

Keeping coalition tensions in perspective

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Heightened tensions within a coalition govt are inevitable as an election approaches. We are seeing that now in what might otherwise look like a relationship breakdown as Labour, NZ First, and the Greens all start fighting their corners more vigorously.

Border bungles puncture Labour's balloon

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The bungling of quarantine and border arrangements are as much a factor in Labour's 9 point drop in last night's Colmar Brunton poll as the National Party's leadership change. However, Labour could govern alone at that level of support and will be concerned only to arrest that rate of decline.

How desperate will NZ First get?

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Winston Peters is often dyspeptic but rarely crude in his public utterances. By deeming the latest poll results, showing NZ First polling under 2%, as "crap" is an indication of how worried the party is becoming that, yet again, being in govt is a route to punishment at the polls for a party whose penchant for sowing executive disunity is less strategy than ill-disciplined gut instinct.

Health reforms and covid

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The Heather Simpson report on DHB reform is all the more timely for creating an opportunity to deal with the serious dysfunction exposed by the covid crisis at the Ministry of Health. David Clark's very public putdown of D-G Health, Ashley Bloomfield, looked cruel but indicates deep Beehive displeasure at his ministry's deficiencies.

Light rail - up in the air?

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This week's suspension of the light rail process is politically embarrassing but allowed Labour to throw some shade back on NZ First for its obstructionism. What is now clear is that there will be no PPP-style funding. Less clear: will the light rail scheme eventually chosen be a slow, ground-level tram or a grade-separated fast service that includes a reliable airport connection?

Kiwis heading home from Aussie

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One of the trends that has caught immigration and quarantine officials by surprise is the large number of NZ citizens returning from Australia. The influx of Kiwis from around the globe is one of the major factors swamping existing quarantine facilities and preventing other visa-holding and expert workers being able to enter the country.

No local refinery?

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Amid all the covid and political news, it would be easy to have missed the extraordinary speed with which Refining NZ has completed a strategic review that appears to spell the end of oil refining capacity in NZ. The refinery has long been considered a nationally strategic asset. Major shareholder Z Energy has swiftly endorsed the plan to convert to an import-only operation. This could be a major blow to Shane Jones's already slim Northland electorate hopes.

Hold on tight - coalitions always fray pre-election

There is nothing new about cracks appearing in a coalition govt in the lead-up to an election.

It is both inevitable and a truism that as polling day approaches, political parties will seek to differentiate positions publicly that are normally hidden behind the closed door of the Cabinet meeting room for most of the parliamentary term.

The political media amplifies these differences at election time because it is almost obliged to make a game of such tensions, heightening the sense of electoral drama as polling day approaches.

However, each election has its own context. This one is held in the shadow of a global pandemic that, for now, appears to be out of control in most countries other than NZ.

The public has been shocked back to that reality in the last fortnight thanks to the blunders at the NZ border, which have shaken confidence in the previous apparent success of the elimination strategy.

The coalition tensions in other areas of policy look worse than they might against this backdrop (*see below*).

A desperate NZ First?

The dominant narrative surrounding this tension is that NZ First consistently holds the govt to ransom.

The list of examples is long and this week's involve not only the ditching of the light rail project until after the election, but also on reforms to commercial leases, prisoner voting rights and how evidence is given in sexual assault trials.

Labour still wants NZ First as a partner in the next govt - perhaps not in formal coalition - but is also becoming deeply frustrated at NZ First's blocking tactics. As a result, it is now doing what it generally seeks to avoid and is publicly pushing back.

As last night's One News-Colmar Brunton poll shows, (*see p.3*), **NZ First's politics of disunity - which are instinctive rather than strategic - are not working for the party.** Voters punish disunity and, in challenging times, seek coherent govt.

Throwing Transport Minister Phil Twyford under yet another proverbial bus was undesirable, but it does create a clear differentiating issue for Auckland voters.

If they want light rail, they should vote Labour or Green.

Yet Labour would rather have done a deal with NZ First to get light rail over the line. There is some

suggestion that they were getting close before the pandemic derailed normal govt policymaking.

Now, instead, Labour is holding back any progress on NZ First's desire to see progress on moving the Auckland port to Northland, while taking its lumps on the light rail impasse.

There is simply too much unknown and too far to go to election day to make such calculations worthwhile.

