

The Year Ahead

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If last year was the era of working groups, this will be the year they report and require the govt to make policy decisions. We've done our best to identify the range of key issues that are likely to emerge in business-focused portfolios over the course of 2019.

How to woo NZ First on capital gains tax

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One of the govt's biggest challenges this year will be to get a parliamentary majority together to pass a package of tax legislation that would expand the taxation of capital wealth. At first blush, NZ First looks opposed. However, Grant Robertson is counting on a fiscally neutral tax package to give NZ First the wriggle room it needs to support tax reform scheduled for 2021.

Fair Pay Agreements detail emerges

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Jacinda Ardern insists that only one or two Fair Pay Agreements are likely in the early phase of their introduction, but details emerging from the FPA working group contain the seeds of a major political and ideological battle between employers and the trade union movement this year. Is Employment Relations Minister Iain Lees-Galloway up to the job of shepherding this debate?

China relations

Only a very brave person would place money on a date for a Prime Ministerial visit to Beijing after the to-ing and fro-ing last year and the palpable cooling in relations with China. That said, dates in the first fortnight of March are said to be in the mix. Meanwhile, a messy Brexit is creating real challenges to the European dairy and sheepmeat trades.

KiwiBuild

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Housing Minister Phil Twyford is determined to tough out what looks likely to be at least six months of negative headlines while trying to get some momentum into KiwiBuild. He remains convinced the policy is well-founded, that its slow start can be rectified and that the public will cut the govt slack in the meantime. He is hanging his hat on the forthcoming announcement of some very large urban redevelopment announcements.

5-G

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Announcements on a timetable for the auction of 5G spectrum rights are imminent. Treaty claims seeking a look-in for iwi are causing headaches as ministers are not convinced that allocating spectrum has been an effective way to deliver economic gain to Maori in the past, the involvement of a Maori investor in 2degrees notwithstanding.

High parliamentary drama guaranteed over social issues

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Abortion, euthanasia, and recreational drug use reform will all make their way to the floor of Parliament in one form or another this year. The govt may find itself with difficult perception issues to manage if these polarising issues dominate the political agenda.

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The Most Difficult Issues

Regaining momentum

By the time Cabinet meets for the first time this year, on Jan 29, it will be nearly two months since Ministers last met as a group. Our soundings suggest that while many ministers have a clear set of policy goals in their own areas for 2019, it's not there is a refreshed or whole-of-govt strategy for the crucial middle year of the electoral term.

PM Jacinda Ardern's long absence from public view was probably wise. Her re-emergence via UK and Davos appearances provide a positive, soft media start to the year.

But nothing in those appearances has advanced the govt's 'story'.

At best, the govt will look to hammer themes of equity/fairness and just transition to a low-carbon economy. However, those efforts will require early substance if they're not to seem like a repeat of the themes rehearsed since the election.

Concrete responses to the slew of working groups and reviews ordered up since the 2017 election represent an opportunity to create new momentum, but could equally become a bog of recommendations and decisions deferred.

National has its own disunity problems, but it is starting to land consistent hits in key policy areas. Some key ministers – Phil Twyford in particular – appear flat-footed in response. The Beehive 'spin machine' does not appear well-led either strategically or tactically. Staff changes in the PMO may reflect an attempt to rectify this.

That said, there is **a logjam of legislation in key portfolios** – climate change, transport, urban development, tax reform and employment relations to name a few – **looming in the second half of the year.**

Housing

Housing Minister **Phil Twyford** is in charge of one of the govt's most pressing electoral issues – affordable housing – but **confidence in his capacity to manage the portfolio politically, let alone execute policy successfully, is being sorely tested.**

The resignation of KiwiBuild CEO Stephen Barclay created the first serious political headline of the year, and the cone of silence around the reasons for his departure only create greater focus on Twyford's stewardship.

Progress on KiwiBuild starts, infrastructure bond issuance, and momentum on the establishment of the Urban Development Authority will be key

to Twyford's progress – and **possibly even his retention of the portfolio longer term.**

For now, he appears safe, despite some savage analysis of the KiwiBuild policy this week from the NZ Initiative, which was influential in Twyford's thinking on wider urban planning.

