

Legislative race on as election looms Page 2

While the media focused on the National Party's new leadership, the government was pushing ahead to speed unusually large amounts of legislation through Parliament under urgency, some of it substantive and with very little select committee or public scrutiny.

Foresters stunned by licencing proposal Page 2

Forest owners have been caught by surprise by Forestry Minister Shane Jones's urgent legislation to regulate and licence the sector. Where Jones sees potential to require more wood for domestic processing, foresters fear the scheme misunderstands the sector and will stifle investment.

Todd Muller's shaky start Page 3

Todd Muller's overthrow of Simon Bridges was going like clockwork until he dug in unnecessarily over a souvenir hat, forgot to ensure talented Maori MPs were in his top line-up and allowed himself to get a little too close to Matthew Hooton while not having key staff in place. Momentum is everything for a new leader, especially this close to an election. He needs to regain it or the next contender will step up swiftly after the election.

Divide and rule Page 4

China is doing its best to split NZ off from the Australia as it seeks to contain US-led antagonism on a range of issues ranging from blame for covid-19 through to Beijing's heavy-handed approach to Hong Kong. NZ is treading carefully.

International education Page 5

Both NZ First and National have latched onto calls for the international education sector to reopen sooner rather than later, in part because foreign students are willing to go through isolation periods and then consume accommodation and other products and services in the NZ economy. Officials and ministers want a strategic reset but are open to November arrivals.

Level 1 sooner than June 22? Page 6

Barring an upsurge in covid-19 cases between then and now, NZ looks almost certain to go to a level 1 alert level from June 22. The pressure for an earlier relaxation will grow if daily reports of no new covid cases continue.

Media sector turmoil Page 7

Stuff has sold for \$1 in a management buyout but faces a tough road ahead. NZME has been somewhat humiliated by its failure to force Nine Entertainment to sell it Stuff. MediaWorks shed 130 staff and an announcement on the sale of Bauer magazine titles is imminent.

Govt busy under cover of Nats' drama

The National Party's leadership change and subsequent stumbling start (*see later item*) under Todd Muller and Nikki Kaye obscured focus on the gov't's rush this week to force through a range of legislative initiatives.

Some is legislation of **significant economic impact that has had very little select committee consideration**, including a temporary change to the **Overseas Investment Act** to 'protect' NZ assets from low-ball foreign bids during the post-covid recession, and a major change to the regulatory environment for the forestry sector. The latter was treated as Budget legislation, despite having little relevance to the Budget (*see below*).

In part, the rushed agenda reflects a logjam of bills caused in part by the covid lockdown, with Parliament due to be dissolved on Aug 12 ahead of the Sept 19 election.

Some 15 bills were slated for passage this week but in the end, Parliament adjourned having made progress on 13 bills, with the debate on the **RMA Amendment Bill** still under way and changes to the Privacy Act still awaiting debate.

Forestry fears

Causing greatest angst is Shane Jones's bill to require registration and regulation of forest products traders and producers. Intended as a means to manipulate domestic wood fibre supplies for local manufacturing, the bill is showing signs of being a political own-goal.

Jones is understood to be unfazed if opposition to its provisions flushes out large corporate forestry interests. That would give him a **convenient 'big business' target**.

That is an archetypal NZ First ploy. With the party's current polling indicating it won't be returned to Parliament, it is the kind of opportunistic attack that would normally suit Jones as it allows him to look like the champion of the little guy and of regional economic development.

The trouble is that **some large foresters are already saying they will put intended developments on hold** - hardly helpful at a time when the gov't needs to save and create every job it can.

The treatment of the bill as urgent Budget legislation is also questionable. There is no reason to ram such a substantial change through Parliament with just two days of select committee hearings.

It looks reckless, but its passage appears assured.

Having tried and failed to mount a lightning policy raid that would have levied all log exporters, Jones has used **parliamentary guerilla tactics** to get a lesser measure through.

This reflects two things: his frustration at not getting more done in this parliamentary term; and his determination to be seen to back the creation of value-added domestic industries based on wood fibre.

Freshwater reforms

Decisions this week on freshwater policy reform are a mix of continuing with plans to increase standards, delays in areas where timelines were not feasible, and the potential of wind-back on the most contentious points.

