HUGOvision

Assessing the economic and political environment in New Zealand

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Thread of caution in big-spending Budget

Despite more than doubling planned capital expenditure over the next four years, there is a cautious strain underlying the 2017 Budget, due for delivery May 25.

The first source of caution is political. Steven Joyce has indicated changes to tax bracket thresholds to deal with fiscal drag and adjustments to Working for Families entitlements – both squarely aimed at supporting middle NZ. However, there will be no tax cuts. There is a concern not to be seen to be rewarding "rich pricks", as one Prime Ministerial adviser puts it.

And while there are a range of operational spending increases being announced in areas ranging from mental health to tourism infrastructure, commitment to new repeatable spending is light compared to the willingness to invest in one-off capex projects.

That reflects not only the natural fiscal conservatism of a National govt, but also an underlying resolve to maintain fiscal headroom to deal with unforeseen shocks. The current govt has dealt with the global financial crisis, the Canterbury and Kaikoura quakes and various smaller-scale but still material natural disasters in its eight years in office. It is understandably gun-shy. This appears to be the primary cause for adopting a remarkably conservative net Crown debt to GDP target of between 10% and 15% of GDP by the mid-2020s.

Given the strain on numerous aspects of national infrastructure, the unwillingness to let local govts raise funds in innovative ways, and the likelihood of stronger-than-usual population growth, there is a case for leveraging the Crown balance sheet harder over the next decade than that target suggests.

Granted, relatively high economic growth rates will help achieve the target, which also acts as a handbrake on the big-spending ministries' ambitions.

But it also opens a chink for Labour to move more aggressively on some of its own priorities.

A Jackson or a Little problem?

Andrew Little's decision to recruit Willie Jackson continues to backfire inside Labour's caucus.

The row this week over charter schools is yet another example of Jackson's willingness to go his own way rather than follow caucus policy.

But what is raising eyebrows is the way Little is managing Jackson. He has a propensity to act alone without consulting caucus anyway, but the frequency with which he does this with Jackson is causing grumbles.

And the decision to ask the Party's List Moderating Committee to take a second look at the list after Jackson complained not only breached party policy which says the list is non-appealable but again, was taken apparently without any consultation with his colleagues. What must worry Little is that when he did this, the committee, which includes all the NZ Council, refused to concede to him.

A failure to get the Labour vote above 30% could well imperil Little's leadership after the election. His personal performance at this weekend's pre-election Congress in Wellington will be important for party morale.

Heartland National nervous of Maori Party influence

National Party officials and some MPs continue to worry about an electoral backlash over the new iwi participation clauses in the Resource Management Act.

Though nothing has surfaced publicly, it appears the matter has been brought up at a number of electorate agms.

There are also reports that the matter has been raised by big donors to the party and there are suggestions that at least one big donor is threatening to switch their money from National to NZ First. Party members say that they are simply reporting comments they hear when they go door talking or talk to friends, but the message is clear: they believe National is pandering to the Maori Party too much.

The situation is such that the party's Auckland President, Andrew Hunt, is arranging for some of the dissidents in his region to fly to Wellington for a meeting with Environment Minister Nick Smith.

The issue will be live at this weekend's National Party regional conference in Auckland.

Note also that **Bill English is continuing a folksy social media campaign to personalise his image**. A studiously amateur Facebook video promoted this week shows the PM taking an hour out from the Beehive to 'walk-run' in the hills behind the Wellington CBD and had been viewed 284,000 times by Friday.

National is telling its members that it **will spend more on the 2017 election campaign than the $3.8m committed in 2014,** and that social media spend will be a significant part of that. A BBC *Panorama* programme last week revealed the depth of Facebook's ability reach to highly segmented voter groups by analysing user-generated personal data.

English to Japan

Relations with Japan are in for a boost when English visits there next week. Trade Minister Todd McClay has been working closely with Japan over the proposal to go ahead with the TPP without the US.

The Japanese have concluded that they are unlikely to get the access they want to the US with a bilateral trade deal so are now keen to go ahead with the TPP in the hope that a future US administration will join. NZ has been co-ordinating these discussions among the 11 remaining TPP countries. However, at this stage Viet Nam and Malaysia are sceptical because the big gains for them were in the US, although McClay emerged from meetings in Viet Nam this week with a commitment to boost two-way annual trade to $2.5b within five years from $1.3b at present. Peru and Chile are thought not to be big fans of a non-US deal.

