

## Labour gliding on to second term

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The first two opinion polls of the campaign are in and two of the three televised leaders' debates have been and gone without the electoral landscape budging much. The dial has barely moved. Labour remains solidly 10-20 percentage points ahead of National and on track for a second term, either on its own in a first under MMP, or more likely in a coalition with the Greens. The chances of a National/ACT win are receding towards 5% as advance voting starts tomorrow.

## Winston tumbling into oblivion

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This looks to have been the week Winston Raymond Peters' political career finally ended. The polls show support for NZ First barely scraping 2%, which is set to be overtaken by the no-name New Conservatives. The SFO's decision to charge two unnamed people connected to the NZ First Foundation with 'obtaining by deception' seemed the coup de grace.

## Duopolies face official scrutiny

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There hasn't been much anti-business rhetoric in a campaign notable for low-risk policy platforms and relatively sedate campaigning and debate styles. But frustrations with big business practice boiled up on both sides of politics this week. Judith Collins played the populist card with a threat to retrospectively claw back wage subsidies from profitable firms, while Labour said it would launch market studies on the grocery and building materials duopolies.

## Labour's Tiwai Point pivot

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So much for 'good riddance' when Rio Tinto announced in July it would shut its smelter in August next year. Labour's initial ambivalence over an early shutdown evaporated this week as it reopened talks to extend Tiwai Point's life by 3-5 years. Transpower will be the vehicle to deliver \$90m-\$150m worth of power cost cuts to Rio Tinto through a 'prudent discount' price cut forced on the network's board. The sighs of relief reverberated from Bluff and up through the boardrooms of the gentailers.

## Farmers and lobbyists brace for second Labour term

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Federated Farmers and Business NZ are hunkering down for a second term Labour-led govt, possibly with a Green sheen undulled by NZ First. The lobbyists distanced themselves in the campaign from some of National's more inflammatory rhetoric.

## When the daigou don't go

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Almost \$3b was carved off A2 Milk's market value after it warned a shortage of Chinese tourists and students visiting Melbourne was hurting its sales via the 'daigou' channel, where cans of infant formula are informally exported to China via personal connections online and offline.

## Labour gliding to second term

Two polls and a second leaders debate without **Judith Collins** delivering a knockout blow indicate **Jacinda Ardern's Labour Party** is gliding towards a second term in power on Oct 17. **National** has been solidly 10 to 15 percentage points behind Labour for six months and is now unlikely to have enough time to close the gap. Advance voting starts tomorrow.

The lack of major policy differences between the two parties' 'small target' manifestos and a lack of voter enthusiasm amid covid-19 stresses has sucked the life out of the campaign. Even another spirited showing in the TV3 debate from the National leader was not enough to move the dial, especially with the Prime Minister amping up her own performance after a lacklustre first showing.

This week's polls ahead of the start of early voting on Saturday put Labour comfortably in pole position to win, either on its own or with a **Green** coalition partner. The polls also showed **NZ First** was unlikely to return to Parliament. And that was before the **Serious Fraud Office** declared it had charged two people associated with the **NZ First Foundation** with 'obtaining by deception,' but not any NZ First members, MPs, candidates or ministers. **Winston Peters** claimed the SFO had exonerated him and the party, but failed to explain the differences between the foundation and the party, or how they worked together. **He was a forlorn figure by week's end.**

## Pole position in the home strait

A quick **One News-Colmar Brunton** poll done after the first debate last Wednesday found support for Labour on 47%, down 1 percentage point from the previous week and down from 53% in late July. National was on 33%, up two points after a solid debate performance from Judith Collins, but barely shifted from the late-July level of 32%. This result would mean Labour would just need the Greens to form a govt, given the party's 6% support. ACT was on 8%, up 1, and NZ First was on 1%, down 1. With these numbers, **David Seymour** could have a Green-sized caucus of 8 or 9 MPs, including one or two colourful characters who could light up his backbench -- and not necessarily in a good way.

