

Ardern in China

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The PM's one day trip to China puts to bed the growing perception that Wellington was on the outer with Beijing, although there were no gains of great substance from the visit. There was no expectation that there would be. Commitment to accelerating the China-NZ FTA upgrade, however, is welcome progress on a negotiation that has been stalled.

Holding pattern on Huawei

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The govt is adopting a position of convenience in its stance on the GCSB's refusal of Spark's application to use Huawei equipment in the 5G network. The PM insisted to Chinese leaders the process is not political and that it's up to Spark now to reapply. Spark's problem: the basis for a successful reapplication is unclear, since the objections to Huawei are not technical, but to do with perceived defence and national security concerns.

Heat back on Bridges

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The Christchurch mosque attacks have had the unintended effect of resetting Jacinda Ardern's dominance on the domestic political stage and led to a new round of disgruntlement among National Party supporters and MPs with the performance of their leader, Simon Bridges.

New focus for intelligence services

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It's becoming increasingly clear that not only NZ's intelligence services, but also its Five Eyes intelligence partners, have put too little effort into tracking the activities of far-right and white supremacist groups in comparison to the focus on the jihadist threat. That is going to change.

Social media regulation

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While the govt is rushing gun and hate speech law reforms through Parliament, its course of action on social media regulation is still forming. In part, that's because it knows that anything it does in NZ alone will have little impact. Facebook's own call for regulation shows it recognises this is an issue whose time has come, although it will still seek to protect its commercial interests in any regime that emerges.

Simon Moutter's departure

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Some media reporting of Spark ceo Simon Moutter's departure has appeared a little overwrought. While the imminence of his departure had not been explicitly signalled to investors, the 'good leaver' provisions of his long term incentive package had been public since 2016 and showed mid-2019 to be a potential natural break-point. The appointment of a strong internal candidate is a positive for strategic continuity.

The RBNZ's aggressive easing stance

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The RBNZ risks exacerbating supply-side constraints in the economy while reducing its buffer in the event of a global slowdown by loosening monetary policy.

More belt and braces than Belt and Road in Beijing

Symbolic repair rather than policy substance was the order of the day for the PM's one day state visit to Beijing this week.

The **Chinese govt was as anxious as Wellington** to demonstrate a normalisation in relations after a rocky few months. As it navigates its own fractious relationship with the US, it's clear China needs its friends too.

Committing to a punishing travel schedule that put her on the ground in China for less than 24 hours instead of the previously planned five day, three city swing was important for symbolically placing the relationship back on a more even keel.

She got meetings with the two big cheeses, a **commitment from Premier Li Keqiang to speed up the FTA upgrade** and an acknowledgement from President Xi Jinping that the NZ relationship is "one of the closest between China and Western developed countries".

Her time with President Xi Jinping went 10 minutes over the allotted 30.

However, **Xi's public noting of the need for trust in the relationship was a clear reference to the tension over Huawei, NZ's new-found voice on the South China Sea since the change of govt, and some muscular action late last year by the Five**

Eyes partners to call out Chinese govt agency cyber-attacks and espionage.

Asked about this, Ardern said NZ had taken an even-handed approach, also calling out North Korea and Russia for similar activity – **not great company and indicating the extent that cyber-competitiveness is increasingly a defence and security issue.**

Official Chinese media took much the same line as NZ's, noting the relationship was in good heart but that China did feel singled out,

not only on cyber issues but also by the new govt's restrictions on the purchase of residential property and agricultural assets.

Ardern noted that NZ welcomed foreign investment that added value to the country's economy.

There were **nuanced signs that things are not yet quite warm.** Beijing-based foreign journalists noted the lack of a joint press conference with Premier Li Keqiang, where the more substantive discussions

occurred. Canadian PM Justin Trudeau, somewhat in the dogbox in Beijing, was treated the same way, they noted.

The four formal agreements signed between the two govts, covering double taxation and anti-avoidance, climate change, agricultural cooperation, and a "financial dialogue" between economic ministries were consistent with meetings intended to convey open channels of communication, if not substantive progress.

On the stalled FTA upgrade, for example, there was a desire to accelerate progress, but no actual gains. "We discussed the FTA upgrade, and agreed to hold the next round of negotiations soon and to make joint efforts towards reaching an agreement as soon as possible," said Ardern's official statement.

Likewise, while climate change is one area of alignment, the statement on that subject was pure diplomatese, albeit apparently unusual for being made at all.

