

Govt floundering on capital gains tax

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The two month gap between the publication of the Tax Working Group's report on capital gains tax and policy decisions in April created a predictably dangerous political vacuum for the govt, which it has inexplicably failed to plan for. The options are hardening for a minor extension of the regime covering residential property investment.

Huawei – getting harder

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The GCSB is hosing down suggestions that the British approach to regulating Huawei's involvement in 5G telecommunications networks may create a path for NZ to approve use of Huawei equipment for 5G here.

NZ First not panicking yet about low polls

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NZ First is deeply concerned about its sub-5% poll ratings in light of its multitude of policy wins. However, leader Winston Peters is focusing on what he can do from around this time next year to build the party back to 5%-plus as he has managed to do so often in the run-ups to elections.

Auckland mayoralty

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West Auckland hothead John Tamihere's bid for the Auckland mayoralty is a long shot, but his rejection as a member by the Labour Party may drive right-wing voters into his arms as they seek a credible alternative to Phil Goff. Cost pressures on Auckland infrastructure projects may yet make privatisation of council assets a local govt election issue.

Mainzeal decision

The Mainzeal decision has effectively ended Dame Jenny Shipley's career as a corporate governor, although she is likely to remain involved in smaller scale and private activities. It remains to be seen whether the Mainzeal directors' public liability insurer, QBE, will pay out to any or all of them to help cover the \$36m the court has ordered be paid to creditors.

Blueprint for social welfare reform received

Social Development Minister Carmel Sepuloni has received the Report of the Welfare Expert Advisory Group into the future of NZ's social security system. The report will be analysed by officials and discussed with NZ First and the Greens, and then released publicly in late March, early April. An overhaul of the welfare system is part of the Labour confidence and supply agreement with the Greens.

Teacher strikes look likely to escalate

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Secondary school teachers are planning to strike in early April and primary teachers may join them in what could be the most disruptive state sector industrial action for many years.

CGT on residential investment property only looking firmer

Our view that any extension to the capital gains tax will be restricted to residential property investment is strengthening.

The intensity of opposition to other forms of the tax, the **govt's absence of a strategy to deal with the vacuum left by its policy decision-making period** and the perversity of discouraging productive investment at the same time as discouraging residential property investment all point in that direction.

NZ First's caucus is firming on this position and the soft positioning by the PM on the impact of a capital tax extension to farms and small businesses points that way too.

NZ First would like to find a way to include a disincentive for land-banking acreage but would go no further.

The govt doesn't appear to be in any hurry to bring decisions forward. Revenue Minister Stuart Nash this week suggested he'd been **misreported by telling an accounting conference that decisions would be in "early April"**.

This delay and weathering the current political storm **could be a cunning plan** that would produce a sigh of relief for business and farm owners once they knew they would not be touched. It might also give NZ First another win by appearing to have held back the tide for a wider application of the tax.

But nothing about the PM's obvious tetchiness in the House when facing questions on CGT or the pressure being applied by her media team to negative mainstream news coverage suggests the current swathe of negative commentary is part of any plan. The untidy coverage of Sir Michael Cullen's ongoing involvement with and commentary on the TWG proposals is not helping Labour either.

Meanwhile, **CGT seems to be helping to shore up Simon Bridges's position** as National Party leader. Even some of his more persistent critics in the National caucus are elated with the way he has performed on the issue. There is a belief within the caucus that the tide is turning and that some of the gloss is starting to come off the PM.

NZ First revamps policy-making process, mulls poor polls

NZ First has appointed its **first professional party director**, signalling the intention to create a more formal approach to policy-making than the current method, which boils down waiting for Winston

Peters to decide.

There is also some speculation that **the party may withdraw its support for the proposed zero carbon legislation**. Such a move could have political impact for a party drifting below 5% in opinion polls while not derailing the govt because National has agreed in principle to support the legislation in at least some form. **National cannot be seen to be a party that rejects action on climate change, whereas that niche may be open to NZ First.**

Peters is advising colleagues not to be too concerned about low polling this year. He appears to be relying on his long-proven ability to achieve high visibility on key issues in the months leading up to polling day to produce 5%-plus support.