One **major change is a delay in the new RMA planning process for freshwater** to implement the new National Policy Statement on Freshwater Management.

Legislation before Parliament sets up a fast track process using hearing panels to reach an original deadline of Dec 2023 for bringing into effect new regional freshwater plans. Councils and those - including electricity companies and lobby groups - who would have to deal with multiple plans simultaneously said this was not feasible. As a result the **notification date is now Dec 2024** with final effect by 2026/27. It is also a nod to the fact councils are struggling to implement the current NPS-FM put forward by the last National gov't.

Decisions on nationwide bottom lines over two key quality standards - dissolved nitrogen and phosphorus - have also been pushed back a year. Science advisors were divided on what standards should apply and economic impact estimates of the most stringent levels proposed provoked furious lobbying, as they would have likely required rapid land use change in many catchments, particularly away from dairy farming.

There will still be raft of other quality bottom lines on other measures of waterway health to comply with as well as a clampdown on intensive agriculture practices. This includes a **190 kgs/hectare/year cap on the use of synthetic nitrogen fertiliser**, excluding vegetable growers. An estimated **20% of dairy farmers will be affected by this cap**.

New regulation of winter grazing and feed lots, as well as riparian protection standards, are continuing broadly as originally envisaged, but with some leeway given.

There will be a \$700m fund to ease the pain and create jobs in riparian protection and other initiatives

to prevent farm run-off entering waterways, including mandatory, audited farm environment plans.

Many of the decisions announced are in principle – with a **National Environmental Standard, RMA regulations and a revised NPS-FM yet to be drafted and approved.**

Other work is also to be done on river flows and lake levels, as well as water allocation methods and the treatment of existing water rights in over allocated catchments. The latter also means at some point the govt will have to address Maori interests and the issue of ownership, but as expected, there will be no move on that contentious issue before the election.

RMA fast-tracking

The RMA amendment bill to facilitate fast-tracking of so-called ‘shovel-ready’ projects is still being drafted and is not now expected to be introduced until the third week of June.

Nor is it clear that the govt has a majority for the measures when they do appear. The Greens will only back it at first reading while National is playing hard to get, knowing the govt lacks a majority with the Greens’ support.

Ministers are currently assessing the list of projects worked by the Infrastructure Reference Group led by Mark Binns.

Internet filtering

Legislation to permit internet service providers to take down terrorist and extremist material is being **welcomed by the ISPs.** It deals with a legislative gap that became apparent after the Christchurch mosque shootings, which were streamed live on Facebook and reposted. ISPs agreed to a govt request that they remove such material although they had no legal basis for such acts of censorship.

Internet NZ, however, believes the extension of internet filtering provisions, already used to curb child exploitation content online, **goes too far** in allowing govt control of the online environment.

Muller’s shaky start

Two public opinion polls showing the National Party at 30% or lower provided the final impetus to replace Simon Bridges as leader.

But **the outcome is, so far, untidy.**

Own-goals on the MAGA hat, on Maori representation in senior shadow Cabinet positions, exacerbated by the excruciating mis-identification of Paul Goldsmith as tangata whenua, were avoidable.

They also blunted the vital momentum that a new leader needs, especially when taking the reins so close to an election.

The involvement of Matthew Hooton, whose possible appointment as Muller’s communications director remains an open question, has been unhelpful too. Where Muller seeks to convey new unity and calm, Hooton is a lightning rod for controversy and accusations of skulduggery.

The fact that Muller does not yet have his own back office team in place adds to the dysfunction. He is left relying on staff with varying levels of loyalty to and experience with Simon Bridges.

No one expects Todd Muller to win the election. He is no Jacinda Ardern. But he is a solid, middle class, middle NZ, business-savvy alternative.

To move on from this shaky start, he needs policy of his own to announce.

Today’s unveiling of a **\$10,000 per firm payment via IRD whenever a company takes on a new employee** is his first such decision. It seeks to differentiate National from Labour by targeting cash to business owners rather than straight to their staff.

Return of Amy Adams

The various sideshows have also blunted the significance of the return to the shadow Cabinet - and the rescinding of her retirement from politics - by Amy Adams.

Where Muller might have made a virtue of a **triumvirate of women** making up his top three shadow ministers, the focus was elsewhere.

