

Provincial Growth Fund launched today

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The govt has made an early down payment on its promise to foster regional economies, announcing \$61.7m of projects, mainly in five so-called 'surge' regions that it judges need special attention: Northland, Bay of Plenty, Gisborne/Hawkes Bay/Whanganui-Manawatu/West Coast. Much of the \$3b over three years will only start to be spent in election year.

'Learning', not 'subjects' the focus of education reform

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Chris Hipkins has laid out the most comprehensive reform agenda for the public education in almost three decades, promising shake-ups for Tomorrow's Schools, NCEA, and a new focus on the importance of 'learning to learn' over subject-based achievement, and raising the status of vocational training, among many other initiatives.

Well-being and productivity – Robertson's agenda

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A series of speeches and think-pieces from Finance Minister Grant Robertson and the Treasury are giving substance to the new govt's emerging desire to create a fresh economic policy-making paradigm that seeks both to improve productivity and broad measures of well-being.

National Party leadership

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The prospects for a negotiated outcome rather than a caucus vote to decide the next leader of the National Party are fading as a crowded field seeks the support of a caucus in which around 20% of the members are new MPs.

Ardern back to Aussie

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The intense engagement with the Australian govt resumes next week for PM Jacinda Ardern, when she will share a stage with her Canberra counterpart, Malcolm Turnbull, in front of senior business leaders and a sceptical Aussie media next Friday.

CPTPP in force by early 2019?

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Japan is expected to move swiftly on legislation to allow the amended TPP agreement, the CPTPP, to come into force. NZ expects its legislative processes should conclude late 2018 or 2019, with potential for another four of the 11 signatories to have completed by then also. As soon as six of the 11 have ratified, the long-fought trade and investment pact will take effect.

A2 and Fonterra – friends at last

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In the early 2000s, a newly created Fonterra saw the a2 Milk Co as a source of threat. As 2020 approaches, the two have at last formed a strategic alliance which has helped propel a2's valuation to level-peg with the cooperative's.

Ardern faces Aussie business leaders

Jacinda Ardern's **second official trip to Australia next Friday** will be her first opportunity to directly face the sceptical reception her election received in the Aussie media and business community.

The annual **Aust-NZ Leadership Forum** event became a ritual opportunity for **former PMs John Key and Bill English** to bask in the adoration of Aust businesspeople disenchanted with their own leaders.

Ardern's task is harder. Aust media coverage of the new govt has tended to mix derision at the way MMP can keep the single most supported party out of power and doubts about its economic agenda.

Sharing a stage with Aust PM **Malcolm Turnbull** risks of reigniting the tension created by Ardern's vigorous pursuit of a deal for 150 asylum-seekers in Aust detention centres. Canberra has been incensed by NZ's disregard for an issue that is 'existential' for the Aust public, which broadly supports hard-line policy settings. **The two countries are also some distance apart in their relationships with China**, with Wellington still an unthreatening friend to Beijing while there have been recent robust exchanges with Canberra over Chinese influence in Aust public life.

It can be **no accident of timing that the Australian Strategic Policy Institute this week released a paper urging closer trans-Tasman defence ties**, in part to counter the growing regional influence of China. It argues that force inter-operability and shared strategic intent have failed to advance from a vision laid out in 1986. It now sees divergence on both China and the role of the US in the region.

"NZ takes fewer risks of incurring Beijing's ire than Australia, and Australia openly endorses the US role in the Indo-Pacific while New Zealand avoids the subject," the report says. The issue gained additional momentum this week, with claims by Canterbury University academic Anne-Marie Brady that a recent burglary and threats are related to her work on China's strategies for influence.

Wellbeing-based policy thinking starts to take shape

A series of speeches from **Finance Minister Grant Robertson** and **Treasury Secretary Gabriel Makhoul** and the release of five think-pieces this week by the Treasury indicate the momentum now gathering around the govt's intention to use a '**Living Standards Framework**' approach to economic policy-making.

