

National's terrible week

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Todd Muller caught a break on Thursday when the Tiwai Point aluminium smelter closure eclipsed the National Party's latest 'dirty politics' scandal. The story might have died after Hamish Walker MP gave up his early instinct to try and fight his inevitable ejection. Then came this morning's revelations from Michelle Boag, to reignite the issue, and the surprise resignation of China-linked MP Jian Yang.

Tiwai Point - no bluffing meets no patience

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Seasoned observers of the many decades of electricity price negotiations for the Tiwai Pt aluminium smelter were unsurprised by the finality of this week's closure announcement. Hopes that it could now be revived are extremely slender, particularly as govt ministers made it very plain they, too, had no interest in paying to keep the smelter running.

Border strategy coming - but tech solutions on slow track

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Recent calls for more clarity on the approach to eventually reopening the NZ border have prompted the govt to start preparing public guidance, which should emerge in the next week or two. High-profile promoters of a 'dumb' bluetooth card that they believe could allow fast tracking and tracing are becoming frustrated that the initiative is not advancing more swiftly.

Hints of a big announcement on open aquaculture

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The govt needs concrete initiatives to announce in Southland to counter the political impact of the smelter closure. Hopes for green hydrogen or server farms are too nebulous as yet to cut the mustard. Instead, we are hearing suggestions a policy announcement backing open aquaculture is imminent. That could also make Marlborough's NZ King Salmon very happy.

The smelter's one thing, the refinery quite another

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The govt may have toughed out the loss of the smelter, whose departure has been on the cards for so long there's almost a sense of relief to know what the future holds. However, there is no such acceptance of Refining NZ's signal that the Marsden Pt oil refinery might close. There is close consultation on what Grant Robertson has confirmed is a "strategic asset".

China tensions rising

As HUGOvision was going to press, National Party MP Jian Yang announced his resignation from Parliament, coinciding not only with media pressure over his refusal to give interviews but also with the rapid escalation in tension between China and 5 Eyes members over Hong Kong.

Greens producing eye-catching policy

The Green Party launched its first major policy for the election, ditching its previous advocacy of a capital gains tax for wealth taxes targeted at people with more than \$1m in assets, a guaranteed minimum income of \$325 a week and expanding ACC to cover earnings lost by illness. On Sunday, it will launch its energy policy, against the politically helpful background of the Tiwai point smelter closure freeing up 14% of the country's largely renewable electricity production.

Border opening strategy - the Covidcard option

Recent calls by various influential NZers for a strategy to reopen the border quickly have been widely misinterpreted as a call for hasty reopening.

They are not.

Rather, they recognise that it could take 6 months or more to implement a trustable, robust border-opening policy. It will need to:

- involve a far more robust tracking and tracing system than NZ currently has;
- better technology than the current mish-mash of competing phone apps;
- the same kind of community buy-in as existed for the Level 4 lockdown;
- a very well executed communications and distribution system;
- a focus on being idiot-proof.

The front-runner for this is the CovidCard initiative, funded and led by a private sector group that includes Sam Morgan and Rob Fyfe. The development team has tested the solution in the Nelson region and Waikato, with impressive results.

It involves a 'dumb' blue-tooth device with a one year battery that needs to be worn around the neck like an ID tag of swipecard. The device anonymises the tiny amounts of information it collects, which is no more than the other cards that it interacts with.

No geo-location, no personal details, just proximity and time spent in proximity. If a wearer tests positive for covid-19, the trials suggest contact tracing can be achieved within around 4 days - instead of up to 12 or 13 using present systems.

Equally importantly, as long as there is high compliance, 60%-plus of contacts may become traceable. Not perfect, but a damn sight better than the current app-based approaches, which are failing to allow tracing of any meaningful number of contacts.

A combination of the proliferation of tracing apps, non-compliance by users, and the vagaries of umpteen smartphones' signal ranges mean they are almost useless. The CovidCard seeks to change that.

The PM's Office and Dept and other key agencies received a full report on trials of the CovidCard just over a month ago.

More testing is desired. The Ministry of Defence is putting it through its paces and the initiative sits with the Dept of Internal Affairs.

The Ministry of Health is resisting the initiative on

what appears to be a 'not-invented'here' basis. It is defensive about what D-G Ashley Bloomfield has described as the current 'gold standard' tracking and tracing system in place now.

No one close to the process believes it is gold standard and the degree of dysfunction in the public health system's response to the pandemic is slowly starting to overwhelm the positive PR that Bloomfield's polished public performances have created.

The public put-down of Bloomfield that outraged the public and was the last nail in former Health Minister David Clark's coffin, was sanctioned from the 9th floor of the Beehive. It is a sign of how at odds the internal view of MoH's performance is to the publicly accepted view.

Early 2021 earliest for border opening?

