

## Three Waters running rough

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Some behind-the-scenes brinksmanship appears to be playing out between the government and Auckland Council over whether the country's largest city will join the three waters reform programme voluntarily or be forced into by legislation. The forces acting on mayor Phil Goff's reluctance to participate may have more to do with balance sheet challenges than public policy concerns.

## National's scrambled eggs

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Todd Muller was forced to pull the pin on a political career that had already gone awry after his brief and ill-fated time as Opposition leader last year. Struggling to control a caucus prone to in-fighting and perpetual leaks, Collins appears to have decided to make an example of an MP whose star was permanently tarnished anyway after Muller dumped on new MP Harete Hipango to journalists.

## Backpacker trade a factor in UK-NZ FTA

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Hopes for a high quality trade agreement with Britain before the end of the year are growing after Boris Johnson agreed to phase out lamb and beef tariffs on Australian imports over 15 years. New Zealand is hoping for the same deal, but may have to make concessions on work rights for British backpackers, as Australia did.

## Labour's 'double-cab ute tax' problem

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National and ACT hit a rare vein of form with attacks on Labour's feebate scheme, which increases the cost of double-cab utes and reduces the cost of electric vehicles and low-emissions vehicles in a fiscally neutral way. The Opposition describes the scheme as a regressive tax on tradies and farmers so greenies in the inner suburbs can buy electric cars more cheaply.

## Treasury eyes using debt to fix long-term issues

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Treasury Secretary Caralee McLiesh has started talking about using the government's strong net debt position as a base for investing in intergenerational assets that generate more wellbeing than the extra (and currently low) costs of borrowing. It's a substantial change in tone from hard adherence to net Crown debt limits of 20-30% of GDP.

## Rate hike by Feb?

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Despite ongoing pauses in NZ's travel bubble with Melbourne and Sydney, the economy is growing strongly enough to spark talk that it is moving from recovery into overheating. Discussion is turning to an interest rate hike as early as Feb next year. Some even see a small chance of a Nov hike, although that would put NZ well ahead of its central banking peers.

## Robertson reluctantly gives Orr a DTI tool

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The Reserve Bank has won provisional permission to design and use a tool to limit debt to income multiples, possibly around the six or seven mark. The government remains wary that it could hurt first home buyers, although the Reserve Banks said a limit of seven would affect less than five percent of first home buyers. A tool is not expected to be ready until late next year.

### Three waters running rough

Detail on the boundaries for either four or five new amalgamated national water services entities is believed to be ready to announce, but for the political difficulties created by opposition from key councils.

Auckland and Christchurch are the most problematic, although soundings suggest that Christchurch is almost on-board.

Auckland is more problematic, with mayor Phil Goff raising the spectre of privatisation risk under a different government and Aucklanders potentially subsidising water infrastructure in regional and rural areas that haven't kept up over the years.

The real issue, however, appears to be the extent to which Watercare's relatively lazy balance sheet - with \$11b of assets and just \$2b of debt - is helping the council maintain its Local Government Funding Agency requirement for a AAA credit rating.

Remove Watercare and the requirement for a debt-to-revenue ratio of no more than 2.75 times may be breached. Auckland Council is already right on the line with this crucial ratio and has suffered revenue losses during covid, making it harder to achieve the required balance.

This may help explain Goff's preference for doubling Watercare's

water rates over the next five years, boosting total council revenues, while keeping the water services company on the council's books with low debt levels.

If so, it is a remarkably transactional reason to turn down Crown funding that's on offer by participating in the three waters reform programme.

The Watercare rates hike is also difficult to justify, given a mock determination worked up by the Water Infrastructure Commission of Scotland - which is advising the government on three waters - showing that Watercare would barely need to raise water charges if it worked its balance sheet harder.

The government may yet legislate to force the issue, but would rather come to a political settlement.

The Whangarei District Council has also voiced public opposition to the plan, saying it was based on analysis that didn't reflect the region's situation or needs.