Meanwhile, NZ completed the formal TPP ratification process this week.

International media reported a Japanese suggestion a five-way TPP rump deal involving only the developed TPP economies – NZ, Aust, Japan, Canada, Singapore and Brunei. That, at least, would achieve NZ's second main aim with TPP – a Japan-NZ FTA. However, this issue clearly has some way to run yet with the post-election APEC summit in Viet Nam a possible venue for conclusion.

The Japanese will be disappointed to learn that **NZ is unlikely to buy their Kawasaki air transport and surveillance aircraft that they hoped to sell the RNZAF**.

English will also visit Hong Kong.

Collins puts shot across network companies' and EA's bows

Vector is adding to its battery offering with AI software and machine-to-machine connectivity to manage its network, sharpening concerns in the competitive, unregulated parts of the electricity sector about what sort of activities regulated network companies should be involved in. At the Energy Trusts of New Zealand Autumn Conference Minister Collins said networks' "core business is electricity lines" while encouraging them to pursue scale to meet emerging technology challenges – code for the long-held view there are too many network companies. The developments are being closely watched for signs of Vector creating new unregulated revenue by leveraging its regulated asset base and crowding out competition. The Commerce Commission is currently seeking views on the rules around how networks use their own suppliers instead of procuring services from the competitive market, and whether those rules are in the best long-term interests of consumers. MBIE, the Commerce Commission, and the Electricity Authority have also formed an Energy Regulators Council to look at the regulatory framework for electricity and identify any gaps and risks. Collins is aware of the issues, but has yet to direct officials in any direction."

Meanwhile, Collins publicly acknowledged the calls for the EA's transmission pricing methodology initiative to be abandoned. She's not there yet and stresses her limited ability to intervene, but said she has asked to be kept "fully informed", and seeks close EA cooperation with Transpower "to ensure that if and when a new TPM is developed, that it is workable".

Note: In the March 31 edition of HUGOvision, we were wrong to state that Transpower had written to Minister Collins on the TPM issue. It seems that the Minister's concerns echoed those stated in Transpower's public submissions. The error is regretted.

Brownlee's early stumble

Foreign Affairs Minister Gerry Brownlee was lucky to get a virtual free pass from the media from his handling of the govt's attempt to mend fences with the Israeli govt over NZ's support for the Christmas Eve 2016 UN Security Council resolution censuring Israel on its settlements policy.

Brownlee's comment that the vote was "premature" lent weight to the sense that the Cabinet was less than united over his predecessor, Murray McCully's, decision to back the resolution without seeking explicit Cabinet support.

Anti-money laundering reforms

Sectors responsible for implemention the Anti-Money Laundering and Countering Financing of Terrorism Bill are seeking postponements. The Chartered Accountants of Australia and New Zealand, the New Zealand Law Society and the NZ Racing Board all said the staged implementation from mid-2018 will be difficult to achieve. Rather than July 1, a Jan 1 2019 start date is sought by legal practitioners, while accountants want delay on their Oct 1 deadline. The NZ Racing Board has to implement from Aug 1 August next year but says that could cost up to $24m and wants a two year delay to spread costs.

Swimmability

Nick Smith's proposed revisions to freshwater standards to achieve 'swimmability' are in more trouble following publication of a NIWA study concluding the new standards are less stringent than the 2014 National Policy Statement on Freshwater Quality. The devil is in the detail – even Smith admits the answer is "yes and no" on whether the new standards are tougher. The 2014 NPS set the bar very high, he argues. This political battle looks unwinnable.

AUSTRALIAN BUDGET

War with the banks

Aust Treasurer Scott Morrison delivered a new version of a 'tax and spend' Budget on Tuesday, implementing a new levy on the country's largest banks and increasing Medicaid national health insurance premiums to put the country on track for fiscal surplus in 2020/21. The new taxing measures represent capitulation to the inability to force a range of politically unpopular public spending cuts announced by the Abbott govt in 2014 through the Senate, allowing Morrison to label this week's moves a "Senate tax".

To the extent that the Budget moves the Liberal coalition to the political centre and neutralises some of Labor's policy planks, it may assist Turnbull to find the political momentum that's been lacking.

However, the war with the banks is already turning ugly. The new 0.06% levy on banks with liabilities of more than A$100b – NAB, ANZ, Westpac, CBA, and Macquarie – will raise A$6.2b over four years and Morrison has challenged the banks not to recover that charge from its customers, reminding them that the public "don't like you very much" and that they should "pony up to fix the budget".

