

Brace for it

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The government returned from its summer break with a sobering warning to voters and business owners alike: get ready for an inevitable and intense omicron outbreak that will put supply chains and the health system under extreme pressure. It promised not to return to wide lockdowns. The possibility that whole nation could go 'red' before the end of this month cannot be discounted.

The new plan: just like the old one in one key respect

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Despite the change of variant and the acceptance that elimination and suppression cannot contain omicron, the government's wider strategy remains the same as for 2020 and 2021. It is prioritising health over the immediate economic effects of anti-covid measures, betting that the smallest number of cases and deaths will lead to the smallest economic shock.

But there are still big gaps

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After weeks of sniping over a lack of intensity of preparation, the government returned to business this week with announcements about the use of the traffic light system and previews about announcements next week. There remain big unanswered questions about the availability of rapid antigen tests and which essential workers will be forced to stay at home if they are in close contact with omicron cases.

The border's future remains in doubt

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One feature of the government's early response has been to buy itself time to keep the border closed beyond the end of Feb, which was its extended deadline set just before Christmas. MBIE announced the cancellation of a planned allotment of new MIQ slots for March and April, arguing extra omicron cases arriving at the border and the need to be ready to deal with local cases meant there was no room if the shift to MIQ-free travel was delayed again.

Inflation pressure builds on Reserve Bank

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The Reserve Bank could be staring down the barrel of an annual inflation rate of 6.0% as soon as next week, ramping up the pressure for it to more aggressively clamp down on inflationary expectations with bigger and faster rate hikes. ANZ even suggested a 3.0% OCR may be necessary by early next year, which would spike fixed mortgage rates to 6.0% in short order.

Rate hikes set to roll out as house prices fall

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A tightening of lending rules by the Reserve Bank and the surprising contractionary effect of new consumer finance affordability testing rules led to a cooling of the housing market in Nov and Dec. Prices actually fell 1.0% in Dec from Nov, creating the unappetising prospect for both the economy and the government of house prices falling through 2022 into an election year. ANZ forecast prices could fall 7% this year.

Regulatory help beckons for the banks

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One measure ministers are likely to take within months is a tweak in the new CCCFA rules, blamed by bank lending managers for a 20-to-30% reduction in home loan approvals in Dec. Ministers are open to regulatory fixes to the CCCFA changes.

How soon till NZ goes to 'red'?

Businesses should be planning for NZ to be at the 'red' setting on the traffic light system from as early as **the end of next week**.

We are not saying that this will necessarily be the timeline on which the inevitable omicron outbreak in the NZ community occurs. However, with the virus detected in Palmerston North in an individual who interacted extensively in the community and with about two border failures a week involving omicron, the preconditions for an outbreak are in place.

A range of respected pandemic-watchers we have spoken to believe, at the very least, that it is likely that a full-blown omicron outbreak could be under way by the end of the month – ie, within the next 10 days.

Peak in early March?

Outbreak modelling is an imperfect science, as the PM made clear this week when she stressed the government's omicron response is made more cautious because modelling results are so variable.

The latest publicly released guess at the future was published this morning on the **Otago University Public Health Experts** blog, and "suggests that in an outbreak that begins in Jan, the number of cases in hospital **might peak** at 2,790 (95%CI: 120 to 9,070) in **early March 2022**".

"Cumulative additional deaths might be 400 by **1 May, near the end of the outbreak** (peaking at 10 deaths per day [95%CI: 0 to 50])."

The analysis admits "various limitations and uncertainties with all such modelling", which comes from Institute of Health Metrics and Evaluation at the University of Washington, which is analysing omicron trends globally.

Auckland's DHBs are preparing for upwards of 1,800 new cases per day and 190 covid patients in hospital at any one time. Modelling done for DPMC and leaked to Maori TV suggested up to 50,000 cases a day were possible, which would overwhelm the hospital system.

No plan for omicron? More like more of the same

This week's announcements on how the government will approach the inevitable omicron outbreak underlines the extent to which its **bedrock approach to covid management remains the same as it has been since adopting the elimination strategy in March 2020: that a health first response gives the best economic outcome**.

The **tactics for dealing with the virus itself have changed** since then. NZ moved to **suppression for the Delta variant**, abandoning elimination in about Aug last year, although it made a hash of communicating that decision, with attendant angst. What no one foresaw then was that suppression would be so effective Delta has in fact been all but eliminated in most parts of NZ outside Auckland.