Note that **NZ First's Shane Jones**, Regional Economic Development and Infrastructure minister, is addressing our breakfasts in early May (Auckland, May 3, Wellington, May 2).

National's terms for backing electoral reform

The proposal for a **Private Member's Bill from Green MP Golriz Ghahraman to make changes to the Electoral Act** has drawn scorn from the Opposition and a series of ambiguous statements from the PM. National's electoral reform spokesman, Nick Smith, points out that Parliament's Justice Committee is already conducting a review of the 2017 election (and the 2016 local govt elections) and that would be the appropriate place to discuss any changes to MMP. **Smith and Simon Bridges are not necessarily opposed to Ghahraman's key proposal: that the MMP party vote threshold be reduced from five to four percent.** But they are intensely opposed to any change being made without their approval. **Smith wants the Electoral Act entrenched so that any changes would require a 75% majority in Parliament.** The PM has been opaque on this, saying no changes should be made before the election and then not without having been "put to the people". But she has refused to confirm that would mean a referendum. That leaves open the possibility that **Labour could include proposed changes in its election manifesto and regard its re-election as sufficient mandate to pursue the changes.** National's reaction to that would be likely to be explosive.

Huawei – it remains complicated

Signs that ministers might see a route to allowing Huawei to operate in the 5G network by favouring a UK-style approach to its regulation appears to have hit the rocks. **The GCSB remains determined in its refusal to certify its use.** Sources close to

the agency say there has been direct pressure from Chinese authorities to do so but the GCSB rejects the argument that Britain is ready to approve Huawei's limited participation in Britain's 5G network. It believes any British approval would exclude any part of the network that included critical infrastructure or govt use and would also require Huawei to spend huge sums on mitigation. If they're determined to pursue Huawei as a supplier for 5G, current users Spark and 2Degrees could apply for the GCSB to refer the matter to the intelligence agencies minister Andrew Little and for him to be persuaded to overturn the agency's advice. But that would be a last resort. A confidential **list of Prime Ministerial overseas trips for the year issued to Press Gallery journalists reportedly does not include any trip to China.**

Huawei itself continues to insist it is not engaged in spying for the Chinese govt and that the pressure from the US on its equipment reflects the absence of an American player in 5G technology provision.

CER digital identity faces resistance from banks

Buried in the communique after the Feb 22 meeting between Jacinda Ardern and her Australian counterpart Scott Morrison was a commitment to jointly advance a **'single digital identity'** programme.

On the surface, it's just another trans-Tasman cross-recognition initiative, similar to moving all businesses in both countries onto a single public numbering system.

It is also the project by which the **NZ govt will either upgrade or replace the 10 year-old RealMe digital ID system**, which has not performed well for users and struggled for universal uptake.

However, the major banks are not keen on sharing information with RealMe's owner, **NZ Post**, which in turn remains a 51% owner of their domestic competitor, **KiwiBank**.

Australia and NZ have also established a joint **Electronic Invoicing Board** to advise both govts on improving invoicing and payment systems.

Auckland mayoralty + infrastructure cost pressures

Backers of rebel candidate John Tamihere to unseat Phil Goff for the Auckland mayoralty **hope the Labour Party has done their man a favour by refusing him membership of the party.**

Among those helping Tamihere, albeit informally, is National Party stalwart and PR adviser Michelle

Boag. She reports right-leaning voters have been unwilling so far to endorse Tamihere, given his lifelong Labour background.

Now that Labour won't have Tamihere, his lower-spending, pro-cars, small 'c' conservative platform may give National supporters somewhere to put their support.

Infrastructure Minister Shane Jones is **closely watching cost blow-outs on the Central Rail Link** and delays and process changes for the proposed Auckland light rail services, which NZ First opposes. Jones is concerned Auckland will struggle to pay its share of the escalating costs of the projects. While unpopular, **partial privatisation of port and water assets is being urged**, although NZ First is not so keen to see Auckland Council shares in the city's airport company sold to private owners.

