

Urgent quake law to speed SH1 repair

Page 2

The quickest, most resilient option for rebuilding the devastated section of SH1 north of Kaikoura is to push spoil from landslips into the sea and build road and rail links on that. Special legislation to over-ride environmental objections will be a pre-Christmas priority, whether or not that option is ultimately chosen.

After-shocks to continue, but Wellington should be OK

Page 2

The disruption to the capital city caused by aftershocks and some apparently poor decisions about building location and design is becoming an increasingly significant economic and political issue. However, GNS analysis suggests the likelihood of damaging shaking from aftershocks in the lower North Island is very low, despite the fact they will probably continue for some time.

Quake highlights RMA logjam

Page 3

One of the most important changes to the RMA, which has been stuck in select committee for nearly a year, is a new requirement to recognise natural hazards in planning and consent decisions. The fact that change has not occurred yet, despite the lessons of the 2010/11 Canterbury quakes, is an embarrassing policymaking failure.

Fiscal room to manoeuvre intact

Page 3

While the Crown faces a bill of perhaps \$2b for repairs from the latest quake and aftershocks, they represent largely one-off capital costs. Projected Budget surpluses remain large and growing over the medium term, allowing the govt to consider election year largesse. 'Tax cuts' are being reframed as a 'families package' that will recognise income inequality concerns.

TPP is dead, long live RCEP

Page 6

For all that he painted China as an enemy of the American people during his election campaign, US president-elect Donald Trump's determination to dump the TPP trade and investment pact left the field open for China to step up into a regional trade leadership vacuum at the APEC leaders' summit in Lima last weekend.

Political jockeying on the rise

Page 4

The Maori and Mana parties are starting to discuss electoral accommodations in the Maori seats, although a political union is not on the cards. The Maori Party is seeking 'permanent fixture' status in any future govt, whereas Mana is a hard-left party. National has selected Erica Stanford, an electorate office worker, to stand in the East Coast Bays electorate, which Murray McCully has held since 1987.

Next edition of Hugovision: Dec 16

We will publish a final edition of Hugovision on Friday, Dec 16, coinciding with the last sitting week of Parliament this year.

Rebuilding SH1: use slips for road base?

The govt is proposing to use the vast quantity of material deposited by landslips by the Kaikoura earthquake as base course for replacement sections of State Highway 1 between Seddon and Cheviot. Amendments to the Civil Defence Emergency Management Act are likely to allow the govt to override the RMA to allow earthquake slip debris to be dumped into the sea. It appears that earlier thoughts of building a new highway inland have now been ruled out.

The current “back of the envelope” plan is to shift all the slip debris into the sea and use that as the foundation for the road and rail. Acting Civil Defence Minister Gerry Brownlee has said he wants to talk to the other parties about the legislation; an indication that the govt wants to get it through the House quickly. Opposition will be expected from the Greens, but the govt will seek a bill Labour can support.

The Kaikoura earthquake – what next?

While it’s early days, the scale of the earthquakes that caused dramatic uplifts along the Kaikoura coastline looks likely to be in region of around \$6b, about \$2b of that being cost the Crown will bear. One of the lessons from the Canterbury quakes is that the extent of damage can take a long time to surface.

However, impacts on economic growth are unlikely to be substantial. If anything, the sudden requirement for even more civil construction capability could be inflationary and may prove attractive to international providers as the sector is stretched to capacity.

Better understood, however, is the likely scale and longevity of ongoing after-shocks which, as Canterbury found, can be equally or more damaging than the original quake.

GNS analysis of the quakes does, however, offer some relief for Wellingtonians, where damage to buildings in the central business district continues to emerge and is disrupting both private and public sector activity in significant ways.

