

## **Has Jami-Lee Ross guaranteed Labour a second term?** Page 2

Quite apart from the questions raised about campaign finance, mainland Chinese influence in NZ politics and the moral character of several politicians, the Jami-Lee Ross saga has the capacity to do the one thing that National hasn't experienced since the 2017 election – a dip below 40% support in the polls. Two public opinion polls are expected soon as the anniversary of the gov't's first year rolls around. The gov't must be delighted by National's turmoil.

## **Capital gains tax – election strategy coming into focus** Page 4

Tax Working Group chair Michael Cullen's reminder that the gov't intends to pass new tax legislation before the 2020 election to allow voters to endorse any move to expand the capital gains tax regime raises again the question of whether turkeys will ever vote for Christmas.

## **Strong view on PPDs from Ardern** Page 3

The electricity sector should take a strong steer from the Prime Minister's approach to petrol retailers if it wants to anticipate how the gov't may react if it doesn't find consensus on the hardship issues raised in last month's interim Electricity Pricing Review report. She has emphatically endorsed Meridian Energy's decision to axe prompt payment discounts.

## **Woods examines hydrogen economy potential** Page 4

As the legislation to ban new offshore oil and gas exploration progressed through select committee hearings this week, Energy Minister Megan Woods was in Japan examining that country's emerging hydrogen fuel sector. Some in the Cabinet see it as a potential game-changer.

## **Will methane 'stabilisation' be enough?** Page 3

The dairy and farming sectors seem to be on board with the notion that stabilising methane emissions levels is both achievable and desirable to help meet NZ's Paris climate change agreement commitments. However, stabilisation may not be enough. Reductions in methane output may be required if NZ is to have any chance of meeting its targets.

## **Energy sector constraints mounting** Page 5

The combination of constrained gas supply, low hydro lake storage and renewed discussion of importing coal for electricity generation are harbingers of life after the oil and gas exploration ban is fully in place, warns Woodward Partners' John Kidd.

## **New Auckland stadium**

The proposal for a new, privately funded waterfront stadium for Auckland, in exchange for allowing residential development of the Eden Park site, carries some political risk, but is likely to be enthusiastically endorsed as a game-changer for the city and fillip to public transport investment. It remains to be seen whether the terms of the deal are truly commercial.

## Jami-Lee Ross

The National Party caucus has found a new unity and singularity of purpose as it withstands the attacks from its rogue MP Jami-Lee Ross. Though Simon Bridges's handling of the affair started out by being embarrassingly awkward and then even more embarrassing when the phone conversation tape was leaked, the tide has turned decisively against Ross.

In part, the party is responsible for ensuring this outcome. They were behind the Newsroom story about Ross's relationship with four women; they hint that there is more to come. It is grubby politics, but the white-hot anger over Ross's self-serving disloyalty – and his failure to deliver knockout blows – are animating the response.

Party president Peter Goodfellow's pre-emptive release of text messages indicate the party leadership feels confident that Ross holds no seriously damaging information.

However, there are problems.

While Bridges's personal popularity was already low and he remains unlikely to be the party leader in 2020, the big political question is what impact Ross's action will have on National's poll rankings.

Pollsters for at least one, possibly both, TV networks have been in the field in recent days to test public opinion at the govt's one year mark.

It is not clear whether the Ross affair will be fully or even partially captured, but if it is, National must legitimately fear that its 40%-plus standing since the election will take a knock. Indeed, if it doesn't, the govt should be worried.

The extent to which the caucus is demonstrating disciplined loyalty to Bridges indicates a strategy to minimise disunity – which is poison to the electorate – ensure it is associated with Ross alone.

The party also has work to do to try and restore relations with the Indian community after the comments by Ross that two Chinese MPs were more valuable than two Indians which, though Bridges did not agree with, neither did he really dispute.

Ross was clearly setting traps for Bridges, particularly with the proposition that the Chinese donor could get his office manager a high position on the National Party list in return for the \$100,000 donation – but Bridges evaded the question rather than agreeing with it.