Capital markets review

Nine financial markets heavy hitters have been named to join the steering committee of the capital markets review for the NZX and the Financial Markets Authority. It will be chaired by Martin Stearne, a corporate consultant and former managing director of merchant bank FNZC. Others appointed include Rob Campbell, chair of SkyCity and Tourism Holdings; Rachel Dunne, a Chapman Tripp partner; Westpac chief executive David McLean and NZ Superannuation Fund chief executive Matt Whineray.

Chapman Tripp published research suggesting that banks' increasing caution and higher interest rates, coupled with greater diversity of funding sources, have driven several of the top 50 NZX-listed companies to look elsewhere for funding. The firm's NZX Top 50 Funding Composition Trends & Insights report found only 20% of the top 25 issuers relied solely on bank funding – compared to the second 25 companies, bar a few exceptions, which are entirely dependent on banks for debt funding.

Taranaki's post-oil challenge laid out as summit approaches

A performance audit of New Plymouth District Council has underlined the problems the region is facing as it deals with a much-reduced outlook for the oil and gas sector following the offshore exploration ban.

The CouncilMARK report comes as the govt plans

Future of work

The govt asked the Productivity Commission to examine and report on technological change, disruption and the future of work.

Philanthropy

Former PM Helen Clark is to be the patron of a new public policy think tank called the **Helen Clark Foundation**, being set up in partnership with the Auckland University of Technology.

its **“Just Transitions” summit in Taranaki in May.** While the NPDC gets a ‘competent but could do better’ BBB rating, CouncilMARK highlights challenges for more than 7,000 local jobs in the fossil fuels extraction sector.

The decline now likely **may require the council to reassess its comparatively gold-plated service delivery** as its rating base may decline, especially given environmental challenges to the region’s other main activity: dairy farming.

“The average income of \$71,000 is dependent on an economy based on oil and gas, and the dairy industry, both of which face negative regulatory outlooks, “ the report says.

Among confirmed speakers for the Just Transitions summit are Midnight Oil musician and former Australian Environment Minister Peter Garrett and the director of the Brussels-based Just Transition Centre, Samantha Smith.

Papers on govt websites relating to ‘just transition’ are notable for their efforts to define the expression and to make the MBIE Just Transitions Unit work with the Ministry for the Environment’s own just transition section and others initiatives, including the work of climate change Transition Hub, tripartite engagement on the Future of Work, the Provincial Growth Fund, the Green Investment Fund and the Ministry for Primary Industries’ work with land based industries.

Govt’s carbon liability cost rising as NZUs trade above \$25

Carbon trader OMF also notes the cost of the govt’s liability for the cost of any failure to meet targets for emissions reduction between 2021 and 2030 is rising as the NZ Unit carbon price trends above \$25 a tonne.

“If the govt choose to buy international units to offset, that is likely to be well above \$25. European units are

the international proxy and they are last at NZ\$38. Hence their concern at the fiscal risk,” OMF says.

Climate Change Minister James Shaw gave his strongest hint to date that the govt’s **100% renewable electricity target may not be economically feasible.**

He told the annual Downstream conference the **govt would be “pretty strongly guided” by the recommendations of the Independent Climate Change Commission.** Note, however, that the rumblings against Shaw’s willingness to compromise on hard Green targets continues to cause disaffection in the party.

Co-leader Marama Davidson’s speech this Sunday on the wellbeing Budget and the environment will be worth watching for signs of that discord.

RBNZ sticks to its guns on bank capital

Deputy Reserve Bank governor **Geoff Bascand** is sticking to the central bank’s goal to substantially increase the quality and quantity of tier 1 capital held on NZ bank balance sheets.

