

Wellington moves to Waitangi

Judged by the record-breaking, traffic-jamming crowds that descended on the Waitangi Treaty Grounds yesterday, NZ had a particularly peaceful and harmonious national day. The sheer numbers of politicians and the growing variety of pre-Waitangi Day political events and announcements in the Northland region in the days leading up to the event also demonstrate the extent to which all parties are now in campaign mode. The parties of government played to the Northland Maori audience. National used the occasion to display an aggressive determination to campaign with a self-belief that it can win, even if its only potential partner is Act.

Nats fall in behind Bridges's NZ First gambit

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The National Party caucus is showing a disciplined unity following its caucus retreat in Havelock North ahead of Waitangi Day. There is widespread relief that Simon Bridges has ruled out working with NZ First. It removes ambiguity and the endless guessing game with media till polling day. That said, if Winston Peters were replaced as leader, National would rescind its aversion to post-election negotiations.

The Maori Party - a spirited, but shaky revival

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The Maori Party has been everywhere in the Ratana and Waitangi events, and in the Ihumatao, Oranga Tamariki, and Whanau Ora campaigns. Despite its near-death experience in 2017 and limited resources today, it appears to be gaining some political traction. However, it is far from clear that it is an attractive partner to either National or Labour, or how it wins a Maori seat this year.

Crunch time for TOP/Sustainable NZ

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If either of the two right-leaning environmental parties - TOP and Sustainable NZ - are to have a hope in this election, they may need to merge. Embryonic thinking in that direction is occurring, but it is probably not enough to guarantee either a future.

What to make of the coronavirus?

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After the initial crisis passes, there is likely to be plenty of debate about whether the coronavirus - a novel, long-incubating nasty cold that is less deadly than flu or SARS - was this year's Y2K bug equivalent. In the meantime, it appears likely to knock 0.5% off GDP this year, with increasing impact if it disrupts global trade and travel for a prolonged period. There will be a bounceback once it runs its course.

Has the govt really spiked National's guns?

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The conventional political wisdom is that last week's \$8b of infrastructure announcements - with another \$4b to come - will neutralise National's claim that the Ardern administration is a 'do-nothing' govt. That may be right, but it's not guaranteed. National's election campaign messaging, so far, is built around contrasting a weak team that can't execute policy ideas with a strong team that can, to try and deal with the fact that Jacinda Ardern outshines Simon Bridges on most other measures.

Bridges would work with NZ First - without Peters

National Party leader Simon Bridges ruled out working with NZ First in any potential government after the election as it was not possible to have a constructive trusting relationship with the party. Bridges also urged voters in Epsom to give their candidate vote to ACT leader David Seymour.

However, it is clear from discussions with numerous other National Party MPs that National would seek a path to work with NZ First if, either before or immediately after the election, Winston Peters were no longer to lead the party. **Bridges publicly ruled out that option as "too cute"** at the party's Havelock North caucus retreat on Monday, but this reflects a concern to keep National's message clear for voters. **A 'with and without Peters' stance would have risked confusion.**

By refusing to work with Peters/NZ First at this early stage, Bridges is banking on three key outcomes:

- **neutering NZ First's capacity to play kingmaker in coalition negotiations.** If, for example, NZ First is returned to Parliament with fewer seats than the Greens and has no leverage with National, that may make a Labour/Green coalition more likely. **Bridges will not talk up that possibility, since he only wants to discuss winning. But he can rely on media speculation about a leftward tilt for such an administration;**
- **uniting his caucus around a simple proposition:** that National must poll as well and better than its current low to mid-40s, and bring in two or three Act MPs with it, to be able to form a govt. While there is no discernible dissent among Nat MPs about Bridges's 'captain's call' to rule out NZ First, **any sustained slide below 40% could see a late change of leadership.** It is only the party's poll ratings that have saved Bridges from being rolled. Many MPs are privately resigned to a strategy of a "respectable loss" this year;
- **convincing National-leaning NZ First voters they can only vote National if they want a National-led govt.** This cohort is alleged to be large and still angry that NZ First opted to go with Labour in 2017. The danger with this approach is that if National starts to under-perform and look unable to win, such voters may peel off to NZ First anyway, operating on the proven theory that NZ First acts as a 'handbrake' on left-leaning govts.

