

A dangerous scramble towards an opening for Christmas

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The exhaustion and desperation to get to Christmas and the 'Kiwi Summer' holidays without the current restrictions on internal travel, retail and hospitality is palpable throughout government and business. PM Jacinda Ardern promised a tired nation weeks ago that vaccination certificates and mandates would be launched just-in-time to open up in tandem with DHBs crossing the 90% vaccination line some time in early December. The economic, health and political stakes are high.

Costliest errors to be revealed?

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Labour knows its fortunes rest largely on fulfilling that promise of opening up for summer, and then properly reopening the borders early next year. But the government is doing this from a standing start, having not begun the accelerated policy and logistical work for vaccination certificates and mandates until well into the winter, even though the chances of delta defeating the elimination strategy were well known and very real early in 2021. Those delays, along with the slow approval of rapid testing, may prove the government's costliest error if summer is cancelled.

A drag race between delta and the vaccinators

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The biggest risk for the government and the nation is a series of Singapore-style breakouts in the coming weeks if vaccinators lose the race to find the unvaccinated in Northland, Tairāwhiti, Taranaki, Whanganui and the West Coast before delta does. Breakouts in the regions will make it very difficult for cabinet to move to orange and green lights for the summer, and even harder for Ardern and Labour to cement in their reputations for the 2023 elections as the covid-beaters. An early December covid surge in Auckland is possible after schools reopen in mid-November.

The EA's regulatory depth charge for gentailers

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The Electricity Authority's papers on wholesale market competition and options for reform have raised the temperature on regulatory risk again. The EA's detailed unravelling of Meridian's extra-cut-price discount for the Bluff smelter earlier this year exposes the gentailers to accusations of an inefficient and below-cost pricing.

Forced Three Water reforms fire up regional protests

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Nanaia Mahuta was resolute this week in announcing plans to legislate over the top of councils opposing Labour's Three Water reforms to amalgamate 67 local bodies' water assets into four water entities able to borrow an extra \$8b. But the political pain is rising in the regions.

Ready for 6% inflation and a 6% mortgage rate?

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Financial markets and economists ramped up their forecasts for interest rates in the wake of suprisingly hot inflation and price-setting surveys. Some see a 6% inflation rate next year and an official cash rate headed to 2.7% by 2023, which would push mortgage rates towards 6%.

The dangerous politics of Xmas

The government understands it has to deliver a 'normal' Christmas or the first six months of next year will be extremely difficult politically.

They risk losing the covid battle that they thought, till July, they had won and was their ticket to re-election in 2023.

Cabinet's decisions not to accelerate vaccination certificates, vaccination mandates and rapid off-the-shelf testing policy and logistical work until well into July and August is looking increasingly damaging.

Hence an increasingly difficult-to-follow scramble of announcements, many of which are signalled to media long before they arrive, now leaving the impression of disorganisation, haste and, occasionally, panic.

Big risks include opening schools from mid-Nov. The example of Denmark and Singapore, both relatively highly vaccinated, is that there are covid surges when opening up occurs.

Singapore (pop'n 5.7m) recorded a record-high 5,734 new covid cases and 10 deaths on Wednesday this week, having started to relax restrictions and open its border in Aug when its vaccination rate surpassed 70%. Its rate has since risen to 84%, but it has not stopped a rapid rise in infection rates and deaths, including 30% of deaths being of vaccinated people.

In NZ's case, allowing unvaxxed children to attend school five weeks out from Christmas risks a covid surge just as Christmas arrives. How will the government handle that?

Everything will rest on how severe the outbreak is and its impact on the hospital system. The government appears to be gambling on low rates of hospitalisation and death, created by ongoing high uptake of vaccination, particularly in cities, and perhaps that many parents will keep their kids home.

Waving in Three Waters? Or just plain drowning?

The wave of negative press that has accompanied the **Three Waters** announcements should not have come as a surprise to the government, but its intensity in the first few days has rattled some ministers.

The reforms' proponent, **Nanaia Mahuta**, is not among them. Mahuta has a low-key, impassive style that belies an absolute determination to see through the things she commits to. She is an unusual politician for that. She knows that - at least for now - she has the backing of the Māori caucus and enough of the Cabinet to push through the next few months.