Aust Bankers' Assn head Anna Bligh described the move as "a very dangerous precedent in policy-setting". Morrison has warned the levy will be permanent rather than a temporary budget-fixing measure.

Aust banks are already constraining the balance sheets and lending policies of their NZ-owned subsidiaries. The **implication of the latest measure for NZ borrowers** is that those pressures will firm a little further.

The Budget also comes with a further anti-foreigner tinge to add to the growing evidence that 'Australia First' policies will be increasingly inimical even to NZers, whose right to live and work in Aust have been eroding since the early 2000s.

Firms employing foreign workers will be charged an extra levy to A$1.5b to help fund the Skills Australia programme, a new capital gains measure aimed at foreign property investors will be implemented, and so-called 'zombie houses' – unoccupied homes – will be taxed in an effort both to increase housing supply and penalise property investors who sit on rather than rent out residential properties. However, a widely tipped announcement to curb the tax advantages of negative gearing did not eventuate.

Medicaid increases are targeted to higher income earners.

A housing affordability package targets the release of govt land for housing, tax incentives for developers building affordable homes, and measures to make downsizing by older citizens attractive.

Infrastructure to underpin growth

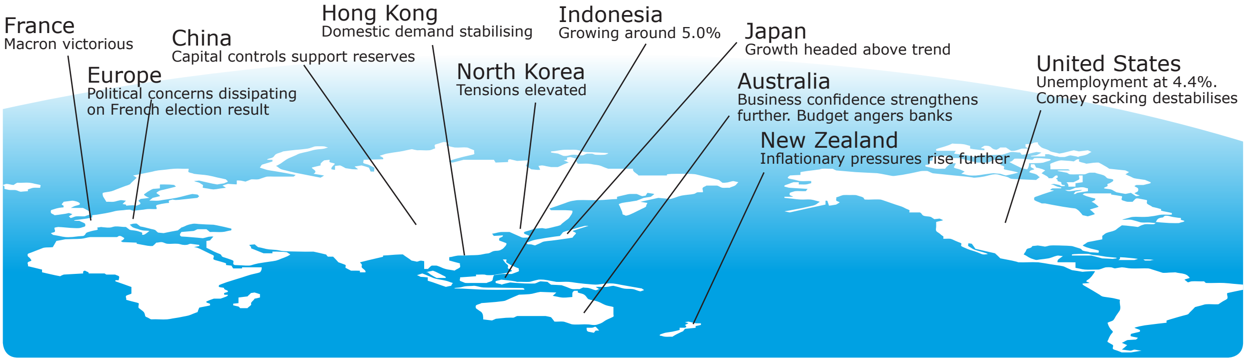
A A$70b capital spending programme for transport projects is included in the Budget in an effort to underpin growth rates of around 3% annually, although NAB sees downside risks to that projection, particularly if the forward track for key commodities, including iron ore, prove overly optimistic.

Major infrastructure projects to be advanced include: a A$5.3b investment in a new SOE, WSA Co, to build the first stage of the Western Sydney airport; $8.4b for Aust Rail Track Corp to build the Inland Rail project, including a PPP component for Toowoomba-Brisbane; and A$10b over a decade for urban and regional rail projects.

Fiscal and debt outlook

This year's fiscal deficit is projected at A$37.6b, or 2.1% of GDP, tracking to a A$7.4b surplus (0.4% of GDP) by 2020/21, implying a moderately contractionary fiscal stance over the next four years. Throughout the period, net federal govt debt remains below 20% of GDP.

The world at a glance



Budget spending measures announced to date

Over four years:

- $321m on social investment and the formation of a new Social Investment Agency to work across govt agencies involved in social welfare, along with a refreshed set of Better Public Service Targets. Includes $68.8m targeted at vulnerable children;
- $303.9m NZ screen industry production grants, including $222m for international productions, and up to $63.9m for domestic productions.
- $178m on new tourism infrastructure, $76m of it directed to DoC;
- $74.6 million for Callaghan Innovation Growth Grants;
- $60m additional Pharmac funding;
- $812m for restoration of SH1 between Picton and Christchurch;
- $27m for Maori housing and marae development.

Meanwhile, the Crown accounts for the first nine months of the current fiscal year showed an OBEGAL surplus of $1.5b, again far outpacing the forecast $147m surplus for the period. Tax revenue was 7.3% ahead of forecast and judged to be sustainable rather than a timing issue.

