

NEW ZEALAND ECONOMIC CHRONOLOGY 1980

The following chronology covers in summary form most of the important economic events, policy statements and comments during 1980. Purely statistical material, such as details of production, national income, prices, etc has been excluded as it is readily available elsewhere. Most of the material comes from the Reserve Bank Fortnightly News Review.

January 23 Increased Benefits and Pensions

Increased benefits for social security and unemployment beneficiaries and those on war pensions were announced by the Minister of Social Welfare, the Hon George F Gair. Social security benefits and war pensions were increased by \$7.82 a week for married couples (to \$94.70) and \$4.68 a week for single people (to \$56.82). The increases were backdated to 9 January.

The new net weekly unemployment benefit for a married couple was set at \$82.72 with a single rate of \$48.78 and an under 20 rate of \$37.13.

January 25 Railway Charges Increased

The Minister of Railways, the Hon C C McLachlan announced that all railways charges would rise by 10 percent from 2nd March.

February 12 Petrol Price Increase

The price of premium grade petrol increased to 48 cents a litre.

March 28 Oil Refinery Expansion Finance

A \$500 million Euro-dollar borrowing to finance a hydrocracker for the expansion of the Marsden Point refinery of the New Zealand Refining Company Limited was announced. The loan was the largest ever raised by a New Zealand company on foreign exchange markets.

March 31 New Securities Rules

The Securities Commission released proposed recommendations for Regulations under the Securities Act dealing principally with financial advertising and the contents of prospectuses. The Commission called for submissions on the recommendations.

March Petrocorp Approval

Government approval was given to Petrocorp to build the country's first methanol plant. Petrocorp-Alberta Gas plans a 1,200-tonne a day stand alone methanol plant near Waitara.

March O.E.C.D. Survey of New Zealand

The latest in the series of O.E.C.D. Economic Surveys of New Zealand was released. The report argued that the important medium-term issues facing New Zealand concern the shift of resources into the export sector, the exposure of the import-using sector to greater international competition and the acceptance by wage and salary earners of a greater part of the income adjustments necessary for structural change. But in the short run, the first priority of policy must be to reduce

inflation while at the same time ensuring steadier management of the economy than in the past.

March New Zealand Planning Council

The New Zealand Planning Council issued its report *New Zealand's Long Term Foreign Trade Problems and Structural Adjustment Policies* which discussed the implications of New Zealand's continuing sensitivity to events in the world economy, and the sorts of policies issues this raises.

April 1 Comalco Expansion Proposed

Comalco produced plans for a fourth and fifth pot-line to be included in a separate smelter at its Tiwai Point site, plus associated downstream development. The expansion, estimated to be worth \$1,000 million, would boost total annual production to about 435,000 tonnes.

April 2 State Servants' Wage Increase

A two part package was announced by Government providing for a 10.4 percent final adjustment from 10 November 1979. The second part of the package provided for an estimate of the next general adjustment procedures to be made after the pattern of private sector settlements is established. The estimate would be used as the basis of another adjustment if the 10.4 percent increase proved to be too much or too little.

April 8 Sugar Price Increase

The New Zealand Sugar Company Limited announced that sugar would rise in price by about 30 percent.

April 9 Wheat Pricing

The Government announced a restructuring of wheat pricing. Starting with the 1981 wheat harvest, the price paid to growers will be a three year moving average of the Australian standard white wheat price. A guaranteed minimum price will be 90 percent of the price paid to growers the previous season and the actual price will be calculated just before each season's harvest.

April 22 Aircraft Purchases

Government approved Air New Zealand plans to purchase new Boeing 747 passenger aircraft.

April 28 Monetary Policy Measures

The Minister of Finance announced changes in the limits on personal lending by trading banks and trustee savings banks with the existing limit of 2 percent of the respective savings banks' deposits which can be lent by way of personal loans being abolished.

April New Zealand Planning Council

The New Zealand Planning Council study *The Stabilisation Role of Fiscal Policy* was published. It saw a longer-term view and a co-ordinated approach to both long and short run problems as essential, and concluded that less variability in fiscal (and monetary) policy than in the past would be desirable in the 1980s. (Also published this month were the Planning Council reports *Regional Development Objectives and Policies: An Appraisal*, and *Planning and the Regions: A Memorandum for Ministers*).

