

PM's pre-Xmas China trip off – what does it mean?

Page 2

MFAT officials had been confident the PM's first official visit to Beijing would be confirmed at bi-lateral meetings in Singapore, at the East Asian Summit, for the week of Dec 11. Instead, China gave NZ the brush-off. The signs are mounting that the NZ-China relationship is much cooler than the govt would like, despite seeking a more independent foreign policy stance.

UDA policy signed off – legislation next year

Page 2

Policy development on Housing and Urban Development Minister Phil Twyford's Urban Development Authority has been completed and was signed off by the Cabinet this week. Legislation will emerge next year. There are concerns about capacity in the state sector to execute on the interventionist development policy that will flow from the creation of UDAs.

Here we go again – RMA reform

Page 2

Environment Minister David Parker will introduce legislation early next year to restore appeal rights in the resource consent process that National removed last year. More comprehensive reform will start to be addressed in late 2019.

The Future of Work and the 2019 Budget

Page 2

There has been plenty of attention given to the 'well-being' elements to be introduced in the 2019 Budget. It's now also emerging that the next Budget will showcase practical policy action driven from Grant Robertson's pre-election Future of Work Commission.

Teachers' pay claims – a hiding to nothing?

Page 3

Rolling teachers' strikes are unlikely to succeed in prising more money for pay claims out of the govt purse. Partly that's because the Employment Relations Authority has given the govt a decision that calls the teacher demands unrealistic. Partly it's because there is no incentive to handle this pay claim any differently from the nurses, who ultimately realised the best offer would not improve.

The Reserve Bank under Adrian Orr

Page 4

Critics who found his predecessor, Graeme Wheeler, too uncommunicative and conservative seem now to be wishing the incumbent, Adrian Orr, was a little less flamboyant and independent. Orr has taken an unorthodox approach to the latest monetary policy statement and is shaking up the bank's senior management.

Confident Labour flush with funds and wanna-be's

Page 3

Labour's annual conference in Dunedin earlier this month was a final opportunity to bask in the success of the 2017 election win. Next year, the focus will be the 2020 election. The party banked unspent campaign funds after 2017 and says it is getting constant approaches from would-be MPs.

UDA policy work complete – legislation early 2019

Policy work to establish Urban Development Authorities was signed off at Cabinet this week.

Legislation is unlikely to emerge until early next year and it may take another year for the agency itself to be formed, under the Ministry of Housing and Urban Development.

It's also apparent that the public service is seriously stretched in its capacity to resource the agency – and others involved in infrastructure and urban planning – adequately. The govt will be looking to the private sector for assistance.

The UDA will give central govt explicit powers to cut across local govt urban development plans. Housing and Urban Development Minister Phil Twyford is determined not only to use those powers, but to use them at least to some extent to impose central govt views about the urban form that it believes towns and cities should take. This will be particularly visible in decisions mandating investment in public transport, including light rail, waterfront land use and suburban development.

The timing and process for legislation mean the UDA will likely come to fruition in election year, which could yet be a political headache for Twyford.

If, for example, the current slowdown in house price inflation and early signs of easing demand for new dwellings coincides with new central govt powers to countermand the decisions of locally elected councils, the stage would be set for an ugly confluence of factors, ripe for exploitation by National.

Parker outlines RMA reform

Meanwhile, Environment Minister David Parker has announced the repeal of what he termed the most “objectionable” of the reforms finally pushed through by his predecessor, Nick Smith, last year, to the RMA.

Parker will introduce a bill early next year to restore appeal rights that were removed on resource consent decisions. His argument is two-fold: that their removal was an affront to natural justice and that even land-owners and developers wanted them retained.

Longer term, Parker has signalled this govt will try to grasp the nettle of more fundamental RMA reform, with a work programme to be outlined in late 2019.

Future of Work

The govt is planning next year to make its ‘Future of Work’ report the centre-piece of what will be a suite of active labour market policies. Among initiatives

will be an announcement in the Budget on the introduction of a **Scandinavian-style “Flexicurity” package** which will include assistance for retraining and income support while the worker is doing that training.

The ‘Just Transition’ programme currently being deployed in Taranaki to accommodate oil industry workers once the sector starts winding down because of the offshore exploration ban is being used as a pilot programme for what eventually will be rolled out nationwide.

Already Energy Minister Megan Woods is saying the programme is as much about supporting people in training as it is the training itself.