Even if the CovidCard - or something like it that allows fast tracking and tracing once covid cases are identified - is a credible answer to carefully reopening NZ to the world, it could still take six months to implement.

That's how long the final testing, production, communications campaign and distribution would take, the CovidCard proponents believe.

That is why they are raising the issue now.

Such a system means not relying on an overflowing, hotel-based quarantine system. It requires not just technology but trust and a degree of public willingness to accept risk.

Calming down from the current environment, in which a single absconder from a locked down hotel becomes the object of deep public anger, is as much a communications as a technology challenge.

Border opening framework soon

While the govt is not ready to press go on CovidCard or something similar, it is recognising the need to communicate an approach to reopening.

Expect details in the next couple of weeks, although it may not be much more than the PM has outlined in the House: confidence about tracking and tracing, a strong testing system, and only allowing arrivals from countries that have either similar health status or tracking systems to NZ's.

Smelter closure and electricity sector politics

Govt ministers were quick to express their expectation that electricity prices would fall as a

result of the Tiwai Point smelter closure.

Sector participants know it will not be as simple as that, but also know that consumers won't care about the detail. Less demand = lower prices will be the catchcry.

Yet the closure will delay new generation build and hasten the closure of old thermal kit such as the coal-fired parts of the Huntly station and Contact's Taranaki Combined Cycle plant.

Transmission costs will be smeared across remaining consumers, who will have to absorb the costs created by the exit of a customer using 13% of total national electricity production.

Hopes that the smelter might close potline-by-potline appear to have been dashed, although that option could conceivably emerge if aluminium prices were to surge.

Assuming that doesn't happen, wholesale market dynamics risk being disorderly at times, especially ahead of the grid upgrades that will be required to push surplus energy to the North Island.

After the EA's recent decision that Meridian did create an Undesirable Trading Situation late last year, there will be extreme sensitivity about operation of the wholesale market.

Woods was careful in her press conference comments on this subject. She acknowledged it was sensible for anyone planning a new renewable generation project to pause - endorsing Contact's immediate suspension of the Tauhara geothermal development it had talked up just weeks ago.

Transpower is ready to spend around \$100m on upgrades through to Benmore from the south to allow more transmission to the North Island.

However, further upgrades such as a 4th HVDC cable across Cook Strait and at various North Island constraints will take longer, will require sign-off on a business case, and are costed currently at between \$550m and \$600m.

Tiwai Point closure - the govt stopped caring

The fact that there was no courtesy call to govt ministers before the announcement that the Tiwai Pt smelter will close next August speaks volumes about the govt's acceptance of that outcome.

The fact that the plant had been placed under "strategic review" last October meant it was slated for closure. The govt had no interest in being bullied into further concessions to preserve plant that has operated for almost half a century. It would require a total rebuild if existing contracts which run to 2030,

unless terminated early, were to be extended.

There may have been some hope that Rio Tinto would see value in Tiwai's 'green aluminium' story. But if that wasn't enough, the govt was resigned to a closure. Rio's decision to announce just 10 weeks out from an election without pre-briefing suggests two things:

- NZAS frustration that recent attempts to engage with the govt have been fitful or ignored;
- Rio is unconcerned about leaving the country with hard feelings. It has no ongoing activity here once the smelter leaves and no qualms about burning off decades of social licence to operate investment in everything from cost-benefit analyses, to MP site visits, to kakapo rescue and local amenities and sports funding.

Echoes of the oil and gas decision

There are echoes of the govt's oil and gas exploration ban decision in the way Tiwai has been handled.

Firstly, a certain naivety about commercial imperatives means ministers are happy to dangle embryonic and improbable alternative uses for the electricity freed up.

Robertson and Megan Woods both cited server farms and green hydrogen as activities that might be suited to location in Southland because of the proximity of so much renewable electricity.

The power supply, relatively stable geology of the region and high-trust regulatory environment of NZ might be suitable to location for international server farms. However, distance from major markets is believed to be a major impediment, notwithstanding these being services delivered at the speed of light.

Green hydrogen could be more interesting.

Japanese firm Mitsui has signed a green hydrogen MoU with the govt and is likely to have a reasonable grasp on the potential of the resource's potential. However, there is nothing to suggest that a project is in the wings and green hydrogen remains many times more costly than hydrogen produced from natural gas.

Ultimately, the govt appears also to have calculated that the smelter - never popular except in Southland - is a survivable closure politically and there could even be upside in being seen to stare down Rio Tinto,

Election lead-up

Advance voting starts in 8 weeks on Monday, Sept 7. Note that **1.2m of 2.6m votes cast in the fortnight before polling day in 2017** and advance voting numbers have been rising at each election.

If any part of the country were returned to lockdown - the govt will avoid total lockdowns from now on- **the election would have to be postponed.**

which ministers pointedly labelled “subsidised” multi-national mining company, and releasing green electricity for other uses.