The Initiative suggests KiwiBuild is a politically damaging distraction from sound but less exciting other urban development policy.

However, **Twyford doesn't have the luxury of deprioritising KiwiBuild.** He tried that last year and found it had become unavoidably totemic. He is resigned to riding out the next six months while he attempts to find incentives – due for announcement soon – to replace the failed 'buy-off-the-plans' approach to accelerating large-scale developments. David Parker and he are also working on bringing forward UDA legislation, which at the moment will not produce the new agency before early next year.

He has had a small win from **credit rating agencies confirming that new infrastructure bonds will not be counted on either central or local govt balance sheets.**

However, the reality that KiwiBuild is designed to benefit middle class would-be homeowners and that it is becoming an underwriting rather than a construction initiative is inescapable and politically damaging.

Tax reform

The **Tax Working Group completed its final report this week** and it's expected to become public mid-Feb. It will require a legislative response no later than mid-year, if legislation is to be passed before the 2020 election for 2021 implementation.

For that legislation to pass, however, the govt will need to strike a deal with NZ First, some of whose MPs appear unaware they will be asked to support tax proposals that will be portrayed as attacking small business owners' ability to realise value from a lifetime's work, let alone owners of baches and rental properties when they sell.

Grant Robertson is pinning his hopes on the TWG presenting a fiscally neutral package of tax measures. **NZ First is committed to 'no new taxes' but also to 'capitalism with a human face'. A package that reduces tax in some areas while expanding tax on capital wealth may do the trick.**

However, that assumes proceeds from capital gains tax changes can be credibly estimated.

- Multi-nationals, particularly borderless e-commerce (Facebook, Amazon, Google) should anticipate the govt announcing **a turnover tax as a proxy for income tax.** Like the UK and

Australia, the govt here is tiring of the slow-moving OECD BEPS process and is inclined to act early.

- National is working on its own tax proposals, with income tax threshold changes to deal with fiscal drag among initiatives expected to emerge sooner rather than later.

Employment relations

The proposed second round of employment law reform to create **Fair Pay Agreements is occurring against a backdrop of increased industrial action**, which in turn is working against the govt's popularity. However, the trade unions have high expectations of a govt they have helped into power and this is a major priority for them.

Details leaking from the FPA Working Group are a mixed bag. As few as 10% of an industry workforce would be able to trigger FPA negotiations and there would be no option for employers to hire outside its terms and conditions. **Individual employment contracts would be a thing of the past in an FPA-covered industry.** However, strikes in support of FPAs will not be allowed. The scene is set for a major ideological battle.

Will Jacinda Ardern choose someone other than Iain Lees-Galloway to lead the charge on it, given Lees-Galloway's shaky performance to date?

The Well-Being Budget

Grant Robertson is **determined the Budget will have enough substance around its well-being theme - and that there will be a sufficient range of non-Budget initiatives that fit the well-being narrative** - that its work-in-progress status won't doom it to being condemned as fluff. National's Amy Adams will endlessly claim that this Budget is no different from any other, apart from its reframing in well-being raiment. Robertson may struggle.

Note that this will be **Treasury Secretary Gabriel Makhoul's last Budget.** Appointed in 2011, Makhoul leaves the post in July.

The 'Just Transition' & climate change policy

The **Zero Carbon Bill** will join the suite of major legislative initiatives due to turn up in the House in the latter half of the year. While there is no doubt that the ETS will retain an 'all gases' approach, there's still no clarity on how methane and perhaps nitrates will be treated, despite a general acknowledgement that short-lived gases like methane warrant a different approach.

The climate change debate will focus debate not

only transport and energy fuels, including the role of hydrogen, but also on the **future of NZ's food production mix.** The meat and dairy industries will need more sophisticated answers than claiming that a market will always exist for high-quality produce among high-value customers. The nexus between emissions from ruminant animals and freshwater use will also become clearer this year.

Foreign policy

NZ First's sway over both foreign and defence policy, where the portfolios are held by Winston Peters and Ron Mark respectively, is out of proportion to the party's electoral weight.

