UNIVERSITY OF AUCKLAND INVESTMENT CLUB

INVESTMENT BULLETIN

STUDENT WRITERS - STUDENT OPINIONS

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The University of Auckland Investment Club
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Prices as at Friday 2nd October 2020
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Contents

An update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY OUR INVESTMENT COMMITTEE ANALYSTS

DICKER DATA

Pitched by Tribhuvan Krishnan, Senior Equity Analyst:

Dicker Data (ASX:DDR) is an Australian value-added distributor of ICT hardware, software, cloud and IoT solutions for reseller partners. With 40 years of experience in Australia and New Zealand, Dicker Data provides vendors with a successful route-to-market, and resellers with access to ICT products and services. Being a market leader with a proven track record of profitability, Dicker Data's next stage of success lies in delivering the digital tools required for business transformation through 5G, automation, cloud, and AI technologies. Additionally, the launch of Dicker Data's financial services arm ensures that its resellers can have a competitive edge in the market through unique financing solutions – capitalising on the growing as-a-Service trend. The Investment Committee voted to pass Dicker Data onto the valuation stage with a final vote of 13/15. The valuation team will consist of Tribhuvan Krishnan, Raewyn Leow, and Athena Churchill.

FREIGHTWAYS

Pitched by Daniel Vaz, Senior Equity Analyst:

Freightways Ltd (NZE: FRE) is a multi-brand courier, information management and internal service provider operating in New Zealand and Australia. FRE segments its business in four main ways - Express Package, Business Mail, Information Management and Secure Destruction and has experienced consistent growth over the last few years. The company has bounced back strongly after an initial setback due to COVID-19; generating higher revenues in several business divisions compared to the PCP. Looking forward, FRE is focusing on leveraging its existing success within its courier services and capitalising on its market-leading position in the Australian secure destruction industry. Commonly coined as a domestic economic "Bellwether", FRE's success largely depends on a robust domestic economy and is therefore exposed to a fair amount of uncertainty. Unfortunately, the Investment Committee did not move FRE to the next stage, with the final vote being 6/13.

"Why so a freight?" - Daniel Vaz, Senior Equity Analyst

"Dicker Data is the crucial link between vendors and customers in the global ICT supply chain." - Tribhuvan Krishnan, Senior Equity Analyst

UAIC presents: UBS investment banking competition!

ATTENTION ALL BUDDING INVESTMENT BANKERS! DO YOU WANT TO WIN YOUR SHARE OF $1500? UAIC AND UBS NEW ZEALAND ARE EXCITED TO BRING YOU THE INAUGURAL UBS NEW ZEALAND INVESTMENT BANKING COMPETITION.

Investment bankers play a pivotal role in the corporate world. They create value for clients by offering several services: advising companies on corporate strategy, raising capital on the debt and equity markets and advising clients on mergers, acquisitions, or divestments.

Businesses make acquisitions for several reasons. Many look to diversify their portfolio or leverage an incumbent to pivot into new ventures. A merger between companies can be equally exciting as the merged business may create synergies and enable new opportunities.

As an Investment Banker, it is crucial to create value for clients through the origination and execution of well-structured transactions. You are a new analyst expected to bring fresh ideas to the UBS New Zealand IBD team. Your Managing Director has instructed you to review some of the largest and most influential transactions in the Australia and New Zealand market to understand the deal process and inform the origination of new deals for the coming decade.

Your task is to:

1. Select two transactions from the set provided
2. Evaluate the selected transactions and prepare an analysis on both
3. Present your analysis to a panel of judges
4. Answer a subset of finance-related questions asked by the judges

This competition is designed to be fun and engaging for students from all backgrounds, degrees and ages. Enter in a team of 2-4 people and compete to win your share of a $1500 prize pool!

Register at www.uaic.co.nz/investmentbanking and good luck!

KEY DATES:

Registrations Close: 4th October at midnight
Submissions Due: 10th October at midnight
Heats: 12th October 6pm, Case Room 3
Finals: 19th October 6pm, UBS New Zealand

Introduction to insider trading

PART 1 WRITTEN BY CHRISTOPHER WONG

WHO ARE INSIDERS? WHY DO WE CARE IF THEY TRADE?

INSIDERS ARE THE DIRECTORS OR THE HIGH-LEVEL MANAGEMENT OF A PUBLICLY-TRADED COMPANY. THIS TERM ALSO INCLUDES ANY PERSON OR ENTITY THAT HOLDS MORE THAN 10% OF VOTING SHARES. HOWEVER, UNDER LEGAL CIRCUMSTANCES, THE TERM "INSIDERS" MAY INCLUDE ANYONE WHO USES NONPUBLIC INFORMATION TO TRADE.

