HUGOvision

Assessing the economic and political environment in New Zealand

January 26 2018 | Confidential to HUGO members

Govt treading cautiously with business

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The general euphoria greeting PM Jacinda Ardern's pregnancy announcement is not fooling the govt into thinking it's in any way more bullet-proof from the caution and scepticism evident in the business community. Its softly-softly approach on Fair Pay Agreements and strong support for conclusion of TPP are evidence of that.

Fiscal pressures in focus

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Part of the govt's concern to maintain a robust economic environment is the pressure it knows it will face trying to meet its supporters' expectations in spending increases for social services and public sector wage claims. Its commitment to quickly improve the potential for pay equity claims, which could apply most forcefully in the public sector, underlines the need for the buoyant tax receipts seen in this week's fiscal numbers to continue.

TPP dynamics – NZ's role

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NZ went out of its way– including prime ministerial interventions – to be Canada's best friend at the TPP negotiations in Tokyo, where a breakthrough finally occurred. A key difference with the new deal is that entry into force of the renamed CPTPP only requires a majority of signatory countries rather than a measure based on economy size. This helps smaller signatories like NZ.

National Party leadership

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There is no imminent pressure to replace Bill English as the leader of the National Party, but the discussion has begun, meaning it will almost certainly happen before 2020. A crude guide to National's assessment of its chances at the polls in 2020 may be how quickly or slowly it chooses to move.

Employment law reform

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Few businesses will welcome the new govt overturning a range of provisions introduced by National that weakened the power of trade unions in the workplace and allowed more flexible approaches to the arrangement of the working day. However, retaining the 90 day trial for SMEs and going slow on FPAs is a sign of pragmatism that is at least acknowledged.

Trust takes a hit in the US, climbs in China, Russia

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Edelman's annual Global Trust Barometer showed a 37% aggregate fall in Americans' trust in their govt, businesses, media and NGOs, the largest slump in trust in the 29 countries surveyed. Several authoritarian states, however, saw their trust rankings improve.

TrustPower's home turf advantage challenged

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TrustPower's ability to charge higher tariffs than competitors in its Tauranga home-based is threatened by the desire of its second largest shareholder, the Tauranga Electricity Community Trust, to spend TrustPower dividends on community projects rather than delivering an annual dividend to consumers in the area.

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Ardern treading very softly with business

The govt's caution in pursuing its most contentious labour market reforms and its behind-the-scenes determination to see the TPP trade pact completed indicate the depth of its sensitivity to sagging business confidence indicators.

This is not just about political popularity by ensuring it doesn't negatively influence an economy that remains relatively robust.

It is also, crucially, **about being able to afford its agenda. Grant Robertson** faced early questions about fiscal pressure on Budget 2019 this week in the context of the Treasury's over-calculation of the impact of the pre-Xmas 'families package'.

The out-turn for the first five months of the govt's financial year was nearly $600m ahead of forecast, with an OBEGAL surplus of $125m reported against a forecast deficit of $457m. A robust tax take is the cause. **Continuing out-performance of that kind is crucial to the spending pressures the govt can expect to face, especially from some of the largest groups in the public sector workforce.** A combination of its commitment to a more permissive pay equity regime (*see separate item)* and pressure already evident from teachers and health workers will be even more difficult to fund if firms' earnings and employment trends recede.

While economic conditions are far stronger, and the new govt's agenda more limited than in the early days of Helen Clark's administration, the Ardern govt is clearly deeply concerned to avoid a repeat of the 2000 'winter of discontent'.

Ardern repeatedly insisted this week that the govt would go slowly on its proposals to legislate for Fair Pay Agreements – a policy intended to return to more national industry wage and condition-setting – while swiftly overturning some of National's labour relations reforms (*see separate item in Domestic Economy*).

Though not all are cautious

That caution is not evident from all Ministers. **David Parker** is a case in point. Some pre-Xmas commentary suggested that Parker was given such a wide range of portfolios – economic development, trade, environment, Attorney-General and associate finance – **to keep the perennial activist too busy to get into trouble. That assumption would be mistaken**.

Parker is emerging as the glue in the Cabinet in a manner similar to the status, if not operating style or issues management flair, of Steven Joyce, Michael Cullen or Bill Birch in previous govts.