Market commentary broadly endorsed the view that the short term hit to Southland was long term a net benefit to NZ and to generator-retailers, which should be able to sell the electricity at better margins.

Refinery closure - govt opposed

Many journalists and analysts were looking for signs that the govt might make a last minute intervention to keep the Tiwai Pt aluminium smelter open.

They would be better to focus on the Far North than the Deep South. High-level discussions are occurring between the govt and Refining NZ about the future of the Marsden Pt oil refinery.

Grant Robertson is describing Marsden Pt as a “strategic asset”, which he is also being clear that the smelter is not. While ministers are a long way from, as one minister put it “writing a cheque to the oil companies” to nationalise or subsidise the refinery’s continued operation, there is clearly concern about maintaining the capacity to manufacture transport fuels - aviation fuel and diesel in particular.

Closure of the refinery, particularly if Australian refineries also close, would leave NZ vulnerable to supply shortages, particularly during any kind of East Asian conflict or security tensions. This week’s ratcheting up of tensions over China’s actions in Hong Kong illustrate a key source of such risk.

Open ocean aquaculture

The govt appears likely to make significant announcements relating to consenting of open ocean aquaculture prior to the election.

Announcements in this area would achieve several objectives:

- give a green light to proposals for open ocean fish farming in Southland as part of the need to provide visions of a post-smelter future for the region;
- advance the stalled commitments in the govt’s aquaculture strategy, published last Sept and targeting development of “world-leading frameworks for open ocean and land-based farming”;
- give certainty to NZ King Salmon’s high-profile ‘Blue Horizons’ open ocean proposal to be positioned on the western approaches to Cook Strait north of the tip of the Marlborough Sounds;
- promote a low-carbon food production industry consistent with low-carbon aspirations.

National’s terrible week

Todd Muller faces the unhappy prospect of trying for the second time to reset the National Party’s preparations for the election campaign.

After his own stumbling start after ousting Simon Bridges, he had started to get some traction.

This week’s revelations involving leaked covid-19 patient information have undone most of that work.

The only good thing that can be said about any of it from a political perspective is that both rookie MP Hamish Walker and party grandee Michelle Boag fell on their swords reasonably quickly.

Walker had to be persuaded and had been lawyering up before being taken to the wall and shown the very large writing on it. Likewise, it took Boag all week to realise she would have to confess to sending similar information to Michael Woodhouse as she had to Walker.

But doing so on Friday morning, she unhelpfully relit the fuse on a story that had been buried by the surprise announcement of the Tiwai Point closure the day before.

Muller’s handling of the issue provides some insight into his style, and to the degree of confidence he brings to the leader’s role. He could have chosen to ignore Walker’s legal tactics and march him out of the caucus on Monday this week, when he first learnt of the leaks. Instead, he only expressed appropriate decisiveness on Wednesday. In today’s fast news cycle environment, this close to an election, more ruthless action would have been justified.

The lingering impact for Muller is the ‘dirty politics’ taint that is anathema to his style of politics, but which the party was already so vulnerable to.

The whole incident also overshadowed Muller’s announcement a major roading project - a \$1.5b SH1 upgrade from Chch to Ashburton, and a major speech on Thursday that was intended to position his economic stance.

The govt will get another free hit on the issue later this month or early in August when Michael Heron QC releases the results of his inquiry into the leaks.

Campaign strategy

Muller’s campaign advisers are trying to bring gravitas and focus to National’s campaign. They believe National became too enamoured of “barking at every passing car” and pursuing a first-past-the-post populist approach that has succeeded in the UK, US and, to some extent, Australia, but which is not

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Wage subsidy to end, IRD loan scheme extended

The wage subsidy scheme will not be further extended, the govt announced. It will finish on Sept 1. The majority of workers covered by the scheme have stopped being covered by it already, with several hundred thousand a week of the 1.6m recipients falling out of the scheme over the last three weeks.

The **Small Business Cashflow Loan Scheme** was extended again until Dec 31. As of early July 90,485 small businesses had applied for more than \$1.51b in loans since May. The average value of each loan is around \$16,700. More than 1,500 borrowers have already repaid almost \$4.9m.

Sentiment hard to read

NZIER's business activity quarterly survey said a seasonally-adjusted net 37% reported softer domestic activity in the June quarter versus a net 12% in the March quarter survey. A seasonally adjusted net 25% expect conditions to weaken over the next quarter versus a net 14% in March.

A net 19% of businesses reduced staff numbers in the June quarter, and a net 28% expect to do so in the next quarter.

Yet at the same time, the ANZ 'flash' reading of business sentiment for the first few days of July was remarkably buoyant.

It seems clear that pent-up demand has been unleashed post-lockdown has been unleashed, and that NZers are heeding a call to shop and holiday locally. Enforced savings during lockdown, along with a desire to be sociable, are also helping.

