HUGO*vision*

Assessing the economic and political environment in New Zealand

February 17 2023 | Confidential to HUGO members

Yet another crisis

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It is too soon to put a figure on the amount of damage done by Cyclones Hale and Gabrielle, but ministers are starting to see the medium term cost of repairs as somewhere between the scale of the 2016 Kaikoura earthquake and the Canterbury quakes of more than a decade ago. The fact that Auckland was relatively spared by Gabrielle is a major factor in the damage not being greater.

Repair is affordable

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Net Crown debt at just above 20% today is some 10 percentage points below the cap placed on it by the current govt. If $20b of debt were added today, the total would still below 30%. The quality of repair spending, the extent to which "building back better" will actually be achieved, and the availability of resources for swift repairs are all major considerations. However, conservative fiscal management over the last generation gives the country options.

Managed retreat

While the storms create an opening for a more focused national debate and potential consensus on the approach to investing in climate change adaptation and managed retreat, it remains to be seen whether this represents a catalysing moment. Expectations that early momentum following previous disasters would produce a stepchange "moment" have rarely been borne out.

Hipkins on a roll

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Chris Hipkins was successful in his first fortnight as PM in dominating the political news agenda. The Auckland floods and Cyclone Gabrielle have maintained his high profile and left Christopher Luxon struggling for air time. There is a long way to go the election, but there is palpable nervousness in National Party senior circles that Hipkins could prove a more than worthy adversary.

Inflation – harder again to tame

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The immediate impact of storm damage will be to raise prices of food, exacerbate workforce shortages and extend the construction cycle. These are all inflationary impulses that the Reserve Bank will need to weigh against the knock to confidence and activity as it considers next Wednesday's monetary policy statement. We suggest a 50bps OCR rise is most likely.

Social licence risk heightened

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The risk of loss of or damage to corporate social licence to operate is heightened for providers of any services seen as essential to storm recovery. Insurers, banks, supermarkets, construction materials retailers, and energy providers appear to be most exposed.

Parliament delayed

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With the general election scheduled for Oct 14, the parliamentary year was already looking short versus the amount of legislation to pass. The one week delay to sitting caused by Cyclone Gabrielle shortens to 18 the number of sitting weeks available.

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POLITICS AND POLICY

A historic challenge

The extent of the damage caused by Cyclone Gabrielle is unprecedented, as is its geographic coverage. It also adds to the already significant impacts from the late Jan floods across the upper North Island.

The only silver linings are that Auckland experienced relatively little rainfall and that the Crown accounts are in sufficiently robust shape to mean that the country can afford the repairs.

However, for large swathes of upper and eastern North Island, the impact is ongoing and devastating. The ability to affect both repairs and rebuilds in a timely fashion will be a big challenge.

The govt is already in **"urgent discussions" on immigration settings** to allow skilled infrastructure workers to enter NZ swiftly.

Little can be reliably be said so far about the cost of both the Hale and Gabrielle repair and economic costs. The information available will incomplete for some time yet – particularly in those parts of the country that have effectively been cut off from the 21st century through lost access to roading, electricity, telecommunications and running water.

Reconnections are steadily occurring, and there are hopes that all but the most isolated communities will at least be back on reticulated electricity and off diesel generators within the week.

However, counting the cost of lost production on farms, orchards and in factories affected by the floods will only start to become clear once some semblance of normal communications returns.

As of today, ministers are scoping the impact at somewhere between that of the Kaikoura and Canterbury earthquakes. While much of the cost will be met from insurance, a rule of thumb cost of around $20b is being regularly cited.

That includes roading network repairs – the most significant of the infrastructure costs to be faced.

There are, nonetheless, some very strong broad economic messages that can be gleaned:

- This is a massive balance sheet hit for NZ and all sectors have been hit: govt, business and households.
- Damage to infrastructure must run into billions of dollars, including roading, bridges, rail, electricity, water, and telecommunications (including broadband and the mobile phone network).
- Both central and local govt will be seeking more funding for the massive capital works now needed. For the govt, the timing couldn't be worse as it faces into a pending recession, high inflation, an already significant infrastructure deficit and residual covid-related costs.

The Treasury will now be throwing huge resource at trying to establish how these events will affect the 2023 Budget and beyond, with one of the biggest decisions being how much support local authorities, which are responsible for much of the roading and all of the so-called 'three waters', will need. Many will be unable to fund the necessary level of repair.