His **passion for deep involvement in all policy-making is evidenced by this week's lightning trip to the World Economic Forum annual meeting** in Davos, with UK trade talks squeezed in. Parker insisted on leaving after Tuesday's Cabinet meeting and will **be back by Sunday, in time for next week's Cabinet.** He is determined, especially in the early phases of this govt, not to let policy-making across a wide range of portfolios get away on him.

He also shows great willingness to engage in issues that emerge, as well as those already identified in the govt's agenda. For example, recent media attention on the ongoing sale of **Crown pastoral leases** at peppercorn prices have caught his attention as unfinished business from his last term in govt. He has become embroiled in the location of the **America's Cup village** in Auckland.

Equally incautious is Regional Development Minister **Shane Jones,** whose robust style with business audiences is refreshing in its directness and worrying for the combative underlying mindset it reveals with respect to perceived political enemies.

Andrew Little, sporting a post-Xmas beard and looking more relaxed than he ever did as leader, is emerging as an alternative pole of advice for Cabinet colleagues. **Grant Robertson** appears to be adopting a gatekeeper role in which he risks being painted as the govt's link to the neo-liberal past, with his commitment to the **Budget Responsibility Rules**.

Pay Equity – the way ahead

While the govt is going slowly on Fair Pay Agreements, which will most impact on the private sector, it is pushing on with a tight timetable for a new pay equity framework to replace the restrictive regime legislated for by the previous govt after its historic $2.4b settlement with aged care workers.

It has reconvened the **tri-partite Joint Working Group on Pay Equity Principles, which must report at the end of Feb** on rules for determining the merit of a claim as a pay equity claim; and how to select appropriate male comparators when assessing the work subject to a pay equity claim. **New legislation would be introduced mid-2018.**

CPTPP: Ardern and Trudeau – suddenly friends?

Compared with the TPP agreement signed in Auckland late last year, the amended CPTPP deal agreed in Tokyo this week and due for signature in March in Chile has **far simpler and less onerous provisions allowing it to come into force.**

The original deal required ratification by the largest economies in the pact, meaning that if the US didn't get on board, it would struggle to be implemented. The **CPTPP, however, simply requires a majority of the signatory countries to ratify the agreement to bring its provisions into effect**.

This is **a significant improvement for smaller country signatories**.

Japan is likely to lead the way on ratification, indicating passage through the Diet as early as July – with no election threats this time. NZ has yet to announce a timetable, although it is indicating a slower track now for the foreign home buyers' legislation ban, now that it has a clear view on the ratification process.

Meanwhile, **NZ officials were under instruction from PM Jacinda Ardern and Trade Minister David Parker to be "aggressively" helpful to Canada** as it pursued a small win on cultural protections that would allow it to support the revised TPP deal at talks in Tokyo this week.

The result, assisted also by a late Canadian realisation that the threats of the other 10 signatory nations that they really would move on without Canada if necessary, was a breakthrough that may, finally, mean the finish line is in sight for a deal that started life as an initiative between NZ, Brunei and Singapore in the first half of the last decade.

The Tokyo outcome is particularly significant because it is rare, if not unheard of, for a multi-nation pact of this kind to achieve such significant progress in the absence of ministerial representation.

Canada is understood to have pressed also for new concessions from Japan on auto access provisions and NZ on dairy access, with a special envoy sent to Tokyo to argue its case. However, the Japanese govt was having none of it. Instead, it was making clear that, having been embarrassed at the APEC leaders summit in Vietnam last Nov by Canada's about-face on TPP support, there was no patience for a repeat performance. Backed by Australia, Tokyo insisted the show would go on without Canada this time.

Mexico, which had refused to move ahead without Canada in Vietnam, adopted a more opaque view. Meanwhile, Ardern had at least two phone calls with Justin Trudeau as part of a strategy to support Canada's demands for exceptions on cultural goods and services, while insisting NZ wanted the deal done. The pair had a frosty first meeting at APEC. Relations are said now to be much warmer.

Return to trade bi-partisanship

The CPTPP deal also marks a s**omewhat uneasy return to a bi-partisan approach to international trade agreements in the NZ Parliament.** While Labour's support for the deal has d**isappointed hard-left supporters** who expected it to die rather than be actively encouraged under Ardern's leadership, National will support enabling legislation and NZ First says it is now able to support the pact. Only the Greens are outside the tent.