We will soon be entering a period in which each of the parties of govt campaigns more exclusively on its own agenda, to the explicit exclusion of discussing coalition arrangements. At the same time, journalists will continually ask coalition-building questions that will get no meaningful answers.

These are normal MMP election dynamics.

The reality remains that while Labour ministers are heartily sick of NZ First's opportunism and lack of strategic discipline, they recognise how important NZ First is for the perception of 'moderating' the more left wing instincts of both the Greens and parts of Labour itself.

Appearing willing to ditch NZ First would be a dangerous a weapon to hand National. However, it does mean Jacinda Ardern will be constantly vulnerable to taunts from the left that she is not a truly 'transformational' PM.

Such critics fail to recognise that the constituency for transformation is a fairly small proportion of the total NZ electorate. And that covid-19's impact is, on balance, engendering caution rather than net enthusiasm for major economic or social upheaval.

How much have border blunders changed the game?

Far more important than tensions within the coalition is the govt's remarkable fall from grace over the management of covid-19 monitoring of arrivals at the border.

In two short weeks, NZ has gone from mild euphoria at being released from lockdown restrictions to a febrile and sometimes vituperative mood, directed at anyone entering the country - particularly non-citizens - and at the machinery of govt and Health Minister David Clark (*see health reforms, p.3*).

This has been a gift to the new National Party leadership, allowing it to move past its early misfires by virtue of having real issues to get its teeth into.

This is dangerous for the govt. A fortnight ago, its best hope was that NZers would ride to the election on a wave of Alert Level 1 optimism and self-congratulation. International media coverage of the virus raging elsewhere could have been a source of

electoral reassurance that the current administration was competent.

Instead, **the reality of this govt's real levels of competence are being exposed.** A kitchen Cabinet of two - Jacinda Ardern and Grant Robertson - led the country with remarkable success for the 12 weeks of lockdown. However, the degree of luck in that outcome is now being exposed.

As noted here previously, a core part of National's election campaign will be to highlight the absence of depth in the Labour team, which the recent exposures of ineptitude - both ministerial and bureaucratic - feeds into.

The latest poll

At 50% support in last night's One News-Colmar Brunton poll and after a shocking week, Labour's only concern is arresting the rate of decline.

Its dream outcome at this election is to win around 45% of the vote and for NZ First and the Greens both to be on 5 or 6%.

Part of Labour's inability to control NZ First is the fact it barely squeaked into govt last time, with 37% support, one percentage point lower than National's showing in the latest poll, at 38%.

It needed both a coalition and a supply and confidence partner to secure a majority. At 45%, it would need only one of the two any one time to pass legislation. It can turn to NZ First as a 'handbrake' when desired and to the Greens for 'transformation'.

However, Labour will be concerned by both the NZ First and Greens showings in the latest poll. While NZ First almost always campaigns better than pre-election polling suggests, its raw score in this poll was just 1.8% support. That is margin of error stuff.

By contrast, conventional wisdom says the Greens under-perform their opinion poll results on election day. At 6%, they are only just back in Parliament.

If both were to poll 4% and win no electorate seats, the Parliament would be finely balanced and National with ACT would be breathing down Labour's neck.

At 13% support after a muddled start, Todd Muller should be very pleased. In 27 months as leader, Simon Bridges never went above 12% in any poll.

Health reforms and covid

Sweeping reforms have been recommended for the public health sector including cutting the number of district health boards. The final report by the group chaired by Helen Clark's former chief of staff Heather Simpson recommended the creation of a new entity,

Health NZ, to centralise clinical and financial accountability. It said DHBs should be reduced from 20 to between 8 and 12 with all board members appointed. It recommends guaranteed increases in the health budget.

The Simpson report is particularly timely because it coincides with deepening ministerial dissatisfaction with the performance of the Ministry of Health during the covid-19 response.

While news and social media coverage of Health Minister David Clark's public putdown of Ashley Bloomfield sparked speculation about Clark's future, there is no doubt that Clark had carte blanche from the PM's Office to take that line.

The series of lapses that saw Megan Woods placed in charge of managed isolation and quarantine reflects **real fears that lax enforcement could yet see renewed community transmission of covid-19.**

That could still sink the govt.

Where to now for light rail?

Stripped of the political speculation surrounding it, the decision to end the 'twin-track' Auckland light rail process boils down to this: if and when it is built, it will be funded from the public purse.