## Spotlight on Chinese money again

The bigger issue may be that the donor, Yikun Zhang, has clear links to the Chinese Communist Party and the question will be on the extent to which NZ is

allowing Chinese govt money to make its way into domestic politics.

On one hand, the fact that a successful Chinese expatriate has links to the CCP is hardly a revelation – party membership is a prerequisite for getting ahead in mainland China.

On the other, the whole episode reminds the electorate again about the elaborate dance that political parties engage in with major donors: splitting sums to reduce transparency; protocols to keep leaders 'clean' while others arrange to collect funds; and a need to remain polite while being asked to entertain inappropriate favours in return for funding.

None of this is new to NZ politics – see Winston Peters's tangle over the donation in 2005 from Owen Glenn. However, the involvement of new migrants from countries with dramatically more corrupt political cultures is an issue full of political danger.

Ross's actions have reopened a window onto that reality.

## Botany by-election

Otherwise, National must now face a by-election. The party is looking for an experienced candidate, capable of handling whatever dirt Ross slings and they will make their selection quickly. They are already saying the by-election will be a referendum on Bridges.

The by-election and the polls through the first half of next year will determine his fate. But **there is no mood in the caucus to change the leader now while they are under attack.**

## Foreign policy – Japan rising

This week's visit of Japan's Foreign Minister Taro Kono revealed more about NZ's changing stance towards China than it did the bilateral relationship with Japan.

Apart from some frustration that NZ was taking time to ratify the CPTPP, the Japanese seemed surprised by a shifting position towards China and regional security. They particularly referred to the decision last month to deploy a P3 Orion to Okinawa to patrol the South China Sea, looking for ship-to-ship oil transfers intended to beat the UN Security Council sanctions on North Korea. They had not expected NZ to agree to that.

They also described NZ's position on the South China Sea as "synchronous" with Japan's. Previously, NZ has tried to avoid taking any position on the issue to avoid giving offence to China without alienating the USA at the same time. That changed

first in the recent defence white paper.

Those comments came in the same week that Japan had deployed a submarine to the South China Sea to demonstrate its determination to assert its freedom as an international maritime corridor to Japan.

China protested against the sub deployment claiming it took place in Chinese waters. The state-owned website Chinadaily.com said the activity “was testing one of China’s red lines”.

The visit also saw Foreign Minister Winston Peters finally adopt the “Indo-Pacific” phraseology to describe the overall Western strategy in East Asia. Previously he has referred to “Asia-Pacific” and for a politician who often says words matter, this subtle difference did. As efforts to find a date for the PM to visit China continue, the stance will have been noted without pleasure in Beijing.

The Indo-Pacific strategy, which was first promoted by Japanese PM Shinzo Abe and which the US and Australia enthusiastically support, links India, Japan, the USA and Australia in an informal alliance designed to contain China.

Peters’s change of language did not go unnoticed by the Japanese. At his own press conference during the visit, Peters described the previous gov’t policy towards China as “one product, one company, one country”. Elsewhere, the gov’t is prioritising passage of CPTPP enabling legislation before Christmas.

## Methane stabilisation

Recent research has made clear that reducing methane emissions is far less important in the long term than rapidly and substantially cutting carbon dioxide emissions. But the argument that simply stabilising methane represents a sufficient contribution to climate change action is highly debatable.

A presentation from Wellington University climate scientist Prof Dave Frame at the EDS Australia-NZ business and climate change conference helped to clarify the contribution of CH<sub>4</sub> to global temperature rise.

As a ‘flow’ gas, CH<sub>4</sub> cycles out of the atmosphere relatively quickly so that if emissions can be stabilised, its contribution to further global temperature rise stops swiftly. For key contributors to CH<sub>4</sub> emissions such as the dairy sector, this has prompted a willingness to commit to “stabilisation over time” as a credible and appropriate contribution to meeting NZ’s Paris climate change accord commitments.

However, the latest IPCC report makes it very clear that keeping global temperature rise to 1.5 degrees

Celsius by the end of the century, while theoretically achievable, will be extremely difficult. It implies major changes to the way both industrialised and emerging economies use energy, grow food, and consume other resources.

