

One year in, a blancmange of policy intent

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The govt talks a good game about kindness, just transition to a low-emissions economy, has read the public mood well on foreign investment in real estate and has a tremendously popular leader. The economy is strong and the govt has spending options. However, neither public nor private polling suggests Labour is pulling away from National, while its support partners bob around the 5% MMP threshold. Next year, it will need more momentum.

Explanations needed on KiwiBuild CEO

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Housing and Urban Development Minister Phil Twyford is choosing to remain uninformed about why KiwiBuild ceo Stephen Barclay remains away from work. But the silence can't last for long without further cementing the impression that the KiwiBuild policy is losing its way.

Bridges tries Trump tactic

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Simon Bridges channeled a little bit of Trumpian anti-migrant sentiment in his unanticipated feint in opposition to the UN Compact on Migration. The NZ electorate is proving susceptible to 'culture wars'-type issues, e.g., over police involvement in the Auckland Pride Parade and the so-called 'Santa Wars'. Bridges is hunting for loose NZ First voters.

NZ First – worried as the Greens make nice

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NZ First's ability to pull Labour to the political centre and offset the lefter Greens is useful to the govt. But the coalition is not easy to manage. NZ First is not on board with some key Labour initiatives, while Labour finds NZ First troublesome. By comparison, the Greens appear to be auditioning for coalition talks in 2020, and Labour could hope not to need NZ First at all.

First glimpse of the 2019 Wellbeing Budget

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New wellbeing rhetoric and reporting will allow the govt to brand its economic policy approach as distinctive from that which went before. However, the HYEPU shows the govt is running a fairly orthodox fiscal policy: mildly contractionary at a time when the output gap has fully closed, growth is in the 2.5 to 3% p.a. range and wages are growing around 3% p.a. for the next five years.

A fright for Air NZ

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The threatened pre-Christmas strike by Air NZ engineers was more than just an echo of old-style industrial relations tactics not seen much in the last 30 years. It was also an attack on the credibility of Air NZ's claim to have revolutionised its labour relations through the High Performance High Engagement model. The incident also put CEO Christopher Luxon on the spot.

Wishing all Hugo Group members a safe and happy Christmas

Today's is the last issue of Hugovision for 2018, barring any last minute excitements in the week ahead. We will be back on deck with the first edition of 2019 on Friday, January 25. We expect also to advise first meeting dates in the next few days.

One year in: a blancmange of policy intent

At the end of its full calendar year in office, the govt is awash in a blancmange of policy intent, fighting fires in flagship initiatives, and **showing very little electoral momentum** compared to a year ago.

In another 12 months, it will need to be executing policy and controlling its narrative more firmly with less than a year to run to the next general election.

Otherwise it **may face a tougher fight at the 2020 election than the immense popularity of its leader and a fractious, leaking Opposition might suggest.**

National's internal tensions and lack of a credible leader give Labour breathing room. But Jacinda Ardern's administration is not yet believed to be reliably governing by a substantial chunk of the electorate.

Labour and its parliamentary allies still represent a solid majority of the Parliament, based on the sparse evidence of mid-term opinion polls, which are notoriously unaccountable.

But National remains in the 40s. **There is no post-Helen Clark style collapse in National's vote.**

It has dropped into the high 30s in UMR polling this year, but has bounced back above 40% despite the Jami-Lee Ross affair and constant internal attempts to undermine Simon Bridges.

That will be giving National Party MPs pause as they consider the party's leadership options, although the strategic leak of a 'word cloud' from Labour pollsters UMR underlines the scale of Simon Bridges's challenge.

Negative associations dominated, with untrustworthiness, unlikeability, arrogance and inexperience featuring. It would be fascinating to see what UMR's Judith Collins word cloud looks like.

Meanwhile, the economy is strong, unemployment touching historic lows and the govt has plenty of money and goodwill to draw on.

It should be doing better than it is.

What's going on at MHUD?

The **unexplained absence from work of Stephen Barclay**, hired to run the KiwiBuild initiative because of his commercial experience, is extraordinary. Barclay has reportedly not been at work since Nov 1 and last met Housing Minister Phil Twyford early last month.

His departure would have been exactly one month into the life of the new Ministry of Housing and Urban Development and a month before the Dec 4

confirmation of acting CEO Andrew Crisp to the top job at MHUD.