For her part, Ardern was cautious in her public statements on the massive surveillance and 're-education' programme directed at China's Muslim Uighur minority.

On the FTA upgrade, something is in the wind on wood and other timber products. These comprise 23% of total exports to China by value and aren't subject to the kind of sinking lid protectionism that will improve dairy access to China through the early 2020s with no upgrade at all.

Ardern mentioned wood and paper products twice in the context of her discussions with Li.

For its part, China has been seeking access to timber resources in NZ and come up against stiff resistance from Japanese owners of NZ forests and processing plant. **Japanese interests fear competing with subsidised Chinese govt SOEs for resource.**

The Huawei conundrum

Ardern's line on the GCSB declining Spark's use of Huawei equipment in the 5G network **sailed very close to the wind. She insisted to the Chinese leadership that the process is an arm's length, non-political and non-discriminatory one and that the ball is in Spark's court to reapply.**

However, the **characterisation of the GCSB refusal as somehow temporary or interim is not accurate.** The refusal is absolute, unless Spark can convince the GCSB otherwise. That process could require an appeal to the responsible minister, Andrew Little.

The govt may be hoping Spark will drop its interest in Huawei rather than force the govt to become

2019 CEO Retreat

The seventeenth annual CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 15 to lunch on Saturday, August 17.**

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

Mark your calendar now.

embroiled in a highly charged geo-political challenge to China's telecommunications ambitions.

English language Chinese media in Beijing was notable for its heavy coverage of Huawei's efforts to prove to European regulators that it can be trusted.

Bridges wilts in response to mosque attacks

While Jacinda Ardern has consolidated her already dominant position within the Labour caucus and the wider public as a result of her performance since the Christchurch mosque attacks, the reverse appears to be the case for Simon Bridges.

His number of critics appears to be growing within the caucus and includes some influential figures.

The concern extends to his deputy Paula Bennett as well, and centres on what the critics charge is a lack of judgement about their public statements.

National MPs are currently holding their annual electorate meetings, and it would seem that those may have helped inspire the growing criticism.

One mid-ranked MP said he made some positive comments about Ardern's handling of Christchurch at his meeting and was greeted with spontaneous applause. But back in Wellington, it seemed Bridges was trying to score political points by linking her with opposition to the GCSB legislation in 2013.

The critics say they believe Labour's rating in the next poll could shoot up to 50% and Ardern's rating could be as high as 70%. They worry that figures like that will drive Bridges to even more desperate rhetoric at a time, they say, when their core voters want measured and responsible leadership.

Climate change policy

National's climate change spokesperson, Todd Muller, like James Shaw, is not in favour of Simon Upton's suggestion that forest planting should be offset only against short term greenhouse gases (nitrous oxide and methane). Muller believes that the Emissions Trading Scheme needs certainty if it is to succeed as the main instrument to bring emissions down. That means that Muller is not likely – for the present – to withdraw National's support for a bi-partisan approach to the Zero Carbon Bill.

But Upton's report is receiving an enthusiastic response from the farming community. If that were to translate into pressure on the National Party, he could have a problem. At the same time, Forestry Minister, Shane Jones has made planting forests more attractive to farmers with a change to come in how the ETS will apportion the value of trees.

From 2021, it will be possible to average the value rather than have a lumpy payment on planting and refund on harvest.

The intelligence services

The intelligence services are facing the inevitable criticism that they missed the Christchurch shooter. Questions centre on whether they were so focused on Muslim extremism that they neglected white supremacists groups.

However, one intelligence source said the shooter was so effective at evading legal surveillance that even if he had been a Muslim extremist, he would not have been spotted.

The services themselves will respond that their legislation is very restrictive and does not permit them to "trawl" through New Zealanders' Facebook accounts or emails without a warrant.

However, there may also be questions, possibly inspired by observations from some of the **more than 30 foreign intelligence offices working with their New Zealand counterparts**, that the agencies are risk-averse and too top heavy with management.

The fact that the FBI and the Australian Secret Intelligence Organisation and probably other foreign agencies have been working in Wellington provides a yardstick by which to judge the New Zealand services.

It would seem inevitable that the Royal Commission will lead to some changes in the services though whether a Labour govt would allow them to be more intrusive might be an issue.

