

## Government seeks business re-engagement

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The government is rapidly changing what had come to be seen as a 'closed door' policy to business interests seeking more rapid progress on the economic problems created by NZ's successful covid-19 health response.

## Bubble soon?

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We expect the Cabinet to consider formal recommendations for opening the NZ border to Australian and South Pacific travellers at next Monday's meeting. There are already very clear warnings that a traveller who gets stuck in either country will be on their own.

## MIQ places would free up

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Far more MIQ beds will become available if the trans-Tasman bubble opens in the first fortnight of April, as appears possible. The government is mindful of the need for RSE workers, particularly for horticultural pruning, but also expects to prioritise NZers stuck offshore for prolonged periods. Pacific Island countries that don't allow their NZ-based RSE workers to return home will not be able to send RSE workers to NZ.

## Vaccine free-for-all by July?

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The government expects there to be enough supply of the Pfizer vaccine in NZ by the end of July for rationing based on population risk profiles to be no longer needed. It will be applying significant moral pressure on vaccine-hesitant groups to do their bit for the team of five million and are looking to employers to assist with that messaging and, potentially, vaccinating their wider families.

## 3 waters – the rubber meets the pipe

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The timetable of Nanaia Mahuta's hugely ambitious water services amalgamation policy is on track, but there are signs one or two large cities may not opt into the scheme, which might put the whole reform at risk.

## Housing affordability announcements next Tuesday

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Grant Robertson is expected to announce demand side policy responses to the housing unaffordability crisis next Tuesday morning. It remains to be seen whether the rhetoric of "hard decisions" can be translated into new policy actions that will have any material effect on current house prices.

## China stance hardening

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The joint Australia-NZ foreign ministers' statement criticising the new Hong Kong national security law is one marker of a pronounced shift in NZ's stance with respect to China, at a time when the US is asserting a desire to restore friendships and alliances allowed to atrophy under Donald Trump.

## Govt phone back on the hook?

Over the course of the last fortnight, the government has gone from looking as if it was unable to hear the changing mood on its response to covid-19 to seeking to actively listen.

How well it will do that, and whether its loudest critics in the business community drown out more constructive engagement remains to be seen.

For many ministers, the PM included, the cacophony of calls to reopen borders, respond to the need for skilled and unskilled labours, increase MIQ places and so on had become an irritant rather than a spur to action.

Now, vaccinations are rolling out strongly in some parts of the world – particularly the US – and there is increasing visibility on an end-point for the worst impacts of the pandemic. By the end of this year, or early next, some kind of normality will have returned to large parts of the globe, barring the arrival of new, vaccine-resistant strains or unexpected setbacks on the vaccinations themselves.

The relaunch in Auckland this week of NZ's contribution to the global Expo 2020 in Dubai – now scheduled for Oct 2021 to March 2022 – was one such harbinger.

This fundamentally changes the dynamic between govt and business on the covid response. We are now early in a post-covid emergence phase.

The most clear evidence of this is the sudden, arguably belated, urgency on a trans-Tasman bubble.

Meanwhile, the PM last night told a Business NZ audience in Auckland that businesspeople should “pick up the phone” if they have needs and suggestions for the government.

This will have been a frustrating message for some to hear. The phone has, effectively, been off the hook on some key issues for months and the impenetrability of parts of the covid bureaucracy – health and immigration stand out – is likely to remain an issue.

There was also a subtle message from the PM to business leaders taking pot shots, characterised by one senior adviser as “don't be dicks”.

The government is signalling a subtle shift: it realises it needs the help of the business community, particularly to ensure the vaccine roll out is comprehensive.

Offers by firms to, for example, set up vaccination stations at work that cover not only employees but their families and whanau would be embraced.

Politically embarrassing critiques, not so much.

After all – and irrespective of whether a change in

methodology affected the result – the PM's support levels took a substantial knock in the first OneNews Colmar Brunton poll, published this week.

At 42% preferred PM, she is not in trouble. She polled at around that level prior to covid-19 and only rose to stratospheric levels of support during the crisis.

## A unilateral bubble in April

Cabinet is expected to decide on Monday whether to create a trans-Tasman travel bubble by mid-April, if not sooner. The Easter break from April 2-6 appears just a few days too early, given Air NZ needs three weeks notice.