Councils are also frustrated at not seeing the more detailed maps and asset registers in the proposed authorities, which would give the detail for a closer analysis of whether ratepayers would be better or

worse off in the long run

There was confusion in the Beehive this week on the timing of the boundary announcements, with release signalled for Thursday, but then denied.

### Scrambled eggs

Todd Muller has become a sacrificial lamb in the National Party's apparently vain attempts to instil party discipline. Judith Collins's demand that he step down from Parliament or be de-selected after leaking to media about incoming MP Harete Hipango gained crucial backing from one of Muller's supporters for last year's short-lived leadership, Chris Bishop.

With Nicola Willis, Bishop was deeply embarrassed and politically damaged by Muller's swift exit as Leader of the Opposition.

With that failure, Muller's long-held ambition to become PM died and it is perhaps surprising that he stood again in 2020.

Hipango, who replaces retiring MP Nick Smith, returns to Parliament with a reputation as an MP who has few supporters other than Collins, a reputation for burning through support staff, and now has been subject to leaks that she used her parliamentary credit card to buy household furniture and a TV, although she repaid those sums.

More interesting than the fact of this petty malfeasance, since rectified, is the fact that National MPs leaked so actively against her as soon as her return was assured. The party continues to look divided and Muller's departure, while probably best for all concerned, further entrenches the conservative Christian and rural/regional bias of the current National Party caucus.

The ACT party is enjoying this, picking up both disaffected National supporters and a swathe of the 'anti-woke' NZ First vote, which Winston Peters attempted to attract back last weekend at the party's first conference since crashing out of Parliament last year.

### Backpacker trade

There are hopes New Zealand could finalise the main details of a **trade deal with Britain in August**, with a signing by the end of the year.

Trade and Export Growth Minister **Damien O'Connor** met with Britain's International Trade Secretary **Liz Truss** in London last week and agreed the August timeline with her after what they described as "productive and constructive" talks.

The more buoyant view followed an agreement between the UK and Australia in the wake of

#### 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.**

a meeting on the fringes of the G7 meeting the previous week between Prime Ministers **Scott Morrison** and **Boris Johnson**.

Britain granted a 15-year winddown of tariffs on beef and lamb, encouraging more hope from New Zealand's negotiators, who had feared Britain would not budge much on its beef and lamb tariffs and that Australia would accept a poor deal for farmers.

Trade consultant and former diplomat **Charles Finny** said on the surface the Australia-UK deal looked to be a good one. It did seem as though Australia had struck a quality deal with trade tariffs falling to zero over the next 15 years.

One key aspect of the deal with Australia was a reciprocal arrangement on backpackers and OE workers, which O'Connor also noted in interviews.

Australia granted British backpackers in Australia the right to extend their one-year visas for another year without having to work for three months on an Australian farm, which is the current arrangement.

In return, **Australia won the concession that Australians working in Britain can start their 'OE' before the age of 35, which is five years later than the current 30 age limit** that also applies for NZ.

The area of labour 'trade' now appears almost as important as trade in goods and services, given the massive skills shortages in Britain, Australia and NZ, and the ability of residents of each to easily slot into work in each others countries.

Meanwhile, the **impossibility of progress on any trade deal with India** was very much on the agenda among keynote NZ and Indian speakers at the India-NZ Business Council's first summit since covid-19.

All momentum for an FTA died before covid struck, with the small number of business interests that watch for opportunity in one of the world's biggest, youngest populations trying to make a virtue of the fact that **geo-political factors are likely to force a re-evaluation of a relationship that has run for too long on little more than a mutual interest in cricket**.

India's greatest concern is its inability to find work for a fast-growing working age population. For as long as **NZ's immigration reset discourages low-skilled migrants and international education settings work against low-value NZ language school offerings**, any improvements in two-way trade are most likely to be in IT services, fintech and creative industries rather than traditional primary sector exports.