Jones to contest Northland

Meanwhile, Shane Jones - a presumptive top candidate for NZ First leadership after Peters - has

raised the volume on hints that he will stand for the Northland electorate seat currently held by National's Matt King. Peters won the seat in the 2015 by-election, where Labour stood back, before losing it to King in 2017.

Jones has never won an electorate as either a Labour or NZ First candidate, losing in Whangarei in 2017 against National's Shane Reti. King is not a strong performer, but the seat's party vote is solidly blue.

PM Ardern ruled out a formal electorate deal with Jones in the seat this week, so it is by no means clear that NZ First can count on the electorate as a backstop, should it fail to poll 5% nationwide this year. The jury seems to be in on Jones: he has curried great favour with the Provincial Growth Fund largesse, but it is not changing voter behaviour. His capacity to generate headlines with grandiloquence and bullying appears ultimately to be politically negative.

SFO charges still a liability for Bridges

The Serious Fraud Office filed criminal charges against four people in relation to donations paid into a National Party electorate bank account. The unnamed defendants are scheduled to appear in the Auckland District Court on Feb 25. National Leader Simon Bridges said neither he nor the party had been charged.

National's head of fundraising at the time of the \$100,000 donation from a Chinese donor - now to be repaid - was Jami-Lee Ross. He turned whistleblower and was expelled from the National Party caucus for raising the issue and attacking Bridges.

He has declined comment on the issue following the SFO charges being publicised and is subject to new allegations of bullying current staff, which are being investigated by the Parliamentary Service.

It is increasingly clear, if there was ever any doubt, that Ross is heading for defeat in the Botany electorate, where he intends standing as an independent against star National candidate Christopher Luxon, the former Air NZ ceo. As is so often the case with parliamentary dissidents, Ross is destined to become no more than a footnote in political history.

However, the likelihood that the SFO charges will expose further detail of National Party fundraising techniques and that at least some of those charged are likely to have National Party links means **the issue is not likely to be as clean for Bridges as he is claiming.**

However, Bridges can hope for some inoculation from political damage for two reasons: **NZ First's own exposure on political donations issues will offset National's embarrassment** and; secondly, **the issue does not resonate strongly with voters.** For many, political donations scandals are 'politics as

usual' rather than a voting issue.

Maori Party prospects

Can the Maori Party be resuscitated?

It has made strong political use of the Ihumatao dispute and of the Ratana and Waitangi celebrations in recent weeks to reassert its existence. It had previously almost dropped from view.

At both Ratana and Waitangi, its infiltration at multiple levels of the relationships between Maori, the Crown and individual political parties has been an eye-opening reminder of the potentially fluid nature of Maori political support.

However, the party has a high hill to climb and lacks discipline, infrastructure and money.

Ill-discipline has cemented the impression that the party is shifting sharply left, making it impossible to emerge again as a possible partner with National. The party's current hierarchy appears to regard Labour as its only coalition option, thereby reducing its clout. That's particularly since Labour Maori MPs are focused on keeping the Maori Party out of Parliament.

The party also **lacks experienced candidates**. Te Tai Hauauro candidate Debbie Ngawera-Packer's **call for including private land in Treaty settlements was quickly walked back** by party leader Che Wilson. However, Wilson has yet to assert a political personality and is unlikely to stand for election.

With very limited resources, the party is **likely only to contest three of the seven Maori seats**: Te Tai Hauauro, Waiariki, and Tamaki Makaurau.

Waiariki was lost in 2017 by co-leader Te Uruora Flavell to Labour's Tamati Coffey. This time, a well-known local and former Labour candidate, Rawiri Waititi is likely to be selected later this month. However, he has no more national standing Ngawera-Packer.

This is what's driving the party's **high risk flirtation with failed Auckland mayoral candidate and former Labour minister John Tamihere for the Auckland Maori seat: Tamaki Makaurau**. Soundings suggest Tamihere is as polarising to the Maori Party as he was to Auckland voters, but his standing in the west and south Auckland communities as a leading activist for urban Maori cannot be ignored.