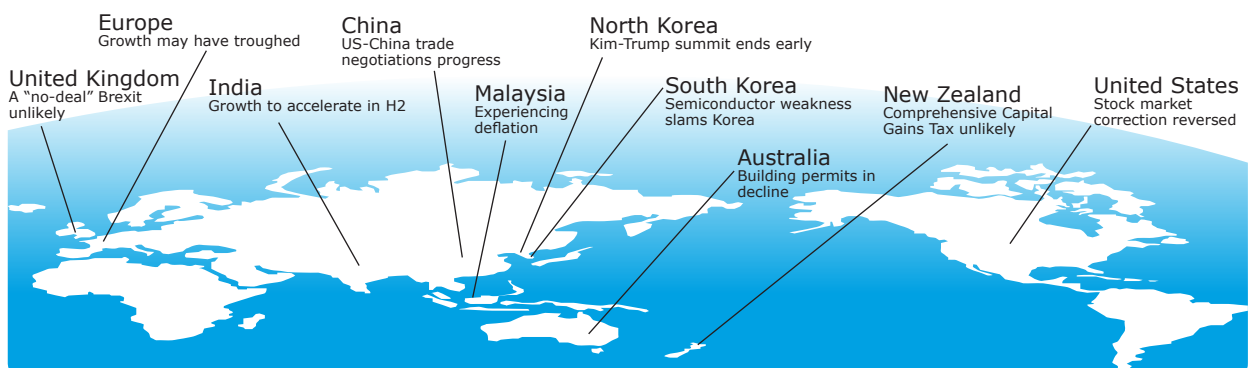
In a speech produced as part of a PR push in support of the changes, he questioned why NZ’s banks are getting around 92% of their money by borrowing it, compared to the average business’s 55%.

“It is not clear to me why this discrepancy between banks and other business is so large but perhaps at least part of it can be explained by the fact that, historically, governments have been much more reluctant to allow a bank to fail than other types of businesses, which may lead banks to operate closer to the edge,” said Bascand.

State sector industrial action

Secondary school teachers are to **strike on April 3** over their stalled pay claim. **Primary school teachers have indicated they would join such an action.** ■

The world at a glance



Confidence indicators at odds again

The ANZ Roy Morgan **consumer confidence** index decreased 0.9 of a point to 120.8 in Feb, **holding near its long-term average**. While the current conditions index increased 2 points to 126.2, the future conditions index was down 2.8 points at 117.3. A net 14% of the 1,001 respondents said they are better off financially now, compared to 12% in Jan. However, optimism about where they'll be in a year's time eased to a net 27% compared to 29% in Jan.

Business confidence as measured by ANZ, however, **dropped 7 points** in Feb. A net 31% of respondents expected general business conditions to deteriorate in the year ahead. A net 11% are still expecting their own businesses to improve, down 3 points from the last survey in Dec. The survey found the agriculture and services sectors are the most optimistic and the construction industry the most pessimistic.

Fiscal position remains strong

The govt's operating balance before gains and losses was a \$1.91b surplus in the seven months ended Jan 31, \$481m more than forecast in Dec. Core tax revenue rose 6.3% to \$44.66b, \$251m ahead of forecast, due largely to an unforecast extra \$189m of tobacco excise and \$207m from personal income tax. **Corporate tax came in \$234m below forecast at \$5.08b**. Core Crown spending rose 7.4% to \$49.39b in the seven-month period from a year earlier, tracking \$638m below forecast.

