HUGOvision

Assessing the economic and political environment in New Zealand

April 1 2021 | Confidential to HUGO members

Politics of housing

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The Prime Minister has been rattled by the extent of negative commentary following its housing package announcements. The only clear political upside is the likelihood that the combination of a 10 year brightline test and an end to mortgage interest deductibility will spook investors and stop recent house price inflation in its track. However, the consensus that rents will likely rise, criticism of the small infrastructure component of the package, the potential for Kāinga Ora to drive up land prices with its $2b capital boost, and negative Treasury and IRD advice on the measures, have reignited doubts about the government's economic policymaking credentials.

Travel bubble start date receding

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Tuesday will see the announcement of a date for quarantine-free trans-Tasman travel, but previous indications of a mid-April start have receded. By late last week, late April looked likely. This week's Brisbane lockdown is unlikely to have been a major setback unless the outbreak is sustained. The government is more concerned about whether its border and tracing/testing regimes are really up to the task, particularly as talk of a 'fourth wave' of infection in Europe grows.

Interest-only pressure eases on RBNZ

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The NZ dollar and wholesale interest rates fell as economists and traders saw the housing package slowing economic momentum, likely requiring the Reserve Bank to hold interest rates lower for longer than previously forecast. It also increased the pressure on the RBNZ not to move too dramatically, with limits on interest-only lending in the bank's May 5 Financial Stability Report now less likely.

Council regime and funding review

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Cabinet is considering launching a full review of the legislative framework and funding arrangements for councils later this month as both the Beehive and councils grapple with the political and financial pressures of catching up with decades of under-investment for very fast population growth. Government needs councils to 'pay for their half' of the investment spending, but they and voting ratepayers feel councils don't get enough of the tax revenues from population growth.

Climate change advice challenged

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Thousands of submissions challenged the Climate Commission's relatively benign prescription, assumptions and modeling of its recommendations to get to carbon zero by 2050. Business groups saw energy use changes and the potential for the massive Onslow 'battery' proposal to cause disruption. Many challenged the government to make more use of the ETS. FirstGas released a pro-hydrogen report that also seeks to extend the life of the existing gas distribution network.

Govt blindsided by timber shortage

It remains unclear the extent to which the cancellation of construction-grade timber by Carter Holt Harvey to some retail outlets - particularly ITM - bespeaks a major supply problem in the building industry or reflects a squeeze that has seen CHH favour long-term contract holders over spot purchasers. The issue blew up from nowhere and appears mainly to reflect the house-building boom.

Text finalised April 1

The return of uncertainty

Business sentiment is weakening as the new year progresses, reflecting a combination of concern about the predictability of government policy, a weaker outlook for the domestic economy caused by a less buoyant housing market, and a mixed global picture on the course of the pandemic.

The government's housing package, while meeting a broader public concern at rampant house price inflation and unaffordability, spooked investors.

Concerns that the most controversial move - to end mortgage interest deductibility on rental properties - could be extended to other parts of the economy or areas of deductible expenses are overblown.

However, it has been a stark reminder to commercial decision-makers that a single party majority government has an unusual capacity to act.

The MMP environment since the mid-1990s was often decried in some quarters for creating policy stasis, with governments paralysed from taking decisive actions because of the objections of their coalition or governing partners.

In retrospect, this can also be seen to have led to a degree of stability and certainty that need not be a feature of a single party government.

Rather, the Labour government's willingness to make surprise decisions that unsettle investors will be dictated by its judgement as to the impact of such decisions on the 2023 election.

With the government apparently keen to move forward on the massive Onslow hydro storage project, this week's *Downstream* energy sector conference was notable for an unusually large number of senior industry leaders attending.

However, one seasoned observer suggested that the **energy sector has not adjusted to the new "authorising environment"** created by a government with absolute capacity to act. The sector has become accustomed to blunting threats to the status quo but may be more at risk than in previous, multi-party government environments.

The housing package gamble

Jacinda Ardern and **Grant Robertson** took the **Labour** government's biggest political risk outside of the covid-19 lockdowns with the interest deductibility shock for landlords in last week's housing package.

Landlord lobbyists expressed disbelief at the proposal to block one particular type of business from claiming one particular type of business expense.

Regulatory impact statements from the **Treasury** and **IRD** were both negative about the changes, and light on analysis.