So is the inability to travel internationally, which appears to be underpinning retail spending and domestic tourism. The question is whether and how long these impulses will be sustained.

Investor confidence

Chartered Accountants Australia and NZ's latest **Investor Confidence Survey** said around three quarters of NZ investors have some or quite a bit of confidence in local capital markets and in investing in listed companies, almost unchanged from last year's survey. More than one third said they have very little or no confidence in offshore capital markets.

A **Kiwi Wealth State of the Investor Nation** survey taken in June found 84% of the 1,081 respondents said they had savings and investments, up from 80% of the 2,105 people surveyed in Feb. The proportion with investments in equities rose to 19% in June,

from 15% in Feb. Term deposits fell from being thought of as a preferred retirement investment by 22% in 2019 to 17% in Feb. The June survey found 26% of KiwiSavers made changes to their risk profile following the market collapse in March — equivalent to a year's switching in normal times.

Regional economic outlook

The APEC Policy Support Unit now expects the region's economy to decline by 3.7% in 2020, versus its initial forecast of a 2.7% contraction in April, bringing the total output loss to US\$2.9 trillion. The projections are in line with the revisions by the International Monetary Fund which predicts global growth to fall by 4.9% compared to an earlier estimate of a 3% decline.

The APEC report projects an economic recovery for the region of 5.7% in 2021, compared to the earlier estimate of 6.3%. This rebound hinges on whether the pandemic can be contained over the second half of this year.

The ANZ World Commodity Index for June fell 0.7%, or 5.2% year-on-year. However, the monthly drop was in the order of 4.5% when accounting for a strong increase in the NZ dollar. Lamb prices were hit by a drop in demand for premium cuts and log prices by rising shipping costs to China. Strong demand for new season fruit saw horticulture prices rise 7.5%.

Monetary policy

RBNZ governor Adrian Orr reiterated the bank has committed to keeping the official cash rate at 0.25% for at least 12 months and he didn't rule out negative interest rates. "We've been saying to banks: 'get your act together, be prepared, make sure you are able to put a negative sign in front of your wholesale interest rates if we need to go there'," he said.

Stats NZ launches new activity index for faster snapshots

Stats NZ's newly constructed NZ Activity Index shows economic activity in April 2020 was 19% down on the same month last year and, even though activity bounced back in May, it still remained 6.5% down on May 2019. The May rebound was driven largely by increases in electronic card spending and traffic movements.

Commercial property development slows

More than 148,000sqm of Auckland commercial property development is now parked. Vacancy rates are likely to ramp up as the recession takes hold with an additional 122,000 sqm currently being built in the next 18 months. ■

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suited to MMP.

That's because there is no advantage in shaving votes in one part of the country to win in another. The nationwide party vote is the election decider under MMP, so the appeal must be national.

Muller's campaign will focus on two big ideas:

- that National has an economic plan and Labour doesn't and never has; and
- that it pays to be serious and paint a big picture vision.

Muller's most credible aim is still to claw back sufficient support to achieve a respectable loss. There are very few paths to power for National, based on current polling. Muller himself appears to be settling into his own skin as leader, exhibiting a likeable self-deprecation and candour that could yet catch on.

Muller has also brought Bridges back into his shadow Cabinet in the foreign affairs role following Paula Bennett's resignation, which provided last week's distraction from Muller's attempts to get his campaign on track. Bridges remains sore about his loss to Muller and is said by supporters still to harbour aspirations to lead the party.

Peters's health & NZ First's prospects

Winston Peters's second hospitalisation in a year is being downplayed by the party, but there is no escaping the fact that it has postponed the party's election campaign launch.

That was to have been this weekend in Whangarei, to assist Shane Jones's somewhat hopeful attempt to win the seat of Northland from National's Matt King.

The national campaign launch will now occur at the party's annual conference in Auckland, in the weekend of July 18/19.

Tempers have been running hot between Labour and NZ First in recent weeks. The biggest blow-up was a few weeks ago when Labour hoped to exploit the global momentum of the Black Lives Matter movement to settle the Ihumatao dispute. NZ First was incandescent about that.

A full-blown coalition meltdown was probably only avoided because the NZ news agenda was diverted by the case of two covid-positive women driving to Wellington on compassionate leave. The govt had to deal with that crisis and the Ihumatao moment passed.

This week's blow-up was over the release of the Sapere report recommending that Auckland's port be

relocated to Manukau Harbour. Transport Minister Phil Twyford took the opportunity to say the report commissioned by Shane Jones that recommended Northport had started with a predetermined view that Northport was the answer. Jones was incandescent.

However, the Sapere report's release was intended as a signal to NZ First that although it had stymied various of Labour's policy priorities, the obstruction can flow both ways.

