

## The Budget leak – why it does matter

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On one hand, the Budget leak is a Beltway wonder that the public doesn't care about. However, it is providing an anchor for wider Opposition efforts to pin dirt on a govt that has made its brand about integrity. The Beehive is jumpy about any new signs of unexpected trouble, which shows how the acid drip of threatened scandal can distract and demoralise a govt.

## Housing policy reset about more than just KiwiBuild

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Housing Minister Phil Twyford is hanging tough on how long it's taking for KiwiBuild to achieve momentum, promising a policy reset that will cover the whole govt building programme, including social housing and possibly adding a 'build-to-rent' option.

## Late June mini-reshuffle

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Twyford is not exhibiting the signs of a minister expecting to lose a portfolio, notwithstanding the political pressure that Judith Collins continues to heap on him about KiwiBuild. At this stage, the PM has made no firm decisions on the minor reshuffle she has almost become obliged to go through with. The only obvious winners are Kris Faafoi and possibly Michael Wood.

## Defence capex to test Budget Responsibility Rules?

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Labour came to power hoping it could save money on the defence budget. Instead, it has had to accept that the deteriorating geo-political environment makes that unrealistic. Its announcements on defence capability upgrades look to start testing capex budget allowances from 2022, which is when the relaxed net Crown debt targets under the BRRs will kick in.

## Teachers strikes are off – how did Hipkins do it?

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An official announcement that the teachers' strikes are off was imminent as HUGOvision went to press, but Winston Peters all but confirmed it yesterday. It looks as if the govt has found a way to kick the can down the road on the teachers' determination to achieve a much larger uplift than a normal pay round could ever deliver.

## Jones promises to behave

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One constraint on the PM's ability to reshuffle her Cabinet is the difficulty of moving against any under-performing or problematic ministers who hail from the govt's support parties. However, Winston Peters has had a word Shane Jones about the potential for his high-profile political aggression to harm rather improve NZ First's tenuous poll standings. Jones has heard the message.

## CEO Retreat, 15-17 August

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The annual Hugo Group CEO Retreat is getting close and registrations of interest are invited to ensure that you secure your place for this small group, spouses-included opportunity to step back and consider some of the big issues confronting both business leaders and society in the unparalleled surroundings of the Millbrook Resort.

## Nats seek dirt as Budget leak saga drags on

The govt's failure to deal decisively with the Budget 'leak' is starting to play out in **attempts by the Opposition to allege a wider pattern of malfeasance.**

ACT leader **David Seymour's pursuit of lobbyist GJ Thompson**, who spent four months early in the life of the govt as Jacinda Ardern's chief of staff, is the latest example.

Thompson did take that role while still being a director and shareholder of Thompson Lewis, an Auckland lobbying firm, while the incumbent, Mike Munro, underwent treatment for a serious medical issue that has seen him announce recently that he will step down from the role permanently.

**Thompson was no place-holder. He oversaw a shake-up of the Beehive communications team and was highly influential** at a time when an unexpectedly elected coalition govt was struggling to find its feet both politically and operationally. While Auckland-based, he remains a regular presence in the Beehive.

Thompson Lewis boasts deep connections to both the current Labour leadership and the previous National Party govt at the highest levels. David Lewis is a former Helen Clark press secretary and Thompson worked for the Clark govt and its pollster, UMR. John Key's former senior private secretary, Wayne Eagleson, is also a partner.

**The substance of Seymour's allegation is that the PM misled Parliament** in an answer to a Written Question asking whether she was aware that Thompson was a "director and shareholder" of the firm while he worked in the PM's Office. Ardern's answer said he had "**stepped down from these roles**" while working as her acting senior private secretary.

Almost certainly, **that answer will require correction as Thompson clearly retained both his shareholding and directorship, although he says he stepped back from any operational involvement in the firm while working for the PM.**

Technically, Ardern's answer risks the attention of the Privileges Committee because misleading the House is a serious parliamentary matter. However, the issue is more an embarrassment for the PM's Office in the parliamentary bubble rather than a scandal.

Similarly, **National backbencher Denise Lee has set out to prove that Housing Minister Phil Twyford attempted to conceal a meeting** with colleague David Parker and Auckland mayor Phil Goff.

With ministers now releasing their office diaries

retrospectively, Twyford says the omission of what was described as a 'political meeting with no officials' on March 2 was a clerical error by his office.