IRD opposed interest deductibility without explanation and said a longer 'brightline' test would reduce housing liquidity because of the 'lock in' effect. Treasury, which was asked for advice on Nov 18, opposed the interest deductibility move because it said it had not had enough time to analyse the complex effects of the two policies together. Treasury preferred a 20 year brightline test because property investors would be unlikely to wait out a two decade restriction on sale. At 10 years, many would 'lock in' their investment for that time to avoid paying tax under the brightline test.

Ardern and Robertson argued the measures tilted the balance in favour of first home buyers and would help lift supply because the interest deductibility block and the brightline extension would not apply to investors buying new homes.

This promise, albeit unsupported with detail, softened the blow for property developers although officials advised that it may ignite price inflation for new builds.

Neither IRD nor the Treasury produced forecasts or indications of what the changes would do to house prices, rents or the economy more broadly.

Ardern and Robertson said there was a mix of advice and declined to give a view, other than to say the moves would exert "downward pressure" on annual house price inflation rates that escalated to more than 20% in some cities in early 2021.

Details remain to be settled around the boundaries of what a rental property is for deductibility and brightline purposes, or how long the exemption for new homes will last.

The package contains significant elements of tax retrospectivity which will only be fully understood during the consultation and parliamentary process.

No new houses funded. Yet.

The package was presented as a combination of both supply increase and demand reduction measures, but didn't include new funding for new homes.

Instead, the focus was on the precursors for new homes. The government announced a modest $3.8b capital grants fund for housing infrastructure that councils and others could apply for.

The previous government's $1b **Housing Infrastructure Fund**, which issued loans rather than grants to councils, was launched in 2016 and stopped operating in 2018 with almost $100m unused.

The package included $2b of new money for Kāinga Ora to buy land parcels needed for larger brownfields urban developments. Its programme of 18,800 new home builds by 2024 was unchanged, although it is expected that further funding will be announced in **the Budget, which will be released on May 20.**

Council review in pipeline

Cabinet is considering a major review of councils' legislation and funding streams as the sector struggles to digest major resource management law and 'three waters' reform.

LGNZ Chair Stuart Crosby disclosed the government is planning an announcement in April of a review of councils, including "sustainable funding streams."

The Beehive and councils are struggling with a fundamental mismatch between the ninth floor's desperation for new housing supply and the intransigence of voting ratepayers wanting low rates and low debt.

Effectively, the housing supply crisis cannot be solved without the approval of council election voters, who currently don't see 'growth paying for growth' and keep vetoing by stealth the high population growth favoured by both major parties.

The government's round of workshops to introduce RMA reforms and wrangle support for its three waters amalgamation plans has highlighted the need for a new settlement on council funding. The push to implement the National Policy Statement on Urban Development to encourage denser housing developments is further clouding the outlook.

Local and central political antennae are tingling as a rash of rates increases and debt surges are being pushed through by councils in their long term plan processes. Hefty rates increases will dominate next year's local body elections.

Councils want a share of the revenue benefits of population growth, which central government claims through GST, PAYE and corporate profits.

Allowing councils a share of GST receipts broadly linked to construction spending or population growth is a long-standing ask. However, there is little enthusiasm for this at the Cabinet table or from officials.

There appears to be more potential in councils gaining access to new revenue streams from the introduction of environmental taxes, such as congestion charges. In the case of the latter, the ensuing reduced traffic congestion would also take pressure off councils' roading capital budgets. Transport Minister **Michael Wood** is expected to push thinking congestion charging along in coming months.

Central government agencies and the major political parties doubt local councils' capacity to deliver well, even with better funding, so are more likely to structure new revenue and infrastructure opportunities on an opt-in/strings-attached basis.

This can be seen in both the three waters reform blueprint, which requires council buy-in to water entity amalgamation for central government funding to flow, and in the rules for the new $3.8b urban infrastructure fund announced in the housing package. Councils will need to demonstrate commitment to implementing denser urban form, as envisaged by the NPS on Urban Development, to access the fund.

Meanwhile, the Infrastructure Funding and Finance Act passed last year has yet to generate another Milldale-style project to fund infrastructure for housing. **Grant Robertson** is said to be pushing for a deal to be done within months, but the IFF remains a legislative white elephant deemed unfit for purpose by councils who would prefer to soft pedal on development to keep debt-and-rates averse ratepayers on side.

