept 30, while the value increased 0.5%.

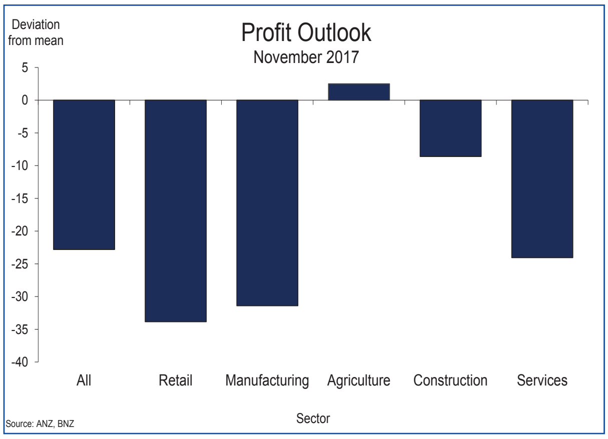
Agricultural outlook

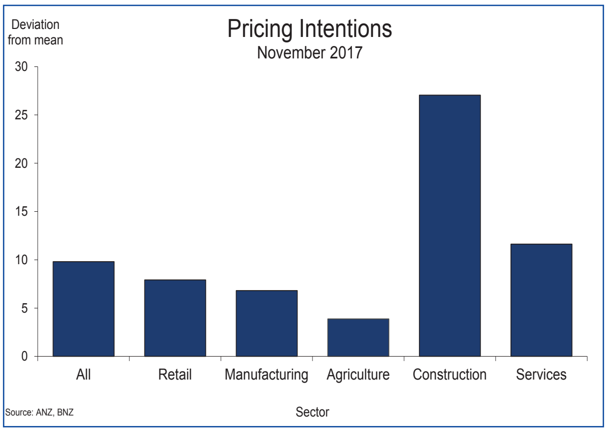
Ministry for Primary Industries' Dec quarter situation and outlook forecasts predict **primary industry exports** will rise an annual 8.5% to $41.35b in the year ending June 30, 2018, driven by a 15% gain in dairy exports to $16.84b, much of which is expected to be in value-add products such as butter. Meat and wool exports are seen rising 4.2% to $8.71b, forestry up 3.2% to $5.66b and horticulture seen rising 5.2% to $5.42b on growth in gold kiwifruit volumes and sauvignon blanc wine sales to the US.

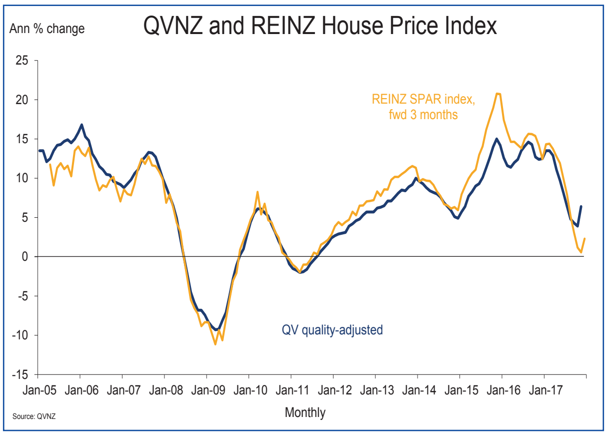
Trading banks have begun to offer farmers relief and advice in drought-affected areas of the country, amid concerns that dry weather so early in the summer period may herald **drought** conditions.

NIWA reports o**cean temperatures around NZ are 2 degrees Celsius warmer than usual for this time of year, and up to 6 degrees warmer off the West Coast**. In some cases sea temperatures are even above historical ranges. The implications are unclear for the economy, but these are extreme patterns that we will be continuing to monitor.









Economic indicators

Retail spending on electronic cards rose in Nov, boosted by higher fuel prices and as the US Thanksgiving 'Black Friday' holiday bargains gain international traction. Seasonally adjusted total retail spending on credit and debit cards rose 1.2% last month. Total spending, including non-retail industries, rose 1.4% on the month after rising 0.7% in Oct.