May 1 Local Authority Interest Rates

The Government announced new rates of interest for local authority loans. They were (with the previous rates in parentheses):

1-3 years	12.0 percent	(1-2 years, 11.5 percent)
4-5 years	13.5 percent	(3-5 years, 12.5 percent)
6 years	14.0 percent	(13.5 percent)
7 years & over	13.0 percent	(7-9 years, 12.0 percent, 10 years and over, 11.25 percent)

May Monetary Policy Measures

The Minister of Finance, the Right Hon. R. D. Muldoon, announced increases in the government security ratios for finance companies and life insurance offices.

The ratio for finance companies was increased by 2.5 percentage points to 25 percent and that applying to life insurance companies was increased by 1 percentage point to 30 percent with effect from 1 July 1980.

May 6 Northland Pulp Mill

New Zealand Forest Products Limited announced a planned new \$150 million pulp and paper mill for Marsden Point to come into production in 1985.

May 13 Petrol Price Increase

The Government increased the price of petrol by 4 cents a litre, taking premium grade petrol to 52 cents a litre, and abandoned the carless days scheme in the meantime. The Government will instead undertake a series of other petrol-saving measures, including encouragement of exhaust emission tests, financial support for local body-organised car pooling schemes, and so on.

May 17 Railway Charges Increase

The Minister of Railways, the Hon. C. C. McLauchlan, announced that railway freight charges will increase by 10 percent from 1 June and passenger fares will increase by about 10 percent on 1 September.

June 4 Employment Assistance

A four-pronged programme of employment assistance for workers made redundant in the textile industry by the Government's textile industry development plan was announced by the Minister of Labour, the Hon. J. B. Bolger. The package involved four categories of assistance — for local job search, for distant job search, for training or retraining and for relocation.

June 19 New Housing Package

The Minister of Housing, the Hon. D. F. Quigley, announced a package which means a shift in lending from the Housing Corporation to the private sector. Highlights of the package included:

- An increase in the Corporation's building loan limit from \$20,000 to \$24,000; the purchase loan to stay at \$17,500.
- A \$4,000 interest-free suspensory loan for first home seekers who build and obtain mortgage finance from the private sector.
- An increase in income eligibility from \$160 to \$180 per week, plus \$10 per child, for first-home seekers wishing to buy an existing house.
- An income limit of \$230 per week, plus \$10 per child, where the applicant borrows from the Corporation to build.
- The waiving of the 2 percent reserve contribution required from Corporation borrowers.

June 23 Sugar Price Increase

The price of sugar increased by an average 17 percent to 87 cents a kilogram.

June New Zealand Planning Council

The New Zealand Planning Council paper *Investment Issues* was published, in which it is emphasised that the Government's main role in an overall investment strategy should be to create the right climate in which private and public enterprises may make investment decisions likely to be of lasting benefit.

July 3 Budget 1980

The 1980 Budget was introduced. It estimated the deficit before borrowing for 1980/81 to be \$1,260 million. Highlights of the Budget were:

- A general wage increase of 4 percent, effective from 1st August 1980.
- Forestry companies in a tax loss position resulting from forest establishment and maintenance costs will be entitled to convert the reduction in potential tax liability into an equivalent cash refund.
- Various incentives to industry will be extended for a further 12 months.
- Recipients of National Superannuation will benefit from wage round increases some five months earlier than they used to because of the replacement of the Labour Department's half-yearly employment surveys by quarterly ones.
- Increased support for the field services of volunteer agencies caring for children and disabled persons.
- A number of new developments in the education area, within the finance available, including additional grants for state primary and secondary schools; assistance for integrating Catholic schools; increased school boarding bursaries; a \$3 a week increase in the supplementary hardship grant for tertiary students, and so on.
- Training and employment measures including expansion of retraining assistance; subsidisation of

approved apprenticeship schemes; rearrangement of the existing temporary employment programme; increased subsidies for private sector job creation; an optional wage subsidy under the present young persons' training programme; and a programme to assist small co-operative ventures.