Adams is clearly intended to bring a new rigour and political focus to the economic policy revamp. Her elevation to the newly created covid-19 recovery role neatly sidesteps the fact that **Muller does not have great confidence in Paul Goldsmith** as a future finance minister.

Adams and Muller need to move swiftly to identify one or two new, defining economic policies to change the current narrative, which is in danger of becoming a debate about who Muller most resembles of two recent failed Labour leaders; David Cunliffe (smart but arrogant) or David Shearer (principled bumbler).

National may find it difficult to control the actions of both Simon Bridges and Paula Bennett, who are feeling deeply wounded by recent events and

Cannabis referendum

Drug reform campaigners who were confident pre-covid that the non-binding referendum to legalise cannabis would succeed are starting to see a conservative shift in the public mood.

The referendum is now expected to show a tight result. Coordination among pro-vote campaigners is also understood to be somewhat dysfunctional.

engaging in active undermining of the new team.

While party fundraising has reportedly improved since the change, party president Peter Goodfellow was already twitchy about the way the leadership change occurred and is concerned at how the new team has started.

The polls and minor parties

No one expects election night results to look as strong as they did in last week's polls for Labour.

The Newshub-Reid Research Poll put Labour on 56.5% while Colmar Brunton put Labour on an even more stratospheric 59%.

On both those results, Labour could govern alone and in both, it is not clear that either the Greens or NZ First would make it back to Parliament.

However, NZ First probably has more reason to be confident than the Greens.

At 2.7% (TV3) and 2.9% (TV1), NZ First has plenty of excuses to start breaking ranks to differentiate.

Peters starts pulling away

Winston Peters did so a couple of times this week. He made trouble for Labour by advocating for a move to Alert Level 1 immediately and threw out a suggestion that Auckland's light rail project is delayed by more than just the diversion of effort caused by covid-19.

He also revealed Cabinet deliberations in the process.

Later in the week, he got behind the push to open up the country to international students sooner rather than later.

The Greens

At 5.5% in the Newshub poll and 4.7% in TVNZ's, the Greens are in almost as precarious a position as NZ First, given the party's tendency to underperform on election day. The party has produced its list for

the election. Its most notable element is the elevation of Chloe Swarbrick to 3rd behind Marama Davidson and James Shaw.

On current polling, Golriz Gharaman is unlikely to return to the next Parliament. The party remains internally divided between the social activist wing represented by Davidson and the technocratic policy wing represented by Shaw.

Shaw appears to have very little influence over party affairs and concentrates almost exclusively on his policy duties as a minister.

The party sought differentiation from Labour this week by objecting to what it sees as the creation of a two-tier benefit system when a \$490 p/wk 12 week non-taxable payment was announced for full-time workers who lost their jobs because of covid-19.

ACT

At 1.8% and 2.2% in the two most recent polls, Act looks assured of bringing at least three and perhaps more MPs to the next Parliament, depending on how National polls.

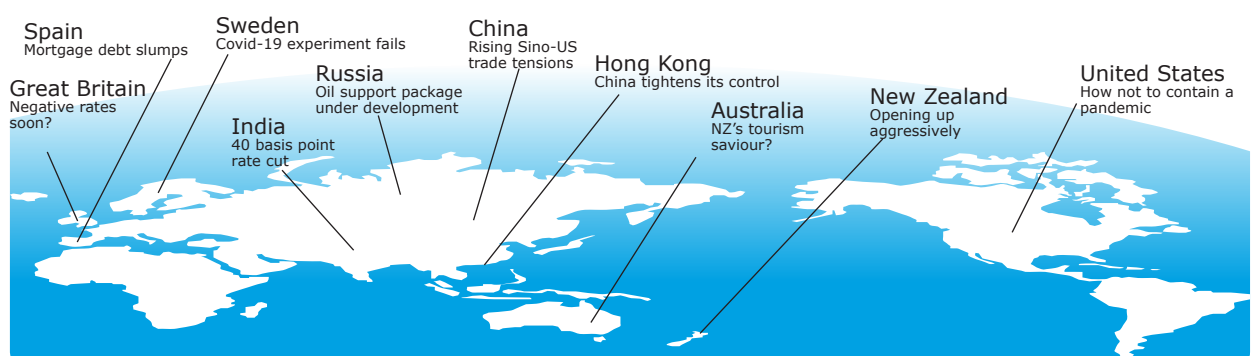
Treading carefully on China

The govt released a strongly worded statement expressing "deep concern" at the passage of legislation allowing Beijing to impose national security laws on Hong Kong, over-riding the city state's political autonomy.