The uneasiness about a PPP-style structure was shared across the coalition, exacerbated by the current problems with completion of Transmission Gully. The fact that the light rail project would involve state-owned pension funds did not alter the concern that a build-and-toll model could suffer politically difficult cost blowouts and that it would cost users - if not the Crown - more in the long run to finance.

Hence the expectation that whatever structure it takes, the light rail project is most likely to be funded under the National Land Transport Programme (NLTLP), through the National Land Transport Fund (NLTF).

However, that only removes one major complication.

Another, potentially larger issue is exactly what form the light rail project will take.

Street level or raised rail?

The Greens support a street-level service, with a large number of stops for local communities. Its concept is light rail that serves very much local needs and actively discourages personal car use. Putting the

Biggest threats

An Asia-NZ Foundation annual poll of attitudes to Asia ranked China the second greatest threat to NZ among all countries, second only to North Korea.

However, NZers also ranked the US fifth in the top five countries felt to threaten this country's interests.

Threat perception of China was about twice that of the US, and neither was extreme.

tram units at street level is a key element in that discouragement.

However, a service like that won't deliver travellers to and from Auckland airport and the CBD in half an hour. Twyford's inclusion of that goal in his statement announcing the end of the current process was important. It signals that Labour and the Greens are not aligned on the final form of light rail.

A service that both services Auckland communities along the route to the airport and gets to the airport quickly needs to be elevated above road level and to have far fewer stops.

This was an essential difference in the NZ Super Fund's joint venture proposal from what was being considered initially.

NZTA, which vigorously opposed the NZ Super initiative in principle, may have been won over to the view that grade separation is a preferable option if airport access is amongst light rail's goals.

A fast light rail service with fewer stops would also align with Twyford's vision for intensified urban development - high density housing and shopping precincts - for which legislation to create Urban Development Authorities is intended.

Street level business owners along the route are also more likely to support a scheme that doesn't cut out car parks.

Given that the Greens will not have the clout to overrule that preference, a grade-separated option may prevail. However, that will be more costly. This argument could run for a year or two yet.

The NLTF will need to be bigger - and just got smaller

If the LTF does become the vehicle for Auckland light rail, the fund itself will need to be much larger than it currently is.

And in the short term, it has taken a significant hit

from the impact of the lockdown period on both fuel excise and road user charge revenues.

Early in the lockdown, it appears NZTA briefed ministers that the hit to the forecast \$3.5b fund could be as much as \$1.5b under worst-case scenarios.

That's as much as can be gleaned from answers to parliamentary questions this week from Chris Bishop to Chris Hipkins, answering in Transport Minister Phil Twyford's place.

However, there were numerous scenarios in NZTA's reporting and the picture had improved now that lockdown had finished earlier than forecast, said Hipkins.

Asked for the updated scenarios, Twyford's office said: "These forecasts are being reviewed as so much has changed so quickly.

"For that reason, we are not releasing earlier forecast scenarios. However, an update will be made public in the PREFU."

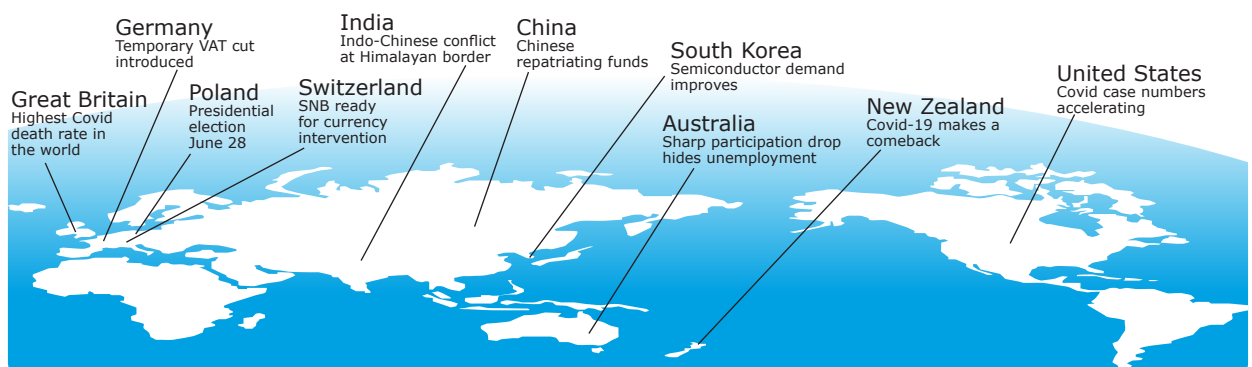
Funding costs also key

The difference in costs between a govt and PPP-funded option also changed dramatically in the last two years, thanks to plunging interest rates, particularly since QE prompted by covid.