On that basis, the influential Generation Zero group of young climate change activists that provided a surprising amount of grunt to the gov’t’s Zero Carbon Bill argues that reductions to CH<sub>4</sub> emission should still be targeted, rather than simply stabilisation.

They reason that lower CH<sub>4</sub> emissions would make a cooling contribution to the uphill battle represented by the Paris goal of keeping global temperature rise “well below 2 degrees” by the turn of the century.

GZ also favours a two-baskets approach to greenhouse gas accounting under the Zero Carbon regime, with short-lived gases reported separately from long-lived. That would improve clarity in the ultimate make-up of the ‘net zero’ outcome, which the Productivity Commission modelled as requiring much deeper reductions in CO<sub>2</sub> emissions than CH<sub>4</sub>.

## Axing PPDs “the right thing to do” – Ardern

The PM doubled down at this week’s post-Cabinet press conference on her comments last week suggesting NZers are being “fleeced” at the pump with current petrol prices.

That prompted a question designed to illicit her view on the argument about the use of ‘prompt payment discounts’ in electricity billing.

Meridian’s ceo Neal Barclay stole a march on the sector not only by promising to axe PPDs but also by proving highly quotable on the subject. PPDs were “unjustifiable” and “manifestly unfair” to low income customers who struggled to pay their bills, he said.

Mercury and Genesis, which both have far larger customer bases than Meridian, went in to bat for the practice and criticising Meridian’s stance.

However, Ardern made it clear in one short sentence that she is backing Meridian: “Getting rid of PPDs is the right thing to do.”

In the context of a gov’t that is showing an increasingly populist streak on energy issues, coupled with the relatively benign first report by the Electricity Review Group, the comment is instructive.

## Robots, schombots

*“For 250 years, people have been predicting that we would all be out of work in 25 years because machines would be taking over our jobs and somehow or other, we have the highest participation rate in our history.”*

*“We continue to create new jobs and the more we are positive about that potential happening, the more it will actually happen.”*

Economic historian Sir Michael Cullen to the CAANZ tax conference, Oct 18

## POLITICS AND POLICY

Conventional wisdom says the electricity sector has until the review group's second report, due next May, to deal with the hardship issues identified in the interim report.

If the PM is determined in her view that PPDs are a bad thing, electricity retailers will need to marshal strong arguments to the contrary or have the issue become a lightning rod for a govt itching to make symbolic interventions.

### Capital gains tax challenge in focus

Tax Working Group chair Michael Cullen reminded the CAANZ tax conference this week of the challenging dynamic the govt has created for itself at the next election if it is to reform the taxation of capital gains.

In short, it must pass legislation before election day, with implementation timed for after the election.

Cullen said this is important to ensure there is no room for argument about what will be 'in' and 'out' in any extension of the NZ CGT regime. Without the law in place, the kind of political 'mischief' experienced at the last three elections over CGT would be likely.

However, Cullen also points out it will be a "big ask" to get the electorate to endorse legislation creating a new regime to tax capital wealth.

### Reserve Bank reforms

**Senior Reserve Bank staff are reportedly in shock over restructuring plans outlined to bank staff on Wednesday.** Governor Adrian Orr is signalling a senior management team where the balance is in favour of an operations rather than policy focus. Particularly concerning is the removal of the chief economist from the senior management group.

**The Treasury secretary** will sit in on the Reserve Bank's monetary policy reviews from this month. The

move comes ahead of a legislative change to create a decision-making committee on monetary policy with external members.

### Hydrogen's potential

A Cabinet-level debate has begun on the potential to promote an accelerated development of hydrogen as a transport fuel. Energy Minister Megan Woods has been in Japan this week examining hydrogen technology there. It appears she is enthusiastic to see whether a govt-backed push on hydrogen could be developed as a forward-looking chapter in the govt's climate change action plan and as a counter to the political drubbing it's taken from industry over its offshore oil and gas exploration ban.