The meeting was to discuss the Auckland urban-rural boundary, which the govt has said it will abolish because it pushes up land prices inside the boundary, contributing materially to housing unaffordability.

The meeting, which Lee says Twyford called, turned up in Parker's diary appointments release.

None of these issues on their own are enough to cause long-lasting political damage. However, **if the Opposition can light enough small fires that call into question the integrity of a govt whose brand is founded on integrity, political damage could be caused.**

Dealing with such issues **inevitably saps morale and resource** in the Beehive. Such is the nature of 'politics as usual'.

## Hacking away at the state

As to the Budget leak, with two separate formal inquiries now running, the **potential for widespread reputational damage is high**, irrespective of whether the public has lost interest.

There are several serious questions about the operational abilities of both Treasury and the GCSB.

The trail of events following discovery that the National Party had unauthorised chunks of Budget information is well-rehearsed, although exactly who said what to whom and when has yet to be finally determined by former Deloitte NZ chair Murray Jack, whom the SSC has appointed to lead the inquiry.

However, the **inability of the GCSB to say what had actually happened provoked a brief national security panic**, which saw senior state sector CEOs convene urgent meetings about how to manage the situation and prompted 'please explains' from Five Eyes partners.

**Simon Bridges's failure to "come clean" for 48 hours even though he must have known that the original leak had gone well beyond a political joke** has again raised questions from within his own caucus about his political judgement.

A perception of recklessness on the part of both Bridges and Robertson has **raised eyebrows among western diplomats in the capital for whom the idea that state security could be put into political play is anathema.**

## The opposite polls

Two polls painted different stories on support for political parties. The Newshub Reid Research Poll

said National was on 37.4%, Labour at 50.8%, Greens at 6% and NZ First at 2.8%. The 1 NEWS Colmar Brunton Poll put National at 44%, Labour 42%, Greens 6%, and NZ First 5%. The Newshub Reid Research Poll was conducted before, during and after Budget day, between May 29 and June 7. The 1 NEWS Colmar Brunton poll was conducted after Budget day, between June 4 and 8.

**For those convinced the polls are skewed by the death of landlines**, it's worth noting that the TVNZ poll is 50/50 landline/mobile, while TV3's has a 75/25 split. On that basis, **the polls suggest the govt is more popular among those still answering landlines** – presumed to be an older cohort.

## Teachers' strikes off – pay parity the sweetener?

Winston Peters appears to have beaten Chris Hipkins to the punch in announcing the end of primary and secondary teachers' planned strike action. **Hipkins has called a press conference for this morning**, but **Peters told reporters on Thursday that the strikes were off and cited pay parity as a crucial issue**.

To date, teacher unions have been stressing workload and non-pay factors as they seek a way back from previously very high percentage pay claims.

A breakthrough based on agreeing to take teachers through a pay parity process has **both political and equity logic**. Such an approach would **acknowledge that teachers are underpaid while placing them in a fairly long queue** for an eventual pay parity settlement.

No one loses face and the **govt buys time** to work out whether and how it can pay for what would inevitably be a large uplift. The govt's **unwillingness to consider performance-based pay for teachers** means that crucial issue will remain unaddressed.

## Housing policy reset – snippets emerge

The KiwiBuild policy 'reset' is likely to involve a **broader recalibration of the whole govt home-building programme**. In comments to a select committee hearing this week, Housing Minister Phil Twyford seemed to hint that the **govt may devote more resource to Housing NZ/Hobsonville Land Co-type home-building and social housing**, where it has control over the whole supply chain through to completion and sale or tenancing. Also on the agenda is potential to move to a **'build-to-rent' approach**.

While acknowledging the very slow pace of KiwiBuild to date, Twyford is **unrepentant about the govt underwrite that buys unsold KB homes**

**from developers**. That is an essential de-risking mechanism intended to encourage construction, he says. He also described **Urban Development Authorities**, for which the first tranche of legislation has now been introduced (*see Legislation section*) as the "govt's delivery agency" for large-scale home building.

## Cabinet reshuffle

Twyford's staunch defence of the KiwiBuild programme this week **did not seem to indicate a minister who expected to be shifted to other duties** in the Cabinet reshuffle that's due after the current four week sitting period at Parliament, ending June 27.

