

Hydrogen – hype or hope?

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The potential for development of a ‘green hydrogen’ industry in NZ is gaining political traction with ministers seeking to point to concrete new industries that will replace fossil fuels. Some of it is hype, but as conference-goers in Wellington heard this week, there is global momentum for hydrogen’s possibilities in a low-carbon world.

Shane Jones’s other energy initiative

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Less determined to give up on hydrocarbons is NZ First and Regional Economic Development Minister Shane Jones, who is seriously entertaining a locally led bid to instal next-generation electricity production plant based on a new gas and supercritical CO₂-burning technology developed in Texas. It is creating interest, but faces both political and technical hurdles.

The capital gains tax conundrum

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Few political commentators are focusing yet on the long process of publicly airing capital gains tax proposals inherent in the govt’s promise to take legislation through Parliament before the 2020 election for implementation only if it is re-elected. It is difficult to see how the issue can do other than bubble away throughout most of both next year and 2020 because of the legislative process.

Labour back in Dunedin

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It’s 30 years since Labour last held its annual conference in Dunedin. The last time, in 1988, was memorable as a marker on the way to the collapse of the Lange-Douglas govt. This year, a carefully managed display of unity and a credible atmosphere of optimism will be the order of the day.

DIRA up for tweaks, open entry/exit stays

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The govt has issued its discussion document on reform of the Dairy Industry Restructuring Act and it looks a fairly small hill of beans from Fonterra’s perspective. Decisions won’t be made till mid-2019, but open entry and exit looks set to stay, unless a farmer is farming badly; regulation remains; milk price calculations may face a legislative tightening; foreign investment is a net benefit with some element of Fonterra guaranteed to supply to new entrants.

NZ First static in 1st anniversary poll

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Much was made of Labour’s ascent over National and the lack of immediate damage to National’s support in the One News Colmar-Brunton poll coinciding with the govt’s first anniversary and the Jami-Lee Ross affair. However, just as interesting is that NZ First remains at 5%, on the threshold of dropping out of Parliament unless it can win an electorate seat.

Huawei and 5G

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Five Eyes partners are pushing hard through NZ’s GCSB to curtail or prevent use of Huawei equipment in the 5G mobile network rollout, which should start happening in 2020. Both geo-political and commercial tensions are at play.

Dairy regulation here to stay, albeit with reviews

Agriculture Minister **Damien O'Connor** says it would be “naïve” to think that some degree of regulation for the dairy industry won't always be necessary.

Commenting at the launch of MPI's discussion document on the future of the Dairy Industry Restructuring Act, O'Connor also let himself be drawn in questioning into conceding that breaking the cooperative up – as suggested by NZ First – could be an option in the future if its commercial performance didn't improve.

The discussion document, for which submissions are sought by Feb 8, draws no firm conclusions but drops heavy hints about what a tweaked rather than fully reformed DIRA regime might look like.

Key elements appear to be:

- A move to five yearly DIRA reviews, despite potential for constant review threat to cause business uncertainty;
- A continuation of the open entry and exit provisions that Fonterra had hoped it could escape from so that it is not obliged to take as much milk as farmers can provide it. The only concession is a proposal to allow Fonterra to discipline suppliers whose environmental, animal rights or other farming practices are not up to scratch. MPI appears to accept that Fonterra at least needs to be able to manage this reputational risk;
- However, if the coop want to take less milk so that it can preserve capital for investment in value-added production, the discussion document says there is nothing to stop Fonterra lowering its milk price for several seasons as a signal to farmers about supply needs;
- The milk price regulation process could be tightened by additional clauses in DIRA legislation defining in detail what the currently undefined parameters of “practically feasible” mean in the context of a notional efficient producer;
- Guaranteed supply to new entrant international investors in dairy processing are judged to have been a net benefit to NZ, but the current ‘entrance pathway’ covering quantities of milk and timeframes could be reviewed;
- To protect domestic competition while dealing with volume demands for guaranteed milk, local producers' guaranteed quantity could be capped at 30m litres a year;
- The special arrangements that guarantee 250m litres for Goodman Fielder, as the only competitor at scale in NZ domestic consumer milk supply, can

still be justified, although there may be a case for a sinking lid on GF's annual quota to encourage it to find alternative supplies and guard against over-dependence on regulation.