She is assuming that the public will see the benefits of cleaner drinking and waste water and that if she keeps quietly pushing the same message, it will eventually get through, along with the fait accompli created once the three pieces of legislation required to enact the reforms are in place by mid-next year.

What she may be underestimating, however, is the extent of potential political over-reach in the reforms' inclusion of Māori co-governance in the plans. This is a Cabinet that has grown increasingly comfortable making decisions in a Te Ao Māori framework, but they are a long way ahead of a lot of the older and more conservative parts of the electorate.

Winston Peters knows this, and has identified **Three Waters** as **one of the wedge issues that could yet deliver him the 5%-plus support** that would allow him to anoint a weak centre-right government after the 2023 election. Current polling suggests that could happen, irrespective of whether the current high **Act** vote stays with **David Seymour** or heads back to **National**.

Mahuta's weakness as a populist communicator / media performer and poor comms advice from the **Dept of Internal Affairs** has left the government arguing weakly on a very complex issue. Much news coverage has presented the decisions as if the issues are new. A prime example: widespread coverage of the fact that the Three Waters infrastructure will be governed by a new monopoly regulator. This has been a key - and universally undisputed - feature of the reforms in the four years leading to this point.

Balance sheet separation, health and environmental benefits, climate change resilience and the failings of many, but not all, local governments on water infrastructure, are much harder arguments to make than 'theft of local assets', 'anti-democratic' and, less overtly, but from **NZ First** and all over social media, 'favouring Māori'.

A drop-down-menu of protests

The risk is **Three Waters** will be lumped together with **anti-lockdown, anti-vaxx, anti-ute tax and anti-everything eruption of protest** in provincial towns and cities via a turbo-charged version of July's 'Groundswell' protests, which gathered 60,000 to 'Howl of a Protest' events up and down the country.

A sequel 'Mother of all Protests' is being planned by Groundswell organisers for Nov 21.

The fact that the three waters solution chosen is also open to valid criticism doesn't help. This could be a damaging and messy issue for the government. However, it appears it is counting on enough of the public to see the reforms as justified - local government itself is hardly loved even if the concept

of 'local assets' is.

Moreover, to the extent that privatisation is another fear to be stoked, that is not an option that National will go anywhere near.

Our pick: the issue will be noisy and marginally damaging to the government, but is manageable as long as the government's covid response remains broadly supported and successful.

More fundamentally, the Three Waters decision creates an existential crisis for local government, exacerbated by the latest central government directives on the **National Policy Statement on Urban Development** and a weak local government review document.

Local government is fighting on numerous fronts for relevance, to demonstrate competence, and to define what it will do in the future.

Centrist instincts to the fore

The Three Waters reforms are, if anything, more of an indication of the extent to which the government continues to pursue a centrist/statist approach in numerous areas, preferring reforms that amalgamate disparate influences and give them greater direction from the centre.

The most obvious current examples:

- DHB reform, collapsing 22 hospital boards into a single entity governed by Health NZ, with the Maori Health Authority alongside. (Note that legislation to affect this change has now been tabled and a standalone select committee formed to consider it and the MFA together).
- The National Policy Statement on Urban Development decisions that are effectively permitting six and three storey housing in the fastest-growing NZ cities.
- The creeping willingness to mandate covid vaccination for a growing proportion of the workforce.

In all cases, there are both detractors and supporters and, in many cases, they cut across traditional party political lines.

Urban usually-liberal voters in the leafier parts of Auckland and Wellington are incensed by the NPS-UD proposals, while property developers are keen.

Business interests have pressed for more directive vaccine mandates, despite usually arguing for less regulation.

In the case of Three Waters, the infrastructure lobby is highly supportive of a less fragmented water infrastructure system.

Kumbaya on Townhouse Nation

Labour effectively neutralised National and created the kind of wedge it constantly seeks to drive between National and Act with its cross-party announcement on urban density rule changes (the NPS-UD announcements).

Having urged the government for months to address housing affordability by reducing urban and suburban zoning restrictions, **Judith Collins** and **Nicola Willis** were 'rewarded' by an offer from **David Parker** to work with the government on policies that led to a joint announcement in the Beehive where **National Party** representatives at times outnumbered government ministers on the stage. This was the first such Beehive Theatre 'Accord' announcement since John Key's anti-smacking deal with Helen Clark in 2007, which marked Key out in the electorate's mind as a pragmatist and social moderate.

