

Huawei: there will be a price to pay

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Whether the two are connected is unknowable, but it may be a good thing that the PM's pre-Christmas trip to Beijing ended up being postponed. No matter how the govt spins it as an interim decision in a process, the decision halting use of Huawei equipment in NZ's 5G network will have consequences in our most important trading relationship.

Centrist interventions shape up in water and UDA

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Cabinet papers released on 'three waters' policy and the Urban Development Authority underscore the extent to which this is a govt determined to grasp the reins of what it sees as a pattern of under-resourced, under-performing and at times ineffectual local govt.

8 Rivers – plenty of hurdles, including PGF's credibility

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The 8 Rivers/Pouakai zero-emissions electricity/hydrogen/urea plant proposal is enticing but faces significant political and real world hurdles – not least whether it can be confident of sufficient natural gas supplies. Meanwhile, Opposition attacks on Shane Jones's Provincial Growth Fund as a political money-hose are starting to find their target.

Tax Working Group – heading off the rails?

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The scale of the political challenge the govt faces in marshalling arguments for the fourth election in a row to support a wider capital gains tax regime are mounting. Particularly important is the absence of a clear view from NZ First on whether it will support pre-election legislation for post-election implementation.

MMP tweaks on the cards for 2020 referendum

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There may be as many as three referenda at the next election, on recreational cannabis use, euthanasia, and another attempt to reduce the capacity for small political parties to 'coat-tail' MPs into Parliament on a single electorate seat when they have failed to reach the party vote threshold.

Climate change consensus – on hold till the New Year?

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Hopes that a cross-parliament consensus on climate change might emerge next week have dissipated, with negotiations between the govt and National Party likely to go into the New Year. As expected, methane is a particular sticking point.

Australia heading to the polls early?

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A change of govt in Australia looks almost assured in an early federal election in May next year. Last weekend's Liberal wipe-out in Victoria and a subsequent federal Liberal MP defection to the cross-benches are making PM Scott Morrison's job more and more difficult.

China/NZ relations: what price for the Huawei knockback?

The exact dynamic behind the failure to schedule a visit to Beijing this year by PM Jacinda Ardern may never be truly knowable.

It appears to be a combination of NZ's reduced relevance to China vs a decade ago when we were an important bellwether for China's international trade agenda, some cooling from Beijing caused by the gov't's stance on foreign direct investment, and perhaps reluctance from the NZ side to head to China without clear progress visible on the FTA upgrade.

It may also have been that the PM was aware the GCSB was struggling with the national security implications of Spark's application to use Chinese-built Huawei cellsite technology in its 5G network and that the decision could be a major spanner in the works for a December trip.

If nothing else, it's fair to assume that the latter would have been a major embarrassment for the PM in China, had she visited in the week of Dec 11.

It's also inevitable that NZ will pay some price for the decision, especially if the potential for a workaround that might let Huawei back into the 5G fold fails to eventuate.

That could take various forms, including: a sudden upsurge in problems at Chinese wharves for NZ goods; a subtle downgrading of NZ as a study destination for Chinese students at a time when international student numbers are already in decline; or further difficulty scheduling top-level meetings between NZ and Chinese ministers and leaders.

The tension is not just about NZ needing to fall into line as a 5 Eyes member or picking sides between China and the US. The Huawei issue is simply the most visible sign of NZ being swept into the escalating trade and diplomatic stand-off – some say 'cold war' – started by the Trump administration against Chinese trade practices, SOE subsidies, and intellectual property theft.

That issue will be at the heart of this weekend's G20 summit in Argentina, where Trump and his Chinese counterpart, Xi Jinping, are scheduled to meet.

Trump is threatening further tariffs against China as part of a constant ratcheting up of pressure to push for Chinese reforms.

That pressure includes US "efforts to prevent allies from using Chinese 5G telecom equipment due to security concerns" and "making life extremely difficult for other Chinese national champions", said Nikko Asset Management global strategy manager John Vail in comments ahead of the G20.

"This is a form of pressuring China on two fronts in order to speed reforms."

Vail believes China's recent agreement with the US, Japan and Europe on coordinated WTO reform is an important signal, "but the speed at which this occurs is crucial to how fast the trade war can end".

"Eventually, China will be a major player in all hi-tech fields, it is just a question of how long it takes and how disruptive and risky a process it chooses to pursue."