Hydrogen hype rising

Investigation of hydrogen as both a fuel for transport and industrial heat, and as a new export industry to replace oil and gas, is firmly on the gov't's agenda.

The concept got a boost at the international energy conference hosted by Business NZ's Business Energy Council in Wellington, where not only ministers but numerous speakers and delegates were seriously discussing the potential for hydrogen economy options to emerge more quickly than conventional wisdom might suggest is likely.

Some of this enthusiasm is ministerial hype – Jacinda Ardern, Megan Woods, James Shaw and David Parker are all enthusiasts in part because it creates a concrete ‘green economy’ proposition to counter the increasingly negative media coverage that has accompanied passage of the legislation banning future offshore oil and gas exploration permits.

There are also large unanswered questions about the potential of NZ-made ‘green hydrogen’, produced from renewable electricity. The processes most suited to that kind of manufacture are relatively expensive compared to processes that involve carbon emissions.

However, keynote speakers at the Wellington conference stressed that if the world is serious about decarbonisation, processing costs will not be the only consideration for emerging alternative fuel production.

There are also real projects on the books.

A speaker from leading international consultancy in this area, ARUP, indicated that a major project announcement is due in NZ in coming weeks.

Meanwhile, New Plymouth-based TIL Logistics is investigating hydrogen fuel options with Hiringa Energy. The three-phase project could involve vehicle trials of hydrogen fuel cells by 2020. Further roll-out of the technology would depend on the development of refuelling infrastructure.

This is on top of the geothermal energy-powered hydrogen plant being built in Taupo at present.

Among the opportunities that hydrogen could yield is repurposing of existing natural gas infrastructure. For example, hydrogen could be distributed through the existing gas pipeline infrastructure.

Jones toys with Taranaki gas project funding

Meanwhile, Shane Jones is testing the political waters for a next generation energy project of his own, although this one still involves natural gas.

We understand the initiative to establish a new electricity generation station using Taranaki gas in using an advanced US carbon capture and storage technology needs \$25m-plus in govt funding.

Developed by **Texan firm 8 Rivers**, the concept not only promises a viable carbon capture and storage process, but is revolutionary for its use of supercritical CO2 as a feedstock as well as gas. Known as the **Allam Cycle**, the process is leading edge, with a 50MW plant using natural gas only fired for the first time in the US mid-year.

Jones's big idea appears to be to try and convince the Cabinet to back a net zero emissions electricity concept that still uses a fossil fuel. The proposal would clearly face big hurdles, given how invested the govt is in its oil and gas ban decision.

On the other hand, even advocating the idea helps to **differentiate NZ First as a pragmatic, un-Green coalition partner**. In the context of the party needing to carve out a more secure public support base and establish itself as just as able to deal with National as Labour, it could be a fight worth having, even if it were lost.

The 8 Rivers concept has serious backing. Under the guidance of **former John Key chief of staff Wayne Eagleson**, the local team advancing the scheme includes former NZ Post chair **Brian Roche** and the CEO of Crown Irrigation Ltd, **Murray Gribben**.

Eagleson now works in the consultancy started by Labour insiders **Gordon Jon Thompson** and **David Lewis**. The Energy Minister has taken a briefing, as have some other ministers, although David Parker is understood to have declined it.

There is widespread knowledge of the initiative in the energy industry and political circles, although it has yet to surface in the mainstream media.