Far from the way he conducted the foreign affairs portfolio under Helen Clark, **Peters is actively stretching the boundaries of Cabinet collective responsibility to create a more hawkish and pro-US foreign policy stance than at any time in the last 35 years.**

So far, **Jacinda Ardern is wearing this dissonance lightly - at least in public.** It remains to be seen whether she can manage both Peters's pro-Western instincts with the need to ensure NZ's economic interests are not damaged by a negative reaction from China. Chinese students and tourists - particularly as 2019 is the Year of the Chinese Tourist - are as vulnerable to instructions from Beijing to 'turn off the tap' as are our dairy and other exporters to China.

The challenge is all the greater because of China's increasingly assertive stance in the South China Sea and on Taiwan, its worsening human rights record, f President Xi Jin Ping's 'president-for-life' declaration last year.

That all points rationally to a less cozy relationship with China. **What is missing is a clear sense that Ardern and Peters are working to a common script in this area,** with its profound implications both for the national economy and regional security.

Transport

Phil Twyford might reasonably expect to put more runs on the board with major transport initiatives than with KiwiBuild, although debate will rage over whether light rail, in particular, is really value for money. The **Auckland light rail procurement process is scheduled for completion this year so that first earth can be turned on the project in election year.** A transport package for Wellington is imminent.

A Cabinet reshuffle

The PM will shortly undertake a probably small Cabinet reshuffle. The most obvious promotion is **Kris Faafoi**

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from a minister outside Cabinet to one of those inside Cabinet. Other changes are less obvious.

Talented first-term backbenchers such as tax expert **Deborah Russell** show promise that is lacking in the mid-ranks of the Cabinet. However, the middle order has dibs on promotion.

Among those touted for elevation is Whip **Poto Williams**, who would help both the gender and ethnic diversity of the Cabinet.

Managing Winston Peters

This may be the year where the govt has to decide whether it's willing to chance a 2020 election campaign in which it promotes a Labour-Green coalition without NZ First.

Its formal coalition partner is far more influential than its 7% election night result deserves and key ministers – Winston Peters and Shane Jones – are ill-disciplined by design. The Provincial Growth Fund is becoming an Achilles heel.

The Greens, by comparison, are being model partners.

Education

Proposals to do away with the autonomous Tomorrow's Schools board of trustees governance model seemed to go down well when first announced late last year.

However, the reforms are emerging as a key ideological **battleground between the govt's centrist instincts and fears in parts of the sector that the proposed new model will stifle educational innovation in favour of a 'one size fits all' approach** to primary and secondary education. To the extent that the proposals are a payback to teachers' unions, who oppose competition between schools, the fears are valid. However, removing responsibility for capital works and maintenance from amateur school boards is overdue.

Further work to shore up the tottering polytechnic sector and improve trades training will continue, to some extent at the expense of focus on universities.

Innovation, 'new economy'

Science and Innovation **Megan Woods** is nominally responsible for promoting policies that will move NZ producers up the value chain and to fulfilling Labour aspirations to **make ICT NZ's second most important source of export revenue by 2025.**

There is very little flesh on those bones, beyond the r&d tax credits legislation currently before Parliament. Even there, policy for loss-making start-ups is at least a year away.

Watch for a push on policies to encourage a more joined-up approach to digital technology in agri-tech.

Allocation of **5G spectrum is increasingly urgent**, with progress expected on the auction process within weeks.

Energy and resources


The Electricity Pricing Review options paper is due late Feb followed by submissions, with final recommendations due mid-year at the latest.

- PPDs likely to be banned
- Hedge market recommendations to assist small players are expected (dependent in part on the outcome of the Electricity Authority investigation into an alleged Undesirable Trading Situation, brought by small retailers and Fonterra)
- Low user regulations to be reformed.

The Panel expects to deliver its final recommendations to the Minister by mid-2019.

- There is little or no prospect of amendment to drafting errors in the EEZ legislation preventing adaptive management from being considered in seabed/offshore mining activity
- Hydrogen – what next? The govt may yet support the Eight Rivers hydrogen mega-scheme in Taranaki, but probably with a nominal commitment of around \$10m
- Mining on conservation land – discussion document delayed, now possible in February
- The govt will **consider whether it can fast-track resource consents facing expiry for various renewables projects** – mainly wind and geothermal, as demand growth starts to justify new plant
- The Commerce Commission transport fuels market study will emerge late year. The govt will be looking for actionable recommendations to be seen to promote competition.