The Treasury has been developing its LSF thinking for some years, but Robertson has committed to using it to drive a **more activist, compassionate and environmentally concerned state**. It may not be too strong to suggest that **Robertson hopes to make his legacy the use of the LSF to guide the paradigm shift his govt seeks from the economic rationalism that has underpinned public policy since 1984**.

In a carefully worded speech on Wednesday on "modernising the three pillars of NZ's macro-economic framework", Makhoul observed that "we need to make sure to refresh and renew the social licence that underpins our macro-economic policy frameworks". He dwelt on the slow progress of new economic thinking from theory to application in the context of the "New Classical Theory" consensus that emerged in the 1980s and the emerging understanding of the causes of and responses to the 2008 global financial crisis.

"The tape of history doesn't just play on repeat. We need to make sure we are prepared to respond to the next crisis and future challenges, which will have their own unique causes and consequences".

Makhoul related these challenges to NZ's fiscal, monetary policy and financial stability "pillars", judging that all had worked well for NZ but require constant retesting.

In speeches to a **Productivity Hub** conference and the **Institute of Public Administration**, Robertson outlined his vision of a 'well-being' approach to economic policy-making, at the heart of which would be policies aimed at lifting NZ's poor productivity performance.

"By harnessing the potential of new technology and innovation, educating and upskilling our workforce and incentivising research and development, we can lift productivity and transition to an economy that is sustainable, inclusive and productive. That is this govt's overarching economic aim."

An **"active and capable state"** would not dictate outcomes but **"move beyond the tired and dangerous idea that we can simply leave the response to the market"**.

Claiming risk aversion by the private sector to new investment as a reason for this, Robertson foreshadowed **reforms to both the Public Finance and State Sector Acts to encourage greater risk-taking among public servants**.

Politicians needed to **back public servants to be "innovative and entrepreneurial"**.

Robertson's **Future of Work Commission** report provides the greatest detail on likely policy initiatives. Ministers will be considering early work

on r&d tax credit policy before the end of the month, he said.

Hipkins seeks education reform buy-in at summits in May

Education Minister Chris Hipkins will seek buy-in for his massive three year work programme to shake up all parts of the public education system with 'summit' meetings in Auckland and Christchurch, in May, involving 500 to 800 people at each, including **"disruptive thinkers, provocateurs and new voices"**.

The reform approach stresses the importance of 'learning to learn' as opposed to a traditional focus on 'subjects', on the basis that adaptability, resilience and the ability both to collaborate and work alone will be key attributes in the modern workforce.

The status of vocational training is also slated for a revival. "Vocational learning is often seen as a fall-back option rather than a primary goal," the Cabinet paper on the plans says.

Key aspects of the programme, with quotes from the relevant Cabinet paper include:

- complete **review of the 30 year-old Tomorrow's Schools** policy, which is seen to have "run its course". While competition between schools "produced some level of diversity of approaches ... the competition was for students rather than improved educational outcomes";
- review of NCEA;
- **potential amalgamation of all polytechs and institutes of technology** to deal with "urgent" viability issues facing many;
- review of the **NZ Qualifications Framework**;
- review of the **Performance-Based Research Fund**;
- a windback of the previous govt's Communities of Online Learning (COOLs) programme as risks in the current programme are judged to "outweigh the benefits";
- **reinvestment in school infrastructure** so that "every school has access to modern learning environment by 2030";
- two education reform bills this year, one soon with simple changes, a second with more complex reform, to be followed by a more comprehensive reform bill by 2020.

National's leadership race

Trying to predict who might become National's next leader is a mug's game. Logically, it would be between **Simon Bridges**, **Amy Adams** and **Judith Collins** and probably in that order.

But because what any of those three might do to the party, the "old guard" of **Paula Bennett** and **Steven Joyce** are fighting back and using the significant influence they can command to try and either get their proxy, **Mark Mitchell**, or Joyce himself into the leadership.