Labour: self-congratulation but a tricky week

The Labour Party's annual conference this weekend in Dunedin will be the victory celebration that it has been carefully crafted to be. Constitutional and remit debate has been safely locked away behind closed doors away from the media, and all the public will see will be a series of keynote speeches culminating in the Prime Minister's rally on Sunday.

There are those in the party who believe **they have not been in such a sweet spot as they are now in living memory; united, in power and with the kind of charismatic leader that Labour supporters love.**

They would probably have to go back 42 years to **Norman Kirk** to find a matching mood.

But as that govt and the initially popular **David Lange** administration showed, things can quickly turn sour and the govt has done very little so far that tests its membership.

But that will come. There will be the party's reaction to the **Tax Working Group**, state sector reforms and pay claim settlements, freshwater policy, upheavals in education, and Heather Simpson's review of the health sector. All can be expected to report and be regulated or legislated on next year.

Combined with a slowing economy, **this may yet prove to be a high point in the parliamentary term.**

Until this week's blow-up over whether an upwardly mobile couple were appropriate poster-children for the first KiwiBuild home purchase and a botched decision to allow an imprisoned Czech overstayer to remain in NZ, **Labour couldn't believe the free pass that National has given them over the past fortnight** with the Jami-Lee Ross affair. Their first response was to shut down all their public politicking. "We don't want to interrupt," said one Minister. This past week has seen a modest return to normal with controversy over KiwiBuild and the granting of residence to a convicted drug importer.

2019: the capital gains tax challenge

The **capital income tax conundrum** is particularly acute in 2019. By promising to legislate for tax reform that will only occur if a Labour-led govt is re-elected, the **govt has ensured the issue will be a running news issue through next year and well into 2020.**

The Tax Working Group's tight timetable, producing a final report next Feb, reflects how tight the timing is to get legislation in place before the presumed Nov 2020 election date.

The policy debate and formation process, followed by the passage of legislation, will provide constant focus on an issue that has proven easily manipulated by National to Labour's disadvantage at the last three elections.

There is also **potential for coalition tension over any proposals that are seen to go too close to iconic family assets.** The furore created by media

Winston Peters: globalist?

Apparently without irony, given his long-standing oppositional stances on trade and immigration, the Foreign Minister took a tacit poke at Donald Trump and Brexit, among others, in a speech to the Centre for International Development this week, saying:

"Our region is also not immune from the pressures of great power competition and the growth in some quarters of authoritarianism, isolationism and inward looking and narrow-minded nationalism."

commentary on the potential for a deemed return regime on second homes and baches should have sounded alarm bells in the Beehive. The TWG chair, Sir Michael Cullen, is already publicly warning against tax policy purity at the expense of electability.

NZ First's reaction to the final report of the TWG will be an important bellwether, since its instinct for self-preservation from unpopular tax policy is probably keener than Labour's.

TVNZ poll – take aways

We believe NZ First will be more concerned than any other party by the results of the One News Colmar Brunton opinion poll taken as the govt reached its first anniversary.

Stuck on 5% support despite being by far the noisier of Labour's two support partners in govt, NZ First remains less assured than the Green Party of being returned to Parliament in 2020.

Moreover, the one year anniversary reading suggests Labour and the Greens could govern alone on current support levels. We have argued often that Labour welcomes the restraining/populist foil afforded by its coalition with NZ First. A coalition with the Greens alone would drag a Labour-led govt left, threatening its electability.

However, after the worst possible week for the National Party, NZ First was hoping to see a bounce in its support from disaffected National supporters.

Instead, at 43%, National's support held up remarkably well, even if the 7% reading for Simon Bridges underlines how unlikely he is to remain leader through to 2020.

This is only one poll. But it is legitimate to ask whether NZ First's failure to pick up from National's trouble suggests former supporters really do not like this govt and won't shift their support accordingly.

In that context, it is perhaps no accident that Winston Peters took the opportunity, during interviews with Jacinda Ardern marking their first year in coalition, that NZ First is not wedded to any partner for more than one term.