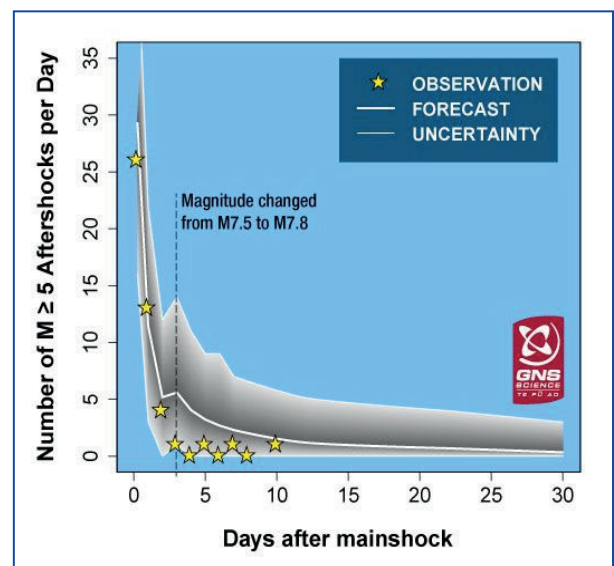
While there is a 99% likelihood of at least one or more aftershocks registering above M6 in the next 12 months in the middle part of NZ, and a 53% likelihood of such a shake within 30 days of the original quake, the likelihood of damaging shaking in Wellington is very low – perhaps 5% if the quake follows the most likely aftershock decay path.

By, comparison GNS puts a 60-to-80% likelihood of damaging shaking occurring again in the north-

eastern South Island within 30 days of the original quake.

That’s in part because the quake did not, despite some incorrect international commentary to the contrary, involve activity in the subduction zone where Wellington’s most damaging quakes can be expected to come from.

That said, the pattern of aftershocks above M5 to date suggests that there have been fewer than would normally be expected (*see graphic*). While predicting seismic activity is inevitably fraught, that suggests there may still be some significant aftershocks.



Wake-up call on natural hazards regulation

One lesson arguably not learnt is the need to respond with appropriate urgency when the legislative and regulatory environment is found wanting in a crisis. The biggest failure is the failure to make urgent, stand-alone amendments to the RMA to include a requirement to take **natural hazards risk** into account when assessing resource consent applications. The natural hazards amendment is not just uncontroversial, but widely supported politically, yet has become held up in the protracted negotiations to achieve at least some of the more contentious RMA reforms for which the govt has struggled to gain a parliamentary majority. Elements such as this, and the requirements on fencing waterways, have been part of the leverage used to advance the wider reform package. As a result, five years on from the 2011 quakes, there is still no legal requirement to include assessment of natural hazards in a risk or consequences context in RMA processes.

Meanwhile, **the Insurance Council** says buildings in Wellington damaged in the Kaikoura earthquake

may not have complied with guidelines for non-structural, seismic restraint such as ceiling support systems. Some 20 buildings are closed following the quakes. GNS evidence from seismographs placed on reclaimed land around the city's port show shaking that would have exceeded building code specifications for reliability.

Election year narrative taking shape

1. The role of tax cuts

John Key allowed himself to be drawn into more discussion of Budget 2017 strategy than was wise when answering journalists' questions on the impact of the earthquake on the fiscal outlook.

The Treasury is recalculating the Half Yearly Fiscal and Economic Update figures in the wake of the event, which may delay its mid-December release by a few days. It will clearly have some short term impact on the scale of forecast budget surpluses but Key was at pains to stress that **even at an estimated \$2b cost, the impact would largely be in non-recurring capital costs**. That might knock some of the shape out of the 'hockey stick' forecast for rebounding Budget surpluses of up to \$9b by early next decade, but there is still room for fiscal manoeuvre.

This was where Key strayed into discussion of the gov't's previously stated desire to campaign on tax relief next year – an Achilles heel if it can be portrayed by Opposition parties as a failure to recognise the global backlash against income inequality and undue rewards for the already wealthy. It does appear, however, that the gov't is more than alive to that. Key has begun reframing 'tax cuts' as a 'families package'. Tax cuts were not necessarily an effective way to improve incomes of low to middle income families, he said.

While no Budget package is well-advanced yet, the thinking seems to revolve around further tweaks to Working for Families, some action on thresholds to reduce fiscal drag – which will inevitably favour taxpayers both rich and poor – and potential for low income tax rebates to be extended.

