

Lessons from the Aussie election

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Bill Shorten's leadership of the Australian Labor Party always suffered because of negative perceptions of the man himself. That was undoubtedly a factor in the ALP's loss at the polls last weekend. More fundamentally, the ALP went to the electorate with complex policies that appeared likely to be costly to middle and lower income voters. The political lesson? Principled boldness is dangerous if it carries an implication of economic upheaval.

The Christchurch call - striking the right balance

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The PM has scored a coup by using the tragedy of the Christchurch mosque murders to galvanise an international coalition to tackle online hatred and extremism. However, civil society groups observing the summit warn that targeting social media carries risks and treats a symptom rather than the causes of extremism.

Huawei and the emergence of a 21st century cold war

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US-China tensions are characterised, to date at least, as a trade war. However, the blacklisting of Huawei by the US ups the ante in what increasingly looks like a 21st century cold war between the existing global super-power and its increasingly aggressive Asian competitor. NZ will find it increasingly difficult to sit on the fence as this develops.

Vital appeal for Sage's mining decision

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The unprecedented split ministerial decision on Oceana Gold's application to buy farmland to convert to a tailings dam in order to expand its gold mining operations represents a vital case for appeal. It is very difficult to see how, on a per hectare value basis, the mining activity proposed is a lesser economic benefit to NZ than the farmland it seeks to use for tailings.

'Blue hydrogen' plan foundering?

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Touted by Regional Economic Development Minister Shane Jones as a potential 'just transition' project, the Pouakai gas-based urea and hydrogen feasibility study application from American firm 8 Rivers looks as if it will fail to find sufficient ministerial support to proceed.

Climate change policy progress

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Climate Change Minister James Shaw has filled in two important pieces of the climate change policy framework, tabling net zero carbon legislation and announcing a second tranche of amendments to the emissions trading scheme. A key question: can the govt entertain a debate on the use of gene editing - distinct from genetic modification - that would allow methane-reducing grasses to help meet emissions targets that farmers argue are unreasonably difficult to meet.

Normal transmission resuming

As advised in the last edition, this edition of HUGOvision is appearing on a Monday rather than last Friday owing to international travel. The next issue will return to the normal publication schedule, appearing on May 31 and will carry extensive Budget coverage.

Scott Morrison's return shows the risk of policy over-reach

Former Prime Minister and now former MP, Tony Abbott, summed up the forces that saved the Liberal National Government of Scott Morrison. **Where climate change was a moral issue, Labor won. Where it was an economic issue, the Coalition won.**

Also clearly at play was the relative unelectability of now-former Labor leader Bill Shorten. As one NZ Cabinet minister put it after the result: "He was like Australia's Andrew Little. He was never electable."

Nonetheless, there was a realignment of the political landscape which saw the Coalition in trouble in affluent inner city Sydney (hence Abbott's loss to a climate change activist candidate), but at the same time, Labor candidates were wiped out in blue-collar Queensland seats by Coalition candidates unwilling to compromise the state's coal industry with climate change action.

The win strengthens the US hand in the region, not that an ALP govt would have been dove-ish. Australian diplomats are critical of the Ardern govt, particularly over what Canberra sees as fence-sitting on relations with China at a time when traditional western allies are more than ever being forced to take sides in an emerging US-China cold war (*see item p4*). However, Jacinda Ardern and Scott Morrison enjoy good personal rapport. A Shorten govt might have taken up NZ's offer to settle asylum-seekers currently held in offshore detention centres. That is now a dead letter.

The more significant impact here could be on the National Party, which had some of its campaign team working with the Liberals. **The message from Australia is simple: if you want to win govt, have an electable leader and don't over-reach with ambitious, complex policy agenda** – a lesson Ardern applied by killing off the capital gains tax initiative. Australian commentators cited one-time Labor leader Paul Keating's adage: **"If you don't understand it, don't vote for it."** That was the case on both

Labor's climate change and franking credit policies, both of which also promised a hit to the hip pocket of many, particularly older, voters.

The lesson National is likely to take is that it cannot afford to stray too far into 'feel-good' politics, as some of its younger backbenchers were advocating over the weekend at a party conference, without

risking its core vote.

Indeed, the Australian was a **reminder of the underlying conservatism of the electorate in countries like ours.** This will increase friction between 'realist' and 'idealist' elements of the NZ coalition govt.