Huawei and 5G

A new report from the **Australian Strategic Policy Institute** may be the catalyst for a new round of local speculation about the NZ govt's attitude to Chinese telco equipment-maker **Huawei** having a role in the rollout of 5G technology.

The **main 5G concern on the minds of local telcos is the timetable for allocating spectrum**, with Communications Minister **Kris Faafoi confirming**

this week that he will try to stick to the timetable indicated by his predecessor, Clare Curran.

That is: Cabinet deliberation before Christmas for announcement, probably in the New Year, of process and timing, and spectrum allocated in early 2020.

But focus is likely already returning among NZ intelligence agencies to their long-standing concerns about a member of the Five Eyes global signals intelligence networking allowing a Chinese company access to national telecommunications infrastructure.

The **GCSB lobbied assiduously, albeit to no effect, against Huawei with the last govt** and is understood to be taking the same line with the Labour-led administration.

Telco industry participants suggest NZ intelligence takes a less hardline approach than in Australia, but their stance amounts to the same opposition. Less clear is to what degree the pressure from Australia and the US reflects commercial self-interest by US competitors to Huawei and legitimate concern about spying.

Both **Spark and 2Degrees use Huawei gear in their 4G networks in NZ**, although global player Vodafone does not.

Spark CEO Simon Moutter mounted a stout defence of Huawei at today's annual meeting, saying it was a world-class provider, highly responsive, and has "provided good commercial value".

Spark saw "no reason" not to continue using Huawei. **"We would hope that our govt would not preclude them from being considered without incontrovertible evidence their technology presents security risks that comprehensive security management tools we employ cannot mitigate."**

The argument against using Huawei for 5-G lies in the fact that it involves far less centralised technology. With 4-G, it was argued that local telcos could keep an eye on what Huawei was installing.

But if the 'brains' of the 5-G network are installed widely around the country rather than in a limited number of hub locations, that belief in inspectability and verification will be harder to sustain.

Spark wants 5-G in place to showcase for The America's Cup in late 2020 and frets there is already only limited time to allocate spectrum and then instal infrastructure. **2Degrees is concerned mainly with affordable and an even geographical spread of spectrum access.**

Australia has banned both Huawei and ZTE from involvement in Australian 5G infrastructure because of its growing importance to control systems for a wide range of critical infrastructure, including electricity and water. ■

Business confidence

A net 37.1% of 367 firms in the **ANZ business outlook survey** for Oct expect general business conditions to deteriorate in the coming year versus a net 38.3% that saw a deterioration in Sept. Agriculture is the most downbeat sector, followed by retail. **Firms' views of their own activity, a closer match to GDP trends**, remained positive, with a net 7.4% predicting increased activity versus 7.8% in Sept and the strongest intention to raise prices since 2014.

53% of small business operators in the latest **MYOB Business Monitor Snapshot** believe NZ's economy will decline over the next 12 months, with nearly a fifth expecting it to contract sharply and 27% expecting an improvement. 26% said their revenue had fallen over the last 12 months, 23% saw revenue rise and 47% had static revenue over the last year.

The 2018 **ExportNZ DHL Export Barometer** of more than 400 exporters said 52% experienced increased export orders in the last 12 months, 34% reported a status quo in volumes. 34% expect orders to remain the same, while 60% expects orders to increase – a decrease from 71% last year.

Household incomes

From 2008, the **average annual household income** rose just over \$30,000 (41%), to reach \$105,719 (before tax) in 2018. Over the same period, average annual housing costs increased 43%, from \$11,967 to \$17,122. Inflation increased 17% over the same period. For the year ended June 2018, **21% of renting households spent 40% or more of their income on housing costs**, including rent. This compared with 7.5% of homeowners who spent that much of their household income on housing costs, including mortgages.