A **TV3 Reid-Research** poll taken in the week before the debate had Labour on 50.1%, National on 29.6%, NZ First on 1.9%, Green on 6.5% and ACT on 6.3%.

**Electorate polling also shows Labour candidates ahead in swing seats.** A **Māori TV-Curia Research** poll in Te Tai Hauāuru put Labour's **Adrian Rurawhe** on 38% support and Māori Party candidate **Debbie Ngarewa-Packer** on 20%.

A Newshub/Reid Research poll on the Auckland Central seat, put Labour's **Helen White** on 42.3% support, National's **Emma Mellow** on 26.6% and the Green Party's **Chloe Swarbrick** on 24.2%. In terms of party support, Labour was at 56%, National 23%, and the Greens 12%.

Labour list MP **Kiri Allan** also looks set to take the East Coast electorate for Labour for the first time in 15 years. **Anne Tolley** took the seat for National in 2005. Allan led National's **Tania Tapsell** by 40.5% to 35% in a poll commissioned by Labour from Auckland-based public opinion research company **Community Engagement** between Sept 22 and 24.

## A psephology special

Labour was also solid in areas traditionally seen as National strongholds. The Newshub-Reid Research poll asked voters: Who do you trust to run the economy through and post-covid-19? 55.1% said Labour, 34.9% said National, while 10% were undecided or didn't know.

The **NZ Herald's Mood of the Boardroom** survey showed **Grant Robertson's** approval rating was 91% while **Paul Goldsmith's** was 53%, even though the survey showed business executives' confidence in the economy was at record lows.

Goldsmith's credibility has waned through the campaign after Robertson exposed **National's fiscal plan was wrong to the tune of \$4b** because the finance spokesman's team had used an old forecast for Labour's payments to the **NZ Super Fund**. The blunder robbed National of any momentum on the day of its virtual campaign launch from a very stage-managed Avalon sound stage. **Collins spent the day telling journalists how sorry Goldsmith was** about the 'irritating' error. She tried not to look irritated.

Indicative of the unusual shifts in the electorate post the lockdown, **pollsters are also finding older National voters are opting for the perceived safety and warmth of Jacinda Ardern.** A Newshub poll found 21% of National voters from 2017 were now planning to vote Labour, while just 9% were opting for ACT. It also found 40% of Green voters from 2017 also planned to vote for Labour.

## Green around the gills

The Green Party looks on track to (just) get back into Parliament, given its polling support of 6-7% is (just) enough over the 5% to withstand the usual 1-1.5% drop on election night. The party's pre-election chatter also reinforced its relative lack of power in any coalition negotiations, given the impossibility of joining a National-led govt.

**James Shaw** was forced to hose down talk from **Julie Anne Genter** that the party's wealth tax proposal was a 'bottom line' in any govt-forming talks. Shaw said Genter 'misspoke' as the Greens had "no bottom lines, but would negotiate as hard as possible with the election result it achieved." Not such tough talk.

The Greens may not be able to insist on many policy wins on the tax, welfare, transport or environmental fronts, but they will be hoping for more ministerial power in a second term. Shorn of Deputy Prime Minister and Foreign Minister Winston Peters and his three fellow NZ First Cabinet ministers, the Greens hope to be in Cabinet for the first time.

Ministerial lists are already being speculated on, with the position of Deputy Prime Minister up for grabs for one of the Green Co-Leaders. Shaw looks to be in the pole position ahead of **Marama Davidson**, given his historic friendship with Ardern and more centrist politics. A strong Green result (closer to 8% than 5%) would increase the pressure for Davidson to get Social Development, and for either Genter or Shaw to get the main Transport portfolio. Climate Change and Conservation look to be there for the keeping for Shaw and **Eugenie Sage** respectively. The wild card will be **Chloe Swarbrick**, who is number three on the Greens list and a strong performer in and out of Parliament. If the Greens were to get the four cabinet spots that were held by NZ First (Peters, **Shane Jones**, **Ron Marks** and **Tracey Martin**) then Shaw, Davidson, Swarbrick and Genter would most likely be in the Cabinet tent, with Sage staying outside again as 'just' a minister.