Travel bubble

Apparent ministerial enthusiasm last month for the trans-Tasman bubble to happen sooner rather than later is dissipating.

The PM was never on board with Covid-19 Response Minister Chris Hipkins's aspiration of a mid-April opening.

Even before this week's Brisbane outbreak, tourism operators were being prepared for a late April date to be announced next Tuesday. That may yet be a date in May. As a close private sector adviser to the government, Rob Fyfe's cautious comments this week must indicate ongoing political nervousness, which is based in part on the belief that public support for the bubble is on a knife-edge with a public preference for the safety of hard borders. That concern is exacerbated by concerns about whether resilience of border control, tracing and testing regimes are really strong enough.

Meanwhile, employers may have slightly more room to bring in staff with skilled work visas. MIQ said this week hundreds of places had opened up in April, creating the most free space since Oct. It is reserving 10% of the places for skilled work visa entries.

Coming up

April 6 - Trans-Tasman bubble date(s) due

April 6 - Parliament resumes for a two-week session

April 14 - RBNZ monetary policy review due

May 4 - Parliament resumes for a three-week session

May 5 - RBNZ FSR due

May 20 - Budget 2021

May 31 - Climate Commssion advice due

Climate challenges

More than 10,000 individuals and organisations made submissions on the Climate Change Commission's draft carbon budgets and associated policy advice by the extended deadline last week.

Business groups, electricity generators, **Fonterra** and oil and gas producers and distributors challenged the Commission's assumptions, modeling and recommendations.

Business groups called on the government to let a tweaked ETS do its work with a higher carbon price, rather than using vehicle and gas bans. They also challenged assumptions electricity prices would fall 30% with the assumed exit of **Methanex** and **Tiwai Pt** freeing up **Manapouri** power and Taranaki gas to drive wholesale price reductions needed to encourage the electrification of transport.

Energy industry submissions were also widely dismissive of the government's push to consider building the Onslow hydro storage project as a renewable battery, saying its effective cost of over $1,000/tonne of carbon made it uneconomic.

Genesis Energy submitted concerns that unless there were structural changes to the operation of the wholesale electricity market, high carbon prices could stifle the swift uptake of electricity as a route to decarbonisation.

Meanwhile, **Contact Energy** is concerned that the new transmission pricing methodology will ruin the economics of large-scale battery storage.

The CCC will now analyse the submissions to determine what changes to incorporate into its final advice due to be presented to the government by May 31.

Hydrogen feint

Coinciding with the CCC submissions was a new report commissioned by gas retailer and distributor **FirstGas**, laying out a pathway to the widespread use of hydrogen in the decarbonisation push.

It produced a timeline for actions to include **20% hydrogen in the natural gas network by 2035,** with no appreciable change in the quality of the energy provided.

The plan could see 100% hydrogen carried in the existing network of gas pipelines, including potentially closed LPG networks such as exist in Christchurch, by 2050. However, there would need to be investment in upgrades to deal with hydrogen's capacity to leak from and cause 'embrittlement' in existing pipes.

FirstGas's **short term agenda appears to be to try and establish in policymakers' minds the value post-2025 of the gas network,** which faces threats from the CCC's recommendation that there be no new natural gas connections from mid-decade. The value of the network lies not only in the pipes themselves, but as much in the land easements that carry the pipes and would almost inevitably be extremely difficult to replicate from scratch.

A public-facing campaign, effectively seeking to 'save the bbq', also appears to be in the works, reflecting the CCC's suggestion of a gas network closure.

