

## New govt facing lower dollar, higher rates?

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Financial market traders have pushed the NZ dollar to an 18 month low on uncertainty about the new govt's policy platform while a higher than expected inflation out-turn suggests the RBNZ may be justified in raising interest rates. That could put pressure on household expenditure.

## "Trees and trains, lots of both"

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That was how the new Climate Change Minister James Shaw – also one of five finance ministers in the new ministry – characterised the govt's regional economic development strategy. The new govt's primary objectives are to address environmental, income inequality and regional economic challenges. While the prescription is less pro-market than the previous govt's, it looks far from radical but for a few areas.

## Labour market reforms revive tripartism

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PM Jacinda Ardern is seeking a new era of collaboration between govt, trade unions and business as it seeks to recreate national collective bargaining, along with increasing the minimum wage to \$20 an hour by April 2021. Youth rates are also on the table for abolition.

## A cunning plan for TPP?

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Ardern and her deputy PM Winston Peters stuck firmly to the language of a 'ban' on non-residents buying existing NZ homes, suggesting the TPP provisions permitting a punitive stamp duty are insufficient to meet their objective. However, another route may be emerging that would allow NZ to impose such a ban. What is notable is the underlying intention to keep NZ in the 11-country pact at next month's APEC summit in Vietnam.

## David Parker – super-minister or overloaded on purpose?

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David Parker emerged as a key confidant of Jacinda Ardern during the election campaign and coalition negotiations. His trade, environment and economic development portfolios (as well as Attorney-General and associate finance) connect him to the most politically significant elements of the new govt's agenda. However, some suggest his workload is heavy to curb his enthusiasm for politically challenging policy innovation.

## Select committee brain-teaser for Labour

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A very large National Party Opposition creates headaches for Labour as it seeks to appoint MPs outside its 31-strong executive to the chairing and membership of parliamentary select committees.

## Forward programme

Now that a Cabinet has been announced, we are moving as quickly as possible to organise up to three breakfast briefings with key Ministers before Christmas. We will advise dates as soon as we have them.

## New govt early economic outlook: dollar down, rates up

By mid-week, the NZD was tracking some 6% below the level forecast by the RBNZ in its last monetary policy statement, on a TWI basis. It is too early to say whether this reaction, a product of uncertainty rather than necessarily negativity about the new govt's programme, will be sustained.

However, it **does represent a sea-change in the established trend** of the RBNZ consistently expecting a lower kiwi than eventuates. Another way to look at the current exchange rate levels: at around 73.20 on the TWI is well south of the RBNZ's forecast of 75.40 by Sept 2020.

When the **central bank sits down on Nov 9 for its next discussion of monetary conditions**, it will be putting together a higher than expected Q3 CPI out-turn (*see p.5*) with a sharply weaker currency and almost certainly concluding that **the case for a rates rise has strengthened**.

In other words, these are the **pre-conditions for the scenario we foreshadowed before the election**: that a change of govt was likely to produce:

- somewhat, but not dramatically, higher inflation;
- somewhat, but not dramatically, higher govt debt;
- somewhat, but not dramatically, lower economic growth rates.

The higher debt track is the result of higher govt spending. That should underpin growth, partly because a recast incomes package will send more cash to low income households, which have a high propensity to spend all their income.

However, the combined impact of business uncertainty about the new govt's policy agenda, consumer sentiment backing off as house prices stall, and falling net migration, are likely to work against the additional fiscal stimulus.

Lower net migration may also have the effect of exacerbating skills shortages – as may any major investment in make-work schemes such as forest planting and

conservation amenity construction.

Under that scenario, **labour shortages may suggest to a central bank operating to both inflation and employment targets that the case for tightening monetary policy to curb an overheating economy is more justified**. This would be an ironic outcome of including an employment measure

to increase flexibility to loosen monetary policy if unemployment were heading higher.

A final element likely to push inflation is the **combination of a tighter labour market and higher minimum wages**.