Woods says how the retraining will be delivered will depend on the Vocational Education and Training (VET) review, the Institutes of Technology and Polytechnics (ITP) 2020 roadmap review, Sector Workforce Engagement Programmes, Employment Strategies, and more.

Woods is planning a “Just Transition Summit” to take place in Taranaki in the second quarter next year, possibly ahead of the Budget.

Meanwhile, Finance Minister Grant Robertson has held the second round of his tripartite talks with the CTU and BusinessNZ on the implications of technological disruption to the workforce.

Auckland-based McKinsey senior global partner Andrew Grant is working with the participants to apply a particular NZ perspective to international research on technological change.

At this stage, the **main thrust of the talks is focussing on the next Budget and what form any income support for workers undergoing retraining will take.**

It is not clear yet what contribution should come from employers, but it is clear something will be demanded.

There are particular issues surrounding small and medium-sized business who may not find it as easy to release workers for periods of time for training.

Nevertheless, the govt’s intention, led by Robertson, is to add these proposals to what will already be a dramatically different looking Budget as the first aspects of the ‘well-being’ approach make themselves evident.

China relations cooling fast?

MFAT had been almost certain that dates for the first official visit to Beijing by Jacinda Ardern would be confirmed in the margins of the East Asia Summit in Singapore this week. Instead, it appears Chinese

officials knocked back hopes of a trip in the week of Dec 11 with a standard invitation for officials to work on mutually workable diary dates. In diplomatic parlance, that's a bit like: "let's have coffee some time". The Chinese embassy in Wellington had let companies with Chinese links know the planned trip wasn't happening before NZ officials became aware.

All of this points to a swift cooling of relations, driven by the gov't's decision to take a public stance opposing China's expansionism in the South China Sea, reluctance in Beijing to upgrade the NZ-China FTA, irritation with recent coverage suggesting Chinese suppliers to the 5G network are unwelcome, and a broader concern that NZ's stance towards China has become murky. That's in part thanks to the long-standing antipathy to Chinese interests of Foreign Minister Winston Peters, whose Pacific 'reset' has a China-countering tinge.

Even before the trip was canned, there had been growing concern within the bureaucracy that the gov't has not spelt out its policy on China clearly. It is under enormous pressures from its so-called "traditional allies" (the US, the UK and Australia) to step back from the strongly pro-China line pushed by the last gov't, which some had dubbed the "Fonterra Foreign Policy".

But the unwillingness of the Foreign Minister to offer any precision on the gov't's thinking on China along with the forthcoming change at the top of MFAT is creating a vacuum within the Ministry and is perplexing diplomats in the capital.

For example, the Ministry's study of how NZ could engage with the Belt and Road initiative appears to be stalled.

The dangers are that NZ could end pleasing nobody; that China will get the message that things have cooled while the old friends may simply see the gov't's inaction as further evidence that in international affairs, now it is no longer on the UN Security Council, NZ is irrelevant.

Local govt opposes forced water amalgamation

Local Gov't NZ is opposing any forced amalgamation of water services among smaller local bodies that would struggle to fund replacement 'three waters' infrastructure.

Instead, it's urging the gov't to "focus on getting the incentives right to drive behaviour" by setting "hard quality across all three waters, backed by rigorous compliance enforcement" to force better performance and innovation with both "different technologies and ownership models".

It also advocates concentrating first on mandating and regulating strictly for drinking water and allowing existing regulations for freshwater quality standards to run their course before introducing new standards for wastewater and stormwater.

Showdown with teachers

There is something almost ritualistic about the industrial action being taken by teachers, given the odds now stacked against the prospect of a better pay offer from the gov't.

Not only did the Employment Relations Authority issue a damning assessment about the "air of unreality" in the NZEI's pay claim, but the outcome with the NZ Nurses Organisation was an important marker that when ministers say there's no more in kitty, they mean it. The only room for manoeuvre is in conditions and workload.

Confident Labour swimming in funds

The Labour Party emerged from the 2017 election with unspent election campaign funds and is now in its strongest position financially for many years, the party president **Nigel Haworth** told delegates to the party's annual conference in Dunedin, Nov 2-4.

Haworth reported also that the party is being swamped with would-be parliamentary candidates. This is new territory for Labour, which has struggled in recent years to attract either money or new talent.

