

No rush to level 1

Page 2

Tracing systems are better, as is understanding of the covid-19 virus, so the govt is willing to let the country - and Auckland - operate at alert level 2 despite the presence of the virus in the community. However, mid-September is the very earliest that any part of the country can hope to be at level 1, although long periods without any new covid cases are no longer required for such a move.

The potential for a large 'wasted' vote

Page 2

Our expectation is that the two main TV channels will have been polling this week for publication next week as the election campaign gears back up. With NZ First still languishing and the Greens reeling from self-inflicted wounds, the potential for both to poll below 5% and the wasted vote to be close to 10% at this election cannot be discounted.

The Greens - a Shaw backlash risks unelectability

Page 2

A month ago, James Shaw was developing an unexpected swagger, wise-cracking in Parliament and loving the opportunity to take uncharacteristically pointed potshots at NZ First. What wasn't known at that time was that he was also pulling NZ First-style stunts at the Cabinet table to secure funding for a politically incorrect private school. The extent of the backlash from the left of his party against him could determine the Greens' future electability.

Tracing tech: the CovidCard rejection

Page 3

The govt's tracing tech review encouraged adoption of the home-grown CovidCard 'dumb' tech initiative over the Google-Apple, Bluetooth-enabled smartphone equivalent, but the Ministry of Health remained committed to the latter, prompting an exasperated prime mover Sam Morgan to abandon the effort. The CovidCard will still be trialed in Rotorua and is likely to be rolled out in MIQ facilities.

Air NZ's top exec exodus

Page 4

Cam Wallace, the airline's chief commercial and customer officer, is only the latest in a string of very long-serving senior managers to leave the airline since covid-19 stopped its international expansion in its tracks. Ceo Greg Foran warned Air NZ could become a domestic-only operator if airfreight subsidies are not continued past November.

Orr to banks: don't ask for your broly back when it rains

Page 5

RBNZ governor Adrian Orr appears not to be buying the argument that the trading banks are lending less to the commercial sector because of a lack of demand for new investment, and is encouraging banks to 'be courageous' in their business lending decisions.

Key election debate dates

Televised leaders' debates will be more than usually important events in the covid-restricted election campaigning environment. Key dates are: Sept 22, TVNZ, Ardern/Collin (host John Campbell); Sept 30, Newshub, Ardern/Collins (host Patrick Gower); Oct 15, TVNZ, Ardern/Collins, (host Jessica Mutch McKay).

Election becoming a two-horse race?

The current political dynamic shows every sign of producing more of a 'two-horse' race to the finish line on Oct 17 than is normal under MMP.

Our thinking is based on the likelihood of an unusually large wasted vote emerging.

We believe that Labour is still most likely to form the next govt, but that support for NZ First will continue to languish below 5% and that the Greens may struggle now to return to Parliament, thanks to the self-inflicted damage done by co-leader James Shaw in supporting a capital grant for a private 'eco' school.

This is notwithstanding a Roy Morgan poll this week suggesting Green Party support spiked above 10% before Shaw's blunder.

The Roy Morgan result for the Greens is an outlier, compared to other polls, although there is a credible scenario for Greens surge prior to the latest trouble.

That is the potential for left-leaning Labour supporters to become so confident of a Labour-led administration being returned that a proportion of them vote tactically to make a Labour-Green coalition possible, without the involvement of NZ First.

This would knock support for Labour back from 50%-plus to a more realistic high-40% score, with the disappointment of the return to lockdown shaking some supporters.

Other polling suggests there is still strong support for the covid elimination strategy and, importantly, the National Party has not wavered in its support for elimination and is campaigning only on the govt's execution of the strategy.

If both the Greens and NZ First fail to get to Parliament and perhaps another 2 or 3% of party votes are wasted on the Maori, TOP, New Conservative and other minor parties, as much as 10% of the total party vote could be annulled in this election.

If National were to push anywhere near 40% support and Labour were to fall into the mid-40s, ACT would become the king-maker and a very slender majority could emerge for a National-led govt.

This is still an unlikely scenario, but the potential for both NZ First and Green supporters to waste their votes at this election must be considered a real possibility.

How long at L2?

By moving to level 2, or in Auckland's case '2.5',

while there is still community transmission of covid-19, the govt has made an important shift in its management of the elimination strategy.

