

From terror, a rare global leadership opportunity

NZ is in the global headlights because a terror attack here is far more impactful to a global audience than similar attacks in most other countries. Perpetrated by a 'local' of sorts, the cowardly Christchurch mosque murders were a cynically manipulated amalgam of military-grade weaponry and, enabled by global social media, encrypted private communications and vast propaganda channels.

The attacks have come at a time of great soul-searching and growing anger in many countries about the negative societal impacts of social media. The growing frustration at the irresponsible elements of borderless global tech firms runs from abetting terror through to not paying tax. Is this a 21st century Standard Oil moment?

Jacinda Ardern has had global impact with her authentic and decisive response to the attacks. She was already on the way to being NZ's most globally significant PM since David Lange who, during his 'nuclear moment', was in a class of his own compared to any previous NZ Prime Minister.

Ardern could eclipse that status if she continues to show the same instinctively unifying judgements as we are seeing at present.

The powerful nature of the domestic support coming in behind the beach-head Ardern has created cannot be discounted.

A growing coterie of NZ's largest telcos and funds managers has called on the CEOs of Facebook, Google (YouTube), and Twitter to engage with NZ on the way its platforms enabled the mosque attacks and start the discussion about how they are regulated.

As the Spark/Vodafone/2Degrees challenge to the big three social media firms said, **the debate has to start somewhere. NZ has the global standing to say: "it starts here"**.

NZ civil society is already on board in a big way: witness full-page advertising from the country's most substantial NGOs, the wall-to-wall media effort to be on the right side of history with the issues raised, and even the efforts of some on the wrong side of history to reposition. For an example, try Googling: Mark Richardson + Imran Khan.

And most importantly, there is the reaction of most NZers to this event. We may not be able to stop climate change, but we can stop this.

- *Patrick Smellie for The Hugo Group*

Ardern refuels her political capital

Crises can make leaders. 10 days ago, Jacinda Ardern was floundering in a mire of poorly executed but ambitious domestic policies, negative headlines on capital gains tax, and beset by a lot of questionable discipline among partner parties in govt. Her response to the mosque attacks has refuelled her political capital. One important question: will that help to improve the performance of the rest of her team?

Political management remains crucial

Irrespective of the potential to affect positive global change, the govt still has a country to run. Readers are tiring of the media milking the terror attack. Life will go on for most NZers, most of whom do not know someone from a Muslim family in Christchurch. The govt will need to find a balance between the ongoing challenges of the mosque attacks and the inevitable return to the relative mundanity and challenges of the rest of its agenda.

An opportunity for global leadership?

The Christchurch mosque attacks create a rare opportunity for NZ to accelerate, if not lead, global efforts to regulate borderless tech firms to address socially toxic elements of digital technology.

After last Friday, domestic gun law reform that almost matches Australia's post-Port Arthur regime was a given. The policy announced yesterday is slightly softer than Australia's in that it only bans 'military-style' weapons and leaves certain types of weapons in circulation, for example .22 semi-automatics, for use on farms and for pest control.

That said, speed was of the essence and Thursday's announcement banning military-style semi-automatic weapons, assault rifles and large magazines was another sure-footed prime ministerial response in a week where **Jacinda Ardern has recaptured the charismatic qualities that propelled Labour to victory in the 2017 election.**

Saturation media coverage of the NZ attacks and the nature of the national response to them is touching a chord globally and burnishing Ardern's credentials as a stand-out 'anti-Trump' leader. She is now achieving global profile not seen by NZ Prime Minister since David Lange.

Rapid gun law reform will further cement that global fascination.

Such **attention has the potential to be converted into political action** that has been brewing in many developed economies over the negative impacts on society of enormously profitable, borderless social media companies that appear to have invested far more in monetising than protecting their audiences.

Ardern's mentor, Helen Clark, called in the last week for regulation of social media platforms that requires them to adopt the responsibilities of publishers rather than 'platforms'. Ardern has said the same.

Granted, terrorists' use of live-streaming and encrypted messaging services run by social media platforms are not new phenomena. **Why should this event be seen as different?**

The attacks in NZ have shocked a global audience in the same way the Norwegian terror attacks of 2011 were shocking for occurring in a supposed safe haven country.

That turned the initial spotlight hard on Ardern.