2. The role of the state

The Labour-Greens pitch for support, backed by NZ First, argues that there is no room for tax cuts, that public debt is already ballooning too high, and that the case for more spending on social need and national infrastructure is obvious.

The debt argument is wrong. NZ's net public debt to GDP ratio at around 25% is low by OECD standards

and falling. True, it would be higher if the gov't had continued making NZ Super Fund contributions, which Labour has argued it should have done, so there is an unfunded liability issue that the immediate fiscal outlook doesn't acknowledge.

The gov't is also expecting to have to raise its contribution to ACC and has earmarked \$1b for prisons, to cope with the prison muster blowout created by punitive impulses in past political decision-making.

Whether Labour or the Greens will argue the tax take should actually be higher remains to be seen. But the four-yearly long-term fiscal outlook released by the Treasury this week assumes that if tax remains at around 29% of GDP, fiscal deficits of 16% of GDP will emerge by 2060 without other policy changes.

Driving that increase is the impact of a massive increase in debt servicing costs as a proportion of GDP, from 1.6% at present to 11% in 40 years' time. The higher debt need is in turn tied back mainly to higher pension and healthcare costs.

The Treasury deliberately avoids policy prescriptions in this long-term outlook – it is a scoping exercise to prompt discussion about solutions.

However, it does suggest that raising the country's poor productivity growth rate from around 1.5% to 2% p.a. would fill a substantial part of that fiscal deficit gap. It tentatively suggests that policymakers and employers are being let off the hook for training a higher skilled, more productive workforce by instead relying on a flood of low quality migrant workers. This view is neither accepted nor welcomed in the Beehive. The charge there is that this analysis lacks evidence, but it is great fodder for Opposition parties.

The other major productivity and fiscal savings opportunity the Treasury identifies is in the public sector.

"Overall, improved effectiveness of social spending has potential to be substantial enough to support sustainable long-term public finances," Treasury says. "The modelling of social investment suggests that there may be approaches that both reduce spending and improve social outcomes. However, this cannot be achieved if government organisations continue to operate as they have in the past."

This is in tune with the gov't's social investment approach, but is a red rag to public sector unions,

Seasonal workers

The gov't is raising by 1000 the number of seasonal workers allowed to enter the country for harvesting work. The new total will be 10,500 for the RSE scheme, which is an important source of remittance income for Pacific Island workers. Horticultural industry forecasts suggest 2500 more seasonal workers will be needed this year, with the gov't seeking to find work for unemployed NZers for the balance of 1500 places.

which this week alone were attacking Bill English's latest attempt to sell a large tranche of Housing NZ housing stock in Christchurch to NGOs and Education Minister Hekia Parata's initiative to ramp up online learning.

Maori and Mana parties talk tactics

The Maori and Mana parties met Thursday this week for an initial discussion on election year strategy. Although party president Tuku Morgan's brief statement talked about "an agreement as part of the first step in our relationship", this is far from a meeting of political minds. Mana remains a hard-left party with a large Maori membership whereas the Maori Party is a pragmatic proponent of Maori self-determination that seeks to be a permanent fixture in govts led by either National or Labour.

The relationship in question is all about giving Hone Harawira his best shot at winning Te Tai Tokerau from Labour's Kelvin Davis in return for Mana standing aside in other Maori electorates and pledging support for the Maori party. As long as both parties win an electorate seat, they will bring to Parliament other MPs from their party lists, in proportion to their party votes. At this stage, that's as much support as they're prepared to give one another.

Labour fine in Mt Roskill: but Little not connecting

The Dec 3 Mt Roskill by-election appears certain to see Labour's Michael Wood on his way to Parliament. Wood is something of a protégé of Phil Goff, and though National Party officials in the electorate say he has been varying his message according to his audience, he does not appear to be from the left of the party.

The Beehive do not believe their candidate, Parmjeet Parmar, can win. In fact, some Ministers opposed her selection and argued that a non-Asian candidate might be more effective in bridging the various ethnic divides within the electorate.