Temporary visa extensions

The govt extended temporary work visas due to expire by the end of 2020 by 6 months for 16,500 workers in NZ and shifted the stand down by 6 months to Feb 2021 (600 workers). As part of the changes new low-skilled work visas will only be granted for six instead of 12 months with the employment of NZers prioritised.

ACC levies freeze

ACC levy rates will be frozen for the next two years to help ease the financial pressures of covid-19, the govt said. Levies will stay the same until March 31, 2022 for work and earners' levies, and June 30, 2022 for motor vehicle levies.

Digital APEC

NZ will still host APEC2021 digitally. Foreign Affairs Minister Winston Peters said given the current global environment, planning to have such a large volume of high-level visitors is impractical.

Auckland water

Environment Minister David Parker called in Auckland Watercare's application to the Waikato Regional Council to take an extra 200m litres of water a day from the Waikato River. The application will be referred to a Board of Inquiry under the RMA as a matter of national significance. A temporary agreement was also made to increase supply in the meantime.

Cannabis referendum

A TVNZ Colmar Brunton poll found 40% of people would vote to legalise cannabis at the upcoming referendum at the election, up one point since the last poll. 49% said they would vote against, down two points.

Mosque terrorist sentencing

The man responsible for the Christchurch mosque attacks will be sentenced on Aug 24. 🇳🇿

The America's Cup

The govt has two difficult problems to handle with The America's Cup.

The first, and most visible, is the emergence of a whistleblower complaint to MBIE by sports administration firm Mayo & Calder, relating to the governance and management of Emirates Team NZ and America's Cup Events. The two companies are conjoined in that ETNZ head Grant Dalton is ceo of both.

Dalton has claimed the Cup defence found evidence of 'spies' and 'intruders' who it said were sharing information with external parties. A \$1m payment to a Hungarian bank account occurred as a result of a cyber-security scam, and M&C have apparently raised questions about a repurposed \$3m loan.

A forensic investigator's report and recordings from board meetings have been suppressed by court order.

MBIE has suspended further payments of the \$40m it has agreed to tip into ETNZ/ ACE, with \$29m paid already. All up, central govt and Auckland Council spending for the Cup is budgeted to total around \$250m, with \$136m of that Crown funding.

The second problem is the obviously dampening effect the covid-19 pandemic will have on the co-benefits that have justified taxpayer backing for the Auckland defence.

Marineyard work will be far less than anticipated, with the majority of the superyachts that were booked to be in NZ for maintenance as well as Cup spectating now not expected to make the journey. Likewise, high-end tourism and potential investment by wealthy visitors will inevitably be curtailed.

That means the main remaining benefit to NZ Inc is the international media coverage of the event. However, as there are three distinct periods of racing - pre-Christmas, a Jan-Feb regatta, and then final racing for the Cup in March, there are concerns that international media will reduce coverage rather than undertake three sets of quarantine. Condensing the racing into one longer event could overcome that problem.

However, it would likely be a major headache for the tactics of both challengers and defenders who are the only parties permitted to alter the race dates.

Beehive officials insist that the govt is taking a hands-off approach. However, ministers are being encouraged to consider using the leverage that govt investment in the Cup should allow to improve the prospect of gaining maximum value from the remaining major benefit from backing the event.

It is unclear whether the reduced benefits could

allow the govt to bank savings. Most of the Auckland Council investment is already sunk cost.

Infrastructure

The govt will spend \$761m to upgrade ageing water infrastructure, but to get the money councils will have to agree to water management being taken over by new regional bodies. Councils will have to meet water standards overseen by a new regulator irrespective of whether they accept the funding and associated conditions.

The first 12 of so-called 'shovel-ready' projects were announced. A string of announcements throughout the regions will occur in coming weeks. The diversion of funds from the Provincial Growth Fund to this purpose has seen a range of PGF applications that been advancing put on hold.

Primary Sector

The govt will inject a further \$84m into its sustainable food and fibre futures fund and repurpose \$11.6m from the one billion trees fund into a forestry and wood processing initiative as part of its 'roadmap' for the primary sector. PM Jacinda Ardern said the funding will push existing and planned agriculture, fisheries and forestry schemes to more than \$3b, and aims to lift NZ's export receipts by an annual \$4.4b.

Biosecurity remains the top priority for agribusiness leaders, who say it's critical NZ learns from the covid-19 outbreak, according to KPMG's latest priority survey.

The average dairy price climbed 8.3% in this week's Global Dairy Trade auction - boosted by a 14% gain in whole milk powder. Fonterra is being cautious about whether it will affect the farmgate milk price.

Energy and resources

Meridian Energy and **Contact Energy** both announced deferral of new wind and geothermal generation projects in light of the Tiwai Point smelter closure. Contact said it would consider advancing closure of its Taranaki Combined Cycle gas-fired plant but keep operating two peakers on the site.