Barclay is reportedly in an employment dispute. At the time of his appointment in July, Barclay said in media interviews he had "made it a condition that I had to talk to the Minister. **I found someone [Phil Twyford] I could really work with.**"

The reporting structure for MHUD shows he is one of six senior managers reporting to Crisp, who had been CEO at Land Information NZ since 2016 and before that was deputy CEO at MBIE for Chief Executive, Building, Resources and Markets.

Twyford has told us that reporting lines are not the issue prompting Barclay's employment dispute.

This week's HYEPU indicated **a lot more KiwiBuild homes will be bought-off-the-plans from private developers than was previously assumed.** As a result, the Crown's capital spending needs are about \$1b lower than forecast in the Budget.

There is no evidence that this points to the source of discord although it does indicate KiwiBuild's role may be more as underwriter than builder.

Twyford's vortex

For as long as Barclay remains away from work, the more his absence contributes to the whirl of controversy around Twyford.

In the transport portfolio, Twyford is presiding over a major shake-up of NZTA, which this week saw CEO Fergus Gammie resign. **NZTA is effectively being managed by private law firm Meredith Connell** following the appointment of Michael Stiassny as NZTA chair by Twyford.

Simon Bridges tries on Trump trousers

Simon Bridges's surprise declaration against signing the UN Global Compact on Migration was a feint at what looks an increasingly attackable NZ First base.

In truth, the govt hadn't decided how it would vote at the international conference in Marrakech earlier this week on the compact, when Bridges first raised it.

Straying into anti-migrant politics is Bridges toying with being a bit more populist. **There is a Trump vote in the NZ electorate, and it has been stirred up by such cultural clashes as the 'Santa Wars'.**

His ultimate target: soft NZ First voters.

NZ First ends the year worried?

NZ First is struggling to remain at 5% support and

Labour is reassessing whether the Greens would really be any more difficult to deal with than NZ First in a coalition govt.

James Shaw has been the slick professional, getting momentum on new climate change policy, **Eugenie Sage** has been a hardworking Land Information and Conservation minister; **Julie-Anne Genter** is an effective transport minister and is the Greens' version of Jacinda Ardern, having also just given birth.

By comparison, **NZ First is only half on-board at best** with much of the Wellbeing Budget agenda, wouldn't have killed off offshore oil and gas exploration so fast and opposes light rail in Auckland – among numerous sources of friction.

Meanwhile, **Shane Jones is making the Provincial Growth Fund look like a lolly scramble while Winston Peters is perennially crotchety behind the scenes**, despite doing a sterling job of stonewalling Opposition questions in Parliament this week about Jacinda Ardern's friendship with Richie Hardcore, a Thai kickboxing exponent who texted the PM when Czech fraudster and overstayer Karel Sroubrek's residency was initially approved by Iain Lees-Galloway.

National's attempt to find a smoking gun here collapsed on evidence that Hardcore is more naive social gadfly rather than political Svengali.

The Greens – auditioning for coalition

The assumption before the last election that Labour would balk at coalition with the Greens may not be as firm now as it was then.

The electoral logic – that **NZ First pulls Labour to the centre and away from the lefter parts of the Greens** – still holds. But the Greens are able to argue they've been good political partners to date and could govern in coalition with Labour without NZ First.

The Greens leadership is certainly pushing that idea with Labour, while knowing elements of the Green caucus aligned with Marama Davidson would not be as easy to deal with as Shaw.

If NZ First seeks to assert its political relevance by more opposition in key policies – e.g., employment relations law or the Hauraki Gulf fisheries review – the attraction of working only with the Greens may grow for Labour.

If that dynamic played out, **NZ First may be pushed into the arms of National.**

On the most recent Colmar-Brunton poll, National would be able to form a one-seat majority govt as

long as NZ First – at a 4% party vote – wins the seat of Northland to be returned to Parliament.

That is a credible scenario though the same polling would give Labour and the Greens a three seat majority.

Climate change policy

A **Defence Force study** says climate change is a significant security threat and is already having adverse impacts both at home and in NZ's neighbourhood. The risk assessment identifies security impacts including: vulnerable populations losing their livelihoods, increased food and water scarcity, competition for resources, land disputes and the potential for increased violence from mismanaged adaptation or migration.

