HUGO*vision*

Assessing the economic and political environment in New Zealand

March 5 2021 | Confidential to HUGO members

Snap lockdowns fraying tempers

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The Government appeared rattled and behind the curve during this second snap lockdown in a month. Public compliance is fraying and the health bureaucracy's capacity issues do not appear to be improving. The Ministry of Health has been too resistant to new technologies to assist tracking and testing and to external sources of advice. In calling for more transparency on the path through vaccination to the opening of the borders, business leaders were in fact challenging the Government to prove it has such a strategy.

National and ACT gain some traction finally

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As a result, the Opposition's criticism of the Government's testing and border strategies, along with compensation for isolated workers, finally gained Act in particular, but also National, some traction this week. Both were ahead of the Government on the issues of saliva tests, dedicated isolation facilities, poor tracking success rates, and isolation payments as an alternative to lockdowns.

RBNZ zeroing in on DTI as main housing lever

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Grant Robertson briefly spooked the financial markets late last week by formally ordering the Reserve Bank to take housing into account in its monetary and prudential decision-making. Bond yields and the currency jumped on fears it would mean the central bank would have to run tighter policy. Governor Adrian Orr soon hosed that down, saying the bank focused on inflation and jobs with rates policy. He was more open to Robertson's urgings to use LVR and DTI tools to target investors, although the execution will be tricky.

Councils implode under funding and growth pressure

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Councils all over the country are struggling to deal with falling revenues during covid-19 and their debt ceilings, especially for the growth councils of Auckland, Hamilton, Tauranga, Wellington and Christchurch. The pressures burst into the open in Wellington.

Govt tiptoeing towards tighter migration settings

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Immigration Minister Kris Faafoi quietly announced a review of skilled work visa settings, indicating employers would find in harder to return to pre-covid-19 levels once the borders reopen. But the comments remain tentative and free of any targets or limits.

InfraCom worried about RMA repeal moves

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The Infrastructure Commission is concerned the direction of current RMA reforms may still make it difficult for big infrastructure projects to get off (or under) the ground, given the insertion of what chair Alan Bollard called 'red lines' that stopped tough tradeoffs.

Tax windfalls creating room for rabbit in Budget hat

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The Government's books look healthier by the day with net debt to GDP still only just over 31% and the prospects growing of a surplus within a couple of years. That could create room for a rabbit to be plucked from the Budget in May.

Weekend freedom?

As Hugovision goes to print, Cabinet is meeting to decide whether to extend or downgrade Auckland's level-three seven-day lockdown beyond Sunday morning. The announcement is due at 4pm on Friday.

The signs this morning were good for a return to level two for Auckland and level one for the rest of the country. There were no new community cases revealed overnight, but there are still some nerves that potential cases from the gym-and-school-visiting spreader may emerge later. Fingers crossed.

Are we there yet?

The decision follows a distinct fraying of the nerves of the 'team of five million' as the finish line of the covid-19 pandemic seems close enough to touch – but not just yet.

The Government's previously sure-footed approach to communications and moving in step with businesses has dissolved over the last week. The uncertainties around a yet-to-be-disclosed vaccination programme and the post-covid management of the border prompted a full-throated call for a clearer path through vaccination to border opening from a new group of business heavyweights – all chairs or former chairs of listed companies.

The rapid moves in and out of level three lockdown for Auckland and level two for the rest of the country has thrown business conferences, professional sports and festivals into turmoil, let alone personal events. This has been painful and caused resentment and new resistance to covid compliance, combined with a new level of intolerance of inept behaviour – whether close contacts ignoring the rules or government agencies confusing them.

This has also been the most politically fractious and awkward for the Government as its attempts to be more nuanced about its levels, types of contacts and messaging. It seemed to tie itself in knots over what 'casual plus' meant and who should be self-isolated and when. This complicated the PM's attempts to pivot from 'be kind' to 'dob in the rule breakers.'