In a preliminary finding, the Electricity Authority said **Meridian** chose to reduce its generation and spill water late last year, which kept power flows moving to the North Island, thus holding up prices in the South Island and forcing more expensive generation to stay online. It is seeking submissions on its findings and what to do about the regulation breaches. Meridian said it was coping with flooding at the time.

NZ's natural gas reserves remain at about 11 years' supply despite a downgrade at the offshore

CORPORATE ROUND-UP

Pohokura field in the latest data. Estimated proven and probable reserves stood at 2,021 petajoules at Jan 1, down from 2,037 PJ a year earlier. NZ used about 178 PJ of gas last year. Govt data show reserve upgrades at other fields weren't enough to offset a 271 PJ downgrade at Pohokura, the country's largest gas field.

Transpower is proposing that the govt set up a fund for emission-reduction projects competing on the basis of the cost of the CO2 abatement they provide.

Trustpower is to seek a High Court judicial review of the Electricity Authority's transmission pricing methodology reforms, saying the changes don't establish clear benefits.

Banking, finance and insurance

The Local Govt Funding Agency hiked the debt ceiling for local council borrowers to 300% from 250% of revenue until 2022, freeing up capital for councils to manage out of the covid-19 crisis. This will ratchet down by 5% per year over the next four years, with a debt cap of 280% applying from 2026, allowing councils to borrow an additional \$2.35b.

Bankers Association data shows banks had lent \$121m to 664 businesses by June 30 under the govt's bank-administered \$6.25b Business Finance Guarantee Scheme. In contrast the IRD loan scheme, which started a month later, had lent \$1.51b to 90,485 businesses by July 3. The govt has earmarked \$5b for the scheme, which has been extended to the end of 2020.

Since March 26, when NZ went into lockdown, banks have lent \$12.6b in new loans to 21,875 businesses to June 30, up from \$7b on May 26. Banks have reduced repayments on another \$13.6b of existing loans to 13,295 businesses while deferments of all repayments were considerably smaller at \$1b in loans to 3,065 businesses. Banks have restructured loans worth \$7.4b to 2,846 businesses since March 26.

Bank profitability fell 20% to \$896m as bad debt provisions mushroomed, according to KPMG's Financial Institutions Performance Survey for the first three months of the year.

Kiwibank ceo Steve Jurkovich was elected chair of the Bankers' Association and. **ASB ceo Vittoria Shortt** was elected deputy chair.

Telecommunications, media & entertainment

Publisher **Stuff** is ceasing all activity on **Facebook** and its subsidiary **Instagram**. Stuff stopped advertising on Facebook after the Christchurch mosque attacks in and the company said it did not want to contribute to a platform profiting from

publishing hate speech and violence. It is trialling the full withdrawal to test the impact on its website traffic.

MediaWorks ceo Michael Anderson said he will leave at the end of the year and hoped to make an announcement over the sale of TV3 in the coming weeks.

Wholesale and retail

Kathmandu same store sales rose in the six weeks ended June 28 from the same period in 2019 with online channels leading the rise. Rip Curl sales rose 21%, with online sales jumping 151%. The Kathmandu brand lifted sales 12.5%, with online sales up 78% and retail sales up 2.2%.

Manufacturing and construction

The govt is **developing new law and policy to ensure building and construction standards reduce greenhouse gases and mitigate climate change**. The first of the Building for Climate Change initiatives to expand insulation and glazing requirements in new homes are expected to be consulted on in early 2021.


Fulton Hogan is warning of significant uncertainty for major infrastructure projects on both sides of the Tasman but has resumed share buybacks at \$15.50 per share, unchanged from the level it announced prior to a covid-related suspension of the scheme.

Auckland company **Manco Rail** won a contract to supply specialised equipment for two 15 kilometre rail tunnels being built under Sydney Harbour.

The **Puhoi to Warkworth** motorway is now scheduled to open in mid-May 2022 rather than Oct 2021 because of covid delays.

Service industries and healthcare

Fisher & Paykel Healthcare reported \$1.26b operating revenue in the 12 months ended March 31, up 18% on the year and 14% on a constant currency basis. Net profit was a record \$287.3m, up from \$209.2m year earlier. What was a good year already turned into a bumper one with unprecedented demand for its respiratory humidifiers in the last quarter. Since Jan it has hired 600 additional manufacturing staff locally, and at least 518 in Mexico. It also expects continued expansion as it ramps up production. Shortly after the results announcement the share price rise gave it a market capitalisation of \$20.46b - the first homegrown listed company to cross the \$20b threshold.

Pacific Edge shares more than doubled in value after its Cxbladder cancer test received the standard of care rating from the US Centres for Medicare and Medicaid Services. 