Fiscal position

The gov't's **operating balance before gains and losses** was a \$343m deficit in the three months through Sept, versus the forecast \$279m deficit. The tax take was \$19b, slightly below the \$19.1b forecast. Corporate tax revenue was below forecast by \$300m, but Treasury expects this to reverse. Core operating expenses were \$21.2b, 1% below forecast, partly due to the Working for Family Tax Credit being lower than expected. Net core Crown debt was \$60.4b, or 20.9% of GDP at the end of Sept – \$2.2b less than forecast.

External accounts

Rising fuel and crude oil imports in Sept helped drive the widest annual trade deficit in more than nine years. The Sept deficit was \$1.6b and annual

deficit \$5.2b, the widest since Jan 2009. Sept imports rose 19% to \$5.9b, the highest value for total imports on record. Exports were up 14% to \$4.3b. Petroleum was up \$366m or 87% on the year. Fruit exports were up 118% to \$347m, forestry products, up 19% to \$466m, and meat and edible offal up 20% to \$367m. Milk powder, butter, and cheese exports fell \$32m or 4.1% to \$759m.

Credit ratings

Standard & Poor's revised its risk trend on NZ to positive from stable after housing-related imbalances in the economy moderated. It said risks facing the financial system stabilised after a slowdown in the rapid rate of growth in house prices and private sector credit extension.

S&P still believes there is an elevated risk of a sharp correction in property prices because of the historical build-up.

NZ is the second riskiest country in the world to offer insurance, just behind Bangladesh, according to a review of 43 countries by **Lloyd's**. Chile rates third.

Construction

New homes consented in the 12 months to Sept lifted 5.4% with 32,548 consented nationally. Of those, a record 6,059 were townhouses, flats, and units, up 29%. There were 20,692 stand-alone houses – down 2.4%. Apartment consents lifted 21% and retirement village units were up 6.3%. A total of 12,945 homes were permitted in Auckland in the year. It is estimated 13,000 are needed to keep up with population growth.

Real estate

Nationwide residential property values increased by 5.4% during the past year and were up 1% in the three months through October. The **QV House Price Index** nationwide average value is now \$681,802. Wellington rose 10.2% in the year to Oct and increased 2.9% during the past quarter. The average value there is now \$672,701. Growth remains slow across Auckland's suburbs. North Shore values rose 1.4% in the year, but dropped 0.5% over the past three months. The average value there is now \$1,217,762.

The number of **home sales to foreign buyers** continued to ease in the Sept quarter ahead of rule changes barring overseas people purchasing existing houses.

The share of home transfers to overseas people fell to 2% in the Sept quarter from 2.3% in the same period a year earlier and 2.8% in the June quarter. ■

CORPORATE ROUND-UP**Banking, insurance and finance**

The **Reserve Bank** and **Financial Markets Authority** will release its **Bank Culture and Conduct Report** conduct on Monday afternoon. The inquiry followed public attention created by the Australian royal commission into the banking sector. The report is coinciding with banks' profit reporting.

BNZ's net profit climbed 9.8% to \$1.03b in the year ended Sept 30 on boosted net interest income of 8.5% to \$1.95b. There was a 12% rise in operating costs to \$1.05b as it invested in digital platforms.

ANZ's NZ unit reported net tax profit for the year ended Sept rose 12% to \$1.99b, cash profit rose 3% to \$1.90b. Net interest income rose 3% to \$3.18b, rising at the same pace as operating costs, which totalled \$1.01b. Impairment charges on bad debt shrank 10% to \$53m. It also canned plans to sell **UDC Finance**.

Callaghan Innovation invested into the cryptocurrency savings and trading platform **Vimba, previously known as MyCryptoSaver**. The approved grant value is 40% of the total estimated project cost of \$315k.

Cigna NZ has been granted approval from the Reserve Bank and the Overseas Investment Office to acquire ANZ's OnePath Insurance business

Primary sector

Westland Milk Products expects to pay between \$6.10 and \$6.50 per kg of milk solids versus a prior forecast of \$6.50 to \$6.90 in the current season. In the prior season it paid \$6.12, less a 5 cent retention.