IMF gives NZ thumbs-up, bar high foreign liabilities

NZ's unusually high level of net foreign liabilities emerges as the most significant source of risk for the economy, especially if global economic conditions deteriorate, according to the latest official IMF assessment.

Deeper capital buffers for the country's main trading banks would help offset that risk, the IMF recommended.

Housing stalling

Three of the most-watched measures of housing activity confirm some stabilisation in the national real estate market.

April figures from **REINZ** show total sales were 31% lower this year than the same month last year. The national median house price rose 10.4% yoy to $540,000, with records in Wellington, Waikato, and Otago. However, Auckland house price inflation slowed to just 3% for a median of $854,500. However, the seasonally adjusted national median price rise of 1% indicated "the decline in the national median price for April was less than expected for this time of year", REINZ said. **Barfoot & Thompson** also showed Auckland sale volumes falling in April to their lowest level for the month since the 2008 global financial crisis, as the average price slipped from a record high.

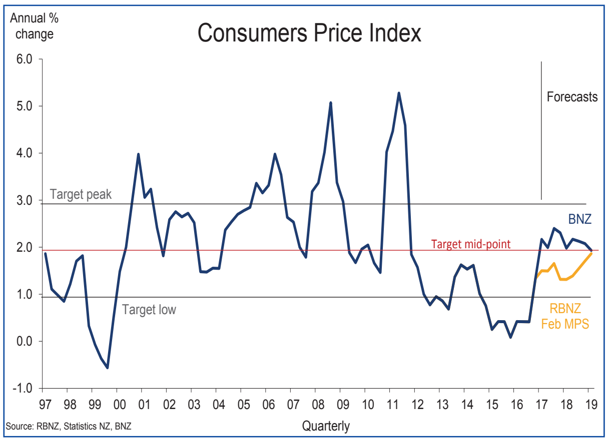
QV reported property values stalled in the three months to April 30 as tighter credit conditions and restrictions on riskier mortgage lending took hold. National property values were unchanged due in large part to a 0.4% decline in Auckland property values.

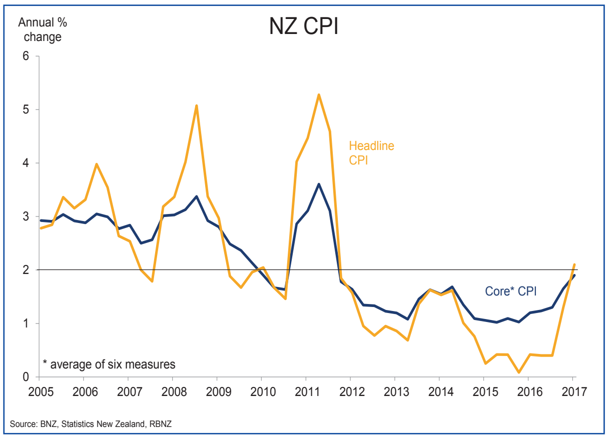
Trading partner growth

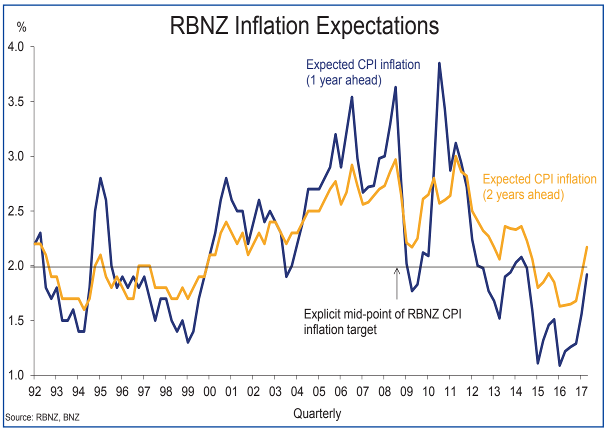
(2014-16 actual; 2017 Consensus Forecasts; 2018 figures Hugo estimates)