*Note:* the coalition agreement specifically discusses raising the minimum wage to \$20 an hour by April 2021. However, both Labour and NZ First policy also agreed that **youth rates should also be abolished**.

Workplace Relations Minister-Designate Iain Lees-Galloway has confirmed subsequent to the coalition agreement's publication that **"the whole Labour IR (industrial relations) policy stands"**.

## 'Transformative' agenda – think trees, trains, and poverty

The expectations of the activist bases of the Labour and Green parties is for a **radical revision of the economic rationalist approach of the last 30-plus years since Labour took power in 1984**. They are likely to be disappointed.

There will be some areas of major change, but they are concentrated in just three key areas: **climate change, poverty reduction and regional infrastructure investment**.

**Collectivist wage bargaining is a major exception**, but the coalition agreements indicate no need nor desire to kill off the economic dynamism that has produced steady growth, low unemployment during a period of high migration and a set of govt accounts so solid that policy experimentation can be accommodated fiscally.

**The agenda might even be characterised as rationalist if it resists propping up industries that are not facing their true costs**. The challenge for NZ is that **this appears to include the country's pastoral farming model – regarded by many in the new administration as threat to the country's 'clean, green' product premium**. This issue must, however, be faced at some stage.

In that sense, this may prove to be a reformist, unpopular govt that disrupts backbone elements of the economy in a way comparable to the Lange-Douglas govt it seeks to separate itself from.

Yet even there, the **abandonment for this parliamentary term of Labour's proposed water tax on irrigation and the watering down of Labour's policy to bring agriculture into the ETS suggest pragmatism is setting in early**.

There is much talk of the "end of neo-liberalism", albeit that NZ's economic management of the last 20 years is a testament to the success of both National

### Forward programme 2017

With the new Cabinet now announced, we are seeking attendance at three meetings before the end of this year by key members of the new Cabinet.

We have invited **David Parker, Shane Jones, and James Shaw**.

Diary coordination for newly appointed ministers are challenging and we will advise dates as soon as we have them.

and Labour administrations in reducing NZ's exposure to external shocks and natural disasters through careful fiscal management and Crown debt reduction while maintaining respectable growth rates and low unemployment by OECD standards.

**The new govt inherits a strong set of govt accounts that allows it to pursue major new spending initiatives**, including in regional development, light and heavy rail, and more generous social welfare provision, **by virtue of that prudent bi-partisan stewardship.**

But **that does not add up to a radical agenda** on the signals so far from the coalition agreements. Winston Peters's description of the need for "capitalism with a human face" describes a govt determined to be seen to address inequality. However, **Ardern's child poverty targets appear to differ little in substance to the previous govt's Better Public Service goals, which targeted leading indicators of deprivation and underachievement** such as the incidence of rheumatic fever and NCEA pass rates.

That said, a review of Bill English's 'social investment approach' led by one of Labour's less impressive new Cabinet ministers, **Carmel Sepuloni**, suggests a **bias towards 'the state knows best' in providing social services.** The outcome may depend on whether NGO advocacy in favour of evidence-based provision can overcome the bureaucracy's instincts for self-perpetuation.

In other words, there is as much **danger of this govt over-promising and under-delivering to its support base** as there is of it dismantling the only moderately successful efforts over the last generation to produce a higher productivity economy capable of producing greater collective wealth.

**The coalition agreements are also more focused on income redistribution than wealth creation. The exception is the commitment to spend \$1b a year from unallocated capital of \$10b over the next four years on regional development initiatives.**

**Note: these are one-off, non-recurring capital commitments** and will likely be applied to **infrastructure investments as the previous govt was pursuing, but with less emphasis on roading and an end to irrigation assistance.**

Again, that is not radical so much as a reorientation of similar underlying approach

Even the Reserve Bank Act does not change much, especially as **NZ First's desire for exchange rate targeting has been ignored.**

Likewise, **NZ First has had no wins in areas such as its desire to roll back RMA provisions legislated this year to codify Maori consultation** under the

whakahone a rohe provisions **that Peters derided as 'separatist'.**

Instead, Ardern has created a new portfolio of Crown/Maori relations, which can be expected to deepen the partnership approach to developing iwi assets. Note, however, that **the Maori Party's \$8m spend to try and reform Maori communal land title law has been binned.**

## The new Cabinet – David Parker as super-minister

David Parker emerges as the linchpin of the Ardern Cabinet, holding the economic development, environment, and trade portfolios, as well as being Attorney General and an associate finance minister.

