

## Big week ahead for climate change policy

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The Interim Climate Change Committee will issue its recommendations on achieving 100% renewable electricity by 2035 and including agricultural greenhouse gases in the ETS next Tuesday. Submissions close on the govt's net zero carbon legislation on the same day.

## Beehive on egg-shells over China

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There has been no formal comment from the govt on the protests in Hong Kong, although Winston Peters did acknowledge the bravery of the protesters in mid-June. That is one reflection of how concerned the govt is not to rock the boat on the China relationship, that has only just been rebalanced and which may face upset again as the GCSB digs in over banning Huawei from NZ's 5G network.

## PM and ScoMo to meet next week

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PM Jacinda Ardern will be in Melbourne on Thursday and Friday next week for her first bi-lateral catch-up with her Australian counterpart, Scott Morrison, since his re-election in May.

## EVs policy a sweetener for the Greens

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Tuesday's ICCC recommendations are likely to cause political headaches for both Labour and the Greens with their climate change constituencies. The announcements this week on EV subsidies - a policy that previously seemed lost without trace - may in part have been intended to give the junior govt partner a win.

## Three waters policy to Cabinet next month

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Local Govt Minister Nanaia Mahuta gave the sector's annual conference little encouragement for its advocacy of 'localism', but she did confirm the Cabinet will consider 'three waters' reform and regulation next month, with a bill in Parliament by Christmas and possible passage before the 2020 election.

## EU dragging the chain on FTA negotiations

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Despite the EU's sudden enthusiasm last year for an FTA with NZ, it should perhaps come as no surprise that the practical reality of negotiations is proving typically slow going. NZ negotiators are frustrated that while the EU has made its bottom lines known, it has yet to produce its 'offer' to NZ.

## R&D tax credits regime extended

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The extension announced this morning of the r&d tax credit scheme to 'pre-profit' companies, in proportion to annual payroll, is an important final step in making r&d subsidies available to start-ups or companies pursuing growth while initially being loss-making. Previously, only profitable companies could make claims.

## Compromises ahead as interim climate panel reports

The Interim Climate Change Committee will publish its **recommendations on two key elements of the govt's climate change policy next Tuesday**, the same day as submissions close on the govt's Climate Change Response (Zero Carbon) Amendment Bill. In both areas where the ICCC will report, the govt is likely to face politically difficult compromises.

### 100% renewable by 2035

The first is the practicality of the govt's pledge to have NZ generating 100% of its electricity from renewables "in a normal hydrological year" by 2035.

That **100% target has been comprehensively demonstrated to come at a very high cost relative to its potential to contribute to carbon emissions reductions**. It may be easier to amend or abandon by virtue of the fact that its inclusion was part of Labour's confidence and supply agreement with the Greens, rather than an element of the coalition agreement with NZ First, which is unlikely to be wedded to the 100% target.

It appears likely **the ICCC will try to assist by reframing the issue to recommend a process for "accelerated electrification"** of industry and transport.

The argument will be that 100% renewable electricity is a less meaningful goal from a climate change perspective than seeking to drive coal and gas-burning industry to renewable electricity more quickly.

### Agriculture in the ETS

**Equally, if not more contentious will be the committee's recommendations on its second main task:** "how surrender obligations could best be arranged if agricultural methane and nitrous oxide emissions enter into the NZ ETS".

**A five year transition** is expected to be recommended for a regime that will require methane emissions to be cut by 28% by 2050. That is the low end of a range announced earlier this year, but still higher than many in the farming lobby believe is fair or achievable.

A wide range of support measures, technology upgrades and nationally applied 'farm plans' will be pursued over that five year period.

There is significant tension, particularly in dairying, over the proposals. While Fonterra, Synlait and other dairy processors are understood to be behind the plan, Federated Farmers is expected to attack it vigorously. That, in turn, will put pressure on the

National Party, which has indicated it will only back the govt's net zero carbon legislation as far as the select committee stage.

Members should note that Climate Change Minister **James Shaw is addressing Hugo Group breakfasts in Wellington and Auckland next week**. National's climate change spokesman, **Todd Muller**, is due to brief Auckland members next month.