However, on balance, the Maori Party's quick start out of the blocks this year may have nowhere to run.

TOP/Sustainable NZ merger?

TOP leader Geoff Simmons cut a lonely figure at Waitangi as the only politician present not given

space to speak on the upper marae during formal proceedings on Wednesday.

The party's election year strategy needs it to show up convincingly in polling by Easter, but Simmons's natural gifts as a communicator are not in evidence at present. He knows the legacy of Gareth Morgan's founding and divisive leadership of the party remains an issue for potential supporters and is promising "**more cheek, less arse**" in the party's approach this year.

Part of TOP's problem is that it is trying to occupy the crowded and inevitably small political space available for economically rational parties with strong environmental policies. The other pretender there is Vernon Tava's **Sustainable NZ** party, which has predictably sunk without trace since a splash at launch last year.

If neither starts to gain traction by mid-April, there is **some emerging prospect of the two organisations merging**. That may be the only way to attract large donor funding that is believed to exist for a centre-right environmental party capable of supporting National or Labour in coalition.

Infrastructure announcements

The **govt believes it has spiked National's guns by announcing \$12b of new infrastructure spending**, of which \$8b was allocated in late Jan, mainly for roading and rail projects.

The thinking is that National cannot now claim this is an anti-roads, do-nothing govt.

But is Labour right?

As the Provincial Growth Fund has shown, big spending is always welcomed, but it may not swing voters. **Simon Bridges is developing very simple election messaging** that will seek to portray Labour as a weak team with a weak, albeit popular leader. National, by comparison, may be less flashy but "will get things done". Being able to continue claiming that everything Labour is funding is what National would have started doing sooner may yet have resonance. It is too soon to know.

Northland rail investment

New investment in the Northland rail network lays the groundwork for shifting Ports of Auckland's operations to Northport, Regional Economic Development Minister Shane Jones claimed as he

Restraint on pre-election activity

Following the announcement of a Sept 19 election, the Cabinet Office has released a circular to departments and ministers saying this means the pre-election period will commence on June 19. Traditionally, govts exercise restraint in the pre-election period. This applies particularly to making significant appointments and mounting govt advertising campaigns during the period.

announced \$109.7m in PGF funding for KiwiRail. The work includes Northland rail improvements and \$40m to buy land for a spur line to Northport and Marsden Point. NZ First has been pressing for a Cabinet decision on relocating Auckland's main port facilities to Northport but is not likely till mid-year.

A political gift on retirement age

The acting Retirement Commissioner's finding that the age of eligibility for the universal pension can be maintained sustainably at 65 is a political gift for the govt. National continues to support a policy of raising the age to 67, slowly, by 2035.

There tends to be very little logic in voters' behaviour on pension criteria. With officialdom recommending no need for change, National's policy looks an Achilles heel in election year.

Huawei and 5G

The UK govt's decision to ignore heavy political pressure from the US and use **Huawei** equipment in its 5G network is being widely reported in global media as a sign that the Trump administration has lost this lobbying war, which it has waged across the globe among like-minded countries. However, the NZ govt is being clear that the current **GCSB**-imposed ban remains in place and that it is up to commercial parties rather than the govt to drive any attempted review or reapplication. Huawei's NZ office has nonetheless asked for clarification on the govt's stance, while **Spark** says it is considering the implications of the UK decision before deciding on whether to reapply.

TVNZ/RNZ restructure greenlit - no word on StuffME

Broadcasting Minister Kris Faafoi is expected to give **detail today on the proposed RNZ/TVNZ merger**. The politics may not be plain sailing. A spirited defence of RNZ's existing structure can be expected

from the same vociferous group as are already up in arms about RNZ canning the Concert Programme in favour of a youth music station - **a move that also concerns commercial radio operators**.

Meanwhile, there is no sign that the Cabinet is engaging actively on the proposal by **NZME** to create a "kiwishare" arrangement to allow NZME and **Stuff** to merge. The extent of reform in publicly owned broadcasting assets may represent as much appetite as the govt has for action on the difficulties facing the news media.