The 'explaining is losing' adage came to mind as the debate over who was to blame ended in a game of who said what to a KFC worker and whether the PM should apologise to her for subsequent online abuse.

Manukau ward councillor **Fa'anana Efeso Collins** suggested NZ is "slowly moving into the post-kindness phase, where instead of being a team of 5 million, we are hearing that people just need to be compliant".

Businesspeople outside Auckland are becoming especially aggrieved at the impact of yo-yoing lockdowns caused by actions far from their regions.

CEO Retreat 2021

The next Hugo Group CEO Retreat is scheduled to run from **dinner on Thursday August 19 to lunch on Saturday August 21**.

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

Mark your calendar now.

'Show us the plan'

A group of five chairs of the biggest NZX-listed companies were polite, but only just kind, when they jointly released a letter this week calling for NZ to 'set a clear path out of covid-19.'

They included **Patrick Strange (chair of Chorus and Auckland International Airport), Prue Flacks (Mercury), Joan Withers (The Warehouse), Rob Campbell (SkyCity, Tourism Holdings, Summerset and chancellor of AUT) and Scott St John (chancellor of The University of Auckland and chair of Fisher & Paykel Healthcare)**. They referred to Australia's vaccine roll-out plan, Britain's increasingly coherent path out of lockdown and Taiwan's success with technology managing home isolation.

The message, while coded, was clearly intended as a shot across the bows of the Ministry of Health, which has been a long time coming.

"It will be beneficial for all NZ if the Ministry of Health and other agencies take an open and transparent approach to the development of a path," the statement said.

In calling for the strategy to be shared beyond closely-held Government circles, the detail behind the vaccination delivery programme and what the priority list is, the group is effectively challenging the Government to prove that such a strategy exists.

Just over 10,000 border workers and their families have been vaccinated and covid-19 response minister **Chris Hipkins** has said health and emergency workers are next in line. But cabinet has yet to sign off on the next priorities, even though it has been sitting on advice on a vaccination schedule for weeks.

Auckland Airport ceo **Adrian Littlewood** wants more clarity and action on a border reopening plan as the vaccination rollout kicks off. He said Australia had a plan laying out the metrics for reopening and NZ needed something similar to plan towards.

His comments came after the latest Papatoetoe cases prompted the last-minute cancellation of flights across the Tasman and the end of quarantine-free entry into Australia. **Air NZ canned** some 59 flights, a combination of cancellations and refusing bookings. Bookings to Sydney and Melbourne are closed until March 6, and Brisbane bookings until March 10.

On Thursday, the **MoH** appeared to respond by saying it was looking to work with unnamed private sector suppliers on the rollout of saliva testing.

This follows criticism of the slowness of the **MoH/ ESR** testing of a Yale saliva test, when a NZ collaboration with the **University of Illinois** has already rolled out at **Auckland Airport,** and this week announced it had gained **US FDA** approval.

Meanwhile, the Auditor-General announced a review of the covid-19 vaccination programme while it is being planned and through its early stages.

Phone back on the hook

In the most concerted way since the onset of covid-19 upended the political landscape, National and ACT inserted themselves successfully into the debates about testing, home isolation, border quarantining and compensation for isolated workers with constructive suggestions and criticisms.

Covid-19 spokesman **Chris Bishop** was able to get cut-through with a call for more realistic and direct Government compensation for those forced to self-isolate or go into quarantine. The current Government arrangements effectively pay them less than the current minimum wage.

The Opposition's calls for a dedicated isolation facility have also gained traction as the border lockdown has dragged on and the jury-rigged nature of the hotels being used has exposed problems with ventilation and cross-pollination of arrival cohorts.

ACT also heaped up the pressure on **Ministry of Health** and the Government as it uncovered a missing month of contact tracing data, and that success rates for January were a dismal 48%.

Support for **Labour** in Feb was down 2 percentage points to 45%, according to the latest **Roy Morgan** poll, which was taken before the latest lockdown. Support for the **Greens** increased 2 points to 13.5% from the last poll in the series in Jan.