In the background are **John Key** and **Murray McCully**, both of whom fancy **Mitchell**. This is all playing out in a caucus with 10 of its 59 MPs new to Parliament and has become a debate about honouring the past versus defining a new direction for the future.

Unsurprisingly, **many new backbenchers are finding the situation confusing**. Adding to the pressure on them is the **populist wave that Judith Collins is creating** in the party rather than the parliamentary wing, and in the media, where she has been omni-present compared to the other contenders. MPs say they are being deluged with emails and phone calls from party members supporting her.

The potential for chaos up to and beyond next Tuesday's caucus selection process is high; a fact that is recognised by some of the old faces on the front bench like **Gerry Brownlee** and **Jonathan Coleman**. They have been arguing for a managed solution such as was worked out when John Key deposed Don Brash, but that is looking increasingly difficult to achieve.

NZ First – Mark vs Tabuteau

Coy responses to media questions from NZ First's **Fletcher Tabuteau** suggest there is substance to the potential for a caucus vote on that party's deputy leadership next week. Current deputy and Defence Minister **Ron Mark** has been blindsided by developments, with Tabuteau apparently having Peters's support.

Provincial Growth Fund – economic and political intent

Regional Development Minister **Shane Jones** is leveraging his role to try and become an indispensable go-between minister representing regional interests far broader than simply economic opportunity.

In doing so, Jones appears both more motivated and activist than his reputation for rhetoric over achievement. That's in part because he is highly

Complex decisions

CEO Retreat participants will be familiar with the provocative ideas of **Dave Snowden**, founder of the UK-based Cognitive Edge consultancy, which uses the Cynefin method for complex decision-making. A two-day Cynefin training session is scheduled in Auckland for April 4-5. This focuses on how to operationalise Dave's theory. **Hugo members are offered a 15% discount.** For details, contact: Tracey Gabbittas, tracey.gabbittas@thehugogroup.com.

POLITICS AND POLICY

focused on remaining an NZ First MP – and perhaps eventually its leader – and regards a regional champion role as the conduit to ensuring NZ First does better than its 3% showing in this week's One News Colmar-Brunton poll.

Key to the PGF policy is the **govt's decision that "we have an appetite to take calculated risks to lift outcomes in the regions"**. Failures are expected and will be dealt with by fast exit, Cabinet papers say.

Today's announcements in Gisborne of an initial allocation of \$61.7m cover something of a grab-bag of local roading improvements, rail upgrades, small-scale tourism projects and some feasibility studies. Some of this was already in train under the previous govt's \$44m regional growth fund policy.

Most significant is a \$5m capital injection to upgrade the rail line between Napier and Wairoa to allow log trains to start running. The project was languishing because costs proved greater than anticipated by KiwiRail, Port of Napier and Hawke's Bay Regional Council. The additional \$5m unlocks the project.

Funding is allocated to ports in Southland, Whanganui and Taranaki. Extending a line to Northport will be considered as part of an upper North Island supply chain study.

The one billion trees programme – 500,000 of them to be planted already by private forest owners – is also to be funded from the PGF.

Key aspects of the Provincial Growth Fund

While \$3b is allocated to the fund over three years, spending will ramp up over that time. First projects will concentrate on feasibility studies and remedial infrastructure investment

It won't be until 2020 – conveniently timed to coincide with election year – that major projects will start to be implemented. Cabinet papers accompanying the release acknowledge **"observable improvements in regional indicators may take 2-3 years after investments have been made outside the lifetime of the fund"**. Success measures in the meantime will relate to adherence to investment and progress criteria.

Senior regional officials will be able to sign off projects up to \$1m and delegated ministers will have sign-off up to \$20m, after which decisions will go to Cabinet. The fund's administration will be assisted by a Regional Economic Development Unit in MBIE.

Transport projects will still need to go through NZTA and the fund will not generally be available for '3 waters' projects. While large-scale irrigation is off the

agenda, local water storage projects may be eligible where they assist employment, sustainability or resilience.