Environment

David Parker will bring **process amendments to the RMA** to Parliament early in the New Year, and outline plans for a deeper review by late 2019. Don't expect that to move quickly or produce any pre-election outcomes. Parker **remains optimistic he can strike a deal with Maori on freshwater allocation without a formal settlement**, the key being water allocation for undeveloped Maori land. He also wants to achieve the **Kermadec** ocean sanctuary, which may also require a cheque for Maori fishing interests to compensate for lost quota. 

Economic outlook

NZ's economy will grow at a slower pace than Treasury forecasts, according to Fitch Solutions Macro Research. It expects weak business and consumer sentiment will weigh on investment and private consumption growth. Fitch predicts real GDP growth of 2.6% in 2019 and 2.3% in 2020, compared to Treasury's forecasts of 3% and 3.2% respectively.

Inflation

Dec 1/4 inflation of 0.1% (1.9% annual rate) belied the stronger-than-forecast out-turn for non-tradable inflation. The RBNZ had forecast 0.4% for the quarter. It came in at 0.7%, **suggesting domestic inflationary factors are strengthening.**

Fiscal indicators

The gov't's budget surplus for the five months ended Nov was \$261m against Treasury's expectations of an \$88m deficit. Tax revenue in the five months was \$141m higher than expected at \$32.9b, while other revenue was \$61m more than expected at \$35.9b. Core Crown expenses were \$409m less than forecast at \$35.52b, likely due to timing differences.

Manufacturing

Manufacturing activity hit its highest level since April in Dec and while activity in 2018 was weaker than it has been during the past two years, it was still above average. The seasonally adjusted PMI for Dec was 55.1, up 1.4 points from Nov. The year averaged 53.8 in activity, slightly ahead of the overall average of 53.4 since the survey began. However, it was still a noticeable dip in expansion compared with 56.2 over 2017 and 56 over 2016.

Commodities

NZ commodity prices fell for a seventh straight month in Dec, with gains in log, beef and lamb prices not enough to offset weaker dairy returns. ANZ Bank's monthly commodity world price index fell 0.2% last month.

Labour market indicators

Labour market confidence reached its highest level since early 2008 and wage pressure remained tepid in the Dec quarter Westpac McDermott Miller employee confidence survey. The survey index rose 6.8 points to 121.3. A sharp lift in households' perceptions of current job opportunities was **offset by falling expectations for pay increases during the next year.**

That said, **TradeMe Jobs** recorded the largest increase in advertised national average wages since 2015, rising 1.1% year-on-year to \$61,082, according to an

analysis of over 74,000 vacancies.

Confidence measures

NZIER's Dec ¼ QSBO found a net 18% of businesses expect business conditions to worsen over the next six months, compared to a net 28% pessimism three months earlier. A net 17% now expect their own business activity will pick up in the next three months, up from 11% three months ago, and a net 4% reported an actual improvement in the Dec quarter, up from zero last quarter.

According to ANZ's Dec quarter Business Micro Scope, a net 36% of small businesses are pessimistic about general business conditions, down from 44% in the Sept 2018 quarter.

Retail

Electronic cards retail spending fell a seasonally adjusted 2.3% in the month of Dec from Nov and was down 0.2% in the Dec quarter compared with the Sept quarter. Statistics NZ said Dec growth was softer than usual after a strong Sept quarter. Lower spending on fuel due to lower prices did not appear to lead to increases in other retail sectors.

New vehicle registrations hit a record in 2018 for the fifth year in a row but the market is now expected to soften. There were 161,519 new vehicles registered in the year, up 1% or 1,648 units versus 2017. Total registrations of passenger and SUVs for 2018 were down 0.4% on the year but commercial vehicles were up by 4%.

Construction

Stats NZ reported almost 33,000 new homes were consented in the year ended Nov 2018, up 5.3% from the Nov 2017 year. The number of new homes consented fell a seasonally adjusted 2% in Nov month, following a 1.4% increase in Oct.