National was up 4 points to 29% – the highest in this series for the party since April 2020. ACT was down 1.5 points to 7.5%.

Trust in the public service has also strengthened. The latest **Kiwis Count** Survey shows a sharp increase in trust and confidence in NZ's public service, with 69% saying they trust the Public Service – up from 51% the previous year. This is the highest result since the survey started in 2007.

Nats and 'culture wars'

ACT has looked disciplined and focused, producing a daily stream of pointed and credible critiques of the Government's covid response.

National's ongoing internal tensions, however, have blunted **Judith Collins's** impact on covid and an increasingly coherent line of attack on housing affordability from up-and-comer **Nicola Willis**.

Former leader **Simon Bridges** appears convinced there is political mileage for National in stoking so-called 'culture wars', his provocation of the Police Commissioner for alleged "wokeness" creating a diversion that saw him lightly censured by Collins.

Education spokesman **Paul Goldsmith**, demoted post-election from finance to the education portfolio, is also flirting in this territory. The revamped school history curriculum is ripe for such politics as it seeks to reframe the traditional NZ pioneer nation narrative to a more nuanced understanding of its colonial heritage and its impact on Maori.

The spat with the Speaker that saw both Bridges and Goldsmith ejected from Parliament is evidence, albeit not strong, that the two are beginning to work together on a more aggressive, tyro approach to Opposition that Collins will have to decide whether to tolerate or rein in. Her decision will likely be determined by whether such tactics move from their current status as distractions to become effective political tactics.

Room for child poverty moves?

Stats NZ reported some improvements in child poverty since the 2018 Families Package, but they were less than expected and reductions have stalled since then. They also don't take into account an expected worsening because of covid-19 disruptions to income.

The Government has been reluctant to roll out the full $5.2b increase in benefits recommended by the **Welfare Experts Advisory Group (WEAG)** because the fiscal impact is ongoing, unlike one-off capital project funding. Relationships to low income wages and incentives to see work are also on ministers' and officials' minds if there are substantial benefit increases.

While material hardship measures – such as the ability of families to provide essentials – decreased compared to 2019, low-income measures were relatively unchanged, Stats NZ said. One in nine children were living in material hardship, down from one in eight a year earlier. The figures come from the household economic survey, which had to stop collecting data when the country went into lockdown.

Tough love for the West Coast

The Government is pressing the West Coast Development Trust to release more than the $5m so far offered to assist south Westland communities hard-hit by a combination of covid tourism losses and the impact of climate change on glaciers which are reducing their drawcard potential. Tourism Minister Stuart Nash made clear a bid for $34.9m in special funding was a non-starter during a visit this week to the Coast.

However, there will be some room in Budget 2021 for extra spending as tax revenues roll in from a fast-recovering economy and expectations from Labour's core constituency – and pressure from the Greens – may build the case politically for some benefit adjustment.

IRD's tax machine

The broad-based and low-rate tax machine built and running smoothly on **IRD's** new systems is working a treat. The better than expected economic recovery is pumping PAYE and GST taxes into the Treasury's coffers, while Government spending is below forecasts.

High-income owner-operators have also been easily persuaded by their tax advisers to declare dividends on often very large, multi-year retained earnings before March 31 this year to escape taxation at the new 39% rate. The size of this contribution is unknown, but will be having some one-off impact on receipts.

Treasury reported this week a Budget OBEGAL deficit of $4.447b in the seven months to the end of Jan, which was $2.868b better than forecast in the Dec Half Yearly Economic and Fiscal Update.

Net debt was just 30.7% of GDP vs the 35.1% forecast in Dec and is set to dip back into the 20s if this rate of improvement keeps up.

Borrowing was $3b less than expected, raising an interesting problem for the **Reserve Bank**. It has committed to complete its $100b bond buying programme by the middle of next year, but would have to speed up its current rate of bond buying and would soon hit its agreed limit of 60% of bonds on issue. That helps explain why the RBNZ has left open the option of moving to negative rates if it runs out of runway for bond-buying.