The PM remains cautious about giving a timetable, but Covid Response Minister Chris Hipkins said yesterday that the government would be talking a lot more about the bubble next week.

The failure of bilateral talks with Australia means the bubble will, in effect, be implemented on Australia's terms. NZ has become a ‘policy taker’, close observers say.

It is also clear that NZers and Australians caught on either side of the Ditch during a snap lockdown will be on their own. Neither airlines nor governments can be expected to meet their costs. This may mute the initial tourism impact, although less discretionary business and family reunification travel could be expected to resume swiftly, with pent-up demand in the first instance.

Removing arrivals from Australia from MIQ would also open hundreds of places for essential workers from elsewhere, especially if the Pacific is included in the bubble.

## MIQ implications of bubble

Perhaps the most welcome impact of a trans-Tasman bubble will be that it will free up large numbers of MIQ beds.

Australia has been by far the largest single source of international arrivals to NZ since the pandemic began, while being among the lowest sources of infected cases requiring isolation after crossing the border.

This may allow sectors such as horticulture, desperate for seasonal labour, to fill gaps with workers, particularly from the Pacific Islands. However, there is little evidence at this stage that government agencies are looking ahead to facilitate improved access for the wide range of skilled and unskilled worker shortages that a looser border could alleviate.

This is emerging as a next pinch-point in government-business relations.

**NZers stuck offshore in non-bubble countries should also have more chance of getting near-dated MIQ spots.** At present, there is a sub-culture of would-be MIQ queue-jumpers trading information on social media and attempting to second-guess the brief windows in which cancelled spots are reoffered to the swiftest responders.

## Vaccine roll out

Supplies of the Pfizer BioNTech vaccine are likely to be sufficient by the end of July for the government to drop the initial risk-based approach to prioritising who gets jabbed.

By then, a 'first come, first served' approach should be possible.

An array of human rights, health and safety and directors' duty issues will prove a difficult path to navigate when dealing with employees who are unwilling to be vaccinated.

The government is avoiding making hard and fast legal calls on the issues, but nor is there an appetite for letting people who don't choose to be vaccinated off the hook.

NZers have a far lower sense of threat from the virus than in countries where it has run rampant, accounting for high levels of vaccine hesitancy.

On the upside, high levels of trust in the government and the handling of covid to date suggest there are opportunities to convert hesitators. Communications research for the government suggests the most effective message is not that the vaccine is for self-protection, but that it is the way we all protect one another.

This plays into the established 'team of five million' message that worked well over the past year.

## Throwing each other under buses

Trans-Tasman relations have become increasingly fractious in the last fortnight. PM **Scott Morrison** appeared to throw his counterpart under the political bus by saying NZ was the one holding up the creation of a bubble.

"I'm happy for them to open it up as soon as the Prime Minister and her government would like to do that draft. If Australians can't go to Queenstown, I'm hoping they can go to Cairns," Morrison said.

His colleague **Peter Dutton's** reference to '501' deportees as "**taking out the trash,**" didn't help.

It would not be unreasonable to expect a face-to-face trans-Tasman PM meeting might be an early priority once the bubble is in place. While the wider trans-

Tasman relationship remains robust (*see Mahuta/China item*) the **relationship at a leader-to-leader level is at a low ebb** and Australian officials have been angered by the way the NZ government has characterised the progress of bubble talks.

## 3 waters – is reality about to bite?

Local Government Minister Nanaia Mahuta "a thousand cups of tea" strategy to convince councils that water services amalgamation is the best route to fund chronic underinvestment has seemed to be succeeding.

However, cracks are appearing.

Some are likely tactical. Auckland mayor Phil Goff has talked a big game about keeping Watercare in Auckland's hands and not wanting to subsidise other regions. However, the city's water needs are such that there would be advantages in taking the government funding that will flow to councils that accept the proposed reforms.

However, there are other cities that are far from convinced.

Christchurch, in particular, is emerging as a key possible hold-out against the reforms. It does not require anything like the investment in its drinking, waste and storm water systems as many other towns and cities, partly because taxpayer-funded upgrades post-quakes have left the city's underground infrastructure in better shape than many other parts of the country.

