HUGO*vision*

Assessing the economic and political environment in New Zealand

April 30 2021

Confidential to HUGO members

Scale of China challenge grows **Page 2**

The government's decision on whether or not to declare the treatment of China's Uighur minority Muslim population a 'genocide' is emerging as a core test of the China-NZ relationship. Speeches by Jacinda Ardern and the Chinese ambassador, Wu Xi, next Monday will be important to watch.

Centralisation instincts unleashed in DHB wipeout **Page 2**

Andrew Little surprised and delighted many in the health sector by unveiling a much more radical and centralising reform of the public health system than expected, or that was recommended in last term's Simpson review. The reforms include the wholesale abolishment of all DHBs and their replacement with a single Health NZ agency, along with a limited Health Ministry policy shop and a new Māori Health Authority able to commission spending.

Collins heads down Brash route on separatism, climate **Page 4**

No sooner had the detail of the new Māori authority's spending powers been announced, then Judith Collins pledged to abolish this form of "racist separatism" once in government. She has yet to get caucus support for the more Brash-like stance on race issues and has adopted a much harder line than her deputy and health spokesman, Shane Reti, but it's clear Collins is steadily edging down the path towards campaigning on 'woke' 'culture war'-type issues. She is also testing whether to abandon National's cautiously bi-partisan approach on climate change.

Robertson eyes bank lending choices just in case **Page 3**

Grant Robertson unsettled purist supporters of Reserve Bank independence this week by unveiling a doubled-in-size deposit guarantee scheme and proposing the finance minister have indirect powers over the types of lending banks do. He proposed the Finance Minister have "a role in determining which types of lending the Reserve Bank is able to directly restrict," albeit with the Reserve Bank having the discretion to decide how the restrictions would apply.

Bubble opening lifts confidence to mid-2017 levels **Page 6**

Businesses' confidence about their own activity bounced back through mid and late April to post-covid highs as the April 19 opening of the Trans-Tasman travel bubble more than offset the tax deductability shock from late March. Confidence about 'own activity'.

RBNZ seen avoiding big tightening of lending screws **Page 6**

The government's March 23 tax deductability shock appears to have done a lot of the market-cooling work for the Reserve Bank, leaving it room to avoid another shock with any ban on interest-only lending or a blunt debt-to-income multiple limit when it reports on Financial Stability next week.

Full review of council governance and funding launched **Page 3**

Nanaia Mahuta announced a review of councils' governance and funding, leaving open a path for them to share tax revenues created by a growing economy, and to encourage them to spend on infrastructure. The review will mesh with ongoing huge RMA and 3 Waters reforms likely to strip councils of roles and assets. The taxes carrot may calm anti-amalgamators for now.

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NZ-China relations faces tests

Much of the international coverage of Nanaia Mahuta's speech to the NZ-China Council on April 19 was either misconstrued or mischievous.

That was partly Mahuta's fault because she made unscripted comments to media after the speech which formed the basis of the praise her position won from Chinese state media and the opprobrium it excited from some Australian and UK commentators and politicians.

Those comments expressed more forcefully than the speech the government's wariness about allowing the Five Eyes signals intelligence group of post-war Anglophone allies to be used regularly as a tool for megaphone diplomacy with China.

Indicating the extent to which that view is either accepted or shared, there was no pushback on Mahuta's comments when Australian Foreign Minister Marise Payne crossed the Tasman for the first face-to-face bi-lateral talks between NZ ministers and ministers of any other government since the covid pandemic closed borders last year.

Mahuta was also very clear that there are issues of principle, particular in the human rights area, where NZ and China "do not, cannot, and will not agree", and referenced in particular Beijing's mass incarceration and alleged mass sterilisation campaigns in its majority-Muslim Xinjiang province.

The issue remains live in the week ahead, with Jacinda Ardern due to deliver a speech of equal significance to Mahuta's the annual China summit in Auckland on Monday (May 3). The summit will also hear the first nuanced official Chinese government response from the ambassador to NZ, Wu Xi.