## The 'car tax' debate heats up

The Opposition is hitting a rare but rich vein of form

with its campaign against what it describes as a **regressive 'car tax' that shuffles money from 'hard working' tradies buying double-cab utes to the inner suburban greenies buying electric cars**.

This follows the government's announcement of a Feebate scheme to encourage the uptake of electric vehicles and reduce demand for larger vehicles emitting more carbon into the atmosphere. The fiscally-neutral scheme appears to avoid the accusation of being a tax on the broad population, but means that ute buyers pay more and electric car buyers pay less.

People buying new electric and hybrid vehicles will be able to get up to \$8,625 back from the government, in a rebate scheme funded through levies on high-emissions vehicles from Jan 2022. The announcement has triggered a rush of purchase orders for double-cab utes, which are now the most popular new vehicles sold.

Only cars costing under \$80,000 with an eligible safety rating will be eligible for the discount scheme, which in theory rules out the politically-awkward issue of subsidising all but the lowest-specced Tesla.

From next year some petrol and diesel cars with low emissions will also be eligible for a smaller rebate depending on their emissions.

The government is also implementing a mandate for biofuels use in petrol, diesel and other fuels. The mandate would be phased in with a 1.2% greenhouse gas reduction required in 2023, 2.3% in 2024 and 3.5% in 2025, with further reductions likely to be mandated in latter periods.

It is estimated that **the proposal would result in a 0.2% (0.4 cents per litre) increase in the 2025 petrol prices, a 5.8% (7.1 cents per litre) increase in diesel prices, and an 11.2% (7.1 cents per litre) increase in the cost of jet-fuel**.

## Execution is a problem

Health Minister **Andrew Little** said he is "extraordinarily frustrated" **the government's \$1.9b mental health package announced as the centrepiece of the 2019 Budget isn't flowing through to actual services**.

He has suggested there may be a review of the process.

Little's comments followed revelations that just five extra acute mental health beds have been added as

### Coming up

**June 25 - Damien O'Connor** arrives back in NZ for two weeks in MIQ

**June 30** - Applications close for councils and others wanting to apply for \$1b of grants from the **Housing Acceleration Fund**.

**July 12** - Submissions due on **IRD** discussion paper on tax deductibility of interest on residential rental property

**July 14** - **RBNZ** OCR review



## POLITICS AND POLICY

a result of the government's spending. It was also reported that a third of beds in acute mental health units were occupied by long-term patients who should have been in community housing, but weren't because of housing shortages.

The flagship new frontline mental health service announced in the Budget had only seen \$67.4m invested by March, which was less than half the budgeted spend.

The episode has become part of pattern of decisions taken at cabinet and Budget level not translating into results at the coalface, raising fresh questions about the ability of ministers and their senior officials to drive through policies into the real world.

### DTI tool granted, with caveats

The Reserve Bank has finally convinced the government to give it **the chance to limit mortgage debt to income multiples**, as is done in Ireland, Britain and Singapore.

The bank regulator tried and failed to get permission to use a DTI in 2017 under the previous government, but announced last week it now had permission, albeit with caveats and without a final green light.

Finance minister **Grant Robertson** gave the Reserve Bank the new tool as a way to achieve its new but unspecified goal of sustainable house prices. Robertson said it could be used in principle on the condition impact on first-home buyers is minimised.

The Reserve Bank revealed modeling with the announcement that it said showed a DTI limit of six or seven would mostly hit investors and not affect first home buyers much.

Consultation is expected to take at least six months, with most expecting the Reserve Bank being unable to implement a tool until late next year. So far, the Reserve Bank has demonstrated fewer than 5% of first home buyers borrow with a DTI of over seven, but this may become more politically problematic as

the government gets closer to the election.

Mortgage brokers and bankers expect the most likely DTI limit would be set at seven, rather than six, and probably use a similar 10% of lending 'speed limit' to the LVR tool with exemptions for new builds.