NZ corporate leadership then emerged quickly and unexpectedly strongly. Spark's Simon Moutter retweeted Helen Clark's views over the weekend and on Tuesday, a statement from NZ's three principal tcos - Spark, Vodafone, and 2Degrees - made the

point that "the debate has to start somewhere".

On Wednesday, the NZ Super Fund, ACC, National Provident Fund and KiwiBank-owned KiwiWealth followed up with a similar challenge to the leadership of the search and social media giants.

These companies' "social licence to operate has been severely damaged," they said.

Private KiwiSaver fund manager Milford Asset Management dumped some \$14m of Facebook shares this week and has suspended Facebook advertising and called for "coordinated engagement with the large social media companies".

This kind of momentum, combined with global attention, is rare. It has the potential to be well-received by other govts, many of which are tiring of the enormously profitable tech firms' global tax minimisation as well as their harmful societal impacts.

Australian PM Scott Morrison's strong reaction **may make Australia a very useful ally** in such an initiative.

The encroachment on users' privacy of marketing-driven algorithms and AI is already an issue for many govts. The Christchurch attacks have highlighted an apparent unwillingness to deploy similar resource to root out violent extremism, criminal activity and other socially toxic material published without moderation on social media platforms.

News organisations are likely to prove more than willing to back any such corporate and govt-led campaign, since forcing digital 'social platforms' to behave to the same standards as publishers would help level the playing field for cash-strapped journalism.

Of course, this **could become a massive distraction for a govt that, a week ago, was struggling with a range of execution issues** relating to key policies.

However, the **political opportunity is real, in part because of the authenticity and star power that Ardern would bring to such a push.**

It is too early to say it, but this tragedy rather than climate change action may yet prove to be Jacinda Ardern's "nuclear-free moment".

Ardern's authority

One consequence of Ardern's handling so far of the mosque attacks is that it has re-stocked her store of political capital and it has changed the political narrative.

No one now is discussing capital gains tax, Shane Jones's outbursts, questionable regional funding decisions, or the state of KiwiBuild.

While no leader would wish for a crisis of this kind, the fact remains that a leader who excels in a crisis gains authority not only with the electorate but in their Cabinet.

It will be interesting to see whether Ardern remains as tolerant – even acquiescent – as she has been in recent months to ill-disciplined political partners and under-performing ministers.

The political and media dynamics will also require **careful management as the initial shock of the attacks fades.**

A week on, news media are already being accused by some of feasting on the tragedy and being urged to move to other topics.

Likewise, there may be **Muslim community backlash yet to emerge** and there is potential for Ardern's positioning eventually to be attacked as politically rather than authentically inspired.

The significant minority of NZers who have strongly negative views about migrants, especially those of Islamic faith, has not gone away. It will just go underground for a while.

It is worth noting that the Norwegian PM at the time of the 2011 terror attacks was praised for his handling of the issue in the aftermath. He was not, however, returned to office. No matter how shocking, public and media attention will soon start to turn elsewhere.

Foreign relations post-Chch

PM Ardern does not think events of the past week will impact on NZ's relationship with Turkey. Asked about Turkish President Erdogan's comments on the campaign trail about NZ, its role in the attack and the attitude towards NZers in Turkey, Ardern said Foreign Minister Winston Peters would address those issues in Turkey. Ardern did not anticipate a change in NZ's relationship with that country. "It is so deeply entrenched. They have cared for our fallen. I reject the idea we are losing that relationship." Erdogan has made more conciliatory statements since the initial comments.

Do we blame the spies?

Learning rather than blame will be the primary focus of the inquiries already under way into the performance of the GCSB and SIS in tracking the activity of white supremacists.

There may also need to be a more general consideration of the potential for so-called 'lone wolf' actors inspired by alt-right ideology to undertake a range of violent acts. Unlike the ideologically inspired militia-style organisation of ISIS, a "cell" of one person is particularly hard to detect.

The now **almost forgotten attack** on Thursday last week by a 47 year old man that broke Green Party Co-leader and Climate Change Minister **James Shaw's** eye socket looks like a comparatively mild example of the same phenomenon. The man is alleged to have grabbed and punched Shaw while shouting about the United Nations.

Ardern has paid visits to the intelligence agencies to express her confidence in their dedication to learning from the attacks and adjusting their focus accordingly. A royal commission of inquiry looks highly likely.