Luxon's pitch to lead

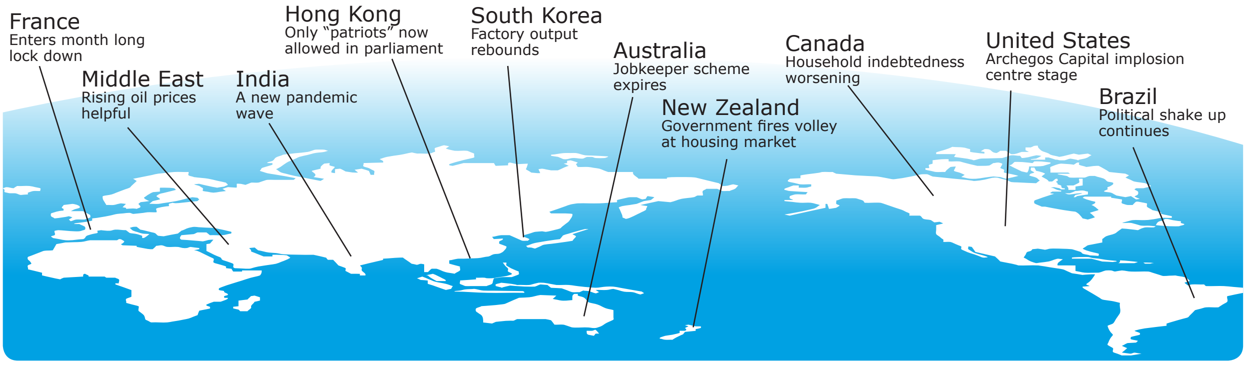
Former **Air NZ** ceo and rookie **National** MP, **Christopher Luxon**, delivered his maiden Parliamentary speech last week and used it to make a big picture pitch for leadership from the political centre.

He highlighted his moves at **Air NZ** to eliminate the gender pay gap and create a three-week paid leave programme for victims of family violence.

Luxon spent more than half the speech talking about nation-building issues, including improving productivity, lifting research and development investment, and dealing with an infrastructure crisis.

"We need an overarching vision, new funding and

The world at a glance



financing mechanisms, upgraded legislation, and better project management and execution."

"Investing in world-class infrastructure that effectively connects, transports and develops information and ideas, people and products, is critical to NZ's creation of wealth and the distribution of prosperity leave programme," he said.

Luxon also addressed the media focus on his strong Christian faith, which is seen as a potential turn-off to swinging voters.

He described his faith as personal and said no religion should dictate to politicians or the state, and that no politician should use that position to force their faith on others.

"A person should not be elected because of their faith and nor should they be rejected because of it."

Luxon's vote last month along with 14 other conservative MPs against legislation that would have allowed safe zones around abortion clinics was featured in commentary on his faith.

Auckland light rail

By creating a six month review process for the Auckland light rail project, new Transport Minister Michael Wood is seeking to draw a line under the debacle created by his predecessor, Phil Twyford.

As the MP for Roskill, which the project would traverse, Wood is deeply committed to it occurring. His personal view is that **the service must be 'grade separated'** - meaning that it must travel somewhere other than on an existing road and be separate from other traffic. That favours a raised rail option.

Briefly

The government is providing **another $170m to support the air freight sector** through to the end of Oct. Proposals from airlines and carriers are being sought with existing agreements due to expire at the end of April.

Debate over how to put the tourism sector on economic and environmentally sustainable settings continued with Tourism Minister **Stuart Nash** releasing the **Tourism Futures Taskforce** interim report which he received in Dec.

Foreign Affairs Minister **Nanaia Mahuta** said in a tweet: "NZ is appalled by the violence and killing of civilians by Myanmar's security forces, including recent reports that several young children have been killed. The despicable acts of violence against the people of Myanmar must stop."

Newshub reported the **National** caucus voted down its Leader Judith Collins's decision to oppose a law making the director-general of health responsible for decisions around fluoride in water.

Newshub reported one unnamed National MP saying it's rare to have such votes in caucus and "There's no way the party will go into 2023 with Collins as leader".

Collins denied the report and National later supported the Ministry consulting with local **DHBs** on the issue, seen as a compromise position.