The Reserve Bank's own modeling shows a DTI speed limit of seven would do little to drive prices lower, but would throw more sand in the wheels of investors. The central bank estimated some investors would pay less and some would stop buying, while it wouldn't hit first home buyers much at all.

### Deeper reliance on Kāinga Ora

Housing minister **Megan Woods** announced the criteria and details for councils and others to apply for the first \$1b tranche of the government's \$3.8b infrastructure acceleration fund, including that **it would be administered by Kāinga Ora**, which is itself the biggest player in housing development and non-council consenting.

Woods said the fund would prioritise high-density housing and greenfield expansion in major urban areas. The big growth cities of Auckland, Wellington, Hamilton, Tauranga and Christchurch can only apply for projects with more than 200 homes, while smaller cities can apply for projects with more than 100 homes.

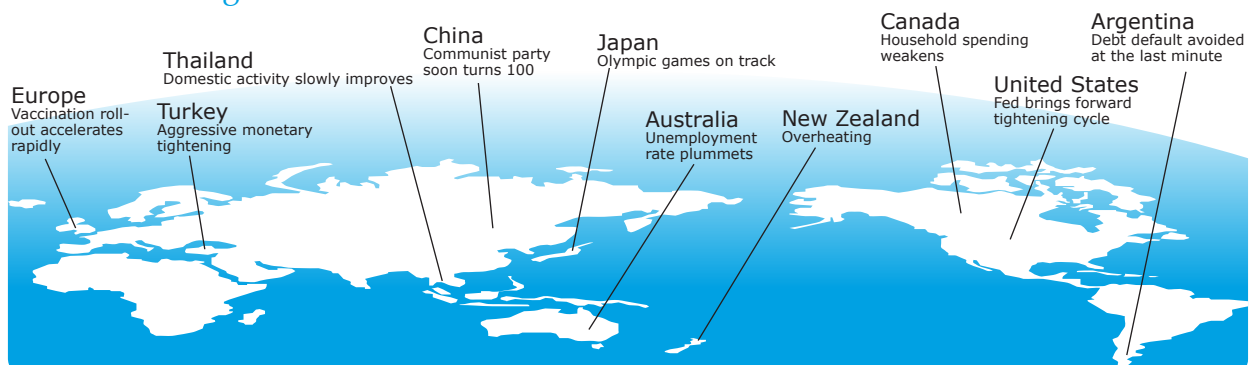
**The decision doubles down on the government's reliance on Kāinga Ora for accelerating housing supply** with its urban authority powers, but creates some tricky conflict of interest issues. Woods said a sub-committee would be created to decide on applications where there was a conflict.

### Covid pinch points

**Support for the trans-Tasman bubble has been eroded** and complacency about contract tracing exposed by the Delta variant covid scare and level 2 lockdown in Wellington this week.

The **PM's trade mission to Australia** in early July

### The world at a glance



looks safe, although it is likely it will now skip NSW rather than Victoria, given current covid outbreak lockdowns in Sydney.

The **Ministry of Health** appears to have succeeded in building an easy-to-use national vaccination booking system, which will be used by all non-priority groups to book vaccinations.

**Sources of risk include** the migration of existing bookings from DHBs' systems and the reliance on MoH having reliable contact information to invite NZers to book vaccination appointments.

Age bands will be used to stage **the final phase of the covid vaccination rollout due to start on July 28**. Those age 60 and over will be the first cohort invited to make a booking which will be extended to those 55-plus on Aug 11. Additional age bands will be confirmed about every three weeks with the rollout expected to be open to all over 16 in Oct.

The government will decide later this month whether to move the minimum age for the Pfizer covid-19 vaccination from 16 to 12 following provisional approvals from medicines regulator, **Medsafe**.

PM **Jacinda Ardern** had a covid-19 vaccination with her Chief Science Advisor **Juliet Gerrard** as part of a campaign to boost confidence.