Huawei, Spark and 2degrees are all expressing concern that excluding Huawei from 5G will reduce the competitive dynamics in the 5G rollout.

Huawei had signalled its willingness to be kept out of the 'core' of the 5G network, as it has in the 4G network, and demonstrated its ability to do so earlier this month in a test environment with Spark.

However, the fear appears to be that the increasingly disaggregated nature of core services under 5G will eventually make detecting espionage increasingly difficult.

Meanwhile, as if to underline the **critical importance of the trade relationship**, the RBNZ this week issued currency reweightings for calculating the trade-weighted index. The **Chinese yuan is now given the heaviest weighting, overtaking the Australian dollar**.

China in the Pacific

Australia's **Lowy Institute** has published a Pacific Aid Map tracking foreign donor activity in Pacific Island states and questioning what says is recent "hysteria" about China's aid programme.

China is responsible for 9% of all aid projects identified, while the vast majority of funding comes from Australia and NZ. The institute does note that Chinese projects tend to be more visible – often involving govt buildings or infrastructure – while Australasian projects are more likely to involve agriculture, rural communities, and capacity-building. The use of Chinese aid to accelerate the arrival of Chinese SOEs to undertake commercial infrastructure and civil works is also notable, along with a diaspora of newly migrant Chinese establishing businesses in Pacific countries. This acceleration of visible presence and commercial activity appears to be of greater significance than Chinese aid projects per se.

Australian election in May

A federal election is expected in Australia on May 11 or 18 following PM Scott Morrison's announcement of an April 2 Budget. The announcement surprised political commentators, given that the early Budget

date announcement removes any tactical surprise that the Liberal coalition govt could have sprung. While **Morrison's personal favourability is improving in public opinion polls, the Australian Labor Party has a clear 10 point lead over the Liberal-Nationals coalition**, suggesting a change of govt is almost inevitable. The emphatic Labor victory in the Victorian state election last weekend has both underlined that potential and prompted defection by Julia Banks to the federal cross-benches amid strident public criticisms by several women Liberal MPs. Jobs Minister Kelly O'Dwyer accused the coalition of having an image as "homophobic, anti-women, climate change deniers". AFR commentator Philip Coorey's summary of Morrison's chances was pithy: **"If this mob had a duck, it would drown."**

New Year for climate change consensus

Negotiations between the National Party and the coalition govt, represented primarily by Climate Change Minister **James Shaw**, have been intense in recent weeks, but **hopes of a pre-Christmas consensus are fading**.

National's **Todd Muller** has been leading National's side and **Simon Bridges** has recently been brought into the discussions, which are targeting consensus on a cross-parliamentary approach to climate change.

Most significant among the many issues at play is thought to be the **treatment of methane emissions from ruminant animals**. Some scientific opinion suggests that reducing methane emissions is unnecessary as it is a short-lived gas. This argument holds that carbon dioxide and nitrous oxide are where the big gains are both possible and most necessary to limit global temperature warming to as close to 1.5 degrees Celsius as possible by the turn of the century.

However, there are both political and alternative scientific views that see some attempt at reducing methane emissions as an important goal.

The govt appears swayed by the view that unless it moves on methane at some level, it will be seen as giving agriculture a 'free pass'.

Also in the mix is the fact that the Paris climate change accord doesn't differentiate between different types of gas, with some nations hoping NZ can provide a lead in this area at the COP24 annual summit in Poland from Dec 2-14.

Interventionism on display in UDA and 3 waters thinking

Local Govt NZ's call not to force water services

amalgamation on small local authorities looks unlikely to be heeded, if Cabinet papers released on 'three waters' reform are a guide.

Both the 3 waters Cabinet papers and those released on the creation of the Urban Development Authority provide further nuance on the govt's determination to provide national direction where local govt is perceived to have failed, particularly on transport, essential infrastructure and urban form.

The 3 waters paper appears to suggest ministers are most enamoured of Auckland's Watercare model, while LGNZ may prefer the Wellington Water approach, which it sees as giving local and regional govt more choice and influence over decision-making.

Local Govt Minister Nanaia Mahuta is signalling mid-2019 for decisions in principle with legislation by late in the year.

Key considerations will be options for a new dedicated drinking water regulator, broader regulatory options for 3 waters, including environmental and economic (electricity network-style) regulation, and options for future service delivery.