How long can Bill English last?

There's an old political adage that once the discussion of leadership change starts, change becomes inevitable. For the **National Party,** debate over who should be its next leader has gathered pace over the holiday break.

Though most caucus members say Bill English can stay as long as he wants, **few believe he has the ambition to lead the party into the next election**.

Though **Paula Bennett** and **Steven Joyce** plainly fancy themselves as logical successors, there is a growing view in the caucus that National needs to embrace inter-generational change or look stale compared to Labour. Bennett or Joyce would look more like offering a fourth term of the Key govt.

Also looking out of time are **Jonathan Coleman** and **Judith Collins,** who have both returned to National's front bench.

That swings the spotlight onto the ambitious **Simon Bridges**, the more reticent **Amy Adams**, and activist Auckland up-and-comer **Nikki Kaye**.

Bridges ticks a lot of boxes – young, an effective political debater, on the right of the caucus, Maori – but also seen by some as too ostentatiously ambitious. But his political persona is polarising.

Adams has a solid base both within the party and within National's core business and rural constituencies. However, she is a cold, technocratic political figure compared to Jacinda Ardern.

Kaye has Auckland presence and an impressive work rate since returning to Parliament from a cancer scare. She also represents the most experienced end of the emerging **next generation of National Party ministers-in-waiting: Todd Muller, Chris Bishop, and Mark Mitchell** in particular – who can redefine National's core policies and project a refreshed National Party offering. Muller's comments over the Xmas period endorsing the creation of an independent Climate Change Commission, for

2018 CEO Retreat

The sixteenth annual CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 16 to lunch on Saturday, August 18**.

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

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example, signals a significant shift in an area where National lagged under English, who saw over-reaction to climate change as potentially expensive catastrophism.

The longer English remains, the more likely it will be that the caucus elects to skip Bridges and Adams and look to Kaye. And if English waits – say till this time next year – that gives his successor less time to establish themselves before the next election.

That **would suggest National accepted that the Ardern govt would last for six years.**

On the other hand, a quick move would make most sense if the caucus genuinely believe they will be in with a chance at the next election.

NZ under pressure to back Trump's Indo-Pacific initiative

Foreign Minister Winston Peters is soon going to have to make some hard calls on foreign policy.

In recent weeks Aust and Japan have confirmed their intention to push ahead with the Indo-Pacific quadrilateral group which also includes India and the US, which China has criticised forcefully as an attempt to contain it.

The group is a long-held ambition of Japanese Prime Minister Shinzo Abe, but NZ has so far stayed well clear of it. Whether it will be able to sustain that position as both Japan and Australia put pressure on is another matter. The **NZ reaction may be to stick closely to Singapore** and follow their lead, but that will require some attention to the bilateral relationship which has its challenges after the breakdown in communication over the foreign house buying ban, which contravenes the Singapore - NZ Free Trade Agreement.

Electricity price review

Energy Minister **Megan Woods** is close to finalising **draft terms of reference** for the electricity pricing review promised in the coalition agreement. **Timing remains unclear**.

The **Electricity Authority** has issued a formal request to the **Innovation and Participation Advisory Group** to undertake further work on whether a sufficiently level playing field exists for the provision of electricity network services. Electricity retailers want to constrain regulated parts of the industry, which they fear could use their regulated asset bases to subsidise potentially competitive activity. The EA wants the issue treated as a "high priority project" to address not only formal structures but also the **"lack of confidence in existing arrangements"** that could deter investment in new technologies.

Employment changes 'bearable' for business

With the exception of the Auckland EMA, employer groups have cautiously welcomed the relatively limited and well-signalled range of changes to employment law announced by Workplace Relations Minister Iain Lees-Galloway this week. Debate on the Employment Relations Amendment Bill can be expected as early as next week, when Parliament sits for the first time this year.

Perhaps the most significant change is removal of employers' option to opt out of bargaining for a multi-employer contract. This provision meshes with tri-partite policy development work this year to make Labour's Fair Pay Agreements pledge a reality. However, legislation on FPAs is unlikely before 2019.

The hand of **NZ First** can be seen in the retention of the 90 day trial 'fire at will' policy as it applies to firms employing fewer than 20 people, which business lobbyists broadly welcomed while criticising several of the changes of marginally undermining productivity and competitiveness of NZ firms.