Wu's words will be very carefully watched, particularly as Ardern has signalled the Labour caucus will debate whether its position on the US-led push to label China's actions in Xinjiang a 'genocide'.

The Chinese government is especially sensitive to this description. This week, the embassy in Wellington was planning a Friday afternoon briefing for media to give its official version of events in Xinjiang.

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.

US feint

Meanwhile, Ardern also addressed a US Chamber of Commerce virtual meeting on Thursday, in which she spoke of a desire to "quickly deepen" the NZ relationship with the US. However, she gave US questioners no hope that NZ would soften parts of the CPTPP trade and investment pact in order to allow the US back into the fray.

Ardern praised Joe Biden for taking the US back into the Paris climate change accord and participated in a Biden-led climate change global online summit last week. A similar summit aimed at shoring up global support for democracies is also planned shortly.

APEC leaders summit after all?

Meanwhile, NZ ministers and diplomats are quietly hoping there may yet be a face-to-face meeting of APEC leaders in Auckland at the end of the year.

This appears to be more a desired concept than a firm prospect at this stage. However, by year's end, NZ's relative covid safety and the extent of APEC-wide vaccination could be sufficient to allow an in-person summit. The kudos of putting Xi Jinping and Joe Biden in the same room together in Auckland would be enormous and the case for such a meeting is growing as geo-political tensions grow.

UK-NZ FTA progress

NZ and UK officials wrapped up the fourth round of negotiations for a free trade agreement on April 23, with the next round due in June.

One of numerous such negotiations the UK has under way post-Brexit, the NZ talks are notable for not yet having established a 'landing zone' for final agreements in the most contentious areas created by the UK leaving the European Union.

Most other negotiations have established a clear view of the kind of final agreement likely to be struck.

NZ is hanging tough for as long as possible to insist it be allowed to maintain the same levels and flexibility of 'tariff rate quota' access, particularly for sheepmeat, as it has now.

Strictly speaking, this isn't an FTA issue, but a wash-up issue from Brexit, but the two sets of issues have coincided and are inevitably influencing one another.

Among NZ's tactics is to withhold a final signature for Britain's formal accession to the WTO in its own right.

On TRQs, the UK is arguing that NZ has never filled its quota in the last two decades and that analysis of trade patterns suggests NZ will still have sufficient flexibility to direct exports to either the UK or EU, depending on market conditions.

Perhaps of greatest moment is the recent collapse in UK agricultural exports to the EU, which will play to protectionist sentiment among UK farmers if it is sustained.

More centralising policy

The government's centralising tendencies were reinforced last week when Health Minister **Andrew Little** and Associate Health Minister (Māori Health) **Peeni Henare** announced a radical health system shakeup that will abolish all **DHBs** and replace them with a single agency, **Health NZ**, and a new **Māori Health Authority** with significant commissioning and spending powers of its own.

Despite the surprise it generated and the way it went much further than the Simpson review it was based on, the reforms are consistent with the 'ROVE' reform of polytechnics already under way, which also amalgamates decentralised local entities into a single national one.

They also mimic to an extent the centralising drive within the concurrent and equally massive reforms of Resource Management legislation and council water authorities now being rolled out in policy workshops up and down the country.

The government risks restructure fatigue and a series of 'anti-Wellington' backlashes if the various carrots and sticks inherent in the reforms are not applied carefully.

Local govt reform

Along with **David Parker, Andrew Little** and Transport Minister **Michael Wood, Nanaia Mahuta** is shaping up as fulcrum for reform and political risk within cabinet.

Her '1,000 cups of tea' approach to pulling together the disparate and potentially dangerous players in any major reform appears to be working so far.

Fresh from a major foreign policy speech that sparked debate on both sides of the world, Mahuta headed out to Lower Hutt's **Dowse Gallery** last Friday to announce a major review of local government governance and funding, and did it while holding hands with the council sector's largest lobby group.