Last three weeks ahead

The govt went into legislative overdrive as the final days of this Parliament rapidly approach. The House is currently in the middle of a two week adjournment, when it resumes on July 21 there will be nine sitting days left.

As a result, there were three Urgency sessions and in addition to this the use of extended hours provisions. There will be more Urgency in the run up to the last sitting day scheduled for Aug 6.

Labour and NZ First required National Party support to pass fast-tracking consenting legislation for so-called 'shovel-ready' projects when the Greens withdrew support at third reading.

The Greens claimed a win with inclusion of climate change effects in amendments to the wider RMA.

- *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

District Court (Protection of Judgment Debtors with Disabilities) Amendment Bill - *Members Bill from Anahila Kanongata'a-Suisuiki (Lab) drawn from the ballot une 18. Amends the District Court Act to prohibit seizure of goods of a judgment debtor with a disability, where items are necessary for the debtor's care, support, or independence.*

Electoral (Integrity Repeal) Amendment Bill - *Members Bill from David Carter drawn from the ballot July 2. Reverses changes made by the Electoral (Integrity) Amendment Act 2018, the so-called 'waka jumping' law.*

Protected Disclosures (Protection of Whistleblowers) Bill - *Introduced June 24. Clarifies definition of serious wrongdoing, enables reporting wrongdoing directly to an appropriate authority at any time, strengthens disclosure protections for disclosers, clarifies public sector internal procedures. Includes public money spent by private sector organisations. First reading June 30, referred to Education and Workforce Committee with support of all parties.*

Fuel Industry Bill - *Introduced under Urgency June 30. Implements the govt's response to the Commerce Commission's market study on the liquid fuels sector. Regulates the wholesale market requiring petrol supply to retailers under regulated contract and rules on retail price advertising. Sent to the Finance and Expenditure Committee for report back by July 21 with the govt intending to pass it before Parliament dissolves.*

Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Bill - *Members Bill from Judith Collins drawn from the ballot July 2. Reforms the Unit Titles Act 2010, amending the information disclosure regime to prospective buyers, strengthens body corporate governance to increase the professionalism and body corporate manager standards, ensures planning and funding of long-term maintenance.*

Bills in progress

Education and Training Bill - *Introduced Dec 2. Second*

reading June 24 with National and ACT opposed.

Equal Pay Amendment Bill - *Introduced Sept 19. Establishes process for pay equity claims and prohibits pay differentiation based on gender. Second reading June 24 with all parties in support.*

Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill - *Introduced May 14. Reported back June 15 with minor changes after strong opposition from many foresters and others. Concerns the bill could breach NZ's international trade agreements. Second reading June 30 with Forestry Minister Shane Jones saying the bill would not result in price-setting, but equity of supply. National, ACT opposed.*

Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Bill - *Introduced Dec 10. Second reading June 24. National supports, but seeking committee stage amendments.*

Infrastructure Funding and Financing Bill - *Introduced Dec 12. Reported back June 24 with numerous changes including how levies are raised and applied.*

Land Transport (NZTA) Legislation Amendment Bill - *Introduced Dec 2. Reported back June 8. Changes include a delay in the commencement date. Second reading June 24 with all parties in support.*

NZ Superannuation and Retirement Income (Fair Residency) Amendment Bill - *Bill from Mark Patterson (NZF) introduced Oct 18. First reading July 1, referred to the Finance and Expenditure Committee, Greens opposed.*

Public Service Legislation Bill - *Introduced Nov 18. Second reading June 24 with National opposed. Supports intent, but says the bill lacks accountability mechanisms.*

Taumata Arowai - the Water Services Regulator Bill - *Introduced Dec 11. Second reading June 24 with all parties in support. Committee stage completed June 30.*

Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill - *Introduced June 4. First reading June 24. National and ACT opposed.*

Te Ture Whenua Maori (Succession, Dispute Resolution, and Related Matters) Amendment Bill - *Omnibus bill introduced Sept 19. Second reading June 24 with National supporting but seeking committee stage amendments, including treatment of landlocked property.*

Urban Development Bill - *Introduced Dec 6. Reported back June 10 with a numerous changes reflecting concerns from environmental groups, councils and the private sector. National reversed its support saying while it supported the concept, the bill was poorly designed and would create a number of problems including tipping the balance in favour of govt led development over the private sector. Second reading on June 24 with National and ACT opposed.*

Bills Passed/Failed

COVID-19 Recovery (Fast-track Consenting) Bill - *Introduced June 16, first reading under Urgency. Establishes a fast-track RMA consent process for named projects via referral to a board of inquiry with proscribed time frames, reduced consultation and reduced appeal rights. Bill has a two year sunset clause. Supported by all parties at first reading. Reported back from select committee on June 24 with minor changes. Second reading, committee stage and third reading on July 2.*

LEGISLATION

Opposed by the Greens only at third reading. National supported to allow passage.