## Just briefly

**The second auction of carbon units** cleared at prices near the current secondary market price, **raising almost \$200m for the government**. The auction of

NZUs sold all 4.75m on offer at \$41.70 apiece. NZUs on the secondary market had over the last week had been trading at just above \$40.

PM **Jacinda Ardern** will make a formal government apology for the 1970s Dawn Raids this weekend.

The **Maritime Powers Bill** has been introduced to give government agencies powers to stop, board, search and detain a ship in international waters if they suspect that serious criminal offending is taking place on board.

The government announced restrictions on commercial fishing and more marine reserves in the **Hauraki Gulf** in a bid to restore the area's ecological health.

**Britain and Spain emerged as early contenders to host the next America's Cup regatta** after the government confirmed **Team NZ** has turned down taxpayer and ratepayer-funded assistance valued at \$99m to hold the next challenge in Auckland.

Team NZ is free now to negotiate with other parties to host the regatta in the hope of getting more money to fund the defence.

No one has ruled out NZ still hosting the event, but the team's ceo **Grant Dalton** said it was extremely unlikely as the government's bid was only half what was required to keep the event here.

**Thousands of Maori and farmers marched in Northland protesting about the designation of land as Significant Natural Areas** under planning law. They say the protections on the land equate to a land grab. 🇳🇿

## Trading partner growth

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

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
China	32.9	6.0	2.3	8.7	5.6	5.3	2.9	2.5	1.5	2.3	2.3
Australia	16.1	1.9	-2.4	4.9	3.1	2.6	1.6	0.8	2.1	1.8	2.0
United States	13.1	2.2	-3.5	6.7	4.1	2.3	1.8	1.2	3.5	2.6	2.3
Japan	7.1	0.7	-4.7	2.6	2.8	1.2	0.5	0.0	0.0	0.5	0.7
Eurozone	5.7	1.3	-6.7	4.4	4.4	2.2	1.2	0.3	1.8	1.4	1.5
South Korea	3.4	2.0	-1.0	4.1	3.2	2.4	0.4	0.5	1.8	1.6	1.6
United Kingdom	3.0	1.4	-9.8	6.6	5.3	1.9	1.8	0.8	1.7	2.3	2.4
Singapore	2.2	1.3	-5.4	6.8	4.3	2.9	0.6	-0.2	1.6	1.3	1.6
Hong Kong	2.4	-1.2	-6.1	6.1	3.4	2.5	2.9	0.4	1.7	1.8	1.8
Taiwan	2.6	3.0	3.1	6.0	3.1	2.5	0.6	-0.2	1.6	1.5	1.4
Malaysia	2.1	4.3	-5.6	5.1	6.1	5.0	0.7	-1.1	2.6	1.8	2.5
Indonesia	2.1	5.0	-2.1	4.5	5.6	5.2	2.8	2.0	2.1	3.0	3.4
Thailand	1.9	2.3	-6.1	2.3	5.1	3.4	0.7	-0.8	1.3	1.3	1.5
Philippines	1.4	6.0	-9.6	5.4	7.2	6.5	2.5	2.6	4.2	3.2	3.0
Vietnam	1.6	7.0	2.9	7.1	7.0	6.3	2.8	3.2	2.8	3.8	3.6
India	0.9	4.0	-7.3	9.3	7.5	6.2	4.8	6.2	5.0	4.9	5.2
Canada	1.6	1.9	-5.3	6.1	4.1	2.3	1.9	0.7	2.6	2.3	2.0
<b>NZ Trading Partners</b>	100.0	3.4	-1.8	6.4	4.5	3.6	2.0	1.3	1.9	2.0	2.1
<b>Forecasts for New Zealand</b>											
Consensus		2.4	-3.0	4.4	2.9	2.6	1.6	1.7	2.1	1.9	1.9
BNZ Forecasts		2.4	-2.9	5.6	4.1	2.3	1.6	1.7	2.7	2.1	2.4
<b>The World</b>		2.5	-3.6	5.8	4.3	3.4	2.7	2.1	3.1	2.8	2.9

## DOMESTIC ECONOMY

## Treasury shifts tone on debt

The Treasury has begun thinking about using the government's increasingly solid-looking balance sheet to address some of the long term deficits and liabilities building in climate change and housing.