This outcome – along with the fact that the slow start to national vaccination was overcome and NZ is now highly vaccinated compared to other countries – has made the **government increasingly confident about not only the quality of its response, but also its command of the public communications agenda**.

This is **widening the disconnect between ministers and the business community**, where frustration and fear about weak trading conditions is stoking a lot of anger.

While Grant Robertson expects 2022 to be a difficult year for businesses, **the government is soaking up the widespread criticism that it "went to sleep" over the Christmas holidays** and instead congratulating itself on delivering the second covid-free summer in a row – something most other countries cannot claim to have achieved. The **mood at this week's caucus retreat was self-congratulatory** after delivering a covid-free summer break it had promised.

This week, the **tactics for covid management have gone through another major change to a mitigation focus**: the inevitability of an outbreak is accepted. It will concentrate instead on using the short remaining window before it occurs to increase booster shots and to vaccinate 5-to-11 year olds.

We are **now into 'flattening the curve'** of the outbreak to take pressure off the hospital system, rather than trying to stop the virus arrive at all, which Jacinda Ardern this week described as "nigh on impossible".

An inevitable tidal wave

Messaging that portrays the outbreak as "inevitable" and involving the potential for a "tidal wave" of cases that the government will seek to reduce through vaccination and the traffic light system, is **calculated to coincide with the return of most NZers to work**.

It is notable that, **so far, there has been little of the angst that accompanied the abandonment of elimination**, suggesting both that a broad swathe of the population is more accepting of the inevitability that virus mutations rather than government edicts will dictate the future.

There is also perhaps an underlying sense of

optimism that omicron could sweep away most of the restrictions that are keeping NZ locked off from the rest of the world.

After the ham-fisted postponement of the March and April MIQ ballots earlier this week, Chris Hipkins has regularly repeated that there will be **no point in balloting MIQ spots if MIQ no longer exists for arriving international travellers by March.**

That seems a very real likelihood from at least some destinations, with self-isolation at home being implemented instead and MIQ capacity being repurposed to deal with domestic omicron sufferers who are either unvaccinated or cannot self-isolate.

Using the traffic light system also removes some of the social strain – and attendant political downside – of regional or national lockdowns, which will become a thing of the past once covid is prevalent in the community.

While businesses will struggle to operate with large numbers if they have large numbers of critical staff unwell and unable to work, individuals who are well will still have the option to shop, eat out, go to the cinema or sports games and other entertainment.

However, the evidence from offshore is that the retail, hospitality and entertainment sectors are likely still to struggle because fear of omicron will encourage many to work from home or to avoid unnecessary social mixing. **After two years, it seems we have taught ourselves to be cautious when ‘living with the virus’.**

At this stage, there is no intention to reinstitute the wage subsidy, but the **current covid response policy to cover up to five days’ leave for employees who are ill or required to self-isolate will remain in place** and consideration of further possible assistance for some sectors is always possible.

A key factor in the disruptions to supply chains will be how graduated the rules are for self-isolation. Truckers and retailers are calling for a higher bar for self-isolation for drivers and shelf-stackers to avoid the empty shelves seen in Australia.

Australia even looked at lowering the age for forklift drivers to 16 to deal with shortages.

The PM has signalled new **‘graduated’ testing and self-isolation rules**, to be announced next week.

RATs: vaccine rollout redux

One other repeat aspect of the government’s response to omicron is the **lack of preparedness to roll out rapid antigen tests to the wider populace.**

Its communications to business have been low-key and we understand that of several hundred

applications to import any of the six approved tests, only a trickle have been approved.

Repeated claims by ministers that there has been substantial engagement with business groups on business continuity and omicron preparation are causing surprise among key contributors who have had **very little or no ministerial contact since before Christmas.**

What no one can do yet is simply buy a RAT over the counter at a pharmacy.

This feels very like a repeat of the slow vaccine rollout, which caused huge political fallout for the government in the third quarter of 2021, but which was solved when – against the odds – NZ quickly became one of the most highly vaccinated countries in the world.

The **government will now be pulling out the stops to try and find RAT supply that is equal to skyrocketing demand.** It seems clear that its intention to announce next week a “graduated” system for access to government-funded RATs is in fact a form of rationing unless or until sufficient supply can be secured.

What about the border?