Due to the nature of their jobs and/or connections, these insiders have access to publicly unavailable materials (information about scandals, earnings, new products, etc.) that can be vital to the company share price. If they use this inside information to trade, this would be an unfair advantage against the average investors who do not have access to such information at that point.

CAN INSIDERS TRADE AT ALL?

Despite the negative connotations, not all insider transactions are illegal. In general, insiders are allowed to buy or sell shares of their own company as long as they report these transactions to the regulators within a certain time, typically a week (depending on the country's regulations). To demonstrate, a corporate insider decides to sell her company's securities so she reports it to the SEC within two business days.

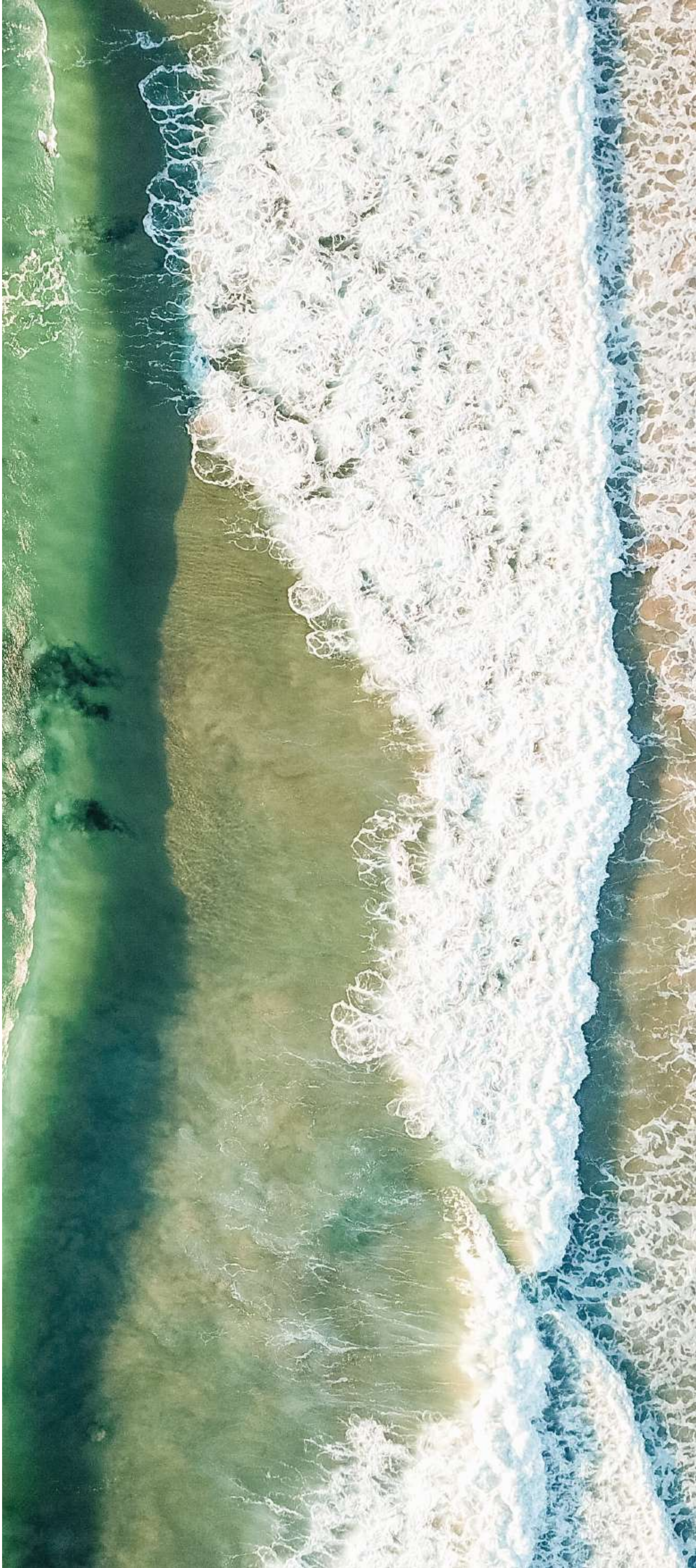
A further restriction is that corporate insiders may only buy/sell their company's securities within strict periods. This regulation is enacted to ensure that there is no material non-public information that might affect an individual's decision to buy or sell said company's securities.

WHEN DOES IT BECOME A CRIME?