Mahuta painted the review, which will include the potential for councils to share in tax revenues generated by economic growth, as a response to a request from Local Government NZ. It was represented by president and former Tauranga mayor **Stuart Crosby**, who has been pleading for more than a year for more direct funding help from central government as councils grapple with the demands of housing an extra 1.2m people over the last 20 years.

That the councils are on board for now for the review is some achievement, given the inevitable tensions unleashed by the similarly massive reforms of the RMA and 3 Waters happening concurrently.

The review group is led by recently-retired Waimakariri District Council ceo **Jim Palmer** and will have to report on the review's interim direction by the end of Sept this year, followed by a draft report by Sept 2022 and a final report in April 2023.

The risks are that rates revolts over high single digit rises this year by many councils will spill over into political pain for Labour when local elections are held next Oct.

Double your money, guaranteed

Cabinet decided this week on a beefed up deposit insurance scheme that would increase the costs for savers and banks, although the detail on whether banks or savers will pay the most remains to be decided.

The scheme will require legislation and will guarantee individual accounts of up to $100,000 - double the amount originally proposed.

The detail of the cabinet decision also revealed **Grant Robertson** proposed to grant the minister and the government a bigger role in directing where banks could, or should, lend their money.

The move sparked another debate about **Reserve Bank** independence, forcing Governor **Adrian Orr** and Robertson to come out in staged interviews to dispel reports claiming discord.

The **truth seems to lie somewhere in the middle.** The RBNZ has never had operational independence when it comes to financial stability and prudential supervision. However, the extent of the government's active involvement in the central bank's activities in those areas has ebbed and flowed over the years. The **Treasury has been arguing for a greater role in recent times and that is apparent in the latest decisions.**

The bill for the new scheme would be introduced to Parliament late this year with the aim of launching it in 2023. It would cover banks, credit unions, building societies and finance companies that are licensed deposit takers in a new Deposit Takers Act and is expected to cover 93% of savers.

But the government has yet to propose or decide how the scheme would be paid for. The biggest banks want the fees to be highest for the smaller banks seen to be at larger risk of failing. The fees could total $100m to $200m per year.

Coming up

May 3 - PM speaks on foreign policy at APEC meeting

May 4-20 - Parliament sits for three weeks up to Budget

May 5 - RBNZ Financial Stability Report

May 20 - Budget 2021

May 31 - Final advice from Climate Commission due

The reforms will also include a new process for setting lending restrictions, such as loan-to-value ratios.

"This will give the Minister of Finance a role in determining which types of lending the Reserve Bank is able to directly restrict," Robertson said. "The Reserve Bank will then have full discretion to decide which instrument is best suited to use and how the restrictions are applied."

Maharey's new chair

Steve Maharey, a senior minister in the **Helen Clark** Labour-led government of the 2000s, was named to replace **Paula Rebstock** as chair of the **Accident Compensation Corporation**. She was appointed 10 years ago by the-then **John Key** National-led government.

Rebstock's departure follows the announcement of the resignation a fortnight ago of the state-run no-fault accident compensation scheme's long-serving chief executive **Scott Pickering**, who is leaving the role after eight years. A global search is under way for his replacement.

Maharey is current chair of **UCOL**, a multi-campus North Island polytech, the government drug-buying agency **Pharmac**, and the government's international education agency, **Education NZ.**

Brash-ism redux?

Another notable feature of the political climate over the last fortnight has been the increasing drift in tone and substance of Opposition Leader **Judith Collins** towards the anti-separatist stance adopted by Don Brash during his leadership almost 20 years ago.

That was clear in her near-immediate rejection of the government's plan to create a Māori Health Authority. She described the move as "racist separatism", suggesting poor outcomes were more about choices than race.

"We're not going to go down that path, any more than the National Party will ever agree to racist separatism in education, or in the justice sector," she said.