**Not only does this connect him intimately to Winston Peters as Foreign Minister on the trade front, but to James Shaw on the climate change front and Shane Jones on regional development.**

The nexus between land use and resource management sits squarely within the environment and economic development portfolios. **The atomising of the Primary Industries portfolio** into three separate elements – agriculture, forestry and fisheries – further strengthens his hand. This is the platform from which Parker can be expected to continue developing his strongly held intention to introduce levies for commercial water use and to ensure that other environmental 'bads' start to be priced into, particularly agricultural, producers' costs.

As noted in earlier issues, Parker has enjoyed a remarkable rehabilitation under Ardern, having been effectively demoted by Andrew Little, who held him responsible for policies seen to have cost Labour the 2014 election, including capital gains tax and the NZ Power electricity reform policy.

## APEC and the TPP

The new govt may have a cunning plan for dealing with its desire to impose a 'ban' on residential real estate purchases by non-resident buyers, which the Trans-Pacific Partnership deal rules out.

Then Trade Minister Tim Groser got Labour's agreement in 2015 to accepting a provision in the agreement that would allow punitive stamp duties or other taxes that could be so high as to amount to a ban. However, Labour under Little took a step

### 2018 CEO Retreat

Next year's Hugo CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 16 to lunch on Saturday, August 18.**

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

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further, perhaps assuming the TPP would fail.

However, efforts to keep it alive after Donald Trump withdrew the US from the deal have created a **realistic prospect of the so-called TPP-11 group pushing the deal ahead at the APEC meeting in Vietnam, Nov 9-12.**

Ardern and Peters both this week indicated they do not regard the ability to use existing provisions in the agreement to impose a punitively high stamp duty or other tax as sufficient. However, **TPP aficionados suggest there are out-clauses that Labour could invoke** relating to the requirement for provisions to treat investors on a 'like for like' basis.

The argument is that **a ban could be applied to non-resident foreign investors**, as long as resident foreigners were able to buy existing homes. Such an interpretation may prove contentious, but may also be sufficient to allow ratification to proceed, with the parties to the agreement arguing the toss at their leisure afterwards.

**More problematic would be any attempt to renegotiate Investor State Dispute Settlement (ISDS) clauses in the agreement.** They are more firmly entrenched, despite ISDS becoming a touchstone for activists seeking to unwind progress on new trade and investment agreements.

**Ardern will be accompanied at APEC and the subsequent East Asian Summit in Manila by trade minister David Parker and foreign minister, Winston Peters** and a large media contingent.

Most notable is that **the new gov't's stance is clearly positive towards making the TPP-11 work, if possible.** That position represents a marker of the extent to which the rhetoric of a gov't of 'transformational change' may not meet some supporters' expectations. However, the new administration will not want to be painted early as anti-exports – Parker is after all Minister of Trade and Export Growth.

In a typically back-handed way, **Peters is also**

**signalling his support for FTAs** by insisting on the inclusion in the coalition agreement that **negotiations for a Russian FTA should resume.**

APEC will be Ardern's first outing on the world stage and there is likely to be intense interest in her, with international media widely reporting her election victory last week. **Unilaterally abandoning TPP, for all that it would satisfy some of its core support base, would be a major negative early in the life of the new gov't.**

## Labour market reform: a tri-partite 'culture of cooperation'

Ardern's speech to the CTU this week was notable also for outlining the gov't's approach to its Fair Pay Agreement policy, which threatens to become an early point of friction with business and employer lobbies, already unnerved by the new track for the minimum wage.