However, NZ was not a signatory to an almost identically worded statement issued by its four partners in the Five Eyes global intelligence network, the US, Canada, Australia and the UK.

Foreign Minister Winston Peters said: "Direct imposition of national security legislation by the Beijing authorities, rather than through Hong Kong's own institutions, curtails the liberties of the Hong Kong people and erodes Hong Kong's autonomy and the system that made it so prosperous and which China in 1997 asked New Zealand and other

The world at a glance



countries to support.”

The only substantive difference between the NZ and ‘Four Eyes’ statements appears to be the reference in the latter to Hong Kong being a “bastion of freedom”.

This suggests greater caution in Wellington and is consistent with a warning published on the *Politik* website from the Chinese ambassador to NZ, Wu Xi.

That statement said **NZ-China relations are currently “at a crossroads”** in an environment where some countries - for which, read US and Australia - are seeking to blame China for the covid-19 outbreak.

The key to the China-NZ relationship is “cooperation, and most importantly, mutual respect.”

“Principles like **one-China policy should be firmly abided by,**” she said in a clear reference to Peters’s recent opacity on the status of Taiwan.

She goes on to dangle the prospect that **“demand for NZ products likely to increase”** as China emerges from the pandemic and “the prospect of economic and trade cooperation between China and NZ even broader. “

This contrasts with the deeply negative narrative emerging from China on its relationship with Australia and suggests the Chinese strategy of seeking to split the NZ and Australian positions is back in play.

International education

Reopening the country to international students is

under serious consideration but is unlikely before November - the third university trimester.

The trans-Tasman bubble will need to be working well first. Equally important is a strategic review of the sector. Ministers want to ensure quality over quantity and to manage labour market impacts during the recession.

This ‘reimagining’ of the sector involves several govt agencies, including Education NZ, MBIE, the Ministry of Education, Tertiary Education Commission, Treasury, and others.

Meanwhile, universities and private providers continue to work on plans to enable the quarantining of students when they arrive. While education providers in parts of the country not served by an international airport would like to be able to transport students domestically to places of quarantine, that seems unlikely to find favour. The implication is that students will probably be quarantined in and around Auckland and possibly Christchurch.

APEC 2021 to shift to 2022?

Covid-19 disruption to the global economy could see Auckland’s hosting of the 2021 APEC leaders’ summit shifted to 2022.

Kuala Lumpur is supposed to host this year, but there are concerns the summit may be either under-attended or shunned by global leaders as member countries are likely to be at different stages of recovery from the pandemic. Civil unrest saw last year’s summit in Chile cancelled. 🇳🇵