And who would take **Foreign Affairs** in the absence of Peters? The talk around Wellington is **Phil Twyford** is set to be shuffled off to the Air NZ departure lounge as the minister to be kept at a safe distance away from the Transport and Housing portfolios he failed to capitalise on in the first term. **Peeni Henare** is thought to be gearing for a crack at Health, given the nightwatchman **Chris Hipkins** could do with holding just two of the big portfolios (Education and State Services) and being Leader of the House.

## Time of political death?

Winston Peters engineered another one of his awfully familiar live-on-TV press conferences on Monday to claim victory over and express righteous anger at the Serious Fraud Office. He had spent most of the previous week launching legal attacks on **the SFO** in the High Court to prevent it announcing it had charged two name-suppressed people connected to the NZ First Foundation with 'obtaining by deception'. The SFO said they were not current party

members, ministers, MPs or candidates.

Peters claimed vindication of him and NZ First, which was much more than the SFO either said or did. Interested voters are well aware of the evidence-based reporting by RNZ and Stuff of donations side-stepping Electoral Commission rules.

### But is this really the end for NZ's political Lazarus?

He has been written off more times than he can remember, let alone the rest of us. But this week looks to have been the final huzzah for the 75-year-old two-time Deputy Prime Minister after more than 40 years of crashing in and out of parties, electorates, ministerial offices and a few drinks cabinets. The Cheshire-cat-like grins have gone and the legal bills are mounting.

All the major polls put NZ First down amongst the tiddlers around one to two percent with little sign of momentum, traction or much sympathy. The SFO's announcement may not have been fatal, given he was personally not charged, but it adds heft to the damage done by reporting over the last year naming donors to the Foundation and what they were promised, and appear to have been delivered.

Peters was able to return to Parliament in 2011 at the age of 66, having spent three years in the wilderness, but a return in 2023 at the age of 78 looks beyond him. The poor polling performance of **Shane Jones** in Northland and Peters' reluctance to groom a successor appears to leave NZ First with nowhere to go but off into the Archives.

## A fait accompli on the farm

Labour announced it would commit \$50m to help create farm plans to streamline compliance through multiple environmental and other compliance regimes, offering another olive branch to farmers in the wake of bruising fights over water quality standards, nitrogen limits and winter grazing bans.

In a sign many in the rural sector are bracing for Labour-Green govt, National's attacks on Labour's approach to farmers was not welcomed by **Federated Farmers**, even though its relations with **Damien O'Connor** have been testy at best in recent months.

National MPs, candidates and Collins sought to portray Labour and Ardern as the farmers' foes and a warned of a looming disaster for the sector if Labour and Greens govern together. Party activists took comments from Ardern out of context in the debate to accuse her of writing off farmers, but got little follow-through beyond the twittersphere.

Instead of chiming in with barracking for National, **Federated Farmers welcomed the integrated farm**

proposal and distanced itself from National's attacks.

## Labour's Tiwai Point U-Turn

Labour belatedly realised that allowing an abrupt closure of Tiwai Point in Aug next year would hurt the govt politically and financially. Having initially said in July it would not pay more subsidies and let the smelter close, it announced on Monday it would talk with **Rio Tinto** and **Transpower** about engineering some sort of reduction in transmission charges, possibly using the 'prudent discount' method still being built by the **Electricity Authority**.

The aim is to extend the life of the smelter long enough (3-5 years) to build other high paying jobs for the 2,000-plus workers and contractors who depend on it, but also to give Transpower and the rest of the industry time to connect Manapōuri up to the grid properly and find new large customers. South Island's currently-coal fired dairy factories may be attractive prospects in the long run.