The PM is correct to point out that level 2 has always contemplated the possible presence of community transmission, as long as it is contained.

The judgement that it is currently 'contained' in Auckland is clearly somewhat carefully calibrated, since mass gatherings are still limited there to 10 people.

The earliest that will change is Wednesday, Wed Sept 16, with a Cabinet review on Monday, Sept 14, PM Ardern announced this afternoon.

Tellingly, while she does not regard border restrictions around Auckland as workable at level 2.5, she appears willing to consider other parts of the country moving to alert level 1 before Auckland gets there.

The govt is "open to consideration of varying different levels" around the country, she said.

Tellingly, there is also no longer a requirement for 28 days of zero new community transmission cases before level 1 can be declared.

The key determinant now is the extent to which a cluster or clusters is understood and clearly contained. The small daily numbers of new community transmission cases currently being announced are unlikely to stop a transition to level 1 because they are all genomically and personally linked to the original south Auckland outbreak.

More worrying is the one person who has covid that is genomically linked to the cluster, but for whom no person-to-person link has yet been found.

The originating case in the cluster also remains unidentified.

Shaw's Metiria Turei moment

James Shaw's future as a co-leader of the Green Party cannot be guaranteed much past the election following the disclosures that he held up Cabinet decisions on 'shovel-ready' projects in support of an \$11.7m capital grant for a Taranaki private 'green' school.

However, if the wing of the Green Party that has always jibbed at Shaw's compromising centrism succeeds in elbowing him out, the future of the party as a parliamentary force will be all the more uncertain.

The co-leadership under Shaw and first Metiria Turei, and then Marama Davidson, has always been more about bridging the uneasy ideological schism that lurks just beneath the party's surface than a commitment to gender balance at the top.

That may be why there are already whispers from the Greens that a second female co-leader may be acceptable if Shaw resigns or is forced aside as co-leader.

Shaw and his more centrist allies - Julie Anne Genter, Eugenie Sage, and Chloe Swarbrick - believe the party can only grow if it appeals successfully to 'middle NZ' voters.

Those backing Davidson, whose firebrand leftist rhetoric is rarely reported but would swiftly gain prominence without Shaw's moderating influence, cavil at this.

The risk for the Greens is that a harder left incarnation may make the party unelectable, unless the economic and social upheavals of covid-19 drive the whole electorate well to the left.

CovidCard: missed opportunity?

The gov't's efforts to beef up its digital contact tracing efforts took a couple of steps forward this week, and one large step back.

Adoption of the CovidTracer app jumped over the 2m downloads mark this week as use of QR codes was made mandatory by shops, cafes and offices. The number of daily QR scans rose to over 2m on Sept 1, but remains well below levels seen necessary to make it useful to track close contacts of those infected.

If an active user scans an average of 5-10 QR codes a day, proper compliance would be closer to 20-30m than 2m.

Sir Brian Roche made clear the urgency of improving digital tracing in releasing his Contact Tracing Assurance Committee's report.

He was hopeful that the gov't would progress moves to adopt a bluetooth card proposal put forward by a private sector group led by Sam Morgan and ramp up stress testing of manual contact tracing so officials could handle a larger spike of more than a couple of hundred cases.

The private sector group hoped to overcome the weaknesses exposed overseas by the use of bluetooth in smart phones, which operate on varying platforms with varying specifications for bluetooth signals that can give large numbers of false positives and negatives.

The app-based systems, including those working with a global Google-Apple (GAEN) effort which the Ministry of Health favours, also can't be used by the 10% that don't have smart phones, and a similar percentage unable to download and use apps.

A further key disadvantage of the GAEN initiative is that it does not notify health authorities of contacts.

Rather, an infected person can have their app send notification to all those apps that have registered a contact, but testing, isolation and disclosure decisions are left to individual recipients.

This is clearly designed to be appropriate for countries where trust in gov't is low, but is a major impediment to efficacy as a pandemic management tool and is arguably unnecessary in NZ.

The CovidCards would have been distributed to everyone at a cost of over \$100m and be worn on lanyards that allow the rapid and privacy-protected recording of close contacts that allowed much faster tracking and isolation.

However, Morgan this week pulled his team out, saying **the effort was being squashed lower down in the Ministry of Health bureaucracy 'stack', who had decided to pursue the GAEN path instead.**

Morgan and tech entrepreneur colleague Ian Taylor painted a scathing picture of dysfunction inside the ministry and lamented the risk-averse approach of officials and Communications Minister Kris Faafoi.