Local govt reform

Local Govt Minister Nanaia Mahuta has begun the process of scrapping the Local Govt Commission, whose role as a facilitator for council reorganisation and amalgamation has, she says, been "divisive" and not assisted local communities deal with funding and scale challenges. The reforms would also require 10% of electors (vs any individual at present) to trigger a reorganisation review.

Real estate: is a buyer's market emerging Auckland?

Annual house price growth slowed to 2.5% in March, down from an annual pace of 3% in Feb and 7.3% in March last year, according to the latest Quotable Value data. Hotspots include Kawerau, up 24.2%, Wairoa, up 22.4% and Tararua, up 15.6%. In Auckland prices were 1.5% down on a year ago. The national average house price was \$686,523, the average in the Auckland region was \$1.04m.

Swift vs hasty – legislative responses to the mosque attacks

The first reading of the **Arms (Prohibited Firearms, Magazines and Parts) Amendment Bill** was

POLITICS AND POLICY

completed in Parliament on Tuesday with just **ACT MP David Seymour opposed**. It is to be reported back early next week and come into force on April 12. Amongst other things it bans semi-automatic weapons and military style semi-automatics and gives an amnesty running to Sept 30.

PM **Ardern** and the Minister of Police **Stuart Nash** say they are personally in favour of a gun register in the second tranche of gun law reform.

Justice Minister **Andrew Little** is fast-tracking a review which could see hate crimes made a new legal offence, saying the current law was not strong enough.

Meanwhile, another 18 local and international fund managers joined the five NZ govt-related fund managers calling for greater controls on Facebook (*see item p.5*), Twitter and Google. The 23 fund managers making the call have more than \$800b in funds under management.

Pressure grows to slow polytech reforms

Pressure to extend consultation on reform of polytechs and apprenticeship training mounted from a number of groups. The govt wants to make decisions quickly so they can be in place for 2020.

NZ First kills Maori representation at ECan

National and NZ First combined to defeat a local bill which would have allowed for two members of Environment Canterbury to be appointed by Ministers on the recommendation of Ngāi Tahu.

Energy policy

The govt wants to ensure electricity supply infrastructure has the capacity to meet demand as it looks to use it to replace fossil fuel use in transport and industrial process heat. Energy and Resources Minister Megan Woods says she will spend much of

this year developing its strategy out to 2050.

Child poverty measure

Stats NZ released child poverty statistics to be used as baseline rates for the govt's targets under the Child Poverty Reduction Act. It's estimated in the year ended June 2018, 23% of children lived in households with less than 50% of the median equivalised disposable household income after housing costs are deducted. 13% of children lived in a household experiencing material hardship.

April marks milestones for govt agenda

April 1 marked the implementation of a \$1.20 an hour increase in the **minimum wage** to \$17.70, the largest single ever increase. The Living Wage Movement said its estimate of the Living Wage increased from \$20.55 to \$21.15. April 1 also marked the **beginning of the 15% tax credit for R&D tax** spending, drops in most ACC levies and a 2.6% rise in NZ Super and the Veterans Pension due to general wage increases. Law **changes giving employees affected by domestic violence the right to apply for paid leave** and the ability to request short term changes to their working arrangements also came into effect.

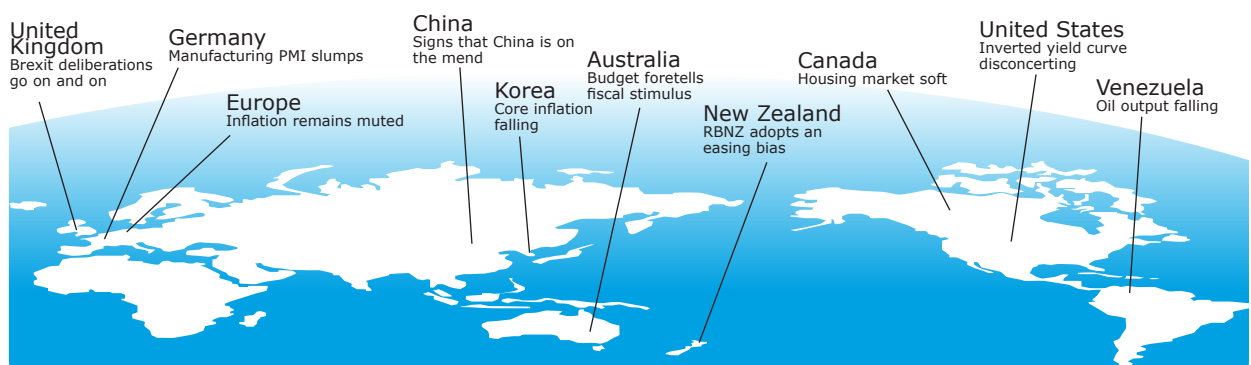
Gareth Morgan out of TOP

Gareth Morgan, founder of The Opportunities Party, resigned from all roles with the party, leaving it in the hands of his former head researcher, Geoff Simmons.

