

Ports and papers

The Hugo Group, May 2017

POAL sale – decoding the clutter

- Sale of port ops vs sale of port land
 - The ops asset valuation is compromised without a site
 - Therefore it needs a long enough operating lease to realise sufficient value
 - This appears to be at odds with the mayor's suggestion the port may move within 15-20 years
 - Port Future Study suggested 35 year lease required to make owning the operations attractive to a buyer
 - So, what is going on?

Funding Auckland infrastructure

- Govt offered Auckland the thick end of \$1 billion for infrastructure needs last year
- But offered it as debt
- Auckland Council too close to its debt ceiling to accept without risking AA credit rating
- Govt remained willing to commit new capital to Auckland infrastructure
- But only if Auckland 'kicked the can' with funding of its own
 - privatisation/asset sales preferred to fuel tax or rush to congestion charging
 - Infrastructure bonds apparently not supported

Unlocking the purse strings

- Govt worried about political support in Auckland, willing to fund new projects
- BUT – concerned not to be seen going ‘soft’ on Auckland
- AND - wants demonstration effect for other councils
- In recent months, Auckland Council finance team has been considering how to unlock capital
- Splitting port into Landco and Opsco one of the main options studied

Bones of a political deal emerging?

- Something like this?
- Mayor promises port ops sale while assuaging port relocation lobby – ‘won’t happen overnight, but it will happen’
- While being seen to secure central govt funds for other Auckland infrastructure on the basis of port ops sale
- Timeframe for move expands to 35 rather than 15-20 years - pragmatic necessity to maximise value for port ops
- Labour hates it
- National says to Auckland: if you want this money, vote National

Media mergers

- Sky-Vodafone heading to court
- But the prospects of an appeal in NZME/Fairfax must be fading
- With two suitors for the whole Fairfax Media group, the NZ merger looks increasingly like a distraction for Sydney
- And something a new owner would want to reconsider
- Pro forma appeal by May 30 still possible for optionality
- But full-scale pursuit looks unlikely

Implications for NZ news media

- Convergence/content-sharing will grow
- Creating a loss of plurality anyway
- Fairfax regional titles likely to be open to bidders
 - Allied Press, NZME both potentially interested in SI titles
- Mood to rethink ‘digital first’ strategy is strengthening
- Paywalls on mainstream news sites are unlikely
- But higher value paid ‘verticals’ may now be more actively pursued
- Potential for new alliances and mergers in non-competing media
 - e.g., TVNZ/NZME, MediaWorks/Fairfax, Bauer/RadioLive

Budget season

Australian Budget highlights

- “big whack to the banks”
- A\$6.2 billion to be raised over four years from a 0.06% levy against banks’ liabilities
 - Applies only to the ‘big five’ with A\$100b-plus liabilities
- Medicare charges up, skewed to high incomes
- A\$75 billion infrastructure spend
- Firms employing foreign workers pay A\$1.5b
- Foreign property owners hit with new CGT provisions

Australian Budget - themes

- A “Senate tax”
- Payback for Senate blocking numerous large, politically unpopular spending cuts since 2014
- Bank levy intended for forestall commission of inquiry sought by ALP
- Return to surplus in 2020-21 (A\$7.4 billion projected)
- \$A37.7 billion deficit in 2017/18
- Unemployment stays above 5.5%
- Growth returns to 3% p.a. after weaker 2017

NZ Budget – May 25

- \$23 billion capex spend over next four years
 - Up from \$11 billion in 2016 Budget
 - Includes \$3 billion-ish for Kaikoura
- New very conservative Crown debt to GDP target of 10-15% by 2025
- No tax cuts
 - Care to be seen attending to bracket creep and Working for Families entitlements rather than “the 1%”
- Social Investment Agency
- “Keep governing”

Labour's positioning

- Jacinda Ardern gave Labour a brief shot in the arm
 - What do we think?
- Andrew Little underperforming in public
 - Wooden
 - Tripped up by Willie Jackson
 - Failing to cut through
 - Likely to worsen post-Budget
- This weekend's Congress a last pre-Budget opportunity to make an impact

NZ First's positioning

- Anti-migrant rhetoric at a new pitch
 - Immigration is “all about race and ethnicity”
 - Tide not about to go out on this issue
- Usual obfuscation on post-election preferences
- More combative with media – viz Trump
- Relentlessly negative
- Still hasn't had a face-to-face meeting with Shane Jones
- Nats less interested in NZ First without Jones
- But may get no choice