The classic type of insider trading involves a top executive trading financial products of their own company based on non-public information. A corporate insider may also engage in illegal insider trading without buying/selling their company's securities. In such situations, the corporate insider ('tipper') is 'tipping' another person ('tippee'). A tipper is an insider who advises/encourages an individual to trade securities, or, disseminates non-public information to an individual, with the knowledge that the individual is likely to act on such information or pass it on to another person.

In Australia, the Corporations Act (2001) deems it an offence is any individual whom to trade financial products with, encourage trading with, or communicate for a person trading with, inside information. The Australian markets are upheld by regulations which place an emphasis on market integrity and symmetry of information between market participants. As such, even if the insider doesn't make a gain by trading or tipping inside information, it is still a criminal offence.

As aforementioned, any use of informational asymmetry is considered to undermine the integrity and efficiency and therefore illegal. However, the USA determines insider trading liabilities on the breaches of fiduciary duty and not informational asymmetry. Therefore, in some cases where the tipper does not receive any tangible benefit in exchange for disclosing inside information, the court might find them not guilty.



Studylink Asset Management

WRITTEN BY SHYAM PRASAD-JONES

USING STUDYLINK TO INVEST...

TO BE CLEAR, THIS ARTICLE IS NOT IN ANY WAY SUGGESTING ONE SHOULD DO ANYTHING WITH STUDYLINK FUNDS OTHER THAN WHAT THE STUDENT LOAN SCHEME ACT 2011 INTENDS IT TO BE USED FOR. ALL FAIRLY NOVEL EXPENSES SUCH AS RENT, FOOD, UTILITIES, TEXTBOOKS AND ANY OTHER COSTS ASSOCIATED WITH LIVING AND STUDYING. THE MINISTRY OF SOCIAL DEVELOPMENT, HAVE THE DELEGATED AUTHORITY TO REFER MISSPENDING TO THE POLICE FOR FURTHER PROSECUTION. SO IT'S PRETTY CLEAR THAT AS STUDENTS MONEY FROM STUDYLINK GOES DIRECTLY TO THESE EXPENSES.

STUDYLINK PROVIDES WEEKLY DIRECT DEBITS TO STUDENTS TO ASSIST WITH THE COST OF LIVING WHILE STUDYING FULL TIME AT AN APPROVED INSTITUTION. IN THIS LIES THE DILEMMA STUDENTS COME ACROSS. HOW TO BEST SPEND THIS MONEY?

Students can access one of two different weekly payments. Living costs which you are required to pay back as a part of your student loan. Student Allowance, which you do not need to pay back. To qualify for the student allowance your parents combined income must sit below a certain threshold, currently around $100,000. On top of this, under normal circumstances, students can withdraw up to $1,000 in course-related costs per loan account. During the current pandemic, this has been extended to $2,000.

With these foundations set, hypothetically speaking, what else could one do with this money. The weekly payments can be up to $300, depending on what you qualify for. While not everyone would be able to save every cent, having $10,000 saved at the end of the academic year is, well, not a very academic thought! Given such a hypothetical person, the best advice would be... Invest every dollar.

Granted you remain in NZ, interest will not be applied to your loan. Should you qualify for the allowance, there is no requirement to pay it back at all. This is a golden opportunity to take advantage of and it would be rude not too. Invest now and reap the rewards later. Our wonderful hypothetical individual can pay back the principal loan balance over their life once they start working. Continuing to earn from their investment gains.

What are the options for this person and their investment opportunity? With this level of capital and the general need for students to remain somewhat liquid, the share market is a highly attractive investment option. Bonds and fixed-term deposits offer safer, albeit less liquid and less lucrative options. Perhaps a more ambitious option is a foray into the stock market.

The NZX 50 has given an average return of about 7% p.a in the past 20 years. Of course, this return is subject to severe fluctuations depending on the state of the market, with this year being a prime example of the volatility markets can experience. Stocks are an attractive option as they offer a high degree of liquidity. Furthermore, access to stock markets has never been easier. With a multitude of online trading platforms, students have a plethora of options. Investments into the share market can also help generate passive income, on top of potential capital gains. This being said, the higher volatility that comes with investing in shares can be understandably off-putting. However, the interest-free Studylink funds offer a great opportunity for students to delve into the stock market to begin setting themselves up financially for the future.