"We purposely did not lock in the details of these (Fair Pay) agreements from Opposition," she said. "It is work that must be done by gov't, businesses, and unions, sitting around a table together. That is exactly the way I intend to work as PM and it's a relationship I look forward to deepening even further."

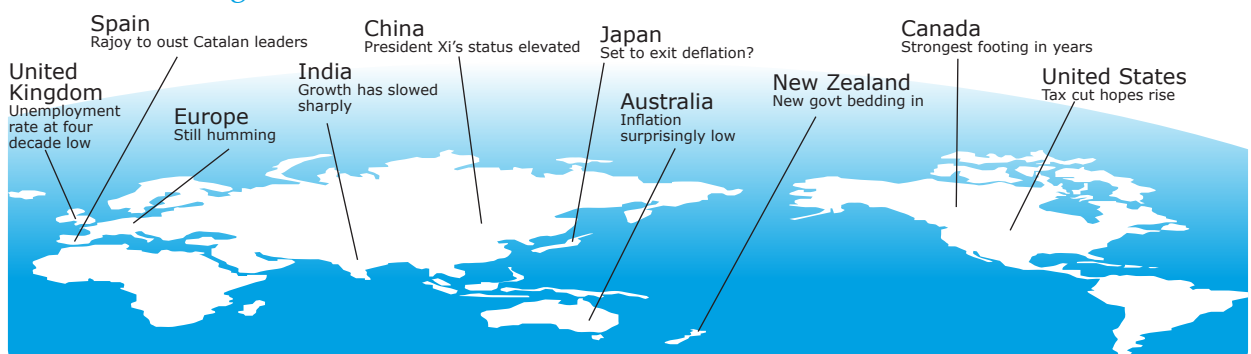
She cited **AirNZ** as an example of a company that had worked constructively with its unionised workforce to achieve a new level of high performance and productivity.

"There is a lot of detail to be worked through to **ensure Fair Pay Agreements deliver meaningful improvements in wages, while also maintaining the flexibility that employers and workers want.**"

To those with long memories, this invokes the pre-1984 'tri-partite talks' model, where wage settlements for large swathes of the workforce were settled at Parliament by unions, employers and ministers. This is the model the business community fears most.

**Ardern is seeking to reframe the issue as one**

## The world at a glance



of cooperation consistent with the “culture of cooperation” that has been forced on national politics by MMP. “I want the govt to take that culture of cooperation to the next stage,” she said.

## Tax relief for SMEs on the table

Ardern is signalling tax relief for small and medium sized businesses that she acknowledges “will feel the effects of larger staff costs more acutely” when the minimum wage rises and youth rates are abolished.

Soundings with Labour advisers suggest this could see **tax relief tied to SME employers who agree to pay according to the Living Wage** pay-scale. Ardern floated the policy idea publicly on the campaign trail and it will be part of the brief to the Tax Working Group.

NZ First campaigned on raising the minimum wage to \$20 an hour with offsetting corporate tax relief.

However, Ardern is signalling this will have a company size threshold, saying in her speech to the CTU conference Wednesday that “**the majority of workers are employed by big, profitable companies**” who should be able to absorb the impact on wage claims of a higher minimum wage.

## Overlooked and underworked

Labour’s well-briefed and able climate change spokesperson, **Megan Woods**, is reportedly unhappy not to have climate or environmental responsibilities. Instead, she looks underworked as **Minister of Energy, Resources, Science and Technology**. 🇳🇿