The **announcements play to Labour's trade union base**, whose high **expectations of the new administration are likely to be tested by its fiscal conservatism and political pragmatism.**

NZ ranked 12th in global talent attraction

NZ is ranked 12th among 119 countries for its capacity to attract talent in the annual Global Talent Competitiveness Index, released annually at the WEF meeting in Davos. As usual, trustworthy and high quality political and institutional settings delivered the highest category ranking, at 4th for elements enabling talent, although c**ompetition intensity, difficulty hiring and firing, and r&d spend were weak points.**

NZ ranked 6th in talent attraction, although some of the strongest rankings are counter-intuitive. Given political debate about migration levels, NZ's #1 ranking for 'tolernce of immigrants' is surprising, although it ranked 22nd for 'tolerance of minorities'.

The country's 'global knowledge skills' – a measure of education levels and management capacity – came in at 7th. A 13th ranking in the 'Grow' category for talent was pulled down by a ranking of 44th for vocational enrolments.

Factors in the 'Retain' category include social protections (11th), sustainability (18th), and brain retention (30th), and saw NZ ranked for that category at 21st, its weakest showing in the six pillars of the overall measure. NZ ranked 20th for vocational and technical skills.

However, poor showings in areas including living expenses, personal safety and the absence of top global universities or international agencies saw **Auckland – the only NZ city covered – ranked 46th among 90 cities surveyed** in the second year that cities have been ranked.

Weak inflation knocks NZD down, no rate hike this year?

Thursday's surprisingly weak Dec ¼ CPI reading, at just 0.1%, puts financial markets and the RBNZ on similarly dove-ish tracks for the next OCR rate increase, which is now judged to be most likely in the first half of next year. The news helped undo a surge in the value of the NZD just prior to Statistics NZ announcement, caused by s**enior US economic officials talking at the WEF forum in Davos about an appetite to engage in trade and currency 'wars'**.

The Dec CPI was three basis points lower than expectations and produced an annual CPI of just 1.6%, instead of the 1.9% widely forecast, and lower than the RBNZ's own 1.8% expectation. The central bank was forecasting a further slowdown to annual inflation of just 1.5% in the current quarter in the Nov MPS, but a lumpy track that would see a bounce to 2.1% by mid-2018. That profile now appears unlikely, creating a challenge for the Feb 8 MPS.

BNZ's forecast is now for the CPI to fall to an annual rate of 1.2% for the year to March, especially as the recovery in the NZD exchange rate since it fell away post-election will be helping to suppress such international inflation pressure as exists.

Driving the weak inflation outcome was tradables inflation, which fell 0.3% in the quarter for an annual figure of just 0.5% against the RBNZ's expectation of 1% yoy. Non-tradables contributed 0.5% price pressure in the quarter, and 2.5% for the year, fractionally higher than the central bank forecast.

Next Feb is the earliest the BNZ sees the RBNZ moving to raise rates, with other commentators picking mid-2019.

Wait and see on confidence

Weak business confidence indicators released since Xmas reflect a combination of factors, including political uncertainty, while activity indicators such as the PMI and PSI are at odds, with services strong while manufacturing fell sharply in the Dec 1/4. It is simply too soon to know whether this indicates any turn in economic outlook.

Trust ratings slump in US; jump in authoritarian states

The 2018 Edelman Global Trust Barometer reveals a dramatic fall in Americans' trust in all four pillars of trust measured: govt, business, media, and non-govt organisations.

Conversely, Chinese respondents to the survey, taken in 29 countries among 33,000 respondents and now in its 18th year, reported a surge in trust at a time when President Xi Xinping's regime is cracking down on dissent and freedom of information.

The dichotomy, clearly related to the chaotic first year of the Trump presidency and the relative sense of growing Chinese global influence, prompted Edelman to label this year's survey "The Battle for Truth".

Across all four pillars, the US showed the largest fall in aggregate levels of trust – a 37% slump.

Trust improved among several increasingly authoritarian states. As well as China, Russia, Poland, and Turkey all showed strong trust gains.

CEOs see but don't know how to respond to Industrial Revolution 4.0

A global survey of CEOs by Deloitte on attitudes to the so-called 4th Industrial Revolution found a sharp disconnect between their knowledge of the issues ahead and their ability or willingness to address them.