Trading partner growth

(2017-2018 actual; 2019-2021 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
China	29.1	6.9	6.6	6.2	6.1	5.9	1.6	2.1	2.2	2.2	2.3
Australia	19.1	2.4	2.9	2.6	2.6	2.7	1.9	1.9	1.9	2.3	2.5
United States	11.5	2.2	2.9	2.5	1.9	1.8	2.1	2.4	1.9	2.2	2.2
Japan	7.3	1.9	0.7	0.9	0.4	0.7	0.5	1.0	0.8	1.2	0.7
Eurozone	6.5	2.5	1.8	1.3	1.4	1.4	1.5	1.7	1.4	1.5	1.9
South Korea	3.6	3.1	2.7	2.4	2.4	2.4	1.9	1.5	1.4	1.7	2.1
United Kingdom	3.2	1.7	1.4	1.4	1.5	1.7	2.7	2.4	2.0	2.1	2.1
Singapore	2.7	3.6	3.3	2.5	2.4	2.6	0.6	0.4	1.0	1.4	1.8
Hong Kong	2.4	3.8	3.4	2.4	2.3	2.7	1.5	2.4	2.3	2.2	2.4
Taiwan	2.5	3.1	2.6	2.1	2.0	2.3	0.6	1.4	1.0	1.2	1.3
Malaysia	2.1	5.9	4.7	4.5	4.4	4.9	3.7	1.0	1.7	2.2	2.7
Indonesia	2.1	5.1	5.2	5.1	5.1	5.0	3.8	3.2	3.7	3.7	4.1
Thailand	1.9	3.9	4.2	3.7	3.6	3.4	0.7	1.1	1.0	1.3	1.5
Philippines	1.6	6.7	6.2	6.2	6.1	5.7	2.9	5.2	3.6	3.5	3.4
Vietnam	1.5	6.8	7.1	6.6	6.3	6.3	3.5	3.5	3.5	3.8	3.8
India	1.5	6.7	7.3	7.3	7.4	7.2	3.6	3.7	4.2	4.7	4.9
Canada	1.5	3.0	2.0	1.7	1.8	1.7	1.6	2.3	1.8	2.0	1.9
NZ Trading Partners	100.0	4.1	4.0	3.6	3.5	3.5	1.8	2.0	1.9	2.1	2.2
Forecasts for New Zealand											
Consensus		2.8	2.8	2.6	2.6	2.4	1.9	1.6	1.8	2.0	2.0
BNZ Forecasts		3.1	2.8	2.6	2.6	2.4	1.9	1.6	1.8	1.9	2.0
The World		3.2	3.2	2.9	2.8	2.8	2.5	3.0	2.6	2.6	2.7

Terms of trade dip

NZ's terms of trade fell 3% in the three months through Dec, accelerating from a 0.1% decline in Sept. Stats NZ said this is the **steepest quarterly fall since Dec 2015**, and took the index to its lowest level in two years.

Monetary policy

Treasury Secretary **Gabriel Makhlouf** has nominated himself as Treasury's observer on the newly-created Monetary Policy Committee.

Signals emerging from the phase 2 review of the Reserve Bank Act suggest that **the central bank is likely to retain its prudential supervision** responsibilities rather than going to the Treasury or a separate agency.

R&D

Businesses increased their **spending on research and development** by \$548m in the last two years to \$2.15b in 2018.

Stats NZ said **business spending on R&D accounted for 55% of the total \$3.9b** spent last year, driven by services industries, where spending has tripled to \$1.4b since 2008. R&D spending on computer services rose by \$150m, or 34%, to \$586m in 2018. Govt R&D spending was up \$126m to \$784m and educational institutions spent \$960m, up \$83m. **Total R&D spending in 2018 was equal to 1.37% of GDP.** 🇳🇿

CORPORATE ROUND-UP

Earnings season

The latest reporting season showed **earnings' growth and outlook statements on the soft side**, in contrast to the US, where 69% of S&P 500 Index companies beat earnings estimates with double-digit increases.

Air NZ reported a 35% fall in pre-tax earnings to \$211m in the first half as a spike in fuel prices, softer tourism numbers and disruptions due to issues with Rolls-Royce engines took their toll. In the six months through Dec there was a net profit of \$152m versus \$232m in the prior year. Operating revenue was \$2.9b, up 7.1%. Passenger revenue increased by 6.5% to \$2.5b. Fuel prices increased 28% in the period. The company also talked up a campaign of reduced airfares between smaller regional centres as it seeks to counter falling domestic patronage. **Jetstar** responded by offering 75,000 domestic flights for \$25 from March 1-8.

