

### Mayday

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A narrowly-avoided disaster on Cook Strait has highlighted the plight of KiwiRail's ageing ferries and the lack of a fleshed-out plan to replace them. The catastrophe is a microcosm of the wider infrastructure deficit.

### Grounded

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Prime Minister Christopher Luxon was failed by his RNZAF Boeing 757 for the second time this year when a broken fuse meant the plane could not take him to Tokyo. Finance Minister Nicola Willis was only half joking when she said the planes were making their own bid for replacement. All eyes are on the Defence Capability Plan due out later this year, which will shed light not just on the 757's replacement, but just how seriously New Zealand wants to integrate capability with its partners.

### Reliable security partner

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When he eventually arrived in Tokyo, Luxon made good on a promise he made in his first post-Cabinet press conference this year: to be a reliable security partner for New Zealand's friends in the region. The government has increased the number of deployments and increased the size of some too. In Japan, Luxon signed an intelligence sharing deal initiated by the last government.

### 'We can't buy our way out'

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Infrastructure Minister Chris Bishop lifted the curtain on the work the government has been doing to plug the infrastructure deficit and published a speech and Cabinet paper detailing the government's plans and looming deadlines for next steps

### Growth!

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GDP figures for the March quarter showed the country exited recession earlier this year, with data published by Stats NZ showing the economy expanded by 0.2% on the previous quarter. That followed two quarters of negative growth. In per-capita terms, economic activity has fallen 2.4% over the past year.

### Laybuy companies placed into receivership

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Buy now, pay later firm Laybuy was placed into receivership. Laybuy had suffered from a downturn experienced by many in the sector following boom years during the Covid-19 pandemic.

### Strike two for three strikes

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The government introduced legislation to restore the "three strikes" sentencing regime introduced by the Key-English government. The House resumed business that had been interrupted by a well-organised opposition filibuster in the days following the Budget.

## Mayday!

A trio of embarrassing infrastructure failures has shone the spotlight on New Zealand's ailing infrastructure.

One of these failures, a power pylon collapsing, temporarily cutting off power to Northland, appears to have been a case of too much maintenance, rather than too little, but the other two, an RNZAF Boeing 757 stranding itself and a business delegation in Papua New Guinea en route to Japan, and the Interislander ferry Aratere beaching itself just beyond Picton, are more directly attributable to historical underinvestment in infrastructure – a problem the current government has pledged to fix (as did the last).

The ailing Interislander fleet is the most acute. Here, the issues are threefold: the immediate response to Friday's beaching, managing the political fallout, and finding a lasting solution.

The immediate response is out of the government's hands with the Transport Accident Investigation Commission (TAIC) responsible for conducting an inquiry into the incident. Based on recent precedent, this could take many months or even a year to complete and report back. Early evidence suggests a steering failure, possibly caused by the recent overhaul of its steering system, was at fault.

The political fallout is more difficult. Labour's iRex (Inter-Island Resilient Connection) project to replace the ferries was effectively cancelled by the coalition shortly after it took office. Despite the fact that Labour's new ferries would only enter service in 2026, the lack of a concrete plan to replace iRex is a liability for the coalition. For all of iRex's faults, Labour can still point to it and say it had a plan.

To replace iRex, the government established a Ministerial Advisory Group (MAG) tasked with recommending a more affordable replacement, probably involving smaller ferries, which could still be new and purpose built. These may be little cheaper than the \$550m iRex project's ferries, but would not require expensive portside upgrades, which were responsible for the lion's share of the \$3b cost of iRex.

The Beehive is trying to pass blame to KiwiRail and reassure the public that the ferries will still be replaced, just not with the iRex plan. Transport Minister Simeon Brown told a select committee hearing the day before the beaching that he had not been happy with KiwiRail's ferry maintenance. He was aided in this argument by a TAIC report on last year's failure of another Interislander, the Kaitaki, which found it was caused when a piece of safety-critical equipment ruptured and failed. The rubber joint that failed was 13 years older than it should have been.