One of the key issues for councils being invited into the gov't's 3 waters amalgamation scheme is the fear their ratepayers will be forced to cross-subsidise upgrades for other places. The gov't hopes to overcome this by offering substantial Crown capital funding to all councils that allow their water services entities to be subsumed into a far smaller number of regional or semi-national water service businesses.

Those that don't come aboard would face the same pressure to upgrade their systems and meet the same regulatory requirements as the amalgamated national water entities.

This represents a substantial source of regulatory risk, since the exact shape and mandate of a proposed water services regulator has yet to be defined.

Note that while its functions may be akin to, say, the

### Ihumātao

The Treasury advised the government not to use funds earmarked to buy land for housing to purchase the contested Ihumātao site from Fletcher Building.

The land dispute had become an insoluble headache when Labour governed in coalition with NZ First. It cleared the issue - temporarily - post-election with the purchase. However, the site remains occupied.

Electricity Authority, close observers note that the water reforms are intended to produce cross-subsidy, whereas the EA's work on transmission pricing has been to try and make costs fall where they lie.

Given that inter-generational estimates of the upgrades required are running in the many 10s of billions of dollars, most councils are expected to prefer inclusion than holding out.

Meanwhile, Mahuta is signalling full steam ahead on her timetable, with decisions in principle imminent, including proposals for as few as three or four publicly owned water entities and a timetable for implementation in place ahead of next year's local body elections.

However, economic consultancy Castalia has advised Local Government NZ that it regards key elements of the modelling done for the government by the Scottish water authority – WICS – as having produced “implausible outcomes”.

In particular, Castalia challenges the WICS assumption that cost savings of as much as 30% could be achieved through aggregation and consequent scale efficiencies. Castalia points out that water systems are not subject to the usual economies of scale arguments as other networks. Water storage, pumping and pipes are not scalable in the way that electricity or telecommunications networks can be. Instead, new infrastructure close to use is the norm.

In addition, the needs of different communities can be met by different technologies. Christchurch, which does not chlorinate its water, would still have to meet drinking water quality standards by other, likely more costly means. However, the expectation is that local preferences will be able to be accommodated, provided standards are met.

In other words, local preferences are not necessarily over-ridden by having an amalgamated water entity. Rather, the costs and trade-offs of meeting nationally established standards will drive water services to improve.

Associate Health Minister Ayesha Verrall's announcement this week that the government intends to **shift authority for drinking water fluoridation to the Health Ministry** from local government may further inflame reaction in Christchurch, where anti-fluoridation sentiment has kept the city's water supplies untreated.

## Housing package next Tuesday

Grant Robertson is planning to announce the government's new package of housing affordability measures on Tuesday next week.

While he has talked about needing to make “tough

decisions” to alleviate house price inflation, this package is not primarily addressing supply, so can only seek to dampen demand.

Robertson's only hint has been to confirm that officials have been advising on taxation of vacant land and an extension of the ‘bright line’ test.

Other initiatives that might discourage residential property investment, such as applying thin capitalisation rules to highly geared purchases, would introduce significant complexity. Robertson has signalled a desire not to create “unintended consequences”, which could include excessive compliance costs. The IRD is already struggling to tax all realised property sale gains caught by the extended bright line test, now sitting at five years. Extending the test to 10 years is widely cited as an option.

This week's **IPSOS** poll found housing was the number one concern of 60% of the 1,000 NZers it surveyed in mid-Feb, which was a record-high for the survey and almost three times more than the next three largest concerns: poverty, the economy and healthcare.

The **Reserve Bank** is also targeting landlords and hoping to avoid penalising first home buyers with its moves towards tighter macroprudential controls. (*See more in Domestic Economy*)

## New polls

The first **1 NEWS-Colmar Brunton Poll** of 2021 recorded Labour with 49% support, down 4 points since the last in the series. **National** was 27% (up 2 points), **Greens** 9% (up 1), **ACT** 8%. **NZ First** 2% and **Māori Party** 2%.

But an **IPSOS** poll survey in mid-Feb found 63% of respondents gave the government a rating of between 7-10, which was down from 70% in Nov and 75% in May, but well above Labour's pre-covid levels of 44%.