Prioritisation as to who can be supported, and when, is going to be a very challenging process.

However, the impact on the Crown accounts needs to be kept in context *(see graph)*.

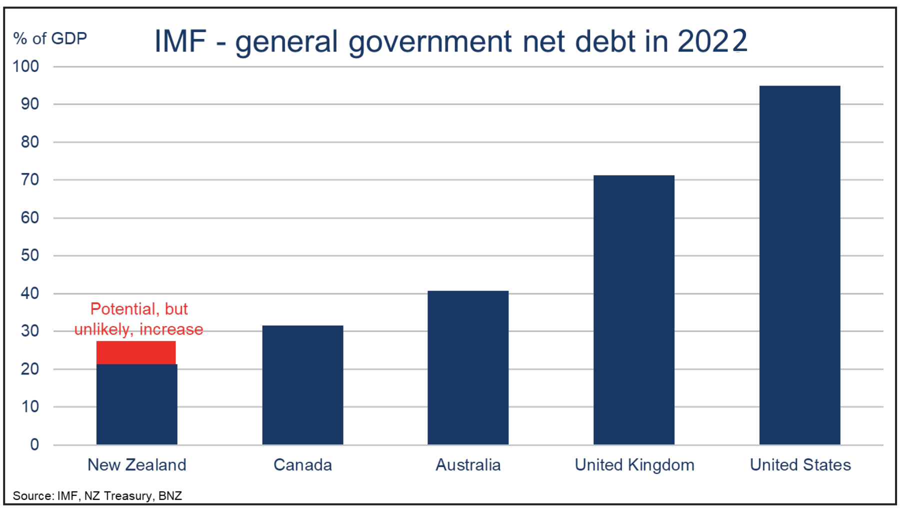
The govt balance sheet can handle a significant shock while still leaving NZ's net debt position looking very credible by international comparison.

Every $1b the govt needs to borrow will add 0.27% to debt as a percentage of GDP. If another $20b was needed, which is unlikely, this might see net debt track to closer to 27% than the 21.4% currently forecast.

That is still below the 30% self-imposed target currently in operation.

For that reason, we don't believe the National Party needs to dial back its tax cut/threshold adjustment promise on the grounds of unaffordability. The question in this regard is the impact of any further fiscal stimulus on inflation.

The greatest problem here is the tight labour market and access to materials, both of which were significant



Source: IMF, NZ Treasury, BNZ

drivers of inflation prior to the storms.

Ultimately, repair work will require delay on other projects and any post-event recovery is unlikely to return the economy to pre-event levels because of capacity constraints.

It is more likely that elevated levels of construction activity will last for years longer than would otherwise have been the case.

If anything is to make further fiscal stimulus prohibitive (including such things as tax cuts), it will be these cost pressures and excess demand, generally. The last thing the Reserve Bank needs to be cornered into having to raise interest rates further to compensate for the increase in demand.

Particularly difficult to judge in the medium term is the impact on the household and business sectors. The disruption to some households is massive and a significant number of homes are likely to be abandoned or out of commission for an extended period of time.

The events of the last few weeks are a sanguine reminder that there are large chunks of NZ which are at risk from climate change. In the same way that after the Christchurch earthquakes there was a major reassessment of earthquake risk, the current events will accelerate the work, already underway, on understanding potential flood and slip risk. This will undoubtedly result in marked downward revaluation of some of the country's housing stock and, in some areas, local authorities will outright refuse to consent further construction.

The political dimension

No political leader welcomes a natural disaster, but their response to crisis can make or break a govt.

Coming as it does less than a month into PM Chris Hipkins's tenure, the quality of his own response and that of the govt as a whole to the historically damaging floods of recent weeks is both a major challenge and a political opportunity.

To the extent that Hipkins has already dominated the news agenda since replacing Jacinda Ardern, the two recent flood events have extended his honeymoon period. They also help to put distance in the public mind between Hipkins's role in the Ardern govt's ultimately contentious response to covid-19.

There is a palpable sense of amazement, mixed with some "daring to hope", among senior govt ministers and advisers at Hipkins's early reception and the way events continue to roll in his favour.

The Press Gallery appears besotted with the Hipkins.

Luxon struggles for relevance

The obverse of Hipkins's high degree of exposure as the new PM is the difficulty Christopher Luxon is having in achieving cut-through.

His most successful bids for media attention have been a statesman-like commitment to bi-partisanship on climate change adaptation policies.