Green Party positioning

The PM has been unimpressed with statements by Shaw's co-leader, Marama Davidson, in a speech on the day after the Christchurch mosque attacks.

Davidson said: "New Zealand was founded on the theft of land, language and identity of indigenous people, this land we are standing on is land we were violently removed from to uphold the same agenda that killed the people in the Mosques yesterday."

However valid the point, now is not the time.

Australian diplomats have also quietly registered their disquiet at Winston Peters's enthusiasm for naming the gunman as an Australian.

Separately, Davidson's economic policy speech a fortnight ago was notable for staking out support for a far wider tax reform agenda than wealth and capital gains tax.

Resistance to a capital gains tax came from a wealthy elite holding NZ's political system hostage, she said, advocating a more redistributive tax system with a 40% tax rate on salaries above \$150,000, a higher tax rate for the richest 1%, imposts on housing speculation and more pollution and environmental taxes.

Chill coming off China relations

The official launch of **China-NZ Year of Tourism will now be held on March 29.** The event was originally set for Feb, but was postponed at short notice due to China blaming scheduling issues. The Wellington event will be hosted by a visiting Chinese delegation under China's Minister for Tourism and Culture.

The PM's long-anticipated invitation to make a **state visit to Beijing** is also believed to be back firmly on the agenda of both govts.

Farewell SHAs

The govt will not be extending the previous administration's Housing Accords and Special Housing Areas legislation. It is set to expire on Sept 16.

UDA legislation

Ministers are understood to be pushing for completion of draft legislation for the Urban Development Authority to allow progress this year. Legislation is scheduled for 2020 but could be sooner.

POLITICS AND POLICY

Meanwhile, Fonterra went out of its way in media briefings this week to insist that it was experiencing no difficulties with goods entering China.

AT seeks new chairman

While there has been no announcement that the current chair of Auckland Transport, Lester Levy, is moving on, the Institute of Directors is carrying an advertisement for the role. Levy resigned as chair of three Auckland area DHBs in 2017, shortly after the Labour-led govt took power.

The rumour mill suggests Sir Michael Cullen is being considered for the role, which is politically charged not only because of Auckland's infrastructure project cost over-runs and growing needs, but because of the spanner in the works caused by the shakeout at the NZ Transport Agency led by Michael Stiassny.

Brexit impacts

Finance Minister Grant Robertson says a **no-deal Brexit would have a minimal impact on NZ**. Robertson said Treasury's assessment was the main problems would be disruption to NZ businesses, UK tourist numbers could fall and NZ goods could be at risk of border delays.

Robertson said NZ had concerns about UK proposals to slash tariffs on all goods except for agriculture in the event of a hard exit from the EU.

Climate change

The govt has altered the terms of reference and role of the interim Climate Change Commission as it recognises the potential for slow progress on Zero Carbon Bill deal-making.

Among its new tasks: recommending on paths to credibly meeting the country's zero net emissions target by 2050.

This is intended **to allow the govt to "act with necessary pace"**, says Climate Change Minister James Shaw.

Air NZ, Contact Energy, Genesis Energy and Z Energy have formed the Dryland Carbon partnership to establish a forest portfolio to sequester carbon and help meet their emissions trading scheme requirements.

The Parliamentary Commissioner for the Environment will issue a report next Tuesday entitled "Farms, Forests and Fossil Fuels: The next great landscape transformation?" It will make recommendations about the separate treatment of fossil fuels and biological emissions, and on the use of forestry for carbon sequestration.

Its release was postponed as part of the general

shutdown of normal govt and parliamentary activity following the Christchurch mosque attacks.

PCE Simon Upton has previously warned against over-reliance on forestry to meet carbon emissions reduction targets if it fosters slow progress on actual emission reduction.

National Party policy reviews

National Leader Simon Bridges said his party's **next policy release will probably be in May on foreign policy**. This would be followed by paper on education, health, infrastructure and the economy.

Jones's judgement

Regional Economic Development Minister Shane Jones criticised Spark's managing director Simon Moutter for publicly announcing the interim decision by the GCSB to block Huawei's involvement in its 5G plans.

This followed Jones being criticised for his handling of a declared conflict of interest over his involvement in a project being funded from the Provincial Growth Fund.