Migration revamp

Immigration Minister **Kris Faafoi** is considering a revamp of NZ's migration policy with the currently stalled skilled migrant category a priority.

No decision has been made on re-starting the selection of skilled workers, but that would be looked at again by the end of March.

No decisions on settings have been made at this stage. Faafoi has indicated the govt does not envisage immigration levels returning to pre-covid levels and those sectors relying on migrant labour for positions that could be filled by NZers should adjust.

Meanwhile, **Immigration NZ** announced it would permanently shut its offices in Mumbai, Manila and Pretoria by March, and also plans to withdraw visa processing from its Beijing office.

Border restrictions have meant visa volumes have plunged and visa processing will be brought onshore. The Mumbai, Manila and Pretoria offices have been closed since March 2020. The Beijing office reopened last Sept and is currently processing visa applications for people who are already in NZ.

About 12,500 tourists still in NZ since the covid-19 pandemic have been granted a two-month extension to their stay. The govt does not guarantee further extensions or waivers when the changes expire.

Bollard's RMA doubts

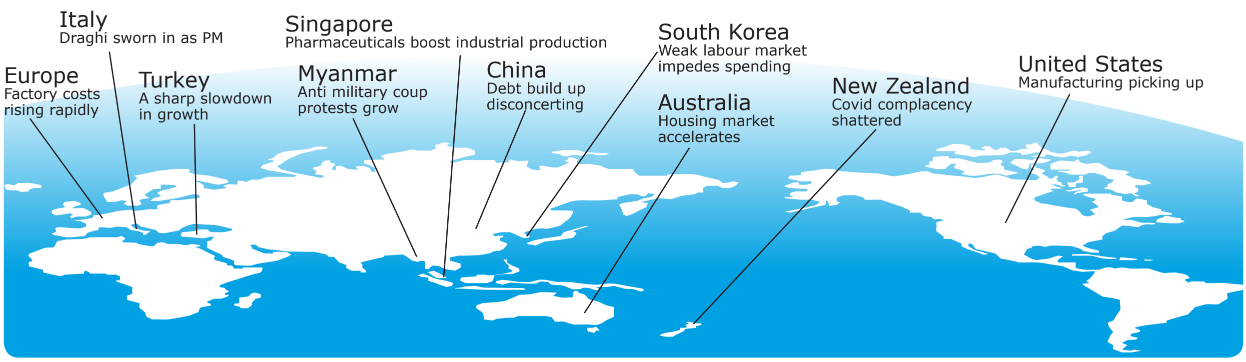
The debate has barely begun on the massive repeal and rewrite of the nation's planning, environmental protection and climate change adaption laws, but the signs are already there that it will be hard-fought.

Infrastructure Commission chair Alan Bollard laid out the risks in a speech to economists at Waikato University this week.

He said NZ had never been good at dealing with tradeoffs and the **Randerson** RMA blueprint looked to be building in 'red lines' that meant the tradeoffs would continue to be untouched.

"There is risk with the Randerson report on the Resource Management Act that it is saying 'do no damage to the environment and then you can look at other possibilities.' That isn't the trade off. That's

The world at a glance



a red line," Bollard said. "We're giving advice to government on that."

"But if we want to seriously build more infrastructure to get more productivity to improve livelihoods and well being in NZ, we do have to face some of these things."

Bollard also pointed out almost none of the 'Shovel Ready' projects agreed during the covid lockdowns last year had started.

"When we look at these shovel ready projects, almost none of them have started, even though they were awarded conditional on being design-ready and ready to start within six or 12 months," he said, blaming consenting delays and expense.

Councils fracturing ...

Collapses in parking and facilities revenues because of the covid lockdowns, along with infrastructure deficits and restive ratepayers worried about rate hikes, is putting councils under huge pressure.

The replacement of the **Tauranga Mayor Tenby Powell** and his fellow Councillors by a commission is symptomatic of stresses in many of the growth councils as decades of underinvestment in infrastructure and faster-than-forecast population growth in the last decade had put budgets in a vice.