Teachers' strike postponed

Secondary school teachers called off a strike in support of their pay and conditions claims. The PPTA said it was not appropriate in the wake of the Christchurch attacks, but they would continue to seek improvements to the govt's rejected offer. Decisions on what action to take next would be made after the April school holidays. 🇳🇿

The world at a glance



REGULATING SOCIAL MEDIA

Global and domestic momentum building

Facebook and Google executives were doing the rounds of policy-makers, telcos, and lobbyists in NZ this week and hearing a consistent message of determination to see change in the way social media and search platforms operate in the public interest.

As we've observed, the Christchurch mosque attacks appear to be galvanising global sentiment in ways that are starting to hit Facebook, in particular, in the pocket.

Advertisers – both agencies that recommend it and the companies that buy it – are pulling campaigns off Facebook to avoid the brand damage caused by its amplification of extremist violence.

The govt is actively considering its options for adding to the international pressure for regulation of social media platforms – an idea that looks increasingly as if its time has come. However, it is not rushing the issue as it has done with gun ownership law reform.

Rather, it appears likely to closely examine moves already under way, particularly in Europe, that seek not only to limit the socially toxic elements of social media, but to limit the growing power of the largest global tech companies.

Facebook clearly recognises it has a problem. Its founder and CEO Mark Zuckerberg called for govts to assume new regulatory powers and the public statement from COO Cheryl Sandberg to the NZ Herald vowed to work against violent hate speech on Facebook.

That positioning was undermined, however, by Facebook's admission to Privacy Commissioner John Edwards that it has made no changes to its live-streaming service since the March 15 attacks.

Facebook and others are also pushing back against the Australian govt's rush to legislate levy heavy penalties against locally domiciled executives if a social media or search platform fails to limit the spread of extremist content.

Consistent with past expressions of contrition, it appears that Zuckerberg is testing for the boundaries beyond which Facebook would rather not go for commercial reasons by proposing a range of measures that appear to be inevitable in the current political environment surrounding the downside of social media platforms.

He nominated four areas for focus: harmful content, election integrity, privacy and data portability.

"If we were starting from scratch, we wouldn't ask companies to make these judgments alone," he wrote.

Among the initiatives Facebook is developing, in concert with the French govt, is an independent appeals body to challenge decisions the platform makes about what to remove or censor.

However, he made no mention of whether that regulation should go the extra step of declaring social media and search platforms to be publishers, with legal and ethical responsibilities akin to news publishers.

By proposing baseline standards against which all social media and sharing platforms are judged, Zuckerberg is also seeking both to draw in and draw attention to the fact that a plethora of less-known platforms are the primary outlets for the re-sharing of harmful content.

The Christchurch gunman's livestream was shared a relatively small number of times on Facebook, but continues to find a life of its own on other fora. 🇳🇿