Auckland International Airport cut its target return on regulated assets to 6.62% from 6.99%, reducing airlines' fees by \$33m after criticism of planned hikes to cover a \$1.8b infrastructure spend. It reported an 11% decline in first-half profit to \$147.2m, largely due to a smaller property valuation gain.

Christchurch Airport's operating revenue for the six months ending Dec 2018 grew 7.9% compared to the same period last year on international passenger growth and cost control. The stand-out market remains China, growing 7.1% in the period.

Ports of Auckland reported a 16% decline in first-half profit and expects more of the same for another 18 months as its automation investment programme constrains capacity and revenue growth. Net profit was \$24.4m in the six months to Dec versus \$29.2m in the same period a year earlier. Operating expenses rose 9.8% to \$76m while revenue was up 2.5% at \$123.6m. Wellington's **CentrePort** reported net profit of \$11.95m, excluding earthquake impacts and changes in financial instruments, in the six months through Dec, from \$4.76m a year earlier. Higher log and container volumes and record cruise ship activity contributed to the result. The port has completed recovery from the 2016 Kaikoura quake, which wrecked some of its wharves and much of its commercial property portfolio.

TIL Logistics' first-half operating earnings were about 1% lower than a year earlier at \$14.1m, reflecting higher fuel costs, wages and road-user charges. **Freightways'** net profit for the six months ended Dec rose to \$33.4m from \$31.4m on revenue and volume growth coupled with greater productivity in the express package division.

Refining NZ's full-year profit fell to \$29.6m in the

2018 calendar year, from \$78.5m in 2017 after a major shutdown and shrinking processing margins. Revenue fell 13% to \$359.6m. Average margins fell to US\$6.31 a barrel from US\$8.02 the year before.

Chorus reported a 36% decline in first-half profit to \$30m in the six months ended Dec 31 on rising depreciation costs and interest from new debt. Underlying earnings fell 3.3% on a smaller revenue stream from the copper-line network, as customers migrate to fibre and wireless connections.

BlueScope Steel's NZ businesses reported a 75% improvement in half-year operating earnings to A\$71.9m due to increased domestic sales, strong construction demand and a recovery in global steel prices. Gains were partly offset by higher coal and electricity costs.

Metlifecare reported a 57% slide in net profit to \$24.5m in the six months ended Dec 31, due to a lower gain in its investment property value. Underlying profit lifted 15% to \$41.7m on higher development sales volumes and realised margin. **Summerset Group's** net profit was \$214.5m for the 12 months to Dec 31, versus \$239.9m in the prior year mainly due to a lower valuation gain on its retirement village portfolio.

Trade Me won't pay an interim dividend as **Apax Partners'** \$2.56b takeover means the online auction site is likely to leave the NZX. The board decided against making the payment saying the tax implications would be detrimental to some shareholders. Trade Me's net profit fell to \$44.4m in the six months ended Dec 31 from \$46.4m a year earlier. Stripping out the one-off transaction costs, operating earnings were up 8.1% to \$132.2m.

Vista Group's net profit for calendar 2018 rose to \$12.3m from \$9.7m in 2017. Revenue rose 22.6% to \$130.7m – 61% of which is annually recurring.

Methven lifted first-half earnings 7.9% on strong sales in the UK and China.

Cavalier reported a \$10m first-half net loss but its normalised profit rose 68%. Sales fell 7% to \$70m for the six months ended Dec amid softer market conditions, particularly for synthetic carpets.

T&G Global lifted full-year revenue 11.2% to \$1.2b in the year to Dec 31 but profit for the year fell to \$8.3m from \$22.6m in the prior year. A poor NZ growing season for apples and the impact of Chinese tariffs were among factors that weighed on results.

Seeka reported a 27% lift in net profit to \$7.4m in the year to Dec 31 as the domestic kiwifruit harvest volume recovered from a lull in 2017. Seeka packed 31.4m trays, up 23% on the previous year.