Chch Call - was the Paris summit the easy part?

PM Jacinda Ardern leveraged her emerging global clout to gain a solid turnout of global political figures, social media and Internet firms, and leading civil society groups engaged with online issues to the Christchurch Call summit in Paris.

However, beneath the broad sense of momentum and agreement that extremist and violent content online needs to be countered **there are major issues of principle and practical implementation.**

The US failure to sign the Call document has been glibly criticised as somehow typical of the Trump administration's willingness to give comfort to right wing movements. **That is a mistake.**

There are **serious questions** raised, including:

- freedom of expression, given the fungible definition of terrorism and extremism, especially in less principled jurisdictions than NZ;
- a need for **caution about the urge of govts to respond to terror with new powers of surveillance and censorship;**
- the **potential to mask warning signs and evidence of extremist sentiment** by driving it either offline or into the 'dark web';
- co-opting internet service providers and other parts of the online infrastructure into censorship roles that they should neither be trusted with nor expected to maintain. **For all the praise of Spark, Vodafone and 2Degrees hunting down and suppressing the Christchurch gunman's live-streamed video, their actions were extra-judicial** in response to political requests which, towards the end of that period, were increasingly a form of political pressure to continue to act outside the law. In NZ's case, their response was appropriate for a nation in shock. To have refused would have been commercially damaging. However, **it would be complacent to assume that such pressure would be so benign or justified in other circumstances or other countries.**

Perhaps most important was the **warning by several of the civil society participants** on the fringes of the summit to take care not to assume that controlling extremist online content constitutes an answer to the

2019 CEO Retreat

The seventeenth annual CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 15 to lunch on Saturday, August 17.**

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

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underlying problem.

“A false equation between terrorists’ use of platforms and terrorist acts seems to underlie much of the post-Christchurch dialogue, and it needs to be challenged,” wrote Dr. Farzaneh Badiei, the executive director of the Internet Governance Project, which participated in civil society discussions ahead of the May 15 summit in Paris. All the same, Ardern won plaudit for extended personal engagement in this civil society meeting.

Digital economy initiative

Meanwhile, in Chile, David Parker presided over something of a *deja vu* moment as NZ, Singapore and Chile signed up to a **“P3” digital economy coalition**. The trio were also first movers on what became the CPTPP. Parker calls this an example of “open pluri-lateralism”. The initiative seeks to codify rules for privacy, cross-border data security, and to establish the legitimate interests of govts in regulating data. The intention is to create a template workable for smaller countries that might otherwise be faced with ‘take it or leave it’ solutions from larger players.

Singapore FTA finally upgraded

The PM stopped off in Singapore on the way home from Paris to complete the previously stalled Singapore-NZ Enhanced Partnership.

This upgrade was unfinished business in two respects. Firstly, the signing had been intended as the bookend on a week-long state visit to China, which was cut to a day by the March 15 mosque attacks.

More significantly, the deal went cold when the **Singaporean govt was outraged to learn through media reports that NZ was not carving out Singaporean investors from the changes to rules governing foreign investment** in residential real estate. A carve-out was eventually offered, placing Singapore on a similar footing to Australia, which also has an exemption under the CER agreement.

Elsewhere, Foreign Minister Winston Peters hinted at progress on a trade deal between NZ and the United States. Peters said: “We have expectations that we have taken the matter a whole lot further recently” and US Vice-President Mike Pence had assured him work was being done to progress the deal.

\$25 carbon price cap to go, floor possible

The second set of changes to the Emissions Trading Scheme was announced ahead of an auction system coming in 2020. They include removing the fixed

price option no later than the end of 2022, enabling a price floor to be added if necessary, elimination of the \$25 per tonne price cap and stronger penalties for rule breaches. BusinessNZ is pushing back at plans to make public the individual emissions of ETS participants. The changes, along with further decisions on industrial allocation, will form a single Bill later this year.

Meanwhile, as farming lobbyists grapple with the new methane emissions targets announced in the draft zero net carbon legislation, the need for a mature debate about the use of gene editing is increasingly urgent. **The govt is being urged to seriously consider a genetically edited ryegrass developed by Ag Research which can cut methane emissions by 25%.** The grass cannot be grown in New Zealand and is currently being trialled in the US.

Greens co-leader **James Shaw has ruled out any support** from his party for the grass; **the PM and Primary Industries Minister Damien O’Connor have been more equivocal.** NZ First refuses to discuss it.