### Emissions and waste reduction policy

This week's EV subsidies announcement gave the Greens a win ahead of likely compromises on both the renewable electricity and agricultural GHG issues next week.

An EV 'freebate' policy was core Green policy but was overlooked in the Budget because of the pressure of other funding priorities.

The policy is important in that it finally sees explicit price signals on the transport fleet incentivising lower emissions and electric vehicles. The motor industry welcomed the proposed "freebate" scheme as "the most powerful" tool available. However, there are questions about whether an accompanying clean car standard will have the intended impact.

The scheme will kick in from 2021 with imported light vehicles getting a rebate of up to \$8000 and higher emitting vehicles would paying up to \$3000. Vehicles already registered in NZ would be exempt. At the same time, new fuel efficiency standards would be brought into force requiring importers to meet an average emissions standard across their sales fleet.

Meanwhile, the Provincial Growth Fund is to spend **\$40m on waste recycling projects**.

## The Beehive and China

The Beehive is in an **unusually heightened state of sensitivity over the China relationship**. There has been **no statement on the recent Hong Kong developments from the NZ govt** and Defence Minister Ron Mark made a speech to the Chinese National Defence University which stressed New Zealand's willingness to "listen" to its defence partners. **Unlike last year's Defence Policy Statement, Mark's speech contained no reference to the South China Sea or even the Pacific**.

Mark was in China at the same time as the Hong Kong protests forced the territory's govt back down on an extradition treaty with Beijing. While there, he signed a Memorandum of Arrangement Concerning Defence Cooperation recognising some areas of common interest, including humanitarian assistance and disaster relief, as well as international peace cooperation activities.

## Peters in the US

Meanwhile, the **PM's Office is keeping a close eye on the forthcoming trip by Foreign Minister Winston Peters to Washington.**

On one hand, **Peters is the govt's best door-opener at the White House.** In marked contrast to the degree of focus placed on whether the PM would be invited to Beijing, there is **neither pressure nor an expectation that Jacinda Ardern will be paying a call on President Trump** anytime time soon.

**However,** the PM's Office is anxious not to see Peters "sucking up to Trump", as one official put it.

Memories are fresh of Peters's speech in Washington last December, where he invited the US to become more engaged in the South-West Pacific. Comments this month to the Otago University Foreign Policy School, in which Peters expressed little more than a preference for liberal democratic values, was also widely read as a poke at Beijing.

## The Huawei factor

The concern in the Beehive may be as heightened as it is because it is increasingly clear that the **GCSB is immovable on the question of Huawei's inclusion in NZ's 5G build.** During PM Ardern's April visit to Beijing, Chinese state media made it clear that NZ's decision on Huawei would be a litmus test of what they also described as one of the closest relations China has with any western country. However, GCSB Director, Andrew Hampton, is in no mood to reconsider the original notice of non-approval for Huawei in some parts of Spark's proposed 5G network.

**The govt's response to this appears to be to try and ensure there are no issues in other aspects of the relationship with China.** Ministers remain nervous of the potential for Spark to press the issue to a Cabinet review, effectively forcing politicians rather than a govt agency to decide Huawei's fate. That would weaken Ardern's insistence in Beijing that the decision-making process occurs at arms-length to politics.

Meanwhile, the **Chinese embassy in Wellington has taken the unusual step of appointing a PR firm** to assist it in reaching out to new constituencies - a major departure from the legation's tendency to impenetrability. NZ journalists were also in Shenzhen this week receiving briefings at Huawei HQ.

## PM to Aussie next week

The PM will have her first bi-lateral meeting with her new Australian counterpart, Scott Morrison, since his re-election in May, on Thursday /Friday

next week, in Melbourne.

Expect there to be some discussion of the two countries' joint pursuit of a new global govt approach to regulation of social media. Whether that will improve the atmospherics for a wider discussion about the treatment of NZers in Australia or the ongoing offer by Wellington to take refugees from Australian offshore detention centres remains to be seen.

## Employment law reform - phony war continues

Industries with large workforces will be at risk of being hijacked by small numbers of workers seeking nationally binding, collectively bargained employment arrangements whether the majority wants them or not, the NZ Initiative said in a report this week. The report argues the Fair Pay Agreement proposals will cost jobs while failing to lift NZ's historically poor productivity, and the arguments to justify the reforms are either wrong or the policy answers lie elsewhere.