Unrelated to Friday's accident, KiwiRail's chair, David

McLean told ministers he would retire from the board early. The government says it is now in the process of refreshing the Kiwirail board. Relations between the Beehive and the State-Owned Enterprise are strained, with the Beehive not trusting Kiwirail, and Kiwirail obviously frustrated by the iRex cancellation.

The MAG reported back last week. The advice is not yet public, but reportedly contains a recommendation for new ferries of a similar size to the current crop. The new ferries would not be rail enabled, a key wish of KiwiRail's. This will save on portside construction costs, but mean longer delays at loading and unloading rail cargo which needs to be taken off rail cars and trucked onto the ferry – a long, labour-intensive process. The government is not upset by this, noting this is common overseas and on the strait.

Willis told media new ferries can be on the strait before the current fleet's "end of life", which she set at 2029, although she hoped to have new ferries sooner.

Key to this promise, and key to keeping costs down, will be ensuring portside improvements are more affordable than under iRex. Smaller ferries are just one part reducing portside costs. Curtailing iRex's ambitions for earthquake resilience might have to be another.

Where these ferries will be built is up for discussion. The government is still negotiating with South Korea's Hyundai Mipo Dockyard (HMD), who were building the iRex ferries. One option is for HMD (which had already built parts for the iRex ferries) to pivot and build new, smaller ferries under a renegotiated deal.

Another option Willis has discussed is building the ferries in China which has become a hub for ferry building and is more affordable than South Korea. The group did not recommend secondhand ferries, but leased ships might be required to operate on the strait, as the new boats are likely to take some years to arrive.

The government is also considering who should procure and own the ferries. Another entity could be established to handle the purchase (such is the breakdown of trust with KiwiRail). The ferries could then be handed over, or the new entity could be used as a beachhead for a broader, more fundamental rethink of KiwiRail. This could include splitting the Interislander out. Any attempt to split the two asunder is likely to be resisted by KiwiRail, who have argued that a strong ferry service is key to its rail offering, particularly connecting the South Island's rail network to the north.

## Grounded

The Aratere was not the only piece of ageing infrastructure making a bid for replacement this fortnight: a business delegation travelling with Prime

Minister Christopher Luxon to Japan this month was stranded in Papua New Guinea when one of the NZDF's ageing Boeing 757s blew two fuses meaning it could not safely make the trip to Tokyo and could only retreat, at low altitude, to Brisbane.

The frequent failures of NZDF's two 757s (Luxon was forced to make other arrangements in February when one was unable to leave Wellington for Melbourne), belies the fact that the fleet is looking better than it has done in decades.

When the last government took office, the 757s were the among the youngest aircraft in the fleet. In coalition with NZ First, Labour replaced the P-3 Orion search and surveillance aircraft with four new P-8 Poseidon aircraft, which are already being deployed. The government is also replacing its Hercules fleet, which dates back to 1965 with new C-130J-30 "super Hercules", which begin to enter service this year.

The 757s are next on the list for replacement. Willis suggested, only half joking, they may have even moved up the order thanks to this month's breakdown. Labour says it is happy to search for a bipartisan solution. The two planes do not just ferry the Prime Minister on official trips (the airforce says 12-15% of the planes' flying hours are for VIP trips), they are also used to transport troops on overseas deployments and occasionally to ferry people to Antarctica, a region of growing geopolitical importance as China shows greater interest in the ice.

The missing piece of the puzzle, which will reveal options for replacing the planes, when they might be replaced and how much it might cost, is the Defence Capability Plan.

Begun under Labour and accelerated by the coalition, the plan will look at the types of investments the NZDF requires to respond to new threats.

Earlier this year Collins said she accelerated the review, asking it to report back in June rather than September. This appears to have slipped, although Collins has received some high level recommendations. The plan will include detailed investment planning for the future of the force, including options for replacing the 757s.