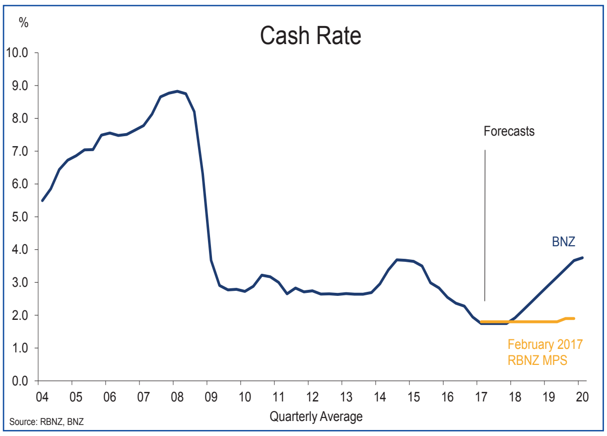
Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	23.7	6.9	6.7	6.5	6.2	5.8	1.4	2.0	2.3	2.3	2.4
Australia	20.8	2.4	2.5	2.6	2.8	2.6	1.5	1.3	2.2	2.2	2.4
United States	13.4	2.6	1.6	2.2	2.4	2.1	0.1	1.3	2.5	2.3	2.3
Japan	7.5	1.2	1.0	1.3	1.0	0.9	0.8	-0.1	0.7	1.0	1.2
Eurozone	7.3	1.9	1.7	1.7	1.5	1.4	0.0	0.2	1.6	1.4	1.7
South Korea	3.8	2.8	2.8	2.5	2.5	2.3	0.7	1.0	1.9	1.8	2.1
United Kingdom	3.7	2.2	1.8	1.7	1.3	1.5	0.0	0.7	2.6	2.7	2.3
Singapore	2.8	1.9	2.0	2.2	2.2	2.3	-0.5	-0.5	1.0	1.4	2.0
Taiwan	2.7	0.7	1.5	2.0	2.0	1.7	-0.3	1.4	1.4	1.4	1.2
Indonesia	2.2	4.9	5.0	5.2	5.4	5.1	6.4	3.5	4.3	4.2	4.6
Thailand	2.1	2.9	3.2	3.3	3.3	2.9	-0.9	0.2	1.5	1.9	1.8
Hong Kong	2.0	2.4	1.9	2.1	2.1	2.3	3.0	2.4	1.8	2.1	2.3
Malaysia	2.0	5.0	4.2	4.4	4.4	4.3	2.1	2.1	3.7	2.5	2.5
Philippines	1.6	6.1	6.9	6.4	6.3	5.9	1.4	1.8	3.3	3.3	3.1
India	1.6	7.9	7.0	7.3	7.6	7.4	4.9	4.6	4.8	5.0	5.1
Canada	1.5	0.9	1.4	2.3	2.0	1.9	1.1	1.4	2.1	2.0	1.9
Vietnam	1.3	6.7	6.2	6.5	6.3	6.3	0.9	2.7	4.2	4.5	4.5
NZ Trading Partners	100	3.6	3.4	3.5	3.5	3.2	1.1	1.3	2.2	2.2	2.3
Forecasts for New Zealand											
Consensus		2.5	3.1	2.9	2.9	2.8	0.3	0.6	1.9	1.9	2.0
BNZ Forecasts		2.5	3.1	2.7	2.5	1.8	0.3	0.6	2.2	2.1	1.8
The World		3.0	2.5	2.9	3.0	2.8	1.9	2.5	3.1	2.9	3.1

DOMESTIC ECONOMY









RBNZ risks a tardy response to rising inflationary pressures

Rising inflation expectations, falling unemployment, a weakening currency and a strengthening global economy might have been expected to rattle the Reserve Bank. They didn't.

This week's Monetary Policy Statement saw no change in its stance from Feb and March, which leaves the central bank at odds with much of the rest of the market, as evidenced by the sharp fall in the currency vs the US dollar to an 11-month low. RBNZ governor Graeme Wheeler is unlikely to be unhappy, given his attempts to talk the NZ dollar down in the past have generally been unsuccessful or, on many occasions, counterproductive.

This week's IMF report described the Kiwi as remaining "moderately overvalued".

However, Wheeler is clearly out of step with financial market expectations.

It's not leaving the OCR at 1.75% that's surprised anyone, but an ongoing neutral stance is unexpected and likely to be challenged in coming months.

Financial markets continue to price a rate hike in May when the RBNZ expects no such change until late 2019/early 2020, while BNZ has moved its expectations of an OCR increase to Feb 2018 and others are clustering around the middle of the year.