### Billion trees – planters needed

Forestry nurseries are starting to invest in increased supply of seedlings, but remain wary of potential constraints that could emerge in the 'billion trees' programme. In particular, they are concerned about the govt's willingness to take the political risk of bringing in migrant workers or planting. NZ First is warming to the need, albeit such an approach is anathema to its regional unemployment story.

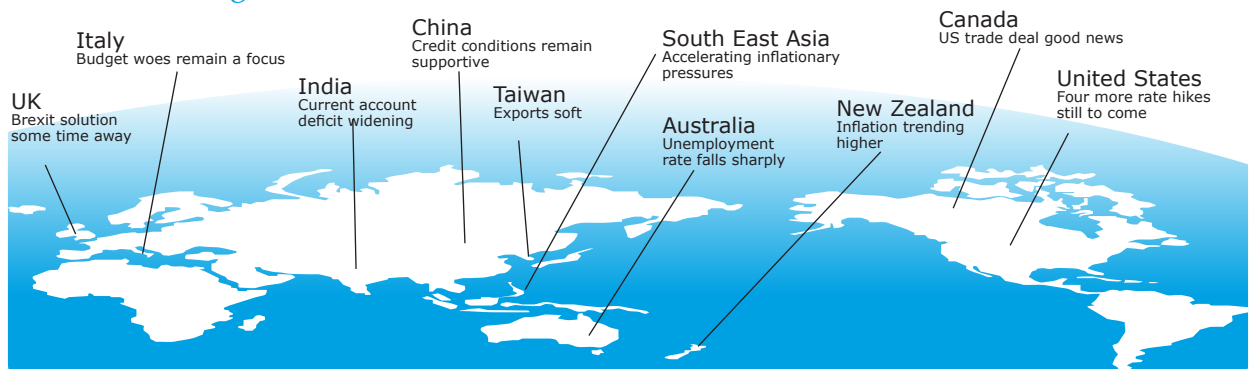
### Overseas Investment Act Pt2

Associate Finance Minister David Parker released the terms of reference for further reform for the Overseas Investment Act and cited concerns about the lack of ability to protect NZ's interests. The primary aim, however, is to improve the efficiency of existing processes for would-be foreign investors in areas encouraged by the govt.

### Vehicle and driver licencing investigation

**Self-regulation by vehicle inspection and licencing providers has failed,** says NZ Transport Agency chair Michael Stiassny. So, too, has the agency's preference in recent years for education

### The world at a glance



over enforcement. After his appointment in April, Stiassny found the agency had not followed up on evidence of non-compliance. **Transport Minister Phil Twyford** said the problem was due to underfunding, staff losses in 2014, and a failure to adapt to more stringent approach to the enforcement of health and safety standards. Law firm **Meredith Connell** is assisting with investigation of some 850 files where non-compliance was found.

## Appointments

The membership of the PM's Business Advisory Council has been announced (and includes strong representation by CEO members of The Hugo Group).

Already known was chair and Air NZ CEO **Christopher Luxon**. He is joined by: **Peter Beck**, Rocket Lab; **Barbara Chapman**, former ASB chair, now professional director (incl. Genesis Energy chair).

**Jacqui Coombes**, Bunnings; **Anna Curzon**, Xero; **Andrew Grant**, McKinsey; **Miles Hurrell**, Fonterra; **Bailey Mackey**, Pango Productions (video production house); **David McLean**, Westpac; **Joc O'Donnell**, HW Richardson (transport); **Gretta Stephens**, NZ Steel; **Rachel Taulelei**, Kono (food exporter, Maori enterprise); and **Fraser Whineray**, Mercury.

A former Treasury adviser on the MOM partial privatisations, **John Crawford**, has been appointed an associate member of the Commerce Commission.

**Jennifer Kerr** and **Shaun Hendy** have been appointed to the **Callaghan Innovation** board. 🇳🇿

## Energy constraints emerging

This week's announcement of a new wind farm at Waverly, to be built by Tilt Renewables backed by contracts to Genesis Energy, was notable because it's the first new renewable generation commitment since 2006 and indicates confidence in growing electricity demand after an extended flat patch.