Budget announcements

This weekend’s announcements of a \$320m package of funding for four years to address and improve services to deal with family and sexual violence is the biggest down payment yet on the govt’s WellBeing Budget approach.

A very large package of mental health services funding is also expected, although it is unclear whether it will held back as a ‘big bang’ moment on Budget Day itself, May 30.

Grant Robertson dressed up under-enrolment in tertiary education courses under the govt’s first year fees-free policy as an opportunity to help fund more vocational training.

Nearly \$200m in fees-free underspend will be redirected over four years. Robertson has left open the possibility that the second and third year of fees-free may not go ahead. Some \$1b of savings had been identified over the next four years by cutting low-priority spending, he said.

The Budget will include \$58m for Te Uru Rākau (Forestry NZ) to lift its regional presence to increase planting and develop a forestry workforce. Forestry Minister Shane Jones said the One Billion Trees programme was on track.

A ‘new’ friend for National?

National MP **Alfred Ngaro** may be about to form a conservative **Christian party** to run in the National seat of Botany currently held by now-independent MP Jami-Lee Ross. If successful, National might hope to gain the kind of **minor coalition partner** it has required in the past to form a govt. We are not holding our breath. National is also focusing on the large Asian vote in Botany and considering an Asian candidate accordingly.

The govt will invest \$27m to establish a **new energy centre in Taranaki**. PM Jacinda Ardern announced the initiative at the Just Transitions Summit in New Plymouth. The Budget will also commit \$20m over four years to establish a new science research fund for energy technology.

Trouble at chalkboard

School disruptions will multiply in coming weeks, with a second students' climate change strike on May 24 and the first day of combined primary and teachers' strike action in support of pay claims on May 30, a day ahead of the Budget.

Education Minister Chris Hipkins is so far hanging tough on his insistence that there is no more funding beyond the package of just over \$1b in salary increases and allowance changes already offered.

Huawei and the emerging US-China cold war

The govt may be attracted to the proposal from **Chorus in Dec 2017** - scotched by retail telcos at the time - **to build a shared, regulated 5G network** on the UFB model if it helps get around the increasing difficulty it faces in dealing with the Huawei issue.

The US black-listing of Huawei not only ramps up the trade war between the US and China but makes a decision to follow the UK model and allow Huawei into parts of the 5G network more difficult - if it was ever on the cards.

What makes the shared network discussion appear at least possible is **Infratil's willingness to discuss a shared 5G network as it takes over Vodafone NZ and seeks ways to reduce its future capex**. Chorus and Vodafone currently use very little Huawei kit in their 4G networks, unlike Spark and 2Degrees. Huawei was critical to the latter's ability to fund 4G.

The govt is anxious not to have to make a Cabinet-level decision to block Huawei, which could occur if Spark escalates the initial GCSB knockback to a ministerial review. The govt fears Beijing's reaction if a political decision to ban Huawei were made.

The GCSB is taking a dim view of the reasons underpinning the UK decision to allow Huawei into parts of its 5G network.

In advice to its minister, Andrew Little, **the agency pushes back on the suggestion that there is sufficient distinction in 5G between 'core' and 'non-core' elements**. Huawei's participation in the 4G network was restricted to 'non-core' equipment.

"In the 5G context, many of the sensitive functions of a network will no longer be limited to the network

core," GCSB advice says, "but will be distributed through the network including within the RAN — the so-called network 'edge'. In other words, where the 'brains' of a network once resided in the core (hence why it was considered such a sensitive part of the network), those brains are now distributed throughout the network as a whole."

With its eye on competitive provision of 5G, the Commerce Commission said restricting Huawei, or any equipment supplier, in the 5G roll-out could potentially affect competition and the costs of building networks.

The reality is that **the Huawei issue is at the epicentre of an escalating cold war - more than a trade war - between the US and China**.

This will **force the hand of traditional Western allies to do what they have long sought not to do: to actively choose sides** between the US - currently undermining western global leadership under Donald Trump - and China: an increasingly authoritarian state.

Nats' lightweight foreign policy paper

The National Party's newly issued foreign affairs discussion paper is **remarkably lightweight on this and other emerging threats to the post-WW2 international order** that has underpinned NZ trade and diplomatic strategy for three generations.