## Trading partner growth

(2015-16 actual; 2017 Consensus Forecasts; 2018-19 figures Hugo estimates)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
China	23.7	6.9	6.7	6.8	6.4	6.2	1.4	2.0	1.6	2.1	2.2
Australia	20.8	2.4	2.5	2.3	2.8	2.7	1.5	1.3	2.0	2.2	2.4
United States	13.4	2.6	1.5	2.2	2.4	2.1	0.1	1.3	2.0	2.0	2.2
Japan	7.5	1.2	1.0	1.6	1.2	0.9	0.8	-0.1	0.7	0.7	1.1
Eurozone	7.3	1.9	1.8	2.2	1.8	1.5	0.0	0.2	1.5	1.3	1.5
South Korea	3.8	2.8	2.8	2.9	2.7	2.5	0.7	1.0	2.0	1.9	1.9
United Kingdom	3.7	2.2	1.8	1.6	1.4	1.6	0.0	0.7	2.7	2.6	2.3
Singapore	2.8	1.9	2.0	2.7	2.4	2.4	-0.5	0.7	1.1	1.7	2.2
Taiwan	2.7	0.7	1.5	2.2	2.1	2.0	-0.3	1.4	0.8	1.3	1.3
Indonesia	2.2	4.9	5.0	5.1	5.3	5.4	6.4	3.5	3.9	3.7	4.1
Thailand	2.1	2.9	3.2	3.6	3.5	3.3	-0.9	0.2	0.6	1.3	1.5
Hong Kong	2.0	2.4	2.0	3.4	2.5	2.3	3.0	2.4	1.7	2.4	1.8
Malaysia	2.0	5.0	4.2	5.4	4.9	4.8	2.1	2.1	3.7	2.4	2.7
Philippines	1.6	6.1	6.9	6.5	6.4	6.3	1.4	1.8	3.1	3.3	3.1
India	1.6	7.9	7.1	6.8	7.5	7.6	4.9	4.5	3.5	4.6	5.0
Canada	1.5	0.9	1.5	3.0	2.0	1.9	1.1	1.4	1.6	1.9	2.0
Vietnam	1.3	6.7	6.2	6.4	6.3	6.3	0.6	2.7	3.7	4.4	4.4
<b>NZ Trading Partners</b>	100	3.6	3.4	3.7	3.6	3.4	1.1	1.4	1.8	2.0	2.2
<b>Forecasts for New Zealand</b>											
Consensus		2.5	3.0	2.5	3.1	2.9	0.3	0.6	1.8	1.7	1.9
BNZ Forecasts		2.5	3.0	2.5	2.9	2.7	0.3	0.6	1.9	1.6	1.8
<b>The World</b>		3.0	2.5	3.1	3.1	2.9	1.9	2.5	3.0	3.0	3.2

## Inflation comes in high

**Consumer prices** gained more than expected in the third quarter as housing-related costs continued to increase, while dwelling insurance spiked on a levy hike. The consumers price index rose 0.5% in the three months ended Sept 30 while annual inflation was 1.9%.

## Household incomes rise

**Average annual household income** gained more than 40% in the past decade, but was still outpaced by rising housing costs, Stats NZ reported. Since 2007, average annual household income has increased 42% to \$98,600, while average annual housing costs have risen 51% to \$16,000 in that time, the annual household income survey showed. **Inflation** rose 20% over the decade.

## Migration flood ebbing

The **annual net inflow of new migrants** continued to cool in Sept as the lure of Aust starts attracting local residents across the Tasman. Annual net migration was 71,000 in Sept, still up from the 70,000 net inflow a year earlier, but extending the slowdown from a peak in July. Of that, annual permanent and long-term arrivals rose 5% to 131,600 from a year earlier, while departures climbed 9% to 60,600.

## Trade balance

The trade deficit narrowed in Sept as the value of dairy exports rose, but was higher than expected at \$1.1b for the month and \$2.91b for the year. 🇳🇿

## CORPORATE ROUND-UP

### Innovation and technology

Wireless battery charging innovator **PowerbyProxi**, spun out from the **University of Auckland**, has been purchased by **Apple**.

NZ's **top 200 technology companies** generated \$10b of annual sales for the first time with more than \$7.3b coming from exports, according to the 2017 **TIN100** report. Revenues rose 7.9% while exports jumped 8.5%. The lift was mainly driven by exports to the US rising almost 19% to more than \$2.4b. ICT firms achieved the highest growth in North America, increasing revenues by 48%. Biotech also experienced a strong growth rate of 29%. Sales to Europe were up 3.1%, weighed on by the stronger euro, while sales to Asia grew 5.3%.