The stance sits uneasily with National's creation, in coalition with the Māori Party under John Key, of the Whanau Ora policy.

Collins has yet to get the approval of her caucus for the much more abrasive stance on race issues, or suggestions from her and Climate Change spokesman **Stuart Smith** that National could withdraw bipartisan support for the next steps on Climate Change.

The positioning suggests Collins is attuned to an undercurrent of public opinion that rejects the increasing visibility of Māori language and sensibilities in NZ of the 2020s, and the latent 'anti-woke' sentiment in parts of the community to action on climate change.

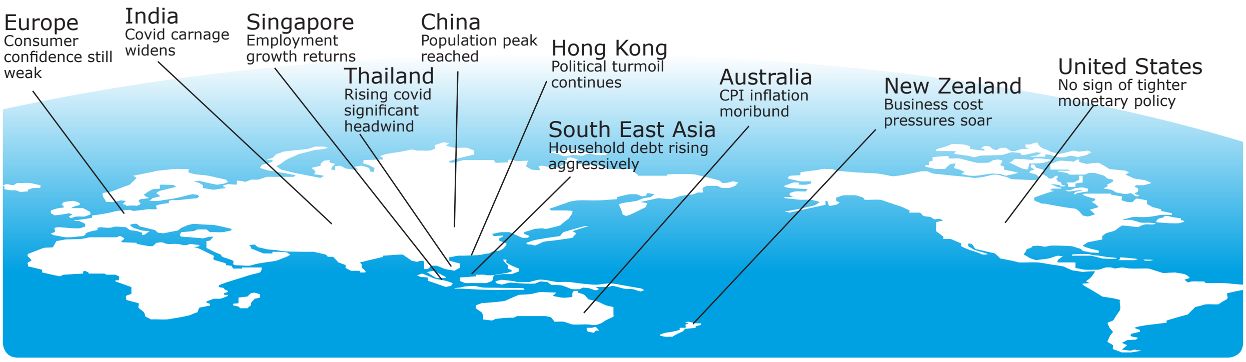
Leadership weakness report

Collins' comments came as National party members were sent an expurgated version of the party board's post-election post-mortem. It included recommendations on strengthening the party's Parliamentary leadership and succession process, along with bolstering the role of the board in leadership decisions, which are currently made entirely by the Parliamentary caucus.

The review will be debated at series of regional National Party meetings in coming weeks. The board itself faces a shakeup and criticism of its own role. One proposal is for the appointment of two independent directors to the board, rather than through an election process by members. Another proposal would impose a term limit on board directors, potentially forcing the retirement of current President Peter Goodfellow.

The smoke signals around potential leadership challenges any time soon for Collins have faded

The world at a glance



away in recent weeks, but the issue is far from settled, which may explain the increasing stridency of the current leader in the hunt for popularity. Everything up for grabs?

Time for a population strategy?

The **Productivity Commission quietly recommended** in its 'Frontiers' report that the government conduct a full review of migration settings, particularly for temporary work visas, and "in the context of a broader population strategy."

This is the first time either the Labour or National-led governments have been challenged to consider some sort of population planning or limiting of high migration as NZ deals with infrastructure deficits.

The commission was careful not to mention the recommendation in its initial summary of the release, but the suggestion gained traction in business circles.

EMA ceo **Brett O'Riley** said the commission's call for a full review "provides the prompt for a much bigger piece of work about a population strategy".

"We need to decide how big we want our country to be as that is what drives infrastructure, housing and health policy, and in turn means thinking about what skills we want in our population as these will determine our skills mix for immigrants, as well as our education system."

The call came as Immigration Minister **Kris Faafoi** again **extended work visas of those stuck inside NZ because of border restrictions**.

The government also added more border exceptions, with visa applications now being accepted for the families of health care workers in NZ, as well as a small number of other highly-skilled workers in other sectors.