On China, it mentions only obliquely NZ's willingness always to raise human rights issues with **"our friends in Beijing"** and characterises the relationship almost entirely in terms of trade. It proposes a **target of doubling two-way trade between NZ and China to \$60b by 2030**. There is no mention of the South China Sea in the section on China although the document says NZ has a "direct interest in ensuring the UN Convention on the Law of the Sea is universally upheld, so we can maintain maritime security and stability in our region".

On the US, the paper again frames the relationship in mercantilist terms, urging the swift completion of a bi-lateral FTA.

It identifies **five countries/regions as being of critical importance for NZ: Australia, the US, the UK** (where NZ is said now to be an equal on global matters and where an FTA should also be concluded), **the EU, and Singapore**.

The document also appears coy about using the expression 'white supremacist'. Defence spokesman Mark Mitchell refers to "the emergence of violent white nationalist sentiment, among other violent ideologies" as a threat to NZ values and security.

Treasury a skeptic on Wlg transport plan

The Treasury strongly opposed Cabinet sign-off on the indicative \$6.4bn Wellington transport package announced last week. The proposal includes \$2.2bn for a rapid transit system from Wellington Railway Station to the airport with a second Mt Victoria tunnel. If approved the 20 year plan will have the govt paying 60%, with the rest from Wellington City Council and Greater Wellington Regional Council.

Treasury warned “an announcement at this stage carries significant risks” by “**raising public expectations of future investment before the costs and benefits of the package are fully understood**”. Several assumptions had “not been thoroughly tested, including exploring long-term financing to fund rapid transit”.

Appeal on Sage’s OIO call vital

LINZ Minister Eugenie Sage’s decision declining Oceana Gold’s application to use agricultural land for a tailings site is a vital test case for extractive industries. If allowed to stand, it will effectively mean that the govt has allowed a long-standing Green opposition to mineral extraction - particularly on the Coromandel - to over-ride the economic value-add test in the amended Overseas Investment Act. On a value per hectare basis, farmland is many times less valuable than land exploited for mineral extraction, of the tailings facility is a necessary element.

The decision was notable also for being the first in which the two decision-making ministers have disagreed. Associate Finance Minister David Clark supported the application, demonstrating Labour’s greater sensitivity to both economic value and to the unionised mining workforce.

Gaye Searancke has been named the new ceo at LINZ, replacing Andrew Crisp, who has led the KiwiBuild unit at MBIE since the departure of Stephen Barclay. Searancke is currently Deputy Commissioner, Customer and Compliance Services – Business, at Inland Revenue.

Shane Jones’s odd PGF mea culpa

Shane Jones held a long-delayed media briefing to explain the mechanics of Provincial Growth Fund decision-making. In doing so, he turned in a perplexing media performance that was **a mixture of defiance at the way the PGF is reported compared to other large spending programmes and heavily hedged apologies** for the possibility that his own

political style has been a problem for the Fund and for the officials handling it. The clear impression left was that Jones had been told to take a more humble approach from the 9th floor of the Beehive, and perhaps by Winston Peters, but humility was a struggle.

Most illuminating was Jones’s unapologetic insistence that the fund’s purpose, and the manner of its creation, was inherently political. He effectively fired a shot across the bows of the Office of the Auditor-General, saying he would be watching closely to ensure that scrutiny of the PGF related only to its administration, rather than what it was established to do.

Prospects fading for Pouakai ‘blue hydrogen’ project

The Cabinet is understood to have received papers on the application for up to \$20m of PGF support for the Pouakai ‘blue hydrogen’ project feasibility study.

Using natural gas and novel high-efficiency technology developed by US company 8 Rivers, the project would likely initially produce urea, but has the potential to produce hydrogen and to offer firming capacity to the electricity system. However, its reliance on further use of - and probably a need for new discoveries - of natural gas means it is facing an uphill battle politically. **Key ministers are not buying the argument the project fits the ‘just transition’ model**. Pouakai’s NZ ceo Murray Gribben is hedging his bets and has signed for another three years as ceo of the Crown Irrigation funding body.

Pouakai’s failure would disappoint Shane Jones, but Energy Minister Megan Woods and Jones’s senior economic development minister, David Parker, are more enamoured of the **potential for the ‘green hydrogen’ project taking shape in Taupo and involving Japanese industry giant Obayashi and the local Tuaropaki Trust**, which has rights to geothermal steam from the Tauhara steamfield.