Trading partner growth

(2018-2019 actual; 2020-2022 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
China	31.9	6.8	6.1	1.4	8.1	5.5	2.1	2.9	3.1	1.9	2.4
Australia	17.8	2.7	1.8	-4.7	4.0	3.4	1.9	1.6	0.8	1.5	2.1
United States	11.3	2.9	2.3	-5.4	4.3	3.0	2.4	1.8	0.7	1.8	2.2
Japan	7.1	0.3	0.7	-5.5	2.4	1.0	1.0	0.5	-0.4	0.1	0.7
Eurozone	5.8	1.9	1.2	-7.9	6.2	1.8	1.8	1.2	0.3	1.1	1.4
South Korea	3.4	2.7	2.0	-1.0	3.4	2.5	1.5	0.4	0.5	1.1	1.9
United Kingdom	3.1	1.3	1.4	-7.9	6.1	2.3	2.4	1.8	1.0	1.4	2.0
Singapore	2.3	3.5	0.7	-5.4	5.5	2.5	0.4	0.6	-0.2	0.7	1.9
Hong Kong	2.6	2.9	-1.2	-4.8	4.2	2.2	2.4	2.9	1.3	1.8	2.2
Taiwan	2.4	2.7	2.7	-0.5	3.5	2.7	1.4	0.6	0.2	0.9	1.3
Malaysia	2.1	4.7	4.3	-3.3	6.1	4.5	1.0	0.7	-0.3	1.5	2.5
Indonesia	2.0	5.2	5.0	-0.1	5.3	5.4	3.2	2.8	2.6	3.0	3.7
Thailand	2.1	4.1	2.4	-5.9	4.7	3.6	1.1	0.7	-0.8	0.8	1.3
Philippines	1.7	6.3	6.0	-1.3	7.4	6.4	5.2	2.5	2.1	2.5	3.0
Vietnam	1.5	7.1	7.0	2.5	8.1	6.4	3.5	2.8	3.9	3.3	3.8
India	1.4	6.8	4.7	0.2	7.2	6.7	3.4	4.6	3.6	4.2	4.7
Canada	1.5	2.0	1.6	-6.8	5.3	2.6	2.3	1.9	0.6	1.8	2.1
NZ Trading Partners	100.0	4.1	3.3	-2.7	5.7	3.8	2.0	2.0	1.5	1.6	2.1
Forecasts for New Zealand											
Consensus		3.2	2.3	-7.0	5.0	3.8	1.6	1.6	1.5	1.5	1.6
BNZ Forecasts		3.2	2.3	-8.5	2.5	4.9	1.6	1.6	1.6	0.7	1.5
The World		3.2	2.5	-2.1	4.4	3.0	2.9	2.7	2.6	2.5	3.3

Level 1 by June 22 or sooner?

The political scales may be tipping towards a concern for economic rejuvenation over health risk as the daily tally of zero new covid cases continues.

Australia is apparently accelerating its opening up, and pressure from businesses and NZ First for a faster track to level 1 is growing here.

Options may include a relaxation at the review on June 8 to something between level 2 and level 1.

Pressure is mounting too for a swift resumption of trans-Tasman travel. Efforts on both sides of the Tasman are advancing at speed on how that could be made to work. However, NZ authorities will want clear evidence that Australia has covid contained and that its inter-state disputes over levels of lockdown don't represent a source of health risk to NZ.

Banks have sufficient capital buffers, says RBNZ

The RBNZ says the banking system has sufficient capital buffers for what it says is the worst recession in 160 years.

This is somewhat at odds with the reasoning advanced in its push - much opposed by the trading banks - for greater capital adequacy. That was predicated on banks needing more capital than they have at present to withstand a one-in-200 year shock.

Orr resisting negative OCR

RBNZ Governor Adrian Orr told Bloomberg he doesn't want the OCR to go negative at this point, but it is an option at a later date. He expected retail interest rates to decline further and bank competition will put pressure on margins and lower rates.

Spiking financial distress measured

The Financial Resilience Index has found half of all NZers were worried about job security, money and mental well-being in late April, compared with 15% prior to the March lockdown. The index surveyed 2000 people, with 40% worried about money on at least a weekly basis, while 51% reported it had affected their mental health at least once or twice, compared with 6% before the lockdown.

The **Employers and Manufacturers Association's** adviceline fielded 650 calls about restructuring and redundancy since the lockdown began up to mid-May - almost 10% of the total membership. Ceo Brett O'Riley expected more inquiries once the first tranche of the wage subsidy expires in June.

Use covid funding for productivity push: Skilling

The govt should use a chunk of the \$20b of unallocated covid relief funding announced in the Budget - along with unallocated PGF funds - to supercharge selected primary industry and 'weightless' export opportunities, says former NZ Institute head David Skilling.

In a paper for the Productivity Commission, Skilling suggests NZ policy support for sectors with competitive advantage have tended to be "sub-therapeutic doses" compared with the all-in approach that govts in similar economies have taken to major areas of identified strategic opportunity. He suggests repurposing remaining PGF funds and taking a chunk of the \$20b voted for covid-19 recovery to make investment at a material level in a limited number of areas.

Small economies, he says, are "doomed to choose" in this way if they are to improve their productivity.

Beginnings of a travel bounceback

Airbnb NZ data from May 9-16 showed bookings increased 15 times compared with the same week last month. Domestic bookings on Airbnb recovered to 85% of pre-covid levels (compared with the same week in 2019). Many regional domestic tourism destinations including Queenstown, Taupo and Northland recorded more domestic bookings than in the same week in 2019.