Wellington Council is the latest, with Mayor **Andy Foster** launching an independent review of governance after a fractious budget meeting that ended with a surprise decision to privatise part of the library and cancel some cycling upgrades. Foster said the spending cuts were needed because the Council was up against its own 225% debt to revenue limit. The **LGFA** limit is 300% and Powell has called on the Government to help councils with capital and revenues more closely linked to population growth.

Googling it

Broadcasting Minister **Kris Faafoi** told a select committee he had met last week with Google and Facebook representatives. He told MPs he was confident commercial discussions taking place between traditional media and digital platforms in Australia will also begin in NZ. But he said work was taking place to assess options for regulation in NZ if the Government had to step in.

Faafoi also gave a key interview in which he indicated the 'public media entity' concept – combining RNZ and TVNZ into a non-commercial public broadcaster – is still very much a live proposition.

The Government is to conduct a review into Pharmac chaired by consumer advocate **Sue Chetwin**.

Briefly ...

From March 25, temporary entry visa class holders will be charged $5,520 for 14 days in managed isolation, up from $3,100.

The Government reactivated the nationwide covid-19 wage subsidy as Auckland will be at alert level 3 for at least a week. This will run alongside the resurgence support payment.

Trading partner growth

(2019-2020 actual; 2021-2023 Hugo and Consensus Forecasts)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
China	32.9	6.1	2.3	8.4	5.5	5.2	2.9	2.5	1.4	2.1	2.1
Australia	16.1	1.9	-2.8	3.7	3.1	4.6	1.6	0.8	1.7	1.7	2.0
United States	13.1	2.2	-3.5	4.7	3.6	2.1	1.8	1.3	2.3	2.2	2.2
Japan	7.1	0.7	-5.1	2.3	2.3	1.4	0.5	0.0	-0.2	0.4	0.8
Eurozone	5.7	1.3	-6.8	4.4	4.1	1.6	1.2	0.3	1.1	1.1	1.5
South Korea	3.4	2.0	-1.0	3.4	3.0	2.3	0.4	0.5	1.1	1.4	1.4
United Kingdom	3.0	1.3	-10.4	4.2	5.6	2.3	1.8	0.8	1.5	2.0	2.0
Singapore	2.2	0.7	-5.8	6.0	4.4	2.6	0.6	-0.2	1.0	1.2	1.5
Hong Kong	2.4	-1.2	-6.1	4.5	3.8	2.4	2.9	0.4	1.3	1.8	2.0
Taiwan	2.6	3.0	3.0	4.2	2.9	2.0	0.6	-0.2	1.0	1.3	1.5
Malaysia	2.1	4.3	-5.6	6.0	5.6	4.4	0.7	-1.1	1.9	2.0	2.0
Indonesia	2.1	5.0	-2.1	4.5	5.4	5.0	2.8	2.0	2.2	3.1	3.0
Thailand	1.9	2.4	-6.4	3.4	5.0	3.4	0.7	-0.8	1.0	1.2	1.5
Philippines	1.4	6.0	-9.5	7.3	7.0	6.0	2.5	2.6	3.7	3.1	3.2
Vietnam	1.6	7.0	2.9	7.7	6.9	6.5	2.8	3.2	2.8	3.8	3.5
India	0.9	4.2	-7.5	11.1	6.2	6.7	4.8	6.3	4.7	5.1	5.0
Canada	1.6	1.9	-5.4	4.6	4.0	2.2	1.9	0.7	1.7	1.9	1.9
NZ Trading Partners	100.0	3.4	-2.0	5.7	4.4	3.8	2.0	1.3	1.5	1.9	2.0
Forecasts for New Zealand											
Consensus		2.3	-2.9	5.1	2.7	2.5	1.6	1.7	1.5	1.6	2.0
BNZ Forecasts		2.3	-2.4	5.3	4.0	4.1	1.6	1.7	2.0	1.4	2.2
The World		2.5	-4.0	4.9	3.9	3.4	2.7	2.1	2.4	2.6	2.8

Orr stares down markets and minister on monetary policy

The **Reserve Bank** has done a lot in the last fortnight by doing nothing. It stuck to its 0.25% OCR, its $100b bond-buying programme and its threat to go negative with interest rates in its Feb Monetary Policy Statement, which disappointed some who had hoped for an indication of tightening.