If farmers adopted available options to mitigate greenhouse gas emissions, they could achieve up to a 10% reduction in biological emissions from pasture-based livestock. **The Biological Emissions Reference Group** said two thirds of farmers believed they should reduce emissions, but there was little awareness of their own farm's contribution and 42% weren't aware of how to reduce or mitigate emissions, other than planting trees.

The govt announced incremental changes to the **emissions trading scheme** that annoyed Greenpeace while winning praise from Business NZ.

Parliamentary Commissioner for the Environment Simon Upton released a working paper examining whether **Overseer**, the software farmers use to plan nitrogen loading for fertiliser application, could be relied on as a regulatory tool for water quality improvement.

He recommends it be independently reviewed, its code be made open source and that resources be found to strengthen the model. Overseer works well as a farm management tool but is not sufficiently robust in its current form to be used to enforce regulation, he concluded.

Green Investment Fund

The govt's \$100m Green Investment Finance fund will concentrate on decarbonisation investments outside renewable energy and **will seek leverage of 3 to 4 times from private sector investors.**

The fund had, at one time, been projected to seek a 10:1 ratio of private/public funding, but James Shaw has apparently pulled back from that level of ambition. The fund will target a rate of return of on

50/50 – first time

Of 33 public service department chief executive roles, 17 are now held by women following the appointment of Christine Stevenson as Comptroller of Customs and MFAT Deputy Secretary (Multilateral and Legal Affairs Group) Bernadette Cavanagh, as CEO of the Ministry for Culture and Heritage. This is the first time women have topped 50% of public sector CEOs.

POLITICS AND POLICY

capital 2 percentage points above the benchmark five-year govt bond rate and **will take a 'fast follower' approach to proven green technologies rather than backing start-up or novel prospects.**

Its role is clearly more to bring scale to emerging low-carbon technologies than to back new ones.

Pacific Reset Policy

Ten new diplomatic positions will be rolled out in Samoa, Tonga, Fiji, Vanuatu, Papua New Guinea, Solomon Islands, Kiribati, and Honolulu. As part of the Pacific Reset four new positions are also being placed in Tokyo, Beijing, Brussels, and New York, to coordinate development policy and partnerships for the Pacific region.

Education

The **Tomorrow's Schools Independent Taskforce** says the school system is underfunded, unable to tackle major issues, has too much competition between schools and is not working for many marginalised groups. The govt-appointed taskforce called for changes including Crown agencies overseeing the work of groups of schools, taking over many of the current roles of boards of trustees. Regional education 'hubs' would become responsible for hiring and firing teachers and for managing schools' capital works budgets, leaving school boards of trustees with much reduced responsibilities relating largely to the school environment, culture and curriculum emphases.

Lincoln University and AgResearch's much-delayed \$206m **Hub** project is facing further delay as the govt has sought further work on the business case for the joint facility, which will not be able to progress before March 2019. Lincoln is touting the project as a cluster-style innovation hub for university, public and private sector research and development in primary industries. While earth was turned on the project last year under previous Tertiary Education Minister

Paul Goldsmith, it's now clear that Crown sign-off was only provisional and that a full business case is taking longer to prepare than anticipated. Lincoln and AgResearch are providing around \$85m in capital funding, with the rest sought from the Crown. **Vice-chancellor James McWha** says the proposed merger of Lincoln with Canterbury university is not a factor in the delay.

The **Export Education Levy** increased for the first time in its 15 years existence. The rate for private training establishments will increase from 0.45% to 0.89% of international student tuition fees. For universities, and Institutes of Technology and Polytechnics the rates will increase from 0.45% to 0.50%.

NZ packaging billionaire, **Graeme Hart**, is gifting Otago University \$10m to help develop a new \$28.2m dental teaching facility in South Auckland.

Medicinal cannabis law

The **Misuse of Drugs (Medicinal Cannabis) Amendment Bill** has passed into law giving the power to set up regulatory regime for the licensed cultivation, manufacture, import, export and supply of medicinal cannabis within one year. The bill immediately creates a new defence for possessing illicit cannabis (eg cannabis leaf) for those in palliative care (estimated 25,000 people).