However, that is ultimately playing "tag-along".

His state of the nation speech was derailed by the latest cyclone, as was the cancellation of the first week of Parliament sitting. This latter development also caught Luxon in Wellington as the disaster unfolded.

Among senior colleagues and National Party supporters, there is growing disquiet that Luxon's relative political inexperience is now a far greater impediment than it was while the increasingly unpopular Ardern was leading Labour.

The party also cannot escape the fact that Luxon is not proving an especially attractive political personality. His background as a corporate leader is very apparent in the way he behaves and expresses himself. Attempts to appear more in touch with common people tend to look inauthentic.

Luxon's current approach to media engagement is also arguably ineffective. He is committed to a daily "stand-up" press conference wherever he happens to be. The locations are often not media-friendly, the reporters covering him constantly change, and there are rarely follow-up written statements. It is starting to look amateurish and may reflect the absence of a seasoned communications team.

It is too early to say that the disasters of the last few weeks have fundamentally changed election year dynamics. However, it is fair to say National is becoming worried and Labour is feeling more chipper under Chippy.

Employment law

Uber has applied for leave to appeal a decision by the employment court that found four Uber drivers were employees, not contractors.

Uber said it was **"disappointed by the employment court's recent decision,** particularly considering the same court in 2020 ruled a rideshare driver using the Uber app was not an employee".

Corporate conscience

Luxon did succeed this week to gain coverage for an opportunistic attack on forestry companies that have allowed "slash" debris to become a source of routine failure during floods in the Tairawhiti region.

The forestry sector – and foreign owners of forestry assets in that region – are highly exposed to social licence to operate risks in an environment of high social stress and dislocation.

CEOs in all sectors exposed to people and businesses affected by catastrophic damage will need to be highly sensitive to not being caught on the wrong side of public opinion in the next few weeks.

A harbinger of that potential is the fact that Winston Peters – always acute in his ability to find the populist itch to scratch – focused his first comments on the post-cyclone recovery on the performance of the insurance industry.

Budget rewrite on the cards

Grant Robertson dropped a strong hint that a Budget rewrite is on the cards to deal with the capital cost of repairs after Cyclone Gabrielle.

In a statement accompanying the Crown financial statements for the half year to Dec 31, 2022, Robertson acknowledged the loss of homes, livelihoods and infrastructure.

"We are committed to supporting them during these difficult times," he said, implying covid-style cash injections in the short term for affected regions.

The Treasury was assessing the scale of the economic impact, which would be "sizeable". Much would be covered by insurance, "but the govt will step up with significant resources to fix broken infrastructure".

"This **will affect the govt's operating and capital spending plans in the current year and subsequent years** and is being factored into planning for the Budget".

If the govt were looking for a reason to drop or delay Auckland light rail plans, this might be it.

Policy refocus

Chris Hipkins announced the first tranche of his policy 'refocus', including ditching the TVNZ-RNZ merger, the proposed income insurance scheme (at least until economic conditions improve), the biofuels mandate, and withdrawing hate speech legislation for further Law Commission work.

Next up is likely to be three waters reform, where the issues are more complex. That's partly because the reforms are partially legislated.

Ministers may also judge that if they can cauterise the co-governance issue, public appetite for central govt investment in water infrastructure will be stronger in the wake of the floods.

Quite apart from anything else, disaster relief legislation that allows a 60/40 central/local govt split in meeting repair costs is about to kick in. While central govt is good for its share, local govt's capacity to contribute 40% has to be doubtful.

It appears the Iwi Leaders Forum, somewhat sidelined since growing highly influential under the last National-led govt, is trying to help the govt navigate a path back from the co-governance model created by the former local govt minister, Nanaia Mahuta.

Among genuine concerns being expressed is that if there is too much over-reach in pursuit of Maori aspirations, there will be a corresponding backlash that could erode gains achieved in recent years.

The biofuels mandate – which would have required petrol and diesel to contain a percentage of biofuel made from renewable sources – was dropped because it would increase the price of fuel. Hipkins said there was work to do to fill the hole in carbon budgets left by the decision.

Minimum wage

At the same time, Hipkins also announced a $1.50 hike to the minimum wage to $22.70 from April in line with inflation. Employers' groups said the costs would be difficult to absorb. Hipkins said the inflationary impact would be negligible.

Employers groups said they wanted the methodology used to set the hike explained and also for such moves to be foreshadowed earlier in future.