96.9% of **PGG Wrightson** shareholders backed a deal to sell its seeds unit for \$434m to Danish cooperative **DLF Seeds**. If it goes ahead Wrightson plans to return \$292m to shareholders.

Sales of tractors are up 17% on this time last year. Figures to the end of Sept showed of 3355 retail sales compared to 2865 in 2017.

Energy and resources

Z Energy cut its full-year earnings guidance to between \$400m and \$435m after rising oil prices and a weaker dollar reduced its first-half operating profit by 21%. In July it cut its forecast by \$30m to between \$420m to \$455m. The company hopes to save \$10m by cutting back on loyalty rewards for customers it identifies as being "over-rewarded".

NZ Oil & Gas shares rose 6.9% after it reported gas indications at the Kohatukai-1 onshore exploration well south-east of New Plymouth.

Transport, tourism and logistics

The **Commerce Commission** said **Auckland**

International Airport's \$1.8b infrastructure upgrade doesn't justify a 7.06% return on its regulated assets during the next five years. The regulator estimates the airport will generate an additional \$37m profit beyond what it considers an appropriate return, but didn't call those earnings excessive.

AIA expects underlying earnings of between \$265m and \$275m in the year ending June 30, up from \$263.1m. Chair **Henry van der Heyden** affirmed the guidance before handing over to his successor – **Patrick Strange**, who expects a focus on infrastructure upgrades in the coming year.

Wellington International Airport expects a strong summer due to new services and increased capacity. Overall traffic from Asia increased 37% since in May and a number of new trans-Tasman and Pacific flights will start over coming months. The airport has opened its new multi-storey carpark.

Singapore Airlines and **Air NZ** began operating three daily flights between Auckland and Singapore. SIA will operate two of the three daily flights between now and March next year, with Air NZ doing two of the three daily services through Oct.

The govt is providing a \$35m capital injection to **KiwiRail** from **NZTA** over four years to keep electric locomotives on the North Island Main Trunk Line. 15 electric trains will be refurbished by KiwiRail, reversing an earlier decision to switch back to diesel units. KiwiRail began geo-technical investigation of the route for a possible spur-line from Whangarei to **Northport**.

The **Commerce Commission** received a clearance application from **Siemens A.G.** to combine its rail mobility business with **Alstom S.A.**

Research, Science and Innovation Minister **Megan Woods** announced a govt agreement with **Airbus** to develop NZ's emerging unmanned aircraft and space data technology sectors.

Foreign direct investment

China's **Guangxi Fenglin Wood Industry Group** has been approved to lease land to build and operate a \$100m particle board factory in Kawerau. The project has attracted opposition and lobbying from Japanese interests, in particular **Oji Fibre Solutions**, because of the threat it perceives to limited wood-chip supplies and concerns about having to compete with a Chinese govt-backed SOE.

Services

New findings indicate the most recent annual economic value of **international education** is \$5.1b, making it the country's fourth largest export.

AWF Madison maintained its interim dividend,

despite posting a 40% slide in first-half earnings due to the failure of three building sector customers. It will pay dividends totalling \$2.7m, or 8 cents per share, unchanged from a year earlier. It reported a net profit of \$2.1m down from \$3.4m a year earlier.

Healthcare and retirement

Metlifecare acquired additional land from Pakuranga Golf Club and will expand its adjacent Botany development by 74 units.

The **Ministry of Health** has granted a license to cultivate cannabis to **Helius Therapeutics** – the first license to be issued in Auckland and the largest licensed site in the country.

Manufacturing

Methven reported a 6% lift in Sept quarter revenue and net profit growth for the period of \$560,000. It expects net profit growth of at least 10% this year.