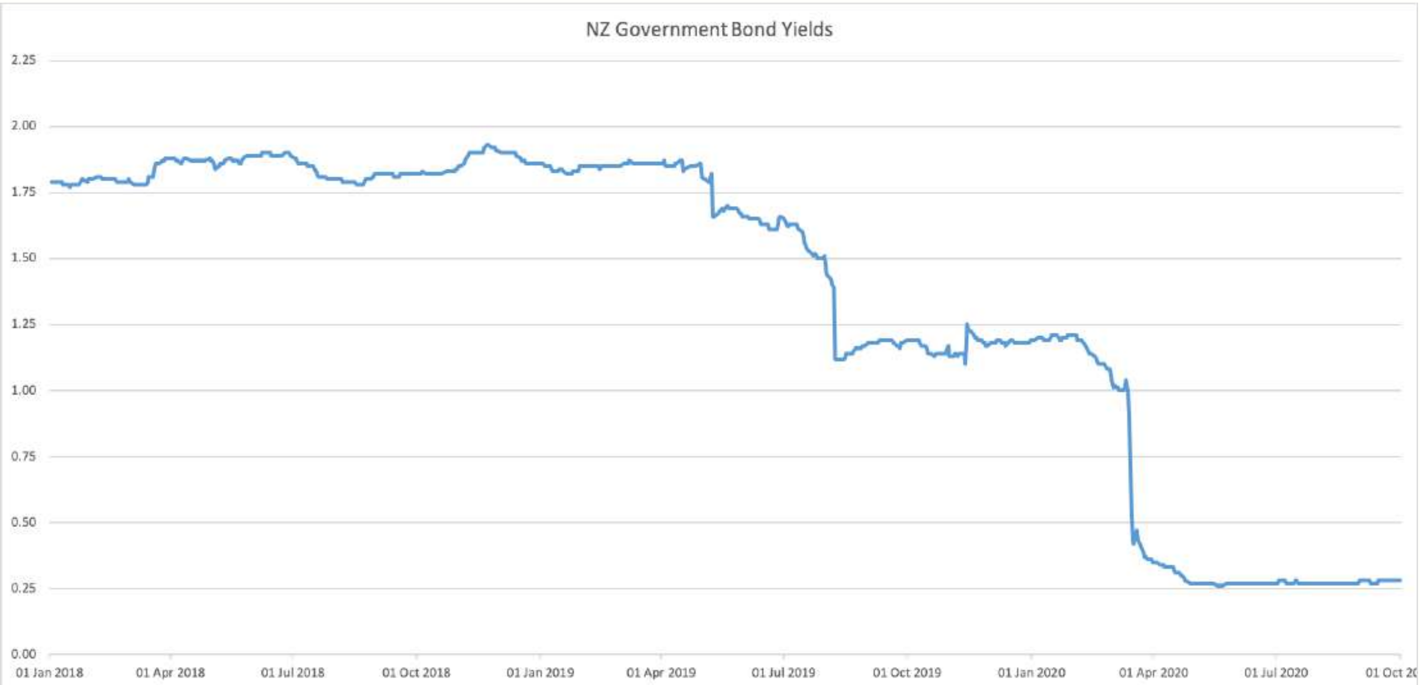


Figure 1: 30-day Government Bond Yields, source: RBNZ

Bonds and fixed-term deposits typically do not offer yields as competitive as returns from the stock market. However, they are considered a significantly safer investment. If our hypothetical Studylink borrower is happy to lock their money away for a multiple-year investment with fairly low risk then this offers a great opportunity. In the current climate government bonds have fallen dramatically offering significantly lower returns compared to two or three years ago. Nonetheless, they provide the safety and security many students might seek when investing their money.

The property market is to some extent a pain point for the current student population. Seemingly unattainable, maybe Studylink offers a leg up into the market. With a minimum deposit for a home loan at 20%. Saving every single Studylink dollar could see you halfway there. Granted this would be a property at the lowest end of the spectrum regarding value. The median house price in NZ, excluding Auckland is $525,000, compared to the median Auckland house price of just under $900,000. Sure this isn't the most straightforward or realistic investment option, it's not entirely unattainable.

Whatever one's preference is, there are options to cater for different investment goals. What should be clear is simply holding up the funds in a cash account is not the most optimal way to use Studylink funds.

Put your money on-the-line

WRITTEN BY ANANYA AHLUWALIA

I THINK IT'S TIME WE OPENLY ADDRESS THE FACT THAT INVESTING IS INTIMIDATING, ESPECIALLY WHEN YOU'RE JUST GETTING STARTED. THE IDEA OF PARTING WITH YOUR HARD-EARNED MONEY WITH NO GUARANTEE OF RETURN, LET ALONE PROFIT, IS TERRIFYING. IT WAS DAUNTING ENOUGH FOR EVEN YOUNG ME TO STAY CONTENT WITH THE $3.75 MONTHLY RETURN I GOT FROM MY SAVINGS ACCOUNT. BUT AS LAUREN BACALL ONCE SAID, "STANDING STILL IS THE FASTEST WAY OF MOVING BACKWARDS IN A RAPIDLY CHANGING WORLD."