LGNZ is threatening 'protest on the steps of Parliament' if forced amalgamations are favoured, fearing in part that this could leave local govt with an ever-shrinking array of responsibilities. They argue amalgamation's benefits are over-rated and that local govt debt levels are low and could sustain more borrowing to help meet the future 3 waters funding challenges.

Legislation to establish the Housing and Urban Development Authority will also emerge next year. It will bring together three existing home building agencies – Housing NZ, its subsidiary HLC, and the KiwiBuild Unit. It will have powers to override district plans, shorten planning and consenting processes, and acquire land, to fast-track large-scale housing developments.

8 Rivers and the PGF

The 8 Rivers zero-emissions gas to electricity/hydrogen/ammonia-urea proposal will prove a test of how the govt approaches the desired 'just transition' to a low carbon economy. Will it back a proposal that uses a fossil fuel and carbon capture and storage, or will that be insufficiently 'green' to warrant Provincial Growth Fund assistance?

MMP referendum?

Andrew Little has signalled the potential for a referendum in 2020 on whether to drop the party vote threshold from 5% to 4% and prevent so-called 'coat-tailing' by parties that win an electorate seat but score below the party vote threshold.

This would have kept the Act, United Future and Maori parties out of recent parliaments.

POLITICS AND POLICY

Also germane will be whether to believe that such a large-scale gas user can be confident about gas supply – **it is not clear at this stage that the project has comfort on that issue**, even though its CCS process could boost recoveries from existing oil and gas fields.

Also worth watching is **the politics of the PGF itself**. By backing the **Westland Milk** plant upgrade to the tune of nearly \$10m this week, and tipping more than \$120m into KiwiRail in recent weeks, the PGF is increasingly looking like the ill-disciplined, vote-buying machine that National has been saying it was all along. Perhaps that won't matter in the regions where the money is splurged, but if a perception – or proof – of low quality spending becomes entrenched, it will become a political liability by 2020.

More CGT headaches

The political risks of the gov't's Tax Working Group process is becoming more apparent.

NZ First MPs are indicating the party will not necessarily support the legislation that Labour wants in place before the 2020 election to allow a debate on CGT based on an actual rather than a notional set of proposals. Even if it were to support passage in principle, NZ First may campaign on a repeal platform.

TWG chair Michael Cullen's comments are also becoming inconsistent as the group struggles for consensus.

Having sought to reassure existing asset owners a CAANZ conference in Oct that any CGT would be prospective rather than retrospective measure, comments in the last week suggest there will be some kind of 'valuation day' approach taken to business assets.

That would open up a new front of opponents to a CGT regime extension – small business owners, who are NZ First's primary political target.

Meanwhile, **Simon Bridges** vowed a National-led gov't would repeal any CGT imposed by a Labour-led gov't.

Trade agreements

The Gov't called for submissions on a **post-Brexit FTA with the UK**. Trade Minister David Parker said both countries have committed to launching negotiations as soon as the UK is in a position to do so.

The annual **APEC Leaders' Meeting** in PNG ended without a leaders' communique for the first time in 29 years because of divisions over trade. The US and China exchanged barbs, with Chinese President Xi Jinping saying US protectionism would fail. US Vice-President Mike Pence said he was ready to more than double tariffs imposed on Chinese goods. Foreign

Minister Winston Peters said the standoff was an "enormous opportunity" for NZ to have a "far more profound influence in the shape of the Pacific."

NZTA scrutiny deepens

Transport Minister Phil Twyford appears to be laying the groundwork for major changes at NZTA, announcing a further, more widespread review of the performance of its regulatory functions. This follows last month's announcement of an external investigation into whether it had gone too far in reducing its focus on enforcement of safety standards for vehicle inspections in favour of education and collaboration. Chair **Michael Stiassny, a Twyford appointment**, reinforced the sense of the potential for major reform by calling for whistleblowers from within NZTA to come forward with any concerns.

Bullying at Parliament

Parliament is one workplace that has been relatively immune to modern management practice, in part because of the **accepted stressful and 'bare-knuckle' culture of party politics** and partly because Cabinet ministers and MPs are unusual bosses, who often come to their roles without any formal or previous people management experience.

That makes the announcement of an inquiry into bullying and harassment at Parliament both an intriguing and challenging prospect.

We anticipate that MPs may prove a resistant group to cultural change in this area, legal requirements of health and safety law notwithstanding.