## ‘Call Mr Fixit in again’

**Sir Brian Roche** is turning into cabinet's ‘go-to’ guy to be parachuted in to sort out a ministry in a mess.

Despite the popularity of **Ashley Bloomfield**, the **Ministry of Health** remains a source of political and operational stress for Cabinet.

The ministry's caution and apparent inability to execute quickly or innovatively is wearing thin with the ministers.

A recent example is Bloomfield's sudden backtrack on covid-19 saliva testing early this month. We understand this occurred after a direct intervention

from the PM, who visited the ministry's offices to make clear her expectation that saliva testing would be accelerated.

The health ministry has been waiting for months on tests from **ESR** on the efficacy of the open sourced Yale University test.

Officially, the hold-up is because NZ's incidence of covid makes collection of comparator samples difficult.

However, it also starts to look like institutional resistance, ineptitude or lack of urgency when compared with the success of private start-up Rako Science.

Now the government is bringing Sir Brian back with **Rob Fyfe**, Pacific public health specialist **Dr Debbie Ryan**, epidemiology **Professor Phillip Hill** and Māori public health expert **Dr Dale Bramley** in a standing advisory group to keep the Ministry and DHBs on their toes until at least next June.

The **covid-19 Independent Continuous Review, Improvement and Advice Group** will be run out of **DPMC's** covid-19 response unit and meet twice a month. The terms of reference emphasise the growing importance of **Juliet Gerrard**, the PM's Chief Science Adviser based at **Auckland University**. A delegate from her forum will sit in as an adviser on all the meetings.

## DHB reform – Cabinet papers this month

Health Minister **Andrew Little** has confirmed in select committee hearings that he is on track to take proposals to Cabinet by the end of March for the reform of the **DHB** system and says there is no change to his expectation that the changes can be decided within two years.

## Toughening line on China

The government is toughening its approach on China, firstly on Hong Kong and secondly towards China's use of slave labour in Xinjiang.

Foreign Affairs Minister **Nanaia Mahuta** and her Australian counterpart, senator **Marise Payne**, expressed deep concerns about changes to Hong Kong's electoral system in a joint statement.

The joint statement is significant as a signal that Australia and NZ are still able to cooperate in areas other than travel bubbles and deportations.

It also marks a shift away from using the **Five Eyes** as a vehicle for diplomatic statements. NZ was never comfortable about this and other members are

apparently coming to the same view.

Mahuta also made a point this week on Twitter of congratulating the leaders of the 'Quad', a revived security alliance of America, Japan, Australia and India, whose primary aim is China containment.

**Grant Robertson** was also focused on Xinjiang, asking officials for briefings on which NZ companies and government activities might be connected to the region. The request followed a Stuff investigation.

His comments also came as nearly 100 businesses called for a modern slavery law to encourage transparent supply chains to deliver ethical products to consumers. Some of the businesses on board include **The Warehouse Group, Countdown, Foodstuffs, ASB and Westpac**.

**After having a low profile, it appears modern day slavery will become an increasingly important supply chain and reputation management issues to consider.**

## Too explosive to send to MPs

National Party President **Peter Goodfellow** may be one of the early casualties of the party's post-mortem of its worst election result in 15 years. Parts of the report were shown to caucus members last week and were reported to include a recommendation for term limits for board members. Goodfellow has been President since 2009.

The internal review was deemed too dangerous to hand on in full to MPs and party officials in any form able to be passed on. Leaks bedevilled National's 2020 campaign. Collins said MPs would be able to read the report in private, but not hold on to it.

"What was really clear is there was disunity, particularly during the campaign. We need to talk about that within the party and the caucus. What we don't need to do is spend our time with public in the media navel gazing and worrying about ourselves," she said.

The dangers for the party were illustrated in that a letter summarising its contents was sent to MPs, and then passed on to media within minutes.

The email was quoted as saying there were many contributing factors for the result: "Chief among them the disunity, leaks and poor behaviour that severely impacted public perception of National as an alternative to the Labour government."