Among newcomers to the party's Policy Council to watch is **Vanushi Walters**, an Auckland-based human rights lawyer who has been parachuted into one of the party's most powerful organs without having previously been a party member.

The conference was notable for its self-congratulatory air. Ministers and MPs are supremely confident about the likelihood of a second term. Next year's conference in Whanganui, however, will require a more forward-looking agenda. This year was about celebrating 2017's unexpected win. The 2019 conference will be an opening salvo for election year and the last national conference before the 2020 poll.

Rail up in lights

The range of off-balance capital commitments to KiwiRail continues to grow as the gov't pursues an unashamedly interventionist approach to the future shape of public transport, freight, and decarbonisation.

Following announcements on NI rail electrification, KiwiRail will benefit from a \$40m Provincial Growth Fund grant to develop a new hub at Palmerston North and has NZTA support for a \$57.7m business plan to underwrite a new, once-a-day each way Auckland-Hamilton rail commuter service from March 2020, capable of carrying 150-200 commuters. NZTA is considering funding a three year initial commuter train service between Auckland and Hamilton from March 2020. Three Waikato local bodies must back the idea first and the NZTA board will consider the \$55.7m plan at its Dec 14 meeting. The service would run once-a-day in each direction at peak hour (Ham-Akl-Ham) and carry 150 passengers in four carriages at first.

Trade agreements

Singapore and NZ finally signed the stalled upgrade of their Comprehensive Economic Partnership (CEP) free trade agreement while the PM was in Singapore this week. The upgrade stalled when the newly elected Labour govt slapped bans on foreign buyers of NZ real estate that Singapore argued should not have applied to it under the terms of the CEP, which is similar to the CER agreement with Australia. Australian buyers enjoy exemption from the foreign real estate investors' ban.

Progress on the **RCEP agreement** – the ASEAN initiative backed by China that would bring India into an FTA for the region – limps on following an inconclusive negotiation round that coincided with the East Asia Summit in Singapore this week.

If RCEP was going to show progress, it would have been at a meeting of regional leaders of this kind. Instead, it is kicked into the future again, in part reflecting India's and Malaysia's deep antipathy to trade liberalisation.

Vietnam has become the seventh of 11 signatories to the **CPTPP** trade agreement to accede to the deal, which will come into force at the end of December.

Climate change

Chapman Tripp says **'green' bonds would benefit from more active encouragement through regulation to assist their differentiation as an investment choice.** The firm says there is pent-up demand for environmentally credible investment options and that NZ and Australia are lagging the developed world in green bond development.

Meanwhile, **Salt Investment Funds Carbon** listed on the NZX under the ticker code 'CO2', to give investors exposure to carbon market developments.

RBNZ shake-up

After an initial flurry of enthusiasm for his more

open and relaxed style, RBNZ governor Adrian Orr's conduct as both the central bank's chief executive and chief monetary policy adviser is starting to draw critical attention from the Beehive and financial markets.

Orr was instrumental in a substantial shift in long-standing RBNZ practice when, in its Nov 8 monetary policy statement, the bank indicated no intention to raise interest rates in advance of a forecast period of sustained inflation at or about the target annual rate of 2%. That call was not universally backed within the bank, with other key advisers believing that the combination of very full employment rates – the 3.9% unemployment rate for the Sept quarter is a strong indicator of labour market cost pressures – and other emerging inflationary pressures would have warranted a more hawkish tone under previous governors.

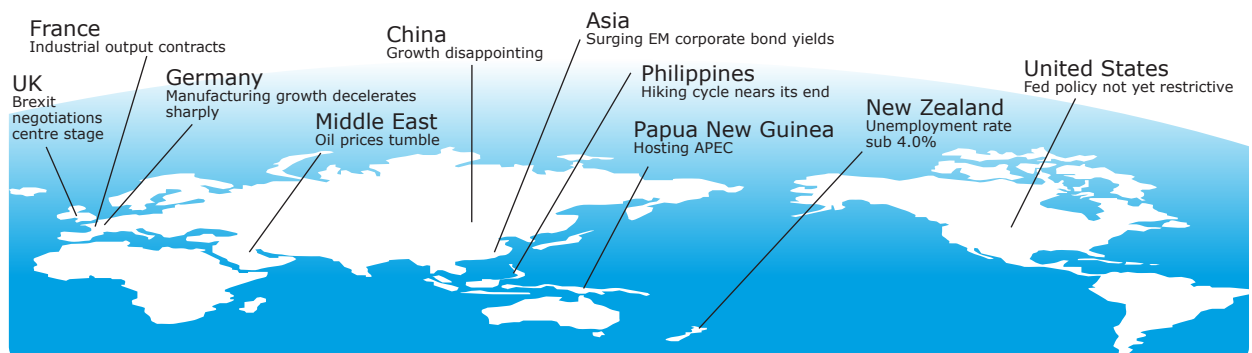
Orr has also reshuffled his leadership team. Those leaving the Bank are: **Sean Mills**, assistant governor and head of operations; **Mark Perry**, head of financial markets; **Klarissa Plimmer**, CIO and head of digital services; and **Bernard Hodgetts**, head of the macro-financial department, who has elected not to return to the bank when his secondment to the Treasury as director of the Reserve Bank Review concludes.