In short, business leaders in aggregate were found to:

- expect to lead more on social equality but are uncertain what form that will take;
- know they need to adjust strategy for this new future but are uncertain how to do so;
- know they'll need new and different talents but are consistently not making talent identification a top priority; and
- don't know how to argue a business case for technological innovation despite thinking they should.

Panama joins BEPS Convention

Panama has joined a list of 78 nations that have now signed the OECD-led BEPS Convention aimed at reducing the incidence of cross-border tax avoidance and evasion. The country's use as a tax haven was highlighted in last year's Panama Papers leak.

The convention requires only five signatories to ratify its terms to enter into force. So far, four jurisdictions have ratified, including tax havens Jersey and the Isle of Man.

CORPORATE ROUND-UP

Primary industries

Focus on the performance of **Fonterra**'s Chinese manufacturing partner, **Beingmate**, has intensified following a further earnings downgrade the cooperative described as "extremely disappointing".

Where Fonterra was reluctant to comment late last year on Beingmate's under-performance, the Chinese investment now risks becoming the primary investor focus for its China activities. Despite the 18.8% stake in Beingmate being a relatively small part of Fonterra's total direct investment in Chinese dairy assets, paper losses on its $755m investment in 2015 are now sitting at around 510m. Most seriously, Beingmate's two Fonterra-appointed directors and two independent directors have expressed reservations about some of the company's financial and reporting practices. Meanwhile, Fonterra competitor, Chinese-owned NZ processor **Yashili** announced it was extending its supply agreement with **Danone** for infant milk formula, won in 2014 after Danone dumped Fonterra as a supplier following the 2013 botulism false-positive scare.

Also on the rise this year have been **A2 Milk** shares, reflecting inroads that company is also making into the Chinese infant formula market. Consulting group **TDB** notes that **Fonterra Shareholders Fund** units are currently trading on a **PE of 14x**, compared with **66x in the case of A2**.

Fonterra is also to spend A$165m 'de-bottlenecking' Aust plant.

Elsewhere, **Synlait Milk** has lured a senior executive from **Friesland Campina** to its food safety team. Dr **Suzan Horst** is currently quality affairs director for the Dutch dairy producer's Europe, Middle East and Africa division.

Long-time Fonterra global stakeholder affairs manager **Philip Turner** has resigned and is shortly to take up a 'senior govt position', thought to be with MFAT. The cooperative's NZ govt affairs manager, one-time Helen Clark staffer **Owen Gill,** has his work cut out for him. Senior figures in Labour and NZ First appear to be convinced that Fonterra actively in tried to prevent a change of govt. The cooperative's stocks were already low across the political spectrum, but appear to have sunk further since the regime change.

Livestock Improvement Corp reported a 16.6% lift in revenue in the half-year to Nov 30, compared with the same period a year earlier, at $153m, reflecting a 'transformation' strategy, whose costs caused a one-off reduction in reported earnings. Pre-costs ebitda rose 36.6% on the comparable prior period.

Farm sales fell 21% in the Dec quarter from a year earlier, although prices held up as increasingly expensive horticulture properties offset cheaper dairy farms, according to **REINZ.**

Energy

A **fundamental pillar of TrustPower's business model** – the annual rebate of $2500 annually to customers in the **Tauranga Electricity Community Trust** area – is under threat. The trust is proposing, over the next five years and instead of the rebate, to fund community projects with the dividend it receives from TrustPower. The customer rebates have long allowed TrustPower to maintain higher retail tariffs in the Tauranga region without significant customer losses because of the rebates. CEO **Vince Hawksworth** says TrustPower will explore the legality of the trust's decision.

Mercury announced its third earnings upgrade for the year to June 30, reflecting summer storms filling the Waikato hydro catchment. Ebitda is now expected to come in at $530m, compared with $523m in the previous year.

Z Energy cut its annual guidance by about $20m owing to the impact of the unscheduled shutdown of the **NZ Refining** fuel pipeline to Auckland and the rising price of crude oil. It now expects ebitdaf of between 430m and $455m in the year to March, down from a previous range of $445m to $475m. Although it processed marginally less oil in 2017 than in the prior year, NZ Refining lifted processing fee income 19% as per barrel margins rose from US$6.47 a barrel in 2016 to US$8.02 in 2017.