It said the review would not be published: "To do so would give our political opponents the much-needed distraction they want from us holding the government to account for its failings." ■

**DOMESTIC ECONOMY**

## Interest-only loans in the gun

Reserve Bank Governor **Adrian Orr** has indicated the bank could move to limit interest-only lending within weeks. But he said a Debt To Income (DTI) limit was less certain, given the potentially large effect on first home buyers.

“From a first principles concept, DTI would be more impactful, but more harsh on first home buyers,” he said. “Trying to finely target a blunt instrument, it’s trying to kill the fly with the mallet. It’s difficult, but being difficult is not an excuse not to try.”

Asked if he would ban interest-only loans for landlords, he said: “Too early to tell. That’s one of the first things: what role do interest-only loans really play? Is it largely the investors who are using them, and can we target a particular subset? Over the next few weeks – this isn’t going to take a long time – we’ll be talking about where they sit and what we do.”

Orr said the Reserve Bank needed to go back to the government for permission to use the DTI limit.

“The interest-only we can work with more clearly.”

An **International Monetary Fund** report singled out stamp duties and a capital gains tax as ways to reduce rental property investment and cool short-term demand.

## PAYE jobs fall first in 10 years

The PAYE-based measure of filled jobs fell almost 0.9% or 19,000 to 2.1m jobs in the Dec quarter from a year ago, its first year-on-year fall since the series began in June 2011.

Tourist areas in the South Island and Auckland were hit hardest. Queenstown-Lakes filled jobs fell 9.1% or 2,000 jobs from a year earlier.

The PAYE series differs from the Household Labour Force Survey in that it excludes self-employed people, employers and unpaid family members. The HLFs found jobs rose 19,000 or 0.7% to 2.734m.

## Cards stay in pockets

Kiwis’ spending fell across the board in Feb as yo-yo level three and level two lockdowns in Auckland and the rest of the country respectively hit sales. The absence of international tourists also had an impact, particularly in the month after the start of the school holidays when domestic holidaymakers had returned home.

There was a fall in electronic card spending between Jan and Feb 2021. Seasonally adjusted total electronic card spending fell by \$256m (3.2%).

## GDP falls 1% in Q4

GDP shrank 1% in the Dec quarter from the Sept quarter and was down 0.9% from the same quarter a year earlier. The result was below median forecasts, but the volatility wasn’t unexpected after the last year and NZ’s economy remained far healthier than most in 2020.

Australia’s economy was 1.1% weaker in the Dec quarter from the same quarter of 2019, America’s was down 2.4% and Britain’s was down 7.8%, according to OECD figures.

The Sept quarter gain was revised to 13.9% from the previously published 14% and GDP was down 2.9% in calendar 2020, largely because of the nation’s lockdown through much of the June quarter as part of the fight against the pandemic.

Seven out of 16 industries StatsNZ measures contracted, with construction, retail trade and accommodation seeing the biggest falls. They were offset by rising residential building activity.

The Dec quarter is traditionally the beginning of the peak international tourism season.

## Planning price increases?

ANZ’s preliminary survey of business confidence in March found falls in headline and own-activity measures, but also a rise in costs and pricing expectations. Against the trend, employment expectations rose sharply.

Economists pointed to a 2 point rise to a net 74% expecting higher costs, while a net 49% of firms planned to raise their prices, up 3 points. Inflation expectations rose from 1.76% to 1.95%.

The big question is whether firms will be able to pass on those prices, and whether the Reserve Bank chooses to ‘look through’ an expected inflation spike to 2.5% later this year.

The NZIER’s QSBO survey has consistently shown businesses planning price increases for coming quarters and then reporting in subsequent quarters they couldn’t follow through with higher prices.

Some prices are rising. House prices surged again in Feb, jumping 5.2% from Jan and taking the annual increase to 21.5%, the REINZ reported.

## First ever NZ carbon auction

NZ’s first carbon credit auction under the Emissions Trading Scheme sold all 4.75m units offered for \$36 each this morning, earning the government \$171m.

A total of 40 participants placed bids for more than 11m units, with 30 bidders successful. ■

## Banks, insurers and fund managers

The **Bankers' Association** and **FinCap** announced a new partnership with the banking industry contributing \$5m over five years to provide financial advice services.