The next day Finance Minister **Grant Robertson** followed through with his promise to force the Reserve Bank to at least consider the housing market with its monetary and financial policy decisions.

The direction was more political theatre than real for monetary policy, given it still has to focus on inflation and supporting full employment, but is likely to have more impact with prudential policy.

Financial markets took Robertson's directive more literally than the bank or the minister may have intended, initially pushing up the currency and interest rates in anticipation it would stop the central bank from running a loose interest rate policy.

Economists more familiar with the Reserve Bank Act and Governor **Adrian Orr** moved to hose down those expectations.

The bigger impact is likely to be on how the Reserve Bank toughens its Loan to Value Ratio restrictions and how it might implement a Debt to Income multiple limit.

Orr told this correspondent in Hamilton for an economics conference that all the weight of the directive would fall on prudential policy.

"It's prudential policy – the remit that has come from the government or the directive, I should say – is to have regard via our financial policy settings," Orr said.

"They include things such as capital weightings for banks, loan to value restrictions that we might put on lending, and in particular, for investor lending," he said.

"For monetary policy, the minister and ourselves wanted to make it incredibly clear, that remains purely focused on low and stable consumer price inflation, and contributing to maximum sustainable employment."

Focus on DTIs

Orr said the bank's main focus in advising the Government and in using prudential policy was to assess how Debt to Income multiple restrictions could affect different types of buyers and prices.

"Debt to income ratios, like loan to value restrictions, and even the official cash rate, are blunt tools. And the challenge for a more restrictive debt to income ratio means it's harder to enter the housing market, even though it may impact on house prices – lower house prices for longer," Orr said.

"What the Government wants to understand is, what's the impact for first home buyers and owner occupiers? And what is the trade-off that they might have to think about if they gave us those DTIs?"

The Reserve Bank launched a 'blanket' LVR that affected first home buyers and investors equally when it first started using the tool in 2013. It has since been refined to weigh more heavily on rental property investors.

The challenge for the Reserve Bank and the Government is how it could surgically target investors to benefit first home buyers.

"Specifically targeting them is just incredibly difficult. But that doesn't mean it's impossible. We will be highlighting to the Minister, in what ways could we target it, and also, in what ways people can get around those types of activities. So that's work on our table at present," Orr said.

The stakes are high, given any DTI limit above five would wipe out about 30% of new lending for both owner occupiers and rental property investors. The Governor's indication that DTI multiples could reduce prices would also concern the Government.

Both parties are stuck between political rocks and financial hard places. The Reserve Bank needs a buoyant housing market and low interest rates to boost the economy. The Government needs to stop run-away house price inflation, but not take actions that might cause outright house price falls. The temptation is to try to find some sort of 'Goldilocks' version of DTIs and LVRs that reduces investor demand and doesn't hurt first home buyers, but does so in a way that doesn't drive house prices down.

Some delicate prudential surgery will have to be planned.

Orr vs the markets

Financial markets are also pushing back at the Reserve Bank. The 10 year Government bond yield raced up to a high of 1.91%, moving in line with higher yields in Australia and elsewhere as some in financial markets bet on a surge in inflation.

Many market players were watching for central banks to push back at the latest 'taper tantrums'.

The **Reserve Bank of Australia** did just that this week by doubling its bond buying, but the Reserve Bank kept its power dry. For now.

Banks, insurers and fund managers

Kiwibank recorded a net profit of $55m for the six months ended Dec 31 up $4m, or 8%, compared to the previous corresponding period, while operating income was up $10m at $287m. It is also looking to close seven branches around NZ due to a significant decline in the number of people visiting them.