PM Jacinda Ardern said there won't be significant changes. **Kris Faafoi** is expected to become a minister inside rather than outside Cabinet. Underperformer **Iain Lees-Galloway** might expect some reallocation of duties, and overburdened ministers such as **David Parker** might also have their workload recalibrated. We don't expect to see **Meka Whaitiri** back in Cabinet and believe the PM is struggling with weakness in her middle order. Promising new MPs, such as **Deborah Russell**, are too green to promote as yet. **Michael Wood** is likely to move from under-secretary to minister outside Cabinet. Nothing is in concrete yet. **The PM is still mulling her options**.

## Defence investment

Defence Minister Ron Mark's \$20b defence re-equipment plan will average out at a **capital spend of \$1b a year**. Along with major upcoming capital commitments like the Dunedin Hospital, whose funding in the Budget is not clear, it would seem the **capital budget will come under some stress from 2023**. Mark's spending is already accounted for through to 2022, but after that, there is only \$1.3b left in the multi-year capital allowance. **Is this where the govt starts using its extended borrowing limits?** What it does suggest is the govt's growing dependence on finding **more private sector or non-govt (e.g., Super Fund, ACC) funding for major infrastructure funding**, such as Auckland light rail.

The Defence Capability Plan maintains the \$20b envelope of capital spending out to 2030, with \$5.8b already committed. The highest priority is the replacement, for around US\$1b, of the ageing

## 2019 CEO Retreat update

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

Our theme this year of New Boundaries has world class experts leading sessions that include exploring the future of the internet and associated national security issues; the geopolitics of the sky and satellites; India; and the bio circular economy. We are also privileged to have Anjum Rahman of the Islamic Women's Council and Sir Douglas White of the Law Commission with Hon Chris Finlayson QC as dinner speakers.

**Register your interest now.**



Hercules heavy air lift capability with a new version of the same airframe. Other investments include an enhanced sealift vessel to complement HMNZS Canterbury, maritime satellite surveillance and long range pilotless aerial vehicles. Replacements are planned for the maritime helicopter and offshore patrol vessel fleets, with the Army and intelligence services also expanded. The refurbishment of the ANZAC frigates is pushed beyond 2030.

**A key element of the new procurement process NZDF will use requires far greater consideration of local suppliers and seeks research collaboration with NZ science agencies and universities.**

## Big changes to legal system proposed

The report of the **Safe and Effective Justice Advisory Group**, chaired by former National Party Minister Chester Borrows has painted a damning picture of the experience of both victims and perpetrators (and their families) of the current justice system. It particularly notes the **high percentage of Maori in jail** and how this figure has only got worse in recent years.

The report says formal justice processes, in particular the adversarial model, "are not meeting the needs of those caught up in these processes, including people who have been victimised, people who have been accused of a crime, and their whānau and families." Advisory group chair Chester Burrows is to present a **"solutions" report in August**, and he is promising it will be blunt and is almost certain to begin a debate on the adversarial approach, particularly in the lower courts.

## Treasury Secretary

**Treasury Secretary Gabriel Makhlouf** leaves his post at the end of the month and there is still no announcement of his replacement, although a choice appears to have been made. There are suggestions that the govt is now reaching beyond the immediate group of public servants with appropriate backgrounds at the agency and that the search has again moved offshore. An unidentified Australian candidate is said to be highly favoured.

Makhlouf, his minister Grant Robertson, and his boss, SSC ceo Peter Hughes, managed their way through the **departing secretary's Beehive departure function on Thursday with a combination of humour, diplomacy, and only briefly mentioning the elephant in the room**. Robertson thanked Makhlouf particularly for Treasury's work on the Living Standards Framework and for modernising the Treasury

workforce. Makhlouf said he'd arrived in the job as "a Brit", but left as "a New Zealander".

## Landmark China extradition judgment

The Court of Appeal asked the Justice Minister to again reconsider the extradition of a Korean NZer to China to face murder charges. Lower courts' previous requests for review have not led to changes to the minister's stance. The Court of Appeal ordered another ministerial review, including whether human rights are valued in China and assessing assurances around torture risk.

While the NZ govt has yet to make any public statement about the quashing of mass protests in Hong Kong against new law allowing extradition to China, this court decision is likely to have been carefully watched and reported back to Beijing by the Chinese embassy in Wellington.