But getting started doesn't necessarily mean jumping in headfirst and hoping the water feels warmer once you're in - with investing it's crucial to test out the water by doing your research and starting small. I've found that a great way to dip your toes in is (controversially) through online investment platforms.

Now, I can already hear the cries of disgust coming from the more experienced investors in the club, but hear me out - investment platforms are relatively low risk, hands-off and convenient, meaning they're perfect for gaining traction while you're still learning. Deciding to go forward with an online service is a big step towards getting started, but NZ has a wide range to choose from. This piece will discuss and compare the main aspects of InvestNow, Hatch Stake and Sharesies, and discusses the alternative more traditional approach of investing through retail banks.

Sharesies and InvestNow are both intermediary platforms for managed funds, bridging the gap between potential investors and fund managers. Each service provides investors with access to multiple managed funds through a user-friendly online portal, as well as analytics and figures evaluating the funds' performance. Both services opt to educate their investors, Sharesies with its news and education tabs on its website and InvestNow's weekly newsletter output.

InvestNow, owned by Implemented Investment Solutions (IIS), is currently the largest fund hosting service, with over 140 funds offered on the site. The platform itself charges no fee, as the fund managers themselves pay to be listed, making it a great place to start. Fees charged by funds chosen range from around nothing to 2.30% and the platform allows a minimum investment of $250. In addition to these managed funds, InvestNow offers

ETFs and term deposits as well as index funds.

Sharesies acts as both a managed funds platform as well as a direct brokerage site. It offers around 35 managed funds on its site, but also gives investors the ability to buy and sell shares listed on the NZX as well as 2500 US companies directly. Their brokerage fee is based on the amount you are trading with, with 0.5% for orders under $3,000 and 0.1% for orders greater than $3,000. Sharesies also offers ETFs but does not offer term deposits. Unlike InvestNow, Sharesies takes a platform fee of up to $3 monthly depending on the size of your investments, in addition to the funds' fees. However, there is no minimum investment amount, and it's known to be more user friendly than its competitors, making it an excellent service for smaller investments you may choose to experiment with.

Hatch, similar to Sharesies, acts as an approximate online broker for its investors, and it opens up the US market to New Zealanders. The platform offers listings on the New York Stock Exchange and Nasdaq to invest in as well as ETFs. However, Hatch doesn't allow you to trade directly on the share market but works with US-regulated broker-dealer, DriveWealth to manage trades and hold investors' money. Additionally, Hatch requires user investment in NZD and charges a 50bps fee on the exchange rate, as well as a brokerage fee on top of that.

Around mid-2020, Australian platform Stake launched in New Zealand. Like Sharesies and Hatch, Stake allows for trading of US stock. The platform offers New Zealand and Australia based users access to over 3,800 US-listed stocks and ETFs - the same access a resident in the US would have. The company operates on a freemium model, offering a free 'Starter' pack and a 'Black' pack. There is, however, a 1% deposit and withdrawal fee, with a $10 minimum deposit regardless of your package. The Starter pack includes day trading on settled funds as well as the ability to buy and sell partial shares for different stocks for no cost apart from standard levies. The Black pack subscription, for $9 monthly offers day trading on unsettled funds, the ability to limit and stop orders, priority customer support and premium analytics and data. Overall, while it's deposit and withdrawal fee can be seen as high relative to Hatch's 0.5%, Stake's lack of trading fees is an attractive enough element to forgive the expense.

Before these online platforms, investments were traditionally made through retail banks like ASB Securities. The brokerage firm primarily offers trade on the NZX and the ASX, with similar company listings to Sharesies and they indirectly facilitate trading operations in international markets through offshore brokers. Trading through ASB and traditional brokers means you have direct ownership over shares under your Common Shareholder Number (CSN). This means you can buy and sell shares through any share broker, since they are held under your name on the company's registry, unlike Sharesies, where a nominated custodian owns the shares.

However, what really distinguishes this traditional approach from online platforms is their pricing structure. While Sharesies has a minuscule, minimum investment of $0.01 and allows investors to trade fractional shares, ASB only allows investors to buy whole shares and requires them to buy enough shares to meet the minimum

	InvestNow	Sharesies	Hatch	Stake
Revenue from	Fees paid by fund managers	Fees paid by users and fund managers	Fees paid by users	Fees paid by users
Types of investment	Managed Funds ETFs Term Deposits	Managed Funds ETFs Shares: NZX and US-listed	ETFs Shares: US-listed	ETFs Shares: US-listed
Fractional shares?	N/A	Yes	Yes	Yes
Minimum Investment	Regular: $50 One-off: $250	$0.01	No minimum	US$10
Brokerage Fee	N/A	0.5% for orders up to $3000 0.1% for any amount over $3000	US$8 to trade 1+ shares US$3 to trade a fraction of a share	No brokerage fee
Other Fee	None	Subscription: $30/year $0-$3/month	Exchange fee: 50bps on the exchange rate	Premium Subscription: $9/month 1% deposit and withdrawal fee

holding requirement. This value differs from company to company, for example, Chorus (NZE: CNU) has a minimum holding of $1,000 while other various companies have minimum holdings of 100 units.