A new border exception is being created for the partners and dependent children of temporary visa holders in NZ, who hold visas, but had not yet arrived here when the border closed. To be eligible for the new border exceptions, the family member currently in NZ must have more than 12 months remaining on their visa.

A new category of 'very high risk countries' - including India, Brazil, Pakistan and Papua New Guinea – means only NZ citizens and their immediate family will be able to travel to NZ directly from these countries. Notably, this appears to limit the rights of permanent residents to return.

Countries will be initially designated 'very high risk' when there have been more than 50 cases of covid-19 per 1000 arrivals from those countries in 2021, and where there are more than 15 travellers on average per month.

Most managed isolation facilities will be moved to a group intake system. This will mean a MIQ facility starting empty, and then over 96 hours plane loads of people are transported to the hotel and once it's full - or after the 96 hours - the facility is locked down. More rooms in MIQ will remain empty as a result.

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	6.0	2.3	8.7	5.5	5.3	2.9	2.5	1.5	2.2	2.3
Australia	16.1	1.9	-2.4	4.3	3.0	2.6	1.6	0.8	1.9	1.8	2.0
United States	13.1	2.2	-3.5	6.2	4.1	2.3	1.8	1.2	2.6	2.3	2.3
Japan	7.1	0.7	-4.9	2.8	2.4	1.2	0.5	0.0	0.0	0.5	0.7
Eurozone	5.7	1.3	-6.8	4.2	4.3	2.2	1.2	0.3	1.6	1.3	1.5
South Korea	3.4	2.0	-1.0	3.7	3.1	2.4	0.4	0.5	1.6	1.5	1.6
United Kingdom	3.0	1.4	-9.8	5.4	5.6	1.9	1.8	0.8	1.6	2.1	2.4
Singapore	2.2	1.3	-5.4	6.4	4.5	2.9	0.6	-0.2	1.2	1.2	1.6
Hong Kong	2.4	-1.2	-6.1	4.4	3.8	2.5	2.9	0.4	1.5	1.8	1.8
Taiwan	2.6	3.0	3.1	5.1	3.0	2.5	0.6	-0.2	1.4	1.4	1.4
Malaysia	2.1	4.3	-5.6	5.8	5.7	5.0	0.7	-1.1	2.3	1.9	2.5
Indonesia	2.1	5.0	-2.1	4.4	5.5	5.2	2.8	2.0	2.2	3.1	3.4
Thailand	1.9	2.3	-6.1	3.2	5.3	3.4	0.7	-0.8	1.1	1.2	1.5
Philippines	1.4	6.0	-9.5	6.6	7.2	6.5	2.5	2.6	4.4	3.1	3.0
Vietnam	1.6	7.0	2.9	7.4	7.0	6.3	2.8	3.2	2.8	3.8	3.6
India	0.9	4.0	-7.5	11.8	5.9	6.2	4.8	6.2	5.0	5.0	5.2
Canada	1.6	1.9	-5.4	5.9	3.8	2.3	1.9	0.7	2.2	2.0	2.0
NZ Trading Partners	100.0	3.4	-1.8	6.2	4.4	3.6	2.0	1.3	1.7	2.0	2.1
Forecasts for New Zealand											
Consensus		2.4	-3.0	4.1	2.9	2.6	1.6	1.7	1.9	1.8	1.9
BNZ Forecasts		2.4	-2.9	3.9	3.8	2.4	1.6	1.7	2.4	2.0	2.4
The World		2.5	-3.6	5.6	4.2	3.4	2.7	2.1	2.7	2.6	2.8

Banks lift longer mortgage rates

In a double-edged move that may add a little heat immediately to the housing market but signal higher interest rates in the long run, banks have started 'steepening the curve' of their mortgage interest rates.

This week three of the big four banks (**ASB, ANZ and Westpac**) trimmed their shorter term fixed rates by around 5-10 basis points to around 2.25-2.50%. ASB and Westpac then increased their three to four year mortgages by 20-40 basis points by around 20-40 basis points to 2.9-3.4%, reflecting the rise in recent months in wholesale rates.