The govt appears likely to issue a discussion paper on the recommendations it received in January from the Fair Pay Agreements Working Group. That raises questions about whether legislation covering the second tranche of promised labour relations reforms will be enacted before the 2020 election.

## BAC's infrastructure challenge

The govt is not biting on a letter from the PM's Business Advisory Council that claims a national infrastructure "crisis" and urges additional major road construction on top of the investment being poured into the rail system. Transport Minister Phil Twyford rejected as "bad policy" the suggestion that private toll roads and PPPs could accelerate the projects identified, which he said did not stack up on a cost-benefit basis.

The June 26 letter, signed by outgoing Business Advisory Council chairman Christopher Luxon, also recommended establishing a Ministry of Cities, Urban Development and Population and either a prime ministerial taskforce or commission of inquiry to review NZ's planning, transport, and local government legislation.

Environment Minister David Parker is expected to **unveil the next phase of the govt's RMA reform process within the next four to six weeks.**

### CEO Retreat

Members will by now have started receiving the full programme and registration forms for the CEO Retreat, at Millbrook Resort from the evening of Thursday, August 15 to lunchtime on Saturday, August 17.

As always, the weekend promises a range of thought-provoking sessions and discussions.

Contact: tracey.gabbitas@thehugogroup.com, 027 4438434 with any questions.

## Critical report on CBL collapse strengthens RBNZ's hand

Reserve Bank governor Adrian Orr says the central bank will have to be more sceptical in its oversight of the insurance and banking sectors, given the findings of the internally appointed investigation into the central bank's handling of the CBL Insurance case.

The CBL report was **highly critical of elements of how the RBNZ's supervisory regime operated during the CBL saga**, particularly earlier in the decade when the supervision regime was new. That **underpins the report's recommendation that the central bank take a firmer regulatory hand**.

The report also cleared the bank of allegations its insistence that CBL not disclose the ongoing investigations forced the insurer to breach its Listing Rule requirements.

Following **release of the submissions to the RBNZ on its contested proposals for local banks** to hold far more capital on their balance sheets, Grant Robertson issued comments reminding "all parties" they are still being consulted on in a process that requires "mature debate".

BNZ's submission said it will need to raise equity if the Reserve Bank's proposals for stricter capital requirements go ahead, and may not be able to rely on parent National Australia Bank with higher average funding costs partly passed on to customers and partly absorbed by BNZ as lower returns on equity and/or high productivity.

ANZ Bank's submission suggested the bank may "review and reconsider" its NZ operations if the capital proposals proceed as proposed.

## Local govt funding

The Productivity Commission's draft report on local govt funding said the system is not broken, but is under pressure from climate change impacts, extreme weather events, aging infrastructure and new health and environmental standards. It suggests better use of current funding, more user charges, among other recommendations.

Local Govt NZ, which held its annual conference in Wellington this week, welcomed the report but was left wanting for any signals from ministers attending on the sector's promotion of 'localism' - the devolved and competitive form of local govt organisation championed by the NZ Initiative and used in Switzerland.

While LGNZ themed its conference on localism, ministerial speeches failed to mention it.

## Mahuta confirms August for '3 waters' decisions

The Cabinet will consider proposals for the form and function of a new regulator for the so-called 'three waters' - drinking, waste and storm - in August, with **legislation likely to be introduced before the end of the year**.

Local Govt Minister Nanaia Mahuta fleshed out the govt's thinking and timetable at an Institute of Public Works Engineering Australasia conference.

She foreshadowed a Water Services Bill that "could be introduced by the end of the year, with enactment possible by mid-2020".

A five year transition to a new regulatory regime is envisaged and Mahuta appeared to back the proposals in last week's Productivity Commission report on local govt funding.

The commission suggests council-owned and operated water suppliers should be merged and corporatised if they can't improve on their own.

Mahuta said **options for three waters "may include thinking differently about how these services are delivered and paid for, including options for sharing costs across communities, or a nationwide fund" and collaborations, "including shared regional services"**.

Estimates of the costs associated with upgrading water services vary but range between \$4b and \$5b, with drinking water the first cab off the rank and the least costly, at an estimated \$300m to \$570m.