A kiwishare would require Fonterra-style legislation, which would impinge on a tight legislative timetable if it were to occur pre-election. There is some scepticism about the proposed two-to-three year kiwishare commitment on regional titles and reporter numbers. What happens when that time is up and major restructuring is still required?

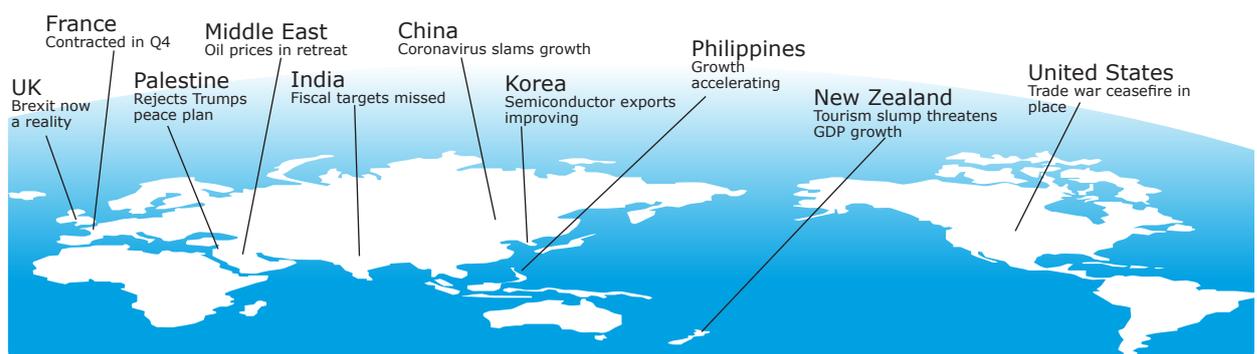
Coronavirus now a notifiable disease

Cabinet declared coronavirus a notifiable disease giving medical officials **power to quarantine and treat infected people**, if they saw fit. Health officials said it was unlikely the powers would need to be used as most people are seeking treatment.

Mike Moore

A public funeral service for former PM Mike Moore will be held on Feb 14 in Epsom. Moore's death, at the age of 71, opened up some of the old wounds that afflicted the Labour Party after the implosion of the 1984-90 Lange govt, and served as a **reminder of the distance the party has come since then**. The factionalisation of the party is, however, largely a thing of the past. The nine years of the Helen Clark-led govt, along with the splintering in the 1990s of the left and right wings of the party to Alliance and Act, gave the party a more urban-liberal base. While the party struggled - as National may yet do - to settle on its next generation of leadership, the party is notably united under Jacinda Ardern. 🇳🇿

The world at a glance



Economic and confidence indicators

The ANZ-Roy Morgan consumer confidence index was at 122.7 versus 123.3 in Dec, above the long-term average of 120 with the 998 people surveyed expecting annual consumer inflation of 3.7% over the next two years, up from 3.1% in the prior survey and house price inflation of 4.4%, up from 4.1% in Dec, the strongest since May 2017.

ASB's Investor Confidence Survey for Q4 2019 showed a net 3% improvement, boosted by growing confidence in 'own homes' as an investment from 19% to 22%. Rental property confidence fell from 17% to 13%. Some 13% perceived KiwiSaver as the best investment for returns, and 8% favoured managed funds and term deposits.

Drought conditions worsening

NIWA maps now show all of the North Island, particularly in the north and west and spreading into Waikato, are becoming drier than usual for the time of year, along with the South Island has soil moistures below normal for the time of year.

Minimal rain is forecast in the near term for most of the areas that need it most, although there is some hope on the horizon for at least some areas.

This is leading to increased culling and pressure on meat processing facilities and meat prices, which generally fall at this time of year.

Milk production will also be lower than it otherwise

would be, absent the dry conditions. By late Jan, measures of grass growth potential on dairy land had fallen well below normal to near zero. **Lower dairy production than previously forecast should underpin current robust prices.**

Employment

Seasonally adjusted unemployment was 4% in Q4 2019, down from 4.1% in the Sept quarter, while the employment rate was down slightly, from 67.5% to 67.3%. The lower employment rate reflected the number of employed people - up 1,000 - rose at a slower rate than the working age population - up 16,000 to a seasonally adjusted 3.94m. The labour force participation rate slipped to 70.1% from 70.4% in the Sept quarter.