Appointments and inquiries

Dame Annette King is to be the new High Commissioner to Australia. **Dame Silvia Cartwright** is to lead the public inquiry into the **Earthquake Commission**. A re-entry into the **Pike River mine** will be attempted next year.

The process of **replacing Chief Justice Dame Sian Elias** has begun. She is scheduled to retire next March and the appointment process, requiring a recommendation from the PM to the Governor-General, is anticipated to be completed by year-end. ■

The world at a glance



DOMESTIC ECONOMY

Monetary policy

Reserve Bank governor Adrian Orr kept the official cash rate at 1.75%. The bank forecasts the OCR at 1.9% in September 2020 and a full-rate hike by December 2020 when the benchmark rate is forecast to be 2%.

Businesses see the CPI reaching 2.09% over the next 12 months, up from the 1.86% they predicted in the Reserve Bank's Sept quarter survey.

Oil price falls pruning CPI outlook

Sharp falls in international oil prices are already pruning the trajectory for the CPI, with petrol pump prices slumping more than 10% in less than a month.

Given the tradables nature of petrol prices, non-tradables inflation is unlikely to be affected, meaning it will continue to head higher and cause some issues for the central bank from a "core" perspective. But to the extent that the headline rate of CPI inflation falls, it will also help contain inflation expectations and wage claims.

Economic indicators

The **Oct PMI** suggests a lift in trading conditions for manufacturers after a weak few months. The PMI lifted to 53.5 from 51.9 in Sept, having hit a low of 51.2 in July. The figures are seasonally adjusted, so the improvement is more than just a pick up out of winter. The increase now sees the PMI sitting close to its long term average of 53.4, with generally solid readings across industries, firm sizes, and regions.

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
NZ Trading Partners	100.0	3.6	4.0	4.0	3.8	3.5	1.4	1.8	2.1	2.2	2.2
Forecasts for New Zealand											
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	1.9	1.8
The World		2.5	3.2	3.2	3.1	2.8	2.4	2.5	3.0	2.8	2.8

Key sub-indicators of production (52.8) and new orders (56.7) both improved with their highest results since May and April respectively.

After contracting at times this year, employment (52.4) improved for a second consecutive month.

The ANZ Roy Morgan **consumer confidence index** fell to 115.4 in Oct from 117.6 in Sept.

Optimism about "present situation" lifted slightly to 122.0 from 120.2 but the future conditions index fell to 111.0 from 115.9, the lowest since 2015.

Perceptions regarding the next year's economic outlook fell 5 points to a net 1% expecting conditions to deteriorate versus a net 4% expecting an improvement in the prior survey.