Jacinda Ardern and **Megan Woods** announced the policy shift in Invercargill and tried to paint it as not involving subsidies and not a 'ransom' payment in response to Rio Tinto's 'bullying'. They weren't fooling many.

"We've said we do not believe we should be giving a direct govt subsidy to Rio Tinto so that is not what we'll be doing, but there is an opportunity for us through Transpower to find a solution," Ardern said.

Asked if it was therefore an indirect subsidy, she said: "No. It's around line charges and the way they'd be deployed." Asked if the govt was giving in to Rio Tinto, she said: "Absolutely not."

That's not strictly true because **the likely 'prudent discount' from Transpower is expected to be \$90m-\$150m over the three to five years**. Transpower noted in response it would need compensation or relief from its Crown shareholders through its statement of corporate intent. Transpower will be a very reluctant player in the talks to come.

Until now Transpower has never engaged with Rio Tinto on the issue of a 'prudent discount' for the lines from Manapōuri to Tiwai Point, which would involve calculating compensation to avoid duplicating a line that, in theory, could be built for less than the cost of transmission. Transpower knew the smelter owner would never be able to get resource consent for new lines, making such an alternative impossible at any price.

The trigger for Rio Tinto's announcement in July of a closure by Aug 2021 was Transpower's comments in June that it would not be able to propose a stand-

alone prudent discount policy for the smelter until June next year at the earliest, with the potential for the new lower charges to not be in place until 2024. That was too long for the smelter owner to wait.

Woods (assuming Labour wins and she keeps the portfolio) will face some delicate negotiations with Transpower chair **Pip Dunphy** and ceo **Alison Andrews** in Nov and Dec about the tweaks to next year's statement of corporate intent.

**There is financial room for the govt to move** though. Transpower paid dividends of \$165m to the govt for each of the last two years, which represents a return on the govt's equity stake of well over 10%. That is high in a world where govt bond yields have gone negative. Rio Tinto is thought to want around \$30m worth of 'prudent discount' a year to stay in NZ. Over five years that would be \$150m, but a relatively low price to buy time to find new jobs for the workers, to beef up the Clutha-Upper Waitaki lines to get Manapōuri power up north and to reap another \$1.5b to \$2.5b of dividends from **Meridian, Genesis and Mercury**.

Then there's the potential a smelter closure would cost tens of millions of dollars per year in lower GST and income taxes for the govt, and higher electricity lines costs for consumers, given Tiwai's current \$60m a year of fees would have to be spread elsewhere.

The economics and politics of closure within 12 months would have been awful in the middle of the worst recession in living memory, including the loss of over \$1b per year of aluminium export receipts and potentially higher power bills because of the reallocation of the smelter's transmission charges.

An Aug 2021 shutdown would also have left much of Manapōuri's power stranded in the lake because the Clutha to Upper Waitaki lines upgrade is not due to be completed until May 2022 at the earliest. The share prices of the gentailers rose 5-10% this week on the hope they may be able to avoid lower dividends over the coming years.

## Briefly...

Labour pledged to phase out single use and hard to recycle plastics by 2025, create a \$50m **Plastics Innovation Fund** to develop alternatives and standardise kerbside recycling.

**Michael Appleton** was appointed NZ's first resident High Commissioner to Sri Lanka with the new post set to open in Colombo in 2021. He is currently MFAT's senior adviser in the Foreign Affairs Minister's office. **Tredene Dobson** was also appointed as the next Ambassador to Viet Nam. ■

## Big businesses under microscope

Both major parties took sceptical stances this week on corporate behaviour of big businesses in the covid-19 era. Labour announced it would order the **Commerce Commission** to start a formal market study into the supermarket sector by the end of next year, capping off years of consumer and supplier complaints about the way **Woolworths** and **Foodstuffs** use their dominance of 85% of the market to keep grocery prices rising faster than in other markets, including Australia. The rises in profit margins during covid-19 did not go unnoticed, along with the fall in Australian grocery prices after the arrival there of **Aldi**.