Wages and salaries

Public and private sector wage inflation rose a quarterly 0.7% and an annual 2.6%. The largest annual increase since the June 2009 quarter was the result of several collective agreements that put upward pressure on wages, according to Stats NZ. Public sector wages were up 0.9% in the quarter for a 3.3% annual gain.

Private sector wages rose 0.6% for a 2.4% annual increase. **Wage pressure in the construction industry was stronger than the economy as a whole.** Labour cost index stats for the construction sector showed wages 4.3% higher in Dec 2019 than a year earlier, compared with a 3.9% rise in the Sept 2019 year. ■

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 | 31.9 | 6.8 | 6.6 | 6.1 | 5.9 | 5.7 | 1.6 | 2.1 | 2.9 | 3.1 | 2.2 |
| Australia | 17.8 | 2.4 | 2.7 | 1.8 | 2.2 | 2.5 | 1.9 | 1.9 | 1.6 | 1.9 | 2.0 |
| United States | 11.3 | 2.2 | 2.9 | 2.3 | 1.9 | 1.9 | 2.1 | 2.4 | 1.8 | 2.1 | 2.1 |
| Japan | 7.1 | 1.9 | 0.8 | 1.0 | 0.4 | 0.8 | 0.5 | 1.0 | 0.5 | 0.6 | 0.6 |
| Eurozone | 5.8 | 2.5 | 1.9 | 1.2 | 1.0 | 1.2 | 1.5 | 1.8 | 1.2 | 1.3 | 1.4 |
| South Korea | 3.4 | 3.1 | 2.7 | 1.9 | 2.2 | 2.3 | 1.9 | 1.5 | 0.4 | 1.1 | 1.4 |
| United Kingdom | 3.1 | 1.8 | 1.4 | 1.3 | 1.1 | 1.4 | 2.7 | 2.4 | 1.8 | 1.7 | 1.9 |
| Singapore | 2.3 | 3.9 | 3.1 | 0.7 | 1.4 | 2.1 | 0.6 | 0.4 | 0.6 | 0.8 | 1.2 |
| Hong Kong | 2.6 | 3.8 | 3.0 | -1.4 | 0.0 | 2.3 | 1.5 | 2.4 | 2.8 | 2.2 | 2.1 |
| Taiwan | 2.4 | 3.1 | 2.7 | 2.5 | 2.3 | 2.4 | 0.6 | 1.4 | 0.6 | 0.9 | 1.3 |
| Malaysia | 2.1 | 5.9 | 4.7 | 4.4 | 4.2 | 4.5 | 3.8 | 1.0 | 0.7 | 1.7 | 1.9 |
| Indonesia | 2.0 | 5.1 | 5.2 | 5.0 | 5.0 | 5.2 | 3.8 | 3.2 | 3.0 | 3.2 | 3.4 |
| Thailand | 2.1 | 4.0 | 4.1 | 2.5 | 2.8 | 3.2 | 0.7 | 1.1 | 0.7 | 0.8 | 1.2 |
| Philippines | 1.7 | 6.7 | 6.2 | 5.8 | 6.2 | 6.2 | 2.9 | 5.2 | 2.5 | 2.9 | 3.1 |
| Vietnam | 1.5 | 6.8 | 7.1 | 6.9 | 6.7 | 6.6 | 3.5 | 3.5 | 2.7 | 3.6 | 3.5 |
| India | 1.4 | 7.2 | 6.8 | 5.0 | 6.0 | 6.4 | 3.6 | 3.4 | 4.1 | 4.0 | 4.3 |
| Canada | 1.5 | 3.0 | 2.0 | 1.6 | 1.6 | 1.8 | 1.6 | 2.3 | 2.0 | 1.9 | 1.9 |
| NZ Trading Partners | 100.0 | 4.2 | 4.1 | 3.4 | 3.3 | 3.5 | 1.8 | 2.0 | 2.0 | 2.2 | 2.0 |
| Forecasts for New Zealand | | | | | | | | | | | |
| Consensus | | 3.1 | 3.2 | 2.3 | 2.2 | 2.4 | 1.9 | 1.6 | 1.6 | 1.9 | 1.9 |
| BNZ Forecasts | | 3.1 | 3.2 | 2.2 | 2.3 | 2.0 | 1.9 | 1.6 | 1.6 | 1.9 | 1.7 |
| The World | | 3.2 | 3.2 | 2.5 | 2.5 | 2.6 | 2.5 | 2.9 | 2.6 | 2.7 | 2.6 |