Taking a gloomier view on both the short and medium term future for energy security is John Kidd, a respected energy analyst at Woodward Partners, who has been toying with the word 'crisis' to describe the confluence of factors bearing down on various parts of the energy sector.

Renewed strength in global oil prices, combined with a weaker kiwi dollar, are a backdrop for constraints on domestic gas supplies not only for electricity generators but also for industrial users including Methanex and Fonterra. Add to that the below average storage in hydro lakes at present, and Kidd says the potential for negative impacts on GDP is growing.

## Widening budget surplus

The gov't's operating surplus before gains and losses widened to \$5.53b in the 12 months ended June from \$4.07b a year earlier, beating Treasury's forecast in May for a surplus of \$3.14b. The tax take rose 6.1% to \$80.22b, against the projected \$79.54b, while core operating costs were below forecast at \$80.58b, an increase of 5.6%. Timing issues accounting for about half the lower expenditure.

## Trading partner growth

(2016-2017 actual; 2018-2020 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
China	27.7	6.7	6.9	6.6	6.3	6.1	2.0	1.6	2.1	2.3	2.2
Australia	19.8	2.6	2.2	3.2	2.8	2.7	1.3	1.9	2.0	2.2	2.3
United States	11.6	1.5	2.2	2.9	2.6	1.8	1.3	2.1	2.5	2.3	2.2
Japan	7.2	1.0	1.7	1.1	1.2	0.4	-0.1	0.5	0.9	1.1	1.5
Eurozone	6.8	1.8	2.5	2.0	1.8	1.4	0.2	1.5	1.7	1.7	1.7
South Korea	3.5	2.9	3.1	2.8	2.6	2.4	1.0	1.9	1.5	1.9	1.9
United Kingdom	3.2	1.8	1.7	1.3	1.5	1.5	0.7	2.7	2.5	2.2	2.1
Singapore	2.7	2.4	3.6	3.1	2.6	2.4	-0.5	0.6	0.6	1.3	1.4
Hong Kong	2.7	2.2	3.8	3.6	2.7	2.5	2.4	1.5	2.3	2.3	2.0
Taiwan	2.5	1.4	2.9	2.7	2.2	2.0	1.4	0.6	1.5	1.4	1.2
Malaysia	2.2	4.2	5.9	4.8	4.6	4.4	2.1	3.7	1.2	2.1	2.5
Indonesia	2.1	5.0	5.1	5.2	5.2	5.1	3.5	3.8	3.4	3.8	4.0
Thailand	1.9	3.3	3.9	4.5	3.8	3.3	0.2	0.7	1.2	1.5	1.4
Philippines	1.6	6.9	6.7	6.4	6.4	5.8	1.3	2.9	5.3	4.4	3.7
Vietnam	1.6	6.2	6.8	6.8	6.5	6.2	2.7	3.5	3.8	4.0	4.0
India	1.5	7.1	6.7	7.4	7.5	7.4	4.5	3.6	4.7	4.9	4.8
Canada	1.5	1.4	3.0	2.1	2.0	1.8	1.4	1.6	2.4	2.1	1.9
<b>NZ Trading Partners</b>	<b>100.0</b>	<b>3.6</b>	<b>4.0</b>	<b>4.0</b>	<b>3.8</b>	<b>3.5</b>	<b>1.4</b>	<b>1.8</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>
<b>Forecasts for New Zealand</b>											
Consensus		4.0	2.8	2.7	2.6	2.5	0.6	1.9	1.6	2.0	1.9
BNZ Forecasts		4.0	2.8	2.9	2.8	2.6	0.6	1.9	1.6	2.2	2.2
<b>The World</b>		<b>2.5</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>	<b>2.8</b>

## DOMESTIC ECONOMY

The bullish out-turn led inevitably to calls from public sector unions, the Greens and some economic commentators for relaxation of the Budget Responsibility Rules. Finance Minister Grant Robertson stuck to the govt line that fiscal plenty today represents a bulwark against future economic adversity.