Schools, hospitals and large-scale housing are excluded, pending decisions on how such initiatives will be funded. This appears to leave hanging the potential for KiwiBuild to be at least part-funded from the PGF – an outcome that would be **consistent with the tight fiscal parameters the govt is already encountering in the lead-up to the Budget**.

Rail projects will eventually feature widely, with KiwiRail tasked to "put forward infrastructure proposals" to renew services starved of funding.

ISDS rollback gathers pace

The international political impulse to either remove or pare back investor-state dispute settlement clauses in modern free trade agreements continues to gather pace. Under the Labour-led govt, NZ pushed back on ISDS in the upgraded TPP-11 agreement, now called the Comprehensive and Progressive TPP. The govt is continuing to seek side letters with other signatories to limit the application of ISDS, complementing the one it already has removing CPTPP ISDS provisions in dealings with Aust, which accounts for around 80% of current foreign direct investment in NZ.

The Canadian govt is now also seeking removal of ISDS as part of the renegotiation of the NAFTA agreement with the US and Mexico, sought by US president Donald Trump.

Releasing the National Interest Analysis of the CPTPP this week, Trade Minister **David Parker** gave the govt a "4.5 out of 5" mark for the alterations it either sought or pre-emptively legislated to create in the case of the ban on purchase of existing homes by foreign buyers. The updated NIA estimates a \$1.4b to \$4b annual GDP boost for NZ from CPTPP, reduced to take account of the US withdrawal from the deal a year ago. Notably, a large number of side-letters are being sought by an unknown number of signatory countries seeking their own carve-out, none of which will be made public unless and until the formal signing ceremony scheduled for March 8, in Chile.

Following that event, it appears likely Japan will move swiftly to pass legislation to bring the CPTPP into force, with just five other countries needing to do the same to make the pact operative. Parker indicated NZ was likely to complete its legislative process late this year or early next.

While the Green Party continues to oppose it, CPTPP-related legislation will have the support of all other political parties, indicating a strong return to cross-parliamentary support for FTAs. ■

DOMESTIC ECONOMY

CORPORATE ROUND-UP

Fletcher Building's soggy performance

Most media focus was on Fletcher Building's additional writedowns on its buildings and interiors unit, its withdrawal from new work in that segment, and the resignation by chair **Ralph Norris** in response to B+I provisions over the last 12 months totalling \$952m.

However, the rest of the FBU portfolio also showed a less than stellar performance and outlook. Building products, FBU's biggest business, lifted revenue by 13% to \$1.25b, but operating earnings fell 9% to \$118m. The news was better in the distribution segment, which includes the Placemakers chain. Revenue rose 7% to \$1.6b, to give an ebitda lift of 85 to \$104m.

But for the 12 months ahead, the outlook in NZ for building products and distribution is low growth in the residential market and flat demand in commercial and growth in infrastructure. In Aust, FBU sees flat residential and commercial markets and low growth in infrastructure for both building products and distribution.

International divisions, including Laminex, Formica and its steel roofing tile business expect flat or low growth in demand from NZ, Aust, North America and Europe, with only Asian markets showing significant opportunity for growth.

Economic indicators

Farmer confidence tumbled in January as a drought and uncertainty over new govt policies take their toll. A net 34% of those surveyed were pessimistic about general economic conditions over the next 12 months, a marked deterioration from 16% who were optimistic in July, the latest **Federated Farmers' Farm Confidence survey** says.

Services sector activity dipped in January, with employment falling amid expectations immigration will keep available labour levels high. The **BNZ-Business NZ performance of services index** fell 0.2 points to a seasonally adjusted 55.8 last month. The **PMI manufacturing survey** showed manufacturing activity rose 4.5 points to a seasonally adjusted 55.6 in January. The composite index rose 0.4 points to 55.8 on a GDP-weighted basis.