Jacinda Ardern and **Kris Faafoi** announced the next industry for a study under a Labour-led govt would be building materials by the end of 2021, also bookmarking years of complaints from builders about the dominance of **Fletcher Building** and **Carter Holt**, both of whom have integrated their manufacturing operations with distribution chains. Again, the contrast with lower Australian prices was cited in the announcement.

**Judith Collins** got in on the act during the second debate, suggesting **National would legislate to claw back wage subsidies from profitable companies who went on to sack hundreds of workers**. Collins even pushed Jacinda Ardern into the counter-intuitive position for a Labour Prime Minister defending those businesses more than a National leader.

**Ardern went on to adopt the talking points of regular confidante Kirk Hope**, who was quick to distance **BusinessNZ** from Collins' rhetoric. Ardern and Hope said any such retrospective move would hurt business confidence and was effectively punishing businesses for pursuing profitability. In an echo of Federated Farmers' careful stance ahead of an expected second term for Labour, **Hope even said Collins' comments were misguided**.

"Those subsidies were passed on to their workers and we do want those companies to be viable and making money and reinvesting into their businesses so they can grow and employ people in the future," he said.

Collins later said National would take advice from officials and that retrospective legislation "wasn't ideal". "However, if we were to become govt we would pursue large companies who received wage subsidies who then went on to terminate hundreds of jobs," she said.

## A helipad's worth of subsidies?

Robertson and Ardern have been remarkably sanguine about the least attractive cases of wage

subsidies being used to bolster profits and in some cases pay dividends. The best Robertson could say about **Rod Duke's** decision to pay himself \$15m of dividends after **Briscoe Group** received \$11m worth of wage subsidies was that business owners would have to deal with any reputational fallout.

But this one will continue to brew, particularly given tens of millions worth of subsidies went to overseas-owned firms paying dividends, and to firms who had previously loaded up with debt to pay shareholders big special dividends in the past. **The apparent death of moral hazard among global share market investors is changing expectations and breeding resentment across the western world.**

Corporate results over the last couple of weeks showed solid profits from the likes of **Harvey Norman, Sky City and Briscoe Group**, all of which claimed significant wage subsidies. Duke has not responded to calls from the likes of **Zuru founder Nick Mowbray** to repay the wage subsidy. Around \$500m worth of wage subsidies have been returned by those who found their revenues fell less than the expected 30% over the lockdown, including a range of blue-chip law firms. But some, including homewares, hardware and furniture stores saw sales surge back with a vengeance after the end of lockdown, allowing them to claim the subsidy and still be profitable.

## Hope of Trans-Tasman bubble grow again

Buoyed by no new communally transmitted covid-19 cases here in the last week, **Jacinda Ardern and Australian ministers have started talking about opening up a trans-Tasman bubble, possibly before Christmas**. The slide in fresh cases in Melbourne and single-digit or no new cases per day in Sydney, Brisbane, Adelaide and Perth has also renewed confidence.

She said the Australian govt was looking at a hot-spot regime, but it would take "a little bit of work to see how that would be deployed." Australian ministers talked about allowing NZers in, rather than allowing Australians out.

Australia still has strict and low limits on arrivals. Canberra halved the lucky country's weekly arrivals quota to just under 4,000 a week or 16,000 a month on Aug 7. **Australia's limit is barely above New Zealand's monthly capacity of 14,000, even though it has five times the population.**

It can't come soon enough for **Air NZ**, which reported at its annual meeting this week it had drawn down \$110m of the govt's expensive \$900m convertible loan. Even after laying off 4,000 staff and mothballing its long-haul fleet, the airline is still

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burning through \$65m-85m in cash each month.

Chair **Dame Therese Walsh** told the meeting Air NZ hoped to complete its current capital structure review by early 2021, with a capital raising before June 2021. The \$900m convertible loan's terms, including interest rates of up to 9%, were set in the depths of the crisis in March.