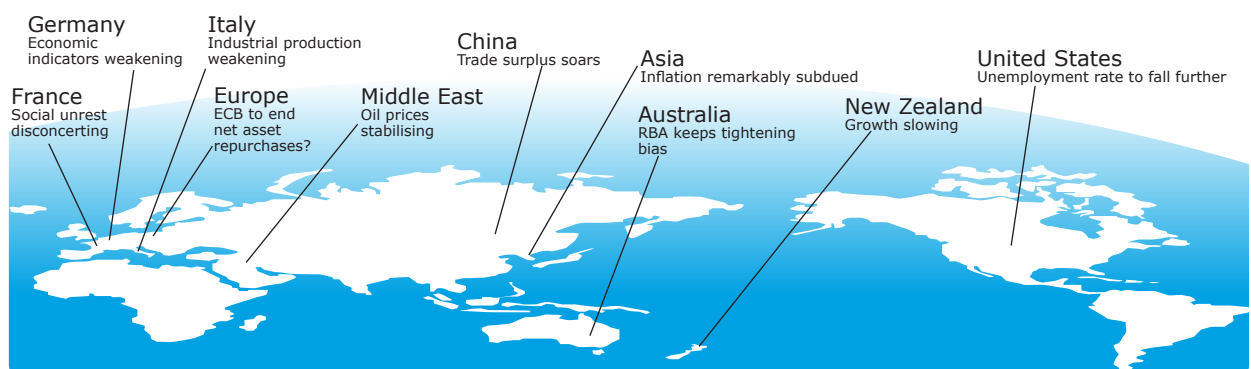
A number of companies are in the final stages of securing a Licence to Deal in Controlled Drugs from the Ministry of Health. Some are planning to grow and export NZ product to Europe and North America.

The new licensing regime will allow cannabis to be available on prescription. A referendum on the recreational decriminalisation of cannabis is also part of the Greens agreement with Labour.

Unfair practices discussion paper

The govt has released a discussion paper on options to clamp down on unfair commercial practices. 

The world at a glance



HYEFU shows sturdy outlook

The Treasury's half-year fiscal and economic update shows slightly slower growth than in the May Budget, peaking in 2020 at just above 3% and falling back to 2.3% in the year to June 2023.

Part of the reason for the slowdown is a failure to overcome existing constraints to growth. The forecasts assume there is no 'output gap' to speak of during the next five years.

That's despite the govt running a mildly contractionary fiscal policy through most of the forecast period. Grant Robertson did, however, hint that if the fiscal surpluses continue to come in as strongly as they have been, the govt is likely to try to spend more. National made much of the fact that Labour is now forecasting a tax take \$17.7b larger than a year ago. A wag might note that this will more than fill the \$11.7b fiscal hole that Steven Joyce identified before the 2017 election.

What both figures demonstrate is how swiftly the fiscal position can pivot. Robertson continues to take a relatively cautious approach, seeking 1% savings from all govt agencies and recommitting to the Budget Responsibility Rules.

Notable among the economic forecasts is the expectation that nominal hourly wage growth will top 3% in each of the next five years, outstripping inflation, which the Treasury is now forecasting will be slightly higher than it expected in the Budget, hitting the 2% target rate through most of the forecast period.

Interest rates only start moving up in 2020 and are assumed to be 1.2% points higher in 2023 than today.

Economic indicators

Total annual **tourism spending** for the year to March 2018 reached \$39.1b, an increase of 7.7% or \$2.8b on the previous year. International visitor spend was up by 9.6% to \$16.2b, while domestic visitors spend was up by 6.5% to \$23b.

Wholesale trade rose for the 11th straight quarter with kiwifruit exports the standout performer. Statistics NZ said seasonally adjusted sales increased 2.5% in the three months ended Sept 30 after a 2.6% rise in the June quarter.

Commodity prices fell for a sixth straight month in Nov with the strong dollar denting returns. ANZ's monthly commodity price index shows the fall in world prices was accentuated by the NZD being up 3.4% month-on-month on a trade-weighted basis. The world price index fell 0.6% in Nov and is now down an annual 5.3%. Dairy prices were at their lowest level since Aug 2016, down 1.7% versus Oct and down 9.2% on the year.

Increased exports and imports pushed NZ's **two-way trade of goods and services** to \$160.7b for the year ended Sept 2018, up \$16.7b from the year ended Sept 2017. Stats NZ said imports were up \$9.4b to \$79.1b from 2017, and exports up \$7.3b to \$81.6b. Services contributed 30% to total exports with travel being the largest contributor at 14%.