That made the 6-8% return on investment demanded by NZ Super and CDPQ Infra look expensive next to the less-than-1% cost of govt bond-funded finance by the time Cabinet made its decision. NZ's 10 year bond yield was almost 3% when the PPP was running its numbers, and the Labour-NZ First coalition was focused on getting net debt under 20% of GDP.

A PPP looked a political necessity in early 2018, and not financially out of the question with a Treasury discount rate for transport projects of 6% at the time. By June 2020, the Transmission Gully PPP was imploding and more than a fifth of the developed

The world at a glance



world's government bonds were trading with negative yields.

RMA reform

The RMA Amendment Bill passed this week and included Green amendments the party says mean "consents for large projects can be declined if they will have significant climate change implications that are inconsistent with the Zero Carbon Act and NZ's Paris Agreement obligations."

It remains unclear, however, whether the Greens will support the limited RMA reforms allowing fast-tracked consents for 'shovel-ready' projects. Select committee hearings on the bill this week were rushed to the point where MPs on the committee had not all received written copies of submissions on which submitters were presenting.

NZ-UK FTA

NZ and the UK have formally launched free trade negotiations with the first round of negotiations expected to take place by video conference in mid-July. Trade Minister David Parker intends to use the UK's desire to become a signatory to the CPTPP as leverage.

If the UK wanted to join that agreement in the future they'd have to be willing to agree to similarly high standards, therefore they'd need to achieve that in the UK-NZ FTA as well," Parker said.

Labour list

The Labour Party released its party list for the election with the first 17 slots occupied by Cabinet ministers and Speaker Trevor Mallard. Newcomers in winnable positions include Ayesha Verrall, placed 18th, an infectious diseases specialist who was prominent during the covid-19 crisis. Entering at 23 is Vanushi Walters, a human rights lawyer and gifted activist whose elevation is remarkable, given her involvement with Labour is very recent. Both are ranked well above numerous sitting MPs, including Louisa Wall, Kieran McNulty and former Cabinet minister Meka Whaitiri.

Cyber attacks

GCSB Minister Andrew Little said NZ didn't experience the cyber-attacks reported by the Australian govt. PM Scott Morrison said a "sophisticated state-based actor" was responsible for the national-level cyber-attacks. Little said NZ did not see malicious activity above the levels usually expected.

Apprenticeships

A new \$380m Apprenticeship Boost will pay employers \$1000-a-month for each apprentice in their first year of training and \$500-a-month for apprentices in their second year. The scheme would run until April 2022, and about 18,000 employers will be eligible to apply. 🇳🇿

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	8.0	5.5	2.1	2.9	2.9	1.8	2.4
Australia	17.8	2.7	1.8	-4.1	3.6	3.3	1.9	1.6	0.8	1.6	2.1
United States	11.3	2.9	2.3	-5.6	4.4	2.6	2.4	1.8	0.8	1.8	2.2
Japan	7.1	0.3	0.7	-5.3	2.6	1.1	1.0	0.5	-0.3	0.0	0.7
Eurozone	5.8	1.9	1.2	-8.4	6.1	2.0	1.8	1.2	0.3	1.0	1.4
South Korea	3.4	2.7	2.0	-0.7	3.3	2.9	1.5	0.4	0.4	1.1	1.9
United Kingdom	3.1	1.3	1.4	-9.0	6.1	2.0	2.4	1.8	0.9	1.3	2.0
Singapore	2.3	3.5	0.7	-6.0	5.4	3.1	0.4	0.6	-0.3	0.9	1.9
Hong Kong	2.6	2.9	-1.2	-5.2	4.4	2.5	2.4	2.9	1.0	1.8	2.2
Taiwan	2.4	2.7	2.7	-0.5	3.5	2.6	1.4	0.6	1.2	0.9	1.3
Malaysia	2.1	4.7	4.3	-3.9	5.9	4.5	1.0	0.7	-0.8	1.8	2.5
Indonesia	2.0	5.2	5.0	-0.6	5.3	5.2	3.2	2.8	2.5	3.0	3.7
Thailand	2.1	4.1	2.4	-6.2	4.9	3.6	1.1	0.7	-1.1	0.9	1.3
Philippines	1.7	6.3	6.0	-2.8	7.5	6.0	5.2	2.5	2.2	2.7	3.0
Vietnam	1.5	7.1	7.0	2.3	7.7	6.4	3.5	2.8	3.6	3.2	3.8
India	1.4	6.8	4.2	-3.4	8.2	6.9	3.4	4.8	3.7	4.2	4.7
Canada	1.5	2.0	1.7	-6.6	5.1	2.7	2.3	1.9	0.7	1.7	2.1
NZ Trading Partners	100.0	4.1	3.3	-2.7	5.6	3.8	2.0	2.0	1.4	1.6	2.1
Forecasts for New Zealand											
Consensus		3.2	2.3	-6.1	5.9	3.8	1.6	1.6	1.5	1.3	1.5
BNZ Forecasts		3.2	2.3	-8.0	4.8	4.2	1.6	1.6	1.6	0.6	1.4
The World		3.2	2.5	-2.1	4.4	3.0	2.9	2.7	2.6	2.5	3.4