Evidence Act review

The Law Commission's second review of the Evidence Act say it is "generally working well," according to Justice Minister Andrew Little. Among the report's 27 recommendations are reforms to improve the court process for victims of sexual and family violence, greater recognition of tikanga Māori in court procedure, and ensuring defendants' rights to a fair trial are preserved. 📄

Scan the horizon

A Hugo value-adding service

A strategic planning retreat coming up? A regular planning meeting needs to push out the horizon? Visitors from head office or the regional HQ? A new country manager? A gathering of clients? A conference of your business association?

As an extension of its regular service, Hugo helps members frame the bigger picture – of the international economy, the domestic economy and the policy environment through changes of ministers and government. This service is available to Hugo member companies at all levels in the company's organisation.

We can't stop the unpredictable. But we can help make the future more predictable.

Ring us on **(04) 385 6249**
or email to hugo@thehugogroup.com

Dairy prices up 26% since Nov

Dairy prices rose 1.9% in the GDT Price Index, the eighth consecutive increase and a cumulative gain of 26.2% since Nov 2018 – less than six months. It is a material move higher as solid demand has bumped up against tightening global milk supply.

Dry weather in the last two months in NZ meant lower production than seemed likely earlier in the season, which saw a generally superb spring and early summer but deteriorated significantly over the past couple of months. Penalties for excessive use of some supplementary feed are likely to have added to the weather's downward influence on milk production.

NZ's milk production is forecast to be between a 1% and 2% higher for the 2018/19 season, from 4% previously. A 2018/19 milk price of \$6.50 per kg/MS is now in prospect, from \$6.25 previously.

Fonterra reiterated its milk price forecast range of \$6.30 to \$6.60 at its interim results this week.

Recent dairy market developments are positive for NZ's terms of trade and incomes but a near term drag on production and real GDP: **more value, less volume.**

Meanwhile, EU milk production is static following a poor summer and previously massive stockpiles having been unwound. Australian production has struggled with poor weather conditions all season and is well down on a year ago. US production continues to rise, albeit slowly.

For next season, BNZ says market optimism is very high as global dairy prices are currently surging upwards and the NZD is stable.

The 2019/20 milk price could come in well above \$7 next season, but it is too early to call that.

Kiwi vs Aussie dollar – an overshoot phase?

NZD/AUD is in an overshooting phase relative to current economic fundamentals, based on concern that the Australian economy is on a much weaker trajectory, driven by the housing market. This is reflected in short positioning in AUD, with the market anticipating that bad news for Australia relative to NZ will continue.

The cross rate is approaching the top of the 0.93-0.98 trading range for 1H19 we set out at the start of the year, projections which also saw the trading range slip back lower in the second half to about 0.91-0.96, a level more consistent with our short-term fair value model estimate.

GDP

The economy grew in line with expectations in the 4th quarter, as the retail and accommodation sectors saw the strongest lift in activity since the 2011 Rugby World Cup.

Growth of 0.6% was recorded in the three months to Dec 31 versus a 0.3% rise in Q3 and was 2.3% higher than the same quarter a year earlier, Stats NZ reported.

Service industries drove the quarter, with a 0.9% expansion, against a 0.2% rise in goods-producing industries.

Activity and confidence indicators

The BNZ-BusinessNZ **performance of services index** fell 2.4 points to a seasonally adjusted 53.8 compared to Jan and was slightly below the long-term average of 54.5. A reading above 50 indicates expansion. The activity/sales sub-index was at 53.4 versus 61.5 in Jan and 54.3 a year ago. The new orders/business measure was at 59.9 from 61.3 a month earlier and 61 in Feb last year.

The BNZ-Business NZ **performance of manufacturing index** increased 0.7 of a point to a seasonally adjusted 53.7 in Feb, and was up from a 53.5 reading in the same month a year earlier. A reading above 50 indicates activity is expanding.

Migration

Net migration may have risen 10% in the 12 months to Jan, according to provisional data. By Stats NZ's provisional estimate, annual net migration in the year through Jan was 58,400, up from a provisional estimate of 52,880 in the same period a year earlier.

Real estate

The number of **residential properties** sold in Feb fell by 9.5% from the same time last year to 5,954 (down from 6,576) says the Real Estate Institute. Excluding Auckland, the number of properties sold fell by 6.6% when compared to the same time last year (from 4,922 to 4,596). In Auckland, the number of properties sold in Feb fell by 17.9% year-on-year (from 1,654 to 1,358) – the lowest for a non-Jan month since Oct 2010. Auckland prices were down 2% from a year ago, but prices excluding Auckland were up 8.1% for the year.