**Treasury Secretary Caralee McLiesh** gave a rare speech this week in Wellington to a macroeconomic workshop on fiscal and monetary policy in the wake of covid-19.

She talked about the potential for lower interest rates and the Crown's solid balance sheet being an opportunity to address longer term issues such as climate change, by **borrowing for investments, as long as the cost/benefit analysis stacked up and interest rates remained low.**

McLiesh did not indicate how much headroom the government had or which type of investments it could focus on, indicating only that while interest rates were below the GDP growth rate, the case could be made to invest in welfare-enhancing investment.

"Treasury is examining opportunities to modernise the public finance system," she said.

"This includes a greater focus on strategic planning and wellbeing outcomes, improved collaboration across agencies to achieve those outcomes, further emphasis on base not just incremental spending, and a stronger medium-term focus."

She said Treasury was also reviewing its fiscal indicators and wanted to avoid tightening policy too early in the recovery.

"Treasury is of the view **we need to avoid the perverse effect of alternative monetary policies encouraging a fiscal tightening,**" she said.

NZ's current public net debt trajectory of being under 30% on international measures was sustainable. Treasury's previous upper limits measure of 50-60% of GDP set in 2019 was not appropriate in the current environment, she said.

## Debt sustainable over 60-70%

"At present, the risks associated with market access and debt sustainability are very low. Market access is likely maintained with debt far in excess of 50 to 60% of GDP, and low interest rates mean debt sustainability is not currently a concern at those levels either," she said, adding **prudent fiscal management direction under the Public Finance Act was broader than just debt limits.**

"Indeed, while fiscal discipline is always important, it is also important not to have an excessive focus on debt levels as an end objective in and of themselves. The greater challenge for fiscal management is

determining the level of debt and spending over time that maximises wellbeing."

McLiesh said debt should fund inter-generational spending where wellbeing returns exceeded costs.

"The 'right' level of spending therefore depends critically on the value of spending initiatives - where initiatives can deliver high value for money, the appropriate level of debt will be higher," she said.

**"And with debt servicing costs at historically low levels, there is greater headroom for high-quality investments that raise living standards across generations."**

## Rate hike in Feb?

Much stronger than expected first quarter GDP growth and continued strength in consumer spending have set the hares running in financial markets towards **predictions of a Feb 2022 rate hike by the Reserve Bank.**

It forecast a 0.6% fall in first quarter GDP in its Monetary Policy Statement published last month before early indicators were in. It also forecast it would begin hiking rates slowly from the middle of next year.

Instead, **GDP rose by 1.6% in the March 2021 quarter**, following a 1% fall in the Dec 2020 quarter, Stats NZ said. This was almost triple consensus forecasts and backed up business survey responses that businesses were straining at the seams to deal with orders, rising input prices and skill shortages.

Economists pulled forward their first-hike forecasts towards May and Feb. Financial markets even see 10-20% chance of a Nov hike.

Last year, post-lockdown growth was defined as a rebound, more recently as a recovery, and now increasingly as evidence of **potential overheating.**

**The US Federal Reserve calmed global financial markets this week by reiterating it saw the current inflation spike caused by logistics problems as temporary** and it had no plans to hike until 2023. The **Reserve Bank of Australia** is also pledging to keep policy loose well into next year.

**ASB Bank** increased its forecast for annual house price inflation from 10% to 15% for 2021 as sales data to May show government action to quell pricing has had little impact so far. The Real Estate Institute said annual house price inflation was 29.8% in the 12 months through May, the highest level in 39 years.

**Core Logic** reported it had seen little slowing yet in the housing market as listings were continuing to dry up, offsetting some investors leaving the market in response to government measures. 🏠

## Banks, insurers and fund managers

**Westpac's** Australian owners decided to keep its New Zealand arm after all, saying a float or sale would be worth less to shareholders.