Wholesale trade continued to increase in the third quarter, the sixth consecutive quarterly rise, though gains in most industries were partly offset by vehicle sales dipping from recent highs. Seasonally adjusted sales gained 1.1% in the three months ended Sept 30 from a 1.7% rise in the June quarter.

Guest nights rose 4.8% in Oct to 3.15m as demand was bolstered by good weather, a longer ski season and more school holidays. Guest nights in the North Island rose 2.5% while South Island guest nights climbed 8.4%. Of that international guest nights rose 7.4% in the South Island and 2.9% in the North.

Real estate

The housing market showed **signs of rebounding** activity in Nov, with the number of properties sold up 17.8% to 6,893 on the month, although down 8.9% on the year. Excluding Auckland, the gain was 19.3% while for Auckland the volume of sales rose 13.9%. The REINZ house price index rose 0.3% month-on-month to a record 2,663.

Annual property value growth accelerated in November, according to Quotable Value. Property values rose at an annual pace of 6.4% in the QV house price index, and gained 3.6% in the three months ended Nov 30 to a nationwide average value of $664,698. That's 60.4% above the previous market peak of late 2007.

Kiwi dollar outlook

The NZD has been re-rated lower in recent weeks, but that period may now be over, with projections for the year ahead suggesting the currency will remain flat around USD 0.68-0.70, with perhaps the occasional push into the low into the low USD 0.70s, as was seen this week. Such rallies are expected to be short-lived, while a dip as low as USD 0.66 sometime through the next year is conceivable. Informing this view is the sense that we may be at the top of the current global economic cycle, with forecast world growth in 2017 the strongest since 2011 but likely to flatten off. Reflecting this dynamic, NZ's terms of trade reached a record high in the Sept quarter and may be expected to fall from here, although the Treasury remains bullish for dairy prices.

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McKenzie characterised such an approach as logical in a relatively small market, suggesting a shared network would improve the economics of 5G, which is expected to require far greater density of cell sites, which could also raises spectrum allocation and public amenity issues such as visual pollution.

However, the three owners of existing national mobile networks saw that as a power grab by Chorus, insisting there is none of the market failure that justified the Crown-led separation of Chorus from the old Telecom (now Spark) in order to accelerate the nationwide installation of fibre-optic cable rather than allow the network owner to favour greater longevity for the existing copper network.

"Fibre broadband is seen as a race to the bottom," said one spokesman for a mobile telco. "At least in mobile, there's competition."

The fundamental objection to the Chorus proposal relates to the mobile operators' views of Chorus's regulated prices for fibre access, which they say stifles competition and makes it difficult to offer services at attractive margins. This is informing the efforts by mobile operators to offer mobile broadband as an equivalent alternative to fixed fibre services.

For its part, Chorus is focused on converting the maximum possible number of customers to fibre in the belief that the product is inherently "sticky". Once a customer experiences the speed and reliability of fibre, they are disinclined to switch to a mobile alternative, says McKenzie.

The mobile operators might agree to a shared network approach in remote, rural areas, and some media speculation suggests they might partner in more attractive parts of the market to jointly fend off Chorus.

The debate has some way to run, with widespread deployment of 5G not expected before the early 2020s. Both Spark and Vodafone were reported earlier this year to be in no rush to implement 5G while standards are evolving and their investment in 4G technology is still fresh.

Capital challenges: frigate cost blow-out

The cost blow-out from $491m to $639m to upgrade two ANZAC frigates was being contested by the previous govt with its supplier, Lockheed Martin. An Australian consultancy with a limited track record in defence work is understood to have advised NZDF on the lowball original estimate. Where the previous govt was attempting to negotiate with Lockheed, the new govt elected to settle the issue quickly.

CORPORATE ROUND-UP

Pre-Xmas rush for the exit

Several CEOs hung up their hats just before Christmas. The CEOs at **Ebos, Patrick Davies, A2 Milk, Geoff Babidge**, and **MetroGlass's Nigel Rigby** all announced their resignations with replacements to be sought. MetroGlass has consistently disappointed investors since listing in 2014. At Ebos, Davies will be replaced by CFO **John Cullity** next March 31, while **Jetstar** ceo of the last five years, **Jayne Hrdlicka**, will take over at A2. MetroGlass has begun a CEO search.