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	5.4	5.1	2.9	2.5	1.5	2.5	2.4
Australia	16.1	1.9	-2.4	4.1	3.1	2.6	1.6	0.8	1.9	1.7	2.2
United States	13.1	2.2	-3.5	5.7	4.0	2.0	1.8	1.2	2.4	2.2	2.2
Japan	7.1	0.7	-4.9	2.8	2.3	1.1	0.5	0.0	-0.1	0.5	0.8
Eurozone	5.7	1.3	-6.8	4.3	4.2	1.5	1.2	0.3	1.5	1.3	1.8
South Korea	3.4	2.0	-1.0	3.5	3.1	2.2	0.4	0.5	1.3	1.5	1.8
United Kingdom	3.0	1.3	-9.9	4.6	5.8	2.3	1.8	0.8	1.6	2.0	2.0
Singapore	2.2	0.7	-5.4	6.1	4.5	3.0	0.6	-0.2	1.1	1.2	1.5
Hong Kong	2.4	-1.2	-6.1	4.4	3.8	2.4	2.9	0.4	1.4	1.7	2.0
Taiwan	2.6	3.0	3.1	4.7	3.0	2.2	0.6	-0.2	1.2	1.3	1.5
Malaysia	2.1	4.3	-5.6	5.6	5.8	4.2	0.7	-1.1	2.0	1.9	2.0
Indonesia	2.1	5.0	-2.1	4.6	5.7	5.1	2.8	2.0	2.2	3.1	3.0
Thailand	1.9	2.4	-6.1	3.3	5.2	3.2	0.7	-0.8	1.1	1.1	1.5
Philippines	1.4	6.0	-9.5	7.1	7.0	5.4	2.5	2.6	4.2	3.1	3.5
Vietnam	1.6	7.0	2.9	7.8	6.9	6.5	2.8	3.2	2.8	3.8	3.5
India	0.9	4.2	-7.4	11.9	6.2	5.6	4.8	6.2	4.8	5.1	5.0
Canada	1.6	1.9	-5.4	5.5	3.8	2.0	1.9	0.7	2.1	1.9	2.0
NZ Trading Partners	100.0	3.4	-1.8	5.9	4.4	3.4	2.0	1.3	1.7	2.0	2.1
Forecasts for New Zealand											
Consensus		2.3	-2.5	4.8	2.8	2.5	1.6	1.7	1.7	1.6	2.0
BNZ Forecasts		2.4	-2.9	3.9	3.9	2.5	1.6	1.7	2.1	1.5	2.2
The World		2.5	-3.7	5.3	4.1	3.1	2.7	2.1	2.6	2.7	2.9

RBNZ caught in crossfire again

The biggest immediate reaction on financial markets to the interest deductibility shock for the housing market was a sharp drop in the NZ dollar below 70 USc and a fall in wholesale interest rates. Traders priced in expectations the **Reserve Bank** would have to keep interest rates lower for longer to offset the potential for a weaker tailwind from the real estate wealth effect for consumer spending and small business investment.

Some economists extended out their forecasts for the first rate hikes until later next year or 2023, while others suggested the RBNZ might back off restricting interest-only lending when it releases its Financial Stability Report on May 5.

The bank is not expected to get permission from **Grant Robertson** to introduce a debt-to-income multiple because of the danger it turns into a blunt instrument that restrains first home buyers - particularly those on lower incomes - more than landlords.

The **RBNZ encouraged banks to lend more by announcing this week it would start letting them pay dividends** at a rate of 50% of profits immediately, with the full removal of restrictions planned for July 1 next year.

Banks were banned from paying dividends in April last year in the immediate aftermath of the first covid-19 lockdowns, aiming to bolster capital levels and prevent any outflows to parents overseas. The ban was extended last Sept.

Landlords & first-timers back off

Economist **Tony Alexander's** latest survey of 71 mortgage brokers found a net 3% said they are seeing more first-home buyers, down from 19% in Feb and 33% in Jan. A net 46% of advisers reported they are fielding fewer inquiries from investors, the second month in a row this measure has been negative.

But it's **not clear it's having an effect on prices** yet.

CoreLogic data released today showed annual inflation across NZ of 16.1% in March with annual inflation rates rising over 30% in parts of Auckland, Taranaki, central Hawkes Bay, Gisborne, Napier, Rotorua, Palmerston North and Gore.

Appraisal numbers through agents remained consistently high throughout March, indicating sellers have yet to freeze their sales to avoid losses in a weak market.

CoreLogic also reported mortgage related valuations ordered by banks had already started to fall in the second half of March, but stabilised at the end of the month, despite the surprise housing moves.

Confidence wavers in March

Headline business confidence in the ANZ March survey fell 11 points to a net -4%, while firms' own activity outlook fell 4 points to 17%. All forward-looking activity indicators were lower in the second half of the month.

The construction sector reported being much less busy, though it still had the strongest activity expectations across the economy. Inflation pressures remain strong.

The dip in building was reflected in the number of new homes consented in Feb 2021 which, at 3,129, was slightly lower than the Feb 2020 figure of 3,285, according to Stats NZ. This follows a record-breaking Dec quarter, where 11,291 new homes were consented.