Insurance Australia Group appointed **Amanda Whiting** as NZ chief executive to take over from **Craig Olsen** in August who will become executive for strategic projects.

## Energy and resources

**Infratil** is selling its 65.6% shareholding in **Tilt Renewables** at a substantial premium to recent valuations. The sale represents a \$1.93b payday for Infratil, which it says is a more than 99% premium on the \$704.1m carrying value of the stake recorded at Sept 30 last year. Tilt's Australian assets will be sold to Sydney-based **PowAR** and its NZ assets to **Mercury NZ**, which already owns 19.92% of Tilt after first investing in 2018. The transaction may have killed off the hostile takeover bid mounted for Infratil late last year by the **Australian federal superannuation fund**. The bid was presumed to be most interested in Infratil's Australian assets, of which Tilt represented a significant part.

The **Electricity Authority** is proposing to reset power prices on the electricity spot market for the period it found generators unnecessarily spilt water in Dec 2019. They calculate the behaviour artificially lifted electricity prices by \$80m over the three weeks which should be repaid. The regulator is now consulting on the proposed reset.

**NZ Oil & Gas** applied to relinquish the last petroleum exploration permit outside the Taranaki Basin as it was unable to find a drilling partner. The abandonment was widely reported as potentially the end of an era. Oil and gas deposits outside Taranaki have long been sought on a sporadic basis and are probably there, but they appear unlikely now to be attractive to long term investors.

**Contact Energy's** \$75m retail share offer was oversubscribed, with 18,677 of its 62,299 shareholders making an average application of \$12,300, or \$230m.

**Z Energy** lowered the top end of its earnings guidance range for the year to March 31 to between \$235m and \$245m. It previously forecast between \$235m and \$265m. Ceo **Mike Bennetts** said: "Markets, like jet, have yet to recover from covid and the most recent lockdowns have also reduced volume across Z's retail networks, especially in Auckland".

**Orion** appointed **Powerco's** ceo **Nigel Barbour** as ceo from July 1.

## Manufacturing and construction

The government suspended talks with **NZ Aluminium Smelters** about the closure of its Bluff smelter in 2024 until it can commit to cleaning up its landfill and 181,000 tonnes of spent cathode linings.

**NZAS** said it was conducting a closure study that would take several years and would release details "in due course." Options for the waste include exporting it, or using it locally, both of which have proved impossible until now.

The smelter's owner, **Rio Tinto**, took issue with the findings of a Treasury report, released to media, suggesting "extensive, irreversible" damage could result from a seawater breach of the waste dump on the site.

All 210 staff at **Whakatāne Mill** will lose their jobs, with the company confirming its closure. First Union is still hopes a new buyer could repurpose the plant and keep it running.

## Primary sector, food and beverages

**Fonterra** reported a 22% drop in its first-half net profit to \$391m mainly due to last year's results incorporating asset sales. It reported group earnings of \$657m, down 18% on the same period in 2021, and normalised net profit of \$418m. The normalised result excluded a \$50m loss on the disposal and downward revaluation of its **Beingmate** holding and a \$23m impairment reversal for China Farms. Fonterra said it will now sell its joint-venture farms in China, and it continues to reduce its shareholding in Beingmate, which on Jan 31 was sitting at 3.94% and is now 2.82%. It also signalled a review of the **Fonterra Shareholders Fund**.

**Rabobank** has lifted its farmgate milk price forecast by 80 cents to NZD 7.80/kgMS for the current 2020/21 season after a near 20% rise in wholesale prices in recent months on strong demand from China. Rabo says the high cost of producing milk in China has favoured importing NZ dairy products, in addition to importers seeking extra safety stock to help mitigate global shipping disruptions.

**Fonterra** continued to streamline its Chile operations merging **Soprole** and **Prolesur** into one entity. Previously, they were both publicly listed companies, now Soprole is the single listed company.

Severe labour shortages on Hawke's Bay apple orchards are forcing some smaller growers to only pick their fruit once a week during peak season. The **Hawke's Bay Fruit Growers Association** said growers are also struggling with increasing pay rates. In the past three years hourly rates at packhouses and contract bin rates for pickers increased at least

**CORPORATE ROUND-UP**

30%, with a further 15% increase this season.