## Can Jones pull his head in?

Shane Jones says he's going to **tone down his approach to politics** so that issues aren't, as he put it, "eclipsed by my political personality". The grandiloquent, self-termed 'Champion of the Regions' will probably always have a florid turn of phrase, but there have been elements of pastiche in his grandstanding since returning to Parliament for NZ First. He has the capacity to control that and it's necessary if he's to mend fences not only with parts of corporate NZ whom he's made hay with, but also with Cabinet colleagues with whom relations have become strained. Jones and Phil Twyford, for example, are at odds and communicating poorly despite their mutual interest in the rail capex programme through the PGF and Transport portfolios respectively. Winston Peters has warned Jones that barking at every passing car loses political impact eventually.

## Better US visas for regular travellers

The US State Dept confirmed NZers will be eligible for E1 treaty trader and E2 treaty investor visas allowing qualifying businesspeople multiple entry to the US without applying for a new visa each time.

## Politics of speed

Greens Assoc Transport Minister Julie-Anne Genter is carefully backing away from what appeared to be proposals to limit driving speeds very widely, fearing political backlash despite speed's contribution to the high road toll. Similar caution is emerging on a wider speed camera rollout. 🇳🇿

## First-home buyers heading to formerly grungy suburbs

Once unloved suburbs of NZ's largest cities are suddenly very popular among first home buyers, according to CoreLogic analysis of purchases this year.

In Wellington, unfashionable Johnsonville, Titahi Bay and Stokes Valley are all favoured, with 44%, 55%, and 57% of all home purchases so far this year in those suburbs being first home buyers.

Christchurch's Hei Hei topped the list, with 61% of sales going to first-time home buyers while in the sleepy township of Green Island, between Dunedin and Mosgiel, 49% of home sales were to first home buyers.

## Latest guess from Stats NZ on net migration

Provisional migration numbers for April showed a net 2,500 people migrated to NZ in the month, up from a net 1,700 a year earlier. This took the provisional annual net migration figure to 55,800 in April from 50,200 a year earlier. The provisional 12-month figure may be adjusted higher or lower by about 1,600, Stats NZ said. The series remains volatile following methodology changes.

However, govt ministers are taking with a grain of salt the Treasury's forecast that net inward migration will trend back to around 25,000 p.a. Entrenched high levels of immigration are now taken as read and reducing migration appears to have faded as a political touchstone.

## Aussie tourist bump makes up for Chinese slowdown

The close proximity of the Easter and Anzac Day holidays boosted Australian visitor numbers in April, underpinning an 8.3% increase in international arrivals in the month. About 307,000 visitors arrived in April, up from 284,000 a year earlier. There were 131,000 Australian visitors, 19% higher than a year earlier, or almost 21,000 more people. This made up for the 9,900 drop in Chinese arrivals to about 36,600.

MBIE is seeking a supplier of local accommodation data, after Stats NZ said it couldn't afford to keep doing the existing survey, much to the dismay of the tourism industry.

## Record EU trade deficit

NZ bought more from the European Union than it sold in return, resulting in the largest trade deficit of any trading partner for the year ended March 2019, Stats NZ said. The trade deficit with the EU was \$5b.

In contrast, NZ sold more to China than it bought in return, resulting in the biggest trade surplus of any trading partner at \$5.1b.

Overall, NZ remained in a goods and services trade surplus with the rest of the world, reaching \$1.7b in the March 2019 year.

## Meat/dairy push Q1 manufacturing

The volume of manufacturing sales rose a seasonally adjusted 2% in the three months ended March 31, led by an 11% rise in meat and dairy product manufacturing. The increase follows a 2.4% rise in the Dec quarter.

MPI expects primary industry export revenue will rise 7.1% to \$45.7b in the June year, but predicts growth will be flatter in the future. MPI's Situation and Outlook report for June 2019 said export revenue was \$42.7b in the prior year, up 11.7%. Dairy sector export revenues are seen rising 5.7% to \$17.6b in the year to June 30.

## Construction

The volume of building work put in place increased a seasonally adjusted 6.2% in the three months ended March 31 after a 3.4% lift in the Dec quarter. It was the strongest growth since the March 2016 quarter when it rose 6.5%.

## Consumption

Seasonally adjusted **wholesale trade** sales rose 0.7% in the three months to March 31, following a 0.2% decline in the Dec quarter. Four of the six wholesale industries lifted with the biggest increase in machinery and equipment, up 2.2%.