Auckland mayoral candidate John Tamihere took the issue a step further by proposing that Auckland's three waters provider - Watercare - be partially privatised to help fund other Auckland infrastructure needs. The commission cited Auckland's and the Wellington region's models for three waters delivery as offering options. Mahuta welcomed Watercare's recent agreement to provide water services to the Waikato District Council.

## Focus on agri-tech: new govt industry plan

Agricultural technology should be one of NZ's leading sources of high-value jobs, exports and improved farming practice, but has failed to grow much in the last decade, prompting the govt to make it the focus of the first of four new industry sector transformation plans. Outgoing Economic David Parker released a general guide to the industry transformation plan concept and a draft ITP for the agri-tech sector. The other sectors targeted for such plans are food and beverages, digital technology, and

forestry and wood processing.

## NZ-EU FTA grinding slow

Negotiations over the free trade agreement with the EU are grinding slowly, to the frustration of NZ negotiators.

The core of the current problem appears to be that while the EU has made clear its list of demands of NZ, it has yet to table its own offer. The process is stalled.

The vacuum is being filled in the meantime by concerns about whether the “geographic indicators” issue will be as straightforward as EU Trade Commissioner Cecilia Malmstrom claimed it would be when she was in NZ in June last year to promote the negotiations.

Some EU countries may try to use to prohibit NZ using names already in common use, particularly for cheeses, which Malmstrom conceded were “usually the most complicated” element of EU trade negotiations.

She claimed the use of generic names - mozzarella, brie or feta, for example - has already been hashed out in the EU’s own regulations. Only specific products linked to particular regions or methods of production – roquefort, for example - can claim special protection.

“For most of the products we would want to have protected, I don’t think there will be a problem,” Malmstrom said at the time.

The wine industry has a voluntary agreement on “GIs” with the EU, but neither the dairy nor meat industries (salamis) do.

## Jones dodges conflict of interest finding

The Auditor-General, John Ryan, has cleared Shane Jones of allegations of conflict of interest for his actions at a Cabinet committee Provincial Growth Fund decision-making meeting.

Ryan found that Jones had declared his conflict and arranged for Kelvin Davis to replace him as decision-making minister on the \$4.6m loan application to the PGF from the Manea Footprints of Kupe Cultural Heritage and Education Centre, in Northland.

Of the three remaining decision-makers, Phil Twyford and David Parker already supported the proposal, while Grant Robertson raised issues about financial management, which Jones gave reassurances on at the meeting.

Ryan found that while the Cabinet Manual guidelines also “do not automatically prohibit a Minister with a conflict from participating in a decision ... it might

have been better for him not to confuse the situation by expressing a view on the Manea project when it came up for discussion”.

## Balance sheet fiddle helps cash-strapped DHBs

The govt is making money available to district health boards to **offset the 6% capital charge** they pay on funding for the building of new hospital facilities. Health Minister **David Clark** has asked Treasury to review the capital charging system.

## Maori health inequality

The Waitangi Tribunal found the Crown has breached the Treaty of Waitangi by failing to design and administer the primary health care system to actively address persistent Māori health inequities and by failing to give effect to the Treaty’s guarantee of tino rangatiratanga.

It recommends creation of a separate Maori health authority.

Such an approach would need to overcome a growing problem created by the expectation among DHBs that Maori health needs are already being met through the Whanau Ora programme, when adequate funding is not available through Whanau Ora at present.

## School principals fight on

Primary and secondary school teachers have settled their pay claims and the issue has faded as a political priority, but it hasn’t gone away.

Primary and intermediate principals who are NZEI members have voted to stop communication and co-operation with the Education Ministry following their rejection of the Ministry’s latest collective agreement offer. Kindergarten teacher members of NZEI Te Riu Roa are now seeking pay parity with primary school teachers. If achieved, all teachers across the state system will be paid equally, irrespective of the age cohort they are teaching.

Elsewhere, NGOs who employ social workers say they are losing a rapidly accelerating number of staff to public sector social agencies, where recent substantial public sector pay settlements have created pay differentials that not-for-profits are struggling to match.