**CricHQ**, the cloud-based cricket software developer involving former Black Cap captain **Stephen Fleming**, has been tipped into receivership after failing to convert interest in the product into commercial success. The business is now for sale.

### Construction

**Fletcher Building** directors are taking a 20% fee cut and will be required to hold 20,000 shares each in the company after announcing its third earnings downgrade in a year and warning that updates on problem projects will continue through to 2019.

### Primary industries

**Primary sector exports** are expected to rise 9.2% in the year to June 30 2018, according to the latest Situation and Outlook for Primary Industries, little changed from the assessment three months ago. MPI has begun publishing its SOPI on a quarterly basis. Total primary sector exports are forecast to be \$41.62b in the June 2018 year, compared with the \$41.57b estimate it gave in June. Its projection for the 2019 year was revised to \$42.4b from \$42.5b. MPI said its forecasts are based on dairy prices remaining strong this season and "a return to normal productivity levels across most sectors following adverse weather last year."

**Exports of frozen beef to Japan** have plummeted since the country lifted tariff rates, according to AgriHQ. From Aug 1, Japan increased its tariff on frozen beef to 50% from 38.5% under a WTO safeguard following high sales of imported beef. Following the tariff hike, just 729 tonnes of frozen beef were exported to Japan in Aug and Sept, down from 1,709t last year and the five-year average of 1,840t, AgriHQ said.

Dairy product prices fell at the **Global Dairy Trade auction**, declining for the sixth time in nine auctions, amid bets on sufficient supply. The GDT price index

fell 1% from the previous auction two weeks ago to US\$3,204. Some 35,669 tonnes of product was sold, down from 37,990t at the previous auction. Whole milk powder slipped 0.5% to US\$3,014/t.

**Zespri Group** raised its forecast for tray returns across all varieties in the 2018 financial year and is accelerating licensing for its SunGold fruit on growing demand for the sweeter variety. The company forecasts total fruit and service payment to be \$1.39b in the year ending March 31, up from a previous forecast of \$1.34b, with the board signing off on higher returns to growers. Zespri paid \$1.39b to growers in 2017 due to a steep increase in supply.

### Banking and finance

Former PM **John Key** will take over as chair of the country's biggest bank, **ANZ Bank NZ**, next year in his **second high-profile directorship after Air NZ**. Key will join the ANZ board in Oct and replace John Judge as chair in the New Year. The local unit turned in annual earnings 21% higher yoy. Cash profit rose to \$1.86b in the Sept 30 year from \$1.53b.

### Telecommunications

ASX-listed **Vocus Group** plans to sell its NZ assets, which include the **Orcon** and **CallPlus** retail businesses, by the end of June next year. Vocus says it is in the final stages of appointing an adviser with a view to wrapping up a sale by the end of the financial year on June 30 2018.

Local telcos were neither surprised nor delighted with the appointment of **Clare Curran** as the new **Minister of Information and Communication Technology**. Labour's long-time spokesperson for the sector is not regarded as having a strong grasp of the industry's competitive dynamics.

### Capital markets

**Fiona Mackenzie**, head of external investments at the **NZ Superannuation Fund**, is leaving to take up a position as head of direct wealth for **First NZ Capital** in the New Year.

**Veritas Investments** has been publicly censured and fined \$55,000 plus costs by the NZ Markets Disciplinary Tribunal for failing to immediately disclose to the market last year that it had agreed to sell or close its Nosh business as a condition of continued support from its bank.

### Corporate actions

**Fliway Group** is subject to a **takeover bid** from Singaporean firm Yang Kee Logistics at \$1.22 a share. Listed on the NZX in early 2015 at \$1.20, the firm had a "tough" 2017 but is expecting a bounceback, CEO

**Duncan Hawkesby.** Directors are considering the offer.

**Ebos Group** has branched into medical software, buying a 14% stake in Aust's **MedAdvisor** business for A\$10.5m. The investment was part of a wider partnership with the software company, whose system has more than 900,000 users and connects some 2600 Aust pharmacies.