Faafoi said he couldn't control Morgan's 'passions' and said trials would go ahead anyway, including in isolation and quarantine facilities, and it is clear Morgan has been his own worst enemy at times.

However, **the impression that this is a win for a monolithic bureaucracy rather than NZ innovation and collaboration is difficult to ignore.**

Polls - cannabis reform support waning

Support for Labour fell 5.5 points to 48% since July, in the latest **Roy Morgan** poll. Support for National rose 2 points to 28.5%, with the 19.5 point gap between the two major political parties now the narrowest since March in this series.

Support for NZ First improved by 1 point to 2.5%, Green Party support increased 3.5 points to 11.5%, prior to Shaw's eco school scandal emerging. ACT was on 6%, down half a point since July. The telephone poll of almost 900 people was conducted throughout Aug.

A **Research NZ** poll found **46% are now against legalising cannabis with 39% in favour.** In March, the same poll found 43% were in support and 33% opposed. Support for the End of Life Choice Bill also slipped from 70% to 62%.

America's Cup

The summary final report from forensic investigators Beattie Varley found no financial impropriety in the way NZ's America's Cup challenge and event are being managed. However, the report outlined numerous governance and management failings, leaving open the question whether it is appropriate for challenge ceo Grant Dalton also to be ceo of the associated events company.

A **Horizon Research** poll said 76% of NZers want to continue with varying levels of restrictions to manage and eliminate covid-19, as well as borrowing and spending to reduce economic impacts. 16% thought allowing covid-19 to transmit within NZ was the best strategy, 73% wanted an elimination strategy and 12% were not sure.

Horizon Research also found overall trust and confidence in the govt response to managing covid-19 fell from 82% in mid-July 2020 to 79% in late Aug. It was 91% during the alert level 4 lockdown in April. While trust and confidence has largely held up across all adults, trust among business proprietors and the self-employed fell from 71% in mid-July to 49% in late Aug. Among business managers and executives, trust fell from 73% in mid-July to 67% in late Aug. 64% rated Jacinda Ardern as the best leader on the response, compared with 18% for Judith Collins.

(Note Horizon uses a self selected panel. It does attempt to weight to be a representative sample, but not all are convinced by the methodology.)

Air NZ's hollowing out continues

Just a domestic airline? CEO Greg Foran raised the prospect this week of Air NZ having to pull out of its remaining international routes beyond Australia if the govt does not continue to subsidise its air freight services beyond a deal due to end in Nov.

"It would be quite difficult for us to fly internationally without that support," Foran said after the airline reported its first loss since 2002, when it was bailed out by the last Labour govt in the wake of a disastrous expansion into Australia and travel disruptions after the 9/11 attacks.

"I would rather know for sure that we could continue to operate internationally with that cargo assistance. At this stage, we know where we're at, through to November. We'll have to see what happens after that," he said.

The govt created the International Airfreight Capacity (IAFC) scheme in late March to ensure air freight connections for exporters by providing up to \$330m in support for airlines to fly usually uneconomic near-empty flights to Dubai, Australia, China and America. Air NZ was granted support for 50 of the 70 weekly flights in the scheme.

The prospect of the airline withdrawing to becoming just a trans-Tasman operation would leave NZ exposed in the event of further global disruptions that saw airlines controlled by other govts deciding not to fly to NZ or to replace routes Air NZ had built.

One sitter in this category is the Shanghai-Auckland-Buenos Aires route that was mooted as NZ's 'Belt and Road' opportunity last year. A Chinese govt-backed airline might well still create such a route long before Air NZ is in a position to resume it.

The national carrier has already withdrawn from flights to London and decided to mothball its Boeing 777 long-haul wide body fleet when covid-19 hit. A withdrawal to Australia would make its still-valuable fleet of 787 aircraft redundant and reduce the scale of any equity injection needed in coming months.

Air NZ is expected this week to start using the govt's \$900m convertible loan facility set up in March while it looks at whether and how to raise fresh equity from shareholders. Foran said he was confident the govt would participate if needed.

Nats' clever tactical timing

National is either having good luck or showing tactical capacity to respond well to political events with its policy announcements.