- A tax-free grant of 9.5 percent of approved construction costs for selected major hotel projects in the Auckland area.
- A series of taxation measures including a rearranged scale of beer duty, with an increase in the average level of duty; increased excise and import duties on spirits, and increased sales taxes on fortified wines and tobacco products; cleaning preparations and photographic film will no longer be exempt from sales tax, but certain approved sailing craft will be exempt; a tax of 5 percent on the value of domestic air fares, including agency fees; an increase in cheque duty; strengthening of the tax law on the purchase of tax loss companies; an acceleration of the planned increase to \$250,000 in the exemption level for estate duty; repeal of the sections of the Income Tax Act providing for the taxation of real property syndicates; and an increase from \$2,600 to \$11,500 in the level of income below which persons whose only income is from salary, wages, pensions, or national superannuation are not required to furnish annual returns of income to the Inland Revenue Department.
- An increase in the income level from which the young family rebate will abate (but also an increase in the rate at which it abates).
- Replacement of the single income family rebate by a low income family rebate.
- A 40 percent increase in inland postage rates and a 16 percent increase in overseas postage rates.

July 14 **New Zealand Steel Expansion**

A \$600 million expansion of the New Zealand Steel Limited plant was announced following Government approval of the plans which are expected to bring about a fourfold increase in production by the late 1980's.

July 24 **Smelter Proposal Approved**

The Government announced that the Fletcher-CSR-Alusuisse consortium was the successful negotiator for the country's second aluminium smelter project. The \$650 million project is expected to be sited near Dunedin.

July 25 **New Government Stock Issue**

The Minister of Finance, the Right Hon. R. D. Muldoon, announced a new Government stock issue with an interest rate of 13.3 percent. The new stock was issued to the Reserve Bank and members of the public investing in the issue dealt through 'specialised dealers' in Government securities who purchased the stock on their behalf.

July 29 **Reserve Asset Ratio System**

The Deputy Governor of the Reserve Bank, Mr D. L. Wilks, announced that as from August, 1980, the reserve asset ratio system applied to the trading banks will be based on a single ratio covering both demand and time deposits.

July **New Zealand Planning Council**

The New Zealand Planning Council report *Migrants and their Motives: A study of Migration from New Zealand* was published.

August 5 **Petrol Price Increase**

Petrol increased in price by 2 cents a litre for premium grade, taking the price to 54 cents a litre.

September 1 **Government Conversion Loan**

The terms of the conversion loan for holders of stock due to mature on 15 September and 15 October 1980 were announced. These were:

Interest Rate (p.a.)	Repayable
11.5 percent	15 September 1981
12.5 percent	15 September 1983

September 25 **Local Authority Interest Rates**

The Government announced a reduction in local authority stock interest rates. The new rates, with the present ones in parentheses, were:

1-2 years	12.0 percent	(1-3 years, 12.0 percent)
3-5 years	12.5 percent	(4-5 years, 13.5 percent)
6-8 years	13.5 percent	(6 years, 14.0 percent)
9 years & over	13.0 percent	(7 years & over, 13.0 percent)

September **Electricity Price Rise**

It was announced that the bulk tariff price of electricity will increase by 9 percent from 1 April 1981.

October 22 **Major Company Merger**

It was announced that Challenge Corporation Limited, Fletcher Holdings Limited and Tasman Pulp and Paper Company Limited are to merge.

The new Fletcher Challenge Group also plans a fourth newsprint machine at Kawerau at a cost of over \$200 million. It was stated that this would be the largest single capital investment ever undertaken in New Zealand by a company with no Government shareholding.

October 29 **McKee Well**

Petrocorp announced that preliminary production tests confirmed the McKee No. 2 well in North Taranaki 'as a commercial well'. The well has oil and gas flows equivalent to about 1 percent of New Zealand's present oil consumption.

October 31 **Remuneration Act Repealed**

Parliament repealed the Remuneration Act.

October **New Zealand Planning Council**

The Planning Council report '*Employment: Towards an Active Employment Policy*' was published. It concentrated on ways to improve employment services and education and training systems in ways that will contribute to achieving and sustaining full employment.