While the Prime Minister and some Ministers have appeared in her campaign, those appearances have been low key compared with the full on "one-way bridges" campaign the party mounted in the Northland by-election.

National has used the campaign to have a good look at how Andrew Little goes down on the campaign trail and claims that both what its officials and its polling tells them is that he is not connecting with Labour's core constituency.

Other political sources in West Auckland similarly report a lack of empathy between Little and Labour voters and a growing interest in NZ First.

Shaw vs Roberston in Wellington Central

Greens co-leader James Shaw has confirmed he will contest the Wellington Central electorate against Labour's deputy leader, Grant Robertson. On one hand, this may appear to be a decision in conflict with the Labour-Greens memorandum of understanding. However, both Shaw and Robertson live in and are committed to the electorate.

Where the MoU may yet come into play is in the nearby Ohariu electorate, where the Greens might step aside to give Labour a shot at ousting United Future's long-sitting sole MP, Peter Dunne. The die is cast for the Opposition parties to indulge in this sort of activity, which matches National's practice of encouraging election of ACT's David Seymour in Epsom despite standing junior minister Paul Goldsmith in the seat. The Greens are not standing a candidate in the Mt Roskill by-election.

Pay equity guidelines agreed

The Equal Pay Act and Employment Relations Act will be amended next year to implement recommendations of a joint working group comprising employers and unions, along with govt decisions on a key area of disagreement: choosing appropriate jobs for comparison when making a pay equity claim. Key to this process will be that comparisons should be made within similar businesses or industries in the first instance.

Reasons for undervaluation of work must be assessed and involve comparisons between industries or groups based on skills, responsibilities, conditions and effort involved. While unions have some reservations about the use of comparators, the forward movement on the issue is widely welcomed.

ACC Earners Levy to rise

Recommended ACC levy rates for 2017 to 2019 would see the earners' levy for employees rise by 3%, owing to an increase in the costs and number of claims being dealt with. Elsewhere, there will be a 10% reduction in the Work levy, along with changes to workplace safety and incentive products. For car owners, the Motor Vehicle levy will fall 13%, but there will be no change to motorcycle levies, which are already heavily subsidised by other vehicle owners.

IRD appeal to multi-nationals

The tax dept is calling on multi-nationals operating in NZ to sign the OECD's Statement of Tax Principles for International Businesses. IRD is increasing the number of MNCs it will scrutinise. ■

NZ consumer back on the radar

RBNZ deputy governor Geoff Bascand's speech this week makes clear the central bank has consumer behaviour back in its sights at a time when global economic conditions suggest we are heading back into a more 'normal' interest rate environment over the next few years.

Bascand noted that NZ consumers became and remained more cautious about racking up debt and consumption after the GFC, notwithstanding the wealth effects of rising property prices and a prolonged equities bull run.

However, Bascand hinted this household reserve might be starting to thaw now, with credit growth on the rise, just as interest rates bottom out and inflation looks likely to head back at least into, if not into the middle of, the target 1-to-3% band. He pointed to bank disclosures suggesting a sustained period of deleveraging – as measured by people drawing down against increased equity - looks to have stalled.

It appears the RBNZ sees the recent lows in global interest rates as more likely reflecting a drawn out cycle, rather than the new structural norm. In other words, it has the potential to unwind and to be reflected in currencies, especially New Zealand's.

Bear in mind, though, that part of the strong pickup in consumption spending is coming from the international tourist boom, not to mention high net migration, which continues to outstrip official forecasts. The latest migration statistics show NZ's population grew an annual 2.1%, the fastest for decades, consistent with some domestic economic indicators of a strength not observed since the late 1960s.

Signals from household savings

Household savings rates are also worth watching. They slipped a little in the year to March, reflecting very low deposit rates and the dairy downturn, after recovering from a deeply negative phase in the mid-2000s. Even though they look likely to improve again in the year ahead, NZ households' savings rates remain low by developed economy standards. It shouldn't be assumed that just because consumer spending didn't respond as much 'as usual' to the latest asset price bulges doesn't mean it can't slow dramatically, should asset prices enter a corrective phase. This represents a deflationary threat.