The Nov year also saw a strong increase in consents for commercial buildings. Consents for Auckland and Christchurch convention centres, and shopping malls in Auckland, drove the increase with non-residential consents issued exceeding \$7b for the first time on record. The value of offices and public transport buildings consented for the year had the largest fall, down \$351m from the Nov 2017 year.

Real estate

The number of residential properties sold for the month of Dec fell to its lowest level for 7 years, with a 12.9% year-on-year decrease to 5,330 (787 properties), according to REINZ figures. In Auckland, the number of properties sold decreased by 24.3% year-on-year and was the lowest for Dec in 10 years. ■

Regulators

Across the Ditch, a more muscular approach to investment market regulation is being signalled.

Former FMA head, Sean Hughes, now leading the **Australian Securities and Investments Commission**, is warning the agency will be prosecuting more in the future as it seeks to deal with the Hayne inquiry into banking sector behaviour's findings that the regulator developed unacceptably cozy relationships with the firms it oversees.

In an AFR interview in early Jan, Hughes said: "The mantra at ASIC I can tell you going forward will be 'why not litigate?'"

"The approach we will take to resolving disputes will inevitably entail the likelihood that we will take court action, so people shouldn't be looking on ASIC anymore as some sort of soft option to push a problem out of the way."

ASIC was likely to run its budget "close to empty" and would inevitably take greater litigation risk than in the past, meaning it would weather defeats more often as well as being seen to be in more aggressive pursuit of corporate malfeasance.

The new strategy will be presented to banking inquiry commissioner Kenneth Hayne before he delivers his final report, on Feb 1.

It will be assisted by new "crucial product intervention and design powers".

Meanwhile, Commerce Minister Kris Faafoi has issued a discussion document seeking to update and strengthen the **s.36 anti-competitive provisions of the Commerce Act** with Australian practice.

Banking, finance and insurance

The **Reserve Bank's** proposal to require NZ trading banks to run much more conservative balance sheets can be expected to add between 0.8 and 1.25 percentage points to home mortgage rates, UBS says. It questions why the RBNZ has set the proposed threshold to be "the highest in the developed world", based on "academic hypotheses" and to a level the bank suggests is "excessive".

A review of the **insurance industry's culture and practice** will be published by the RBNZ and FMA next week (Jan 29). Regulated sales commissions are one expected outcome.

The sale of **Paymark** by ANZ, ASB, BNZ and Westpac NZ to **Ingenico Group** was completed.

Primary industries

Dairy product prices gained at the **Global Dairy Trade** auction, as stronger demand pushed prices

higher for the fourth straight auction. The GDT price index rose 4.2% from the last auction. The average price was US\$3,057 a tonne, compared with US\$2,986 a tonne a fortnight earlier. As a result of the auction Westpac is now picking a farm gate milk price of \$6.30 per kgms, up from \$6.10 in Dec. The upgrade puts its forecast at the top end of Fonterra's last revised \$6-\$6.30 range.

Dec milk production was strong at 228.2 million kilos of milk solids, up 6.1% on the year, DCANZ reports. Season-to-date milk was up 5.2% on a milk solids basis at around 1.12 million kilos.

Synlait Milk's registration of its Dunsandel plant in the South Island was renewed by Chinese authorities for another four years.

Fonterra is selling its livestock arm Farm Source for an undisclosed price to Carrfields.

Westland Milk disclosed it is entertaining foreign investment interest, including from Canadian dairy processor **Saputo**.

Telecommunications

Growth in the uptake of **Chorus** fibre products slowed in the Dec quarter as more of the roll-out was completed. There were some 504,000 UFB customers connected at Dec 31, representing about 51% of the 981,000 capable of being connected, up from 42% a year ago. Chorus installed 38,000 active connections in the Dec quarter, down from a record 46,000 in the prior quarter, but 4,000 more than a year earlier.

Huawei NZ says ministers and officials have declined meetings following the **GCSB** barring them from helping Spark build a 5G network. GCSB minister Andrew Little said it was not appropriate for him or the GCSB to talk to the company and it initially was up to Spark to consider whether the GCSB's concerns can be mitigated. Little said China's National Intelligence Law was also a concern as it meant any Chinese corporate or citizen can be compelled to work with Chinese intelligence. Little said he had not had contact with the Five Eyes nations about Huawei. The Chinese firm is embarking on a media charm offensive, offering journalists travel to a global mobile telecoms show in Barcelona in Feb.