The govt has already said it wants to maintain its 51% shareholding, which implies it will participate in any capital raising, although any minister playing very hard ball could look to enforce the terms of the convertible loan to dilute the stake of private shareholders.

### Second crossing?

The partial closure of the **Auckland Harbour Bridge** reignited debate about a need for a second crossings. National pledged to make it a priority and Jacinda Ardern said the issue was under consideration, but a new crossing was years away.

### Covid-19 migrant relief

The Foreign Nationals Support Programme was extended from Sept 30 to Nov 30. To date, over 7,000 people have received support, helping them access basic needs like food, accommodation and medical support, while they explore options to return home or are able to find other ways to support themselves.

About 11,000 people in NZ with expiring working holiday visas will be automatically given a Supplementary Seasonal Employment visa. Employers can hire these workers for roles usually filled through the Recognised Seasonal Employer scheme, or for jobs with an accredited SSE employer.

The govt established class exceptions for border entry for up to 30 veterinarians, 570 deep sea fishing crew, and 210 agricultural and horticultural mobile plant operators, all time-limited.

Meanwhile, **Auckland moved to level 2**, with eased restrictions on gatherings of up to 100 permitted, while the rest of the country moved to alert level 1. Auckland's level 2 will be reviewed on Monday with the expectation of a return to level 1 next week.

Face masks remained mandatory on flights when covid-19 alert levels moved down.

The govt committed \$27m in covid-19 vaccine development through the global COVAX Facility. It will act as a pre-purchase and additional funding will be required to purchase vaccines if any candidate is successful, but the exact amount is not known. The agreement will ensure NZ receives enough vaccines to cover up to 50% of the population of NZ and the Realm, which includes Tokelau, Cook Islands and Niue.

### Negative rate lending direct to banks by Christmas?

The **Reserve Bank** held its quantitative easing programme at \$100b and kept the official cash rate at 0.25%, while signalling direct bank funding at zero or even negative interest rates could start this year. It effectively decoupled its previous connection of a negative Official Cash Rate from its Funding for Lending programme, which could see the bank create loans directly to banks at 0% or lower to encourage them to lower mortgage rates below 2%.


**First home buyers and rental property investors are gearing up for the even-lower-rate loans-for-even longer**, jamming open homes and lifting sales volumes through Aug and Sept. **Corelogic** reported house prices rose 0.8% in the three months to the end of Sept and were up 7.8% from a year ago, despite the economy slumping into its worst recession in living memory. **Auckland house prices rose for the first time since lockdown and hit a fresh record high of an average \$1.08m**. Wellington prices were up 11.4% to an average \$797,000.

The public housing waiting list increased to nearly 20,000 households at the end of July. The waiting list was 5,844 at the last election.

Banks may be lending on residential property, but remain wary of increased business and farm lending. Reserve Bank figures to the end of Aug were released this week and showed bank lending to home owners up \$2.1b in the month to \$284.4b, while business lending fell almost \$0.5b to \$117.7b. Farm lending was flat for the month at \$63.1b.

**Overall bank lending to households has risen nearly \$8b since the first lockdown, while business lending has fallen \$6b and farm lending is up just \$0.2b**. This underpinned **Adrian Orr's** early Sept call for more "courage" from the banks.

**New lending figures show the banks are fuelling a lot more spring activity in the market**. First-time home buyers and investors drove a \$1.4b increase in new lending to \$6.8b in Aug from a year ago, the highest level for late winter lending since the Reserve Bank started recording the data seven years ago. This was reflected in a year-on-year increase in the value of new mortgage commitments to first home buyers of 45.6%, with investors up 42%. High LVR lending has almost doubled to around \$800m a month.

**ANZ's** monthly business confidence survey for Sept showed a continued rebound in confidence about business' own activity, which is a less politically-correlated measure of confidence. A net 5.4% were negative about the next year's prospects for their own businesses, well above the April low of negative 55.1%. 

