

Budget season

The Hugo Group, May 2017

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
 - Implications for liquidity of NZ banks, already under pressure to return capital to Australia?
- 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 – what do we know?

- \$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

Other events

Media landscape

- Highly disrupted environment further disrupted by:
 - Commerce Commission rejection of NZME/Ffx merger
 - TPG offer for key Fairfax Australian titles
- Developments likely to be more driven from Australia than NZ
- Merger ruling appeal in the balance
 - ‘plurality’ focus is challengeable
 - But does Ffx, in particular, have the time?
- Rejected applicants engaged in special pleading using their titles
 - Broader dissatisfaction with the Commission likely to intensify

What next – assuming no appeal

- Fairfax NZ will shrink its regional coverage
- May quit/try to sell regional titles
 - Mastheads heavily written down in both 2012 and 2016
 - Might locally owned, regionally focused titles fare better?
 - Who will be brave enough to try?
- New combinations?
 - Suggestions range from unlikely to possible: e.g., Oaktree invests in Ffx, ties to MediaWorks; NZME/TVNZ; NZME sells radio assets
- More niche publishers charging for news
- Paywall experiments from major publishers
- Potential re-emergence of a national press agency

Unlikely

- Government intervention of any sort
- Google or Facebook paying for news
 - Requires international action on copyright
- Google or Facebook creating their own news content
 - Although that may happen eventually
 - They hire journalists to curate
 - And Amazon is signaling the future – WaPo ownership
- Early restoration of trust/respect for ‘dumbed down’ mainstream media
- A ‘one-size-fits-all’ new business model that makes journalism pay