The signal of higher mortgage rates in the long run came after a record-high month in March of new mortgage lending.

Reserve Bank figures released late on Thursday showed new mortgage lending jumped 37.9% to $10.5b in the month of March from Feb, with landlords again outpacing first home buyers and over 40% of lending to investors being interest-only.

The **Reserve Bank** may give an indication next Wednesday with its **Financial Stability Report** about whether it may ban or limit these interest-only loans, as was done in Australia from 2014 onwards. It is also expected to give an update on its thinking about debt-to-income multiple controls, which Robertson has said he is less keen on because of the potential for any blunt limit to prevent first home buyers from being able to borrow to 'get on the ladder.'

The current thinking among bank economists and real estate valuers is the RBNZ will hold back from a full scale crackdown on interest-only loans or get tough on a DTI tool because the government's tax deductibility shock for landlords last month was enough to take the edge off the market.

The RBNZ also indicated this week it would not have fuller proposals on new bank lending restrictions until later in May, dousing expectations of another big bang over the heads of rental property investors.

The potential for the government to insert direct types of bank lending over the top of the central bank is being seen as an insurance policy for the government, if the Reserve Bank were to push ahead with a blunt DTI limit.

Feeling like the 'good old' days

ANZ's business confidence survey for April found a distinct improvement in sentiment, both for 'own activity' and the wider economy as the April 19 opening of the trans-Tasman travel bubble was the focus of attention.

The initial early-April reading of confidence taken as businesses were digesting the shock of the March 23 tax deductibility announcement had shown a dip in confidence.

But by the end of April both measures had improved six percentage points, with 'own activity' confidence, the more useful indicator of GDP, improving to a net 22% expecting better times ahead. This was back to levels not seen since before Labour came back to power in late 2017. Confidence about the wider economy rose to a net minus 2% expecting better times.

However, it **remains to be seen the extent to which the trans-Tasman bubble has any significant impact on either activity or sentiment**.

An early burst of pent-up demand saw airlines start adding additional flights, but indications in the last week are that there is considerably less appetite for international travel than initial indications suggested.

Airlines are already slimming down the number of trans-Tasman flights on offer and the ongoing virulence of the pandemic in India and other parts of the world is starting to provoke discussion of longer term aviation weakness.

Elsewhere, signs of stronger economic rebounds in China, Europe, the United States and Australia, along with NZ's continued covid-free status and a roaring housing market, have powered an improvement in 'own activity' confidence back to the levels seen in the last days of the last National-led government under then-PM **Bill English.**

The ANZ Roy Morgan **Consumer Confidence Index** also improved four points to 115 in April, still a little short of its historical average of 120.

Inflation no worry for RBNZ

The **Consumer Price Index** lifted 0.8% in the March quarter and annual inflation was 1.5% on the year, as predicted by most economists. It was slightly lower than the central bank's forecast for a 1% rise on the quarter and 1.7% on the year.

Transport prices rose 3.9% - the biggest quarterly rise in over a decade. Petrol prices rose 7.2% - the biggest quarterly rise since June 2015. Despite this, petrol prices were 3.8% lower than they were a year ago.

Rents rose 1% in the March quarter, the biggest quarterly increase in a year. Rents rose 2.7% from a year ago. The cost of building a new house also rose in the March quarter, up 1.2%. On the year, it lifted 3.5%. Economists and markets left their forecasts unchanged for the Reserve Bank keeping interest rates near 0% until well into 2022.

Banks, insurers and fund managers

Reserve Bank governor Adrian Orr called on NZ banks to keep providing banking services to the Pacific Islands as a matter of principle and "bravery" rather than commerciality.

AMP plans to separate its **AMP Capital** private market investment arm into an independent business after talks to sell the division fell through. AMP Ltd would continue operating as a retail-focused wealth management company and would retain a minority stake in the new Private Markets business, which would stay in infrastructure and real estate assets.