CORONAVIRUS

Bigger than SARS for NZ

The coronavirus is a less deadly virus than SARS, which caused such substantial disruption of global trade and travel with China in 2002. However, China represented 4.6% of NZ's export trade and 3.7% of short term visitors in 2002, compared to 27.9% and 10.5% respectively today.

Much depends on how quickly the current set of travel bans last. If prolonged - more than a month - the impacts on the NZ economy will be significant. This cannot yet be forecast.

We expect that, **because the virus itself is comparatively non-lethal, the extent of restrictions will be subject to a great deal of armchair expert criticism** and claims of over-reaction. The WHO will guide local authorities, however, and will call the shots.

Key impacts, subject to update as the issue develops:

- **a 0.5% reduction GDP forecasts**, spread over Q1, Q2, and Q3 of this year. This is based on knowns rather than on supposition as to what might happen. Multiplier effects are not explicitly included;
- **there will be a recovery bounce**. GDP forecasts will be revised upwards later and will somewhat offset the current impact;
- **direct comparisons with other, similar outbreaks are made difficult** by how differently people can react to them. Influencing factors include location, the number of countries impacted and, probably most importantly, the impact of **social media**;
- **price effects will be very important, as well as volume impacts** of trade and travel disruption. Beef, lamb, aquaculture and dairy price are already off, and discounted international air travel and tourism offerings are likely. **Tourism Holdings'** profit warning this week was a harbinger of this.

Some stabilising offsets

- The **terms of trade may not fall** as import prices, particularly oil, are also in sharp decline;
- the **NZ dollar** is weaker than would otherwise be the case;
- **import volumes will drop**, supporting GDP, at least in a technical sense;
- it is **too early for the RBNZ** to include coronavirus impacts into its forecasts. However, the risks to activity and inflation are clearly to the downside and could revive a case for an interest cut which, prior to the outbreak, had been increasingly unlikely.

Likely impacts by sector

Tourism – the obvious immediate impact is from travel bans, people not wanting to travel, and **withdrawal of travel insurance** that are extending far beyond just travel to and from mainland China. **China accounts for around 10% of NZ visitor arrivals** and around **14-15% of international visitor expenditure**. Arrivals spike in Jan/Feb to around 14% because of Lunar New Year holidays. Fewer arrivals from non-China countries can also be expected until the virus concerns pass. There are also likely to be **fewer trips by NZers offshore** for the same reasons.

International education – students from China make up around a third of total international student numbers (in 2018, 36,000 out of 110,790). **If this resolves quickly then the students will still come with a delay**. If protracted, the problem becomes significant. Education Minister **Chris Hipkins predicts the most serious impacts would be on PTEs with high Chinese enrolments and financially struggling polytechs. Universities would, he says, "feel the pinch"** but are more financially resilient in the event of disruption from prolonged travel restrictions - i.e., more than a month.

Migration – travel bans can be expected to have **labour market supply impacts** as travel bans prevent migrant worker arrivals.

Aquaculture – crayfish exports to China - accounting for 95%+ of crayfish landed in NZ - have stopped, with reports of fresh catches being returned to the ocean. The industry is dealing with up to 80 tonnes of product looking for a home.

Meat – reduced Chinese demand is exacerbating two factors that were already combining to put some pressure on NZ meat industry capacity: tight cold storage capacity as Chinese businesses, ports and govt depts work at restricted capacity + domestic drought conditions encouraging farmers to cull more as feed conditions tighten.

Forestry – forestry gangs are stopping work, particularly on the East Cape. Contractors closed operations following reduced processing at Chinese ports which was resulting in logs degenerating on Chinese wharves.