The **terms of trade** fell in the Sept quarter as rising

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	2.2	2.4	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	2.7	1.8	1.3	2.1	2.5	2.3	2.2
Japan	7.2	1.0	1.7	1.0	1.1	0.4	-0.1	0.5	1.0	1.1	1.5
Eurozone	6.8	1.8	2.5	2.0	1.7	1.4	0.2	1.5	1.8	1.7	1.7
South Korea	3.5	2.9	3.1	2.7	2.6	2.4	1.0	1.9	1.6	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	3.3	2.6	2.4	-0.5	0.6	0.6	1.3	1.4
Hong Kong	2.7	2.2	3.8	3.6	2.6	2.5	2.4	1.5	2.4	2.4	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	2.0	2.5
Indonesia	2.1	5.0	5.1	5.2	5.1	5.1	3.5	3.8	3.3	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	6.3	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	4.5	4.8	4.8
Canada	1.5	1.4	3.0	2.1	2.0	1.8	1.4	1.6	2.3	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	2.8	2.7	2.5	0.6	1.9	1.7	2.0	1.9
BNZ Forecasts		4.0	2.8	2.8	2.8	2.6	0.6	1.9	1.6	1.6	1.8
The World		2.5	3.2	3.2	3.0	2.8	2.4	2.5	3.0	2.9	2.9

fuel prices outweighed gains that pushed export prices to a nine-year high. The terms of trade fell 0.3% from an increase of 0.4% in the June quarter. Export values rose 6% to \$14.3b in the third quarter, as a 2.3% increase in prices outpaced a 1.8% lift in volumes. Export prices were the highest since Dec 2008. The value of imports rose 0.6% to \$15.2b. Petroleum prices rose 6.4%, following a 10% increase in the June 2018 quarter with volumes rising 5.5%.

Building activity growth slowed in the Sept quarter as flat commercial construction offset a pick-up in residential work. The volume of building work put in place increased a seasonally adjusted 0.7% in the three months ended Sept 30, down from the 0.8% pace of growth in the June quarter.

Some **13,078 new homes were consented** in Auckland, up 25% on the previous year and exceeding 13,000 for the first time since the early 1970s, when the population was less than half what it is now. Only 48% of Auckland consents in the past year were for stand-alone houses, with the rest apartments, townhouses, retirement village units and flats. Consents were up 6.7% nationally in the year ended Oct compared with the previous year, with Auckland being the main driver followed by Wellington which showed a 25% increase.

Quotable Value's **house price index** rose 3.5% in the year ended Nov and by 1.3% in the past three months. The average house price nationwide is now \$681,545. It said NZ's 'more affordable' main centres, particularly Dunedin and the wider Wellington region, continue to grow strongly in a cooling market. The Auckland region, which ran strongly ahead of the rest of the country for years, recorded just 0.4% year-on-year growth and a 0.1% increase in the three months ended Nov.

The Motor Industry Association says the market for **new vehicles** is steady with registrations falling 1.6% to 14,359 in Nov compared with the same month a year earlier. Year-to-date registrations are up 1.4% on the same period last year.

Sentiment measures

Rural confidence dropped for the third consecutive quarter, with dairy farmers the most worried about the future. The latest Rabobank Rural Confidence Survey says net farmer confidence fell to negative 15%, down from the negative 3% recorded in Sept.

Consumer confidence lifted back to average levels in Nov after trending lower since March. The ANZ-Roy Morgan index said a net 10% of consumers feeling financially better off than a year ago with a net 26% expecting to be better off in a year's time. ■

ACC levies and reform

The govt declined ACC's request to raise levies, reducing the Work Levy and maintaining the Earners Levy at the current level. The average Work levies paid by employers and self-employed people will decrease from 72 cents to 67 cents per \$100 of liable earnings from 2019. ACC's Vehicle Risk Rating programme will also end.

An OECD report proposed extending ACC to cover illness.

CTV Building collapse

Engineers NZ is to reopen its investigation into former member Alan Reay, whose firm designed the CTV building, in which 115 people died when it failed in the 2011 Christchurch earthquake. The High Court ruled IPENZ, now called Engineers NZ, was wrong to drop the complaint when Reay resigned from the organisation.

Shelly Bay SHA

The Court of Appeal quashed a decision granting resource consents for a \$500m development at Shelly Bay, Wellington. The Court found Wellington City Council made an error of law and as a result environmental effects were not given appropriate consideration. It told the council to reconsider the consents for 350 dwellings, a 50-room boutique hotel, an aged care facility and buildings for commercial and community activities.