A dove-ish first call from the new monetary policy committee

The Reserve Bank cut the official cash rate by 25 basis points to 1.5% saying it was necessary to support employment and inflation consistent with its remit. It was first to be set by committee. Changes to the Bank’s forecasts show the OCR track going from 1.8% to 1.4% in March 2020.

The decision surprised many market-watchers, who could see little case for a cut. It was the first under the new system of making monetary policy decisions by committee. ■

CORPORATE ROUND-UP

Telecommunications

The **Commerce Commission** mobile services study's preliminary findings said competition indicators such as pricing, coverage and choice of mobile services are trending positively. However, large data plans prices are higher than Australia and, while mobile data use grew 69% last year, reliable 4G coverage is not so widespread.

Infratil and Canadian fund **Brookfields Asset Management** have made a 50/50 offer to buy **Vodafone NZ** for \$3.4b, subject to regulatory approvals. Infratil raised the prospect of reducing the NZ unit's forward capex budget for 5G roll-out by suggesting shared infrastructure as an alternative. Expectations are that Infratil will seek to repeat its success in tidying up and spinning out the former **Shell NZ** downstream assets as **Z Energy**, which it achieved in partnership with the **NZ Super Fund**. That raises the prospect of an eventual, at least partial float for VNZ on the NZX. **First NZ Capital** lowered its 12-month target price for Infratil shares after the announcement to \$4.23.

Chorus hired **Downer EDI** and **Cimic Group's Visionstream** to maintain its copper and fibre telecommunications network for the next three years at a cost of about \$450m. The new contracts cut out **Broadspectrum**, which along with Downer and Visionstream, was one of Chorus's existing maintenance contractors. Visionstream will cover Auckland and all areas north, while Downer gets the rest of NZ.

Energy and resources

Genesis Energy signed a 20 year supply agreement for **Tilt Renewables** proposed 130-megawatt wind farm in Waverley, South Taranaki.

Maintenance work at the **Pohokura** gas field was completed.

Anna Kominik will be the **Electricity Retailers Association's** independent chair following the departure of **Jennie Langley** at the end of May.

Cut-price petrol retailer **Waitomo Group** expects to open five to six new outlets annually as it builds out its national network. It opened its southern-most fuel stop in Upper Hutt and will open an outlet in Wellington in July and in Christchurch later this year.

OceanaGold sought a mining permit over its Wharekirauponga discovery in the Coromandel Forest Park. The company says the deposit's location rules out surface mining, but believes there is potential to tunnel from outside the forest park and carry out any processing at Waihi.

Primary sector

Due to dry weather **Fonterra** now expects total milk collection will be 0.3% higher at season end at 1,510m kilograms of milk solids, after running about 5% higher in the season to Jan compared to last year. The **Global Dairy Trade** auction price index gained 0.4% from the previous auction, rising for the eleventh straight time. The co-operative also demonstrated its desire to shed assets that it cannot grow on its own, selling ice cream **Tip Top** for \$380m, about \$100m above book value, to **Froneri**, a **Nestle-R&R** joint venture. The Tip Top business will continue to be led by the existing management team. **NZ First** attacked the sale as a "sad day for NZ". **Fonterra Australia** agreed to supply **Bubs** with organic milk powder sourced from NZ for the Chinese market in a joint venture with **Beingmate**.

Synlait Milk struck two problems: the registration process required to launch **Munchkin Inc's** Grass Fed infant formula in the US has been put on hold; and a **Court of Appeal** judgment has thrown into doubt completion of its new Pokeno factory, on which work has begun.

Seeka cut its full-year earnings guidance by \$4m due to reduced kiwifruit harvests due to unseasonably hot, dry weather in both NZ and Australia. Group earnings are likely to range from \$32.5m to \$33.5m in the 2019 calendar year, down from the \$36.5m-\$37.5m range signalled a month ago.

NZ and **China** signed an agreement to boost forestry cooperation and bilateral trade. **Forestry Minister Shane Jones** said there would be talks in China later this year to promote govt-to-govt and industry-to-industry collaboration.

Comvita honey production has been poor for the third season in a row and it now expects a net loss of around \$6m for the year. Comvita said benefits of its direct trading relationship into China won't be obvious until the 2019-2020 year

A switch towards free range production is suggested as one cause for **rocketing egg prices**, which reached \$4.43 a dozen in April.