Team of slightly more than 5m now

NZ's population provisionally reached 5m in March 2020, Stats NZ said, taking 17 years after reaching 4m in 2003. The estimated resident population was provisionally 5,002,100 as of March 31. Population growth has been significant since 2013, with half a million people added to the population over the last six years. On average, the population has grown by 1.8% a year since 2013, driven by net migration.

Trade data - could be worse

Provisional trade data for the week ended May 13 shows total exports to all countries were down 9.7% (\$123m), from \$1.27b to \$1.15b compared with the equivalent week in 2019. Total imports from all countries were up 13% (\$151m), from \$1.13b to \$1.28b. Exports to China were down 13% (\$40m), from \$319m to \$279m. Imports from China were down 4.2% (\$10m), from \$239m to \$229m. Stats NZ urged caution in making decisions based on this provisional data. ■

News media turmoil

Journalists for the **Stuff** website and newspapers were jubilant this week to learn that their NZ ceo, **Sinead Boucher**, had bought the titles from **Nine Entertainment**.

However, it remains to be seen whether Boucher has either a viable business plan or sufficient financial support to mount a sustainable revival for the publisher, whose earnings had been in steep decline until the most recent first-half year.

Nine is retaining Stuff's Wellington printing presses, will leave up to 75% of the proceeds of the May 20 sale of Stuff Fibre in the NZ business for up to three years, depending on Stuff's funding needs. The price paid by **Vocus** for the broadband business, which has some 20,000 subscribers after four years in operation, is unknown. While Boucher has said Stuff stabilised earnings in the first half of the current financial year, the impact of covid-19 on advertising revenues has been dire. It was the catalyst for the major news businesses to lobby the govt for special assistance, the second tranche of which is still some weeks away and appears most likely to involve advancing cashflow to news businesses by buying govt advertising ahead of time.

In its favour the company is believed not to have significant lease obligations on office space, but Boucher is now the sole shareholder in a company that has a payroll of around 900 in an industry that has failed to find commercial backers.

However, some private equity bidders, who did take an interest in Stuff, may yet emerge with offers of assistance to Boucher. Among names in the mix - **Craig Heatley** and former ACP Magazines ceo **Bruce Cotterill**. Whether Boucher will be open to the rationalisation and redundancies that creating a sustainable news business may require remains to be seen.

Meanwhile, **NZME's** senior management and board have been publicly humiliated by a series of apparently desperate gambits intended to try and stymie the Stuff sale to anyone other than themselves.

Its out-of-the-blue letter seeking govt intervention to over-ride **Commerce Commission** objections got no traction and irritated the Beehive.

Its High Court bid for an injunction to force Nine back to the negotiating table simply flushed out the existence of an alternative bidder.

The High Court decision also described, with redactions, the perilous state of Stuff's finances, saying granting the injunction could have affected the business's ability to continue to trade.

Elsewhere, negotiations over the **Bauer NZ** magazine titles has been extended to today (May 29). Concerns are growing that the length of time taken to complete transfer to new owners is starting to accelerate value erosion.

At independent site **Newsroom**, 12% shareholder **Bernard Hickey** has resigned as a director following long-standing differences of opinion with founders **Mark Jennings** and **Tim Murphy** over the commercial strategy for the site. He will continue with Newsroom as a writer until the election before considering next moves.

Last but not least, **NBR** publisher **Todd Scott** has announced on Twitter that he is leaving NZ to live in Fiji for the next 12 months. That follows his failure to get to the negotiating table for the Stuff or Bauer assets, having talked up his partners and intentions on social media. NBR's previous owner, **Barry Colman**, had threatened to appoint receivers when Scott was unable to make a regular payment relating to the management buyout negotiated with Colman in 2012. A settlement of that issue saw the MBO brought to a close with Scott owning NBR in full, closing its Auckland newsroom and extolling the virtues of all staff working from home, apart from those receiving free accommodation in the parliamentary press gallery.

Primary Sector

Fonterra remains on track to deliver on its forecast earnings guidance of 15-to-25cps for the year, despite covid-19. It expects to deliver on its target for gross margin to rise \$244m on last year to \$2.5b. Total group normalised ebit for the nine months to April 30 was \$815m, an increase of \$301m yoy. Cashflow turned positive at \$698m, up by \$1.4b on last year and net debt reduced by 23%, or \$1.7b.