### Inflation - sort of back to normal

For the first time in a long time, annual headline CPI inflation can be expected to track above 2% for some time to come. The Sept quarter 0.9% CPI increase, for a 1.9% annual inflation rate, provided further support for the view that not only will inflation push past the RBNZ's target band mid-point this year but that it will stay there for all of 2019.

Consequently, inflation will hit target more than two years ahead of when the RBNZ had forecast in the August Monetary Policy Statement. In part, there was an element of 'exogenous shock' from the jump in petrol prices, which rose 5.5% in the quarter and are up 18.6% for the year. Without this impact, annual inflation was just 1.1%. But the RBNZ is unlikely to completely 'look through' this influence.

A higher headline inflation rate is likely to feed into higher inflation expectations and therefore into previously subdued price and wage-setting behaviour.

One of the lessons of the 1970s oil price shock was that central banks were slow to react to second round impacts of the shock, which built on the broader increase in inflation that was underway.

### PSI, PMI steady in Sept

The BNZ-Business NZ **performance of services index** lifted to 53.9 in Sept from 53.3 in Aug. The long-run average is 54.5. A reading of 50 separates expanding activity from contraction. Among the services sub-indices, employment continued to shrink, falling to 49.4 from 49.9. Activity/sales lifted to 56.1 from 53.9 while new orders/business slipped to 56.1 from 58.6. Stock/inventories rose to 53.8 from 52 while supplier deliveries were at 52.3 from 52.5.

Meanwhile, the seasonally adjusted **PMI** for Sept was 51.7, some 0.3 points lower than Aug, and within a tight band of only 1.5 points for the last four months.

### Real estate

**Auckland is in the top 50 most expensive places in the world for CBD office rents**, while prime industrial rents aren't far behind. Colliers International's data found Auckland was the 42nd most expensive place in the world to rent prime

CBD office space, and the 56th most expensive to rent prime warehouse space. Hong Kong was most expensive to lease office and industrial space. A prime office in Hong Kong's CBD costs an average NZ\$3,314 per square metre p.a. London's West End was second with office space costing \$1,891/sq m. Average prime office net rents in NZ are \$478/sq m in Auckland and \$388/sq m in Wellington.

**NZ house prices** rose to a record in Sept with a lack of listings leading to fewer sales. Closing periods also lengthened. The Real Estate Institute's house price index climbed 4% to 2,742 in Sept from a year earlier, a new peak for the property market. The national median sale price rose 5.9% to \$556,000, with record prices in Northland, Gisborne, Manawatu/Whanganui, Hawke's Bay, and Nelson. The Auckland median was flat at \$850,000. Sales volumes fell to 5,506 in Sept, down 3% from a year earlier, and the median days to sell increased by two to 36.

### Competitiveness

NZ slipped to 18th most competitive nation in the world, according to the 2018 Global Competitiveness Index, from 16th in 2017. In the 2018 index, prepared by Swiss-based IMD, NZ was 1st for macroeconomic stability, strength of institutions, lack of corruption and time required to start a business. NZ ranked highly for social capital, legal framework efficiency, intellectual property protection and bank soundness. Inadequate infrastructure, burden of regulation, quality of research institutions, capital availability and market capitalisation counted against NZ. The top ten countries were: US, Singapore, Germany, Switzerland, Japan, Netherlands, Hong Kong, UK, Sweden and Denmark, while Australia was 14th. NZ peaked at 13th in 2016 and was last ranked 17th in 2014.

### KiwiSaver uptake

The number of people in KiwiSaver has risen to more than 2.8m with total assets rising \$7.8b to \$48.6b. Investment returns rose from \$2.7b a year earlier to \$3.2b in the year ending March 2018. Members aged 65 or older withdrew \$731m, and 32,088 withdrew \$723m to help buy their first home. The FMA warned about high fees saying there was no clear link between these and higher returns, apart from a couple of standout funds. The FMA is examining whether the current legal definition of an "unreasonable" fee is fit for purpose.