Seeds of market power

The Commerce Commission is uneasy over potential concentration of power in the ryegrass seeds market if PGG Wrightson's \$434m sale of its seeds business to Danish cooperative DLF Seeds goes ahead. A final decision is due by Feb 14.

Competition prosecutions

Investigations of non-notified mergers and acquisitions have disclosed significant competition issues with some firms being prosecuted as a result. The Commerce Commission case register shows four purchases or proposed purchases are being tested. They include Wilson Parking, which is currently facing court action over the 2016 purchase of a Wellington parking building.

Steel dumping inquiry

MBIE does not know when it will end investigations into NZ Steel's claims Chinese firms are dumping product and the Chinese govt is subsidising them. Both studies were meant to be completed in Oct. ■

Primary sector

A national standard for organic production will be progressed as a govt bill next year.

Fonterra lowered its forecast pay out to farmers due to global milk supply remaining strong relative to demand. It also confirmed it will take back full ownership of its Darnum plant and Tip Top could be sold. Fonterra expects to pay \$6.00-\$6.30 per kilogram of milk solids versus a prior range of \$6.25-\$6.50. It expects to collect 1,550m kgMS in the season, 3% more than last season. The pay out will now be between \$9b to \$9.8b versus \$9.69b to \$10.08b if the old forecast had held.

Dairy product prices rose at the latest Global Dairy Trade auction, stemming a decline that began in May. The GDT price index gained 2.2% from the previous auction. The average price was a US\$2,819 a tonne, compared with US\$2,727 a tonne two weeks ago. Some 36,450 tonnes of product was sold, down from 42,966 tonnes two weeks ago.

Regional Economic Development Minister **Shane Jones** said **Westland Milk** comments on its \$9.9m Provincial Growth Fund loan were a surprise and the CFO, Dorian Devers, was “breaking wind” when he said Westland could have got the loan from a bank but the PGF’s terms – undisclosed and as yet incomplete – were more favourable. Devers’s comments were his last at Westland. He has been appointed **Contact Energy’s** new CFO.

A2 Milk is confident it will meet all new Chinese cross-border e-commerce requirements affecting the sale of its Platinum infant formula by March 31. China’s govt has extended the grace period to meet the new labelling and marketing requirements from Jan 1.

Delegat Group will spend \$33m developing its vineyards in the current financial year to support an expected 23% lift in global sales by 2021.

The govt is offering \$238m in grants to **encourage new tree planting, especially of natives**. There are two funds, one offering \$118m over three years to help cover landowners planting costs. Indigenous trees will get preferential treatment and higher grants. A second scheme will offer \$120m to co-fund projects reducing barriers to planting.

Telecommunications

Spark restated guidance for the year ending June next year to reflect new accounting standards, listing rules and its own restructuring. It now expects revenue to be \$70m lower at \$3.53b-\$3.6b and ebitda will be \$40m higher at \$1.065b-\$1.095b. Per-share earnings will also fall a cent to 22-23 cents, but the expected dividend will remain unchanged at 25 cps,

with at least 75% imputed.

The **Commerce Commission** published a framework paper outlining its approach to implementing new provisions under the Telecommunications Act to improve retail service quality for consumers.

Energy

The govt is reviewing information disclosure requirements in the gas industry following the **extended shutdown of part of the Pohokura field**.

Genesis Energy is planning a round of retail price increases in the new year.

The govt has confirmed the retail fuel market will be the subject of the first **Commerce Commission market study**.

Reducing emissions from the country’s heavy industry without using natural gas or a coal-biomass blend appears prohibitively expensive, based on analysis by **Vivid Economics**.

The **Commerce Commission** will not give **Vector** dispensation for network repair delays created by the need to de-electrify lines for health and safety reasons. Vector had claimed health and safety legislation required this change to previous practice. However, the ComCom said it would not change its reliability standards to take account of that concern. Rather, it was unlikely to prosecute in the event of delays that were created by the need to de-electrify lines for health and safety reasons.

Elena Trout and **Rodger Blakeley** have been appointed to examine last year’s fuel pipeline shutdown in Northland.

Electricity lines company **Counties Power** acquired a 75% shareholding in ECL Group Fuel Systems and ECL Group Technology for an undisclosed sum.

Meridian Energy chair Chris Moller will retire next year and be replaced by **Mark Verbiest**.