Labour market

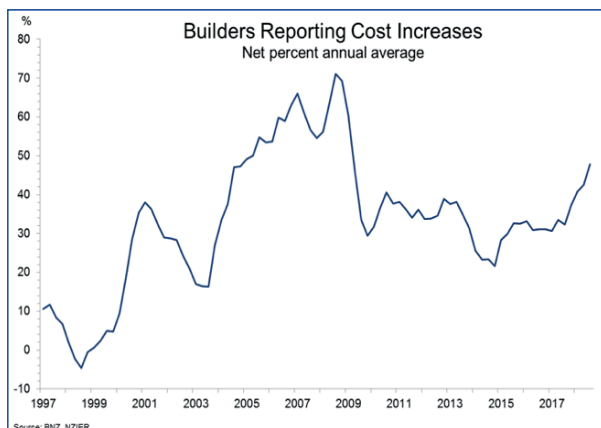
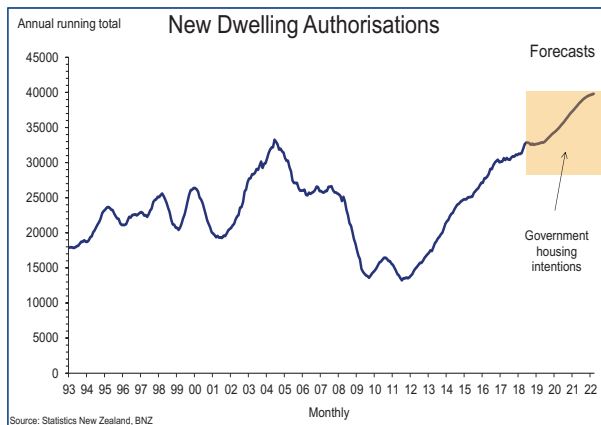
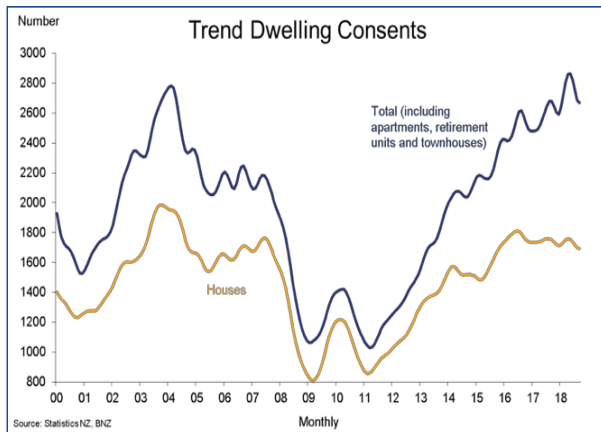
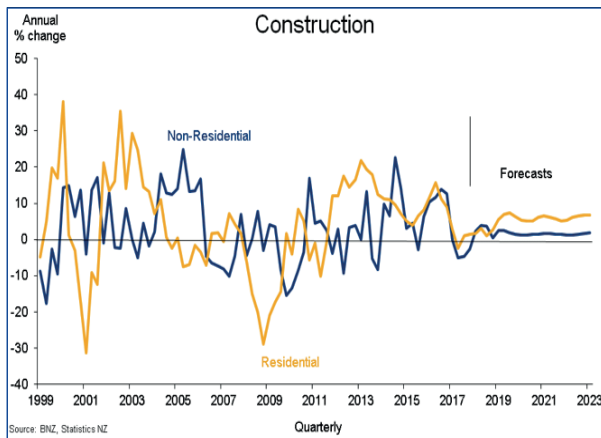
NZ's seasonally adjusted unemployment rate fell to 3.9% in the three months ended Sept 30 from 4.4% in the June quarter. The employment rate was 68.3% in the Sept quarter, up from 67.8% in June and the highest ever recorded rate. The number of employed people rose 1.1% to 2.66m and was 2.8% higher than a year earlier.

Real estate

The **Reserve Bank** is evaluating whether to further ease mortgage curbs, specifically loan-to-valuation ratio lending restrictions, and will update the market in its upcoming **financial stability report on Nov 28**.

House prices nationally rose 3.8% in the year ended Oct, but fell 0.4% in Auckland. The number of

DOMESTIC ECONOMY



properties sold in the latest month jumped by 911 to 6,791 compared with Oct last year. The ban on foreign buyers took effect from Oct 22 but **REINZ** said it's confident the figures don't reflect a rush by foreign buyers to get in ahead of the ban.

House price expectations slid lower in the latest **ASB Housing Confidence Survey**, with a net 26% of respondents expecting house prices to increase – the lowest level since Jan.

This trend was reflected across all regions and reinforces ASB's view house price growth has peaked. Respondents' house price expectations remain the least optimistic in Auckland (net 15%) and Canterbury (net 19%).

Retail activity and tourism

Seasonally-adjusted total **retail spending on credit and debit cards** rose 0.1% between Sept and Oct, after a 1.1% increase in Sept. Core retail spending, which excludes vehicle-related industries, was flat, after gaining 1.1% in Sept.

NZ **guest nights** rose in Sept, with a lift in both domestic and international tourist numbers. There were 2.7m guest nights in hotels, motels, holiday parks and backpackers in Sept, up 2.9% compared to Sept 2017.