Implications of a stronger US dollar

The prospect of higher interest rates and stronger US growth has seen a significant rerating of the kiwi dollar since the US presidential election. The NZD is affected by the direct impact of USD strength as well

as the second round effect – through weaker global risk appetite as emerging market currencies suffer and the stronger USD acts as a tightening in global financial conditions.

While we expect NZD/USD to weaken through next year towards the USD0.67 mark, the fact the NZ economy is growing above trend and that terms of trade are improving remain supportive factors for the NZD. Note also that NZ is likely to be an early follower in tightening monetary policy after the Fed starts its upward move, still expected next month.

Expectations should be for flat to higher NZD crosses against all other major currencies over the next three to six months, which would produce a higher track for the TWI, despite a weaker USD cross-rate.

Interest rates outlook

The path of US rates tends to be more important for NZ than other markets. While a Fed rate increase is almost certain next month, financial markets are pricing no more than two further rises next year. Note that the Fed is basing its signalling on current fiscal settings rather than whatever may emerge from the new US administration, which is talking up substantial deficit spending plans.

Over the near term, a further sell-off of US 10-year Treasuries is likely to be limited to the extent that US-global rate spreads are elevated relative to European and Japanese central banks' stances, which will remain accommodative for the time being. That constrains the extent US rates will rise, as the Treasury market attracts global inflows. While the US 10-year rate is forecast to settle around 2.5% from mid-2017, if it were to head for 3%, a move in NZ 10-year govt stock from around 3.3-3.4% to nearer 4% becomes a real possibility.

Economic indicators

Inward net long term migration continued to set new records, hitting 70,300 in Oct, surpassing the previous peak of 70,000 set in Sept. Annual migrant arrivals were 126,100, a new annual record, beating the record 125,600 set in the Sept year, while annual migrant departures rose to 55,800, from 55,700.

Retail sales rose in Q3, led by increased spending on vehicles and fuel, up 0.9% seasonally adjusted, slower than the 2.2% rise in Q2. Automotive sales volumes increased up 3.4%. Ten of the 15 industries surveyed had higher sales volumes this quarter, with the largest increase in accommodation, up 4.7%.

Consumer confidence rose to its highest level in 19 months in Nov. The current conditions index gained 4.6 points to 127.3 while the future conditions index was up 4.1 points to 127.2. ■

APEC summit: China ascendant

There was only one topic for political and corporate leaders gathered at the APEC annual summit in Lima, Peru, last weekend: **what does a Donald Trump presidency mean?** The trouble is that no one knows the answer to that. Even Trump's announcement the day after APEC that withdrawal from TPP was a day one priority, his words were a **"notification of intent" to withdraw from TPP**. The door remains ajar, however slightly.

He also expressed a preference for bi-lateral FTAs, lending credence to a theory that gained some traction at APEC that as US-Japan version of TPP might proceed. That could be consistent with Japanese PM Shinzo Abe's blunt rejection of talk early in the summit that a 'TPP-minus-one' formulation could work. In practice, that would also require a renegotiation, since so much of the deal reflects US requirements of the other signatories.

Contrast that with the keynote speech given by Chinese president **Xi Jinping, who offered China as a new beacon for leadership in Asia-Pacific trade in the absence of the US**. Xi's message was that too many bi-lateral FTAs are being negotiated, creating a confusing patchwork of competing rules for access to markets, and that more multi-lateral FTAs are preferable. "China will not shut the door to the outside world but will open it even wider," said Xi. Note also the welcome from Mexican president Enrique Nieto on the prospect of 'renegotiating' NAFTA, which he said was 20 years old and in need of a refresh. Clearly, **the hope is that once Trump has secured some symbolic wins for his disenfranchised domestic constituency, there will be opportunities to re-engage with the US**. Knocks to confidence seem inevitable in the meantime.

NZ's traditional preference not to 'choose' between China and the US will be seriously tested by this new dynamic. On one hand, US naval warships were in NZ ports for the first time in more than 30 years while John Key was in Lima openly discussing China filling the void left by the US on trade policy. Perhaps that preserves the sense of political balance.