Businesses **should not expect the government to move quickly to reopen the border** for as long as there are still large numbers of NZers who have yet to have their booster shots.

In theory, by the end of Feb, some 82% of vaccinated adults will have been eligible for their booster. Vaccination of children will continue at pace in the intervening six weeks as well.

Nor is there sympathy for allowing omicron to escalate quickly in the interests of it peaking fast before falling away to allow a faster ‘return to normal’. The ‘health first = optimal economic outcome’ mantra continues. **Public sentiment also still strongly backs this narrative, so it delivers the best political outcome as well.**

The government’s messaging is more proactive about what is coming at us, and there is perhaps a greater public understanding that it is possible to pivot to a new approach to virus containment and still have a successful covid strategy. This may be a stronger sentiment outside recently locked down Auckland.

Having the very large numbers of people fall ill also risks exacerbating the precautionary ‘stay-at-home’ factor noted above.

Coming up ...

Feb 8 - Parliament resumes for its first two-week sitting block of the year.

March 1 - Current scheduled beginning of MIQ-free travel for NZ residents returning from Australia

May 14 - Expected date of Australian Federal Election

May 19 or 26 - Expected dates for Budget 2022

Australian retail, hospitality and retail is reported to be suffering worse turnover at present than it experienced during earlier phases of lockdown. Wesfarmers, which owns Bunnings Warehouse and K-Mart, issued a sales warning for early January last week.

The bottom line: no matter that the omicron variant is different from those came before. The immutable – and now well understood and highly publicly supported – bedrock of the policy is that the economy does better if health outcomes are prioritised.

Regulatory fix likely for banks

Another feature of the political and economic debate early this year has been the **surprising disruptions to mortgage lending decisions through Dec and Jan** after the Dec 1 beginning of the new Credit Contracts and Consumer Finance Act (CCCFA).

The little-heralded changes force bank lending managers to be much more forensic in their affordability inquiries for lending.

Designed to stop loan sharks loading up low-income people with unaffordable personal and car loans, the legislation has ended up freezing mortgage lending decisions as loan managers are now personally responsible if a loan is deemed unaffordable.

A similar push to force tougher affordability tests in Australia backfired in 2019 when a court ruled the regulator there, ASIC, had overstepped the mark in ruling against \$900m worth of automated lending decisions by **Westpac Australia**.

The so-called 'wagyu and shiraz' ruling, named after the deciding judge ruled his own restaurant-meal-buying habits could not be assumed to be permanent, has seen many of Australia's more invasive affordability checking practices dropped.

Banks warned the government about the risks of a lending freeze before the passing of the legislation, but the resulting 30% drop in lending approvals, as measured in Dec by **Centrix**, has spooked mortgage brokers and forced the government to take another look, particularly as it has **coincided with a slow-down in the housing market and a 1.0% drop in house prices in Dec from Nov**.

Commerce Minister David Clark has ordered Treasury, the Reserve Bank, the FMA and the Commerce Commission to accelerate its review of the way the banks have interpreted the CCCFA.

Banks are hopeful ministers will be able to direct regulatory rather than legislative fixes to reopen the lending taps.

Ministers are, however, wary of being gamed by banks who may be using the Dec 1 start of the CCCFA as a handy whipping boy for lending refusals more closely linked to the banks' own risk appetites and the Reserve Bank's Dec quarter tightening of Loan to Value Ratio requirements.

Banks were still close to the 10% speed limit for high LVR lending at the end of Nov and are seen wanting to crunch that share down to 5% quickly, which a rash of blanket refusals of lending to first home buyers and investors with non-standard requirements would do.

Mortgage brokers report bank refusals after queries about eating out, lotto ticket buying, holiday spending and family-starting plans.

Just briefly ...

NZ Defence force planes and ships were mobilised to survey damage and deliver aid following the eruption of a volcano in Tonga and the following tsunami. Communications with Tonga were limited after the submarine cable was broken by the eruption.

The NZ response to the Tongan disaster is seen as an early test of the renewed emphasis in last month's defence strategic review on NZ playing a decisive role in the Pacific, where competition with China, in particular, is creating geo-political challenges.

Meanwhile, an **NZ Defence Force and Police** deployment to help restore stability to Solomon Islands was scaled down and extended. The initial deployment followed riots and looting in capital Honiara late last year. Five NZ Defence personnel will remain in Honiara up to March 31 2022. Four Police personnel continue their long-standing advisory support.