While the announcement added to National's growing recognition that it looks better when it discusses policy than when it fights itself, the fact is that cross-party consensus inevitably favours the government.

Willis, who clearly harbours medium term leadership ambitions, won't mind that. Her positioning on the stage with Collins will do her no harm at all, no matter whether Collins last as leader or not.

Bridges bides his time

There is a growing, albeit weak, consensus that **Simon Bridges** is the only viable alternative to **Judith Collins** as leader of the National Party. His supporters base their analysis on his opportunity to lead the party on two main factors.

Firstly, National was level-pegging with Labour before covid-19, despite the popularity of Jacinda Ardern.

The allied point is that there are plenty of examples of Opposition leaders who were unpopular before becoming PM – Helen Clark being the most obvious before her three election wins and nine years as PM. The only problem here is that there are no working examples in the MMP era. It has yet to be proven that appealing to the ghosts of Jim Bolger and Helen Clark – who admittedly became PM after the first MMP election – are exemplars.

Also potentially relevant is Bridges's new adherence to a more fervent brand of Christianity than he has

Coming up

Oct 31 - Nov 12 - The UN's COP26 **Climate Change conference** due in Glasgow.

Oct 31 - Climate Change Minister **James Shaw** to announce NZ's **new NDC**.

Nov 3 - **RBNZ** releases six-monthly **Financial Stability Report**.

Nov 24 - Second **RBNZ** rate hike to 0.75% expected.

Nov 29 - **Cabinet** to review progress towards **90% vaccination target for all DHBs**, including Auckland's.

previously. Whether this makes him more electable is debatable, but it may bolster his support in a **caucus with an unusually high number of evangelical Christian members**.

Bridges has also worked hard to soften his irascible image and remains highly visible, mainly through soft focus media appearances and the ongoing publicity for his allegedly non-political autobiography.

Collins is probably safe for as long as the National Party caucus is unable to meet in person. She may also last through Christmas.

But particularly if the Ardern government muffs the covid response over the coming summer, expect Bridges to move.

The EA's explosive depth charge

The **Electricity Authority** is likely to have sparked surprise and angst amongst generator-retailers this week with its unexpectedly critical draft findings on wholesale market arrangements.

After all, it's hardly news that the **Tiwai Point aluminium smelter** has been getting a far lower rate on its electricity supply than any other user. That's been the case since it opened in 1972. As user of 13% of all electricity generated, some kind of discount for bulk and reflection of the smelter's bargaining power has always been inevitable.

The EA's findings may also, at first blush, have appeared to be a step towards criticism of vertical integration, which gen-tailers have fought hard for years to defend.

But that is not the case.

The nub of the issue is this paragraph from the EA report this week:

"The subsidisation of NZAS is estimated to be over \$500m over the contract's 4-year term. Generators may be willing to subsidise NZAS because its demand increases national prices and spot market revenues by as much as \$850m per year, more than offsetting the cost of the subsidy."

The report's findings boil down to three key factors:

- **Internal Meridian Energy communications** sighted by the EA's consultants, **Concept Consulting**, which showed that during the most recent negotiations with the smelter, "**Meridian was looking to keep the spot price from falling**." Perhaps that would be OK if the smelter were not such a large consumer. All electricity market negotiations are inherently a balance between a customer's willingness to pay and the generator's desire both to gain an acceptable price on that and

other contracts.

- However, **the sheer scale of the smelter contract puts it in a different category**. "The impact on forward prices of NZAS's decision to stay implies that **spot market revenues would be higher than otherwise by as much as \$2.6b** over the first 3 years of the contract," the EA report says.
- Finally, the draft report concludes that Meridian had **gone beyond past practice of heavily discounting its price to the smelter to being willing to supply at below cost**. "The potential subsidy to NZAS is approximately \$125m to \$150m per year," the report says.

It also criticises the 'use-it-or-lose' provisions in the smelter contracts, which effectively force the smelter to keep producing even if it could onsell its electricity to another user more profitably.

"This clause is a central feature of the agreement to protect Meridian and Contact from price reductions on the rest of their portfolios, but it adversely affects the allocation of electricity to the consumers with the highest willingness to pay for that electricity, reinforcing the efficiency concerns."