## R&D tax credits policy extension

‘Pre-profit’ companies will be able to claim r&d tax credits under the scheme starting in the 2020/21 tax year, in proportion to their annual payroll, Science and Innovation Minister Megan Woods announced this morning. ■

**CORPORATE ROUND-UP****Primary industries**

**Westland Co-Operative Dairy Company** shareholders overwhelmingly supported a takeover bid by **Hongkong Jingang Trade Holding**, a unit of **Inner Mongolia Yili Industrial Group Co.** NZ First's Mark Patterson said it was a "sad day" and is an example of why the party supports a 'national interest' test as part of the Overseas Investment Office process.

The **Global Dairy Trade** auction declined a fourth consecutive time slipping 0.4% from the previous auction. The average price was US\$3,302 a tonne with 24,711 tonnes of product sold, up from 24,239 tonnes at the previous auction. Whole milk powder average prices fell again to US\$2,969 a tonne.

**Log prices** in China have fallen in recent weeks and **ANZ** warns this will make the harvest of some woodlots unprofitable. While some price softening is not unusual at this time of year as construction activity slows in the hot months, the scale of the correction was unexpected with the price of an A-grade log falling from US\$130/JAS cubic-metre in early June to around US\$105/JAS cubic-metre. **ANZ** expects logs to bank up on Chinese wharves in the near term.

Southland meat processor **Blue Sky Meats** said the March financial year ended with revenue up by 34% to a record \$140m. Pre-tax profit was up 36% at \$5m with 25% more stock processed despite high schedule prices and declining sheep numbers.

**PGG Wrightson** has called a special meeting on July 23 on whether to undertake a two-for-one share split, followed immediately by a 31 cent payment per share to cancel one of every two shares. The practical effect of the transaction is shareholders would end up with the same number of shares and receive the payment, which won't be treated as a dividend for tax purposes.

**Allied Farmers** announced a 10-to-one share consolidation reducing the shares on issue from 178,547,294 to approximately 17,854,729 shares.

**Energy and resources**

**Transpower** will release the latest update to its thinking on decarbonising the economy on July 30, with a report on the potential to electrify the provision of industrial heat. In a report this week, **Transpower** said household battery storage could play an important 'smoothing' role in managing network load in the future.

The **Provincial Growth Fund** will lend Taupo-based **Geo40** \$15m to help build a commercial scale plant to recover silica from geothermal waste at **Contact**

**Energy's** Ohaaki field. **Geo40** is planning to list publicly next year.

**Refining NZ** is considering installing a \$36m to \$39m 26-megawatt solar array alongside the Marsden refinery covering 31 hectares of company-owned land.

**Orion** says full-year profit was about \$2.5m lower than target due to mild weather and a tough year for the firm's **Connetics** contracting arm. It reported a net profit of \$47.8m for the year ended March 31, from \$53.3m the year before.

The **NZX's** only listed oil and gas explorer, **NZ Oil & Gas**, took a few potshots at the gov't's offshore exploration ban as it announced its intention to recommend to shareholders they accept the full takeover now being offered to shareholders by Singaporean **OGOG**.

Also heading for the door is **Equinor**, the Norwegian state-owned energy company previously known as Statoil. **Bryn Klove**, Equinor's NZ country manager, is on a farewell tour of NZ contacts before shuttering the local operation as it transfers offshore permit rights it won in 2013 to **OMV**. Klove will maintain interests in the region, as Equinor's country manager for Indonesia and with responsibilities for oil and gas exploration in the Australian Bight.

**Technology and innovation**

Industrial automation specialist **Scott Technology's** forward order book remains strong despite restrained investment in Europe due to the ongoing uncertainty around Brexit.

**Pushpay Holdings** launched a fully underwritten bookbuild to sell 12.24m shares, or 4.45% of issued capital, as former chief executive **Chris Heaslip** transitions to being a non-executive director. The partial sell-down represents 41.2% of the shares held by interests associated with Heaslip, who resigned as chief executive effective May 31. The offer size is valued at \$45.3m.

Cervical cancer screening device maker **TruScreen** fell short in its latest capital raising, seeking \$2m but securing only \$1m.

The **PGF's** One Billion Trees programme is directing \$422,500 to **Scion** to lead research on more effective native seedling propagation techniques and technology.