**Zespri's** plan for dealing with Chinese growers who are illegally growing its NZ-bred fruit will be put to a vote. Last year, Zespri estimated unlawful Chinese plantings of the high valued fruit had doubled in just six months, to 4,000 hectares. It is proposing running trials with the Chinese growers. If this is not approved, they will look at other legal and political remedies. The vote will likely be held in June.

The government deferred the introduction of tougher rules around intensive winter grazing until May 2022 so farmers had more time to plan.

### Property

A Malaysian government-backed development venture announced plans to build a 21-level building above Auckland's Aotea Station of the **City Rail Link** once the underground rail station is finished in 2024. The \$452m development will occupy the space currently used by a car park on Mayoral Drive and Wellesley St and will include a mix of retail, commercial and residential space, including 60 residential units. Auckland Council's **Panuku Development** managed the sale of a 125 year lease for \$40m.

**Goodman Property Trust's** manager said the value of the trust's industrial properties has risen by \$415m, or about 12.5%, in addition to the \$140m revaluation recorded at Sept 30, meaning the portfolio should be valued at about \$3.8b at March 31.

**Kiwi Property Group** raised its earnings guidance as its retail tenants are performing better than expected. It now expects adjusted funds from operations will be between 5.5c and 5.6c in the 12 months ended March 31, up from its Nov guidance of 4.9c to 5.15c.

### Service industries and healthcare

Doctor-owned IVF group **Fertility Associates**, which has 70% of the NZ market and smaller operations in Malaysia, was put up for sale by its advisers **Rothschild** and **Cameron Partners**. Fertility Associates has five fertility clinics and laboratories in NZ and 13 regional consulting clinics.

It is forecast to generate NZ\$44m of revenue and \$14m EBITDA this financial year, while its Malaysian arm was on track for \$8m of sales and \$3m of ebitda. The AFR reported Australia's **Virtus Health** and **Monash IVF** were potential buyers, along with the **NZ Super Fund**, which bought **Healthscope** last year, and **Infratil**, which bid unsuccessfully for Healthscope.

**Summerset** has bought a third site in Victoria, to build a \$170m retirement village.

### Telcos, media and entertainment

Australian-based **Vocus** postponed its plan to spin off its NZ operations through an **NZX** listing before June 30 after the group agreed a A\$3.5b deal to be bought by **Macquarie Real Assets and Infrastructure Management** and **Aware Super**. Vocus ceo **Kevin Russell** said the NZ float was still likely in the second half of 2021, or the new owners would contribute new capital.

NBR publisher **Todd Scott** announced he is moving to Fiji for a year in three weeks' time and is abandoning Twitter. The often hot-headed owner last week used the social media platform to promise to "take down" a former IT supplier and called former Cabinet Minister **Steven Joyce** a "miserable loser" and to "pay up" after losing a defamation case against NBR.

### Capital markets

Investment house Jarden brought its derivatives and FX broking unit OMF inhouse, ditching the name after just over two years, and is rebranding Direct Broking to Jarden Direct.

Nasdaq-listed Bentley Systems is buying Seequent for US\$1.05 (NZ\$1.46b) with US\$900m in cash and 3.1m class B shares – trading at US\$44.80.

Vend has been acquired by Canadian point-of-sale system company Lightspeed for approximately US\$350m. The combined companies annual sales will be more than \$10b.

### Courts, legal and regulation

The **Commerce Commission** is seeking feedback on its draft decisions to retain regulation for three telco services: number portability, fixed PSTN interconnection, and mobile co-location.

**Inland Revenue** said it will crackdown on real estate agents who under-report their income or overstate their expenses in order to pay less tax than they should. The tax department said the industry was the next focus of its ongoing enforcement work to target the "hidden economy."

### People moves

**FMA** ceo **Rob Everett** announced he would resign towards the end of the year. The board is conducting a search.

**Oceania Healthcare** chief executive **Earl Gasparich** resigned to replace **Glen Sowry** as CEO at Metlifecare. Oceania appointed chief financial officer **Brent Pattison** to the role of acting CEO. ■



## Market power bill introduced

The Bill would strengthen section 36.