DOMESTIC ECONOMY

RBNZ on hold - for now

As expected, the Reserve Bank left the OCR at 0.25 percent this week and did not change its current QE/ Large Scale Asset Programme at \$60b.

The currency-moving detail was in commentary relating to the full Monetary Policy Statement on Aug 12. The NZD fell more than a cent to 64 USc after the bank said it was “prepared to provide additional stimulus as necessary,” including the possibility of buying overseas govt bonds to drive down a resurgent currency that has taken the edge off the central bank’s easing since March.

“As well as potentially expanding the LSAP programme, the Committee continues to prepare for the use of additional monetary policy tools as needed,” the bank said.

The monetary policy committee’s minutes say any expansion of QE would have to “be of sufficient magnitude to make a meaningful difference,” and staff are “working towards ensuring a broader range of monetary policy tools would be deployable in coming months, including a term lending facility, reductions in the OCR, and foreign asset purchases, as well as reassessing the appropriate quantum of the current LSAP.”

A larger LSAP will depend partly on the borrowing programme outlined in the PREFU, due in mid-August. The central bank has pledged not to own more than half of the govt bonds on issue or more than 1/3 of GDP. The govt is planning \$142b of extra borrowing over the next four years, preventing any increase in local bond buying beyond about \$70b and forcing the RBNZ to buy overseas bonds if it needed to go beyond the \$90b that some economists are now suggesting. That would be seen as an immediate sell order for the currency.

Any announcement of **foreign bond buying by the Reserve Bank in the last six weeks of an election campaign would be politically fraught.** It also increases the pressure on the govt to find new ways between now and then to increase its own borrowing to boost the economy.

Flood of migrants from Aussie

An unsung issue in the covid border control issue has been a surprisingly large number of returning residents, particularly from Australia.

Some 227,000 jobs were lost in May in Australia - twice the rate forecast - and the unemployment rate rose to 7.1% from 6.4%. The unemployment rate would have risen to 11.1% if the participation rate had been stable at its March levels. The underutilisation rate also spiked from 14% to over

20% in two months.

With only 250-300 new quarantine beds available daily and NZers having rights of return over non-citizens, some 10,000-plus guest workers are stranded overseas with existing work visas, along with specialist workers employers want to bring into the country.

Fewer than 5% of arrival slots are available for non-residents, tourists or for humanitarian entry.

As a result, **businesses expecting to bring in fresh workers, students or tourists will struggle to get through Immigration NZ, let alone the border.** A surge of fresh cases and social isolation measures in Victoria have **shut down talk of an imminent Trans-Tasman bubble**, increasing the pressure on the quarantine pipeline.

Consumer confidence

The Westpac McDermott-Miller consumer confidence index fell 7 points in June, taking it to 97.2, the lowest level since the global financial crisis. The present conditions index fell 9.3 points to 103.4, although the expected conditions index only fell 5.4 to 99.3. Economists said while economic confidence is at low levels, they were braced for a much larger drop.