The number of new homes consented per 1,000 residents in the year ended Feb 2021 was 7.8. The highest number of new homes consented was 13.4 in the year ended Dec 1973.

Young consumers pessimistic

The consumer confidence index dipped 0.8 of a point to 105.2 in the March quarter, remaining below its long-run average of 109.9 in the Westpac McDermott Miller survey.

A net 1.6% of the 1,557 respondents expect economic conditions to get worse over the next 12 months, 15% anticipate their own financial situation will improve.

A feature was a **growing divergence by age group.** Confidence is much lower among 18 to 29 year olds.

"Housing affordability is a big concern, especially for many young families," Westpac Economist **Satish Ranchod** said. "That may be one reason why confidence is higher among older NZers who are more likely to be homeowners."

But farmers feeling better

The recent spike in dairy prices pushed farmer confidence to its highest level since early 2018, a Rabobank survey said.

Net farmer confidence rose to +10%, up from -23% recorded in Dec last year. Farmers expecting conditions to improve in the coming 12 months rose to 29% (up from 16% last quarter) while there were fewer farmers expecting conditions to worsen (19% from 39%).

Banks, insurers and fund managers

Westpac Group is considering spinning off its NZ banking business, possibly by a trade sale, an IPO on the NZX or an in species distribution of NZ shares to shareholders, similar to **Telecom's** distribution of **Chorus** shares.

The review will also consider the **RBNZ**'s regulatory move last week ordering Westpac NZ to commission two reports, one on its risk governance processes and practices, and the other to provide assurance the steps Westpac NZ has taken are effective. The order follows Westpac NZ's failure to comply with the RBNZ's liquidity reporting requirements between 2012 and 2020.

Prospa was granted access to the government's business finance guarantee scheme, the second non-bank lender after the **Nelson Building Society.**

Energy and resources

The **Electricity Authority** issued its 'consumer care' decisions paper, including allowing generator-retailers to continue charging existing customers more than new customers as part of a new regime it decided should be voluntary, rather than mandatory.

Concerns incumbent customers were not getting same price as new customers were raised during the 2018/19 Electricity Price Review and many had hoped for mandatory guidelines.

Manufacturing and construction

The **Commerce Commission** said it will make enquiries into Carter Holt Harvey's decision to halt structural timber supply to some of its customers while maintaining supply to its subsidiary **Carter's** and **Fletcher Building's Placemakers.** Forest owners insist the issue is not related to raw log exports, particularly to China, but reflects the NZ residential building boom.

New border exemptions were approved to allow overseas staff to work on the state house construction programme. **Immigration NZ** said four engineers, two system programmers and a supervisor had been approved, although none had yet arrived. **Kāinga Ora** said contractors could use the policy criteria to bring in builders for the 3,200-home programme.

MBIE said all priority earthquake prone buildings in high seismic risk areas have been identified by councils. The next step is to identify non-priority buildings and for medium risk areas to identify their priority buildings, by July 1 2022.

Ten Chinese construction workers were held in custody prior to deportation after they were found to have been unlawfully in the country. The **Unite Union** is campaigning on their behalf, suggesting they are victims of worker exploitation who have now also been subjected to prison detention and denial of representation.

Primary sector, food and beverages

The **Ministry for Primary Industries** is putting $8m into Lincoln-based company **Leaft Foods'** $20m project to develop and sell a protein concentrate made from leafy crops.

NZ King Salmon made a $7.1m net loss in the seven months ended Jan 31, citing excess inventory due to the covid-19 pandemic.

Silver Fern Farms will pay $8.1m in dividends after a slight dip in net profit to $65.4m for the year to Dec 2020. **Westland Milk** will invest $40m to double the capacity of its consumer butter manufacturing facility to 42,000 tonnes a year in a bid to tap into the fast-growing global butter market.

Synlait Milk reported a 76% drop in net profit in the six months to Jan 31 and warned of significant uncertainty and volatility. Net profit was $6.4m as consumer-packaged infant formula sales fell 16%.

Kiwifruit companies **Seeka** and **Opotiki Packing and Cool Storage** are to join via amalgamation. OPAC shareholders will receive new shares in Seeka at the ratio of 1.4833 Seeka shares for every 1 OPAC share held, valuing the net assets of OPAC at $33.94m. Seeka will assume $25.06m of debt in the deal.