National questioned Associate Immigration Minister **Phil Twyford's** decision to grant residence to a former vice-president of Afghanistan, **Sarwar Danish**. Danish and 13 family members arrived in NZ from Turkey after the government offered them safe haven. National questioned why Danish had received a visa when those in more danger, including a number who served with the NZ Defence Force, have not been allowed entry.

Officials recommended against \$85m govt in spending to revive **KiwiRail's** heavy-engineering workshops in Dunedin in the 2021 budget, an OIA release showed. However, ministers pushed ahead as the promise to revive Hillside workshops was a Labour Party Manifesto commitment intended to increase regional economic development. There is no sign yet of a new CEO for KiwiRail. 🏗️

Inflation pressure builds

Economists are expecting next week's Dec quarter CPI inflation figures to show an acceleration in the annual rate to as high as 6.0% from 4.9% in the Sept quarter. They see this increasing the pressure on the Reserve Bank to hike the Official Cash Rate again, possibly by as much as 50 basis points to 1.25% in the next decision, on Feb 23.

Pressure from rising energy, housing, building material and transport costs is lighting a fire under inflationary expectations and increasing demands for a harsher clampdown by the central bank.

This week, ANZ's economists lifted their forecast track for the OCR by 100 basis points to 3% by early 2023, citing the rise in inflation pressures and the risk of an expectations breakout triggering wage-price spirals. Most market forecasters and the Reserve Bank had been expecting the OCR to peak closer to 2.5% and not until late 2023.

ANZ pointed to the risk an extremely tight labour market could shunt wage inflation towards 5% as unemployment kept falling, possibly below 3.0%. However, the latest Westpac McDermott-Miller measure of labour market sentiment found reducing expectations of wage increases.

The wholesale market for two year swaps, which is the basis for pricing two year fixed mortgage rates, rose more than 20 basis points to over 2.5% this week after the release of ANZ's forecast change and ahead of next week's CPI figures.

A rise in swaps rates over 3% would rapidly see new two-year fixed rates of close to 6%, up from under 5% currently.

"Our updated view is not based on a belief that growth will be going gangbusters," ANZ's economists said. "The housing market appears to be coming to a very sudden stop; households are facing significant cost-of-living stresses and have subdued confidence; a shortage of workers and materials is hampering production; and omicron is knocking on our door," they acknowledged.

"But the reality of a prolonged negative supply side shock is that even modest growth can stretch resources and cause inflation. The trade-offs are unpleasant and there's no way around that."

The political pressure from the real wage deflationary shock is also building, particularly for renters.

Rents for new residential tenancies nationwide rose by 5.8% in the year to Dec, according to Stats NZ. The increase across the entire rental market, including existing tenancies, was 3.7% annually.

QSBO sees tight labour market

The NZIER's Quarterly Survey of Business Opinion conducted in Nov and early Dec showed extreme shortages of both skilled and unskilled labour, particularly without any imminent prospect of the borders opening more broadly to migrant labour.

This combined with doubts about omicron to drag down business confidence in the Dec quarter.

A net 34% of firms now expect general economic conditions to deteriorate versus a net 11% pessimistic in the prior survey. The manufacturing sector was the most downbeat, with both domestic and export demand weakening, although the BNZ-Business NZ performance of manufacturing index for Dec showed a 2.5 point improvement on Nov, at 53.7.

The QSBO found soft sentiment in the retail sector, but demand has so far been resilient. Retailers have largely been able to pass on increased costs to customers by raising prices.

The NZIER survey found a net 73% of businesses said they were having issues finding skilled labour. On the unskilled side, a net 60% reported trouble versus 52% in Sept.

A Lincoln University study said Canterbury will need 10,000 new workers a year to fill the labour gap left by covid-19 and border restrictions.

Cost inflation is also extreme. A net 61% in the NZIER survey reported increased costs in the Dec quarter, the highest level since June 2008. Cost pressures were particularly intense in the building and retail sector, likely reflecting the effects of global supply chain disruptions. Over half of businesses raised prices in the Dec quarter and a net 65% plan to raise them next quarter.

But retail spending tepid

Despite rising incomes and the release of Auckland's lockdown just before Christmas, spending in the festive season was mild. After adjusting for seasonal effects, total credit and debit card spending in Dec increased by just 0.4% from Nov.