Mining law

The mining sector is concerned that **a change to the purpose of the Crown Minerals Act** from promoting mining to managing it will **chill investment**. There were also unverified reports the govt would shortly introduce a bill to ban new mines on conservation land. Ministers did confirm officials were drafting a bill but said no decisions had been made.

Polls

A **Taxpayers' Union-Curia Poll** said Labour's support lifted 2.7 points in Feb to 34.4% – dead even with National, which fell 2.8 points from the last poll in the series, which was taken in Jan. Act rose 0.9 points to 11.7, while the Greens were down 2.8 points to 7.8%. NZ First was up 0.1 points to 2.9% while Te Pāti Māori rose 0.5 points to 2.1%. The poll was also favourable for **Hipkins, whose net favourability was +27%**, whereas Jacinda Ardern had turned to a shallow negative perception. **Luxon's favourability fell 4 points to -5% from -1%**. Hipkins is also NZ's preferred PM with 30% support vs Luxon at 26%. The latest **Talbot Mills poll**, (Labour's pollster), put Labour on 33% support (up 1), National on 36% (up 1), the Greens at 11% (+2), Act 10% (-1)), NZ First 3.4%, Te Pāti Māori and TOP 2.3%The poll was taken between Jan 26 and Jan 31.

Inflation – higher for longer?

While the true cost of recent weather events is difficult to estimate, there is consensus that they are likely to have hastened the onset of recession and will make inflation stickier than it would have been.

There will be a likely boost to construction and civil engineering activity during the repair phase, which will show up in stronger GDP later in the year.

However, the degree of economic disruption from the Auckland floods and the cyclone in the regions inevitably means reduced activity for the quarter.

Supply chain and labour shortages are also likely to keep inflation elevated for longer than may have been the case otherwise. The RBNZ can be expected to address that question in **next Wednesday's Monetary Policy Statement.**

Crop losses will also likely push food prices, which have already been on a tear. The f**ood price index rose 1.7% in Jan** versus Dec, the biggest monthly rise in six months, although the annual rate eased to 10.3% from 11.3% in Dec.

The case for 50bps

The near-term negative hit to activity and household earnings, and the balance sheet damage generated, would argue for a softer stance for monetary policy.

The flipside is that the demand for labour will rise, NZ's potential growth rate has just fallen – albeit not by much on a national basis – and supply issues will add to inflationary pressure. This would all argue for tighter monetary policy.

On balance, the disaster would appear to provide greater support for a more modest 50 basis point rise in the cash rate next week. At the margin, the OCR peak may be extended.

Economic indicators

There was a provisional **net migration gain** of 15,800 in 2022, Stats NZ said. The net migration gain in 2022 was a turnaround from a net migration loss of 15,000 in 2021, but below pre-covid net migration gains, which averaged 57,600 a year in 2014–2019.

House prices fell another 1.3% nationally in Jan from Dec 2022, with the **annual decline nudging higher to 13.9%** from 13.7% in Dec, according to the Real Estate Institute's national house price index.

The BNZ-BusinessNZ **performance of manufacturing** index for Jan was 50.8, up 3 points up from Dec and a return to mild expansion, but below the long-term average of 53.

Despite the lift in activity, manufacturers were more negative, with the proportion of negative comments at 69.9%, compared to 63.5% for Dec. Supply chain issues, labour shortages and falling orders continue to be cited.

The **BNZ-Business NZ Performance of Services Index** increased 2.5 points last month to 54.5 – above its long-term average of 53.6. A reading above 50 indicates the sector is in expansion.

New orders slipped to their lowest level in six months, although they remained in positive territory. The trend of a higher proportion of negative comments continued in Jan (61.7%), compared with 58.2% in Dec and 47.3% in Nov.

Retail card spending rose $171m, or 2.6%, in Jan compared with Dec 2022, seasonally adjusted, led by a 5.1% increase in the durables category, which followed declines in the sales of items such as furniture and appliances last Nov and Dec.

Worldwide NZ's eftpos payments data saw spending in Jan fell in the three largest regions, with Auckland down 2.2%, Waikato down 1.6% and Wellington down 3.2%.

The South Island bucked that trend. Spend rose in Canterbury (up 1.2%) and Otago (8.2%), compared to Jan 2022.

The ANZ-Roy Morgan **Consumer Confidence Index** rose 9 points in Jan to 83.2, up from Dec's all-time low.