But with the RCEP trade deal – an ASEAN initiative that China is backing – now overtaking TPP, NZ will effectively be siding with China. The agreement at APEC to upgrade the China-NZ FTA is important in the context of RCEP. The Chinese gov't wanted reference to the completion of RCEP in the text of the upgrade statement. For NZ's part, the upgrade becomes a leverage point for trying to improve the quality of the RCEP agreement, which is seen as 'low-quality' compared to TPP, but would usefully attack high Indian tariffs. ■■

Wellington CBD quake damage

Willis Bond & Co's PwC Centre project on Wellington's waterfront came through this week's 7.8 magnitude earthquake unscathed with no obvious damage or liquefaction on the site. Managing director Mark McGuinness says engineers cleared the PwC project, whose design was informed by the Canterbury quakes in 2010 and 2011. The four-level building in the early stages of construction neighbours the Bank of NZ, Statistics NZ and Greater Wellington Regional Council buildings in CentrePort's Harbour Quays district, which suffered quake damage. Across the city, some 20 buildings have been closed for safety reasons, including the headquarters of the NZ Defence Force, IRD, Callaghan Innovation, and National Archives. **Ports of Auckland and KiwiRail** will lift freight capacity between Auckland and the lower North Island as Wellington port assesses damage.

Primary sector

Fonterra raised its forecast payout to farmers by 75c per kg of milk solids to \$6/kgMS as dwindling production in Europe, Aust and NZ brings global supply and demand nearer to balance. The company kept its forecast earnings per share at 50-to-60 cents, saying the higher milk price would hit margins. **Zespri** is offering licences for another 400 hectares of the SunGold variety kiwifruit next year and signalled a further 400 ha would be released in 2018, 2019, and 2020 depending on the product's performance and global demand. SunGold sales are expected to hit almost \$900m this season. Henry van der Heyden has been appointed chairman of **Rabobank NZ**, replacing John Palmer who has retired from the board. Palmer's seat will be filled by Scales Group MD Andy Borland. **Export log prices** rose for a third straight month in Nov, aided by low shipping rates and demand from China, the country's largest export market. The average wharf gate price for NZ A-grade logs advanced to \$117 a tonne in Nov, from \$113/tonne in Oct, and ahead of the \$92/tonne recorded in Nov last year.

Earnings results and outlooks

Fisher & Paykel Healthcare posted a 26% gain in first-half earnings to \$78.2m and reiterated its guidance for a record annual profit. Annual profit is likely to be towards the middle of its previously stated forecast range of \$165m to \$170m, it said. First-half revenue rose 12% to \$425m and is forecast to be \$880m in the full year. **NPT** posted a 2.3% gain in first-half profit to \$3.4m and says it's still considering a hostile bid from rival Augusta Capital. Gross rental income fell 0.5% to \$8.4m. **Blis Technologies** turned to a first-half profit of \$428,000, allowing it to affirm

guidance for its first annual profit since listing 15 years ago, as solid sales growth offset the impact of a strong kiwi dollar against the greenback and the euro. Sales jumped 41% to \$3.8m. **Serko** has confirmed a 10% gain in first-half sales to \$7m and a narrower loss of about \$2m, from a loss of \$3.4m a year earlier. Operating expenses fell to \$9.7m from \$10.6m. **Metro Performance Glass** lifted first-half profit 5% as it benefited from a strong local construction market and booked a gain from its Aust acquisition. Net profit rose to \$11.5m in the six months ended Sept 30, from \$11m a year earlier, on a 23% lift in revenue to \$116m. **Motor Trade Finance** says it will attempt to woo auto dealerships with new technology and non-recourse loan products such as it arranged with Turners after acknowledging a loss of market share in its latest year and a 2.3% decline in profit.