House prices start falling

Annual house price inflation slowed to 23.3% in Dec from 27.2% in Nov and the main measure of prices showed a monthly fall. The Real Estate Institute reported its House Price Index fell 1.0% across the nation in Dec from Nov and a fell as much as 3.1% in Auckland City in the month.

The index fell 0.5% in seasonally adjusted terms and fell quite a bit more in some areas.

Auckland City fell 3.1% and Porirua and Lower Hutt fell 2.9% and 2.6% respectively. ■

Banks, insurers and fund managers

Commerce Minister **David Clark** has asked the Council of Financial Regulators, which includes the Reserve Bank, the **Treasury, Financial Markets Authority, MBIE and Commerce Commission**, to bring forward a scheduled investigation into “whether banks and lenders are implementing the CCCFA as intended.”

Gale force winds and storms in Sept resulted in insurers paying out \$36.5m on claims, more than double initial estimates. The claims lifted the total for all weather events in 2021 to a record \$321.6m.

The **Reserve Bank** wants to make bank auditors’ reports more readable. It is consulting on changes, saying current requirements result in assurance reports that are complex and hard to read.

Harmoney reported its lending reached \$557m, up 19% on the previous first half, with Australian new customer originations growing to A\$71.4m (NZ\$75.6m) and surpassing NZ new originations of \$53.6m. Its Australian receivables book rose to A\$185m, up 83% on the previous first half and up 37% from June 30. The NZ book reached \$363m.

The **Reserve Bank** and the **Financial Markets Authority** finalised a framework for overseeing financial market infrastructures.

Energy and resources

Consultation is underway on how NZ should maintain its strategic fuel reserves after the closure of the Marsden Point oil refinery later this year. Among the options is requiring fuel companies to increase the reserves they must hold through their own funding.

The **Electricity Authority** said it was looking at the reasons behind high wholesale electricity prices in the first weeks of 2021.

Primary sector, food and beverages

ASB raised its **Fonterra** milk price forecast for the current 2021/22 season by 35c/kg milksolids to what would be a record-high \$9.10/kg after whole milk powder prices rose 5.6% in the the second fortnightly **globaldairytrade** auction of the year this week.

That’s above the current Fonterra forecast range of \$8.40-\$9.00/kg and last season’s \$7.74/kg cash payout. The previous record high cash payout was \$8.40/kg in 2013/14.

That implies a \$2b increase in cash returns to dairy farmers from last season to at least \$13.65b, and would be despite hot, dry weather reducing expected production by 25m tonnes to 1.5b tonnes.

Production in other key regions such the EU and US

is similarly sluggish. **Westpac** has also confirmed its 2021/22 farmgate milk price forecast at \$9/kg.

Gold kiwifruit made up 47% (\$1.9b) of total fruit export value in the year to Nov, while green kiwifruit made up 23% (\$923m). Both increases were quantity driven, with prices falling compared with a year ago.

Apple exports fell 7.2% in value, with quantities down 11% this season. China is the top export market for apples, overtaking the EU for the 2021 season.

A government report extolled the potential to increase ice cream exports on the back on NZ branding and various trade deal benefits. NZ exported about US\$36m of ice cream in 2020, 0.3% of the US\$11.2b in dairy exports.

Rua Bioscience shareholders signed off the \$10m equity purchase of cannabis firm Zalm Therapeutics.

Property

Christchurch private equity firm **The South Island Office** has bought 322 hectare piece of land at Wanaka to secure it for the would-be film studio developers. The South Island Office partner **Rob Farrell** said NZ Trade and Enterprise asked in early December to see if it could put together a deal quickly to make sure **Silverlight Studios** didn’t miss out on the site. SIO bought the land for a confidential price and reached a deal that clears the way for Silverlight to press ahead with its ambitious plans to build a \$280m studio in the upper Clutha township.

Retail and wholesale

The **Warehouse Group** warned its first-half net profit would be sharply lower from a year ago on higher costs, supply constraints and the impact of covid-19. Based on actual sales for the first five months of the financial year to Jan 2, the group expected adjusted net profit for the first half of the year to exceed \$40m, compared with \$111m in HY21 and \$46.2m in the first half of the 2020 financial year. The cost of doing business was expected to be \$35m higher in the half-year, reflecting higher store labour costs, increased investment in The Market and an increased digital spend. The covid-related impact, meanwhile, was expected to generate additional costs of \$10m to \$12m.