Telecommunications

Chorus lost 23,000 fixed-line connections in the last quarter of 2017, shedding lines at the same pace as the Sept quarter.

Total connections at 1.56m at Dec. 31 compared with 1.68m year earlier. Within that, broadband connections decreased 3,000 to 1.18m in the quarter and were down from 1.21m a year earlier.

Overseas investment

The **Overseas Investment Office** declined the application by Hainan, China-based **HNA Group** to purchase **ANZ Bank's UDC Finance** unit for $660m. ANZ has been seeking to quit UDC but will now need to decide whether and when to return to the market after the OIO ruled out the buyer on the grounds that it had been unable to identify HNA's ultimate owner. The rejection is a rare case of an application relating to an asset other than sensitive land being turned down.

French payments system operator **Ingenico** is acquiring the operations of **Paymark** for **$190m**.

Canada's Public Sector Pension Investment Board, or **PSP Investments**, got a green light to buy a medium-sized dairy farm and a neighbouring dairy support block in Canterbury for $17.7m just ahead of new requirements on land sales to foreign buyers.

Tourism, transport and logistics

Wellington International Airport's link to Singapore via Canberra is changing to a link via Melbourne on **Singapore Airlines.** According to WIAL, heavy demand for the Canberra-Singapore leg prompted the change. The connection will shave 25 minutes off the already shortened total journey time for Wellington travellers to Singapore vs connecting via Christchurch or Auckland, but will be 30 minutes longer than the Canberra route on the return journey. There will be no plane change in either direction. The schedule change has no effect on the **Wellington City Council's** subsidy for the service, which was intended to promote WIAL's plans for a runway extension to allow connections between the capital and long-haul destinations.

Auckland International Airport is to sell its 25% stake in the Cairns and Mackay airports in northern Queensland to its fellow investors for A$370m, almost three times what it paid eight years ago.

Media

Mediaworks has hired former **Sky TV** govt relations manager **Tony O'Brien** to lobby the govt against its commitment to fund the so-called **RNZ+** strategy, which will allow the broadcaster to deepen its news and current affairs coverage and expand its TV offering. Mediaworks sees the RNZ+ plan as an existential threat, but RNZ chief executive, **Paul Thompson**, insists the state broadcaster will not compete in areas where Mediaworks' **Newshub** and state-owned **TVNZ's OneNews** go head-to-head.

The implication is that RNZ+ will allow investment in 'serious' news that commercial broadcasters have tended to abandon. Thompson is also signalling support for specialist private sector news providers, saying ""public service media have a unique responsibility to help their commercial counterparts survive".

Fairfax Australia has lost the star CEO of **Domain**, the online real estate marketplace it spun out and floated just two months ago. **Antony Catalano's** departure prompted rival Aust media to speculate on the position of institutional investors who backed the float in part because of Catalano's involvement. Fairfax retains a signficant shareholding in Domain and the share prices of both firms fell steeply on the news.

The **Australian Tax Office** is pursuing ASX-listed HT&E, formerly APN News & Media, for A$100m over the licensing of former NZ mastheads bundled into NZME and subsequently separately listed on the NZX.

Manufacturing

Japanese forest products manufacturer **Juken** is to halve its workforce of 200 in Gisborne as demand for housing construction materials from its primary market, Japan, is in structural decline because of the country's shrinking population. The announcement runs counter to the govt's aspirations to create a more vibrant, regional wood processing sector, but PM Jacinda Ardern showed no appetite for intervention.

Retail

Jewellery retailer **Michael Hill International** is to abandon its decade-long attempt to create a sustainable business in the highly competitive US retail market.

Kathmandu's turnaround continues, with the outdoor clothing and equipment retailer expecting a 20% lift in 1H earnings on 4% higher revenue and stronger operating margins.

Capital markets

NZX found no reason to censure **Fletcher Building** under continuous disclosure regulations in both instances last year where the construction firm announced substantial earnings downgrades, in March and July.

NZX Regulation did note a number of matters for issuers relating to the identification and escalation of risk.

Retirement and healthcare

Retirement home provider **Oceania Healthcare** reported a 93% increase 1H tax-paid profit, including property valuations, to $42.5m. Total assets are now valued at just under $1b.