NZ labour market sentiment

NZers’ confidence in the labour market fell to the lowest level since Westpac-McDermott Miller’s employment confidence index began recording in 2004. The index fell to 87.3 in June, down almost 13 points from March, covering the various phases of covid-19 lockdown. A score above 100 shows more optimism than pessimism. Personal job security plunged almost 17 points, with a net 14.8% feeling their job would be less secure in the coming year. Perceptions about current job opportunities fell 31.3% so a net 52.6% of respondents feel jobs are currently “hard to get”. The number of people expecting job opportunities to improve in a year’s time rose 9.4%, although it remains in deeply negative territory at -16.8%, compared to -26.2% in the March survey.

Services rebound from depths

The **Business NZ-BNZ performance of services index rose** 11.5 points to a seasonally adjusted 37.2, indicating activity shrank at a slower pace than in April when activity was limited to firms deemed essential. The recovery was in line with the performance of manufacturing index. However, like its sister survey, the employment sub-index was weaker, down 1.5 points at 40.9, its lowest level since the survey began in 2007. ■■

Energy and resources - refinery closure?

Perhaps the most significant business news event of the week, underplayed by most media, was Refining NZ's announcement that is almost certain to close its refinery capacity and turn its Whangarei site into a fuel-import site only. This implies the loss of as many as 1,000 jobs in Northland and may spell serious political difficulty for NZ First's Shane Jones, who needs to win the seat if the party is to be assured a place in the next Parliament.

It is also a major strategic challenge for the govt, which has yet to react. Particularly significant is the positive commentary from refinery shareholder-customer **Z Energy**. It remains to be seen whether a case for govt intervention/partial nationalisation might yet arise. The Marsden Point refinery is under the same cost pressures as are closing refineries globally, and in Australia. If there were to be no oil refining capability in Australasia, both countries would face **significant energy supply risk in the event of any global conflict** involving the South China Sea and Pacific shipping routes.

The govt's \$100m **Green Investment Finance** vehicle, has finally made its first investment with a \$15m credit facility to Wellington's **CentrePort** for electric vehicles, generating renewable energy and upgrading energy efficiency.

Energy retailer **energyclubnz** is leaving the electricity retail market and its 11,600 customers' will be switched to **Contact Energy**. It launched in 2017, offering customers wholesale electricity rates, with a member fee charged on top. The company said it had no confidence in the functioning of the wholesale electricity market.

Contact Energy named **Sumitomo Corp** as the preferred contractor for a \$600m generation project on the Tauhara geothermal field. Sumitomo has partnered with local company **Naylor Love** for the civil engineering component and with **Fuji Electric** for the supply of the steam turbine. The project is only likely to be green-lit if the Tiwai Pt aluminium smelter continues or announces a staged departure. Smelter majority owner **Rio Tinto** is now well over its March quarter deadline for an announcement, which appears to have been delayed by covid-related disruptions to its wider global business.

The Electricity Authority board is understood to have considered a final decision at its board meeting this week on an alleged undesirable trading situation (UTS) in late 2019, relating to water storage decisions by **Meridian** and **Contact**.

Primary Sector

MPI's Economic Update for the Primary Industries said the sector remains on track for a 4.5% increase in export receipts, or \$1.7b, for the year ended June. All segments would record annual revenue increases, except forestry and seafood. The logging sector's revenue fell by \$308.4m, or 43%, during Feb and March under covid-19 restrictions while exports of rock lobster, mainly into China, were down 87% over those two months. These falls were offset by gains in dairy prices, excluding butter. Kiwifruit was up by 128%, or \$104.8m, and beef exports jumped on the strength of demand from countries other than China.

The covid-19 crisis and drought conditions highlighted NZ agriculture's **reliance on a handful of countries for feed** to supplement its grass-fed system, MPI said. NZ imports an average of 2.9m tonnes of animal feed a year, worth about \$734m. More than 81% is sourced from Indonesia, Malaysia and Australia, with another 10% from Argentina and 6% from the US.

US dairy farmers fear covid-19 disruption to global trade will see EU stockpiling of key products, which could depress prices as they did between 2014 and 2019. During that period, weak Chinese demand and a Russian ban on imports from the EU depressed prices, prompting stockpiling and subsequent destocking that harmed US, NZ, Australian and other non-EU dairy producers, according to analysis by **Darigold**, the marketing and processing arm of the **US Northwest Dairy Association**. "The global coronavirus pandemic is creating adverse marketing conditions that significantly increase the probability that both SMP and butter could enter the EU's intervention program in 2020 and possibly 2021," the report says. "A significant reduction in EU domestic demand for cheese and butter and reduced export opportunities will likely negatively impact EU farm-gate milk prices and international EU butter and SMP prices."