Construction and infrastructure

The govt approved additional funds of \$22.5m for **America’s Cup infrastructure**. The money was needed after higher than forecast costs for wave breaks and dredging work. It takes the govt’s contribution to \$136.5m. Auckland Council also agreed to increase its contribution by \$14.5m.

Parliament passed enabling legislation to allow the **Waimea Dam** scheme to go ahead. The dam in the Tasman district will be the largest built in NZ for more than 20 years. Only the Green Party opposed the bill

Transport and logistics

Air NZ engineers threatened a three day pre-

CORPORATE ROUND-UP

Christmas strike, creating alarm for travellers and political risk for the govt, which is vulnerable to claims it is presiding over more industrial turmoil than the last govt experienced. The strike was called off after negotiations, but the incident has dented Air NZ's High Performance High Engagement story. That style of management engagement with the airline's workforce has been touted as ushering in a new kind of industrial relations. The strike threat was a return to old-style IR. That makes the issue doubly troubling for Air NZ CEO **Christopher Luxon**, given his chairmanship of the PM's Business Advisory Group.

Air NZ is to operate a five times weekly seasonal service between Christchurch and Singapore from Dec 2019 to Feb 2020. Up to now, Singapore Airlines has been operating the seasonal service three times a week, in addition to its daily service between Christchurch and Singapore. The increase in seasonal services to Christchurch follows approval for the two airlines to extend their alliance for a further five years until March 2024.

Ports of Auckland wants to pilot a hydrogen production and fuelling facility for use by vehicles at the port, including tugs and container straddle-carriers.

Hawke's Bay Regional Council rejected a bid by local iwi for it to offer shares in **Napier Port** to residents and iwi at a discount in order to secure a local cornerstone holding in the firm.

Electric scooter service **Lime** recorded more than 500,000 rides and 150,000 active unique riders in just over a month.

Banking and insurance

AMP Capital NZ chief economist **Bevan Graham** has been appointed the company's managing director, replacing Grant Hassell who will head the group's global fixed income operation.

Governor **Adrian Orr** says the **Reserve Bank** continues to be under-resourced, despite paying its third-biggest dividend this year, but the review of the Reserve Bank Act is currently looking at its funding model.

RBNZ governor **Adrian Orr** said there's a sweet spot in which it can require banks to hold more capital with no trade-off to efficiency. Orr has warned banks the RBNZ will require them to hold more capital.

The Reserve Bank plans a final consultation paper in mid-Dec.

Media and Entertainment

Australia's **Fairfax Media Group** raided the balance sheet of its NZ operations, Stuff, ahead of the merger with broadcaster Nine Entertainment. Stuff paid \$22.5m in dividends to its Australian parent in the year ended June 30, and paid another \$10m in Sept, largely draining the Kiwi arm's cash reserves. Nine has signalled swift disposal of non-core assets, including **Australian Community Media**, in which the Stuff assets are housed. That heralds a period of increased uncertainty for the NZ media titles owned by Stuff. Possibilities include sale of the whole business to a single buyer, break-up and sale of titles to local buyers, and closure of titles that do not attract sufficient interest.

One possible consequence: partial realisation of the failed **NZME/Stuff** merger. For example, NZME may emerge as a bidder for Christchurch's Press newspaper. Meanwhile, NZME's plans to launch paywalled business news before the end of the year appear to have been postponed.

Guyon Espiner is to end his five year run presenting RNZ's **Morning Report** and will switch to long form investigations.

Corporate actions

Apax Partners has won over **Trade Me's** board after lifting its offer to match rival **Hellman & Friedman's** \$2.56b. Apax will pay \$6.45 a share. Trade Me's board will back the deal, provided it's within an independent valuation range, but also left the door open to consider a better offer if one emerges.

Vital Healthcare Property Trust's exposure to ASX-listed Healthscope increased to A\$81m. Canada-based **NorthWest Healthcare Properties Real Estate Investment Trust**, which owns Vital's management contract, said it increased its joint option over Healthscope shares to take it and Vital's stake to 13.4%. Northwest faces a revolt by three insitutional unitholders who dispute the generous terms of the Northwest remuneration arrangements.

Orion Health will pay up to \$144.6m buying back shares. It will pay \$1.224 a share with Orion Health offering to buy 20%, 50% or 100% of an investor's stake. CEO Ian McCrae will sell 20% of his holding. 