The EA is concerned this all amounts to evidence of "inefficient price discrimination", which can: favour relatively low value uses for electricity use over higher value uses; distort investment signals for new generation and slow transition to a low emissions economy; and "the benefits of consuming electricity may be less than the costs of producing it".

"Inefficient price discrimination alone justifies efforts to develop cost-effective policy interventions," the EA concludes.

Just briefly ...

PM **Jacinda Ardern** foreshadowed possible travel to support the **conclusion of a trade deal between NZ and the EU**. However, "what I do in the next few weeks is entirely dependent on what's happening here in NZ," she said. Early 2022 looks more likely. **NZ and the UK agreed to a trade deal** in principle that would immediately remove more than 97% of tariffs on NZ exports. The **Dairy Companies Association** said complete tariff elimination for all dairy products over a 5 year period is a high-quality outcome. For most dairy products this is within 3 years, and for butter and cheese that take the full 5 years, there are transitional duty-free quotas.

The government is **quadrupling its funding for international climate change aid to \$1.3b over four years**. The announcement was made in the lead up to the UN climate conference in Glasgow. 🇳🇿

Inflationary heat building

Interest rate forecasts are rising almost as fast as various inflation indicators keep surprising markets all over the world with their heat and speed.

NZ and Australian inflation figures over the last week lit a fire under wholesale interest rate markets. Financial markets are now pricing in a rise in the Official Cash Rate here to 2.7% by early 2023, which implies mortgage rates of closer to 6% than 5%.

NZ's CPI increased 2.2% in the Sept quarter, taking the annual rate of inflation to 4.9% and well outside the Reserve Bank's medium-term target band of 1-3%.

This was the biggest annual movement since inflation reached 5.3% between the June 2010 and June 2011 quarters when GST was hiked to 15%. Extracting GST hikes, it was the fastest quarterly inflation since 1987.

Economists forecast annual CPI inflation could rise as high as 6% next year and remain above 3% well into 2023.

ANZ is forecasting the Reserve Bank will lift rates by 25 basis points in April and July 2022, in addition to Nov, Feb, and May, and then lifting the OCR to 2% in Aug. ASB also upgraded its OCR forecasts to see it peak at 2% in late 2022.

Mortgage rates rising

Higher than expected Australian inflation this week also saw short term government bond yields rise sharply above the 0.1% ceiling put in place by the **Reserve Bank of Australia**.

The RBA's decisions on Thursday and Friday not to intervene with more quantitative easing to force down bond yields was seen as a tacit acknowledgement that the central bank will signal an earlier tightening of monetary policy next Tuesday.

Banks sniffed the wind and started putting up their mortgage rates sharply in the last fortnight.

BNZ raised its fixed-rate mortgage interest rates by between 25 basis points and 50bp, but left its deposit rates unchanged. BNZ also took the unusual step of preempting the Reserve Bank's move towards limits on debt-to-income multiples. It imposed its own limit of six times income on mortgages through brokers this week.

ANZ Bank raised all its fixed-term mortgage rates by 45 basis points.

Kiwibank raised fixed-term mortgage rates by between 29 and 54 basis points and term deposit rates by between 5 and 55bp.

The NZ dollar climbed above 72 US cents for the first

time in more than four months as short term interest rates accelerated beyond those in the United States.

Cost pressures inflating

Business confidence slipped in Oct, with cost and inflation pressures increasing, according to the latest **ANZ business outlook survey**.

A net 13.4% of firms expect the economy to deteriorate over the year ahead, more downbeat than the 8.6% in the preliminary reading and the 7.2% pessimism level in Sept.

However, regarding firms' expectations for their own activity, a net 21.7% expect their business to grow in the next 12 months, down from 26.2% in the preliminary Oct survey but up from 18.2% in Sept.

There's plenty of pressure building in factories as well.

The **BNZ - BusinessNZ Performance of Manufacturing Index** recorded a seasonally adjusted PMI for Sept of 51.4, 11.7 points higher than Aug. Prior to the lockdown, the PMI averaged close to 60 since the start of 2021. The North Island was still in contraction, while the South Island returned to levels of expansion seen pre-Aug.

Auckland had its first ever population decline with a 0.1% dip for the 12 months to June after averaging population growth of 1.8% a year over the past two decades, Stats NZ said.