A far greater challenge than the 757s is the government's desire for New Zealand to rebuild its reputation as a reliable security partner. This reputation has diminished in recent years not through lack of will, but through lack of funding. Security partnership is about "interoperability", which means allowing the NZDF to operate as a single force with ally, Australia, and "partners" like the United States, the United Kingdom, and Japan.

These countries have been not so quietly frustrated at low levels of New Zealand defence spending, which

has hampered efforts to deploy together overseas. Australia in particular is concerned at New Zealand's ability to project into Polynesia. Historically, New Zealand has carried the responsibility of projecting into Polynesia, leaving Australia to project into Melanesia and further afield to near Asia, which is crucial for Australia's commitment to its own security guarantor, the United States.

If New Zealand's capability is eroded to the point it can no longer effectively project into Polynesia, then Australia's wings are clipped too as it would have to pick up an increased portion of this burden, distracting it from Melanesia and Asia. New Zealand should not underestimate how frustrating this is for Australia, which views maintaining the strength of the US alliance as the key plank of its security.

There is an Aukus element to all of this. While Wellington is keen to explore signing up to projects in Aukus pillar 2, Canberra wants to ensure it doesn't get ahead of itself and that any association with Aukus comes in addition to, and not at the expense of, conventional capability. Where this gets costly and confusing is where conventional capability and Aukus technologies collide. One of the first pillar 2 projects is AI technology to enhance the submarine-detecting abilities of the P-8 Poseidons, which New Zealand has just purchased.

New Zealand is concerned that not having access to this technology will hamper the effectiveness of the Poseidon to operate joint subhunting missions, including with the very defence powers who were keen to see New Zealand purchase the P-8s in the first place.

Also likely to be on the shopping list is a potential replacement for the Anzac frigates. These could be developed in conjunction with Australia like the original Anzac frigates in the 1980s, creating a new class of ship common to both navies. Australia has recently taken delivery of Triton drones. These 737-sized drones will be used by Australia to patrol its EEZ and monitor for boat arrivals from the north. New Zealand could also be in line to purchase some of the American-built drones which can stay airborne for extended periods. The craft could be used to patrol New Zealand's EEZ.

## Reliable security partner

The government is not waiting for new kit to prove itself as a reliable security partner. Luxon set this out as a goal of the government in his first post-Cabinet

### RBNZ reappointment

Neil Quigley was reappointed as chair of the Reserve Bank for a further two years, until 30 June 2026.

Finance Minister Nicola Willis said there are two current vacancies to be filled and there would be further opportunities to consider a broader refresh of the board with two terms due to end in June 2025.

briefing this year and has taken steps towards realising it in each of his overseas trips this year.

In Japan, Luxon announced a deeper security relationship with that country, substantially upping New Zealand's contribution to monitoring of North Korea for potential sanctions breaches by significantly increasing personnel on the ground from 12 to up to 53. A tanker, HMNZS Aotearoa will conduct replenishment operations in the international waters of North Asia in the second half of this year, while next year the government will again send a P-8 Poseidon to the region to monitor sanctions breaches by North Korea.

The two leaders also agreed to "further bilateral and plurilateral activities and exercises" in the area of maritime security and to accelerate talks on a possible military "acquisition and cross servicing agreement" which the Japanese say would "facilitate exchanges of supplies" between the two militaries.

The pair also signed an Information Security Agreement, which creates a "framework" for sharing classified information. Japan has been touted as an unofficial sixth member of the Five Eyes intelligence-sharing club. Other Five Eyes countries have signed a number of bilateral arrangements with Japan, impressed by its technology and information on China.

## 'We can't buy our way out'

Infrastructure Minister Chris Bishop revealed his hand this month, delivering a scene-setting speech and releasing a Cabinet paper on tools the government has been working on to fix the nation's gaping infrastructure deficit. The speech came as ASB economists said New Zealand would need to invest \$1 trillion over the next 30 years to bring the country's infrastructure up to scratch and accommodate for a growing population.