**New car registrations** fell almost 14% in May from a year earlier, as the local vehicle market continued to slow after successive records in recent years. 12,259 new vehicles were registered in May, down from 14,169 a year earlier. Demand for passenger vehicles, down almost 18% at 7,624, while commercial registrations fell 5.3% to 4,635.

## The tax take

The Treasury and IRD are looking into why the govt's April financial statements showed the 10-month tax-take running \$2.25b ahead of the Budget forecasts, just one week after they were publicly released. \$71.07b in core taxes was collected in the 10 months ended April 30, up from \$65.3b a year earlier, and tracking ahead of the May budget estimate of \$68.82b.

It may be due to changes to IRD's computer systems leading to tax estimates being brought forward. ■

## CORPORATE ROUND-UP

### Wholesale and retail

US discount store operator **Costco Wholesale** is planning to open its first NZ store at the Westgate shopping centre in Auckland. The \$90m store will be about 14,000 square-metres compared with **The Warehouse's** average store size of just over 5,000sqm. The new **Westfield Newmarket** shopping centre is due to open this year will be NZ's largest at 88,150sqm.

### Primary sector

**Danone** can indirectly hold up to 65% of **Yashili NZ Dairy** after approval from the **Overseas Investment Office** to purchase up to 49% of the local dairy processor. Yashili NZ operates a dairy factory in Pokeno capable of producing 52,000 tonnes of infant formula a year. Prior to the purchase, Danone indirectly owned 30% of Yashili NZ through its quarter-stake in the parent, Yashili International Group.

**Synlait Milk** has filed for leave to appeal to the Supreme Court to try and remove covenants over its Pokeno site. The company believes it can reach a solution with the involved parties, but still lodged its application with the Supreme Court.

Cabinet has agreed to change the **Dairy Industry Restructuring Act** to give **Fonterra** a limited exception where it can reject an application from a would-be new shareholding farmer, or turn down an application to increase supply if they can't meet terms of supply. Those terms also allow different prices based on on-farm performance, including animal welfare, environmental and other standards. Fonterra welcomed the changes but said it still wanted to end the requirement to supply large, export-focused businesses altogether and the phasing out of regulation.

**The Global Dairy Trade** auction fell a second consecutive time with the price index dropping 3.4% from the previous auction two weeks ago.

The dairy industry is investing \$25.7m in an innovation project to produce better cows. It is being led by **Livestock Improvement Corp** which will invest \$11.2m, **MPI** is investing \$10.3m and **DairyNZ** is investing \$4.2m.

**Agriculture Minister Damien O'Connor** says a conditional ban on the **live export of cattle** is one option being considered as part of a review into the trade in live animals.

**Allied Farmers** expects annual operating earnings to be consistent with the prior year despite headwinds from M bovis, climatic challenges and some softening of cattle prices. Allied Farmers reported pre-tax profit

of \$2.4m in the year to June 2018, but warned this year's bottom line will be lower given a one-off gain in 2018.

**Comvita's chief executive Scott Coulter** is stepping down in Sept and while it searches for a replacement **former CEO Brett Hewlett** is taking on a temporary executive role to review underperforming assets. Coulter will retain a governance role in the company's manuka honey business in China.

Commercial fishing vessels at greatest risk of encountering the rare Māui dolphin will be required to have on-board cameras from Nov.

### Banking, insurance and finance

The **Wellington Chamber of Commerce** told a mayoral form on insurance that rapidly rising premiums are driving up commercial rentals with added pressure from **Fire Service Levy** increases and rate rises.

**Farmers' overall satisfaction with banks** hit the lowest level since its first survey in Aug 2015. Satisfaction with banks dropped over the past six months to 71% from 74%, with falls most apparent in the dairy and sharemilker farm groups, according to a bi-annual survey.

### Energy

Gas reserves have risen by about 7% with proven and probable remaining reserves standing at 2,116 PJ at Jan 1, up about 130 PJ from a year earlier. **OMV**-operated Pohokura and **Todd Energy's** onshore Kapuni field had the biggest upgrades. Remaining reserves at the two fields increased by about 166 PJ to 714 PJ and by 57 PJ to 143 PJ respectively. NZ used about 168 PJ of gas last year.