A changing regulatory climate for financiers

The **Reserve Bank has released a climate change strategy** that could see banks and insurers forced to put aside more capital for riskier home and farm loans, and for insurance policies exposed to rising sea levels, flood and drought, or even the 'greenfields' homes they lend against and insure to.

It also creates a **risk the Reserve Bank has to hike interest rates in response to the shock of higher energy prices** linked to climate change policies.

The irony is these higher interest rates will make it harder to make the climate investments, **although the Reserve Bank may help out by buying green bonds**.

However, Governor **Adrian Orr** said the bank would only react to persistent inflation rather than relative price changes in response to climate policies. ■

Coming up

Nov 3 - NZ labour market data due for Sept qtr. Seen showing quarterly jobs growth halved to about 0.4%, while the unemployment rate is seen falling to 3.8% from 4.0%. Annual wage growth seen up to 2.7% from 2.0%.

Nov 4 - US Federal Reserve is expected to announce the start of QE tapering, and a possible start rate hikes next year.

Nov 5 - Reserve Bank of Australia cash rate decision.

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Banks, insurers and fund managers

ANZ Bank NZ lifted annual net profit 44% to \$1.92b after writing back previous covid-related charges for bad debts and lending a record amount on mortgages. The bank's net profit included write-backs of \$115m of previous bad-debt charges, compared with a \$401m charge last year. Home lending increased by \$9.3b to \$99b, up from the \$5.1b it lent on mortgages the previous year, but lending to businesses and farmers fell. ANZ also increased its profit margin by 20 basis points to 2.35% from 2.15%.

Kiwibank said its sale of \$250m of perpetual preference shares has been completed with the distribution rate set at 4.93% for the first five years. It will be reset at five-yearly intervals at 2.6 percentage points over whatever the five-year swap rate is at the time of each reset, unless Kiwibank chooses to redeem them.

The **Reserve Bank** started a review of its policy for branches of overseas banks operating in NZ to keep pace with the global regulatory environment.

Energy and resources

The government could consider limiting the size of electricity generators or forcing "virtual asset swaps" if it is unhappy with competition in the market, the **Electricity Authority** said.

The market regulator's review of what was behind elevated electricity prices in the wholesale market zeroed in on the deal to supply the **Tiwai Point aluminium smelter**, which it said meant others were paying more to subsidise the lower price paid by the smelter. **Meridian Energy** rejected the argument as flawed and the solutions as dangerous.

Gas businesses told the **Commerce Commission** they are worried current regulation is not fit to cope with climate change policy that could strand assets and increase costs.

WEL Networks lodged a resource consent to build a 35MW battery for \$25m, with commissioning by Oct 2022.

Manufacturing and construction

Fletcher Building said it is continuing to target 10% operating profit margins in the year ending June 2023, but the current year's margins will be impacted by the covid lockdowns. Fletcher's earnings before one-offs were \$669m in the year ended June this year, beating its guidance by \$9m.

City Rail Link CEO Sean Sweeney said the project is behind schedule and likely to come in above its latest \$4.4b price tag.

The **Tiwai Point aluminium smelter** released

reports showing the extent of the 50 year-old site's contamination, but is optimistic it can still be cleaned up within the current budget of about \$350m.

Scott Technology reported net profit after tax for the year ended Aug 31 2021 of \$9.5m, up from a \$17.5m loss the year prior, and \$8.6m profit in 2019. It said there was strong mining and meat sector demand for its robotics technology.

Carter Holt Harvey paid less than \$40m to the **Ministry of Education** to end years of litigation over whether its **Shadowclad** product used in more than 800 school buildings was defective. The ministry's annual report showed a \$35.5m settlement to pay for fixing leaky school buildings contributed to its operating surplus in the June 2021 year.

Skellerup said it expects first-half net profit will be more than 10% higher than in the same period last year. It reported a \$19.5m net profit for the six months ended Dec 2020, up 61% on the previous first half, while the annual result was a record \$40.2m.

Primary sector, food and beverages

Fonterra increased and narrowed its forecast farmgate milk price range to \$7.90 - \$8.90 per kgMS, from \$7.25 - \$8.75 per kgMS. The midpoint of \$8.40 would equal the highest price paid by the Co-op, and would amount to **\$13b of cashflow into regional NZ**.