Employment law compromise

NZ First is taking credit for further watering down of the **Employment Relations Bill**, which has partially mollified employer groups' concerns. The revised bill now makes clear that while employers are obliged to engage in bargaining for a multi-employer collective agreement, they can opt out. Unions will only have rights of entry to a workplace where workers are covered by or bargaining for a collective agreement.

Waste management – plastic bags

Single-use plastic shopping bags will be subject to mandatory phase-out by mid-2019, with all retailers and all plastic shopping bags under 70 microns thickness affected.

Copyright Act review back on track

The gov't released an issues paper for public consultation on changes to the Copyright Act 1994. The review had stalled after being launched by the previous gov't. **Submissions are due by April 5 2019.** 

The case for rates normalisation

With the economy operating at maximum sustainable employment, the output gap at zero and inflation, both headline and underlying, near 2%, there is a **strong argument for interest rate normalisation**.

However, the RBNZ remains reluctant to shift rates higher and there is little evidence that inflation is about to gallop away with rates where they are. As a consequence, a lower prospective interest rate track is justified and suggests current market pricing may be about right, for now at least.

Bolstering that judgment is the somewhat more benign outlook for global rates implied by comments from the Federal Reserve this week, which indicated the US funds rate is closer to neutral than it had previously signalled.

That has pushed out expectations for further US rate rises and may even have created the pre-conditions for the traditional pre-Xmas 'Santa Rally' in equity markets.

Falling dairy commodity prices and a softer outlook for global oil prices are also factors in a more dovish outlook for interest rates.

Housing, RBNZ on LVRs

The RBNZ has relaxed loan-to-valuation ratio restrictions for both owner-occupiers and, to a lesser extent, residential property investors as it judges risks to the financial system from highly indebted home borrowers has eased.

The **KiwiBuild Unit** has received 102 responses to its invitation to pitch for offsite house manufacturing. Housing Minister Phil Twyford confirmed in Parliament that **the Crown is on the hook for KiwiBuild homes that fail to sell**, where it has bought them 'off the plans'. Homes in a Wanaka development where KiwiBuild took a share are proving slow to sell.

Economic indicators

The BNZ-Business NZ **performance of services index** rose 1.2 points to 55.4 in Oct, its highest level in five months and above the long-run average of 54.5. The PSI followed a similar recovery in its recent sister survey – the performance of manufacturing index. Any reading above 50 indicates growth.

Imports topped \$6bn for the first time in Oct with goods from China rising a record amount as the two nations mark 10 years of their trade deal. The Oct deficit was \$1.3b and the annual deficit was \$5.8b versus an expected \$5.1b shortfall. It was the widest annual deficit since Oct 2007. Oct imports rose 14.1% on the year to \$6.2b with petroleum the

main contributor, up \$257m or 68%. **Imports from China rose \$430m or 41% on the year to \$1.5b, led by cranes and cellphones**. This is the largest dollar value increase for monthly Chinese imports ever. Overall exports were up 6.6% to \$4.9b.

Annual net **migration** continues to ease off record highs, falling to its lowest level in three years in the year ended Oct. Net migration was 61,751 in the year to Oct 31, down from 70,694 a year earlier. Statistics NZ said migrant arrivals slipped 2.7% to 128,123, while departures lifted 8.9% to 66,372. Annual non-NZ citizen departures climbed 16% to 31,800, while local departures were up 3% to 34,600.

Sentiment


Consumer confidence lifted 4 points in the Nov ANZ index. While the Current Conditions Index eased one point to 121, the Future Conditions Index rose six points to 117. A net 10% felt financially better off than a year ago, down one point from Oct, but a net 26% expect to be better off in a year's time, up six points.

ANZ's monthly **business confidence** index showed sentiment unchanged from Oct with a net 37% feeling pessimistic about the year ahead. Firms' perceptions of their own activity rose 1 point to a net 8% expecting a lift.

43% of directors expect the country's economic performance to weaken over the next 12 months. The **Institute of Directors and ASB's 2018 Director Sentiment Survey** found 17% of directors expect NZ's economic performance to improve, 40% expect performance to remain unchanged. However, 52% of directors expect their own organisation's performance to improve.

The latest **Ipsos NZ Issues Monitor** found housing (45%) is the most important issue facing NZ. Fuel prices (31%), however, are now twice as likely to be a concerning issue than before. It found the cost of living (29%), healthcare (25%) and poverty (24%) continue to be the other top concerns for NZers. The poll of 610 people was conducted in Oct and showed those polled felt Labour was the best party to deal with the majority of their concerns.