A net 40% expect economic conditions to worsen over the next 12 months, compared to 54% in Dec. Inflation expectations were largely unchanged at 5.3%.

Of 1,103 responses in the latest **Federated Farmers survey,** a net 65.2% considered current economic conditions to be bad. 17.4 points worse last July and a record low for the survey that's been running since 2009. Meat and wool farmers are the most pessimistic.

Current high **demand for new residential construction is unlikely to last this year,** Westpac NZ said.

In the Dec 2022 quarter, the **volume of ready-mixed concrete produced was 1.17m cubic metres, down 9% compared with the record Dec 2021 quarter**. In the year ended Dec 2022, 4.66m cubic metres of ready-mixed concrete was produced, up 3% compared with the year ended Dec 2021.

In seasonally adjusted terms, the volume of ready-mixed concrete fell 1.8% in the Dec 2022 quarter, following a 1.7% fall in the Sept 2022 quarter. Ready-mixed concrete statistics provide an indicator of construction activity.

CORPORATE ROUND-UP

Primary Sector

The **Global Dairy Trade index** lifted 3.2% after three consecutive falls, with a 3.8% gain in whole milk powder prices, which are expected to continue to rise in the second half of 2023.

There were 15.2% fewer dairy farms and 18.7% fewer dairy support farms sold in calendar 2022 compared to the previous year, REINZ reported.

After 15 years as chief executive of **DairyNZ**, **Tim Mackle** is stepping down on June 30.

Former Mercury CEO **Fraser Whineray** is leaving his position as chief operating officer at **Fonterra** after three years in the role. He will pursue venture capital and governance opportunities.

The largest franchisee of **Ikea** stores was permitted to buy another 1,120 hectares for forestry in NZ. Only one of the purchases – just over 400 hectares – is currently in use as a sheep, beef and deer farm. The remainder is already forested.

Zeagold Nutrition lost 50,000 chickens in a fire. There are currently around 3.5m birds in NZ, down from 4.2m two years ago. About 3.8m are needed to maintain supply.

NZ King Salmon expects to narrow its losses after a farm in the Queen Charlotte Sound outperformed production expectations.

NZ **grain and feed import volumes** in 2022 rose to the highest level ever, importing 3.7m metric tons, up 13% from the previous year, US authorities said.

Energy and resources

Contact Energy reported a $120m pre-tax write-down caused by reduced storage capacity in the Ahuroa gas storage facility. It pushed the company to a net $7m loss for the six months to Dec 31. Even after excluding the impact of the "onerous conditions" write down, net profit for the half was down 41% to $79m from $134m in the same period a year earlier, reflecting reduced hydro generation and high wholesale prices. The company is raising domestic consumer tariffs and is considering **options for CO2 production** using offtake gases from geothermal steam, in partnership with **BOC Linde**, which previously produced the gas at the Marsden Pt oil refinery.

Genesis purchased a large fully-consented solar site in the Canterbury Plains and says it expects to start generating electricity by next year. Contact also announced a deal involving an even larger solar farm at **Christchurch airport** with partners.

Forsyth Barr analyst Andrew Harvey-Green said wholesale electricity future prices are perplexingly high suggesting an element of mispricing.

Banking, finance and insurance

There was an **undersubscribed NZ govt bond tender for the first time in 10 years**. The $200m tender attracted $188m. The govt offer was competing with an ANZ offer of $500m with an annual interest rate of 5.22% over five years, compared with the govt's 4.5% interest rate over four years.

Suncorp NZ's first-half net profit was up 8.3% to $91m, including a $16m contribution from Asteron Life.

Telecommunications, media and entertainment

NZ is amongst the first four countries to which **Netflix** is introducing account sharing restrictions, along with Canada, Portugal and Spain.

SkyCity Entertainment returned to profitability in 1H 2023, with a net profit of $22.8m, after a pandemic-inflicted loss of $33.7m for the comparable half-year to Dec 2021. This came off unaudited revenue for the six months to Dec 31 of $437.1m, double the $216.8m for the comparable period. The South Australian regulator has put its review of the Adelaide casino on hold pending the outcome of legal action brought by the federal anti-money laundering regulator.

Wholesale and retail

KMD Brands reported total group sales for 1H23 are expected to be $546m, up 34% from the same period last year, reflecting the return to travel and international tourism. Underlying earnings were expected to be approximately $45m.