Arms Legislation Bill - Introduced Sept 18, the bill is the second tranche of gun law and includes a firearm register and tighter licensing regime. *Third reading June 16 with National and ACT opposed.*

Auckland Regional Amenities Funding Amendment Bill - Private bill introduced Sept 12. *Committee stage June 17 and third reading July 1, supported by all parties.*

Climate Change Response (Emissions Trading Reform) Amendment Bill - Introduced Oct 24. Makes numerous amendments to the Emissions Trading Regime which have been previously announced. Primarily it phases out the industrial allocation of NZUs, introduces an auction system with the potential for a cap and minimum price for NZUs. Attempts to make forestry rules more user-friendly. A new policy is to legislate for the inclusions of biological agriculture emissions from 2025 as a backstop measure. First reading Nov 5 with just ACT opposed. Both National and ACT opposed the earlier than usual report back debate of April 2 from the Environment Committee. After delays was reported back on May 4 with a large number of technical amendments. The major substantive change was to give more ministerial discretion over the phasing out of the free allocation of NZUs depending on circumstances. Second reading on June 2. The govt made a number of amendments in committee stage on June 3 including deferral of aspects of the forestry changes, NZU fixed price options and auction system. National opposed saying while they agreed with the thrust of the Bill it should be deferred for a year due to the current economic climate. *Third reading on June 16 with National and ACT opposed.*

Greater Christchurch Regeneration Amendment Bill - Introduced Feb 19. Amends the Greater Christchurch Regeneration Act 2016 by repealing some extraordinary powers that are no longer required, disestablishing Regenerate Christchurch; and providing for the extension of some land powers. First reading March 5 with all parties in support and referred to the Governance and Administration Committee. *Reported back June 5 with minor changes. Second reading June 18, committee stage and third reading on June 24 with all parties in support.*

Land Transport (Rail) Legislation Bill - Introduced Dec 2. Amends the Land Transport Management Act and the Land Transport Act to bring the planning and the funding of the rail network under the those laws with a statutory three-year rail network investment programme prepared in consultation with KiwiRail shareholding Ministers with KiwiRail responsible for developing the investment programme and the delivery of rail activities. First reading Dec 17 with ACT and National opposed saying it showed the govt had given up all hope of KiwiRail becoming profitable. Sent to the Transport and Infrastructure Committee. Reported back on May 1 with mainly technical amendments. National MPs noted their continuing opposition. *Second reading June 18, Committee stage and*

third reading June 24. National and ACT opposed.

Privacy Bill - Introduced on March 20, 2018. Repeals and replaces the Privacy Act 1993, as recommended by the Law Commission's 2011 review of the Act. Overhauls and updates many provisions of the Act. Completed first reading April 11 and referred to the Justice Committee. All parties in support. Reported back March 13 with a large number of changes including on organisations' and businesses' requirement to disclose privacy breaches. The committee rejected submissions calling for a 'right to be forgotten'. Second reading completed Aug 7, 2019 with all parties in support. Committee stage completed June 3. *Third reading completed June 24 with all parties in support.*

Public Finance (Wellbeing) Amendment Bill - Introduced Sept 11. Requires the govt to report annually on its wellbeing objectives in the Budget and Treasury to report periodically on the state of wellbeing in NZ. First reading on Sept 17 with National and ACT opposed describing it as gesture politics. Referred to the Finance and Expenditure Committee. Reported back March 13 with minor changes. *Second reading on June 26, committee stage and third reading June 24 with National and ACT opposed.*

Racing Industry Bill - Introduced Dec 5. Completes reforms of the racing industry following a review setting up a new governance structure, a process to distribute the sector's property and a new regulatory regime for sports betting. First reading Dec 10 with all parties in support and sent to the Transport and Infrastructure Committee. Reported back June 8 with amendments, including changes intended to protect the assets of small racing clubs and preserve them for community use, and changes to the regulations covering overseas betting agencies. *Second reading June 23, committee stage and third reading June 24 with all parties in support.*

Resource Management Amendment Bill - Introduced Sept 23. Reverses various changes made by the last govt in 2017 relating to notifications and ministerial powers. Introduces a new process using freshwater commissioners to fast track councils' implementation of new freshwater plans, similar to the process used to speed up the Auckland Unitary Plan. First reading Sept 26 with National and ACT opposed saying many of the changes would make the law even more complex and increases costs and delays. Sent to the Environment Committee. Reported back March 30 with numerous mainly technical amendments. National minority report opposed the bill, particularly re inclusion of climate change as an issue councils should take into account under the RMA. Second reading completed on June 3 with National and ACT continuing to oppose. *Committee stage June 24 with a number of changes made including making farm environment reports mandatory and audited, and giving powers to collect information on nitrogen fertilisers. Third reading June 24 with National and ACT opposed.* 