Real estate

Housing-related imbalances in NZ are close to their peak and may begin to unwind in 2018 as headwinds abate and new government policies take shape, **S&P Global Ratings** says. "The risks that the banking sector in NZ faces from five years of strong growth in both house price inflation, and more recently, household credit growth, have likely peaked." ■

Primary industries

A2 Milk's announcement of a strategic alliance with **Fonterra** and a **150% increase in 1H earnings** sent the company's share price soaring, briefly making it NZ's most valuable listed company and with a higher valuation than Fonterra. On Feb 22, a2's market cap briefly topped \$10.5b, even though its sales are less than 3% of Fonterra's, compared with a \$9.76b valuation for Fonterra Shareholder Fund units on the same day.

The Fonterra tie-up sees the cooperative supplying a1 protein-free milk products in bulk powder and consumer packaged forms to a2, in exchange for an exclusive licensing agreement to produce, sell and market a2 branded fresh milk for end sale in the NZ market. The two companies will establish an a1 protein-free milk pool in NZ and a new a1 protein-free milk pool in Aust, and Fonterra also gets exclusive supply rights for some products in new markets for a2 in SE Asia and the Middle East up to a specified volume. The companies are also evaluating selling new a2-branded products such as butter and cheese in Aust, NZ and China.

Livestock Improvement Corp announced it was launching a new team of elite a2 bulls supported by genotype testing that allows farmers to determine the a2 status of each of their animals.

Fonterra may lift its farmgate milk price payout to farmers this season following increases in **Global Dairy Trade** auction prices, says OMF. The dairy group has said it expects to pay its farmer suppliers \$6.40 per kilogram of milk solids for the 2017/18 season, but OMF said that strengthening dairy prices have pushed up the expected payout in its modelling to \$6.78/kgMS.

Farmers aren't seeing the full benefit of rising **beef prices** in the US, their largest market for the meat, because the stronger kiwi dollar is restricting returns, **AgriHQ** says. The price for 95CL imported bull beef was recently at US\$2.25 a pound, up from US\$2.14/pound last month, US\$2.23/pound a year ago and ahead of the US\$2.20/pound five-year average, according to AgriHQ data.

Landcorp ceo **Steve Carden** told a parliamentary select committee the state-owned farmer is "struggling" to command a premium for sheepmeat under its **Pamu** brand in Chinese and Middle Eastern markets. "If we are not getting the signals from the market that a Pamu brand proposition is more valuable than a **Silver Fern Farms** proposition or an **Alliance** proposition, it doesn't really make sense for Landcorp to be spending a lot of capital developing a brand we don't think we can sustainably achieve premiums around," Carden said.

CORPORATE ROUND-UP

ASX-listed **HRL Holdings** says the new regulatory regime defining **mānuka honey** has stoked short-term demand for services of recently acquired **Analytica Laboratories**. HRL recorded underlying earnings of A\$205,000 on revenue of A\$846,000 in just one shortened month of owning the NZ food testing unit, and said activity at Analytica was “highly encouraging”.

Banking, finance and insurance

Heartland Bank first-half profit rose 7% to \$31m, which the lender attributed to an expanding loan book and strong reverse mortgage growth in Australia whetting the bank’s appetite to do more business across the Tasman. Net operating income rose 13% to \$93.9m as net receivables gained 13% to \$3.78b.

CBL Corp says its European subsidiary’s lawyers are opposing an order from the **Central Bank of Ireland** instructing it to stop writing new business immediately. CBL, whose shares are suspended from the **NZX** as the stockmarket operator investigates concerns over its disclosures, said its subsidiary CBL Insurance Europe Dac (CBLIE) is continuing to otherwise operate normally and existing policies continue to remain in force.

Nib Holdings’ NZ unit boosted first-half profit to A\$13m from A\$10.9m as the health insurer paid out fewer claims than a year earlier and had a smaller premium payback bill on its product that reimburses policyholders the difference between premiums received and claims paid. Revenue fell 2.5% to A\$97.5m.