Finance, banking and insurance

The **RBNZ** censured **ANZ Bank's NZ arm** and removed it from the schedule of banks permitted to determine with internal calculations their compliance with operational risk capital ratios because of "persistent failures".

The central bank also said it had received **90 submissions** ahead of the May 17 deadline on its proposal to near double the minimum amount of tier 1 capital banks have to hold.

NZ insurers have been steered to lessons from Australia's royal commission on banking when responding to the local conduct and culture investigation. Officials said a good starting point was the Royal Commission's observations there was a **strong link between conduct and reward**, the asymmetry of information between consumers and providers, problems arising from conflicts over third parties' sales, and holding entities to account.

A **new Code of Conduct for financial advice** was finalised and will come into force in mid-2020. Businesses will have at least six months to get a transitional licence, and a further two years to become fully licensed and meet competency requirements.

Westpac NZ lifted first-half net profit 15% to \$509m as its Australian parent reported a 24% drop to A\$3.2b for the six months ended March. The NZ result included \$40m from the sale of its **Paymark** stake.

Claims Funding Australia, a subsidiary of law firm **Maurice Blackburn**, has agreed to fund a class action against **Southern Response** for its treatment of 3000 quake claimants.

Kiwibank will no longer issue cheques from Feb 2020 as cheques make up less than 1% of payments. Other banks said they would not follow suit.

Failed insurer **CBL Corp** directors **Peter Harris** and **Alistair Hutchison** didn't oppose an action to liquidate the company after they were unable to come to agreement with the company's bankers.

Transport, tourism and logistics

International tourist arrivals should grow 4% a year and reach 5.1m visitors in 2025, up from 3.9m visitors in 2018. **MBIE** forecasts total international spend to reach \$15b, an increase of 34% from \$11.2b in 2018.

Air NZ is to embark on a round of cost-cutting to cope with what ceo **Christopher Luxon** describes as "eye-watering" increases in jet fuel, which will cost the airline an extra \$200m this year. He plans to reduce overhead costs by 5% and has made a symbolic start by freezing executive salaries. Luxon also told a China Summit that the airline had lost \$100m in the 13 years it has been flying to China because it is competing against gov't-affiliated airlines making losses flying to NZ, while failing to secure better Chinese landing rights.

Wellington International Airport lifted annual earnings 6.3% due to rising passenger numbers. Earnings rose to \$101.4m in the year ended March 31, with revenue up 7.2% at \$137.9m.

Auckland mayoral candidate **John Tamihere**

proposed selling the **Ports of Auckland** operations and leasing the associated land for 20 years.

Innovation and technology

Rangatira Investments plans to increase its holding in research technology business **Magritek** as it deploys funds from the sale of its interest in smallgoods maker **Hellers**.

Xero widened its annual loss while growing operating revenue 36% and subscriber numbers by 31%. Xero reported a \$27.1m net loss for the 12 months ended March, up from the previous year's \$24.9m loss, but said it made a profit of \$1.4m in the second half.

Pushpay appointed board chairman **Bruce Gordon** as the new ceo after **Chris Heaslip** resigned effective May 31. Heaslip will remain a director. **Graham Shaw**, previously an independent director, has assumed the role of chairman. Heaslip cited the need for different skills to build a company of scale as it matures from its entrepreneurial start-up phase.

IkeGPS shares climbed after it said two major US telecommunications providers signed up for the utilities measurement specialist's **Ike Analyze** service.

Rakon's underlying earnings were \$13.3m in the year to March 31, versus \$12.1m in the prior period. Sales were \$114m, up 13%, with increased revenue in the telecommunications and space and defence markets offsetting lower revenue in the global positioning market.

Corporate actions

Fulton Hogan hired **Macquarie Investment Bank** to sell its Australian civil construction unit, which has been a drag on earnings for the past 18 months.

PGG Wrightson plans to return \$235m to shareholders via a share buyback after the sale of its seeds division to Denmark's **DLF Seeds**. It intends to return 31 cents a share through a pro-rated share buyback. It initially flagged a return of up to \$292m. DLF paid \$413m for the Wrightson unit and took on \$21m of debt.

Corporate earnings

Infratil reported a 1.2% decline in underlying operating earnings to \$539.5m for the year ended March 31. The decline was due to almost \$103m of portfolio incentive fees paid to contract manager **HRL Morrison and Co**.