Also new to the C suite is **Deion Campbell**, who will replace **Robert Farron** at **Tilt Renewables** in 2018.

Also on the move is NZ Superannuation Fund CEO **Adrian Orr** will leave the post he's held since 2007 to replace Graeme Wheeler as Reserve Bank governor, starting in late March 2018. Finance Minister Grant Robertson will sign a new policy targets agreement with Orr in March, by which time the first phase of the govt's Reserve Bank Act review should be completed.

Innovation

Fliway Group shareholders have backed a $55.4m takeover offer from Singaporean logistics firm Yang Kee Logistics, which will see another company leave the NZX. Almost 99% of votes cast at a special meeting were in favour of the $1.22 per share offer, which was at the upper end of the valuation range by independent adviser KordaMentha.

ERoad raised $15.5m through a placement at $3.04 a share, a 4.7% discount to its average price over 5 trading days. About $5m of the total came from NMC Trustees, which is associated with CEO **Steve Newman** and now holds a 21.7% stake.

GeoOp is planning a capital-raising in the new year after abandoning plans to list on the ASX, which saw directors raise $1.7m.

Primary sector

The **Ministry for Primary Industries** reported four new properties have tested positive for the bacterial cattle disease Mycoplasma bovis, including the first outbreak in the North Island, and it strongly suspects a fifth property may also be infected. So far 3,500 animals have been culled.

MPI is also to undergo a **formal separation** of its fisheries, forestry, bio-security and food safety arms, in line with Labour Party policy. However, **the split appears more cosmetic than expected**, with MPI ceo Martyn Dunne remaining in place at the head of the ministry. Forestry operations will be re-headquartered in Rotorua.

Fonterra cut its forecast farmgate milk price citing weaker global dairy prices and increased production and skim milk stockpiles in Europe. The payout forecast was cut to $6.40 per kilogram of milk solids, within the range expected by economists, from the $6.75/kgMS forecast in Sept. The cooperative also followed through on its work into the impact of palm kernel expeller **(PKE)** on the composition of fat in the milk it collects with a grading system that will start in Sept 2018. The company has developed a fat evaluation index **(FEI)** that measures the fat composition of milk it collects from its farmers to ensure it meets manufacturing requirements. From Sept next year, it will impose demerits on milk that doesn't measure up. The biggest issue, or "key influencer", has been excessive use of PKE, the waste product from palm oil production.

Dairy product prices rose at the Global Dairy Trade auction, increasing for the first time in five auctions, amid expectations that dry weather conditions in NZ might ease milk production. The GDT price index rose 0.4% from the previous auction. Some 29,514 tonnes of product was sold, down from 35,042 tonnes two weeks ago. Whole milk powder gained 1.7% to US$2,830 a tonne.

Moana NZ, the iwi-owned company that owns half of Sealord Group, posted a little-changed full-year profit of $19.27m as improved returns from ready-to-eat products and aquaculture was offset by a weaker performance in fin fish and lobster. It will pay a record dividend of $9.7m, up from $8.2m the previous year.

Food and beverages

Mānuka honey will be given an official marker under a new testing regime issued by the Ministry for Primary Industries, as the UK recognises NZ's rights to the name. The mānuka honey industry is worth about $180m a year but until now products that could be sold as mānuka honey haven't been regulated. The definition was criticised in some quarters for failing to include an active ingredient, leptosperin.

Delegat Group lifted its 2018 earnings guidance, saying it's benefiting from sales growth and a weaker kiwi dollar. Operating profit in the 12 months ending June 30 2018, is expected to be $40.7m, up from the forecast it gave with the release of its 2017 results in Aug when it said profit would be in line with 2017's record $38.5m.

Tegel Group increased sales and recorded an improved gross margin in its first half, while higher expenses pushed profit down 2.3% to $14.8m. It is still aiming for an improved full-year result on an underlying earnings basis. Sales rose 2% to $302m as Tegel lifted processed poultry volumes by 0.8% to 48,676 tonnes.

Rangatira Investments has taken a 50% stake in specialist cookie retailer **Mrs Higgins**, and will help bankroll a new manufacturing plant due to open in February as well as further expansion. No price was disclosed.