Heartland expanded its home loans offering with the launch of a 2.75% revolving credit facility.

Mercer decided all its $2.4b KiwiSaver funds will be invested in more focused, socially responsible investment strategies.

Fisher Funds founder **Carmel Fisher** announced her imminent retirement as director from the boards of **Kingfish, Barramundi and Marlin Global**.

ASB chairman **Gavin Walker** will retire from the board at the end of August and be replaced by **Air NZ** chair **Dame Therese Walsh.**

Energy and resources

An **Electricity Authority** investigation into market conduct found **Meridian Energy** and **Contact Energy** did not breach trading rules, causing consternation among small-scale electricity retailers.

Meridian had been found by the regulator to have artificially inflated prices and created an 'undesirable trading situation,' however, the regulator said this fell short of breaching trading rules as well.

Independent power retailers and major electricity users criticised the decision and rubbished the market as "fundamentally flawed and failing." The criticism from the likes of **Flick Electric** ceo **Steve O'Connor** and **Electric Kiwi** ceo **Luke Blincoe**, comes as they face record high wholesale power prices in the wake of gas shortages and lower-than-usual lake levels that have forced generators to use thousands of tonnes of coal.

Spot power prices above $300MW/h have caused **Norske Skog** and **NZ Steel** to wind back production and reduce workforces. **Tiwai Pt** has also scaled back production, albeit under terms of its contracts that are used to deal with hydro water shortages.

Major Electricity Users Group ceo John Harbord said gentailers "are almost incentivised to keep the market on the precipice of shortage."

Meanwhile, the EA defended itself, issuing a statement it said was designed to "correct some of the misperceptions in the public on high spot electricity prices and security of electricity supply."

However, it also said it was "refocusing" its ongoing review of the wholesale market "on competition in the spot market and whether prices are being determined competitively."

"This will include looking into the structure, conduct and performance of the spot market since 2018," it said, noting it did not expect the review to be released until the third quarter of this year.

Mercury NZ and **Powering Australian Renewables** bumped up their offer for **Tilt Renewables** in exchange for exclusivity. Under the revised agreement, PowAR will acquire all the shares of Tilt for $8.10 per share (previously $7.80) for a total consideration of $3.07b. Mercury has a 19.9% stake in Tilt. Mercury will buy all of Tilt's NZ, including its future development options, for $797m (previously $770m). This followed a rival bid at $8 a share.

The government's **Green Investment Finance** fund invested $10m in **solarZero**.

Primary sector, food and beverages

Delegat Group's wine harvest this year fell 2% to 37,470 tonnes due to unseasonally cool spring weather in Marlborough and Hawke's Bay.

99.94% of **Seeka** shareholders backed acquiring post-harvest operator **Opotiki Packing and Coolstorage**.

Australian share broker **Morgans** cut more than $2 from its **A2 Milk** target share price and warned a fourth earnings downgrade was possible.

Capital structure issues, not covid, has caused the receivership of companies in the **Van Leeuwen Dairy Group**, **Calibre Partners** receiver **Brendon Gibson** reported. He is now in control of the South Island dairy group which milks 10,000 cows over 8,000 hectares, where m. Bovis was first detected in NZ. **NZ Rural Land Co** is to buy the 16 Van Leeuwen dairy farms out of receivership for $114 million and lease them back to the van Leeuwens.

Auckland mayor Phil Goff's chief of staff **Nirupa George** is joining **SkyCity** as the new chief corporate affairs officer.

Sky TV's new ceo **Sophie Moloney** announced the departure of chief customer officer **Chaz Savage** and chief creative officer **Steve Bayliss.**

AFT Pharmaceuticals signed a licensing and distribution agreement with **Hikma Pharmaceuticals** USA for its **Maxigesic** intravenous drip. Under the deal, AFT is entitled to up to US$18.8m (NZ$26m) in upfront, regulatory and commercial milestone payments as well as a profit share from sales.