**Fuji Xerox NZ** has restated its accounts after the Japanese parent uncovered a number of matters that had been "inappropriately accounted", resulting in its 2016 losses more than doubling to about \$72m. The loss in the year ended March 31 2016 had previously been reported as \$32m but in the process of re-assessing the accounts over a number of years, the company "derecognised" about \$45m of equipment revenue. As a result, total 2016 revenue was restated as \$182m, down from the \$227m reported last year.

## Food and beverages

NZAX-listed **Foley Family Wines** is in talks to buy **Mt Difficulty Wines**, which would add the premium Mt Difficulty and Roaring Meg brands to a suite that includes Vavasour, Grove Mill and Te Kairanga.

**Comvita** raised its 2018 earnings outlook after a solid recovery of the so-called "grey channel" into China and significant North American sales, CEO **Scott Coulter** said in a presentation for the annual general meeting. First-quarter sales rose 35% and were tracking ahead of budget, giving Comvita "confidence in a profit greater than \$17.1m" earned in the previous year. It also plans to resume dividend payments.

**Kraft Heinz**, which counts Warren Buffett's Berkshire Hathaway as its biggest shareholder, will spend A\$290m buying **Cerebos Food & Instant Coffee and Asian Home Gourmet** from **Suntory Beverage & Food**. The deal is expected to be completed in the first quarter of 2018.

Dairy farming investment fund **Southern Pastures** has taken an undisclosed but significant stake in **Lewis Road Creamery**, with executive chairman **Prem Maan** set to join the Lewis Road board. The investment "will enable further expansion of Lewis Road's popular product portfolio in NZ, and support the company's push towards exporting to lucrative overseas markets", Lewis Road said in a statement. Founder and chief executive **Peter Cullinane** will remain the company's largest shareholder.

**Retail Food Group**, the ASX-listed franchisor of food outlets including Donut King, Brumby's Bakery and Michel's Patisserie, has taken control of the NZ master franchise for the Gloria Jean's chain after the failure of Boost Group, the NZ rights holder.

## Retirement and healthcare

**Metlifecare** plans to spend \$240m developing a new retirement village in Auckland's Hobsonville with the acquisition of waterfront land. The new village will have 300 living and care units, and the conditions attached to the deal, which includes resource consent, will probably be met in the third quarter of next year. The new village will take Metlifecare's portfolio to 28, and covers an area of Auckland that's "significantly underserved" by the sector, it said.

## Transport and tourism

The **Commerce Commission** will pay particular attention to **Auckland International Airport's** planned \$1.8b infrastructure spend in the upcoming airport price review. The regulator will start on Auckland Airport first, saying it's of "greater interest to a wider variety of interested persons, given it is our largest national airport and the scope of investment it is proposing", although both final reports are due in Aug next year. Wellington International Airport's review is scheduled for 2019.

**Port of Tauranga** forecast 2018 profit will rise as much as 10%, saying it expects a strong pick-up in freight volumes in the first quarter to continue. The nation's biggest port company expects full-year earnings to be \$88m-to-\$92m, up from \$83.4m in 2017, CEO **Mark Cairns** told shareholders at their annual meeting in Tauranga.

**Tourism Holdings** is better equipped to cope with major global events that may stifle international travel, such as last year's Brexit vote and the election of US President Donald Trump, says chair **Rob Campbell**. Chinese investment manager **Citic Capital**, has built up a 7.3% stake in Tourism Holdings, making it the second-biggest shareholder.

## Energy

Private investment firm **H&G** will accept **Ofer Group Oil & Gas's** offer for shares of **NZ Oil & Gas** after ASX-listed Zeta Resources' play to seize control of the company did not meet the minimum acceptance condition and has lapsed. **OGOG** won over **NZOG's** independent directors with a sweetened offer of 78c, which fell within a valuation range.

**Mercury NZ** raised its annual ebitdaf guidance to be \$515m in the year ending June 30 2018, up from a previous forecast of \$500m.