Bishop argued New Zealand needed to build both less, and more. Less, in the sense that New Zealand needed to make better use of demand tools like congestion charging and other demand measures to make better use of existing infrastructure (something the Infrastructure Commission has been saying since 2022); and more in the sense that the government needed to develop better funding and financing tools to attract far more private capital to infrastructure, and not rely on central and local government to fund everything.

"We can't buy our way out," Bishop said.

At the heart of the reforms is a set of principles Bishop promised to release by September that set out the Crown's rationale and approach to providing funding and financing to infrastructure projects. Bishop said these will "ensure the Crown gets value from any use of its balance sheet, while enabling

better partnering with councils and the private sector".

Reading between the lines, this is something of a reversal of New Zealand's historic approach to infrastructure financing had been consider public funding first. The paper should be a warning to anyone thinking the government is going to get out its chequebook to plug the infrastructure deficit.

Bishop said the Crown will "be more strategic and informed about how it uses its balance sheet". He said instead of Crown grants being the default source of funding he "will expect every significant infrastructure project that seeks support from the Crown to consider opportunities for user-pays funding and private financing".

There will be some carrots for councils in the form of reform to Labour's underutilised Infrastructure Funding and Financing Act and potentially sharing GST from newbuilds with councils. These carrots come with significant "sticks" including an expectation councils look to recycle capital from their own balance sheets through exercises like Wellington and Auckland's sales of airport shares, before calling on central government for infrastructure funding.

## In Brief

After post-Budget backlash the government said it would fund Pharmac to deliver up to 26 cancer treatments as part of an overall package of up to 54 more new medicines. Pharmac will receive a \$604m funding boost for medicines (over four years) which is a pre-commitment against next year's Budget. Further funding to deliver and administer the new treatments will available to Pharmac and Health NZ.

Workplace Relations and Safety Minister Brooke van Velden made three appointments to WorkSafe to strengthen the organisation. They are Elena Trout, Kevin Jenkins and Paul Connell.

Van Velden expanded the terms of reference for the independent Royal Commission into Covid-19 Lessons Learned. There will now be second phase with new commissioners and expanded terms of reference including vaccine efficacy and safety, the extended lockdowns in Auckland and Northland, and the extent of disruption to people's health, education, and businesses. NZ First invoked 'agree to disagree' clauses in the coalition arrangements. That decision allows NZ First to appeal to extreme covid radical supporters it picked up in 2023.

A 1News Verian poll put support for National up 2 points to 38%, ACT unchanged on 7% and NZ First up 2 points to 6%. Labour was down 1 point to 29%, the Greens down 1 point to 13% and Te Pāti Maori down 1 point to 3%. 🇳🇿

## Growth – just

GDP grew 0.2% quarter-on-quarter in the March quarter, Stats NZ said. It contracted 0.1% in the Dec quarter. The headline number was slightly higher than economists had expected and in line with forecasts from the Reserve Bank. There were a range of results at industry level, with 8 of the 16 industries rising in the March quarter. Population growth helped eke out the positive result. In per-capita terms, economic activity has fallen 2.4% over the past year.

Economists said substantial recovery was some time away. Westpac senior economist Michael Gordon said he expected “growth to remain minimal over the course of this year, and indeed recent indicators suggest that the June quarter is shaping up to be quite soft.”

The **current account** deficit narrowed at a slower pace in the March 2024 quarter than the Reserve Bank and Treasury forecast. Trade in goods and services and net income flows registered a deficit of \$27.6b in the year ended March 31 2024, equivalent to 6.8% of GDP. A \$300m narrowing of the deficit compared with the year ending Dec 31 2023, when it was \$27.9b or 6.9% of GDP. The Reserve Bank had predicted the annual deficit would narrow to 6.4%, with Treasury forecasting 6.3%.