Kimbyr Investments, the NZ operator of major retail chains including **Just Jeans, Smiggle and Peter Alexander**, more than doubled its net profit to \$21.2m in the 53 weeks to July 31, 2021, from \$9m in the previous year. ASX-listed **Premier Investments** NZ unit’s revenue rose from \$133.8m to \$171.8m and gross profit improved from \$75.5m to \$105.9m.

Michael Hill International reported sales were up 9.8% in the quarter ended Dec 26 despite

considerable disruption to trading due to covid lockdowns. Covid restrictions resulted in it losing a combined total of 2,381 of store trading days, compared to just 1,551 in the prior quarter. Unlike The Warehouse, which saw its margins fall on higher costs, Michael Hill said it had grown margins by “200 to 300 basis points in all markets and channels”

Meal-kit company **My Food Bag** reported sales in the quarter ended December were up 15% thanks to the success of its Christmas Box, but earnings guidance would remain unchanged. Sales of the holiday special were up almost 12% from the prior Christmas.

Service industries and healthcare

Ebos Group asked the **Commerce Commission** for clearance to buy the NZ arm of the **LifeHealthcare** business. Last month, Ebos announced it was buying medical products distributor LifeHealthcare for about A\$1.17b. It noted the commission will give clearance to a proposed merger “if we are satisfied that the merger is unlikely to have the effect of substantially lessening competition in a market”. Ebos has said that it expects the acquisition will deliver “low double-digit percentage” additional earnings per share in calendar 2022.

Tech, telcos, media, IT and entertainment

PaySauce’s trading update for Oct to Dec period showed recurring revenue up 67% year-on-year and 22% from the prior quarter.

TVNZ appointed former National Party minister and senior Westpac NZ executive **Simon Power** to head the state broadcaster. The appointment was widely seen as a mark of the board’s displeasure at the plan to merge with **Radio NZ**.

NZME was granted clearance from the **Commerce Commission** to buy business news service **BusinessDesk**.

Transport and logistics

Global shipping costs have fallen, but remain volatile. **The Baltic Dry Index** dropped a further 26% during Dec, while falls in other shipping price indices were less dramatic. Delays at ports and limited airfreight options are expected to keep freight costs elevated throughout 2022.

Capital Markets

Sharesies announced it had 500,000 registered users, doubling its user base since Dec 2020. After a funding round earlier this year which raised \$53m, the company is now valued at \$500m.

Sharesies revealed the numbers with a new mobile app as new rivals emerged with **Blackbull Markets**

launching a share trading platform and **Flint Wealth** starting a managed funds investment platform.

Sharesies revealed Ngāi Tahu Holdings had invested \$3m in Sharesies as part of an extension of the Oct capital raise.

Corporate actions

Regulators are likely to be more active this year as they take advantage of extended remits, better resources and strengthened enforcement powers, says an Institute of Directors report on the top five issues facing company directors.

Increased regulator activity features on the list along with climate change, reconnecting globally, talent shortage and “board character”, involving ethical leadership and setting the tone for an organisation. Boards will also have to continue tackling effects of the pandemic, such as the talent shortage and supply chain disruption.

Courts, legal and regulation

The **Commerce Commission** received a clearance application for **Sika AG** to acquire the **MBCC Group**. Sika and MBCC manufacture and supply additives used to modify concrete, cement and mortar.

The commission is reviewing the proposed merger of **Orcon Group** and **2degrees**.


People news

Westpac economist **Dominick Stephens** was confirmed as chief economic advisor and deputy secretary at the Treasury. Stephens had been acting in the role since March 2021, on secondment from the bank.

Tourism Industry Aotearoa appointed **Rebecca Ingram** as chief executive to replace **Chris Roberts**. Ingram comes from Tourism NZ, where she most recently was head of government relations.

HRL Morrison & Co appointed **Kate Mingay** as a UK-based non-executive director as it looks to grow in Britain and Europe.

Fletcher Building announced **Teresa Rendo** had pulled out of joining the company for personal reasons, so **Bruce McEwen** will remain head of the distribution division. McEwen had been earmarked to move into a new role called ceo of digital foundations, with the aim of speeding up the improvement of the group’s digitalisation. Rendo previously worked for **Woolworths** in Australia.

Deputy Reserve Bank governor Geoff Bascand left his role a week earlier than intended after making unauthorised comments to external parties. 