Trading partner growth

(2017-2018 actual; 2019-2021 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
China	29.1	6.9	6.6	6.2	6.1	5.9	1.6	2.1	2.1	2.1	2.3
Australia	19.1	2.4	2.8	2.3	2.6	2.7	1.9	1.9	1.8	2.2	2.5
United States	11.5	2.2	2.9	2.4	2	1.8	2.1	2.4	1.8	2.2	2.2
Japan	7.3	1.9	0.8	0.7	0.4	0.7	0.5	1.0	0.7	1.0	0.7
Eurozone	6.5	2.5	1.8	1.2	1.4	1.4	1.5	1.7	1.3	1.5	1.9
South Korea	3.6	3.1	2.7	2.4	2.4	2.4	1.9	1.5	1.3	1.6	2.1
United Kingdom	3.2	1.7	1.4	1.3	1.5	1.7	2.7	2.4	2.0	2.1	2.1
Singapore	2.7	3.6	3.2	2.4	2.4	2.6	0.6	0.4	1.0	1.3	1.8
Hong Kong	2.4	3.8	3.0	2.3	2.3	2.7	1.5	2.4	2.2	2.2	2.4
Taiwan	2.5	3.1	2.6	2.0	2.0	2.3	0.6	1.4	0.8	1.1	1.3
Malaysia	2.1	5.9	4.7	4.4	4.5	4.9	3.7	1.0	1.5	2.2	2.7
Indonesia	2.1	5.1	5.2	5.1	5.1	5.0	3.8	3.2	3.7	3.7	4.1
Thailand	1.9	3.9	4.1	3.6	3.6	3.4	0.7	1.1	1.0	1.2	1.5
Philippines	1.6	6.7	6.2	6.2	6.1	5.7	2.9	5.2	3.4	3.4	3.4
Vietnam	1.5	6.8	7.1	6.6	6.3	6.3	3.5	3.5	3.2	3.7	3.8
India	1.5	6.7	7.1	7.3	7.4	7.2	3.6	3.6	4.1	4.5	4.9
Canada	1.5	3.0	1.8	1.4	1.7	1.7	1.6	2.3	1.7	2.0	1.9
NZ Trading Partners	100.0	4.1	3.9	3.5	3.5	3.5	1.8	2.0	1.8	2.0	2.2
Forecasts for New Zealand											
Consensus		2.8	2.8	2.6	2.5	2.4	1.9	1.6	1.7	2.0	2.0
BNZ Forecasts		3.1	2.8	2.4	2.6	2.5	1.9	1.6	1.8	1.9	1.7
The World		3.2	3.2	2.8	2.8	2.8	2.5	2.9	2.6	2.6	2.8

Leaving gas in the tank vs the RBNZ's easing bias

Supply-side issues are choking NZ's economic expansion. A very tight labour market is constraining the ability to increase output or to execute new investments, at the same time as ongoing policy uncertainty is constraining investment intentions. In the primary sector, environmental constraints are restricting output. This is increasing costs to business and constraining margins.

These are the factors helping to underpin a further fall in business confidence, as measured by the ANZ Bank's monthly indicator and NZIER QSBO – both of which are now implying annual GDP growth of less than 2%.

Expectations for future trading activity fell from +16% in the previous quarter to +7% this quarter, a substantial drop and the lowest level seen in the quarterly survey since June 2011.

Note, however, that sales momentum is not the problem. **A record low number of respondents report lack of sales as a business constraint.**

Labour and capacity continue to be reported as key constraints at near record high levels, although the Westpac McDermott-Miller Employment Confidence Index fell 7.1 points to 114.2 in the latest quarter, with falling earnings expectations affecting the result.

In aggregate, weak confidence both domestically and in the outlook for the global economy is more than offsetting what would otherwise be inflationary pressures. As a result, the RBNZ expects its next move in the OCR to be downwards, while growth trundles along sufficiently strongly to maintain full employment.

This easing bias is unexpectedly aggressive, opening up a 50/50 chance of a rate cut in May. That, in turn, raises the prospect of a second rate cut this year, since the shift to an easing bias is a fundamental change in sentiment and one that might reasonably be expected to be maintained.

At the very least, the prospect of any rise in interest rates over the next couple of years has receded to near zero. Irrespective of whether there is a rate cut in May – the case for doing so may not be overwhelming so soon – **watch the future interest rate track in the May MPS for a guide to the central bank's current expectations.**

Setting aside whether the case is really strong enough for easing monetary policy now, there are two other key concerns with the RBNZ's new stance.

Firstly, it is doubtful whether monetary policy can assist much in dealing with real economy supply

constraints. And if that's so, then **cutting rates in the near future simply risks leaving too little monetary policy gas in the tank in the event that there is a significant global economic downturn.**

This is not a trivial consideration. It is unlikely that lowering, raising or sustaining the cash rate will have a material impact on inflation and employment in the current environment.

Accordingly, there's unlikely to be any near-term evidence to indicate either a policy mistake or success.

The bigger concern is therefore that the Reserve Bank leaves itself with little to play with when the inevitable eventual downturn arises.

RBNZ vs RBA

As we have briefed at recent breakfasts, it's very hard to create the rationale for the RBNZ lowering rates before the RBA. In Australia: the unemployment rate is higher, threatens to rise, and is above NAIRU.

CPI inflation is further from target than in NZ, house prices are going backwards and construction threatens to slump.

Fundamental analysis says that Australia should be closer to cutting interest rates than NZ.