Transport and logistics

Napier Port is considering a partial NZX listing as one of several options to fund its $125m wharf expansion plans. The port lifted net profit to a record $16.7m this year as the Kaikoura earthquake meant it benefited from atypically high cargo volumes caused by the closure of Wellington's port and it wants to expand so it can handle larger tourism and trade ships. Revenue rose 19% to $86.7m. It paid a $10.7m dividend to the Hawke's Bay Regional Investment Co, up from $7.9m in 2016, and invested $18.7m in capital projects and equipment.

Telecommunications

Cambridge-based start-up **Nyriad** has joined forces with Spark NZ's cloud service provider **Revera** to pilot a programme for Kiwi organisations to manage sensitive data using blockchain technology. Nyriad was founded three years ago as the first commercial spin-out of the Square Kilometre Array, a large multi-radio telescope project.

Aust fund manager **L1 Capital** has been granted approval to boost its **Chorus** stake to as much as 15%. The Melbourne-based company held 9.6% of Chorus as at Oct 2 and has been granted govt approval to rise above the 10% Kiwi share restriction, which was carried over to Chorus after its demerger from Telecom Corp, now Spark NZ, in 2011.

Health and retirement

Vital Healthcare Property Trust has bought Eden Rehabilitation Hospital, a 48-bed private inpatient rehabilitation hospital and medical centre in Cooroy, Queensland, Aust, for A$23.8m as part of its ongoing diversification strategy.

Energy

OG Oil & Gas has received approval from the Overseas Investment Office for its bid to acquire 70% of **NZ Oil & Gas.** The announcement prompted the consequential resignation of chair **Rodger Finlay** and director **Duncan Saville.** Saville is chair of Zeta Resources which had fielded a rival offer for NZOG.

Media

NZME director **Peter Cullinane**, a former ad man who founded Lewis Road Creamery, has been confirmed chair of the media group, while ex-investment banker David Gibson has been appointed to the board. The appointments follow the sudden departure of former chair John Anderson.

Fairfax Media's NZ assets returned $18.2m in the year June 30, from a loss of $56.1m a year earlier following masthead writedowns.

Courts and regulation

Fisher and Paykel Healthcare has extended its patent fight with ResMed to Aust, seeking damages and injunctions to halt sales of its rival's products that it says infringed four patents. The proceedings in the Federal Court of Aust against ResMed and several related companies seek "a range of remedies, including damages and injunctions preventing the manufacture and sale of these products by ResMed in Australia," it said.

A2 Milk has settled a court case in Aust with its rival Lion Group. The terms of the settlement are confidential. A2 had taken Lion to court over its milk brand's use of A2 protein claims, seeking an injunction and damages.

The **Financial Markets Authority** is urging the last 582 former **Hanover Finance** investors to lodge their claim on the $18m settlement reached with the failed lender's directors and promoters. The FMA said investors have until Feb 16 to lodge a claim. Deloitte was hired to work out the distributions and has managed to contact all but 72 of the 4,481 eligible investors.

The Ministry of Business, Innovation and Employment says there are no grounds to impose provisional measures to protect steel products makers while it investigates claims subsidised Chinese rivals are damaging the local industry. Separately, MBIE has launched an investigation into a **privacy breach** involving the leak of **payments to thousands of consultants, the recruitment firms that supply them, and contract details for the past four years.**

Corporate actions

CricHQ, the cloud-based cricket software developer, and its assets will be sold to a group of NZ investors for an undisclosed amount, say receivers Neale Jackson and Brendon Gibson of KordaMentha.

Chinese investment manager **CITIC Capital Partners,** has offered $211m to buy NZX-listed **Trilogy International** at a 28% premium to prevailing share prices. Trilogy makes a range of skincare products and produces scented candles under the ECOYA brand, among other products.

Urgency beckons till Xmas

The House will now sit under urgency until late in the week before Xmas to pass the govt's **Families Package**, a key plank of its **100 Day Plan.**

The so-called **waka-jumping** bill to prevent MPs switching parties and remaining in Parliament was introduced and **David Seymour's End of Life Choice Bill** was referred to the Justice Committee, to be reported by Sept 13 2018 by a majority of 76 to 44.