Clothing label **WORLD** gave enforceable undertakings to the Commerce Commission to stop labelling clothing made offshore to appear as if it was made locally.

Fletcher Building announced the sale of its Roof Tile Group business to Canada's **IKO group** for US\$39m and expects to exit its **Formica** laminated panels business this financial year. **Steel & Tube** said it considered bidding for **Fletcher Building's** steel and reinforcing businesses earlier this year but concluded it would take too long and could struggle to gain Commerce Commission consent.

S&T must pay a record fine of \$1.89m on 24 charges under the Fair Trading Act relating to four years and sales of steel mesh which the company says it inadvertently mislabelled.

Tech and innovation

NZ's 200 largest technology exporters grew revenue by \$1.1b to total \$11.1b in the past year. The **2018 TIN Report** said overall exports by the group grew 12.4% in the past year to reach nearly \$7.9b. The companies also reported 10% growth in research and development spending to nearly \$1b. TIN200 profitability increased by 38%.

Texas software investor **ESW Holdings** is offering more than twice the current market price to buy e-commerce software seller **SLI Systems** for more than \$40m.

IkeGPS's first-half revenue rose 26%, buoyed by North American demand for its new Ike Analyse product. Revenue for the six months to Sept rose to about \$4.4m, from \$3.5m a year earlier. Gross margin for the half-year almost doubled to \$2.9m.

Plexure Group reported a revenue increase of 51% for the six months ended Sept 30, to \$8.1m, and net profit of \$1.1m compared with an equivalent half-year loss of \$195,000 in 2017.

Insurance

ACC said it was disappointed with a 9.9% investment return in the June 2018 year, caused in part by its early decision to pare back its exposure to global equity markets.

Capital markets

NZX refreshed its market structure and updated its listing rules reducing it from 345 pages to 81. It coincided with a previously-announced move to a single equity market, getting rid of the NXT and AX small-cap company boards and changing listings requirement thresholds. The amended rules will take effect on Jan 1 and all companies must have transitioned to the new rules by June 30. NZX's third-quarter revenue rose 3.8% as funds management made up for performances in core operations.

AMP plans to spin out its NZ wealth management and advice division in an IPO next year. The NZ businesses contribute operating earnings of about A\$40m. The spin-out won't include the AMP Capital funds management unit. AMP has also agreed to sell AMP Life to Resolution Life for A\$3.3b and agreed with Swiss Re to reinsure the NZ retail wealth protection business before the planned sale, freeing up A\$150m of capital.

Salt Funds Management's carbon fund has opened to investors and will list on the NZX under the code CO2 on Nov 8. The fund has been rated as high risk.

Media

NZME and **Stuff** have abandoned their two year attempt to merge after deciding against taking their case to the Supreme Court. Radio NZ is to replace its former economics correspondent, **Patrick O'Meara**, with TVNZ reporter **Kim Savage**.

Diversity

The Census of Women on Boards 2018 said 24.1% of board members of NZ's top 100 NZX companies by market capitalisation are female. The survey in 2017 recorded 22.1% female board members, and 20.1% in 2016.

Workplace safety

Work-related **serious non-fatal injury rates rose in 2017 after four years of decline**. The rate was up from 14.3 injuries per 100,000 full-time employees in 2016 to 16.9 in 2017. The increase was largely driven by a rise in serious non-fatal injuries in the construction sector. ■

LEGISLATION

CPTPP passes into law; takes effect

In this four week session the govt gave priority to legislation to give the Commerce Commission powers to conduct market studies as it came under pressure over rising petrol prices.

Other notable legislation included the passage of bills to ratify the Comprehensive and Progressive Trans-Pacific Partnership Agreement, the ban on new oil and gas exploration permits and the R&D tax credit regime. Passage of the CPTPP legislation made NZ the pact's sixth signatory, allowing it to come into force within 60 days. It also marks a milestone dating to the earliest days of the Ardern govt and the administration's unexpected efforts to revive what was then the TPP at the APEC leaders' summit in Da Nang last Nov.