It unveiled policy to spend \$4.8b on fast-tracking education infrastructure if elected in Oct in the wake of James Shaw's 'green' school scandal.

And its families policy, which includes a \$3000 grant to new parents, dovetailed with UNICEF's embarrassing report for the govt that NZ's child poverty performance remains poor and has not improved. The govt blamed old statistics and tried to turn that performance back on National, but there was damage done to the govt's rhetorical positioning on child wellbeing.

National also pledged to repeal the govt's changes to the Employment Relations Act and review WorkSafe, if elected. This would mean employers and staff would be able to negotiate terms of breaks, 90-day probation periods for larger firms, and changes to collective bargaining. National would also ban 'no win, no fee' provisions in employment disputes.

EQC reform

EQC's operations and legislation will change in response to the Inquiry into the Earthquake Commission. It found EQC was not adequately prepared for the Canterbury earthquakes. All recommendations in the report will be implemented.

Covid vaccine

The govt said it allocated significant but undisclosed extra funding to access a covid-19 vaccine as it becomes available. 🇳🇿

Orr jawbones banks

“Show courage,” RBNZ governor Adrian Orr said this week, addressing the country’s trading banks and encouraging them to lend more to businesses.

In effect, Orr is challenging the country’s largest financial institutions not to use the fact that weak investment intentions are a good enough cover for the tendency for banks, when it rains, to ask for their umbrellas back.

Orr’s call also indicates how much the central bank needs help in its monetary policy battle to kick some inflation into the system at a time when the OCR is nearing its lower bound.

His speech this week also followed RBNZ figures released on Monday showing **bank lending to businesses had fallen almost \$5b to \$113b since the lockdowns started in late March, while lending to home owners had risen \$4.2b to \$282b**. The govt has been disappointed with the response to its Business Finance Guarantee Scheme, under which banks have lent small to medium enterprises just \$111m since March out of an expected \$6.25b. The govt’s own Small Business Cashflow Scheme has been much more successful, using the IRD to lend almost \$1.7b to over 100,000 firms in the last four months.

“Banks must be part of the economic recovery and they must contribute to NZ’s economic success because they benefit from NZ’s economic success,” Orr said while speaking ‘free style’ from prepared notes. **“And for monetary policy to work most effectively, the risk models, the tools and frameworks that the banking system have to do their job as usual, need to be switched on,** and need to be used in a sound sensible long term framework.

“This is not the time for short term profit maximisation or cost cutting to dominate and it’s the time to be using those models for what they were designed for - the allocation of resources.

“Showing courage is not to simply saying yes during good times and no during bad times. Courage is about being consistent on your risk appetite statement, being transparent and being honest and being held to it.”

The RBNZ is now consulting on its Funding For Lending scheme that would operate in tandem with a negative interest rate to lend at negative rates to banks, potentially with ‘strings attached’ on where the banks should on-lend that money to.

The central bank’s head of economics, Yuong Ha, who is also a Monetary Policy Committee member, has said a no-strings-attached scheme would be most effective, but the noises coming from the top floors of the central bank and the Beehive suggest the scheme

may try to force banks to lend more to businesses.

Investor visa applications soar

The number of investor visa applications has soared since the coronavirus outbreak and NZ Trade and Enterprise says NZ’s strong coronavirus response was behind the increase. North Americans accounted for more than half of the inquiries fielded, followed by investors from Europe. Immigration figures show applications from investors with at least \$10m have more than doubled in the three months to Aug compared to the same time last year.

Heavy industry

Tiwai Point smelter majority owner **Rio Tinto** has now stated publicly that it **would keep the smelter open for longer and undertake a phased shutdown if it can secure a fixed-price transmission deal**.

While **Meridian Energy** has sought to offer energy on attractive terms to achieve that, the transmission component looks likely to require a political rather than a commercial intervention. National pledged to keep the smelter open for at least five years if elected. Act is also backing use of the ‘prudent discount’ mechanism to lower the smelter’s transmission charges.

The future of NZ Steel’s Glenbrook mill and Pacific Steel business is clearer, with between 150 and 200 jobs likely to be cut from its workforce of about 1,400 following a strategic review intended to make operations competitive against an alternative of switching to imported product.

NZ Steel will continue to manufacture Colorsteel building products but is reviewing its product mix to be “a leaner and more resilient business”. Owner, ASX-listed BlueScope Steel, expects to spend A\$50m on the restructure, having written down the value of the NZ business by A\$197m in July.