Fiscal position still strong


The gov't's eight-month operating surplus was bigger than expected, primarily because over under-spending. The OBEGAL was a \$2.25b surplus in the eight months ended Feb 28, more than the \$1.91b projected in Treasury's Dec forecasts, though down from the \$2.85b surplus a year earlier.

Core Crown spending shrank 7.4% to \$56.15b from a year earlier, while tax take rose 5.9% to \$53.87b. Corporate taxation was about \$400m short of expectations.

Economic indicators

Commodity prices lifted in March, for the third consecutive month. ANZ Bank's commodity price index rose 1.4% in March but was down 2.1% from a year earlier. In local currency terms, the index also rose 1.4% on the month and 2.5% on the year.

New vehicle registrations fell 5.4% in March, compared with March last year. Year-to-date, registrations are down 3.7% compared to the first three months of last year.

Some 3,098 new **residential building consents** were issued in Feb, the most for a Feb month since records began in 1966. New apartment consents more than tripled to 446 from a year earlier. 

Telecommunications

Spark's ceo since 2012, **Simon Moutter**, caught many investors off-guard by announcing his resignation from June 30, to be replaced by current head of consumer products **Jolie Hodson**.

However, suggestions there is anything precipitate or unplanned about the move should be ignored. The company might have done more to prepare the ground for the decision, but the details of Moutter's long term remuneration package have long implied he could be expected to consider leaving from mid-2019 onwards.

Under so-called 'good leaver' provisions built into his incentive package in 2016, Moutter becomes eligible for 100% of his long term bonus entitlements from July 1 this year. Up until now, he has had to remain an employee of the company to receive full entitlements that do not vest for up to three years.

The board had already undertaken a succession planning exercise and identified Hodson as Moutter's successor.

It appears to have decided it was better to make a decisive, one-off and unheralded announcement rather than create the uncertainty created by announcing a departure and search process. Either scenario would have been expected to be negative for the Spark share price, given Moutter's standing as a high-performing ceo. By appointing a strong internal candidate, the company appears confident it can move on quickly and continue executing initiatives begun under Moutter without disruption.

Chorus released its proposed unbundled GPON fibre pricing to the industry with feedback due by May 7. It proposes a monthly access charge of \$28.70 to cover access to fibre between the premise and the splitter, with \$200 per month to access the feeder fibre from each splitter to a central office. It said there would be arguments for lower costs, but unbundling fibre networks was challenging. Retailer telcos immediately panned the proposals.

2Degrees lifted annual earnings 6% in 2018 as it sold more handsets, beating expectations on a common-currency basis. It reported adjusted earnings of US\$90.4m in calendar 2018, up from \$US\$85.3m a year earlier. In NZ dollar terms, the increase was 9%, against the 5-7% increase it had expected.

Spark says it is seeking partners for its **Lightbox** entertainment streaming service. It appears the company would willingly sell Lightbox, which has established a strong local challenger brand to **Netflix**, for the right offer as it focuses primarily on its streaming sports service. On that front, **Spark Sport's** beta service delivered patchy service in its first

outing last weekend. The company says the problems were with its provider, iStreamPlanet, rather than issues with the platform itself, and is confident of a swift resolution.

Primary sector

Westland Milk Products lowered its forecast payout by about 3% due to weaker than expected sales. Westland, which has signed a conditional agreement to sell the co-operative to Inner Mongolia **Yili Industrial Group** for \$588m, now expects to pay farmers \$5.80-\$6 per kilogram of milk solids, down from a previous forecast of \$6-\$6.20/kgMS. Westland said the result underlined its need to have better direct sales channels.

Dairy product prices increased at the April 3 **Global Dairy Trade** auction, rising for the ninth straight time, though a decline in whole milk powder limited gains. The GDT price index rose 0.8% from a fortnight earlier. The average price was US\$3,483 a tonne, compared with US\$3,324 a tonne at the previous auction.

A2 Milk said recent increases in dairy prices will have an impact on gross margins in the 2020 financial year but it doesn't anticipate any significant impact this year. The company appointed **Li Xiao** as chief executive of its China operations. Li was previously president of the Kids Entertainment Division of **Wanda Group**, a Chinese multinational which owns the **Hoyts** cinema group.