## A2's 'daigou' dunking

Covid-19 continues to disrupt the economy, corporate life and investing in the most unexpected ways. NZ's second-largest listed company, **A2 Milk**, announced this week that a shortage of Chinese tourists and students visiting Australia and NZ and taking home cans of its much-sought-after baby formula had forced it to downgrade its sales expectations for the first half of the financial year by 10%.

Its shares fell 18% this week, wiping \$2.4b off its market capitalisation. Ceo **Geoff Babidge** said Melbourne's second lockdown starting in Aug had been the most damaging to the so-called 'daigou' trade, where tourists and students either take home or send home products personally in ways that circumvent import tariffs and controls.

The corporate or wholesale daigou trade was mostly based in Victoria and the Melbourne lockdown had hit both the logistics of the trade and the state's reputation, ceo Geoff Babidge said.

"The reality is, for product finding its way to China, there has been less confidence," because of perceptions that Victoria's govt had lost control of covid-19.

"This is not a brand issue – our brand markets are strong in China," he said. "Internationally, NZ is seen to be streets ahead of any other country" in managing the covid-19 outbreak.

Babidge expected the trade to recover in the second half, and there were also strong sales coming through the company's direct sales channels into China, including through Mother and Baby stores and e-commerce. He said Covid-19 had accelerated A2's trend away from depending on daigou, which had been A2's first entry point into China.

Investors were particularly unhappy when it emerged that chairman David Hearn, Asia Pacific ceo Peter Nathan and Babidge had sold significant chunks of their holdings in late Aug, ensuring they received about \$9m more than they would have if they'd sold a month later.

Babidge defended the share sales, saying directors and executives complied with their continuous disclosure obligations and had only short windows to sell shares in the wake of the full financial year results for 2019/20.

Australia's **Wilson Asset Management** sold all its shares after the profit warning.

"Our main concern was that the bulk of the company's key executives were selling – and not insignificant amounts – combined with the fact that there were already lingering concerns around

daigou channel demand patterns, we felt the outlook was increasingly challenging in the short term," Wilson Asset Management analyst Shaun Weick was reported as saying.

## When panicking is a bad idea

In the past year, \$1.5b flowed out of growth oriented KiwiSaver funds into more conservative cash funds as more than 250,000 people panicked amid the historic share market crash. The Financial Markets Authority's annual Kiwisaver review found many of the 256,393 fund switches happened in the last weeks of March, locking in losses at the worst possible moment. The FMA also expressed concern that fees paid out rose as funds under management grew, contrary to its expectations.

## The little guy wins again

**Tatua Cooperative Dairy** reported record pre-tax earnings of \$151m before retentions for the 12 months ended July 21, up from \$140m a year earlier, as revenue rose 4.7% to \$381m. It confirmed a cash payout of \$8.70/kgMS, a 22% premium to the \$7.14/kgMS paid to **Fonterra** suppliers and more than the \$7.30/kgMS paid to **Synlait Milk** farmers. Tatua paid \$8.50/kgMS in 2019.

## Corporate actions

**Serko** went into a trading halt while it completed the bookbuild for an unexpected \$55m equity raising. The relatively cash-rich company has decided to raise capital to support growth opportunities it sees in the highly-disrupted travel industry.

**My Food Bag** hired PwC to consider whether it should place an IPO on the NZX.

**Synlait Milk's** annual profit fell 9%, within guidance, as it bore the cost of recent investments to broaden its earnings base. Net profit fell to \$75.2m from \$82.2m a year earlier, largely due to a 53.6% increase in employment costs to \$78.7m and a higher average milk payout of \$7.30 per kilogram of milk solids, up from \$6.58/kgMS a year earlier. It said a new deal with a multinational would diversify its supply from its A2 Milk focus from July 2023.