**Telecommunications and media**

The **Commerce Commission** approved the purchase of 50% of **Vodafone's** NZ operation by **Infratil** after deciding there was plenty of competition for bundled telco-energy products. "While (Infratil-controlled

electricity company) **Trustpower** has in the past been an aggressive competitor in residential broadband, with a particular focus on energy and broadband bundles, several other multi-utility providers have similarly emerged including Vocus, Nova Energy and Contact Energy," the commission said. "2Degrees and Stuff are also competing effectively in the residential broadband market alongside Spark and MyRepublic."

### Transport, tourism and logistics

A \$40m project to reopen the mothballed Stratford to Okahukura rail line is a priority for new **KiwiRail** chief executive **Greg Miller**. The line, shut since a derailment in 2009, is the only alternative north-south rail link should the main trunk line through National Park be shut by a natural disaster.

Regional Development Minister Shane Jones indicated willingness to subsidise the existence of underused regional airports rather than accept official advice that argued against their economic justification. They were part of the country's "transport spine" and it was the job of the "Regional Chiropractor" to ensure that was maintained.

### Retirement and healthcare

**Summerset Group's** second-quarter sales were down 9.6% from a year earlier, selling 141 occupation rights in the three months to June 30, versus 156 in the same period a year earlier.

The **Commissioner for Financial Capability** called for more clarity regarding the rules and costs of moving from independent living to rest home-type care facilities on the same site.

**Abano Healthcare** said it is considering expressions of interest for its Australian assets as the dental sector across the Tasman faces consolidation.

Medicinal cannabis company **Cannasouth** will receive funding of up to \$347,008 from **Callaghan Innovation** to support two research programmes. The company listed earlier this month after selling \$10m worth of shares at 50 cents each. The stock first traded at 51 cents but traded at 29 cents in the following weeks. The announcement coincided with the Ministry of Health's release of proposed regulations for medicinal cannabis, covering everything from cultivation to quality standards.

### Wholesale and retail trade

**Smiths City** reported a net loss of \$1.7m in the year to April 30 versus a \$7.2m loss in the prior year. Revenue was down 4.4% at \$206.4m, following store closures and slower trading in the second half of the year.

Fast-food operator **Restaurant Brands NZ** is

expecting profit growth of at least 6% this year as it firm benefits from new store openings. Chief executive **Russel Creedy** expects group NPAT - excluding non-trading items - for the new financial year of in excess of \$45m.

### Commercial property

**Robt. Jones Holdings** has added to its portfolio of 17 Wellington CBD buildings buying the recently strengthened 10-level Civic Assurance House.

**Vital Healthcare Property Trust** said the value of its portfolio increased by 5.9%, or \$102.4m, for the year ended June 30.

### Corporate actions

Mercury's Board appointed **Prue Flacks** to succeed **Joan Withers** as chair when Withers stands down in Sept. Flacks has been on the Mercury board since 2010.

**Mitre 10 NZ's** board has hired Australian auto retailing veteran **Chris Wilesmith** as its new chief executive.

**Toyota NZ** appointed **Neeraj Lala** as Chief Operating Officer. His previous role was General Manager New Vehicles and Product Planning.

### Courts and regulation

The **Commerce Commission** has filed proceedings in the High Court against **Westpac**, following the bank's disclosure in March 2018 that it had failed for 10 months to provide key initial disclosure information to 19,000 personal credit card customers when their cards were first issued.

Complaints against utility companies are up 10% on last year with the **Utilities Disputes** service dealing with 7227 cases in 2018/19. Most complaints were against electricity and gas providers - accounting for 2059 cases, with two-thirds about billing.

The **Commerce Commission** is prosecuting short-term lender **Moola**, operated by **NZ Fintech**, alleging it breached lender responsibility requirements. The charges relate to Moola's conduct between June 2015 and Nov 2017, when it charged interest rates between 182.5% and 547.5% per annum.

**Inland Revenue** won a tax case against Mercury over the tax classification of two of its turbine halls as buildings and therefore subject to a depreciation rate of 0%. The power company unsuccessfully argued they were part of the operating plant and therefore a 9.6% rate should apply. Mercury puts the P&L impact of the decision at \$2m.