NZ Apples and Pears is forecasting a further drop in harvest this year due to a lack of pickers. The industry now expects the export share of the gross national crop to be around 347,718 metric tonnes or 19.3m cartons, 14% or $95-$100m below 2020.

Property

Oceania Healthcare is raising up to $100m of equity to pay for the $77m acquisition of an existing retirement village at Hobsonville Point and 6.1 hectares of land at Franklin. The $80m institutional placement was fully subscribed at a fixed price of $1.30 per share.

Kiwi Property Group said a draft property revaluation will deliver a 3.1%, or $100m gain in the value of its properties in the six months ended March.

Precinct Properties' manager is proposing to sell its management contract to company shareholders for $215m. It wants the termination payment to be deductible for tax purposes, reducing the net cost to $145m. As a result of the transaction, $10m of fees on development projects will no longer be required to be paid. The directors secured a waiver from NZX, so the transaction won't require a shareholder vote.

Retail

Beauty brand **Me Today** appointed Ireland's **Uniphar Wholesale** and Australia's **Adore Beauty Group** as distribution partners.

Tech and IT

Waikato-based mobile game developer **Ninja Kiwi** is being bought by Swedish gaming firm **Modern Times Group** in a deal worth $271m.

Xero bought **Tickstar**, a Swedish e-invoicing infrastructure business for up to 150m krona (NZ$24.9m), half in Xero shares.

Online travel management company **Serko** said during March transaction volumes averaged 68% of the volumes in the same period in March 2019.

Early investors in **Pushpay, Peter and Chris Huljich**, sold their stake to US-based investment firm **Sixth Street Partners.** Sixth Street now owns 17.8% of the church donations software firm after buying 173m shares from the Huljich family for $320m.

Telcos, media and entertainment

Mobile challenger **2degrees** may be destined for an IPO on the NZX and ASX. Its TSX-listed majority owner **Trilogy International Partners** (73.2%) said it was considering a listing. The firm's long-time communications head, **Mat Bolland,** announced his appointment to head Air NZ's corporate affairs unit, effectively replacing former Labour Party general secretary, **Andrew Kirton**, who had been contracting to the airline in recent times.

Sky TV is offering a high-end broadband service to certain existing customers to try and win back an audience that's drifted to cheaper streaming services. It also plans to sell two of the three buildings at its base in Auckland as they're not being used.

SkyCity Entertainment appointed three new independent directors: Auckland-based corporate lawyer **Silvana Schenone**, outgoing Summerset chief ceo **Julian Cook** and Sydney-based **Chad Barton**.

Broadcasting Minister **Kris Faafoi** announced the appointment of an eight-person board to oversee the creation of a business case and charter for a merged **TVNZ-RNZ**, chaired by former NZ First MP **Tracey Martin.** Faafoi is also planning engagement in the near future with Google and Facebook, seeking an Australian-style revenue-sharing deal for NZ news media.

Transport and logistics

An independent review found systemic health and safety issues at the **Port of Auckland**. Mayor **Phil Goff** said the findings were unacceptable and the council would hold the board accountable. There were calls for the resignation of ceo **Tony Gibson**.

Air NZ said domestic business and corporate travel has defied global trends by returning to 90% of pre-covid levels. The airline had initially hoped for a return to 70% next year.

Capital markets

Infratil approved the on-market acquisition of $20m of Infratil shares by certain **Morrison & Co** executives, subject to a lock-up of 12-24 months.

Courts, legal and regulation

The court of appeal ruled former **Mainzeal** directors were liable for reckless trading ahead of the construction company's collapse. However, the judges say there was no actual loss as a result of this breach, so no compensation is due. Instead, the judges found a breach of law relating to directors' obligations and said the High Court must now work out how much should be paid for that.

The **Commerce Commission** published a paper outlining the next steps towards improving complaints services for internet, landline and mobile phone services providers. It will not be reopening the fibre input methodology for cost of capital in light of the covid-19 pandemic.

People moves

ASB chairman **Gavin Walker** will retire in Aug 2021 and be replaced by current director **Therese Walsh.**

Former **NZX** ceo **Tim Bennett** was appointed a **Bank of China** (NZ) director, replacing **Ruth Richardson.**

Craigs Investment Partners managing director **Frank Aldridge** is retiring. **Neil Craig** will fill in as interim ceo, with **Ralph Norris** becoming chair.

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