High transmission costs and emerging carbon prices are key parts of the challenge to NZ Steel’s competitiveness.

Economic indicators

Job numbers fell in July, largely reflecting seasonal rather than covid-19 related effects, Stats NZ said. Filled jobs were down by 7,418 in July compared with June 2020, to 2.2m. This follows rises in May and June as pandemic restrictions were lifted. Filled job numbers typically fall in July, as some seasonal jobs, such as fruit packing, reduce their activity. The average fall in filled jobs between June and July over the last five years is 7,176 jobs.

Fewer consumers are willing to buy major household items as consumer confidence eased 4 points to

DOMESTIC ECONOMY

100.2 in Aug, the **ANZ-Roy Morgan Consumer Confidence** survey said. The index is well below the historical average of 120. Consumers' perceptions of their current financial situation eased 1 point to a net 1% who feel better off than they did a year ago. A net 27% of consumers expect to be better off financially this time next year, down 4 points.

Median weekly incomes were lower in the June 2020 quarter than they were a year ago, down 7.6% to \$652 a week, in the wake of covid-19, Stats NZ said. It is the first time median incomes from all income sources fell since the series began in 1998. Median weekly earnings from wages and salaries increased 4.3% in the June 2020 quarter, with income from govt transfers up 6.7% since 2019. In contrast, self-employed earnings dropped 12.5%. While earnings from wages and salaries appear to have risen, this is mainly because many people in low income industries reported no earnings. More people receiving govt transfers also brought the median down, as this tends to be less than other income sources.

The latest **Retail NZ Retail Radar report** shows retailer confidence fell significantly on the back of the level 3 lockdown in Auckland during Aug. 13% of retailers said they are not confident they will survive and a further 23% say it could go either way. 90% of retailers with stores in Auckland and 53% of stores outside Auckland reported a drop in sales during Aug. Overall sales since March are 6.4% down compared to last year.

240,000 jobs at risk before Xmas?

The persistence of covid-19 and its economic impact could see about half the 482,000 jobs supported by the wage subsidy scheme lost by Christmas and unemployment reach 7%, the NZ Institute of Economic Research said.

Credit rating agencies on Aust-NZ corporate outlook

S&P Global Ratings said significant damage from covid-19 will unfold across many Australian and NZ companies over the next few months.

Covid-19 has driven or accelerated structural trends in a number of sectors, such as discretionary retail, that will potentially wipe out chances of a full recovery for some companies.

While govt stimulus measures will remain a key swing factor in the recovery, worsening credit quality and defaults in the small and medium enterprise sector are likely to accelerate as these support mechanisms are removed.

Export prices holding up

The export price index rose 2.4% in the June 2020 quarter compared with a 0.2% fall in the March 2020 quarter, driven by a rise in dairy prices, Stats NZ said. Dairy export prices rose 4.1% in the June quarter with all export prices supported by favourable exchange rates in the quarter after the NZ dollar fell as the pandemic spread around the world. Large falls in exports of logs, seafood and others were partly offset by a \$434m rise in exports of milk powder, butter, and cheese.

Real estate and home ownership

New home consents fell a seasonally adjusted 4.5% in July, reflecting a pullback in retirement village development permits. However, new consents for townhouses and stand-alone homes remained elevated, helping push seasonally adjusted new residential permits to almost 10,000 since the April lockdown and seasonally adjusted new dwelling consents to 37,491 in the 12 months ended July 31.

Some 849 lifestyle properties sold in July compared to 594 in July last year - a 42.9% uplift, according to REINZ. This was also an increase on the 643 lifestyle properties sold in June, with REINZ saying people were reassessing their living situations as a result of the pandemic.

Despite interest rates being at record lows, NZers are still spending almost a third of their average household income to service mortgages, according to Corelogic's second-quarter housing affordability report.

This is slightly less than the average Australian, who pays 34% for their home, and well below the 49% of take-home pay Kiwis were paying in 2007 just prior to the global financial crisis.

OECD economic performance

Real GDP in the OECD fell 9.8%, in the second quarter of 2020, according to provisional estimates. This is the largest drop ever recorded for the OECD, significantly larger than the -2.3% recorded in the first quarter of 2009, at the height of the global financial crisis.