BNZ economist Doug Steel said while the deficit had narrowed it was “still relatively large”.

“We suspect that combined with weak economic growth, the deficit will remain on the radars of rating agencies,” he said.

Exports were valued at \$7.2b in the May 2024 month, Stats NZ said. The rise in exports (\$202m) in the May 2024 month was led by an increase in exports to the US, up \$255m from May 2023 to \$1b. This made the US NZ’s second biggest export market, with an annual value of \$8.8b for the year ending May 2024. China was the number one market for exports with \$17.9b in the same period. Leading the rise in exports to the US was beef, up 31% in May 2024 from May 2023. Beef exports to Chinawere down 45%.

The **2degrees Shaping Business Study** said there was a slight increase in businesses that are thriving, rising from 17% in 2023 to 18%, and a decrease in pessimism among business leaders from 31% in 2022 to 23%. 53% of employing businesses anticipate a growth in revenue in the coming year, more optimistic than last year’s predictions (50%). Asked about what would help their business achieve higher levels of productivity, 33% identified “employing more highly skilled people”, second

only to “better use of technology” at 37%. The survey was carried out by Perceptive in April 2024, based on a sample of 702 employing business decision makers.

**Westpac’s McDermott Miller Consumer Confidence Index** put consumer confidence at 82.2 in the June quarter, down 11 points from 93.2 in March. A level below 100 signals pessimism. 42% believed their financial position has deteriorated over the past year while only 14% said it improved.

**The Westpac McDermott Miller Employment Confidence Index** fell 13 points to 91.4 in the June quarter survey, showing a drop back into pessimism, to the lowest level since the first covid-lockdown in 2020. The biggest decline across the survey’s various measures was in households’ perceptions of current job opportunities, falling 24 points.

The **BNZ – BusinessNZ Performance of Services Index** for May was 43, down 3.6 points from April and the lowest level of activity for the sector for a non-covid lockdown month since the survey began in 2007.

The seasonally adjusted **Real Estate Institute House Price Index** fell 0.4% month-on-month in May as sales came in on the softer side for this time of year.

The **CoreLogic NZ June Housing survey** said that a 9.2% annual increase in sales activity in May was still significantly below normal sales volumes. At 73,181 deals in the past 12 months, sales are below the normal levels of about 90,000 per year. Total stock was 16% higher than the same time last year and nearly 28% above the five-year average.

**Household electricity prices increased by 3.3% in recent months**, according to MBIE’s Quarterly Survey of Domestic Electricity Prices. The average price per kWh for households was 34.7c on May 15. Lines company and transmission charges made up 12.7c of this and the energy component 22c. These increased 7% and 1.2% respectively.

**Rabobank Rural Confidence Survey** of about 450 farmers found the number self-assessing their own farm business as unviable decreased from 9% last quarter to 7%. Sheep and beef farmers recorded the most significant upward lift in confidence, from -31% to -17% last quarter. Despite the improved confidence in their own businesses, farmers were more pessimistic about the prospects for the broader agri-economy – falling to 25% from 16% previously.

The second carbon auction of the year failed with no bids made. 4,075,700 NZU were on offer but the with the secondary market price at \$50 and the auction floor \$64 there was no interest. ■

**CORPORATE ROUND-UP****Primary Sector**

**Seeka** said for the year ending Dec 31 2024, it expected net profit before tax of \$15m to \$19m. This compares to the prior year's net loss before tax of \$21m due to the recovery of kiwifruit volumes.

**Zespri** is on track to reach its record-breaking \$4.5b sales goal by the end of this season – up from \$2.9b in 2021-22. Forecast returns for green are between \$80,000 and \$91,000 per hectare and between \$143,000 and \$161,000 for the Sungold variety.