The issue for the RBNZ is arguably not the ability of interest rate changes to significantly influence the inflation rate. That was not the case as the OCR fell and it may not necessarily be when it starts rising again. Rather, the issue is normalising interest rates to levels that give the central bank some room to move in the future. The opportunity to allow interest rates to drift back towards normal is now, with inflation likely to settle around 2% in the medium term, unemployment at around equilibrium, and growth trends intact.

The RBNZ's implication that there remains an equal chance of an easing as a tightening in the current environment is difficult to justify. Where the world goes is still a moot point but the majority of commentators believe that the downside risks have at least moderated, with the VIX 'fear index' around its lowest levels in a decade. There's a risk that the Reserve Bank is being tardy in responding to emerging inflationary pressure.

Borrowers can expect a historically low OCR to help keep floating borrowing rates well contained through 2017, but upside risk prevails next year, with plenty of upside potential for the OCR once the tightening cycle likely begins.

Where to now for media merger?

The **Commerce Commission's** rejection of the **NZME/Fairfax** merger proposal intensifies the disruption in the local news media sector. The applicants are likely to preserve their right to appeal to the High Court, due to be lodged by May 30, although whether they ultimately follow through will depend on a combination of appetite for further delay, budget for further legal costs and the potential for other commercial arrangements to emerge, as much as the strength of arguments against the commission's decision. Both sides are adamant on perhaps the most contentious element - whether or not the regulator can rely on unquantifiable, non-economic detriments to outweigh quantifiable benefits. In this case, the commission accepted evidence that commercial benefits of between $40m and $200m may accrue within five years of a merger. But unquantified risks to media 'plurality', with consequent risks to NZ democracy by placing too much power in the hands of a dominant news producer, outweighted those benefits. Confidential and apparently catastrophic predictions about the consequences of not being allowed to merge were rejected. **Plurality is under threat under either scenario.** All commercial news organisations have been cutting staff and reducing commitment to 'serious' coverage for at least a decade in response to digital disruption. That will likely accelerate now. In addition, the trend towards content-sharing – placing the same material in competing media channels for brand-building or attempted revenue-gathering – is well-established and will accelerate. State funded RNZ reported very large audience gains this week.

Banking, finance and insurance

Westpac NZ reported a 2% gain in first-half earnings as a reversal in charges on bad debt offset shrinking margins that reflect competition for depositors. Cash profit rose to $462m in the six months ended March 31. Net interest income fell 1% to $838m even as the bank's net loans grew 7% to $76.5b.

BNZ lifted first-half earnings 9% as it benefited from a smaller bill for bad debts. Cash earnings rose to $484 million in the six months ended March 31 from $444 million a year earlier, largely reflecting a 46% drop in the bank's impairment losses on bad debt to $43m. Its loan book grew 7.2% to $76.2b.

Geneva Finance's full-year profit rose 45% to $5.1m on increased lending and higher premium income from its insurance business. Revenue from ordinary activities rose 22%. Geneva will pay a 2c dividend, up 33% from a year earlier.

Transport and logistics

Wellington International Airport posted a 29% increase in full-year profit to $16.1m on a revenue increase of 5.4% to $119.6m. While domestic passenger numbers passed 5m for the first time in the year to March 31, at 5.08m, international passengers slipped to 888,427 from 897,316.

KiwiRail expects to complete reconstruction of the Picton-Christchurch rail link ahead of its end of year target. Some 40% of the sites damaged in the Kaikoura quake last November have been repaired so far.

Infratil's NZ Bus unit has lost most of its bus contract with the Greater Wellington Regional Council to Masterton-based Tranzit Group, which the council says can offer the service cheaper.

Revenue at **Holden NZ** and **Mercedes-Benz NZ** rose in calendar 2016 as new car sales continue to top records, but both companies also reported a higher cost of sales. Holden's sales rose to $573m last year and Mercedes had sales of $295m.

Energy

Z Energy reported an 18% increase in replacement cost ebitdaf, its preferred reporting measure for comparison of operating performance, at $176m. This included one-off expenses associated with the purchase of **Caltex NZ**'s downstream operations, which contributed 10 months' earnings to the result. Shorn of those costs, RCO ebitdaf rose 59% to $419m. On a historic cost basis, which includes changes in the value of fuel inventories, net profit after tax rose $179m to $243m. The operating result was driven largely by the Caltex acquisition while NPAT was driven by non-cash changes in investory valuations. The company continued to struggle to convey its complex reporting metrics to media, but analysts saw the company "pausing for breath" (First NZ Capital), with forward guidance for FY18 tempered by a highly competitive retail environment.