Fonterra said the Chinese recovery in the foodservice sector had recovered relatively quickly, with sales falling in Feb but bouncing back to more normal levels in March and April. However, the impact of covid-19 was being felt across its food service businesses in Oceania, South East Asia and Latin America. This would show up in Q4 results.

Sheep, beef, and grain farmers received 11.5% less for their products in the March quarter, reversing rises over most of 2019. Stats NZ said prices paid to meat manufacturers were down 4.4%.

Energy and resources

The **Marsden Point oil refinery** is to stop production to help clear surplus fuel stocks. The plant has been operating at about half capacity the past two months and now plans a virtual shutdown for several weeks

CORPORATE ROUND-UP

in July and Aug to balance fuel supply. National fuel demand fell by about 80% when the country went into lockdown late March. Petrol demand is about 40% below pre-covid levels while diesel is 20% lower.

Beach Energy plans to drill an initial well in the Wherry prospect, about 168 kilometres south-east of Timaru, this summer. Depending on results it will drill further wells in the permit area. The announcement is an unexpected boost to the waning NZ oil and gas exploration outlook.

OceanaGold's two gold mines at Waihi and Macraes recorded a first-quarter net loss of US\$26m from US\$138.2m revenue reflecting covid-19 lockdowns.

Banking, finance and insurance

ASB and **Kiwibank** moved to record low rates for home loans, with ANZ offering a one-year fixed-term rate of 2.79%. **Westpac** and **TSB** announced they would match it. Westpac offered the 2.79% rate out to two years fixed. ASB then moved to offer a two-year rate of 2.69% and Kiwibank a one-year rate of 2.65%.

NZ's four major banks will reduce their number of branches even faster as a result of covid-19 and each will be down to about 50 within 10 years, according to **Massey University** banking professor **David Tripe**. He'd thought this would happen by 2035 but the experience of banking during the lockdown will accelerate the change, he predicts.

Fitch Ratings revised its outlook to negative from stable for **TSB Bank**, **SBS Bank** and **Co-operative Bank** - in case the fallout from the coronavirus crisis is worse than its base case projections. It said govt support for the organisations, also including the **Wairarapa Building Society** and some **credit unions**, is possible but can't be relied on.

The RBNZ registered the **Industrial and Commercial Bank of China** to provide banking services in NZ.

Telecommunications, media and entertainment

The **Commerce Commission** is seeking feedback on its draft 'copper withdrawal code' intended to protect consumers. Chorus wants to move off its old copper network onto new technologies such as fibre networks.

Chorus ceo **JB Rousselot** took off the table the possibility that it would advocate for a national, regulated monopoly 5G network - a proposal from his predecessor. He also expressed no interest in investing in mobile network assets, laying to rest speculation in that area too.

Sky TV will introduce broadband services as part of its strategic pivot to streaming rather than satellite

broadcast delivery of its content.

The **Advertising Standards Authority** reported advertising revenue across all main media was \$2.767b for the 2019 year, compared to revised revenue for 2018 of \$2.677b for television, newspapers, interactive media, radio, magazines, outdoor, mail, and cinema.

Wholesale and retail

Kiwi Property Group said visitors to its shopping centres since alert level 2 on May 14 are running at 8% below the same time last year, with an improving day-to-day trend.

Smiths City Group is selling the bulk of its businesses in a \$60m deal to Polar Capital. At least seven of the group's 29 stores will close.

Manufacturing and construction

Fletcher Building will cut 10% of its workforce, 1,000 jobs in NZ and 500 in Australia, as it prepares for a sharp downturn due to covid-19. It recorded a \$55m operating loss from shutting down more than 400 sites during NZ's covid-19 lockdown, while its Australian arm broke even during this time. It is forecasting reduced demand in the residential housing sector and a reduced project pipeline.

Carter Holt Harvey is proposing to halve its 325 staff at its Marsden Point laminated veneer lumber plant as it stops exporting and concentrates on domestic products. This follows the closure of the company's Whangārei mill in Feb, with more than 110 jobs lost.