Brokerage fees for ASB include a flat fee of $15 for trades up to $1,000 and $30 for trades between $1,000 and $10,000, but a percentage 0.3% for trades over $10,000. Suppose you invest $1,000 using the two brokers - Sharesies would charge 0.5% (or $5) in brokerage fees, since the investment is less than $3,000 while ASB Securities will charge you the flat $15, which is 1.5% of your investment, and three times higher than Sharesies. It is important to note that Sharesies' subscription fee factors into overall fees calculation, and tends to make one-off investments comparatively more expensive, however, if you're investing in multiple different companies and regularly topping up the amount, it tends to come out cheaper. Money King NZ, have created an incredibly useful comparison spreadsheet, to roughly compare fees between Sharesies, Direct Broking and ASB Securities, based on these variables: https://docs.google.com/spreadsheets/d/1D4y5-7D2TXlJDbSxU57yLBnGanRV3ZYpcYBxG9DZiKw/copy

While the few platforms discussed here are the most used by Kiwis, there are so many more offered, as well as term deposits by your very own banks. There are a million ways to get started and there is a platform for everyone, the fact that you're in this club is an excellent start as it is. So get involved, do some research and start investing, it's a decision you (hopefully) won't regret.

ACT: The party of economic discipline?

WRITTEN BY SAEYAVAN SITSABESAN

WELCOME TO OUR ELECTION 2020 SERIES, AS PART OF UAIC'S GENERAL ELECTION COVERAGE, THIS WEEK FEATURES ANALYSIS OF VARIOUS MINOR PARTY POLICIES AS THEY RELATE TO STUDENTS AND INVESTORS. NEXT WEEK, MAJOR PARTIES WILL FEATURE IN COVERAGE.

ACT the libertarian right-wing has fought its way back to relevance, polling at 8% in the latest 1 News Colmar Brunton Poll (28/09/2020). ACT looks set to bring in a total of 10 MP's with where it's polling currently. Let's not forget the magnitude of this achievement, David Seymour party of one has resurrected ACT's polling numbers to levels not seen since the 2002 Election, when then-leader Richard Prebble brought in 9 seats for the party.

ACT's policies are 'business as usual' as far as the party is concerned, following the lines of lower taxes, less regulation and small government.

Act's Taxation policies consist of three major parts. A temporary 5 point cut in GST and a permanent reduction of 30% tax bracket to 17.5%.

ACT is also proposing a 'Cut the red tape' initiative which 'would cut existing ineffectual regulations' and require all regulation to 'quantify its cost and benefits.'

THE GST CUT

ACT's tax policy of reducing GST temporarily by 5% is likely to have significant benefits in increasing consumer spending and jump-starting the economy. For Context, Lockdowns around the world have given a shock to consumer spending. Consumer Spending in New Zealand declined by 12% in the second quarter of 2020.

The temporary GST arguably reduces the cost of products across the spectrum and will increase demand, but the idea is all about pulling spending forward. People looking into buying a new car, sofa set or renovating in the next two years will do it in the period of the tax cut and save ~5%. The United Kingdom has utilised a VAT cut as a tool to combat recessionary

forces both in 2008 and in 2020. The UK's VAT system is slightly different from the GST system that we have. Firstly, It is slightly progressive, as it excludes or applies a reduced rate for essential items. In NZ our flat sales tax rate of 15% is regressive. Secondly, the method of collection differs slightly. A PWC study after the 2208 temporary cut found that an overwhelming 88% said that the VAT cut had not prompted them to spend more on goods or services, and only 8% stating they increased their spending. The UK treasury though has claimed that the VAT cut increased GDP by almost 1%.

In a recent study by Scott Baker, an associate professor of finance at the Kellogg School, and his co-authors, they explored the effectiveness of the counterintuitive policy alternative of a sales tax hike. Baker explains "Saying that you will increase taxes in the future on consumer goods could incentivise people to do that spending now rather than in the future, when taxes will be higher." The authors studied the impact of a 10% increase in state sales tax and estimated that 16.5 months of spending could be brought forward. Surprisingly, they also found a whopping 15 per cent increase in sales for every 1 percentage point tax increase. While the ACT policy effectively advocates for a temporary tax reduction, it has the same trigger of a future tax spike, meaning it could have an impact of similar scale.