Census update

Work on the **first release of 2018 Census data is taking longer than expected**. Statistics NZ previously said it had full or partial information for around 90% of individuals from the census and would be using other govt data to fill the gaps. However, some gaps and inconsistencies are proving hard to fill or reconcile. An update is due in April. 

CORPORATE ROUND-UP

Primary industries

A2 Milk shares rose after news China's current policies on cross-border e-commerce retail imports will continue. In Aug, the Chinese govt passed a new law providing a framework for domestic and cross-border e-commerce. A2's revenue in the four months through Oct rose to \$368.4m, up 40.5% on the same period a year ago. Net profit was \$86m, up 64.5%.

Alliance Group more than halved its net profit as it paid more for livestock and in tax, interest and administration costs. Net profit for the year ended Sept fell to \$6.6m from \$14.4m a year earlier. Revenue lifted to \$1.8b from \$1.5b in the prior year and it paid more than \$1.2b to its farmer-shareholders. Overall cost of sales rose 16.6% to \$1.71b. Alliance is owned by more than 4,000 farmer-shareholders who backed no profit distribution to shareholders in favour of investment in new technology.

Fonterra's consumer and food services COO **Lukas Paravacini** has announced he is resigning in Jan and returning to Europe after five years with the co-operative. Hired away from Nestle Europe in 2013 by the previous CEO, **Theo Spierings**, Paravacini initially replaced **Jonathan Mason** as CFO before stepping into his current role in March 2017. Speculation is mounting that acting CEO **Miles Hurrell** is being considered as a possible permanent appointment, though decisions are not expected this year.

Sanford is reducing its quota holding to focus on value as it enters a conditional deal to sell its Tauranga-based fishing business to Pelco NZ. No price was disclosed but the deal includes three purse seine vessels, processing equipment and a portion of its pelagic quota holding, which represents 3.75% of Sanford's quota asset value or around \$15m based on its quota book value of \$401.5m. Sanford will still hold 19% of NZ's available fishing quota.

Banking, finance and insurance

Cooperative Bank posted a 2.4% decline in first-half profit as lower banking fees and increased spending on staff and new technology dented earnings. Net profit fell to \$5.6m in the six months ended Sept 30 from \$5.8m a year earlier.

ANZ has compensated about 86% of the 100,000 customers affected by its faulty loan calculator from March 2015.

AIA/Sovereign will stop using overseas trips as rewards for salespeople as the industry moves to clean up its reputation for prioritising sales over customer service.

Construction and infrastructure

Fletcher Building disappointed investors by

announcing an unexpected profit downgrade for the first half of the current financial year. Earnings before interest and tax will be \$630-680m for the six months ending Dec, about 10% down on the same period last year. The expected under-performance was pinned mainly on Australian trading conditions and the timing of house sales in NZ. The Fletcher share price took a hammering.

Healthcare and retirement

Ryman Healthcare forecast at least 9% full-year earnings growth as it expands operations both sides of the Tasman. The company is projecting underlying profit of \$223m to \$238m for the year through March, up from \$203.5m in the prior period. 1H underlying profit rose almost 14% to \$97.1m.

Entertainment and media

NZ news media sector disruption appears to be intensifying. **Fairfax Media** shareholders approved the proposed merger with **Nine Entertainment** in Australia. The merged entity is expected to seek to rationalise its NZ media holdings, operating under the Stuff brand. **Bauer Media** and **Stuff** entered a content-sharing arrangement that will see Stuff gain access to journalism from Bauer titles, including The Listener, North & South, and Metro on undisclosed terms. Press release aggregation site **Scoop** is making another appeal for funds to remain solvent. **NBR** publisher **Todd Scott** has clarified via Twitter that he is not part of a consortium seeking to buy the Australian Financial Review following the Nine-Fairfax merger, but sees NBR as an element that could be folded into a separated entity.

Mediaworks and the NZ arm of ASX-listed outdoor advertising firm **QMS Media** are to merge. Mediaworks is also rationalising its radio offering by merging RadioLive and Magic networks.

Sky TV hired veteran British media executive **Martin Stewart** as chief executive to replace long-serving CEO **John Fellet**. Stewart's task is to oversee Sky's shift to a multi-platform entertainment business. He was most recently CEO of Dubai-based OSN and was CFO at BSKyB in the UK between 1998 and 2004.