**Chief District Court Judge Jan Marie Doogue** was appointed a judge of the High Court. 

## LEGISLATION

## Headline

Parliament is currently in a three week adjournment, resuming on July 23.

- *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

**Farm Debt Mediation Bill (No 2)** - Introduced June 18. Originally a member's bill from NZ First MP Darroch Ball, but discharged and then adopted by the govt. To establish a farm debt mediation scheme requiring creditors with security interests in farm property to offer mediation to farmers before taking an enforcement action in relation to that debt, and allow farmers to initiate statutory mediation with a secured creditor. First reading on June 27 and sent to the Primary Production Committee with the support of all parties.

**Maritime Transport (Offshore Installations)**

**Amendment Bill** - Introduced June 20. Increases insurance requirements on owners of offshore oil and gas installations for oil spill clean-up and compensation. Proposes a graduated risk-based scale rising to \$1.2b at the high end. First reading on June 27 with all parties in support, though National MPs indicated the highest level of liability was more than they envisaged when in govt. Bill sent to the Transport and Infrastructure Committee to be reported back by Oct 29.

**Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill** - Introduced June 27. Omnibus bill mainly making administrative changes to KiwiSaver and student loans. Also extends the refundability of research and development tax credits.

## Bills in progress

**Companies (Clarification of Dividend Rules in Companies) Amendment Bill** - Introduced April 5 2018. Member's bill from Todd Muller (Nat). Amends the Companies Act to clarify dividend rules outlined in sections 36 and 53, where there is currently doubt about the ability of a company constitution to provide for "dry shares". All parties supported the bill at first reading. Reported back from the Primary Production Committee April 12 with technical amendments. *Second reading completed June 26 with Labour and NZ First withdrawing their support saying it was not needed. The Greens still backed the bill so it progressed.*

**Financial Markets (Derivatives Margin and Benchmarking) Reform Amendment Bill** - Introduced Feb 19. An omnibus bill amending the law in relation to the linkages between NZ's and international financial markets, in particular through derivatives markets. 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. It also establishes a new licensing regime for administrators of financial benchmarks under the Financial Markets Conduct Act. First reading completed March 7 with all parties in agreement. *Reported back on July 2 with a small number of technical changes.*

**Health (Drinking Water) Amendment Bill** - Introduced July 5 2018. Amends the drinking water parts of the Health Act following the Government Inquiry into Havelock North Drinking Water. Reported back May 7 with a number of changes intended to tighten water quality requirements. *Second reading completed June 27 with all parties in support.*

## Bills passed/failed

**Employment Relations (Triangular Employment)**

**Amendment Bill** - Member's bill from Labour's Kieran McAnulty. Drawn from the ballot and introduced Feb 1. Seeks to ensure employees employed by one employer, but working under the control and direction of another business or organisation, are not deprived of the right to coverage of a collective agreement, and to ensure such employees are not subject to a detriment in their right to allege a personal grievance. Second reading completed April 4 with National opposing. Committee stage completed May 22. *Third reading completed on June 26 with National remaining opposed.*

**Taxation (Annual Rates for 2019–20, GST Offshore Supplier Registration, and Remedial Matters) Bill**

- Introduced Dec 5 2018. Sets tax rates for 2019/20, brings in new rules for GST collection on low value imports (under \$1000), ring fencing of losses on rental accommodation, changes social policy-related tax administration, plus remedial amendments. Second reading completed June 13 with National opposed. *The govt made a number of changes at committee stage on June 18 including requiring most people who buy and sell properties to supply their IRD number on land transfer documentation. Third reading completed June 20 with National opposed.*

**Racing Reform Bill** - Introduced May 21. The bill includes recommendations of the Messara Report and is intended to revitalise the racing industry. Reconstitutes the Racing Board as the Racing Industry Transition Agency. Sets up a process to charge fees to offshore betting operators. The bill reduces over a 3-year period, and then repeals the totalisator duty currently paid by the NZRB to the Crown, sets up a new regulatory framework for distributing funds to sports bodies, allows betting on sports not represented by a national sporting organisation provided agreement is in place with Sport NZ. Further legislative reform is proposed. *Reported back June 11 with minor amendments. Second reading June 18, committee stage June 19 and third reading June 20 with all parties in agreement.* 🇳🇿