The high-cost, short-term lender **Moola** will credit or refund $2.8m to current and former borrowers, after settling with the **Commerce Commission** over unreasonable credit and default fees.

The first formal warning to a real estate agent under anti-money laundering legislation has been issued. **Internal Affairs** said **Property Brokers**, which has more than 80 branches, failed to meet several compliance rules. It is not alleged to be involved in money laundering or financing of terrorism.

Rocket Lab USA, the US-NZ space start up, is to merge with a SPAC, Vector Acquisition, to list on Nasdaq with a value of US$4.1b including debt.

Energy and resources

Meridian Energy plans to spend $395m building the 176 megawatts Harapaki windfarm northwest of Napier. The project was deferred in Aug when the future of the Tiwai Point smelter was in doubt. It was one of several announcements from gentailers of new renewable projects in the past fortnight.

Meridian reported a 9% decline in first-half operating earnings after low hydro storage reduced generation volumes and prices for its generation fell in Australia. Earnings fell to $422m in the six months ended Dec 31 from $465m a year earlier.

Genesis Energy raised its full-year earnings guidance, citing low national hydro storage and expected demand for generation from its gas and coal-fired plants at Huntly. The company, which earlier said it would make its third dual-fuel Rankine unit at Huntly available this winter due to the dry conditions, now expects to report earnings of $415m to $425m for the year ended June 30. Its previous forecast range was $395m-to-$415m.

Mercury NZ sliced $15m from its full-year earnings guidance due to a lack of rain in its Taupō catchment since mid-Jan. The company reported a 14% lift in half-year operating earnings and is now expecting to report earnings of $520m for the June year, down from the $535m forecast a month ago

The gas industry regulator is seeking advice on the role LNG imports and extra gas storage could play to help meet the govt's goal of making electricity generation 100% renewable by 2030. This comes after the govt asked the **Gas Industry Company** to look if there is enough gas supply to deal with dry year risk, meet gas demand and reach the renewables target.

Manufacturing and construction

NZ Steel will shed at least 80 workers by the end of June as it quits loss-making products. The firm, which in Sept warned as many as 200 jobs could go, has already stopped making pipe and halted exports of hot-rolled coil. After April it will also stop making cold-rolled annealed products.

Metro Performance Glass expects to report earnings before interest and tax between $16.5m and $18m compared with a restated $21m the previous year, a decline between 17.4% and 24.3%.

The **Whakatāne Mill** is to close with the loss of more than 200 jobs. Swiss owner, **SIG**, said producing paper and packaging was no longer economic.

Steel & Tube Holdings reported a $4.3m net profit for the six months ended Dec compared with a $37m net loss in the same six months a year earlier. This beat its own half-year guidance significantly and its cautiously optimistic about resuming dividends

Primary sector, food and beverages

Whole milk powder prices soared 21% in the latest **Global Dairy Trade** auction on surging demand from China. WMP prices are now US$4,364, the highest level in seven years. Economists hiked their milk price forecasts after the auction, but Fonterra's chief executive Miles Hurrell said it was still assessing the situation. In Feb, Fonterra lifted its forecast milk price range to $6.90-to-$7.50 per kilogram of milk solids, from a previous range of $6.70-to-$7.30/kgMS. The $7.20/kgMS midpoint would mean it a $10.98b payout to suppliers.

The **Ministry for Primary Industries** will conduct an independent review into the mycoplasma bovis response.

PGG Wrightson increased earnings to $42.1m for the six months to Dec 2020 on the strength of positive growing conditions, high farmgate prices and a buoyant real estate market.

Delegat reported a 7% increase in global sales with 1.9m cases of wine sold and $172.8m in operating revenue, up $16.1m on the same period last year.

T&G Global's profit rose to $16.6m from $6.6m the previous year, with revenue up 16% to $1.4b on the back of strong demand for its apples.