However, the impact of the policy is contingent on widespread accessibility to credit and liquidity. If there are significant constraints to unsecured credit, like what we are facing now, the impact of the policy on encouraging spending on big-ticket items is likely muted. But, is the $6 billion policy worth it. Because the economic crises we are facing right now are a loss of consumer confidence and a change in consumer spending patterns.

Businesses at risk are concentrated in a few industries rather than throughout the economy. The Entertainment and Recreation industry spending is down 59.1%, Restaurants and Hotels are down 26.8%, but Grocery spending is up 7.2% and spending on digital is up. This is a K-shaped recovery.

The key question then becomes whether a $6 billion general boost to entire consumer spending or targeted assistance to the impacted businesses is a better choice.

THE INCOME-TAX CUT

A tax cut to personal income tax rates, again something that falls strongly in line with the small-government rhetoric. However, the impact of this policy is contentious. Firstly, the tax cut heavily favours high-income earners. Those earning over $70,000 will receive a tax cut of $2,750. However, those earning under $48,000 won't be receiving any tax cuts.

This policy struggles to address the key economic challenges we are facing. Low wage employment has dropped by 16%, whereas High wage employment is down 0.5% compared to pre-pandemic levels in the united states.[2] A similar trend is expected to occur in New Zealand.

The tax-cut fails to target those impacted by the economic crises.

Furthermore, output multipliers indicated by the Congressional Budget Office (CBO) for a mix of tax and spending policies indicate tax cuts to lower income people having a multiplier of 1.5, i.e. for every $1 of tax cuts, the economy grows by $1.5. Multipliers for tax cuts to any other income group are less than 0, i.e. the costs outweigh the benefits.

For comparison, government spending and helicopter money

have multipliers greater than 1.8.

TABLE 1
Output Multipliers for Federal Fiscal Policies

	Economy Well Below Potential		Economy Close to Potential	
	Low	High	Low	High
Tax cuts				
Lower- and middle-income people, two years	0.3	1.5	0.1	0.5
Higher-income people, one year	0.1	0.6	0.0	0.2
First-time homebuyer credit, extension	0.2	0.8	0.1	0.3
Corporate tax provisions primarily affecting cash flow	0.0	0.4	0.0	0.1
Transfer payments				
Individuals	0.4	2.1	0.1	0.7
Retirees	0.2	1.0	0.1	0.3
Transfers to state and local governments				
Infrastructure	0.4	2.2	0.1	0.7
Other purposes	0.4	1.8	0.1	0.6
Purchases of goods and services	0.5	2.5	0.2	0.8

Source: Whalen and Reichling (2015).
Notes: If the economy is well below potential, output gains are spread over one (Low) to four (High) quarters. If the economy is operating close to potential, output gains are spread over one (Low) to three (High) quarters and are partly offset by output losses through the eighth quarter.

ACTs so-called 'economic discipline' principle really comes into question with this policy.Review of RegulationACT will supposedly exert 'Economic Discipline' in removing ineffectual regulation. In theory it all sounds great, we'd all love for regulation that costs us more than it benefits us out.

There are plenty of examples of ineffectual outdated regulations that reduce the quality of life for many citizens. Minimum carpark requirements come to mind. The regulation required that there be a certain number of carparks for each dwelling built. The effect of this is more expensive housing, that may not provide additional value to consumers, particularly those that don't own a car. The National Policy Statement on Urban Development 2020 released in July 2020 removed the requirement, and is expected to improve the standard of living.

This is a policy that should have unanimous non-partisan policy and implicitly does. Successive labour and national governments have worked towards removing poorly designed regulation.

Nonetheless, the primary concern is the method of defining the costs and benefits and the independence of the deciding body.The lack of detail on what this will actually look like, limits our understanding of the economic impact of this policy.

The metamorphic rise of the party in recent months has been attributed by political pundits to their support for the far-right movements on gun control and free speech. But it is more likely that ACT was able to shift support from disgruntled National Party voters through concise leadership and a policy-focused platform. The party is again running on the same standard platform consisting of less taxes and less regulation.

But the idea that ACT's taxation policies will be the silver bullet for our economic woes is absurd. The proposed income tax cut benefits those who have been impacted very little financially and will cost us more then it will benefit the economy. The policy display's very little Economic Discipline, despite it being a mantra of the party. The proposed GST cut, though it could technically get us out of a recession, doesn't address the economic issues of a k-shaped recovery we are facing right now.