AUT will release its annual NZ media ownership report on Dec 6.

Telecommunications

Trustpower is to offer mobile phone services and wireless broadband through a wholesaling deal with **Spark**.

Energy

NZ Petroleum & Minerals initiated consultation

with iwi and hapū on the proposed Block Offer 2018 release area for petroleum exploration permits in the onshore Taranaki region.

WEL Networks almost doubled its first-half profit as expansion of its fibre business boosted revenue and growth in Waikato increased residential connections and commercial volumes.

Refining NZ is reviewing opportunities to improve shareholder returns. The “Refine its Future” review will look at ways to use core competencies to participate in the move over time to carbon-neutral transport fuels, including electric vehicles, hydrogen and biofuels.

Torrential rain in the Waitaki catchment of the Southern Alps has helped restore **national** hydro lake storage levels closer to normal for this time of year and reduced pressure on wholesale electricity market spot prices. **Mercury’s** Taupo catchment still remains lower than mean and **Contact Energy’s** Clutha catchment missed much of the rainfall that caused South Otago flooding. However, the company believes unseasonably cold Nov weather has contributed additional snowpack, which will emerge as hydro inflows over spring and summer.

The **Commerce Commission** released a consultation paper seeking feedback on the potential issues it will be considering when resetting the price-quality paths that will apply to regional **electricity lines companies**.

Toyota NZ has joined the recently created **NZ Hydrogen Association**.

Manufacturing

Metro Performance Glass fell 24% when it said a new entrant into glass processing was expected from mid-2020 with a new plant near Hamilton. It also reported a 22% drop in half-year net profit of \$9.1m, lowered its full-year guidance and said it won’t be paying any dividends as it struggles to turn around its Australian business.

Transport and logistics

KiwiRail has gained a further \$80m in Provincial Growth Fund support, \$40m to upgrade carriages for a premium tourist service on the Coastal Pacific service between Picton and Christchurch and a further \$40m for similar improvements on the TranzAlpine service between Christchurch and Greymouth. In Wellington, Kaiwharawhara and Kings Wharf have been shortlisted in a search for a site for a potential new multi-user terminal for the **Cook Strait Ferries**, with KiwiRail also considering larger vessels on the inter-island connection in future.

The **Commerce Commission** is looking at ports after receiving complaints they are taking advantage of their market power. The regulator received seven complaints about anti-competitive conduct by ports which spurred the commission to start a preliminary assessment, but it hasn’t embarked on a formal investigation.

Hawke’s Bay ratepayers backed a share sale of **Napier Port**. **HB Regional Council** has been consulting on its proposal to sell up to 45% of its interest in the port to free up capital and diversify investments. Just over 57% of the 3,500 who responded backed the proposal.

Technology and innovation

Eroad narrowed its first-half loss as a focus on more valuable sales in the US and new business in NZ offset increased spending. It reported a net loss of \$3.4m in the six months ended Sept 30 from a loss of \$3.9m a year earlier. Revenue rose 46% to \$28.5m compared to the same period.

Corporate actions

British private equity firm **Apax Partners** has made a non-binding indicative takeover offer of \$6.40 per share for TradeMe, a 25.5% premium to the trading price prior to the offer and valuing Trade Me at \$2.54b. The shares immediately traded at \$6.09, up 9 cents, or 19.4%. The board of Trade Me has decided to engage with Apax.

Restaurant Brands NZ director Stephen Copulos has agreed to sell his 8.6% stake in the fast food franchise operator to Mexican suitor Finaccess Capital. He has entered a lock-up arrangement with Finaccess to sell his 10.6m shares at \$9.45 apiece, subject to scaling, a 24% premium to what the shares were trading before it became public. Finaccess has yet to formally lodge its takeover bid for 75% of the fast food firm.

Chorus has been named by the Australasian Investor Relations Association (AIRA) as the winner of the award for best investor relations in NZ.

Bridget Coates has been named chair of the **Real Estate Institute of NZ**.

Courts and regulation

Steel & Tube and the **Commerce Commission** have both appealed the record \$1.89m fine imposed against the company for misrepresenting steel mesh products it sold. The regulator said a district court judge erred by not adequately accounting for S&T’s size and the potential it had to gain from the misconduct. S&T believes the fine is excessive, given the breaches were unintentional and evidence the steel mesh was safe. 📌

LEGISLATION

New Budget timing allowed

Parliament has agreed to allow the Budget to be delivered on a Tuesday, Wednesday, or Thursday, at the Finance Minister's discretion. A Thursday delivery has previously been required.