Property

Property for Industry's annual net profit fell 35.6% to $135.7m as the value of its properties rose less this year than last year. Rental income was up 1.4% to

$97.4m while adjusted funds from operations rose 3.3% to $40.1m. Its property values rose by $72.5m in 2020 after gaining $125.2m the previous year.

Precinct Properties tripled net profit after tax to $167.9m for the half-year to Dec 2020 from a comparable $53.6m the prior year, on the strength of portfolio revaluation gains of $148.5m.

Airways NZ reported a $13.8m loss for the half year ending 31 Dec 2020. Domestic air traffic levels improved more quickly than expected from July to Dec, reaching 80% of pre-pandemic levels by the end of the period.

Service industries and healthcare

Summerset Group reported $230.8m net profit for calendar 2020, boosted by a $221.1m jump in the value of its villages compared with the 2019 gain of $165.3m. Underlying earnings fell 7% to $98.3m.

Recently listed **NZ Automotive Investments** expects annual profit to be between $3.3m and $3.7m, lower than the prior year's $4.2m due to lockdown restrictions in Auckland.

Restaurant Brands improved its reported net profit after tax by 2.8% to $30.9m in its annual result. The fast-food operator says it lost sales and margin from covid-19 in NZ, but its stores in Hawaii and Californian were faring well.

Auckland Mayor Phil Goff made a U-turn on the city's contentious rate tax on commercial hotels, saying it should be replaced with a "simpler and fairer" bed tax. Goff's admission comes ahead of another legal challenge to the city's Accommodation Providers' Targeted Rate in the **Court of Appeal.**

Tourism Holdings took control of its motorhome supply chain, buying out its manufacturing partner for $9m. As covid hit the company it pivoted to RV sales and they have virtually replaced lost rental income with it reporting revenue of $205.8m in the six months ended Dec 31, compared to $207.5m a year earlier. Fleet sales almost doubled to 1,786 in the period, and the campervan operator has shed more than a quarter of its fleet.

NZX regulator **RegCo** launched a formal investigation into whether **QEX Logistics** complied with listing rules and continuous disclosure requirements on a number of matters. This includes the company's statements to the NZX regarding criminal charges for illegal exports and an alleged robbery of its warehouse last Oct.

People moves

Partner and board member **Allison Arthur-Young** has been elected as **Russell McVeagh's** chair replacing **Malcolm Crotty** who has completed his three year term.

Jon Lamonte is to be **Watercare** chief executive of Watercare. He is currently ceo of **Sydney Metro.**

Guardians of NZ Superannuation new chair will be **Catherine Drayton** after **Catherine Savage** retires at the end of this month.

Telcos, media and entertainment

Spark NZ's revenue fell 1.5% to $1.8b in the six months to Dec 31 as covid-19 border closures crimped its roaming revenue, broadband and prepaid markets.

Chorus earnings fell 2.7% in the first half as it lost copper customers in rival fibre catchments and to wireless competitors. Earnings fell to $323m in the six months ended Dec 31 from $332m a year earlier.

Moa Group sold its brewing interests to **Mallbeca**, a company associated with Moa's current chief executive **Stephen Smith**, in a non-cash deal worth $1.9m. It leaves the company with its pubs.

Sky TV reported a net profit of $39.4m in the six months ended Dec 31 from $11.9m a year earlier. Revenue dropped 7.3% to $356.9m and expenses were cut by 16.4% to $297.9m, including a $33m saving on programming such as sports events.

NZME reported full-year earnings rose 3% to $67m as cost-cutting and the wage subsidy helped it weather a collapse in advertising revenue during the pandemic. Net profit was $14.2m versus a net loss of $165.2m a year earlier, which was hit by masthead writedown. Operating profit was $22m, up 27%.

A **Vodafone NZ** restructure will see 200 jobs disestablished and 150 new roles created. The restructure means key changes at the top, including the exit of consumer head **Caroline Luey** and customer operations head **Anthony Welton**. Part of the restructure includes spending $110m on improved sales and customer support, including 100 new jobs in NZ. It will also spend $115m to develop more online products and services.

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