My Food Bag shares lost a quarter of their value after announcing a 39.2% drop in ebitda in the year to Dec 2023. Inflation and weak consumer sentiment were blamed.

Transport

Mainfreight's revenue and earnings growth slowed in the Dec quarter with subdued performances in its US and Asia operations, which account for about 35% of revenue. Pre-tax profit rose 32% to $490.2m in the 43 weeks ended Dec 31 from the same period a year earlier. Revenues increased 17% to $4.82b.

Airbus and **Air NZ** teamed up with energy and tech companies to transition air power to green hydrogen with Air NZ targeting 2026 for its first hydrogen powered or purely electric commercial demonstrator flight in NZ. It expects to begin replacing its Q300 turboprop fleet by 2030 with low-emission aircraft. Airbus is working to develop a hydrogen-powered commercial passenger aircraft by 2035.

Jarden lifted its rating and 12-month target price on **Air NZ** and expects it to announce a full-year dividend in Aug – its first since pre-covid. The target price lifted by 18% to 90c. It was trading at 79c shortly after the upgrade.

Containerised freight manager **Kotahi** signed a six-year agreement to ship up to 30,000 TEUs per year from Timaru's container terminal.

Manufacturing and construction

Fletcher Building downgraded its full-year guidance but reported first-half operating profit was up 8%. Ebit for FY23 is now expected to come in between $800m and $855m, down from previous guidance of $855m or more. The downgrade reflected bad weather in Jan and Feb. First-half operating profit was up 8.4% although it is progressing more slowly than planned to margin targets. It will pay an unchanged fully imputed first-half dividend of 18cps.

Steel & Tube reported a 0.6% drop in normalised operating profit and ongoing solid demand .

Vulcan Steel lifted its first-half profit by 1% due to the contribution from the recent $165m purchase of Ullrich Aluminium, but reported a 22% drop in profit when that was excluded.

Flooding forced **Winton** to cut back its full-year earnings guidance by roughly 20%. It had already lost 83% of its summer earthwork season and incurred water damage to pre-ordered supplies.

Pan Pac was forced to close its Whirinaki plant for an extended period after being inundated with floodwater during Cyclone Gabrielle.

Courts, legal and regulation

Meredith Connell senior partner Alysha McClintock will be the next Crown Solicitor for Auckland.

The high court ordered **McConnell Group** directors to hand over seven years of board documents in the long-running discovery process in the liquidation of construction company Hawkins. Now owned by Downer NZ, Hawkins went into liquidation after it was found liable to pay $13.4m to repair buildings at an Auckland school.

Targa Capital, which is linked to sanctioned Russian oligarch Alexander Abramov, went to the high court seeking an injunction to stop Westpac from withdrawing its services.

The judge in the liquidators' case against Eric **Watson's Cullen Investments** accepted a summary judgment of $57m against Watson. The liquidator said it would seek to bankrupt him if the bill wasn't paid.

Technology and IT

Syft Technologies will cut 20% of its staff after lower-than-expected sales in the current financial year.

Christchurch-based **Fabrum** raised $23m in Series A financing invllving UK-based AP Ventures, Fortescue Future Industries, Obayashi Corp and NZ's K1W1. The money will be used for a new purpose-built manufacturing facility its end-to-end hydrogen systems and other low emissions technology

Pushpay expects full-year underlying earnings to be between $87.2m and $90.4m. Last Oct, it was expecting this to be between $85.6m to $92m.

Corporate actions

Ryman Healthcare announced the largest new capital raising since Air NZ's $1.2b raise in March 2022, seeking $902m to reduce debt. The company has previously preferred not to seek new capital from shareholders.

Green Cross Health is in talks to sell its community health division, which accounted for $192m of its $670m annual revenue. The community health arm employs 3,000 people in the Access Community Health and Total Care Health brands, delivering in-home healthcare and injury support to 36,000 clients.

Pushpay Holdings' directors are pressing ahead with a scheme of arrangement vote after an independent valuation. US-based private equity investors Sixth Street and BGH Capital have offered to buy the company for $1.34 per share. Grant Samuel valued Pushpay in the range of US$930m (NZ$1.47b) to US$1.07b, or $1.33 to $1.52 per share.

Sharesies began consulting with staff about a restructuring and job losses following a recession plan put in place last year.

Capital markets

The third NZ-founded company in as many years is set to list on the Nasdaq with **LanzaTech**'s merger with **SPAC AMCI Acquisition Corp II.**

Sharesies approached at least one substantial shareholder about a capital raise but was rebuffed. The loss-making retail share trading platform is undergoing a restructure.