Parliament is now in its last sitting for the year and resumes on Feb 12. The govt intends to pass the Child Poverty Reduction Bill and Employment Relations Amendment Bill during this sitting.

- *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

No bills of significance for Hugo Group members.

Bills in Progress

Accident Compensation Amendment Bill: Introduced April 12. *Reported back from select committee on Nov 9 with no major changes.*

Crown Minerals Amendment Bill: Introduced April 5. *Reported back Nov 2 with minor changes.*

Earthquake Commission Amendment Bill: Introduced March 22. *Second reading completed Nov 8 with all parties in agreement.*

Fire and Emergency New Zealand (Levy)

Amendment Bill: Introduced Oct 31. The bill amends the commencement date for the new levy regime for Fire and Emergency NZ to July 2020. *First reading completed Nov 7 with all parties in agreement. Referred to the Governance and Administration Committee, for report back by April 1 2019.*

Health and Safety at Work (Volunteer Associations)

Amendment Bill: Drawn from the ballot Feb 22 in the name of Harete Hipango (Nat). *Reported back Nov 8 with all parties agreeing it should not proceed. Labour and the Greens said the govt "is thinking about a wider review of the HSW Act and we would encourage" inclusion of these issues.*

Health (Drinking Water) Amendment Bill: Introduced on July 5. The bill amends the drinking water parts of the Health Act following the Government Inquiry into Havelock North Drinking Water. *First reading completed Nov 8 with all parties in agreement and referred to the Health Committee. National MPs warned there could be some push back from communities over compulsory treatment of municipal water supplies in pristine bore areas.*

Reserve Bank of New Zealand (Monetary Policy)

Amendment Bill: Introduced July 23 following the govt's review of the Reserve Bank Act. *Reported back*

Nov 15 with minor changes. National and ACT put in minority reports on their concerns about undermining the independence of the Bank. Second reading debate interrupted Nov 29.

Residential Tenancies Amendment Bill (No 2):

Introduced May 23. *Second reading completed Nov 8 with all parties in agreement.*

Tasman District Council (Waimea Water

Augmentation Scheme) Bill: Introduced Aug 14.

Reported back Nov 6 with minor amendments.

Taxation (Research and Development Tax Credits)

Bill: Introduced Oct 25. Amends the Income Tax Act and the Tax Administration Act to introduce a research and development tax credit. *First reading completed Nov 1 with all parties in support, but National only backing to select committee. Sent to the Finance and Expenditure Committee with **submissions closing Dec 14** and April 1 report back.*

Misuse of Drugs (Medicinal Cannabis) Amendment

Bill: Introduced Dec 20 2017. *Second reading debate on Nov 29 after intra-party talks. Govt indicated it would be introducing a number of amendments. These included to the defence also covering those requiring "palliation" and clarification about what the regulations would cover in terms of supply and standards, and how those supplying to qualifying people would be treated. National supported the bill, but expressed doubts about the lack of detail for the regulatory framework.*

Bills passed or discharged

Residential Tenancies (Prohibiting Letting Fees)

Amendment Bill: Introduced March 22. *Reported back Oct 3 with minor changes and a majority of MPs recommending the govt bring in regulation for letting agencies and property managers. Second reading completed on Oct 25 with National and ACT opposed. Committee stage completed Oct 30 and third reading on Nov 1. No change in position of parties.*

Crown Minerals (Petroleum) Amendment Bill:

Introduced on Sept 24. The bill puts into law the govt's announcement in April ending the issuing of new permits for offshore oil and gas exploration. *Reported back Oct 29 with only minor changes. National MPs' minority report promised repeal if in govt. Second reading completed Nov 1. Committee stage completed Nov 6 and third reading Nov 7 with no changes in parties' positions.*

Telecommunications (New Regulatory Framework)

Amendment Bill: Introduced Aug 8. *Committee stage interrupted on Oct 23 with govt amendments introduced for a new regulated price structure, including a cap based on an earlier price path. Third reading completed Nov 6.*

Tribunals Powers and Procedures Legislation Bill

and Courts Matters Bill: Introduced on Aug 1. *Third reading completed Nov 6.*