Parliament has just four more sitting weeks until Christmas. The current four week block ends on Nov 8, followed a fortnight's recess.

The House resumes for three weeks on Nov 27 and rises for the year on Dec 13.

The **Child Poverty Reduction Bill**, now subject to bi-partisan support, completed its second reading during this block.

- *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

Taxation (Research and Development Tax Credits)

Bill: *Introduced Oct 25. Enacts the govt's new r&d tax credits regime. To be eligible for a tax credit, an eligible person must spend at least \$50,000 on research and development in a year. The maximum amount of expenditure eligible is \$120m, unless previously approved. The tax credit is equal to 15% of eligible expenditure. Completed first reading Nov 1, referred to the Finance and Expenditure Committee with an April 1 2019 report back. Only ACT opposed the bill, but National indicated its support was conditional and only to select committee.*

NZ Superannuation and Retirement Income (Fair Residency) Amendment Bill: *Members' bill of NZ First's Mark Patterson, introduced Oct 18. Proposes raising the minimum residency qualification for NZ Superannuation from 10 years to 20 years after age 20.*

Bills in Progress

Crown Minerals (Petroleum) Amendment Bill:

Introduced Sept 24. Enacts the govt's ban on future issuing of offshore oil and gas exploration permits. *Reported back Oct 29. National MPs' minority report vows repeal if in govt. Bill criticised by Parliament's Legislative Advisory Committee for poor process and inadequate time for consideration. Completed second reading Nov 1.*

Telecommunications (New Regulatory Framework)

Amendment Bill: Introduced Aug 8. Establishes a regulatory framework for fibre fixed line access services; removes unnecessary copper fixed line access service regulation; streamlines regulatory processes; and provides more regulatory oversight of retail service quality. *Committee stage completed Oct 30.*

Consumers' Right to Know (Country of Origin of Food)

Bill: A bill in the name of Green MP Steffan Browning (now Gareth Hughes) drawn from the ballot Dec 8 2016. *Second reading completed on Oct 17 with all parties in agreement. Committee stage completed Oct 31.*

Health and Safety at Work (Volunteer Associations)

Amendment Bill: Bill drawn from the ballot on Feb 22 in the name of Harete Hipango. Amends the Health and Safety at Work Act 2015 to allow volunteer associations that employ a person or persons for not greater than 100 hours per week to be excluded from the definition of a person conducting a business or undertaking. *Report back extended from Nov 2 to Nov 9.*

Local Electoral Matters Bill:

Introduced April 5. Provides greater flexibility to enable local electoral arrangements to adapt to changing circumstances, including "trials of novel voting methods", such as on-line voting. *Report back extended from Nov 9 to Dec 8.*

Tribunals Powers and Procedures Legislation Bill and Courts Matters Bill:

Introduced Aug 1. With the Courts Matters Bill, to modernise and improve the efficiency of the courts and tribunals system. *Committee stage completed on Oct 30 with no major changes.*

Trusts Bill: Introduced Aug 1 2017. Replaces the Trustee Act 1956 and the Perpetuities Act 1964 to make trust law more accessible, clarify and simplify core trust principles and essential obligations for trustees, and preserve the flexibility of the common law to allow trust law to continue to evolve through the courts. *Reported back on Oct 31 with a large number of technical changes.*

Bills Passed or Discharged

Residential Tenancies (Prohibiting Letting Fees)

Amendment Bill: Introduced March 22. Amends the Residential Tenancies Act to prohibit charging a letting fee. *Reported back Oct 3 with minor changes and a majority of MPs recommending the govt bring in regulation for letting agencies and property managers. National wrote a minority view opposing the bill saying it would lead to rent rises. Second reading completed Oct 25 with National and ACT opposed. Committee stage completed on Oct 30 and third reading on Nov 1. No change in position of parties.* 