The data doesn't include private accommodation, which covers bed and breakfasts, holiday homes and Airbnb rentals.

Commodities

The ANZ's monthly commodity price index fell 2.4% in October and is now down an annual 5.6%, the largest annual decline since mid-2016. ANZ said the softening in the NZ dollar during Oct wasn't enough to offset weak global sentiment in commodity markets.

Vehicle sales

Registration of 16,670 vehicles in Oct was the strongest month of Oct ever but also a new monthly record for any month of the year. The previously single strongest month was June 2017 when there were 15,985 new vehicles registered, with Oct 2018 coming in 7.3% higher (1,140 units).

Cyber-security

An HP study found **45% of NZ businesses rate themselves as not secure on managing their security and protecting company data** when employees are working remotely.

Only 50% of businesses had any confidence they would cope if their business experienced a significant cyber security breach. 🇳🇿

Primary Industries

The **Fonterra board elections** produced some surprises. Dissident ex-director from 2014-17, **Leonie Guiney**, stood as an independent and was elected while incumbent **Ashleigh Waugh**, an experienced Australian retail sector director, was not returned. Two other board nominees were not elected and a vacancy now exists. Retiring Zespri chair **Peter McBride** was elected alongside Guiney, against whom Fonterra had gained a court-ordered suppression earlier this year to prevent her commenting on Fonterra board matters to the media.

The **Fonterra Shareholders' Council** published research showing the co-op's performance since inception in 2001 has been unsatisfactory against key benchmarks. **Acting CEO Miles Hurrell** announced milk volume maximisation was no longer a strategic priority. Reducing debt, opex and capex, and a review of existing assets for possible sale and rationalisation are the new priorities.

Kiwifruit grower Seeka plans to raise about \$50m from shareholders to help fund expansion. The firm is offering existing investors one share for every 1.5 shares held, at \$4.25.

Sanford's annual earnings fell short of expectations due to a decline in volumes, although underlying earnings rose 1.5%. Net profit at \$42.3m for the year to Sept 30 was up 12.9%, though that was largely owing to a post-Kaikoura quake insurance settlement.

Boutique milk infant formula business **Blue River Dairy** was recognised as the country's fastest-growing exporter, as judged by the **Deloitte Fast 50** competition, an annual search for the country's up and coming businesses. Chinese investors with a track record in Chinese infant formula production bought the Invercargill-based company in 2015 and helped it navigate major regulatory changes designed to clean up the Chinese infant formula market.

Early results from nationwide bulk milk testing for **Mycoplasma bovis** suggest eradication remains possible. The Ministry for Primary Industries says more than 51,000 of approximately 70,000 tests have been completed and only three farms have been confirmed to have the cattle disease.

Banking, finance and insurance

NZ's banks need to markedly improve the way they manage risks of misconduct and poor culture, the **Financial Markets Authority and Reserve Bank** say. A four-month review found none of the widespread misconduct seen in Australia's financial sector but did identify "significant weaknesses" in the processes NZ's 11 largest banks have for monitoring conduct

within their organisations. The regulators also want greater powers to hold banks to account for their conduct.

CBL Insurance was put into liquidation by the High Court in Auckland despite the recommendation of the voluntary administrators. Two CBL directors withdraw their opposition to the liquidation when two major creditors agreed to support it.

Telecommunications

Chorus plans to cut the wholesale price for the residential gigabit service to \$60 a month next year, down from \$65 a month. There are plans for a further reduction to \$56 in mid-2020. It also increased the number of ultra-fast broadband connections on its network to 500,000, a 25% gain in six months. In April, Chorus reached 400,000 fibre connections. It took five years to connect the first 100,000 customers.

Vodafone NZ's new CEO Jason Paris says its NZX IPO is on again, 5G is probably two years away, copper is on the way out, and the company plans a push to get costs out of the business. He is also ruling out taking the content acquisition path being followed by Spark.

Some \$40m has been added to the \$105m second phase of the **Rural Broadband Initiative and the Rural Black Spot Fund**, via the **Provincial Growth Fund**. **Crown Infrastructure Partners** says it will now reach more of the 90,000 customers poorly served by slow broadband. The initial funding targeted 74,000 customers. Funding will flow to the six so-called "surge regions" covered by the PGF. CIP says the increase does not indicate a cost blow-out for the programme as a whole, which has been being tendered this year.