Among the major seven economies, GDP fell most dramatically, by 20.4%, in the UK. In France, where lockdown measures were among the most stringent, GDP declined by 13.8%, after a drop of 5.9% in the previous quarter.

In the US, where many states introduced 'stay-at-home' measures in late March, GDP contracted 9.5%, compared with -1.3% in the previous quarter. ■

Energy and resources

The **Electricity Authority** wrote to the major generator/retailers – Genesis, Contact, Mercury, Meridian and Trustpower - asking them to explain how they set retail prices. It wants to test concerns the gentailers may be stifling competition with preferential pricing or cross-subsidisation.

No **crude oil** was imported in July for the first time in 34 years as covid-19 hit demand. But Stats NZ said face masks imports totalled \$232m since the beginning of the year, up from \$43m for the same period last year.

Primary Sector

Large increases in exports of red meat to Australia, the US, UK and Korea offset falls of 22% and 11% in exports to China and Japan respectively, in July.

Meat Industry Association analysis found considerable volatility in key red meat markets, with the value of exports to Australia up 58% on July last year as that country rebuilds its beef herd. The value of exports to the US rose 56%, Korean exports rose 39% and the UK 35%. China remained the largest market, taking \$209.7m of product, 31% of the total.

Dairy auction prices fell for the third consecutive fortnightly auction. Whole milk prices posted a 2% dip, while overall auction prices declined 1%. WMP prices have now slipped 11.3% since the end of July, while overall prices have fallen nearly 8%. Prices remain below their pre-covid levels after having wiped those price losses over July. The divergence between protein and fat prices also continued. Skim milk powder prices (protein) lifted 1.8%, while butter and anhydrous milk fat prices dipped 1.2% and 0.5%, respectively.

Scales Corp's underlying net profit was \$29.2m in the six months to June 30 versus \$30.1m a year earlier. It anticipates full year underlying net profit will be at the bottom end of previous guidance of between \$30m and \$36m, taking into account the impact of covid-19 with sales to Asia and near markets hit by changes in logistics, customer purchasing and price pressure.

Banking, finance and insurance

ANZ is to end the 50 year-old Bonus Bonds Scheme as low interest rates make it unsustainable.

ASB Bank believes national property prices will fall 2.8% by March 2021 - less than half its April forecast of 6% - as Reserve Bank data showed a \$680m spike in borrowing pushed mortgage lending last month to a July record.

Kiwibank's second-half net profit plummeted 87% on covid-19-related provisions and a steep rise in

costs, in part because it is taking over branches from NZ Post. Annual net profit fell to \$57m – with only \$6m earned in the second half – from \$108m the previous year. Charges against profit for bad loans jumped to \$51m from \$12m the previous year to reflect Kiwibank's current view of the coronavirus impact.

Bevan Graham, AMP Capital NZ's ceo, and **Greg McMaster**, head of clients, both gave notice. Across the Tasman, AMP Capital ceo **Boe Pahari** was demoted after less than a month in the top job following a sexual harassment scandal that also claimed the scalps of AMP chair, David Murray, and fellow director, John Fraser. At least four other members of AMP Capital equities team in Australia also resigned.

Telecommunications, media and entertainment

The **NZ stock exchange** was hit by repeated Distributed Denial of Service attacks that disrupted trading for four days and required GCSB assistance to overcome. The attacks did not penetrate NZX's trading, clearing and data systems. However, they disabled its public website, where its public announcements platform is housed. Trading was halted because investors were unable to receive timely market information rather than because of trading system failures.

Spark net profit rose to \$427m in the 12 months ended June 30, from \$409m a year earlier. Revenue lifted 2.5% to \$3.62b, ending two years of a largely flat top line. Growth was underpinned by a 10.8% lift in revenue from Spark's cloud, security and service management division to \$443m. This was the second-biggest contributor to gross margin at \$353m, well behind the \$829m from its mobile business.

Vista Group posted a \$43.2m first-half net loss but said it is in a stronger and more competitive position within the cinema business. Revenue fell 34% to \$44.8m.

NZME reduced operating costs by 16% to \$128.9m in the six months to June 30, offsetting a 13% decline in operating revenue to \$157.8m. The cuts included reducing staff by 15% and axing Radio Sport. This helped the media group lift operating earnings before interest, tax, depreciation and amortisation 5% to \$28.8m. While this included an \$8.6m wage subsidy, it excluded \$7m of one-off redundancy costs.