Commentators in Australia described the aborted sale process as a failed "tantrum" over Westpac's unhappiness with tougher capital rules imposed by the **Reserve Bank** here.

Group ceo **Peter King** said a demerger "would not be in the best interests of shareholders" and a review found opportunities to improve service for customers and value across the NZ unit. "We will progress these with the WNZL board and management team," King said.

That management team is currently led by retiring ceo **David McLean**, but his last day is today. The interim ceo from Monday will be **Simon Power**, the former National cabinet minister. One big question is whether he gets the job permanently. A search in and around the Westpac group is ongoing.

Power said there would be no change for customers.

Westpac is also the NZ government's banking services provider. The Australian Financial Review revealed in March that Westpac had hired **Macquarie** to advise it on what to do with the NZ operations.

Confirming the possible sale then, Westpac cited "the changing capital requirements in NZ and the RBNZ requirement to structurally separate Westpac's NZ business operations from its operations in Australia", as being responsible for the review.

That sparked speculation about whether Westpac could find a buyer to stump up the \$10b to \$15b price of the NZ subsidiary. Another option would have been to split it off from the parent and distribute NZ shares to the bank's existing shareholders, leaving the market to decide the ultimate ownership.

**The decision not to demerge is therefore another blow for the NZX**, which had hoped for a large bank listing to broaden out the market.

Meanwhile, the **Reserve Bank** finalised those new bank capital rules implementing the decisions it announced in Dec 2019. Some changes will come in from Oct while the capital increases will be phased in over seven years starting July 1, 2022 after a year delay due to the pandemic.

**Complaints about banks are rising** with nearly 20% having a problem in the past year, up from 11% in 2020, according to a survey by **Consumer NZ**. Poor customer service was the most common complaint and **ASB Bank** and **BNZ** had the most criticism from customers on handling complaints.

**ASB Bank** admitted responsible lending breaches and agreed with the **Commerce Commission** to

repay customers \$8.9m. It failed to ensure required information was given to more than 73,000 loan customers when they changed their loans.

## Energy and resources

**Mercury** is buying **Trustpower's** retail electricity, gas and telecommunications services for \$441m, adding 252,000 electricity customers to 51% state-owned firm's existing 331,000 electricity customers. That would make it the largest electricity retailer in the country and give it more options for bundling to reduce churn. Trustpower becomes primarily a generator although retains some commercial and industrial customers. The deal is subject to **Commerce Commission** and shareholder approvals.

Trustpower has contracted output to Mercury for the next three years, giving both parties certainty about supply and price during the transition phase. The long term future of the Trustpower retail brand is unknown.

**A law change to stop the taxpayer having to pick up the bill for oil field decommissioning was introduced** into Parliament. The oil and gas sector welcomed the bill, although concerns are that the changes will further chill investment in the sector.

The Crown Minerals (Decommissioning and Other Matters) Amendment Bill is the second law change following the collapse of oil and gas company **Tamarind Taranaki**. This resulted in the government being left to sort out the closure and clean up of the Tui field off the Taranaki coast at a cost of \$394m, double initial estimates.

**Gas industry participants**, concerned that consumers will abandon the sunset sector too early, launched a new campaign intended to give reassurance that gas for cooking and heating will continue to be available.

## Manufacturing and construction

Electric farm and courier bike maker **UBCO** is working towards a dual listing on the NZX and ASX by the end of 2022.

**MBIE** is investigating the possible dumping of coated steel from Korea and Taiwan after a complaint by **NZ Steel**, the only local manufacturer of the products. A dumping finding would trigger tariffs.

## Primary sector, food and beverages

The latest **Situation and Outlook for Primary Industries** from **MPI** forecasts growth across the sector and export revenue rising by 3.4% to a record \$49.1b for the year ending June 2022.