Energy

Transpower is asking generators to avoid planning further maintenance work in May and June so there is enough capacity during peak winter demand. It highlighted two dates in mid-May when a combination of planned power station outages and transmission work could leave a lower margin than it would like, should one of the big North Island

thermal plants drop out of the system at peak time. **Genesis Energy** reported its biggest quarterly coal burn in five years for the Dec 1/4, reflecting gas outages and weak hydro storage. Production from the offshore **Pohokura** gas field is to be cut for a third time in a year next month. **OMV** says maintenance and improvement work is needed and production will be stopped for about 30 days – 12 days in Feb and a further 18 days at a later date.

Tilt Renewables left its full-year earnings guidance in place after Dec quarter production fell about 5% shy of long-term expectations. Group nine-month production at 1,589 GWh was 19% better than a year earlier but up only 3% on the long-run expectations the firm bases its earnings forecasts on.

Record throughput in the final six months of 2018 helped **NZ Refining** recoup some of the losses from its extended shutdown earlier in the year.

The **Commerce Commission** began High Court proceedings over the unauthorised purchase in 2016 by **First Gas** of 9.5km of pipelines GasNet laid in a Papamoa subdivision. First Gas said it believed it had complied with the law at the time, but now accepted the purchase was likely to reduce competition and will pay a financial penalty.

In news that is unlikely to play well politically when it is subject to the first market study by the Commerce Commission, **Z Energy** announced profit upgrades based on improving margins caused by falling global oil prices.

Retail and wholesale

Despite media hype about a major announcement, Scandinavian furniture retailer **Ikea** confirmed only that it plans to open a large store in Auckland “within a few years”.

Michael Hill International reported a 1.3% decline in Dec quarter sales. Gains were led by a 10.5% improvement in its Canadian sales – the firm’s second-largest market. Pre-Christmas sales in Australia, where it gets more than half its revenue, fell 1%, while NZ sales were down 1.6%.

Media

Nine Entertainment has begun the sales process for non-core **Fairfax** assets, including the **Stuff** assets in NZ, with clarity expected by mid-year. Nine’s preference is for a clean sale of the whole Stuff portfolio to a single buyer rather than break-up.

Science and Innovation

A last ditch attempt led by **Catalyst IT** to keep NZ a full member of an international project to build the world’s most powerful telescope appears unlikely

to succeed. While it is strongly supported by **AUT**, other universities’ astronomy depts are sceptical about both the value and the execution of the **Square Kilometre Array** project. MBIE has recommended pursuit of associate membership and Science Minister Megan Woods supports that advice.

SOE **AsureQuality** will roll its Singapore facility into a new venture with Bureau Veritas. Bureau Veritas will fold its food testing labs in Vietnam, Indonesia and Thailand – and its majority stake in Malaysia’s **Pemulab** – into the venture. The venture will be 51%-owned by **Bureau Veritas**.

Crypto-currency

Police are investigating the theft of several million dollars-worth of cryptocurrencies from Christchurch digital assets exchange **Cryptopia**.

Executive appointments

RBNZ governor **Adrian Orr** has completed a shake-up of his senior management team. **Simone Robbers**, currently with the Financial Markets Authority, will take up the new role of assistant governor and general manager of governance, strategy and corporate relations at the RBNZ, while **Christian Hawkesby** is leaving **Harbour Asset Management** to take up the new role of assistant governor and general manager of economics, financial markets and banking. **Scott Fisher** is confirmed as head of Digital Services/Chief Information Officer.

2degrees appointed chief financial officer **Mark Aue** as chief executive, replacing **Stewart Sherriff**. Aue joined 2degrees last July and was previously CFO at **Vodafone NZ**.

Construction and infrastructure lawyer **Sarah Sinclair** is replacing **Lloyd Kavanagh** as chair of **MinterEllisonRuddWatts**. Kavanagh is to focus on expanding the firm’s financial services practice.

Jon Adams was appointed as Toll NZ Executive General Manager. Prior to joining Toll, Adams held executive roles in logistics for The Warehouse Group, Tesco’s in the UK, Hungary and South Korea; and Loblaw’s in Canada.