Silver Fern Farms says poor trading in its sheep meat business contributed to a 62% decline in full-year profit. Sales in 2018 rose 9% to \$2.4b but net profit fell to \$5.8m from \$15.4m in the 2017 calendar year. Chief executive Simon Limmer said the level of profitability was not good enough.

Energy

Mercury NZ will start site works for a \$256m wind farm in August. The company plans to install 33 turbines – each with 3.6 megawatt capacity – at a consented site on the Tararua Range.

Meridian Energy is pushing for faster action on the disclosure of gas trading, maintenance shutdowns and production and consumption forecasts. Chief executive Neal Barclay says lack of transparency in the gas market is a major cause of the current volatility in the electricity futures market.

Banking, insurance and finance

Housing NZ has issued a \$500m Sustainability Bond to help fund investment in new or upgraded sustainable social housing.

Heartland Group's banking subsidiary is seeking

CORPORATE ROUND-UP

\$75m through a five-year bond offer and will pay at least 3.5% interest.

Tourism, transport and logistics

Air NZ plans cost-cutting measures to weather slowing demand, including deferring \$750m of spending on fleet upgrades. It now plans for network growth of 3% to 5% on average over the next three years, revised down from 5% to 7%. The national carrier also announced it will now fly three times a week to Seoul from November and up to five times a week during the peak holiday period from late Dec to mid-Feb. It will also increase seats on the Auckland to Taipei and Auckland to Chicago routes.

KiwiRail plans to increase its log capacity out of the Wairarapa by about a third to cater for the increased harvest and reduce the number of trucks travelling to Wellington's **CentrePort** by increasing wagons number on current services, lifting capacity by around 100,000 tonnes a year from the current 270,000 tonnes.

Innovation and IT

McDonald's is spending \$5.4m on a 9.9% stake in **Plexure** to enhance access to its technology, including customer targeting.

Commercial property

Kiwi Property Group says that although its overall portfolio's value has increased by \$47m, or 1.5%, to \$3.2b at March 31 compared with a year ago, the value of its retail portfolio has fallen by \$28m, or 4.5%, to \$598m.

Infratil announced the conditional sale of its 50% stake in a Canberra student accommodation 30-year concession to **AMP Capital** for A\$162m.

Retail

Kathmandu lifted first-half profit rose to \$14m from \$12.3m a year earlier as expanding margins and a one-time tax adjustment bolstered extra sales from its recently acquired North American Oboz Footwear business. Sales were up 13% at \$232m.

Hallenstein Glasson lifted first-half profit to \$16m in the six months ended Feb 1, from \$15.1m a year earlier.

Media and entertainment

SkyCity Entertainment Group completed the

A\$188m sale of its Darwin casino to US hospitality company **Delaware North**.

Sky TV's former ceo **John Fellet** resigned from the board with immediate effect. His replacement as ceo, **Martin Stewart**, has moved aggressively to reclaim live sports content that he believes Sky should not have lost under Fellet's leadership.

Corporate actions

Trade Me Group shareholders overwhelmingly voted in favour of a \$2.56b takeover by UK private equity firm **Apax Partners**. The \$6.45 a share offer attracted more than 99% support.

MinterEllisonRuddWatts has formed a partnership with **Phil O'Reilly's Iron Duke Partners** to provide public policy advice to companies.

Courts and regulation

Former **Mainzeal** directors **Jenny Shipley**, **Clive Tilby** and **Peter Gomm** appealed the High Court judgment which found them liable to pay up to \$6m each towards a \$36m award to creditors. **Richard Yan** also appealed the judgment which made him liable for the bulk of the \$36m.

MBIE has again rejected a **NZ Steel** complaint alleging Chinese imports are subsidised and being dumped. Its decision follows a High Court judgment calling for a review of its earlier decision to reject the complaint. MBIE concluded Chinese govt support was so small as to be meaningless. Another related complaint by **NZ Steel** is still being considered.

Former **MinterEllisonRuddWatts** partner **Anna Rawlings** will take over as **Commerce Commission** chair next month when **Mark Berry** steps down after 10 years. Former Consumer NZ board member **Joseph Liava'a** was also appointed as a new commissioner.

Contact Energy is being prosecuted by the **Commerce Commission** for the way it advertised AA Smartfuel discounts in 2017.

Former Solicitor-General and High Court judge **David Collins** has been appointed a judge of the Court of Appeal.

Mark Todd has been appointed chairman of the Financial Markets Authority and Chris Swasbrook is an associate member. ■