The govt is introducing new consent exemptions to the Building Act for low-risk building work such as sleep-outs, sheds and carports, estimated to save \$18m in consenting costs each year, though building work must still meet the Building Code. Most of the new exemptions are expected to start at the end of Aug, after changes to the Building Act have been made.

Courts and regulation

Metlifecare filed an application with the High Court to have the Swedish private equity firm EQT's takeover offer enforced. Metlifecare says it will seek an expedited timetable when the issue comes to court on May 28, and the hearing will also consider Metlifecare's separate proceeding applying for initial orders to call a meeting of its shareholders to vote on the scheme. The legal stoush is likely to be "difficult and expensive" counsel for MET told the court. A substantive hearing will not occur until November.

Environment Judge David Kirkpatrick of Auckland was appointed Principal Environment Judge.

The judge presiding over the **Feltex** investor case has given its funder one last chance to pay up or the case will be struck out. Justice Robert Dobson gave Tony Gavigan's Joint Action Funding until July 13 to lodge \$1.65m in security for costs and confirm it has funds to continue.

Tourism, transport and logistics

Air NZ is extending the timeframe for its significantly reduced network, with its minimal international operations to continue through to Aug 31 with a few exceptions which extend beyond this date. Overall international capacity has been reduced by 95% from pre-covid-19 levels. It hasn't yet tapped into the \$900m loan facility from the government but confirmed it expects to report a loss this year, despite massive cost-cutting measures.

The airline is to restart business-timed flights in and out of Hamilton, Tauranga, Napier, New Plymouth, Palmerston North, Nelson, Dunedin and Invercargill to allow for a day of business in either Auckland, Wellington or Christchurch.

Jarden lowered its rating on Air NZ to underperform and reduced its 12-month target price by 11.6% as it warned investors of ongoing material losses and the prospect of material shareholder dilution.

Nelson-based airline **Originair** will resume its flight schedule on the Nelson–Palmerston North and Nelson–Wellington routes from May 29.

Air NZ chief executive **Greg Foran** has cut his executive team from nine to six and said he expects it will take two years for the airline to get back to 70% of its former size. Air NZ is operating about 20% of its usual domestic capacity under alert level 2. International flights are virtually nil, with the exception of cargo. The job cuts are part of a 30% workforce reduction.

The **NZ Pilots' Association** sees no reason for social distancing measures that leave middle seats empty on aircraft saying the risk of transmission on board is extremely low. NZALPA believes face coverings for passengers and crew will reduce already low risk while avoiding the possibility of dramatic cost increases to air travel.

Airways NZ confirmed its plans to withdraw air traffic services at Hawke's Bay, Gisborne, New

Plymouth, Rotorua and Invercargill airports. The company will also cease providing airfield flight information services at Kapiti Coast Airport and Milford Sound Piopiotahi Aerodrome.

Air NZ's Koru Lounges reopened for the first time since the level 4 lockdown began in late March, but restaurant table service rules will apply and, for now, it's soft drinks only.

Millennium & Copthorne Hotels is cutting more than 70% of its 1300-strong workforce - around 910 people. Tourism Holdings is consulting staff over 140 job losses from its Waitomo Caves, Kiwi Experience and group support operations.

Technology and IT

CDC Data Centres plans to develop two "hyperscale" centres in Auckland to meet demand from existing customers and to extend its business into NZ. Microsoft is a customer of the Australian firm, 48%-owned by Infratil, and has announced plans for its first data centre in NZ without any detail. Infratil made no reference to Microsoft in its statement on CDC's NZ plans.

Service industries and healthcare

AFT Pharmaceuticals reported annual operating profit of \$12.7m for the year ended March compared with a net loss of \$2.4m the previous year. AFT is forecasting underlying operating profit this year will come in between \$14m and \$18m, up from \$11.4m in the year just gone.

Corporate actions

Argosy Property said it provided tenants about \$2.8m in rent abatements during the first seven weeks of lockdown restrictions. The company reported an 11% slide in net profit to \$119.1m for the year ended March 31, reflecting lower valuation gains and earlier sales of properties.

Local govt

Covid-19 has put a \$550m hole in Auckland Council's expected revenue causing the debt-to-revenue ratio to rise to 290% in the financial year starting July 1. This breaches the council's self-imposed ceiling of 270%, though the council noted the ratio should be back below 270% in 2021/22. ■