Housing rents rose 0.2% in Feb, taking the annual rental increase to 3.3%, according to a new Stats NZ index. The agency will be including data from the new index in the quarterly Consumers Price Index from the June quarter. ■

CORPORATE ROUND-UP

Primary industries

Fonterra's new leadership put early runs on the board with a return to profitability in the first half of the current financial year, reporting net earnings of \$76m. Newly confirmed chief executive **Miles Hurrell** says it was good to be back in the black but performance was not where it should be.

Fonterra's net profit attributable to shareholders for the six months ended Jan 31 compares with a \$354m loss in the same six months a year earlier. Normalised earnings before interest and tax fell 29% to \$323m. While sales volumes rose 2%, revenue fell 1% to \$9.7b.

Hurrell confirmed Fonterra has begun a process to sell its 50% share of DFE Pharma, and completed the \$16m cash sale of Corporacion Inlaca in Venezuela to Mirona. Write-downs and other non-cash adjustments mean Fonterra will book a loss of \$126m on the Inlaca sale overall. The co-op expects to reduce debt by \$800m through asset sales.

Fonterra lowered its milk collection forecast for the current season for the second time in two weeks. It now expects to collect 1,510m kilograms of milk solids for the season through May 31 due to ongoing dry weather. On Feb 28 it scaled back its milk collection forecast by 20m kg to 1,530m/kgMS. Milk collection was 1,505m/kgMS last season.

Synlait Milk shares dropped more than 17% before rebounding strongly after the company reported a 9.7% decline in first-half net profit on lower margins. Net profit was \$37.3m in the six months to Jan 31, versus \$41.3m in the same period a year earlier. Revenue rose 7% to \$470.9m on higher sales volumes across its powders and cream and lactoferrin businesses. It processed 12.4% more milk than in the same period last year.

The controversial \$10m Provincial Growth Fund soft loan to **Westland Milk** will not proceed now that the struggling cooperative has announced that Chinese dairy company **Yili** will acquire it for \$588m. The deal represents a lifeline for Westland and is something of a further political embarrassment for NZ First, which opposes such investments.

PGG Wrightson's largest shareholder Alan Lai and his company **Agria** have been fined \$220,000 and ordered to pay another \$30,000 in costs by the High Court for breaching good character conditions imposed by the **Overseas Investment Office**.

The breaches arose from Lai and Agria's settlement last year with the United States Securities and Exchange Commission over violations of US securities law.

Seeka is buying **Aongatete Coolstores** for \$25m.

Aongatete is a kiwifruit orcharding and post-harvest company in the Bay of Plenty. The purchase is expected to add 4m to 4.5m trays of kiwifruit annually and ebitda of between \$3.5m and \$4.5m.

Banking, finance and insurance

Fitch Solutions says NZ bank lending growth should pick up this year to 5.2% from 4.7% in 2018 and then grow by 5.2% in 2020 reflecting the Reserve Bank's plans to unwind mortgage lending restrictions and rising agricultural loan growth.

Energy

Renewable generation delivered almost 84% of electricity last year, despite the biggest annual coal burn in three years. The share of renewables climbed to 83.9% from 81.9% in 2017, according to MBIE. Above-average hydro storage for much of the year helped offset a 19% drop in gas-fired generation due to two lengthy outages at the Pohokura gas field. Coal-fired generation in the fourth quarter was 656 GWh, more than twice that of the preceding three months and the most for any quarter since early 2015.

Refining NZ reported that Asia-Pacific refining margins remain volatile with Singapore gasoline margins gaining almost US\$5 a barrel in the past two weeks.

The first of three hydrogen refuelling stations planned for warehousing and trucking operations should be operating within 12 to 18 months, **Hiringa Energy** announced. The firm is currently screening 20 potential locations for the trial sites, which will ideally include a forklift operation and a nearby truck stop. The govt released a high-level 'hydrogen roadmap' document.

Sky TV chief financial officer **Jason Hollingworth** is leaving to take up the vacant CFO role at **Vector**.