Kathmandu Holdings hired US clothing executive **Amy Beck** to run its North American business. Beck was most-recently brand manager at Seattle-based Waypoint Outdoor. 

Hugo Handbook updated

The Hugo Handbook, available on a passworded basis to members, has been fully updated over the Christmas-New Year period.

Information is of a broad nature, particularly useful to newly arrived executives to NZ.

The Who’s Who section is continuously updated for portfolio and shadow Cabinet responsibility changes.

For password details, contact: tracey.gabbitas@thehugogroup.com

LEGISLATION

High emotion assured in 2019 on conscience/referenda issues

Parliament resumes on Feb 12 this year, later than usual, with a total of 90 sitting days scheduled for 2019 and a light-looking Order Paper at this stage.

However, at least three highly polarising debates can be expected this year and major legislation crowds the second half.

David Seymour's **End of Life Choice Bill** is due back before the House by March 27, with a referendum rather than a conscience vote potentially the preferred way forward. Already up for a binding referendum is the legalisation of recreational marijuana use. That will require legislation.

Also under consideration is **abortion law reform**: specifically, whether to remove abortion from the **Crimes Act** and deal with it solely in health law. Debate on the shape of the possible legislation has not been finalised. A conscience vote is most likely, though another referendum is a possibility. Many MPs will be nervous about putting too many polarising social issues to the electorate at once.

The govt is also considering a referendum on **MMP threshold changes**.

Budget Day has yet to be confirmed but will be in May. Despite a change to Parliament's rules saying it doesn't have to be held on a Thursday, **May 23 or May 30 remain the most likely dates**. There is still a lot of work to go into the first Well-Being Budget and it's likely Grant Robertson will take as long as he can to finesse it. MPs have agreed the weeks beginning June 10 and June 17 will be 'Estimates weeks', when Ministers and departmental bosses make post-Budget select committee appearances.

Perhaps the most significant public policy issue that Parliament has no choice but to deal with will be the **Zero Carbon Bill**, giving legislative form to the govt's Paris climate treaty commitments and establishing the permanent **Climate Change Commission**. Introduction is expected this year, with efforts advancing on a cross-parliamentary position in an attempt to create a stable policy platform, largely immune to changes of govt.

Tax reform, including extending the capital gains tax regime, industrial relations reform and legislation

to establish the Urban Development Authority will also emerge in the second half. Legislative change is almost certain to emerge from the **Electricity Price Review** (see *The Year Ahead*).

At the bottom of the Order Paper is the **Kermadec Ocean Sanctuary**, stalled by disagreement with Maori fishing interests and awaiting second reading since July 2016. **Environment Minister David Parker** hopes to resolve the impasse this year.

- *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

Canterbury Regional Council (Ngāi Tahu Representation) Bill: Introduced Dec 4 2019. Empowers *Te Runganga o Ngai Tahu* to appoint up to 2 members to the Canterbury Regional Council (Environment Canterbury) after the 2019 local elections.

Taxation (Annual Rates for 2019–20, GST Offshore Supplier Registration, and Remedial Matters) Bill: Introduced on Dec 5. Sets the tax rates for 19/20; brings in new rules for collection of GST on low value imports (under \$1000); **ring fences losses on rental accommodation**. First reading completed Dec 11 with National and ACT opposed mainly to the ring fencing.

Bills in Progress

Accident Compensation Amendment Bill: Introduced April 12. Second reading completed Dec 11.

Crown Minerals Amendment Bill: Introduced April 5. Second reading completed on Dec 6 and Committee stage on Dec 12. All parties in support.

Taxation (Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters) Bill: Introduced June 28. Reported back Jan 16. Powers for the Commissioner to amend tax legislation have been dropped and there are many technical changes.

Bills Passed

Employment Relations Amendment Bill: Committee stage completed Dec 4, 3rd reading Dec 5. National and ACT still opposed.

Reserve Bank of New Zealand (Monetary Policy) Amendment Bill: 3rd reading Dec 18 with no major changes and National and ACT still opposed.

Tasman District Council (Waimea Water Augmentation Scheme) Bill: 3rd reading completed Dec 12. Greens opposed. 