NZ Refining told shareholders there is continued support for increased refining margins and the company is cautiously upbeat about 2017. CEO Sjoerd Post told the annual meeting the company is "cautiously optimistic about refinery margins in Asia Pacific and NZ demand." **Energy Mad** has entered an agreement for the sale and purchase of its assets with a proposed settlement date of Nov. 17. The purchaser, Ecobulb, is associated with Chris Mardon, a former director and current employee at Energy Mad.

Technology and innovation

The **technology sector saw record growth in**

funding, driven by overseas investors in the year to March, says the second annual Investors' Guide to the NZ Technology Sector. In the year to March 2017, early stage tech companies got more than $173m in foreign investment, up from $51m in the prior year.

Xero narrowed its full-year net loss 16% yoy to $69.1m in the year to March 31 on a 43% increase in operating revenue to $295.4m. Cash burn reduced to $4.4m from $34.8m in the prior year. Ebitda loss narrowed to $28.6m from $59.9m in the previous year. The company claims 1,035,000 subscribers, an increase of 318,000. It gave no specific guidance for the year ahead beyond expecting to keep improving efficiencies using AI and thanks to economies of scale. Its shares rose on the prospect of a breakeven result.

A family trust associated with Christchurch city councillor **Raf Manji** has become the largest shareholder in **Snakk Media** after buying new shares to top up working capital. The Manji Family Trust lifted its holding to 17% from 13.3%. **Rex Bionics** has been thrown an A$10m lifeline by Aust fund manager BioScience Managers in exchange for control of the NZ robotics firm listed on the LSE's AIM market. The second part of the transaction would see Rex sign a two-year development agreement with **McLaren Applied Technologies**, a unit of the luxury car maker McLaren Group.

Blis Technologies missed guidance for a maiden annual profit, having already downgraded the earnings outlook in February, as sales growth slowed to 16%, posting a net loss of $24,000, down from a loss of $816,000 a year earlier. Blis warned in Feb of significant reductions in purchases by three major customers.

Health and aged care

Oceania Healthcare shares debuted at 82c, or 3.8% higher than the offer price of 79c, in the NZX's first listing of the year. The residential aged care provider and retirement village operator raised $200m in its IPO last month. **Abano Healthcare** expects to deliver a second consecutive annual profit this year as it benefits from growth in its dental chain. The healthcare investor forecast profit of $9.7m-$10.5m for the year ending May 31, from $28.4m in 2016, which included a $20.2m one-time gain. **Vital Healthcare Property Trus**t has entered a conditional agreement with private hospital owner **Acurity Health Group** to become its long-term real estate capital partner. The first stage **will see Vital acquire Acurity's Wakefield and Bowen** private hospitals in Wellington for about $68m.

Retailers

Warehouse Group posted slower sales growth in Q3 but affirmed previous annual guidance. Group sales for the quarter to April 30 rose 1.7% to $683.5m versus a 5.5% rose in the same period last year. **Briscoe Group**, which reported another record profit in March, gave up some margin in its homeware chain to boost sales in the first quarter. Revenue rose 6.3% to $133m in the three months ended April 30, a gain of 5.8% on a same-store basis. **Kathmandu** lifted third-quarter sales 9.3% which the outdoor equipment chain said was due to new product lines and better promotions. The retailer said sales were up 12% on a constant currency basis.

Corporate actions

Mondelez NZ Investments pulled out $130m of dividends from its NZ business, more than twice the profits it generated is six years of ownership, before going ahead with shutting down the Cadbury factory in Dunedin, its accounts show. **Tegel Group** chairman **James Ogden** has unexpectedly quit the board with immediate effect after less than a year overseeing the poultry company's direction as a publicly listed company. **Strategic Finance's** 3-year-old $22m settlement got a small cash injection after action against an insurer.

Courts and regulation

PricewaterhouseCoopers advised Property Ventures (PVL) on ways to continue trading when by some accounts it was insolvent while at the same time giving David Henderson's failed property development company a clean bill of health as statutory auditor, the liquidators allege. The allegations were made during a defended security of costs application in the Christchurch High Court. The substantive lawsuit against PwC and company directors is set for next year. **Trends Publishing**, which claims it was left in a cash squeeze after **Callaghan Innovation** rescinded its research grant, has challenged a High Court decision to set aside a compromise deal it struck with creditors.

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