ASX-listed **HRL Holdings** will expand its reach on this side of the Tasman after agreeing to buy local food testing firm **Analytica Laboratories** for as much as \$30m. ■



## LEGISLATION

## The coming Parliament

Labour and NZ First are bound by a coalition agreement which ties them together more closely in presenting a common front on legislation, which will mean careful handling of controversial areas outside the agreement.

The Greens have only agreed to provide confidence and supply support and “will determine its own position in relation to any policy or legislative matter not covered by collective responsibility” in their agreement.

**Both agreements are far from comprehensive accounts of the gov't's programme** – they are only the areas that produced successful negotiation outcomes. **Labour Party policy remains the best guide to likely policy actions not covered by the agreements.**

While most day to day legislation is non-controversial and will likely be backed by National, in more controversial areas where National remains opposed, the approval of all three parties will be required. This process was complex for National in the last Parliament in some areas (notably RMA reform) and is likely to be equally difficult for Labour. It may sometimes seek National's support. Trade related legislation may fall into this category.

**Resource Management Act reform looks likely again to be a minefield.** Labour intends significant reforms, but will not support NZ First's desire to repeal iwi participation provisions.

## Select committees

The new gov't will be hard pressed to maintain a majority across all or even most committees. The last Parliament's review of Standing Orders envisaged more proportional representation on the committees with the gov't holding fewer chairs and committee majorities. A proportional approach would give National about 45, Labour 37, NZ First 7, Greens 6, ACT 1. The new Parliament's Business Committee is not bound by this and it may not be so appealing to Labour now it holds the Treasury benches.

Either way Labour and its partners are going to be hard pressed to cover their seats in committees because the numbers of MPs taking up ministerial roles in Cabinet leaves not enough backbench MPs to fill them. The agreements between Labour and its partners clearly envisage this problem and says protocols will be developed to keep full voting numbers present in the House and in Select Committees. National has the opposite problem with more MPs than positions on select committees available to them.

## Reinstatement motion/Members Bills

After the Speech from the Throne one of the first decisions for the gov't will be to decide what legislation to reinstate from the last Parliament. This involves the gov't putting forward a motion over which bills will survive from the last Parliament as anything not in the motion remains lapsed. In recent years this has been a pretty simple process with all business just carried over. This may not so straight forward this time. A new gov't might want to “trim” business it does want before the House. The vast majority of bills have general support, but there are exceptions.

## Members' Bills

Members' Bills currently held by MPs will remain with them, but those without a sponsoring MP will have to be picked up by a new MP. The balance of Parliament provides an opportunity for National to use Members' Bills to advance some legislation and cause political problems for the gov't. With the support of NZ First and/or the Greens it can advance bills. (A mischievous National could promote a pro-environment bill such as the Kermadec Sanctuary to force the Greens to embarrass Labour and NZ First by supporting it, or upsetting its supporters by voting against it. NZ First could be put in an equally difficult position on other issues – for instance a referendum on abolition of the Maori seats).

## Legislation

The Labour/NZ First agreement calls for the re-introduction of a 'Waka Jumping' Bill. This law once did exist, but it expired due to a sunset clause. In that incarnation it meant any MP who left or was ejected from their caucus, as certified by the party leader to the Speaker, would be deemed to have resigned from Parliament. In the case of a list MP this would mean replacement by the next on the list and for an electorate MP a by-election. National opposed the last 'waka jumping' law saying it was wrong to use legislation as tool for caucus discipline. Other key legislative initiatives include:

- repealing the April 1 2018 tax cuts package;
- a Zero Carbon Act to establish an independent Climate Commission and put emissions reductions targets in law; all new legislation to include a climate impact assessment analysis;
- the review and reform of the Reserve Bank Act;
- increase penalties for corporate fraud and tax evasion;
- strengthen the Overseas Investment Act and create foreign-owned land and housing register;
- establish a Criminal Cases Review Commission;
- re-establish the NZ Forestry Service;
- introduce a royalty on exports of bottled water;
- pass the Healthy Homes Guarantee Bill;
- education package by April 1. 