November 11 Statutory Trading Legislation

Parliament passed the Shop Trading Hours Amendment Bill through all its stages. The Act provides for Saturday shopping and gives dairy-mixed business shops the right to sell food, beverages, household and personal items on Sunday.

November 13 Government Loans: Tap Issues of Stock

The Minister of Finance, the Right Hon R D Muldoon, announced the introduction of tap issues of Government stock. The tap issues opened on 17 November offering 2 year 12 percent and 6 year 13 percent stocks with November maturities. The stocks were sold at par and the minimum subscription was \$10,000.

November 25 Mini-Budget 1980

The 1980 mini-Budget was presented to Parliament. Policy measures announced were:

- Changes to the personal income tax scale amounting to an average tax cut of 5.5 percent and estimated to be equivalent to a 3 percent wage increase.
- Accelerated public works, including an additional \$70 million for the construction of power projects, an additional \$6 million this year for the National Roads Fund, accelerated productive and labour-intensive works in a number of areas, and the provision of a pool of funds to finance further accelerated public works and employment creation schemes.
- Employment related measures including additional state forest planting along with changes in the qualifying limits for forestry encouragement grants and loans, additional labour-intensive work to be carried out by the Department of Lands and Survey, extra assistance to youths having more than usual difficulty obtaining employment, extension of the Young Persons' Training Programme and increases in the training allowance, changes to the public sector job creation programmes involving increased support and extra allowances, a new 'Work Rehabilitation Programme' to provide continuing employment for people whose employment prospects are severely limited, and a new 'Community Employment Initiatives Fund' from which grants can be made to constructive community-based activities outside the standard programmes.
- A venture capital facility to be set up in the Development Finance Corporation to provide equity capital to small businesses with commercially feasible investment projects, and suspensory loans of \$3,000 per job will be available to small businesses on the criterion of additional jobs created and filled through the Department of Labour.

It was also announced that the Employers' Federation, the Federation of Labour and the Government had agreed that the Arbitration Court should be asked to consider a General Wage Order early in 1981.

December 1 Wool Futures Trading

The Reserve Bank removed restrictions limiting trading on the New Zealand commodity futures market.

The Reserve Bank agreed to open trading for a six months trial period to anyone who wished to operate on futures.

December 3**I.M.F. Report**

In a report prepared by four overseas experts who visited New Zealand in November, the I.M.F. warned that if New Zealand is to fully realise its favourable medium-term economic growth prospects, programmes to remove distortions in the economy should be greatly increased. In particular the I.M.F. emphasised the need for rapid phasing down of import licensing and further deregulation of the transport system, expansion of programmes to improve the skills and mobility of the workforce, resumption of an active public debt policy, and a major reform of the tax structure.

December 10**Housing Corporation Loan Criteria**

The Minister of Housing, the Hon D F Quigley, announced a new income limit for single income families with dependent children wanting to buy an existing house. The measures were:

- An increase in the income limit to \$230 a week plus \$10 per each dependent child and an increase in the limit for family benefit capitalisation to \$160 a week plus \$10 for each child after the first.

December 4**State Pay Increase**

The Minister of State Services, the Hon D S Thomson, announced that State workers will receive a 15.45 percent pay increase in February 1981, backdated to 10 November 1980.

The increase comprised a 13.75 percent basic pay rise for all groups. White collar workers will receive a further 1.7 percent — the difference between the 10.4 percent general adjustment and the actual movement in wages overall.

December 16**Overseas Borrowing**

It was announced that New Zealand is to raise up to US\$500 million in the euromarkets through a new type of operation called a syndicated Euro note issuance facility. It will allow New Zealand to raise funds through the issue of three, six or twelve month notes which can be sold to investors such as central banks and corporate treasurers.

December 23**Railways to become a Corporation**

The Minister of Transport, the Hon C C McLachlan, announced that the Government will turn the Railways Department into a Corporation in 1981.

December**New Zealand Planning Council**

The Planning Council paper *Forecasting the Economy in the Eighties* was published. The study reviewed and updated the assumptions and judgments made in the earlier Planning Council publication *Planning Perspectives*, producing a set of scenarios that could realistically be expected to occur (under various assumptions) over the next decade.