### Social welfare

Latest benefit figures show the **proportion of the working-age population receiving a main benefit** remains the same as it was a year ago at 9.4%. ■

## Primary sector

Dairy product prices were weak, albeit roughly stable, at this week's **Global Dairy Trade** auction as whole milk powder slid on the prospect of increased supply. The GDT price index slipped 0.3% from the previous auction two weeks ago. The average price was US\$2,885 a tonne, compared with US\$2,901 a tonne two weeks ago. 41,945 tonnes of product was sold, easing from 41,981 tonnes two weeks ago. Whole milk powder fell 0.9% to US\$2,729 a tonne.

**A2 Milk** still sees annual revenue growth from its infant formula products. Its share of China's infant formula consumption grew to 5.8% in the three months through Sept, from a 5.1% share in the June quarter. It also now has more than 10% of the branded fresh milk market in NZ and Australia.

**PGG Wrightson** expects full-year operating earnings to be on par with last year's record, including earnings from the seed and grain business it is selling to Danish cooperative **DLF Seeds**. It expects its operating ebitda to June 30 2019 will be approximately \$70m. Last year operating ebitda was a record \$70.2m.

## Corporate actions

**NZ Steel** paid a 17% premium for a blocking stake in **Steel & Tube Holdings** after the STU board rejected a takeover bid from **Fletcher Building** at \$1.90 a share. The company had recently raised capital from shareholders in a deeply discounted issue at \$1.15 a share. NZ Steel agreed to pay \$45.98m – or \$1.75 each – to buy 26.3m STU shares from three asset management funds. FBU raised an initial offer of \$1.70 to \$1.90 per share, but STU said that was below its own valuation of \$1.95-to-\$2.36 a share. The shares traded at \$1.34 before the earlier offer was made public. FBU says the offer was now off the table. Some institutional shareholders with small holdings in STU were unhappy and STU expressed surprise that FBU had withdrawn the offer so quickly.

**Finaccess Capital** has offered \$881.5m – a 24% premium to pre-offer share price – to buy three-quarters of **Restaurant Brands NZ**. The Mexican company's \$9.45 a share offer compared with the \$7.60 Restaurant Brands had been trading at and the record \$8.15 a share the company hit in June. The bid values Restaurant Brands at \$1.18b. Restaurant Brands reported a net profit of \$20.4m in the six months ended Sept 10, up from \$19.1m a year earlier.

## Energy

**Genesis Energy** is partnering with **Tilt Renewables** to develop a 100 MW wind farm at Waverley on the south Taranaki coast. The still to be finalised

deal with Tilt could see construction beginning next year and generating electricity in 2020. The Waverley project was consented in July 2017. The announcement is significant as it is the first capital commitment to new generation since 2006 following a sustained period of flat electricity demand.

**Trustpower** raised its annual earnings forecast as it benefits from higher wholesale electricity prices due to the Pohokura gas field outage and low hydro lake storage. The company expects ebitda will be \$215m to \$235m in the year ending March 31, up from its initial guidance of \$205m to \$225m.

The country has just seven years of firm gas supply and production is forecast to start falling away from 2021, says **Patrick Teagle of OMV**. Teagle was amongst those making submissions on the **Crown Minerals Amendment Bill** to ban new offshore oil and gas exploration permits.

**Solar PV arrays installed on residential properties are getting bigger**. In the past 3 months, residential installations averaged 4.5 kW in capacity, compared to the previous long-term average of 3.4 kW. There are now 19,497 residential solar connections, 3,840 more than the same time last year. Their combined capacity is now 67.6 MW, 14.7 MW more than a year ago.

## Transport and logistics

**Port of Tauranga** says annual profit may rise as much as 8.1%, based on increased cargo volumes in the first quarter. The port expects net profit of between \$96m and \$101m in the year ending June 30, up from the record \$93.4m a year earlier. The port operator's earnings rose 4.6% to \$23.2m in the three months ended Sept. 30, due to increased volumes of bulk goods, logs, and shipping containers.