NZ King Salmon announced a reduced half-year

net profit of \$15.1m, compared to \$15.7m in the first half of the 2018 financial year due to high sea temperatures last summer causing a high death rate among its farmed king salmon.

Comvita's net loss was \$2.7m in the six months to Dec 31 versus a net profit of \$3.7m in the same period a year ago. Revenue was \$77.7m versus \$83.6m a year earlier with a shift to more formal sales channels into China taking longer than expected.

Delegat Group lifted first-half profit 30% to \$25.3m in the six months through Dec as it sold a record volume of wine worldwide. Sales to the UK, Europe and Ireland were up 31% at 469,000 cases, while North American sales rose 13% to 640,000 cases.

Telecommunications

The first allocation of **5G spectrum** will be the 3.5 GHz band, with an auction expected in early 2020. The govt will not announce details until it has sorted out Treaty of Waitangi issues. Consultation on the auction process is expected in the second half of 2019.

The **NZ Defence Force** signed a \$40m contract with **Harris Defence Australia** to supply the Army with a new tactical communications network.

Primary sector

Long-serving Fonterra executive Miles Hurrell, who had been acting CEO since the departure of **Theo Spierings**, has been confirmed in the role. A NZer, Hurrell's base salary of \$1.95m compares with former Dutch dairy executive Spierings's base salary of \$2.46m. With bonuses and incentive schemes, Spierings's total package in 2016/17, his last full year with the cooperative, was \$8.32m.

Fonterra raised its forecast payout to farmers on rising Asian demand but canned its interim dividend due to increased costs. It now expects to pay \$6.30-6.60 per kilogram of milk solids in the current season, up from its Dec forecast of \$6-6.30/kgMS. Fonterra also scaled back its milk collection forecast to 1,530m kgMS, which is still 2% more than last season. Some analysts believe Fonterra's lower full season production forecast may be pessimistic. **Fonterra** director and senior **First NZ Capital** executive **Scott St John** left the board of the FSF shortly after this announcement. Fonterra is among several investors backing a US\$90m capital raising for biotech firm **Motif Ingredients**, which is seeking to develop bio-engineered animal and food ingredients. It joins **Gingko Bioworks**, **Breakthrough Energy Ventures**, **Louis Dreyfus** and **Viking Global Investors** in the funding round.

PGG Wrightson's first-half profit fell to \$140,000

from \$18m in the same six months a year earlier as it booked an \$8.7m loss on the seeds business it is in the process of selling. Operating profit from ongoing businesses sank 24% to \$17.8m from \$23.4m.

Hawkes Bay Seafoods, its directors and general manager were fined more than \$1m for the sustained under-reporting of fish take.

Energy

The **Electricity Authority** found no evidence of anti-competitive behaviour in the market during a period of sustained high prices from late Sept through Nov. Nor did it believe Contact Energy and Genesis Energy had any major information advantage over other participants. However, it said some aspects about information sharing and hedge market behaviour would be further scrutinised.

Genesis Energy raised its full-year earnings forecast to \$360m-375m from \$350m-370m citing ongoing gas outages, dry conditions and uncertainty about the availability of Contact Energy's Taranaki Combined Cycle plant. **Mercury NZ's** net profit fell to \$104m, from \$131m a year earlier in first-half operating earnings after reduced hydro generation and a lower margin weighed on record wholesale prices late last year. **Vector's** net profit was \$82.6m in the six months ended Dec 31, up from \$79m a year earlier. Earnings were boosted by higher electricity volumes, increased gas production, and greater smart meter deployment.

Gull NZ beat expectations for its new owner, **Caltex Australia**, generating revenue of A\$559.1m in calendar 2018, up from A\$203.5m a year earlier.

Construction

Construction company **Arrow International** went into voluntary administration after months of speculation about its financial stability. The company said a Building Disputes Tribunal adjudication ordering it to pay millions of dollars had left the company with no choice.

New housing development could be accelerated by removing local councils from much of the post-consenting process and privatising quality assurance, says **Steve Evans**, chief executive of **Fletcher Building's residential division**.