- *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

**Commerce Amendment Bill** - Introduced on March 10. The Bill's amendments include strengthening Section 36 around the misuse of market power to align the law with Australia. It prohibits explicit conduct by persons with substantial market power that has the purpose, effect, or likely effect of substantially lessening competition. It also; repeals safe harbours for intellectual property, provides that cartel provisions in covenants are to be treated the same as those in contracts, increases the maximum pecuniary penalties for anti-competitive business acquisitions to align with those relating to anti-competitive agreements and increases the maximum number of Commerce Commission members from 6 to 8.

## Bills in progress

### Building (Building Products and Methods, Modular Components, and Other Matters) Amendment Bill

- Introduced on May 12 2020, the Bill is part of reforms of the building regulatory system. It places minimum requirements for information on building products, a new framework for modular components and strengthens the product certification scheme. First reading on May 27 and referred to the Environment Committee with the support of all parties, though National MPs expressed concerns about some issues including the levy proposed. *Reported back on March 4 2021 with mainly technical changes.*

**Child Support Amendment Bill** - Introduced on March 11. Simplifies penalties, introduces payment of financial support by compulsory deduction, imposes a time bar of 4 years, and inserts a definition of income. *Reported back on March 4 with technical amendments. Also changes to penalties and write-offs for overdue child support.*

**Gas (Information Disclosure and Penalties) Amendment Bill** - Introduced on March 11. Sets up a regulation regime for the public disclosure of information on gas supply outages for suppliers and major users. First reading on May 27 and sent to the Economic Development, Science and Innovation Committee with the support of all parties. *Reported back on March 1.*

### Holidays (Bereavement Leave for Miscarriage)

**Amendment Bill** - A Bill in the name of **Virginia Andersen** drawn from the ballot on Aug 9 2019. This bill would make it clear the unplanned death of a foetus constitutes grounds for up to 3 days bereavement leave for the mother and her partner or spouse. First reading on Dec 10, supported by all parties and sent to the Education and Workforce Committee. *Reported back on July 27 2020*

with minor changes. Second reading on July 29 with all parties in support. *Committee stage completed on March 10 2021 with all parties in support.*

**Organic Products Bill** - Introduced Feb 27 2020. The Bill proposes a regime to regulate organic claims and the businesses that make them. First reading on March 19, supported by all parties and sent to the Primary Production Committee. *Reported back on March 1 2021. The committee recommend changing the title of the bill to "Organic Products and Production Bill". The committee also expressed concern about the compliance costs in the regime and urged ministers to take care in the design and application of the regulations.*

### Overseas Investment Amendment Bill (No 3)

- Introduced May 14 2020. Changes include a higher threshold for acquiring farm land, enabling decision makers to consider the impacts of investments involving water bottling or bulk water extraction for human consumption on water quality and sustainability, greater recognition for Māori cultural values, requiring investors to disclose information relating to their proposed investment structure and introducing a regulation making power to respond to future emergencies. *Reported back on March 4 2021 with changes removing the consent requirement for investors who make only small incremental investments that do not result in a change of control and changes to the national interest test due to its over-application.*

### Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Bill

- The Bill reforms the Unit Titles Act 2010 including amendments to the information disclosure regime to prospective buyers of units, strengthens body corporate governance arrangements to increase the professionalism and standards of body corporate managers, and to ensure that planning and funding of long-term maintenance projects is adequate. *First reading on March 10 2021 with the Bill now in the name of **Nicola Willis**.*

## Bills passed

**Climate Change Response (Auction Price) Amendment Bill** - Introduced on Feb 5 2021. The Bill enables a confidential reserve price to be set for auctions in the Emissions Trading Scheme to ensure NZ Units sold at auction are not sold below the secondary market price.

**Food (Continuation of Dietary Supplements Regulations) Amendment Bill** - Introduced on May 12 2020. The Bill extends the expiry of the Dietary Supplements Regulations 1985 to 1 March 2026.

### Local Electoral (Māori Wards and Māori Constituencies) Amendment Bill

- Passed through remaining stages under urgency on Feb 23 opposed by National and ACT.

**Misuse of Drugs (Medicinal Cannabis) Amendment Bill (No 2)** - Voted down with just National and ACT in support. 