CORPORATE ROUND-UP

Japanese global beer giant Asahi is buying Auckland's Allpress coffee, which supplies 1,500 cafes with roasted coffee globally, for an undisclosed amount. In 2019 Asahi Group paid A$16 billion for Carlton and United Breweries, the Australian subsidiary of Anheuser-Busch InBev. In 2011 it bought both juice maker Charlie's for $130m and Independent Liquor, for which it paid $1.5b. Asahi Beverages NZ brands include Vodka Cruiser, Woodstock, Asahi Super Dry, Boundary Road Brewery and NZ Pure Lager.

Manufacturing and construction

Downer EDI has sold tyre management business, **Otraco**, to multinational tyre group Bridgestone Corp for A$79m (NZ$85m). The sale of Otraco, which provides tyre management services to mining operations in Australia, Chile and southern Africa, was another step in the divestment of Downer's capital-intensive mining businesses

Skellerup expects net profit for the year ending June to come in between $37m and $39m, up from its Feb guidance of $33m and $37m, and above its guidance in Oct last year of $30m-to-$35m. It cited strong global demand, but the global shortage of containers and shipping space, along with international port congestion, is impacting the business.

A review into the **Transmission Gully** highway project found officials set the cost of construction too low, which forced bidders to make low-ball offers. The resulting $850m winning bid by the Wellington Gateway Partnership was not enough to cover the costs even before it was hit by delays.

Property and healthcare

Kiwi Property gained resource consent to build a $63m office building at Sylvia Park in Auckland. It will start construction in Oct.

Asia Pacific International Group, owned by billionaire property developer and Shanghai businessman **Furu Ding**, is selling its 1,510 hectare forest estate near Puhoi north of Auckland. The site, held across 45 titles with resource consents for 207 lifestyle blocks, is expected to fetch above $200m.

Infratil, a former part-owner of **Z Energy**, announced it would buy a majority stake in **Pacific Radiology** for up to $350m from its existing doctor owners.

Retail

Restaurant Brands first quarter sales rose to $259.7m in the three months ended March 31 from $200.1m a year earlier, including $37.2m from 69 Californian **KFC** stores bought last year.

Tech, IT, telcos, media and entertainment

StarNow, a Wellington based entertainment industry job platform, was acquired by New York-based rival **Backstage**.

Huawei NZ posted a loss of $712,424 in calendar 2020, down from a $4.9m profit the prior year. Annual revenue slid to 44% to $111.3m for the NZ unit's first loss since 2010. The NZ subsidiary has suffered along with other Western business units of the Chinese tech giant due to a US ban that means its newer smartphones can't run Google apps and services. Also none of NZ's telcos have opted to buy Huawei gear to roll out 5G.

Vodafone was found guilty of Fair Trading Act breaches for misleading consumers that its **FibreX** service.

Kordia appointed a new chair, **Sheridan Broadbent**, as **John Quirk** is stepping down after more than a decade in the role.

NZME misled investors in market announcements it made about its attempts to acquire **Stuff** last year and the resignation of its board chair, an NZX investigation has found. The NZ Markets Disciplinary Tribunal ruled NZME would pay $100,000 in penalties and receive a public censure.

NZ On Air appointed journalist **Raewyn Rasch** to run the new $55m **Public Interest Journalism Fund. Ruth Harley** was reappointed as chair.

Dozens of staff are expected to be affected by a restructure of **Discovery's** operations in NZ and Australia following its acquisition last year of **MediaWorks** television business.

NZ Rugby's provincial unions voted to approve **Silver Lake's** $387m investment in a new commercial arm of the organisation. However, the deal remained opposed by the players' association at the end of this week.

Transport and logistics

A lockout of its drivers in Wellington by **NZ Bus** was ruled unlawful by the Employment Court.

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