Suncorp NZ doesn’t see itself as a long-term shareholder in rival **Tower** after its \$236m takeover was rejected by the **Commerce Commission** but isn’t interested in a fire sale. The local unit of ASX-listed Suncorp Group recognised a \$12m mark-to-market loss on its 19.9% stake in Tower in the six months ended Dec 31.

Energy and resources

Z Energy wants to cut supply chain costs with a new refinery optimisation and procurement deal with **NZ Refining** and **Mobil**, replacing an existing arrangement with **BP**. Z says the deal will help the Marsden Point refinery operate at a higher efficiency level using joint procurement of the most suitable crude oil, and kicks off one of the company’s ‘Strategy 3.0’ projects to improve earnings from terminals, logistics and industry agreements by \$4m to \$5m from the 2019 financial year.

Genesis Energy has committed to phasing out the use of coal at its Huntly power station by 2030. The

company reported a 28% increase in ebitdaf for the half-year to Dec 31, at \$199.5m, reflecting increased thermal electricity generation during a period of low inflows to South Island hydro catchments. While large inflows from Cyclone Fehi in late January restored lake levels in the Waitaki catchment, **Meridian Energy** is unable to use 476MW of capacity at its Ohau A, B, and C units because Genesis has been forced to extend an outage on its Tekapo-B unit until June 20. First taken out of service just before Xmas for repairs, it has become clear replacement parts must now be fitted. **Meridian** reported ebitdaf of \$329m in 1H18, from \$354m in the prior corresponding period, largely because of low inflows. It showed strong customer acquisition and retention figures.

Contact Energy is seeking a declaratory judgement against a **Utilities Disputes Ltd** decision requiring the company to pay a customer nearly \$13,000 after a car crash downed a Vector pylon and caused damage to electrical equipment. UDL ruled Contact was liable under the Consumers Guarantee Act. **Contact ceo Dennis Barnes** said UDL was no longer an objective arbiter.

The **High Court** has ruled that the **Crown Minerals Act** has primacy over the **Reserve Act** in an application to mine coal on reserve land in Buller. The ruling was sought by **Rangitira Developments** in a test case related to its proposed development of the Te Kuha open cast coal mine, near Westport.

Transport, logistics and tourism

Air NZ posted a 7.4% decline in first-half pretax profit as rising fuel prices offset record high passenger revenue and after the prior period benefited from a one-off gain. Pretax earnings fell to \$323m in the six months ended Dec 31 from \$349m in the same period a year earlier. The airline is to initiate **direct flights to Taipei** five times weekly from November.

Disruption to South Island rail services caused by the Nov 2016 Kaikoura earthquake masked a continuation in improved operating earnings from state-owned railway operator **KiwiRail** in the six months to Dec 31. The company reported an operating surplus of \$15m for the period, which would have come in at \$40m once the one-off costs associated with the closure of the main trunk line between Picton and Christchurch were stripped out. Statutory earnings showed a \$193m loss for the half-year, largely reflecting an accounting treatment requirement that KiwiRail immediately write down the \$134m cost of the Kaikoura line repairs.

Freightways reported a 7.1% gain in first-half

CORPORATE ROUND-UP

revenue to \$292m although profit fell to \$31m from \$34m on the impact of a year-earlier one-time gain and a narrower earnings margin at its express package and business mail division.

Port of Tauranga raised its full-year earnings guidance after posting a 13% gain in H1 profit of \$47m. It now forecasts full-year profit \$92-\$96m, from the \$88-\$92m previously.

Tourism Holdings has formed a joint venture with **Thor Industries**, the world's largest manufacturer of campervans, to develop a single platform to connect a wide range of services in the growing market for RVs. Both will put about US\$47m into the JV. THL doubled first half profit, at \$22.8m, in part because its newly acquired US campervan business, **El Monte**, performed better than expected.

Media

Australian Associated Press is to close its NZ **Newswire** subsidiary after a six year attempt to replace the **NZ Press Association** service that closed in 2011. The departure may open an opportunity for **RNZ**, which is expecting increased govt funding to support its ambitions to both deepen its freely available national news service and extend it across web-based text, radio and online TV broadcasting. An example of this strategy saw RNZ announce a content provision agreement with news release aggregator and journalism site **Scoop**.