Biosecurity minister Andrew Hoggard said he is very concerned about the poultry industry should a fast-evolving type of bird flu hit arrive in NZ and there was a high risk of this happening. He said it was not likely that it would infect dairy cattle. A multi-state outbreak of H5N1, a strain of HPAL, in dairy cows was first reported in the US in late March, marking the first time it had been found in cows.

The **NZ Merino Company** revised its trading guidance for the year ending June 30 to an ebit loss of between \$1.5m and \$2.1m, with a net loss in the range of \$3.2m and \$4.3m. That compared to previous guidance in March of a positive ebit of between \$1m and \$1.6m and a net loss of between \$400,000 and \$900,000.

**Fonterra's** president Atlantic, Richard Allen, was appointed president of global markets Ingredients. René Dedoncker, its current managing director of Oceania, will move to be managing director of global markets consumer and foodservice.

Legal action launched by the organisation representing NZ's two fertiliser co-operatives has been called off after Australian newcomer **Marnco** agreed to stop marketing its product as superphosphate.

Primary sector investment manager **MyFarm** set up a \$190m kiwifruit orchard investment vehicle. The MyFarm KiwiFruit Fund will bring into a single fund 13 Bay of Plenty and four Northland SunGold properties and the associated shares in Zespri.

**Livestock Improvement Corporation** estimated its underlying earnings for FY24 to be in the range of \$13m to \$15m, down from the previous range of \$17m to \$22m. The adjustment is a result of a one-off, non-cash impact from the tax legislation change.

**Energy and resources**

**BP NZ** sold its stake in **Channel Infrastructure** for \$46m at a discount to the share's trading price.

**Lodestone Energy** said it wants to build a 220MW solar farm on a farm in the Mackenzie Country.

**Transpower** said it had several expressions of interest in taking over its unwanted subsidiary, **emsTradepoint**, which runs the only wholesale gas trading platform in the country.

**Rānui Generation** was acquired by Singapore fund manager SC Oscar for an undisclosed sum. This would enable it to start construction of its Northland solar farm.

**Meridian Energy** chief executive **Neal Barclay** said importing gas could be a viable option to get the electricity sector through supply constraints.

**Far North Solar Farm** said it had secured debt financing through Westpac to build its first four solar farms with an expected capacity of 180MW.

**Transpower** chief executive **Alison Andrew** said maintenance crews removed all the nuts at the bottom of three legs of a power pylon causing its collapse, cutting power to Northland. A number of inquiries are underway.

**Banking, finance and insurance**

There were media reports the **Financial Markets Authority** received complaints last year claiming traders at a major local bank had manipulated the sale of government bonds in 2022. The FMA would only confirm the regulator had received complaints but wouldn't comment on whether any investigation took place.

**AIA NZ** made 23 employees redundant.

Non-bank lender **Resimac** said it will stop accepting home loan applications in New Zealand from July 1.

**Wholesale and retail**

**The Warehouse Group** said full-year ebit would be between \$22m and \$30m for the year to July 31, compared to \$83.4m in the 2023 financial year. It shares fell to record lows following the announcement. Earlier, the shares had risen when the company said it would disestablish six of its nine group executive leadership roles as it refocuses on three core brands.

David Webb and Robert Campbell of Deloitte were appointed as receivers of **Laybuy Group Holdings** and **Laybuy Holdings**. Glen Kanevsky and Jason Tracy of Deloitte Australia have also been appointed receivers of Laybuy Australia. The UK-based entities and certain other entities in the Laybuy Group are not in receivership. The appointment was made at the request of Laybuy directors

**KMD Brands** said group sales between Feb and May had fallen 8.4% compared with the previous

financial year.

The NZ franchisor of vegan fast-food restaurant business **Lord of the Fries** went into liquidation.

## Transport

**Jetstar** is to offer new flights between Auckland and the Sunshine Coast (Maroochydore) and between Christchurch and Cairns. It will also increase capacity on key domestic routes, starting with Christchurch to Auckland and Auckland to Wellington.