The **COSL Prospector** rig arrived at the Tui oil field to begin development drilling. The rig is expected to be booked by **OMV** for a round of exploration wells off Taranaki and potentially a well in the Great South Basin.

**Contact Energy** is to spend \$10.7m to acquire 49.9% of **Simply Energy** over three years with an option to take a majority stake. Simply Energy provides hedging and tariff services for industry, and market services for independent generators and start-up retailers.

**Gull** told the inquiry into the 2017 shutdown of the main fuel pipeline to South Auckland from Marsden Point that it wants to import jet fuel and truck it into Auckland. The inquiry also heard extra jet fuel storage can be provided for Auckland International Airport, but suppliers are split on whether an additional pipeline from Wiri is needed. Fuel suppliers have also agreed new protocols with



officials to get daily data on terminal stocks during emergencies.

**Air NZ** lost its High Court bid for compensation from **Z Energy** for losses during the 2017 fuel shortages in Auckland.

### Tourism, transport and logistics

**KiwiRail** will need more than the \$1b boost in this year's Budget says Finance Minister **Grant Robertson**. The two year funding would make up for historic under-investment in rail infrastructure, but an unspecified amount more would be needed in future Budgets. A report on the future of rail will be released soon.

Local event technology company, **Satellite**, won a \$4.9m contract to supply online security, registration and event management software for **APEC 2021** in Auckland.

**KiwiRail** says a new rail hub proposed south-west of Dannevirke may be able to take 200,000 tonnes of logs off the roads. If approved, the state-owned rail operator will receive \$4m from the **PGF** to develop the hub.

**Brian Roche** was appointed as chair of the **NZ Transport Agency**, replacing **Michael Stiassny**, who left in April after pushback by NZTA employees to the personal style he brought to his appointment by Transport Minister **Phil Twyford** to affect urgent change at the agency.

More than 80% of **Queenstown Lakes District** residents voted in favour of a 5% **bed tax** in a non-binding referendum. The tax would raise up to \$40m a year and requires govt sign-off.

Legislation for a **levy on international tourists to fund conservation and tourism infrastructure** was passed. The \$35 levy will come into force this year to raise more than \$450m over five years.

### Telecommunications

The **Commerce Commission** won't impose tougher regulation of **Chorus's** backhaul services saying it was generally competitive except in some provincial areas where Chorus was the only provider and links more expensive. It had expected cost benchmarks would be lower by now, but didn't propose regulation at this point.

### Infrastructure

**Fletcher Building** changed full-year earnings guidance after completing the sale of its Formica business ahead of schedule, effectively lowering the top end of guidance. The US\$840m sale of Formica to Broadview Holding was announced in Dec as

part of Fletcher's strategy to exit non-core international businesses. As a result, Fletcher now expects ebit before significant items to be in a range of \$620m to \$650m.

**Greater Wellington Regional Council** imposed a stricter environmental regime on the construction of the **Transmission Gully** due to ongoing concerns about erosion and sediment control failures.

### Metals

Tiwai Point aluminium smelter showed underlying earnings of \$22m for 2018, down from \$53m the previous year. Aluminium prices on the London Metal Exchange averaged US\$2,259 a metric tonne in the second quarter but then fell to US\$1,971 in the final quarter. It continued to say it faced unfair electricity prices and charges.

### Media and entertainment

**NZME** has beaten its expectations on its partial paywall, taking just six weeks to attract 10,000 paying subscribers when it thought it would take a year.

### Healthcare and retirement

**Metlifecare** has become the second company with more than 25% of its equity held offshore to be granted a standing licence to buy property with **Overseas Investment Office** pre-approval. The retirement home owner can undertake up to 12 land acquisitions up to a total size of 120ha over the next three years.

**Summerset Group** bought 11-hectares in Whangarei and eight hectares in Cambridge for undisclosed sums to build new retirement villages each with more than 200 units and about 70 serviced apartments, plus rest home and hospital care facilities. It will spend about \$150m developing the Cambridge site and \$140m in Whangarei.

### Capital markets

**NZX's Smartshares** and global asset manager **BlackRock** launched eight new exchange-traded funds, including two thematic funds that target automation and robotics and healthcare technology. Of the other six funds, five provide international equity exposure to markets that screen out environmentally and socially harmful activities. The last is a global aggregate bond ETF tracking a benchmark index containing more than 24,000 different bonds globally.