NZME reported a smaller than expected fall in FY17 profitability, assisted by a slowing decline in print advertising revenues. Ebitda of \$66.2m was 2% down on FY16, ahead of expectations, and the final dividend was unchanged at 6cps as a result. Net profit of \$20.9m was an 8.5% fall on the previous year. Total revenues fell 4.2% to \$390.7m, with subscriptions down 4%, advertising sales down 4% and revenues from its radio properties fell 4%.

Fairfax announced its NZ division, **Stuff**, would sell or close a brace of regional giveaway and trade publications, and reported NZ media revenue fell 4.5% to \$160m in the six months ended Dec. 31, while ebitda was down 24% to \$20.7m. Print advertising sales dropped 15% to \$77.2m, while print subscriptions slipped 4.3% to \$48.8m. Digital revenue rose 33% to \$24.2m.

Retail

ASX-listed **Super Retail Group** has bought outdoor equipment chain **Macpac Holdings** for \$144m, more than twice the \$68.7m paid by **Champ Private Equity** in 2015. The deal adds 54 stores across Australia and NZ to Queensland-based Super Retail's suite, which it expects to add \$95m of sales.

Hallenstein Glasston Holdings' first-half profit rose about 63% on a strong rise in sales and improving gross margin. Total group sales for the six months to Feb 1 were \$146.8m, an increase of 19.4% over the prior corresponding period. Gross margin for the period was approximately 3.5 percentage points up on the prior year.

Capital markets

NZ Superannuation Fund chief investment officer Matt Whineray will take over as acting CEO when **Adrian Orr** leaves to take up his new role as governor of the **Reserve Bank** in March. The fund aims to replace Orr by mid-May.

NZX boosted annual profit 62% to \$14.8m, cutting costs by trimming down its agri publishing unit and refocusing on its core markets business which experienced strong growth in debt listings, offsetting the lack of new equity initial public offerings and several delistings in the year. Revenue slipped 2.9% to \$75m, reflecting the 2016 sale of the **Clear Grain Exchange** and agri magazines.

Creditors of **Renaissance Brewing**, one of NZ's first crowd-funded equity raisings, face a \$611,000 shortfall after the craft beer maker was sold for \$620,000 following a slump in sales and an "ill-fated" distribution agreement that pushed it into administration, the first liquidator's report says.

Corporate earnings and actions

Google has signalled it will become a NZ taxpayer by booking ad revenues earned in this country with a local subsidiary, rather than in Singapore. The move is in response to the global clamour among govts for 'borderless' companies to become better corporate citizens by acknowledging profitable activity in countries where they have habitually paid no tax.

Vista Group International has bought back 7.9% of its Chinese entity for \$7.7m from China's **Beijing Weying Technology Co (WePiao)**, leaving them with 47.5% apiece in Vista China and allowing the NZ company to treat the division as a controlled entity.

The Business Bakery will accept a \$2.90 a share offer for its 31% stake in **Trilogy International** from China's **Citic Capital Partners** after the independent adviser's report found the bid was within the fair value range calculated by **Grant Samuel** of between \$2.59 and \$2.94 per share.

Infratil chairman Mark Tume will rejoin **Ngāi Tahu Holdings** board this month after almost nine years and will take over the chair later this year, putting him at the helm of two iwi corporate entities. ■

LEGISLATION

Cartel criminalisation back on

The House resumed on Feb 13 for three weeks. Perhaps the most notable legislative decision from a corporate perspective is **Commerce Minister Kris Faafoi's** reversal of his predecessor, **Paul Goldsmith's** decision not to criminalise cartel behaviour after the legislation had slid up and down the Order Paper since originally being introduced by **Simon Power** in 2011. **Salaries for CEOs of Crown entities, such as ACC and the NZ Super Fund,** are the target of a State Sector Act amendment bill.