**Scales** said it is no longer looking at buying winemaker **Villa Maria** after due diligence. It



**CORPORATE ROUND-UP**

reaffirmed previous forecast underlying earnings of between \$46.5m and \$53.5m.

**Livestock Improvement Corp** ceo **Wayne McNee** will step down on Nov 20 after eight years in the role. LIC 's net profit was \$33.4m in the six months to Nov 30, up 10.4% on the year.

**NZ Rural Land Co** said it is on track to deliver its first dividend in the first quarter of 2022. Its rural land portfolio currently stands at \$122.75m. It has a pipeline of more than \$130m of land, including \$100m of dairy farms, \$6m of vineyards, \$15-40m of fruit and vege land and \$10m of green energy assets.

The **Kirin-owned Lion NZ** booked a \$252.6m impairment charge in calendar 2020, most of which was from writing off the brand value of **Steinlager, Speight's and Lion Red and Lion Brown**. These brands had been worth as much as \$489m when Kirin merged several Lion entities six years ago.

It also completely wrote off \$90.4m from more recent acquisitions, such as **Emerson's** and **Panhead**. Lion cited industry competition, the ongoing trend of people drinking less and the higher cost to do business in a price-sensitive market.

### Property

**Precinct Properties** plans to raise at least \$250m in fresh equity to buy two Wellington government office buildings - including **Bowen House** - and to reduce gearing to about 29%. It also expects to pay a 6.7 cents per share dividend, up 3.1% on last year.

### Retail and wholesale

**Ikea** says it should soon be operating in NZ with at least one store in Auckland.

### Tech, telcos, media, IT and entertainment

**Sky TV** announced a deal with the **NRL** and **NZ Rugby League** until the end of 2027. The announcement followed **Spark Sport** securing the broadcasting rights for the **Rugby League World Cup** from **Sky**.

**SkyCity Entertainment** forecast a net profit of between \$84m and \$88m, up from \$66.3m in the prior year, but still below the \$164.6m made in 2019.

British technology firm **Access Intelligence** struck a A\$67m takeover deal for Australian media monitoring business **Isentia**. **Isentia** provides an

online news and social media monitoring service for public and private sector clients across Australasia.

Utilities software firm **Gentrack** employed 50 engineers in India, partly due to a critical shortage of tech workers inhibiting sector growth.

**Rocket Lab NZ** turned a profit in 2020 of \$1.1m compared to a loss of \$32,000 a year earlier and may repay a \$2.85m covid wage subsidy.

**BusinessDesk** reported this week more than a dozen workers had described **Rocket Lab** as "a very, very toxic environment." Former workers described a culture of fear where people are pushed out and punished for minor issues, or even for taking leave.

### Transport and logistics

**Ports of Auckland** sidelined its automated operations and ramped up manual operations after a robotic straddler hit a stacked container due to a software problem. It is the latest hitch in the move to full automation at the port.

A tornado hit **Ports of Auckland's Wiri** freight hub, killing one person and injuring two others.

### Capital markets

A survey conducted by **CoreData** for the Financial Services Council found 30.2% of NZers owned NZ shares, up from 23.2% a year earlier, while 18.8% owned international shares. Online micro-trading platforms are behind the increase.

### Courts, legal and regulation

**NZ RegCo** and the **FMA** appointed four new members to the disciplinary tribunal: barrister **John Dixon**, Transpower chair **Pip Dunphy**, **Macquarie Securities NZ** managing principal **Dave Robertson**, and **Jarden's** general counsel **Rachael Newsome**.

A class action brought by homeowners against **Carter Holt Harvey** over its **Shadowclad** product ended after the funder backed out.

### People

**Craigs Investment Partners** appointed **ASB Bank** exec and former **Paymark** and **Stuff** boss **Simon Tong** as ceo.

**Cavalier Corp** appointed former **Icebreaker** ceo **Greg Smith** as ceo from July 26 to replace **Paul Alston**, who led the firm for six years. 🏢