The number of **NZX** trades in May rose 26.5% to 426,314 from a year earlier, although the \$30.4b value of total equity transactions dropped 30% versus May last year. The average on-market trade size fell 47% to \$4,371. ■

## LEGISLATION

### Budget dominates

Parliament was dominated by the delivery of the Budget and its associated legislation The Appropriation (2018/19 Supplementary Estimates) Bill, which in turn triggered the set piece Budget Debate. This debate was interrupted, and the House went into Urgency to pass a raft of legislation. The House sat through to Saturday afternoon to complete this business, which included indexation of benefits by movements in wages rather than inflation - a major change.

Legislation **increasing the maximum number of District Court judges** from 160 to 182 FTEs was swiftly passed with unanimous support. Two petrol increases of 3.5cpl ex GST in July 2019 and 2020 were also passed under Urgency, with Opposition parties opposed.

**Paulo Reyes Garcia** was sworn in as a **new National MP** to replace **Nuk Korako**. Garcia is NZ's first MP of Filipino descent.

- 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](http://www.thehugogroup.com)

### Bills introduced

**Kāinga Ora - Homes and Communities Bill** - Introduced May 29. Establishes the framework for the creation of Urban Development Authorities with wide powers to over-ride RMA process, local govt plans and to compulsorily acquire land for urban redevelopment. Also consolidates Housing NZ, its development subsidiaries and the KiwiBuild unit into Kāinga Ora-Homes and Communities. Introduces a GPS on housing and urban development. A second Bill to give the new agency statutory powers will emerge next year. First reading as the House sat under the Urgency session of May 30 with National and ACT opposed, referred to the Environment Committee with report back by Nov 30.

**Racing Reform Bill** - Introduced May 21. Includes recommendations of the Messara Report to revitalise the racing industry. Reconstitutes the Racing Board as the Racing Industry Transition Agency. Allows funding of and betting on sports not represented by a domestic national sporting organisation, provided an agreement is in place with Sport NZ. Further legislative reform is proposed. First reading May 28 with National opposed and MPs concerned codes would lose out with the new distribution process. Sent to the Transport and Infrastructure Committee for June 11 report back.

**Partnership Law Bill** - Introduced May 28. A revision Bill to update the Partnership Act 1908. Only intended to modernise and remove inconsistencies with no policy changes. First reading on June 11 with no debate due to being a review Bill. Referred to the Justice Committee.

### Bills in progress

#### Climate Change Response (Zero Carbon)

**Amendment Bill** - Introduced May 8. First reading May 21 with just ACT opposed. National's support conditional as they objected to the level of methane reductions being written into law. Referred to the Environment Committee. Submissions close July 16 with report back by Oct 21.

#### Taxation (Annual Rates for 2019-20, GST Offshore Supplier Registration, and Remedial Matters)

**Bill** - Introduced Dec 5. The Bill sets the tax rates for 19/20. Second reading completed June 13 with National opposed.

#### Support Workers (Pay Equity) Settlements

**Amendment Bill** - Introduced May 15. Gives effect agreements between govt and vocational, disability, mental health and addiction support workers. First reading May 29. Supported by all parties and sent to the Health Committee for Oct 15 report back.

### Bills passed

**Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Bill** - Introduced under Urgency May 30 and passed through all stages opposed by National and ACT. Brings mandatory annual adjustment of main benefits by the percentage of any increase in net average weekly earnings, and removes the obligation of beneficiaries to name liable parents.

**Canterbury Earthquakes Insurance Tribunal Bill** - Introduced Aug 1. Third reading completed May 29 with National still opposed.

**NZ Business Number Funding (Validation and Authorisation) Bill** - Introduced under Urgency on May 30 and passed through all stages supported by all parties. Validates historical and future collection of fees under the Companies Act 1993 to fund the NZBN register.

**Insolvency Practitioners Bill** - Select committee stage completed May 29 with a number of amendments, including funding the regulatory regime through an increase in Companies Office fees. All parties in support. Third reading completed June 12.

**Building Amendment Bill** - Introduced Aug 15, 2018. Creates two new sets of powers to improve the system for managing buildings after an emergency and to provide for investigating building failures. Second reading on May 23 and committee stage completed on May 29 with all parties in support. Third reading completed on June 12 all parties in support. 