LEGISLATION

A pre-summer flurry

Parliament ended 2021 with a flurry of legislative progress and select committees reporting bills back. Parliament resumes on Feb 8 for a two week session.

- *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

Firearms Prohibition Orders Legislation Bill - *The bill introduced on Dec 14 addresses limitations with the Arms Act that might enable a high-risk person to legally access or use firearms.*

Bills in progress

Accident Compensation (Maternal Birth Injury and Other Matters) Amendment Bill - Introduced on Nov 30. The Bill brings maternal birth injuries under ACC cover. It also restores the more claimant-friendly test for work-related gradual process, disease, or infection cover, reduces the threshold for injury-related hearing loss cover from 6% to 5%, and increases the size of the ACC Board. *First reading on Dec 14 supported by all parties and referred to the education and workforce committee.*

Biosecurity (Information for Incoming Passengers) Amendment Bill - Member's bill introduced by **Steph Willis** on April 8 to require all craft coming to NZ provide biosecurity information via an audio-visual recording and writing. First reading on June 30 with all parties in favour and referred to the Primary Production Committee. *Reported back on Dec 3 with changes including delaying the commencement until specified by Order in Council. Much of the detail proposed in the bill is stripped out and replaced with a general duty to provide information with more detail to be set by regulation.*

Education and Training Amendment Bill (No 2) - Introduced on Nov 30. It amends the Education and Training Act 2020 to give the govt greater flexibility to regulate compulsory student services fees charged by tertiary education providers. *First reading on Dec 14. Opposed by National and Act. The objections included the breadth of ministerial powers to amend or revoke licence conditions of early childhood education providers. Sent to the Education and Workforce committee.*

Land Transport (Clean Vehicles) Amendment Bill - Introduced on Sept 8. The bill applies an emissions standard to imports of new and used light vehicles, a "feebate" system with subsidies for cleaner vehicles paid for through penalties on those with higher emissions and new vehicle labelling requirements. The bill includes a later starting date (aside from clean car subsidies) to April 2022 and more stringent regulation around emissions standards of imports. First reading on Sept 21 with National and ACT opposed. *Reported back on Dec 22 with*

amendments making part of the new regime regulatory. It also changes the regime allowing car importers to trade in CO2 credits. National and Act both filed dissenting reports arguing the changes would add costs while doing little to reduce emissions. They also argued the clean car standards were impractical.

Lawyers and Conveyancers (Employed Lawyers Providing Free Legal Services) Amendment Bill - Introduced on July 28 by **Chris Bishop**. The bill amends the Lawyers and Conveyancers Act to allow a lawyer who is an employee to do free legal work other than for the lawyer's employer on conditions set by the **Law Society**. First reading on March 24 and sent to the justice committee with the support of all parties. Report back extended from Sept 24 to Nov 16. *Reported back on Dec 14 with the committee recommending by majority it does not proceed. The majority agreed there was a problem, but did not believe the methods set out in this bill are the right way to fix them. The Law Society was opposed to the bill passing in its current form. National MPs argued the bill should proceed with amendments.*

Oranga Tamariki Amendment Bill - Introduced on Nov 25. The bill partially repeals the regulations laying out the how the agency treats a "subsequent child" when parents or carers come to its attention. It also repeals a redundant information sharing provision and amends technical errors and ambiguities. *First reading on Dec 14. Opposed by National who argued parents who have harmed a child should be expected to prove that their subsequent child is safe, and the changes would put the parents ahead of the subsequent child's wellbeing. Referred to the social services and community committee.*

Security Information in Proceedings Legislation Bill - Introduced on Nov 25. The bill provides an overarching framework for dealing with national security information in court proceedings. It is the govt's response to Part 2 of the **Law Commission's** report - The Crown in Court: A Review of the Crown Proceedings Act and National Security Information in Proceedings. *First reading on Dec 14 with all in support and sent to the justice committee*

Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Bill - *Reported back on Dec 3 with changes to the pre-purchase disclosure and body corporate governance provisions.*

Bills passed/defeated

Gambling (Reinstating COVID-19 Modification) Amendment Bill - Passed through all stages on Dec 14 with the agreement of all parties.

Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill - *Passed Third reading on Dec 14 with Act opposed.*

Sexual Violence Legislation Bill - *Third reading passed on Dec 14 with all parties in favour.* 