Excluding fees, earnings before interest, tax, depreciation, amortisation and changes in financial instruments rose 20% to \$581.1m from \$482m. ■

LEGISLATION

Zero carbon legislation emerges

The govt introduced its **climate change legislation** with the first reading debate expected when the House resumes on May 21 after a one week adjournment. The **May 30 Budget** will trigger a set piece debate which will take up a large amount of time in June.

- *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

Climate Change Response (Zero Carbon)

Amendment Bill - Introduced May 8. Sets in law a new emissions reduction target for all greenhouse gases, except methane, to net zero by 2050; targets 10% reduction in methane emissions by 2030, and a provisional reduction between 24% to 47% by 2050. Agriculture lobbyists will push for a << >> % reduction target. Either way, targets will be reviewed five-yearly by the Climate Change Commission, to be established under the Bill. The Commission will provide advice and recommend five-yearly emissions budgets, to the disappointment of environmental lobbyists who wanted it to have statutory powers to require emissions targets be met; also requires the government to make climate change adaptation plans.

Ombudsmen (Protection of Name) Amendment

Bill - Introduced April 30. Protects the use of the name "Ombudsman". First reading May 8, referred to the Governance and Administration Committee with a report due by Nov 8. Opposed by National and ACT who said it was a waste of time of the House.

Bills in progress

Canterbury Earthquakes Insurance Tribunal Bill

- Introduced Aug 1 2018 to establish the tribunal. Committee stage completed May 8 with the govt not accepting National's amendments and National indicating it will oppose.

Credit Contracts Legislation Amendment Bill -

Introduced April 9. Seeks to limit usurious lending and predatory practices. Completed first reading on April 30 with all parties in support and sent to the Finance and Expenditure Committee with an Oct 30 report back.

Equal Pay Amendment Bill

- Introduced Sept 19, 2018. Establishes a process for pay equity claims and prohibits pay differentiation based on gender for work that is predominantly performed by women. Enables employees to raise claims. Reported back May 14 with substantial amendments to definitions, eligibility and procedures.

Health (Drinking Water) Amendment Bill

Introduced July 5 2018 in response to the Havelock North water quality inquiry. Reported back from select committee May 7 with tighter water quality requirements.

Trusts Bill - Introduced Aug 1, 2017. Second reading completed May 9 with all parties in favour.

Bills passed

Education Amendment Bill (No 2) - Introduced Sept 13, 2018. Seeks to ensure the Education Council makes decisions within the context of govt policy. Requires private schools to be safe places for students, repeals provisions, due to come into force in December 2019, enabling communities of online learning to be established and ensures schools cannot allow children to begin school before the age of 5. Second reading May 7, committee stage May 8 and third reading on May 9 with National and ACT opposed throughout.

Fire and Emergency NZ (Levy) Amendment Bill

- Introduced Oct 31, 2018. Committee stage completed April 30 and third reading on May 2 with all parties in agreement.

Local Govt (Community Well-being) Amendment

Bill - Introduced April 5, 2018. The Bill allows councils to expand their activities to promote the social, economic, environmental, and cultural well-being of communities; and restores power to collect development contributions for any public amenities needed as a consequence of development. Repeals Nick Smith amendments in previous govt. Committee stage completed April 30 and third reading May 7. National and ACT opposed.

Taxation (Research and Development Tax Credits) Bill

- Introduced Oct 25, 2018. The bill amends the Income Tax Act and the Tax Administration Act to introduce a research and development tax credit. To be eligible for a tax credit, an eligible person must spend at least \$50,000 on research and development in a year. The maximum amount of expenditure eligible is \$120m, unless previously approved. The tax credit is equal to 15% of eligible expenditure. Committee stage completed April 30 with govt introducing some technical changes. Third reading completed May 2 with National remaining opposed.

Arbitration Amendment Bill - Member's Bill now in the name of Andrew Bayly. Amends the Arbitration Act in relation to arbitration clauses in trust deeds to bring NZ's approach into line with foreign arbitration legislation. Extends the presumption of confidentiality in arbitration in court, defines the grounds for setting aside an arbitral award and confirms the consequence of failing to raise a timely objection to an arbitral tribunal's jurisdiction. Reported back Oct 1, 2018 with wide ranging changes as signalled in the officials' report. Committee stage completed April 3 with no major changes after rewrite in select committee. Third reading completed May 1 with all parties in agreement. 