Horticulture – no details yet but there is no doubt fruit sales into China will be affected.

Food – fewer Chinese eating in restaurants will lessen demand for 'luxury' food products, including those from NZ.

Transport and wholesaling – activities in these sectors will be adversely impacted as trade flows reduce. 🇳🇿

Primary sector

The **Global Dairy Trade** index shed 4.7% from the previous auction two weeks ago. The average price was US\$3,226 a tonne, compared with US\$3,434 a tonne two weeks ago. 29,006 tonnes of product was sold, down from 33,165 tonnes two weeks ago. Whole milk powder dropped 6.2% to US\$3,039 a tonne.

NZX senior dairy analyst Amy Castleton said markets were nervous China would stop buying because of the coronavirus outbreak but **“there does not appear to have been a large drop in Chinese demand.”** The nearest dated contracts fell the most, though all whole milk powder on offer was sold. North Asia, including China, did buy a little less than at the last auction, but there was less volume on offer. China bought a larger volume than at the equivalent auction last year.

Synlait raised its forecast milk price 25 cents to a base price of \$7.25 per kilogram of milk solids, saying it expects global dairy prices to stay strong for the rest of the season. This would be the highest payout since the 2014 season and up from \$6.58/kgMS last season - comprising a \$6.40/kgMS base price and average incentive payments of 18 cents/kgMS.

Open Country Dairy expects full year net profit lifted 34% to \$31.42m in the year ended Sept 30 on increased volumes and said a short-term negative impact from the coronavirus is likely. Open Country is forecasting a milk price payout for the current season in the early to mid \$7s range compared with Fonterra \$7-to-\$7.60/kgMS forecast and Synlait’s \$7.25.

The country’s largest meat exporter to China, **Silver Fern Farms**, is facing delays getting product to China due to port congestion and the extension of the Lunar New Year holiday announced by Beijing to try and counteract the spread of the coronavirus. However, it was hopeful it would benefit from Chinese consumers looking for trusted and safe food options.

Livestock Improvement Corp’s revenue lifted 1.4% to \$163m in the six months to Nov 30. Net profit was down 7.6% at \$30.3m while earnings before interest and tax fell 6.5% to \$43.1m due to the timing of expenses within the period.

Coronavirus impacts on log exports to China are exacerbating over-supply in the global market, according to the **Forest Owners Association**.

The salvage of insect and windstorm damaged spruce forests in Central and Eastern Europe and exports of bushfire damaged pine logs from Australia are both seen as potentially increasing supply for the Chinese market.

Transport, tourism and logistics

Air NZ is suspending its Auckland-Shanghai service until March 29 following the govt placing temporary entry restrictions into NZ on all foreign nationals travelling from or transiting through mainland China. Unrelated was the airline’s announcement that it faces an up to \$50m hit to full-year earnings due to accounting changes and restructuring costs.

Tourism Holdings warned annual net profit will be down 14% to about \$24m for the year ending June because of the coronavirus impact on Chinese tourism, the Australian bushfires and the previously advised problems in its US business. Last year analysts had been forecasting a \$31.8m net profit for the current year.

Energy and resources

Pulp and paper maker **Oji Fibre Solutions** says NZ climate policy needs to recognise incentives overseas manufacturers are granted for low-emission projects. It supports govt plans for a phase-down of free emission credits. But the phase-down of 1% a year should be slowed if local products are replaced by higher-emitting imports due to overseas rivals not facing the same carbon costs or getting subsidies.

Infratil invested in Zurich-based **Galileo Green Energy**, taking a 40% stake, joined by the Commonwealth Superannuation Fund, the NZ Super Fund, and the Morrison & Co Growth Infrastructure Fund, each with a 20% share. The renewable energy firm has already signed a partnership with **EMPower** to develop 300 megawatts of wind farms in Ireland.

Flick Electric is turning to major shareholder **Z Energy** for a lifeline as its original business model, offering retail customers spot electricity prices, continues to erode because of high and volatile wholesale electricity prices. It began offering six month fixed price electricity tariffs some time ago and is now offering a points-based loyalty-style plan that is linked to savings on petrol costs at Z. The fuel retailer is also suffering margin pressure from competitors after several years spent successfully raising margins across the sector as a whole.