Fonterra is introducing a Co-operative Difference Payment of up to 10 cents per kg of milk solids if a farm meets the co-op's on-farm sustainability and value targets. The payment will replace the Farm Source Reward Dollars farmers currently earn and will work on a tiered system yet to be finalised.

Banking, finance and insurance

The **Earthquake Commission** successfully renewed its \$6.2b reinsurance programme for the forthcoming year.

The **RBNZ** approved the sale of **AMP Life** to Bermuda-based **Resolution Life** in a revised deal hammered out over 18 months to include safeguards

CORPORATE ROUND-UP

to protect NZ policy holders. AMP announced the sale of its life businesses on both sides of the Tasman for A\$3.3b in 2018. The RBNZ, however, insisted Resolution Life agree to have separate, ring-fenced assets held in NZ for the benefit of the NZ policyholders, who number about 200,000.

MTF Finance's first-half profit fell by more than a third as it lifted provisions for increased bad debt because of covid-19.

Telecommunications, media & entertainment

Mercury Capital bought **Bauer Media's** unwanted trans-Tasman magazine portfolio at an undisclosed price, reported to be less than A\$50m. Negotiations to sell the NZ titles that Bauer closed in early April continue, with break-up now expected rather than sale of all titles to a single buyer.

Stuff ceo Sinead Boucher says the company she recently bought for \$1 from **Nine Entertainment**, with vendor finance left in the business, is receiving a steady stream of investment and partnership proposals. Analysis by **Jarden** suggests Stuff will struggle while **NZME** - which it advised in its attempts to take over Stuff - is on track to continue to pay down debt as the advertising market recovers.

Wholesale and retail

Kiwi Property Group reports visitor numbers to its shopping centres have returned to normal levels. Since the move to alert level 2 on May 14, the average pedestrian count in Kiwi Property's shopping centres, such as Sylvia Park in Auckland, is up 1% on the same period last year.

Auto group **Turners** will vacate its former flagship Penrose 'supersite' at the end of 2020 as it moves away from its traditional wholesale auction business to smaller distribution sites.

Australia's **Woolworths Group** said its NZ supermarket sales in the 10 weeks ended June 14 were up 15.1% from the same period last year. The NZ unit lifted sales 13.7% in the 13 weeks ended April 5, which captured some, but not all, of the five-week level 4 lockdown that left supermarkets among the few retailers permitted to operate.

Manufacturing and construction

Metro Performance Glass wrote down \$86.5m of goodwill relating to its NZ operations because of

increased competition, covid-19 and expected lower construction activity.

Transport and logistics

Air NZ expects to report an underlying loss of up to \$120m in the June year due to covid-19, compared to a pre-tax profit of \$374m in the June 2019 year. The guidance excludes one-off charges netting out between \$484m and \$624m: impairment charges on aircraft of between \$350m and \$450m and restructuring costs of between \$140m and \$160m. The airline has resumed flights once weekly to Shanghai, having suspended daily flights in early Feb and run only cargo services in the interim.

NZ Post is to build a \$170m depot in Wellington to boost its parcel processing capacity to 190m parcels annually. The investment programme will also include a new processing centre in Auckland, due to open in 2023 and an upgrade to the southern operations centre in Christchurch in 2022.

Technology and IT

Truck tracking technology company **Eroad** saw strong growth in 2020 with revenue up 32% at \$81.2m as it signed up customers in NZ and the US. Net profit was \$1m, compared to a loss of \$4.9m a year earlier. It expects a slower growth rate in the 2021 financial year as economic uncertainty makes potential customers more cautious about investments.

Pushpay Holdings lifted its guidance for annual operating profit by US\$2m to between US\$50m and US\$54m. Despite the turmoil affecting the economy of its key US churches market, it said covid-19 had increased the uptake of its technology.

Gentrack executive chairman John Clifford resigned from the board due to health reasons. Clifford assumed leadership of the company in Feb, after chief executive Ian Black resigned days before the annual general meeting. The company had run into difficulties when some customers in the UK energy market collapsed forcing Gentrack to downgrade its earnings guidance.

Courts and regulation

The Commerce Commission received a clearance application from **AJ Park** to acquire the assets of Baldwins, both provide intellectual property services. 