## Energy and Regulation

The **Commerce Commission** approved **Transpower's** proposal to recover up to \$143m of spending to manage voltage stability in the Waikato and upper North Island in case more North Island thermal generation is retired in the coming years.

**Mercury** trimmed its full-year earnings guidance by \$10m due to ongoing dry weather in the central North Island. It expects to report earnings of \$505m

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assuming its dams produce 3,700 GWh, down from the 3,900 GWh it forecast five weeks earlier. Mercury usually expects to generate about 4,000 GWh from its dams annually.

### Banking and finance

**Refining NZ's** shareholder Mobil is disputing the company's plans to simplify its operations at Marsden Point.

**Kiwibank** is to pay \$5.2m to 48,000 home loan customers in a settlement with the Commerce Commission after self-reporting its disclosure policies were inadequate. Kiwibank increased its gross lending 1.5% to \$22.38b in the June quarter when most banks were dialling it back as provisioning for bad covid loans saw the sector's profits shrink by 13.3% to \$776.9m.

### Retail and wholesale trade

**Kathmandu Holdings** says covid-19 store closures cost it about \$135m in lost revenue as it reported an underlying net profit of \$31.5m for the year ended July 31, down 44% from a year earlier. Earnings before interest, tax, depreciation, and amortisation were down 15.3% to \$83.4m with sales down across its NZ, Australian and US operations.

**Hallenstein Glasson** will pay full-year dividends totalling 39 cents per share, after claiming \$5.1m in wage subsidies. It reported a \$27.7m profit for the year ended Aug 1, a decrease of 4.2%, but said online sales grew 46.8% on the previous financial year.

### Tourism

**STA Travel** creditors voted to put in liquidation with \$11m owed.

### Transport and logistics

**Port of Tauranga** successfully placed \$100m in five-year fixed-rate notes following an institutional bookbuild at an interest rate of 1.02%.

### Courts and regulation

The **Financial Markets Authority** blocked **CLSA Premium NZ** from offering derivatives to retail investors for failing to meet audit and assurance obligations.

**Forestlands** founder **Rowan Charles Kearns** was

named as the individual facing more than a hundred criminal charges for financial misconduct.

### Technology and IT

**Gentrack** expects earnings will beat the top end of analysts' forecasts of about \$11m for the Sept 2020 financial year.

### Good jobs, trade and confidence

The number of people claiming unemployment benefits was largely stable following 100,000 workers coming off the govt's wage subsidy programme. There were 120,176 jobs supported by the programme and its extensions on Sept 18, down from 217,912 seven days prior and a peak of 1.66m on May 29. JobSeeker benefit recipients rose 1,498 to 202,274, up from 142,433 a year earlier.

**Imports** fell nearly \$1b in Aug, leading to the largest annual trade surplus since 2014. The \$1.3b annual goods trade surplus for the Aug 2020 year reflected a rise in exports and a fall in imports over recent months. Imports of crude oil, cars, and other vehicles were much lower than usual following the pandemic.

Higher **kiwifruit volumes** boosted total **goods exports** by \$349m (8.6%) from Aug 2019 to \$4.4b in Aug 2020. Fruit rose \$104m (28%) to \$470m, led by gold kiwifruit (up \$80m or 48%). The rise was quantity-led, but average unit value also rose 8.3%. Dairy was up \$55m (10%), and wine by \$30m (18%).

### People moves

**Kiwibank's** former head of business partnering, **Daria Murray**, has been appointed to replace **Richard Dellabarca** as chief executive of the government's venture capital fund. Murray, who was previously a member of the Fonterra senior management team with responsibilities for capital markets and investor relations, will take up the role in late October after Dellabarca unexpectedly vacated the job earlier this year.

The NZX announced its chief information officer, **David Godfrey**, had resigned and would leave the company at the end of 2020, following a string of cyber attacks that stopped share trading in August.

**Stephen Tindall** is stepping down from the board of The Warehouse and his son **Robbie Tindall** has been nominated as a director for the group. ■