Meanwhile, new requirements to advertise high-octane fuel prices on signboards are expected to lead to greater competitiveness in that part of the market.

Banking, finance and insurance

Lower fees and more incentives for the self-employed are among the **Commission for Financial Capability’s** recommendations to improve **KiwiSaver**. It also suggests increasing the govt match of voluntary contributions to incentivise saving behaviour. The review said lifting the age

CORPORATE ROUND-UP

of eligibility for NZ Super would do more harm than good. The CFC has previously recommended increasing the age of eligibility over time to 67 years, but it says the latest projections show NZS will cost under 7% of GDP by 2060. While a rise from 4.8% today, it is still under what some OECD countries already spend and find manageable.

The **Financial Markets Authority** said it wants to work collaboratively with the investment community but warned “we will not be out-gunned” as it remit widens. Chief executive **Rob Everett** said while he was “surprised, disappointed and, occasionally, downright frustrated at parts of the industry,” he wanted to offer carrot and not just stick. He pointed out the FMA’s litigation budget has been tripled to \$6m this year.

A consultation paper on FMA levies identified three funding scenarios: the current spend model at \$45.2m, the base case model at \$56.1m and an enhanced case at \$60.8m per year. In 2018/19 the agency received \$37.1m funding. The paper also called for feedback on whether this increase should be paid by levies alone or for Crown funding to also be used. Submissions close on Feb 28.

The **Reserve Bank** supports the Official Cash Rate as NZ’s fall-back benchmark interest rate as the use of global interest rate benchmarks, such as LIBOR, are reformed following manipulation by financial institutions overseas.

Construction and infrastructure

Chief executives from more than 50 forestry and wood processing companies **called on the govt to honour its commitment to implement a wood procurement policy for govt buildings.**

Telecommunications

The **Commerce Commission** received a clearance application from **Verifone NZ** to acquire **Smartpay Holdings** and its subsidiaries.

Media and entertainment

The **NZ motion picture industry** generated \$204,174,000 at the box office in 2019, up from \$203,418,000 in 2018. The highest overall box office takings were for **Avengers: Endgame**, grossing \$14,480,054.

Former NBR owner Barry Colman sold boutique

legal newsletter **The Capital Letter**, the last remaining publication in his once large stable of titles. **Freeman Media**, publisher of energy and minerals news services, has bought the publication and will modernise its presentation under new editorship.

Corporate actions

Oceania Healthcare’s cornerstone shareholder Macquarie Group sold its 41% stake in the company for \$301.4m. The 251m shares were sold for \$1.20 a share in an underwritten sell-down, a 4% discount to the last close of \$1.25 on the NZX. Oceania now has standing Overseas Investment Office consent for up to 12 transactions of residential land over the next three years to expand operations.

Courts and regulation

A multi-million dollar legal claim against **Zespri** has been dropped, six years after it was filed. The claim brought by Zespri’s former Chinese importer, Shanghai Neuhof, arose after the companies were hit for under-declaring customs duties between 2008 and 2010. Zespri said it was looking at options to recover costs that may have exceeded \$1m.

The **Commerce Commission** published an issues paper on the **Cengage Learning Holdings II** and **McGraw-Hill Education** application to merge their global publishing businesses. In NZ, both supply textbooks and education material.

Fonterra, Genesis Energy, Dairy Holdings, NZ Steel, Z Energy, NZ Refining and BT Mining are seeking a strike-out by the High Court of a claim by Mike Smith, chair of the **Climate Change Iwi Leaders Group**. Smith is trying to argue the companies are liable in public nuisance, negligence or other tort for their contributions to climate change through fossil fuel use. Smith has another claim against the govt on a similar basis.

People

KiwiSaver provider Simplicity appointed **Justin Lester**, the former Wellington mayor, as a savings ambassador. **Accenture NZ** head **Justin Gray** is going to **Datacom** to lead its govt services offering. **Assistant Privacy Commissioner Jon Duffy** has been appointed **Consumer NZ** CEO replacing **Sue Chetwin**. ■