Both latter bills will soak up parliamentary time, with Seymour gaining support in part by adding the requirement for a referendum on the measure.

- *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

Families Package (Income Tax and Benefits) Bill: *Introduced Dec 14 under Urgency to pass through all stages. Gives effect to a 'Families Package' of changes to income tax and benefits. Repeals Budget 2017 tax package. Family tax credit and Working for Families tax credit abatement thresholds rise. The Orphan's Benefit and Unsupported Child's Benefit is increased and a Best Start tax credit to help families with costs in a child's early years is introduced. A Winter Energy Payment is also introduced and there are changes to the Accommodation Supplement.*

Overseas Investment Amendment Bill: *Introduced Dec 14. Classes residential and lifestyle housing and land as sensitive under the Overseas Investment Act, restricting sale to non-residents to limited circumstance. It also gives new information-gathering and enforcement powers to the Overseas Investment Office. Awaiting first reading.*

KiwiFund Bill: *A bill in the name of NZ First MP Fletcher Tabuteau drawn from the ballot on Dec 13. It would establish an independent working group with the objective to set up a government-owned and operated KiwiSaver provider, known as KiwiFund.*

Taxation (Neutralising Base Erosion and Profit Shifting) Bill: *Introduced on Dec 6. The Bill introduces interest limitation rules; new permanent establishment rules; new transfer pricing rules. First reading debate held on Dec 12 with all parties agreeing to send the Bill to the Finance and Expenditure Committee.*

Bills in progress

Customs and Excise Bill: Introduced on Nov 23 2016, modernising the Customs and Excise Act. *Completed second reading on Dec 5 with all parties in favour.*

Financial Services Legislation Amendment Bill: Introduced on Aug 3, 2017, creating a new regulatory regime for financial advice. *First reading on Dec 7 completed with all parties in agreement, Bill sent to the Economic Development, Science and Innovation Committee. Commerce Minister Kris Faafoi urged smaller operators to make submissions on potentially onerous elements.*

Food Safety Law Reform Bill: Introduced on June 2 2017. *Committee stage interrupted again on Dec 6 and Dec 12, though NZ First indicated it would now support the bill.*

Legislation Bill: Introduced on June 20 2017, replaces the Legislation Act 2012. Requires secondary legislation to be published on the Legislation website alongside Acts of Parliament. *Received its first reading on Dec 5 and was referred to the Justice Committee.*

Rates Rebate (Retirement Village Residents) Amendment Bill: A member's bill in the name of Ruth Dyson. Introduced on May 5 2016. *The change in govt meant the bill which was set for defeat completed its second reading on Nov 29 with National and ACT still opposing. Committee stage completed Dec 13 with several govt-drafted amendments.*

Trusts Bill: Introduced Aug 1 2017. *Completed first reading Dec 5 with all parties in favour and sent to the Justice Committee.*

Bills Passed

Employment Relations (Allowing Higher Earners to Contract Out of Personal Grievance Provisions) Amendment Bill: A bill from Scott Simpson (Nat) drawn from the Ballot on Dec 8 2016. *Debate completed on Dec 13 and voted down.*

Healthy Homes Guarantee Bill (No 2): A bill introduced by Andrew Little. *Completed third reading Nov 30 with National and ACT opposed.*

Maritime Crimes Amendment Bill: Introduced on May 3 2016, to meet treaty obligations. *Committee stage completed Dec 6, unanimously supported. Third reading completed Dec 12.*

Maritime Transport Amendment Bill: Introduced Nov 10. Committee stage began Dec 5. Amendments reverse both mandatory random drug testing and permission for foreign-registered freight services to the Chatham Islands. *Third reading interrupted Dec 7, completed Dec 12.*

Parental Leave and Employment Protection Amendment Bill: Introduced under Urgency on Nov 8; increases paid parental leave to 22 weeks from July 1 2018, and 26 weeks from July 1 2020. Only ACT opposed. *Third reading completed Nov 30.*

Private International Law (Choice of Law in Tort) Bill: Member's bill of David Bennett (Nat). Introduced Sept 22. *Third reading with unanimous support Nov 29.*

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