Corporate actions

Tenon shareholders have approved the sale of the wood processor's US business to New York-based buyout firm Blue Wolf Capital, allowing the company to make a \$100m capital return via a share cancellation. **Pushpay** will acquire a church app business from Bluebridge Digital for US\$3.1m, continuing an expansion that saw revenue soar 308% in the first half while its net loss widened. Pushpay will pay cash after raising A\$40m in a private placement last month, ahead of its secondary listing on the ASX. **Vital Healthcare Property Trust** paid A\$24.4m for a majority interest in a medical centre in Melbourne, Aust, and spent A\$10m acquiring sites to enable future expansion. The trust acquired the controlling interest in the four-level Ekeru Medical Centre in Box Hill in Melbourne. It also acquired five sites adjacent to some of its other facilities in Aust to allow for future expansion. **Turners** expects a "significant" earnings uplift after buying motor insurer Autosure from Suncorp NZ for \$34m. Turners expects Autosure, which distributes through about 750 dealer agencies in NZ, to contribute pretax earnings of about \$5.5m in the first full year following transfer of the in-force portfolios. The deal is subject to approval from the Reserve Bank.

Abano Healthcare expects to pay a 1H dividend of between 11 and 16 cps after reaching agreement with Anya and Peter Hutson and James Reeve of Healthcare Partners. Abano said the terms of Healthcare Partners' hostile partial takeover had prevented the distribution. It can proceed on the proviso that the value of the dividend is deducted from the \$10/share offer price. **Volpara Health Technologies**, the Wellington-based, ASX-listed digital health company, has raised A\$7m in a discounted placement and plans to raise a further

A\$3.7m in an entitlement offer to shareholders. The capital raising would lift Volpara's pro forma cash-on-hand to A\$16.6m from a closing cash position of A\$6.4m as at Sept 30. **Restaurant Brands NZ** successfully raised \$94m through a sale of shares to investors, helping fund its planned purchase of **Pacific Island Restaurants**, the largest fast-food operator in Hawaii with 82 Taco Bell and Pizza Hut stores. **Pumpkin Patch's** receivers say they haven't received any serious expressions of interest in the children's clothing retailer and will now sell its stock and wind down the company with the loss of 63 jobs. Receiver Brendon Gibson from KordaMentha said the best outcome would have been to sell the company as a going concern and "while the brand is still attractive, the business itself ultimately drew no interest at the conclusion of the sale process." **Energy Mad** has borrowed \$1m at 20% interest for one year from Smartshares. The loan would "fund a significant increase in inventory to support the growth in sales." The lightbulb marketing company posted a narrower first-half loss of \$200,000 from \$500,000 a year earlier. Operating revenue rose 48% to \$3.7m, driven by growth in Aust, where revenue more than doubled to \$3.1m. Disgruntled **Veritas** shareholders questioned the company over poor performance and a slumping share price. Veritas expects to meet 2017 guidance with revenue expected to be \$50m to \$55m and underlying net profit in the range of \$3m to \$3.6m from its Mad Butcher, Nosh, and Better Bar Company brands. Veritas is to sell the Nosh franchise. **Kathmandu** expects first-half profit to be in line with last year's as it struggles to grow sales and maintain margins. The retailer didn't provide specific figures but in the first half of last year profit was \$9.4m, sales were \$196m, and the gross margin was 62.8%.

Banking and finance

Heartland Bank says it remains interested in buying finance company **UDC** from ANZ Bank, describing it as an "ideal fit." CEO Jeff Greenslade told shareholders at the AGM that acquiring UDC would "complement our strategy and would provide a number of synergies." Greenslade said expectations in the market are that a decision on UDC's future is "imminent."

E-commerce

More than 80 offshore suppliers of remote services have registered for goods and services tax since the govt widened its net to apply GST to cross-border services such as streaming video, e-books, music, and software on Oct 1. The so-called Netflix tax was passed into law in May. 🇳🇿

LEGISLATION

Quake law required

Parliament is scheduled to rise for the year on Dec 15, resuming Feb 7. Between then and now, there will be several extended sitting sessions to help Leader of the House Gerry Brownlee clean up much of Parliament's Order Paper, aside from stalled bills. Some of this time will also be needed to pass emergency legislation in the wake of the Kaikoura earthquake to streamline restoring transport links.