The **Commerce Commission** invited views on its proposed approach the new regulatory regime for the fibre broadband networks.

Transport and logistics

Port of Tauranga indicated it may handle about 1.25m containers this year. Sept quarter volumes were 0.7% higher at 296,000 containers. Bulk cargoes, including logs, fertiliser and fuel, are budgeted to get close to 12m tonnes this year, from about 11.7m in the past year.

Mainfreight reported a 32% lift in its first-half net profit as its offshore divisions continue to grow. Net profit was \$55.7m in the six months to Sept 30, versus \$42.2m in the prior year. Mainfreight will pay an interim dividend of 22 cents per share, up 3 cents on last year. **CEO Don Braid** picked up the **NZ Shareholders' Assn** CEO of the Year Award.

KiwiRail is planning to move from Palmerston

CORPORATE ROUND-UP

North to develop a new regional hub. The SOE received a \$40m commitment from the **Provincial Growth Fund** to help with planning and land purchase. KiwiRail didn't indicate a preference for the new location, nor a timeframe. Development is expected to take around five years.

Energy

Infratil extended its takeover offer for Tilt Renewables until the end of the month to get to the 90% mark. Infratil says it has reached 84.4% acceptances.

Electricity lines companies were told by the **Electricity Authority** to accelerate pricing reform and not wait until the next regulatory period starting in 2020. The EA also noted **significant switching away from small-scale retailers** offering prices tied to wholesale market spot prices following a period of spot price spikes and volatility. One such retailer, **Electric Kiwi**, took top prize in the annual Deloitte Fast 50 competition for fastest-growing companies.

Vocus, Flick, Pulse, Electric Kiwi and Vector formally complained to the Electricity Authority saying major gentailers are manipulating wholesale electricity prices. Genesis said the accusations were without substance.

TAG Oil is selling its NZ operations for US\$30m to **Tamarind Resources**, operator of the Tui field.

Infrastructure

The first govt-backed funding arrangement involving long term financing for subdivision essential infrastructure was announced. A Special Purpose Vehicle under the auspices of Crown Infrastructure Partners involves \$91m of roading and wastewater infrastructure to support the building of 9000 homes at Wainui, north of Auckland. The SPV involves **central govt, Auckland Council, and Fulton Hogan Land Development. Macquarie** took a lead role in the finance arrangements.

Infrastructure investor **Infratil** raised its full-year profit forecast for a second time in six weeks on the back of strong performances expected from its power, airports and data centre interests. The company reported a 19% increase in first-half underlying operating earnings and said March-year earnings are expected to increase to between \$560m and \$620m. Infratil is also looking to quit or restructure its

Canberra student accommodation exposure.

The Chair of **Connexis**, the infrastructure ITO, Frances Hague has retired. The incoming chairman is Brian Warren who has been a director.

Technology and innovation

Rocket Lab had its second successful orbital launch and deployment of customer satellites, attracting significant US media coverage.

Independent valuer **Northington Partners** said **ESW Holdings'** \$41.4m takeover offer for **SLI Systems** is "compelling". It values the shares between 37 cents and 53 cents, significantly below ESW's 65 cent offer.

Rakon's first-half net profit climbed to \$9.2m versus \$900,000 in the prior period, largely due to a one-off \$7.2m gain after changing the accounting treatment of its 'internet of things' start-up Thinktra.

Food, beverages and manufacturing

Brewer Moa Group is expecting to be close to break-even in the six months through March on the back of strong recent sales growth and a seasonal lift in volumes during the summer.

Entertainment and media

Fairfax shareholders will vote Nov 19 on the Nine Entertainment merger proposal, which will almost certainly trigger an end-game for ownership of Fairfax's NZ assets, trading as **Stuff**.

SkyCity expects further delays to the International Convention Centre project in Auckland. Originally budgeted at \$703m and expected to be completed in Feb 2019, it will now be completed after Dec 2019. It is selling its Darwin casino to an American investor for A\$188m.

Sir John Anderson

One of NZ's most respected business leaders, **Sir John Anderson**, has died, aged just 73. Sir John led the **National Bank of NZ** at the time that it was taken over by ANZ and was regarded by ANZ's Australian owners as a mentor for improved banking culture.

He had also held prominent positions in the banking and public sector and was devoted to the game of cricket, having also served as chairman of **NZ Cricket**. 🏏