Telecommunications

Spectrum rights in the 2100 MHz and 1800 MHz bands will be mostly be renewed to ensure with some reductions to free up spectrum for other uses. **Spark, Vodafone and 2degrees** has been offered renewal offers for 40 MHz each in the 1800 MHz band and their existing holdings in the 2100 MHz band. **Hautaki Ltd** has been offered full renewal of its existing 2100 MHz rights. **Telstra's** rights in the 2100 MHz band are not being used and will not be renewed. The freed spectrum may be used for new technologies or a new emergency services network currently being considered.

Vodafone is working through its options as it considers a new operating model ahead of a potential float on the share market. In Feb, it offered voluntary

redundancy to most of its 2700 staff – excluding 600 call centre and retail teams – but says very few were interested. The company said it is now considering its position and would finalise a new operating model by the end of the month.

Tourism, transport and logistics

The **Civil Aviation Authority** suspended the **Boeing 737 MAX** aircraft coming to or from NZ after crashes in Indonesia and Ethiopia. Only Fiji Airways fly this aircraft type to NZ. The Samoan govt airline, Samoa Air, is scheduled to receive a MAX9 model next month but is now making contingency plans, including continuing to operate an existing, leased 737-800. The MAX issue may delay Samoa's initiative to leave an air rights agreement that allows Air NZ to fly wide-bodied jets to Samoa, and which Apia appears to regard as unwanted competition for its own national carrier.

Economic Development Minister **David Parker** met **FIFA President Gianni Infantino** to discuss potential future FIFA events in NZ, including NZ's chances of hosting the 2023 Women's World Cup. The principal purpose of Infantino's visit was to attend the Oceania Federation's Extraordinary Congress, which saw Lambert Matlock (Vanuatu) confirmed as president and NZer Johanna Wood elected to the 37-strong FIFA Council. This followed the suspension of former president David Chung amid fraud claims.

Infrastructure

Civil works firm **Fulton Hogan** reported a drop in 1H profit to \$70.6m, which it said reflected ongoing difficulty with certain legacy projects in Australia and the changes in the NZ govt's transport funding priorities. The company cut the grey market price in its share buyback scheme from \$14.90 to \$14.40.

Media

Newly appointed **Sky Network TV CEO Martin Stewart** is vowing to win back the company's reputation as "the home of sport" after losing rights to the Rugby World Cup to Spark. Stewart also signalled much greater willingness than his predecessor, John Fellet, for promoting streaming online products rather than continuing to run a strategy seeking to preserve margins in its legacy satellite TV business.

Retailing

Warehouse Group lifted first-half profit 12%. Net profit rose to \$35.8m in the 26 weeks ended Jan 27 from \$31.9m a year earlier. That included a smaller loss of \$1.6m from its discontinued finance operations, compared to a \$3.5m loss a year earlier.

Stripping out \$2.2m of restructuring costs and the underlying earnings rose 5.9% to \$37.4m. Annual earnings of \$63-to-66m are anticipated.

Kathmandu Holdings said it recently became aware an unidentified third party gained access to its website platform between Jan 8 and Feb 12, and may have captured customer personal information and payment details.

Courts and regulation

PGG Wrightson's largest shareholder Alan Lai and his company Agria have been fined \$220,000 and ordered to pay another \$30,000 in costs by the High Court for breaching good character conditions imposed by the Overseas Investment Office. The breaches arose from Lai and Agria's settlement last year with the SEC over violations of US securities law.

Halifax has a shortfall of \$20m with administrators saying the only possible way for investors to get their money back is to liquidate the company. The financial derivatives trader went into administration in Australia and NZ last Nov. An estimated 4,000 NZers were caught by Halifax's collapse.

Pan Pac Forest Products has been cleared over its handling of damage to its wastewater outfall off the coast north of Napier. The company has spent six months trying to repair the 2.4 km outfall, which began leaking in Sept. The waste water is treated prior to discharge but is not being mixed and diluted as quickly as would usually be the case.

Corporate actions

First NZ Capital, NZ's largest broking firm is rebranding as **Jarden**, referencing the firm's historical founder, legendary Wellington-based broker Ron Jarden. The firm has expanded into a wider range of products and has long battled with a lack of distinction in the FNZC moniker and a tendency for the name to be mangled to confusion with NZ First.

Metro Performance Glass cut its profit guidance again and now expects annual operating profit will be about 12% lower than the last downgrade in Nov. It says earnings before interest and tax for the year ending this month should come in at about \$25m, down from the Nov guidance of \$28m. It will be writing off \$7m-\$10m from its intangible assets to recognise poor Australian performance.