Disclaimer: This is an article written by a self-professed non-partisan who seeks to examine the economic implications of policies through an impartial lens. Only a select few of the party's policies have been analysed.

Greens 2020: Visionary or on the green?

WRITTEN BY LOGAN RAINEY

AS PART OF UAIC'S GENERAL ELECTION COVERAGE, THIS WEEK FEATURES ANALYSIS OF VARIOUS MINOR PARTY POLICIES AS THEY RELATE TO STUDENTS AND INVESTORS. NEXT WEEK, MAJOR PARTIES WILL FEATURE IN COVERAGE.

WITH BOTH LABOUR AND NATIONAL RUNNING A FAIRLY CENTRIST, 'PLAY IT SAFE' CAMPAIGN IN 2020, IT HAS FALLEN TO THE MINOR PARTIES TO SPICE UP AN OTHERWISE STAID CAMPAIGN AND INTRODUCE NEW IDEAS FOR REFORM THAT SPARK PUBLIC DEBATE ON THE DIRECTION OF THE COUNTRY IN THE NEXT THREE YEARS.

The Green Party of Aotearoa, currently a confidence and supply partner of the Labour - NZ First government, has no shortage of bold, even radical, policy proposals. The Party is perhaps most passionately campaigning for what it calls its 'Poverty Action Plan', a series of major proposed reforms to taxation, welfare and ACC. The plan aims to address what the Greens refer to; as a failed social support structure that has trapped people and communities in poverty over the last 30 years.

The Greens plan proposes major reform to our current tax system. Under the plan, two new PAYE brackets would be introduced, 37% on income over $100,000 and 42% on income over $150,000. Alongside increased income taxes, the Greens have proposed the introduction of a wealth tax of 1% of net assets above $1 million and 2% on net assets above $2 million. The combination of these new taxes is estimated by the Greens to raise around $9.2 billion annually.

With all this new revenue, the Greens have proposed the introduction of a guaranteed minimum income for all New Zealanders of $325 a week, with top-ups for specific groups such as single parents or tertiary students. This policy is in tandem with legislation for mandatory annual increases to the minimum wage and reforms to ACC to see the corporation extend its mandate to provide disability income support of at least 80% of the full-time minimum wage.

WHAT DOES THIS ALL MEAN?

Firstly, the nature of our MMP system and current party polling of 5-6+% for the Greens suggests that the ability of the Greens to muscle this plan through parliament is limited; especially given that both National and Labour have ruled out introducing a wealth tax, with

Labour's Auckland Central candidate Helen White calling a wealth tax "loopy" in a local debate. The idea of a guaranteed minimum income would also appear dead on arrival, with Jacinda Ardern's Labour hesitant to even increase core benefits rates. It's hard to imagine the Greens having sufficient sway to introduce such a reform.

However, the bigger question is whether these policies make sense, and what impact they will have on the economy? Despite not being anywhere close to a Greens supporter, I'll be the first to admit that the policy around ACC reform seems sensible and pragmatic - having a dedicated and ring-fenced mechanism for funding disabilities would make sense, and given the marginal prosperity of low-income individuals to spend it would likely prove to be to an economic stimulus.

There's certainly a debate to be had around minimum wages and income tax, but the real issue arises around the concept of a wealth tax. Quite simply, it has been tried before and all the evidence from Europe suggests that they simply do not work as intended. OECD reports show that in 1990 12 developed countries had some form of a wealth tax, by 2017 all but three had ditched them.

One of the big reasons for this is they don't generate anywhere close to the sort of revenue that they project. In a globalised economy, it's easy for high net worth individuals to move assets between tax jurisdictions. France, for example, lost over 12,000 millionaires to foreign tax jurisdictions over the period 2000-2012.

What ends up happening is a wealth tax that is only effectively paid by those with highly illiquid property - like property. This presents a massive problem in a New Zealand context. Most Kiwi's have their net worth tied up in the family home, and with Auckland houses averaging around a million a house, a huge number of the middle class will be caught up in a wealth tax. Often these households are asset rich, thanks to decades of house price inflation, but cash-flow poor. Such a wealth tax would prove a large burden.

Thanks to COVID-19, we face some tough economic years ahead. The last thing we need as investors or students is an economy facing capital flight. If you ask me, the idea of a wealth tax should be politically discounted!

MYOB's column

MYOB IT CHALLENGE 2020 – HOW WOULD YOU USE TECHNOLOGY AND DATA TO PROVIDE A BUSINESS NEW EXPERIENCES AND DIGITAL TRANSFORMATION TO HELP THEM SURVIVE IN A COVID-19 WORLD?

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