**Marsden Maritime Holdings chair John Goulter** says the gov't's strategic review of upper North Island supply chain may recognise the value of **Northport**. Marsden owns half of Northport in partnership with **Port of Tauranga**. It is also developing 185 hectares of land adjacent to the port and operates the Marsden Cove marina. Marsden is owned almost 54% by **Northland Regional Council**, with **Ports of Auckland** owning just under 20% of the listed company.

**Air NZ's** annual sustainability report found while 130,000 travellers voluntarily offset their emissions last year compared with 40,000 the year before, this covered only 5% of flights.

## Capital markets

**Salt Funds Management** plans to list a carbon fund buying credits in NZ's emissions trading scheme and

## CORPORATE ROUND-UP

in international schemes. Salt will list the fund on the NZX next month if it is approved.

NZX rejected minor shareholder **Elevation Capital's** attempt to wrest control of its board and says it will defend plans to reinvigorate its core markets business.

### Insurance

ACC will refund more than 300,000 business customers \$100m plus accrued interest after overcharging them. Between 2002 and March 2017, when the error was discovered, ACC overcharged about 106,000 people in the first year of being self-employed by a total of \$34m. Over the same period, some 200,000 businesses were overcharged \$64m on provisional invoices.

### Recruitment

AWF Madison Group shares fell 3.7% after the collapse of three building companies dented its earnings. The company took an \$800,000 provision after two customers failed in Christchurch and another fell over in Auckland. It cost the firm about \$1m in revenue. AWF said first-half profit was \$1m to \$1.5m lower than the \$3.4m reported a year earlier.

### Telecommunications

Broadband connections with unlimited data caps make up more than 70% of all broadband connections. Stats NZ says there were more than 1.3m unlimited broadband connections at June 2018, a 16% increase from one year ago

Record new connections in the Sept quarter saw fibre overtake copper ADSL as **Chorus's** biggest connection type. The company installed 50,000 new fibre connections in the quarter, taking connections to 479,000 at Sept. 30, up 46% from the same quarter a year earlier and 32% of Chorus's 1.51m total connections. Copper ADSL connections dropped 28% in the past year to 402,000, while the higher-value copper VDSL connections were up 5.1% at 309,000. Across all connection types, Chorus lost 19,000 during the quarter and 75,000, or 4.7%, in the past year.

### Media and entertainment

Sky Network Television's chairman **Peter Macourt**

says he will think about planning for his replacement once a new chief executive has settled in. An appointment for a new CEO to replace **John Fellett** would be made in the near future.

The **Film Industry Working Group** reported back with recommendations to give collective bargaining rights to film production workers who are contractors.

**Stuff** was the worst performing amongst **Fairfax Media Group's** trans-Tasman businesses in recent months. Fairfax group revenue since June 30 was down 5% and the NZ business had a 15% decline in NZ dollar terms. The information was released before the lodging of documents detailing Fairfax's A\$2.2b merger with **Channel Nine**.

### America's Cup

An NZ-based company owned by **Larry Ellison** and part-funded by **Callaghan Innovation** will be part of a competition to rival the America's Cup. Ellison and **Russell Coutts** are organising the **Sail GP** competition to be held in Sydney in 2019. It will use boats from the previous America's Cup rebuilt by Warkworth-based **Core Builders Composites**. The firm, formerly known as **Oracle Racing**, is owned by Ellison.

### Manufacturing and retailing

**Ebos Group's** first-quarter trading growth was solid, with animal care outperforming healthcare, where government funding remains tight. Ebos reported a 16% increase in underlying earnings to \$272.4m in the year ended June 30.

**Michael Hill International** posted an 8.8% decline in first-quarter sales as it shifts away from discount pricing. The jewellery chain's sales from continuing operations fell to A\$112.12m in the three months ended Sept 30 from A\$122.9m a year earlier.

### Trade posts and exhibitions

**NZ at Expo 2020** is looking for suppliers to provide products for use in the NZ Pavilion at the next World Expo in Dubai.

**NZTE** is not replacing a trade commissioner in New Delhi as the Indian market is judged too difficult, compared to other opportunities. 