Finaccess Capital will scale its \$9.45 a share offer for **Restaurant Brands NZ** after acceptances exceeded its 75% upper limit.

Hallenstein Glasson Holdings' board appointed director **Mary Devine** as chief executive after **Mark Goddard** unexpectedly left last month. 

LEGISLATION

Terror attack halts normal parliamentary activity

Parliament effectively cancelled normal operations to mark the terrorist attack on mosques in Christchurch. On Tuesday, the House only sat for speeches of condolence. Select committee hearings were suspended and previously anticipated policy announcements in a number of areas were postponed.

Prior to this the govt progressed its legislative agenda with the passage of a tax bill and also made progress on mainly non-controversial legislation.

Prior to the mosque attacks, select committees were busy completing their review of govt agencies. Reform of privacy law was also reported back from select committee.

The following select committee changes were also announced: Harete Hipango to replace Simeon Brown on the Regulations Review Committee; Nicky Wagner to replace Harete Hipango on the Maori Affairs committee; David Carter to fill the vacancy on the Privileges Committee left by Chris Finlayson.

- *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*

Order-in-Council

Prior to the enactment of legislation, the Governor-General has, by Order in Council, declared that **semi-automatic (MSSA) and assault rifles, and high-volume magazines, are banned.** A buyback programme will be announced shortly and is estimated to cost the Crown \$100m-\$200m for the return of **an estimated 13,500 firearms** which require the owner to have an E-Cat gun licence. Owners are urged to return such guns voluntarily now and to contact police before bringing them in.

Bills introduced

Financial Markets (Derivatives Margin and Benchmarking) Reform Amendment Bill: Introduced on Feb 19 2019. An omnibus bill amending the law in relation to the linkages between NZ's financial markets and international financial markets, in particular through derivatives. NZ law is currently out of kilter with new rules being implemented across the G20 which require parties to certain types of derivatives to exchange collateral. *First reading completed March 7 with all parties in agreement and sent to the Finance and Expenditure Committee.*

The Social Security (Winter Energy Payment)

Amendment Bill: Introduced March 4. The bill corrects drafting errors and retrospectively validates payments to some beneficiaries last year and ensures they are eligible this year. *First reading on March 7 and referred to the Social Services and Community Committee, to be reported by April 1. National opposed to the short process.*

Commerce (Criminalisation of Cartels) Amendment Bill: The bill would make those guilty of intentional cartel conduct liable for up to seven years in prison and/or a \$500,000 fine. *Committee stage completed on March 13 with govt amendments to allow cases to be heard in a District Court or the High Court. National continued to oppose the bill.*

Accident Compensation Amendment Bill: Introduced April 12. The bill amends the Accident Compensation Act 2001 to address regulatory duplication, gaps, errors, and inconsistencies within and between different pieces of legislation, and by keeping the regulatory system up to date and relevant. Most notably it addresses issues around entitlements for ACC payments and superannuation. First reading completed on May 9 with all parties in agreement and sent to the Education and Workforce Committee. Reported back from select committee on Nov 9 with no major changes. *Second reading completed on Dec 11 with all parties in support. Committee stage completed on March 13.*

Bills in progress

Financial Services Legislation Amendment Bill: Introduced Aug 3 2017. *Govt Supplementary Order Paper allowing restrictions. Licence conditions can specify circumstances in which an individual financial adviser cannot give advice on behalf of multiple providers. Govt also released new disclosure requirements which will be set in regulation under the bill for consultation.*

Privacy Bill: Introduced on March 20. Repeals and replaces the Privacy Act 1993. Overhauls and updates many provisions. *Reported back March 13 with a large number of changes including on organisations and businesses' requirement to disclose privacy breaches. Submissions for a 'right to be forgotten' rejected.*

Equal Pay Amendment Bill: Introduced Sept 19. *Report back extended to May 14.*

Canterbury Earthquakes Insurance Tribunal Bill: Introduced Aug 1. *Reported back March 18 with a large number of technical changes.*

Bills passed

Taxation (Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters) Bill: Introduced on June 28. An omnibus bill amending a number of tax Acts. *Committee stage completed on March 5 and the third reading on March 12 with the govt highlighting changes to secondary tax treatment. No change in parties' position.* 