Govt appointments

More than 61 applicants have put their names forward for the new role of **Chief Technology Officer** and another 63 have sought appoinment to the advisory panel that will assist whoever takes the new role.

Mike Munro, formerly chief press secretary to PM Helen Clark, has returned to work as **chief of staff in PM Jacinda Ardern's Office,** after successful treatment for cancer. He will replace Auckland-based Labour operative and PR man **Gordon Jon Thompson**, who filled the role on a temporary basis.

LEGISLATION

Parliament starts early

The 2017 parliamentary year finished quietly after a flurry of Urgency to repeal the previous govt's families package and tax cuts and pass the new govt's families package. National strongly opposed changes to bring residential land and housing into the Overseas Investment Office's regulatory approval regime. Otherwise, the House spent the final sitting hours of 2017 passing all stages of legislation to allow the rebuild of the Christ Church Cathedral, and several Treaty of Waitangi settlement bills progressed.

The House sits earlier than usual this year, commencing Jan 30 for a week before resuming on Feb 13 for three weeks. Early priorities include advancing the **Employment Relations Amendment Bill** (*see Politics and Policy section)* and the so-called 'waka-jumping' bill to prevent list MPs defecting to other parties. The first Members' day in February will allow debate on a Green MP's bill for a more permissive regime for medicinal cannabis than that introduced by the govt before Xmas.

- *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

Dairy Industry Restructuring Amendment Bill (No 2): *Introduced Dec 20, amends the Dairy Industry Restructuring Act 2001 (DIRA) to prevent the expiry of some provisions in May 2018. These relate to ensuring efficient dairy markets and monitoring of Fonterra's farm gate milk price in the absence of sufficient competition. The expiration of some protections were contingent on sufficient competition developing in NZ dairy markets, with competitive pressure removing the need for regulatory provisions. A statutorily required report on the state of competition, prepared by the Commerce Commission, found that competition is not sufficient and regulations should remain in place. Awaiting first reading.*

Misuse of Drugs (Medicinal Cannabis) Amendment Bill: *Introduced Dec 20. Creates an exception and a statutory defence for terminally ill people to possess and use cannabis. It creates a regulation-making power to set standards that cannabis products manufactured, imported, and supplied under licence must meet; and amends the law so cannabidiol (CBD) and CBD products are no longer classed as controlled drugs. Awaiting first reading.*

Bills in progress

Overseas Investment Amendment Bill: Introduced on Dec 14. The bill classes residential and lifestyle housing land as sensitive under the Overseas Investment Act and only makes its sale possible to non-residents under limited circumstances. It also gives new information-gathering and enforcement powers to the Overseas Investment Office. *Completed first reading on Dec 19 with National and ACT opposing and sent to the Finance and Expenditure Committee for consideration. National also strongly opposed a curtailed select committee process with the Committee ordered to report back by Feb 20 by a majority of the House. Trade Minister David Parker has now indicated the committee would be given more time to consider the bill with the CPTPP now due to be signed in March.*

Bills Passed or discharged

Families Package (Income Tax and Benefits) Bill: Introduced Dec 14 under Urgency to pass through all stages. The bill gives effect to policy changes that form a 'Families Package' of changes to income tax and benefits. The changes repeal tax threshold changes, reinstate the independent earner tax credit, and repeal Working for Families tax credit changes legislated as part of the Budget 2017 Family Incomes Package. There are increased payments of the family tax credit, and the Working for Families tax credit abatement threshold is raised. 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. *Bill completed all stages on the evening of Dec 15 with National and ACT opposing.*

Te Ture Whenua Māori Bill: A bill reforming Maori land law introduced on April 14, 2016 and already facing fierce opposition after consultation on the draft. It attempts a policy shift to support land use as determined by the owners themselves. The bill completed its first reading by 63 to 58 with National, Maori Party, ACT and United Future in favour. It was sent to the Maori Affairs Committee for consideration. The committee has extended the closing date for public submissions in 2016 and at the end of that year the bill received its second reading and was placed on the backburner. Despite being a Maori Party flagship policy, it was not able to be passed before the end of the last Parliament. *The new govt announced on Dec 22 2017 it would not be proceeding with the bill and it would be discharged.*

The **question now will be whether the govt starts again**, with Maori Development Minister **Nanaia Mahuta** promising a different range of reforms will be unveiled early this year.

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