People

David Wale, who chaired the NZX through structural changes in the 1990s in the wake of the '87 crash that eventually led to its demutualisation, has died.

The outgoing CEO of Christchurch rebuild agency **Ōtākaro**, **John Bridgman**, replaces **Sir Brian Roche.** as the new chair of Auckland's **City Rail Lin.**

LEGISLATION

Cyclone delays Parliament

Plans for Parliament to resume normal business this week were wrecked by Cyclone Gabrielle.

The govt's initial plan was for the House to start the sitting year on Tuesday with Chris Hipkins making his opening statement outlining the government's legislative priorities for the year.

Instead, MPs met briefly on Tuesday afternoon to swear in new Hamilton West MP Tama Potaka, mark the earthquake in Turkey and Syria and to allow emergency management minister Kieran McAnulty to make a ministerial statement on the national state of emergency. The year will now begin officially on Feb 21, with the PM's statement.

With the election day set at Oct 14, Parliament will dissolve on Sept 8 with the govt indicating the House will rise on Aug 31. This means just **18 sitting weeks** of Parliament before the election.

Bills not introduced within the next month will not be able to go through the normal six months select committee process. An inevitable log jam looms, given the volume of legislation already on the books, although Labour's outright majority allows it force Urgency and arrange parliamentary business as it sees fit.

The business below mainly relates to bills progressed in the last sitting hours in 2022.

- *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 in progress

Sale and Supply of Alcohol (Community Participation) Amendment Bill - Introduced Dec 7. To improve communities' ability to influence local alcohol regulation by making changes to the alcohol licensing process. *First reading Dec 13 with National and Act opposed, sent to the justice committee.*

Therapeutic Products Bill - Introduced Nov 30. Replaces the Medicines Act 1981 and the Dietary Supplements Regulations 1985. *First reading Dec 14 with Te Paati Māori opposed and sent to the health committee.*

Water Services Economic Efficiency and Consumer Protection Bill - Introduced Dec 8. Sets up a regulatory framework for the price and quality of water infrastructure services, and consumer protection for water infrastructure services. *First reading Dec 13 with National, Act and Te Paati Māori opposed, referred to the finance and expenditure committee.*

Bills passed/defeated/stalled

Aotearoa New Zealand Public Media Bill - Introduced June 23. Establishes a new public media entity, Aotearoa New Zealand Public Media, combining TVNZ and RNZ. First reading on July 26 with National and Act opposed and referred to the economic development, science and innovation committee. *Reported back Jan 26. However, following the change in leadership, new PM Chris Hipkins said the govt would no longer be proceeding with the merger, so the bill was now redundant.*

Electoral Amendment Bill - Introduced July 20. Changes to the donations and loans framework including; lowering the public disclosure threshold for donations and contributions to political parties from $15,000 to $5,000; reducing from $30,000 to $20,000 reporting requirements for donations received from the same donor in excess of the threshold, but requiring disclosure within 10 working days only in a general election year. *Third reading on Dec 13 with National and Act opposed.*

Human Rights (Incitement on Ground of Religious Belief) Amendment Bill - *First reading Dec 13 with National and Act opposed, referred to the justice committee. The govt has since announced it will not be progressing the bill and the issues it addresses have been referred to the Law Commission.*

Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Bill - Introduced June 21. Significantly limits the number of retailers able to sell smoked tobacco products; aims to prevent young people from taking up smoking by prohibiting the sale of smoked tobacco products to anyone born on or after 1 Jan 2009. *Third reading Dec 13 with National and Act opposed.*

Next on Order Paper

Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill - Introduced Dec 2. Creates a new penalty regime for ETS participants with low-volume liabilities from forestry activities who fail to surrender or repay units by the due date. Also reforms industrial allocation settings for NZUs.

Fire and Emergency New Zealand (Levy) Amendment Bill - Introduced Sept 20. Changes the funding regime for Fire and Emergency NZ through a levy on insurance premiums. Reported back Dec 12 with minor amendments over definitions.

Natural Hazards Insurance Bill – Introduced March 16. Replaces the Earthquake Commission Act 1993 and changes the name of the Earthquake Commission to Toka Tū Ake – Natural Hazards Commission. Objectives are to enable better community recovery from natural hazards, to clarify the role of the Commission and the cover provided. Committee stage completed Nov 8.

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