- *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

Energy Innovation (Electric Vehicles and Other Matters) Amendment Bill: Introduced Oct 27.

Diversifies EECA's levy funding beyond the current electricity sector to the wider energy sector. Exempts electric heavy vehicles from road user charges until they make up 2% of the fleet and allows EVs in bus lanes. Clarifies how electricity industry legislation applies to secondary networks. First reading on Nov 8 with all parties in support, sent to the Commerce Committee for consideration.

Maritime Transport Amendment Bill: Introduced Nov 10. Amends the Maritime Transport Act. Requires commercial maritime operators to have drug and alcohol management plans, including random testing. Raises liability for major oil tanker spills and excludes the costs of wreck removal, cargo removal and remediating damage from hazardous substances from liability limits. Unanimous support at first reading on Nov 16, referred to the Transport and Industrial Relations Committee.

Bills in Progress

Airport Authorities (Publicising Lost Property Sales) Amendment Bill/Companies (Annual Report Notice Requirements) Amendment Bill: *By agreement of all MPs, both private members' bills incorporated into a Statutes Amendment Bill during its committee stage on Nov 2 and will pass into law unopposed at a later date.*

Land Transfer Bill: Introduced Feb 11 2016. *Second reading completed Oct 12 with all parties in agreement.*

NZ Horticultural Export Authority Amendment Bill: Introduced Dec 1 2015. *Committee stage completed Nov 15 with no major change.*

Rates Rebate (Retirement Village Residents) Amendment Bill: Member's bill in the name of Ruth Dyson. Introduced May 5. *First reading on Nov 9, unanimous support, sent to the Local Govt and Environment Committee.*

Resource Legislation Amendment Bill: *The Bill was*

discharged from the Select Committee on Nov 7 without amendments or reports. On Nov 10, the govt sent it back to the committee with the support of the Maori Party. This followed National and the Maori Party announcing a deal to pass it with a number of amendments taking many of the edges off the more criticised parts of the bill and formalising iwi consultation processes. The Select Committee and officials are working on redrafts.

Sale and Supply of Alcohol (Display of Low-alcohol Beverages and Other Remedial Matters): Introduced Dec 7 2015. *Committee stage completed on Nov 15 with no major changes.*

Telecommunications (Property Access and Other Matters) Amendment Bill: Introduced June 29. *Report back extended to Nov 28. The Select Committee's interim report proposed inserting statutory rights of access to use existing electricity works (for example power poles) for deploying fibre optic cable.*

Bills Passed and Defeated

Agricultural Compounds and Veterinary Medicines Amendment Bill: Introduced Aug 11 2015. *Third reading completed on Nov 2 with the Maori Party and Greens opposed.*


Education Charter Schools (Abolition) Amendment Bill: Introduced April 7. *First reading interrupted on Oct 19. Voted down on Nov 9 with National, Maori Party, ACT and United Future opposed.*

Geographical Indications (Wine and Spirits) Registration Amendment Bill: Introduced on Nov 3. *Second reading completed Nov 2, committee stage on Nov 15 and third reading on Nov 16. Only NZ First opposed.*

Health Practitioners (Replacement of Statutory References to Medical Practitioners) Bill: *Third reading Nov 1, divided into eight bills, unanimous support.*

Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill: *Committee stage completed Nov 2, third reading completed Nov 15 with the Maori Party and NZ First still opposed.*

Policing (Cost Recovery) Amendment Bill: *Third reading completed on Nov 1 with Labour, Greens and NZ First opposed.*

Trans-Pacific Partnership Agreement Amendment Bill: *Reported back from Select Committee on Oct 27 and given a high priority by the govt. All remaining stages were completed with the third reading on Nov 15 supported just by National, ACT and United Future. Opposition parties still opposed the bill and the trade deal. They mocked the govt for using parliamentary time to pass legislation to ratify a "dead duck" trade deal. The govt insisted it was important to send a message other countries that NZ, which acts secretariat for the process, still wanted the TPPA to be completed and was open to further trade talks with like-minded countries. *