## Manufacturing and construction

Departures of **Fletcher Building** directors continued after shareholder pressure. Martin Brydon was to stand down at the company's AGM in October, he is now standing down at the end of this month. Former chair Bruce Hassall was forced out in early March alongside former chief executive Ross Taylor. Doug McKay's end of June departure was announced later that month, and Rob McDonald said he would also not stand for re-election, but this was brought forward to the end of June.

## Courts, legal and regulation

The **Commerce Commission** said it had settled proceedings with **Foodstuffs North Island**, after alleging the supermarket operator blocked competitors from opening rival stores. The High Court will determine any orders to be made in relation to the case following the settlement agreement with the commission regarding the historical use of land covenants.

**Eric Watson** accused the **US Securities and Exchange Commission** of procedural misconduct and improper and non-compliant service in an insider trading complaint against him. In a letter to the US courts last week – his first direct contact since the claim was filed – he outlined four grounds for setting aside a default declaration.

## Technology and IT

A potential \$400m unsolicited takeover bid at for **Rakon** at \$1.70 per share was called off because of unresolvable issues. Media had reported the potential buyer was a Nasdaq-listed Apple supplier.

**Rocket Lab** signed a deal to send 10 satellites into space for Japanese company Synspecive.

## Service industries and healthcare

Forsyth Barr initiated coverage of **Radius Residential Care** giving it a blended spot valuation of \$0.26 –

86% above the \$0.14 trading price when the report was released.

## Property

**One NZ's** main office will move from Takapuna's Smales Farm to Mansons TCLM's new \$550m offices in the Wynyard Quarter next year.

## Corporate actions

**Fletcher Building** is selling its half-stake in its Fiji construction business for about \$20m. It will also record a non-cash impairment on the Fiji business of about \$15m.

The **Financial Markets Authority** said the first batch of mandatory climate reports were of varying quality, but none were late or substandard.

**Synlait** said it doesn't know whether shareholder **a2 Milk** will vote in favour of a \$130m loan from its major shareholder needed to pay off bank debt due July 15. It said without the loan from an associated company of its largest shareholder, **Bright Dairy**, the board's view was that Synlait would need to cease trading or initiate insolvency proceedings. Shareholders will vote on July 11.

**SkyCity** sold its 10% equity investment in **Gaming Innovation Group** for approximately \$55m to pay down debt. SkyCity will maintain its relationship with GiG through its involvement with the SkyCity Online Casino.

## Capital markets

**Infratil** held a successful \$1b equity raise for institutional investors and a \$150m retail offer is underway. The money will be mainly used to invest further into datacentres.

**Mercury NZ** is offering up to \$300m of unsecured, subordinated capital bonds.

**Geneva Finance** has announced its intention to delist from the NZX Main Board and list on the Unlisted Securities Exchange.

## People

**Dianne Day** was appointed as an independent director of **Booster Investment Management**.

**Fraser Whineray** will be the new executive chair of **Jarden**. **Bill Trotter**, who has spent 22 years as executive chair, will become a director.

**Tracy Brown** will replace **Jim van der Poel** as chair at **DairyNZ's** October AGM. 🇳🇿

## LEGISLATION

### Strike two for three strikes

After the Budget was delivered and the debate on the second reading of the Appropriation (2024/25 Estimates) Bill (the Budget debate) began, the House went into Urgency and sat through to Saturday midnight. However, the government did not make progress on all its planned business before the House rose. Parliament was then adjourned with extended select committee hearings to allow greater scrutiny of the Budget and departmental appropriations. The House resumed on June 25 and the government moved it back into Urgency almost immediately. The government introduced legislation to restore the Three Strikes sentencing regime

- *Italics denote update from previous edition of Hugovision*
- *A full compendium of the legislation before the House is available on The Hugo Group website, [www.thehugogroup.com](http://www.thehugogroup.com)*

### Bills introduced

**Accident Compensation (Interest on Instalment Plans) Amendment Bill** - Introduced under Urgency on May 30. Retrospectively validates the ACC's past practice of charging debit interest and provides an explicit legal authority for the ACC to continue to charge debit interest. First reading and second reading completed under Urgency with National, Labour, Act and NZ First in favour.