Television NZ has been toppled as the most popular broadcasting platform by Youtube according to research for NZ On Air. 51% were attracted to the video streaming channel compared to TVNZ 1, which attracted 44%. Netflix and Facebook video

CORPORATE ROUND-UP

came in third equal at 36%, while Three was at a 23%. RNZ was on 11% and Newstalk ZB attracted 9%. Just 36% used SKY TV down from 58% in 2014. TVNZ emerged as by far the most trusted source for covid news updates, although that may reflect audiences tuning in to live broadcasts of govt briefings more commonly on TVNZ than other platforms. Sky's performance was likely affected by the impact of covid on sports competitions.

Wholesale and retail

Discount health and beauty retailer **Price Wise** was forced into receivership and is seeking to sell the business.

OfficeMax is shutting its 14 retail stores at the end of Oct and shifting to online trading only due to changing office and work practices compounded by covid-19. It has 600 staff.

Lockdown pantry-stocking helped drive **Woolworths' NZ** earnings as it fattened margins despite the added cost of covid-19 lockdowns and supply chain disruptions. NZ supermarket sales, through local brand Countdown, rose 9.1% to \$7.2b in the year ended June 28. NZ earnings before interest and tax rose 10.7%, to \$378m.

The Warehouse Group is to cut up to 750 jobs as it restructures operations at more than 60 stores. The retailer has reached agreement on new rosters for 30 stores, but staff at 62 stores would now head into a consultation process which could result in between 500-to-750 job losses. It will close nine stores across the Noel Leeming, The Warehouse and Warehouse Stationery brands.

Transport and logistics

Port of Tauranga suspended its special dividend to focus on expansion plans and weathering the pandemic. Group net profit fell to \$90m in the year ended June 30 from a record \$100.6m the year before. Revenue fell to \$302m, from \$313.3m.

Air NZ reported its first loss in 18 years and expects to draw down on the govt's loan facility soon. It reported a loss before significant items and tax of \$87m for the year to June 30, compared to \$387m profit in the prior year. In June, it was expecting to report an underlying loss of up to \$120m for the 2020 financial year. Operating revenue was \$4.8b, down 16%.

Marsden Maritime Holdings reported a 31% drop in full-year net profit after the value of its investment properties fell by almost \$3m. It owns half of Northport and land around the Marsden Point port. Pre-tax trading surplus, before gains and losses on property and other fair value movements, rose 4.6% to \$6.7m in the year ended June 30.

TIL Logistics deferred its final dividend as it prepares for recession. It reported adjusted full-year operating earnings of \$26.5m – in line with improved guidance given in June.

Napier Port forecast an adjusted full-year net profit of \$20m but said the trading environment is too uncertain to settle the size of its final dividend. The port reported a 15% increase in nine-month net profit to \$18.7m. Revenue fell 1.4% to \$76.6m. On a pro-forma basis, excluding the wage subsidy and a \$1.5m tax gain from new rules on depreciation on buildings, net profit fell 14% to \$15.5m.

Hiringa Energy expects to have 20 hydrogen-powered trucks operating in NZ next year under a heads of agreement with US-based manufacturer Hyzon Motors. The roll-out includes an initial test phase with large-scale commercial deployment expected from 2022 with the goal of having more than 1,500 operating by 2026.

Corporate actions

Abano Healthcare posted a \$48.7m annual net loss at the same time as confirming its board is unanimously backing a new \$4.45 per share takeover offer from **BGH Capital** and the **Ontario Teachers' Pension Plan**. However, depending on events, the price could fall as low as \$3.70. The new offer values Abano between \$97.2m and \$117m compared with the pair's previous pre-covid offer of \$5.70 per share, or \$149.8m.

The independent valuation for the recast **Metlifecare** takeover by Swedish-based **EQT** has not changed, despite the board backing an offer priced \$1 below the original \$7 a share. Chairman **Kim Ellis**, whose handling of the troubled bid has caused headaches for the company, will vote against the proposal. EQT tried to back out of at the higher, earlier priced bid, blaming covid and claiming Metlifecare's outlook had fundamentally changed. Metlifecare threatened to sue EQT but major shareholders, including NZ Super Fund, were among those to urge a revised bid. ■