- *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

Commerce (Criminalisation of Cartels) Amendment Bill: Penalties for intentional cartel conduct of up to seven years imprisonment and/or a \$500,000 fine. Opposed by National.

Education Amendment Bill: Introduced Feb 8. Repeals legislation relating to National Standards and Charter Schools. Restores guaranteed places for staff and student representatives on Tertiary Education Institution councils. Referred to the Education and Workforce Committee on Feb 15. Strongly opposed by National.

Employment Relations Amendment Bill: Introduced Jan 29, referred to the Education and Workforce Committee on Feb 1, strongly opposed by National. Strengthens collective bargaining and union rights, removes the requirement for a union representative to gain consent from an employer before entering a workplace; reinstates the principle good faith in collective bargaining; repeals the Employment Relations Authority's ability to determine bargaining has concluded. Requires new employees have the same terms and conditions as the applicable collective agreement relating to their work for the first 30 days of their employment. Removes exemption for employers with fewer than 20 employees from current rules about business transfers. Restores reinstatement as the primary remedy in unjustified dismissal cases, limits trial periods to employers with fewer than 20 employees.

Employment Relations (Triangular Employment) Amendment Bill: Member's bill from Labour's Kieran McNulty, introduced Feb 1. The Bill seeks to ensure employees employed by one employer but working under the control and direction of another business or organisation, are not deprived of the right to coverage of a collective agreement, and to ensure such employees are not subject to a detriment in their right to allege a personal grievance. Awaiting first reading.

Sale and Supply of Alcohol (Renewal of Licences) Amendment Bill (No 2): Introduced by leave on Feb

14 to replace a *Members Bill (no.1)* which was seriously flawed in drafting. Labour's Louisa Wall seeks to introduce a new step for the renewal of alcohol off-licences to ensure they comply with a Local Alcohol plan. Opposed by National.

State Sector and Crown Entities Reform Bill:

Introduced Feb 12, first reading Feb 20, referred to the Governance and Administration Committee. Brings Crown entities and agencies into the same SSC governance oversight regime as govt depts.

Bills in progress

Customs and Excise Bill: Introduced on Nov 23 2016. Modernises and updates the Customs and Excise Act. Committee stage interrupted Feb 14.

Education (Tertiary Education and Other Matters) Amendment Bill:

Introduced Feb 8 2017. First reading completed last May with Labour, Greens and NZ First opposed, referred to the Education and Science Committee. Reported back from select committee of Feb 16 with a large number of changes.

Electoral (Integrity) Amendment Bill: Introduced on Dec 13 2017. The so-called 'waka-jumping' bill deems that an MP who has left their party is no longer an MP and allows a party leader to dismiss an MP if they are deemed to have left their party. First reading completed Jan 30, referred to the Justice Committee. National and ACT opposed the bill and the Greens conceded they had neglected to list the measure as one they would oppose, during govt formation talks last year, despite long term opposition.

KiwiFund Bill: A bill from NZ First MP Fletcher Tabuteau drawn on Dec 13. Establishes an independent working group to set up a govt-operated KiwiSaver provider, known as KiwiFund. Completed first reading Feb 21 with National and ACT opposed arguing it is unnecessary. Referred to the Economic Development, Science and Innovation Committee.

Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill: Introduced on April 6 2017. Reported back on Feb 20 with a large number of mainly technical amendments.

Dairy Industry Restructuring Amendment Bill (No 2): Introduced Dec 20. Amends the DIRA Act 2001 to prevent expiry of some provisions in May 2018. First and second reading under Urgency Feb 13, committee stage interrupted with Urgency ended on Feb 13. Bill completed its third reading on Feb 15, supported by all parties.

Bills passed

Food Safety Law Reform Bill: Introduced on June 2 2017. An omnibus bill following the Inquiry into the Whey Protein Concentrate Contamination Incident. Committee stage completed on Feb 14. Third reading completed Feb 20. 