**Climate Change Response (Emissions Trading Scheme Agricultural Obligations) Amendment Bill** - Introduced on June 20. Amends the Climate Change Response Act to remove agriculture activities from the emissions trading scheme.

**Education and Training Amendment Bill** - Introduced on June 24. Repeals the early childhood education network approval provisions, provides for a new type of school (charter school/kura hourua), and enables the Secretary for Education to make rules about attendance data.

**Forests (Log Traders and Forestry Advisers Repeal) Amendment Bill** - Introduced under Urgency on May 30. Provides for the disestablishment of the registration system and all associated requirements for log traders and forestry advisers, and for the Ministry for Primary Industries to refund any fees or levies paid to MPI under the scheme and waive any fees or levies that are due but not yet paid at the time of commencement.

**Land Transport (Clean Vehicle Standard) Amendment Bill** - Introduced under Urgency on May 30. Enables Clean Vehicle Standard targets for reducing CO2 emissions for 2025 onwards to be set in secondary legislation, and empowers a cost recovery scheme, which involves the collection of fees, to contribute to the costs of administering the Clean Vehicle Standard, to be set in secondary legislation. The standard requires vehicle importers to meet annual carbon dioxide emissions targets. Vehicle importers must meet these targets, on average, across all the vehicles they import in a year.

*This enables high-emission vehicles to be imported if their emissions are offset by the importation of zero-emission or low-emission vehicles.*

**Local Government (Water Services Preliminary Arrangements) Bill** - Introduced on May 30 under Urgency. Lays the foundation for a new framework of water services management, including a new water services delivery arrangement for Auckland. Councils will be able to use the provisions to start planning future water services delivery and undertake steps to establish, join, or amend council-controlled organisations. It requires councils to submit water services delivery plans within 12 months of the bill's enactment. These plans can be done jointly between councils. The bill also requires councils to provide information for economic regulation. A further bill is planned. First reading under Urgency and sent to the Finance and Expenditure Committee with the support of National, Act and NZ First to be reported back by July 18.

**Overseas Investment (Build-to-rent and Similar Rental Developments) Amendment Bill** - Introduced on June 11. Provides a new streamlined test that allows overseas investors to buy existing large rental developments, providing they meet the requirements of the investor test. This test enables other types of large rental developments that are functionally the same as BTR but may be considered different housing types, such as worker accommodation. Consent will be conditional on investors continuing to make available for lease at least 20 of the dwellings; otherwise, they must divest their interest in the asset.

**Public Finance (Fines Collection Costs – Budget Measures) Amendment Bill** - Introduced under Urgency on May 30 and passed through all stages with National, Act and NZ First in favour. The bill amends the Public Finance Act to increase from 10% to 14% the percentage the Crown retains (as fines collection costs) from fines recovered for offences prosecuted by or on behalf of local authorities and other organisations.

**Resource Management (Extended Duration of Coastal Permits for Marine Farms) Amendment Bill** - Introduced under Urgency on May 30. Extends the current duration of all coastal permits currently issued under the Resource Management Act authorising aquaculture activities by 20 years, but not beyond 2050. First reading completed on May 30 with National, Act and NZ First in favour. Sent to the Primary Production Committee to be reported back by July 18.

**Sentencing (Reinstating Three Strikes) Amendment Bill** - Introduced on June 25. Largely reinstates the legislative regime for sentencing repeat serious offenders known as the three-strikes law.

**Taxation (Budget Measures) Bill** - Introduced under Urgency on May 30 and passed through all stages with National, Act and NZ First in support. The bill made changes to personal tax rates as announced in the Budget and raft of flow on adjustments as a result. Also increased the interest rate on student loans. 