Local authorities issued 33,576 housing consents in the year ended Jan, the highest number in a year since early 1975.

Banking and finance

Westpac made a confidential settlement with journalist-activist Nicky Hager after accepting it breached his privacy by providing bank account details to the police. 📰

LEGISLATION

Back to business as usual

The parliamentary year began on Feb 12 with the PM's statement to the House and the subsequent no confidence motion from the Opposition.

Agnes Loheni was sworn in as an MP to replace Chris Finlayson. Loheni replaced Dan Bidois on the Social Service and Community Select committee. Bidois moved to the Maori Affairs Committee.

- *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 on Dec 4 2018. The local bill empowers Te Runganga o Ngai Tahu to appoint up to 2 members to the Canterbury Regional Council (Environment Canterbury) after the 2019 local elections. Bill postponed until further notice.*

Financial Markets (Derivatives Margin and Benchmarking) Reform Amendment Bill: *Introduced on Feb 19. 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. The purpose of the bill is to enable NZ financial market participants to comply with these and other international rules and to continue to enter into derivatives and other financial instruments with overseas financial entities. It also establishes a new licensing regime for administrators of financial benchmarks under the Financial Markets Conduct Act.*

Bills in progress

Election Access Fund Bill: *Drawn from the ballot on Feb 22 in the name of Chloe Swarbrick. It will establish an Election Access Fund to be administered by the Electoral Commission and used by any disabled candidate to cover disability-related costs of standing in a general election, by not-for-profit bodies to cover costs of making election education events and materials accessible, and by registered political parties to support access needs of any members to allow them to participate within the party. Supported by all parties in its first reading on May 16. A number of National MPs expressed concern about funding being directed through political parties. The bill was referred to the Governance and Administration Committee. Report back extended from Nov 16 to Feb 25, 2019. Report back extended again to June 24.*

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. It confirms the annual rates of income tax for the 2018/19 tax year, contains proposals to modernise and improve the administration of the tax system. Amongst the changes are the rules around secondary tax, automatic refunds for many people whose only income is from salary, wages, or investment. The bill clarifies that information collected for one Inland Revenue purpose can be used for the department's other functions. There is also the introduction of a short process ruling, where small businesses can more easily apply for a binding ruling from Inland Revenue on a broad range of matters. This bill also provides the Commissioner of Inland Revenue with more flexibility to correct anomalies in the tax legislation. The bill also proposes a suite of changes to KiwiSaver as a result of the Retirement Commission's 2016 review of retirement income policies. These changes range from introducing more choice for employee contribution rates to making it easier for our older working population to join and stay in KiwiSaver. First reading completed on July 3 with National opposed saying while it supported much of the bill it could not support the govt's wider tax programme. Referred to the Finance and Expenditure Committee. Reported back on Jan 16. Powers for the Commissioner to amend tax legislation have been dropped and there are many technical changes. Second reading interrupted on Feb 14 and completed on Feb 19 with National, ACT and Ross opposed.

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 March 6.

Bills passed

Crown Minerals Amendment Bill: *Introduced on April 5. Amongst the changes it clarifies time frames for notifying the revocation of permits, clarifies processes in relation to changes of control of permit participants, clarifies an access arrangement is needed for access to Schedule 4 land for minimum impact activities, clarifies which Ministers enter into access arrangements in respect of Crown land and land in the common marine and coastal area and allows delegation of the Minister's powers in relation to licenses granted under the Mining Act. Third reading completed on Feb 13. Energy and Resources Minister Megan Woods indicated a wider review of the Act would begin shortly.*

Earthquake Commission Amendment Bill: *Introduced on March 22. Changes include increasing the cap limit on EQC residential building cover to \$150,000 (plus GST), enabling EQC to accept claim notifications for up to two years after a natural disaster, rather than the current three-month time limit for such notifications and removing EQC insurance cover for contents. Third reading completed on Feb 12. 🏠*