At the last dairy auction, overall prices lifted 2.2%, while whole milk powder prices rose 1.5%. Wholemilk powder prices have lifted 6.7% over Sept and Oct, and now sit 25% above year ago levels. Prices are about 20% above their five-year average.

Westpac said the result reinforces its 2021/22 farmgate milk price forecast of \$8.50/kg. If achieved, that would be a record high.

Trading in dairy derivatives will shift to Singapore from NZ in Nov in an effort to increase market liquidity and international relevance.

A2 Milk may be facing a second class action claim but said it was not aware of a suit being filed. The company said there is no material change to its full-year 2022 position, but there is a different mix for its business, favouring the English label infant milk formula.

T&G Global said shipping delays and labour shortages would hit results for the year to Dec 31, with net profit forecast to be between \$4m and \$10m, compared with \$16.6m in 2020.

Landcorp – which trades as **Pāmu** – is borrowing \$85m from **Westpac** over three years in a sustainability-linked loan. It will receive a pricing discount if it meets performance targets and pay higher interest costs if it fails to reach them.

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PGG Wrightson said current financial year earnings should be in line with the prior year's earnings of \$53m, despite ongoing uncertainties related to covid-19 and supply chain disruptions.

Property

Arvida is paying \$345m to buy **Arena Living's** six retirement villages and will raise \$330m of new equity to help pay for it. It will expand Arvida's portfolio by nearly a quarter.

Retailing and wholesaling

The Commerce Commission's supermarkets inquiry is half-done, with hearings next week to turn to the question of forced divestments and disaggregation of wholesale and retail operations.

Foodstuffs and Woolworths NZ - representing what the commission and critics consistently referred to as the supermarket 'duopoly' - based its arguments against the commission's findings of an anti-competitive grocery market environment on two basic planks:

- the commission's profitability calculations are wrong;
- so their other claims about lack of competitiveness and innovation must also be wrong.

The industry contends vertical integration produces the lowest prices, adoption of a new code of conduct for dealings with suppliers, and ending the use of restrictive land covenants that prevent rivals opening stores should fix any current issues.

Service industries and healthcare

My Food Bag reported its half-year earnings were as expected, with increase in demand from the lockdown absorbed by higher costs. The company had net sales of \$98.4m in the six months ended Sept 30 from 808,000 deliveries. That implied an average value per meal delivery of \$121.80.

Tech, telcos, media, IT and entertainment

Sky Network Television is on track to deliver its first increase in annual revenue in more than five years. Sky is targeting revenue growth of up to \$35m in the year to June 30, 2022 and expects streaming revenue will eclipse the decline in Sky Box revenue.

MediaWorks is hiring its own newsroom as it ends its content-sharing arrangement with **Discovery-owned Newshub**. It was reported Newshub would lay off 10 journalists due to the contract ending.

Transport and logistics

The government finally unveiled its options for

Auckland Light Rail this morning, including Light Metro, Light Rail and Tunnelled Light Rail. The Independent Chair's report recommended Tunnelled Light Rail, estimating it would cost \$14.6b to build over the next 10 years, generate an NPV of \$10.3b, have a CBA ratio of 1.1 and enable an extra 35,000 houses directly, and over 100,000 indirectly. However, none of the three options start being carbon negative until after 2050 because of the carbon embedded in the project's concrete and steel during its construction.

Air NZ expects to have just \$600m of its government-funded \$1.5b emergency credit line left in four months' time. The airline expects to have drawn down \$900m of the Crown Standby Loan Facility, if current levels of activity are sustained over the summer months. That is primarily because employee income tax payments totalling \$300m cannot be delayed beyond March 2022, and because Air NZ will take delivery of two new narrow-body jets in the next few weeks.

From Nov, Air NZ will operate two flights a week from Auckland to Sydney, increasing to six flights a week in Dec. It is unable to resume services from Christchurch for operational and regulatory reasons.

The aviation industry in NZ employed 5,600 (35%) fewer people in Feb 2021 compared with February 2020, when covid related travel restrictions weren't yet in place, Stats NZ said.

Ports of Auckland will charge an infrastructure levy on containers to help pay for \$330m in port upgrades, including its stalled automation project. A levy of \$20 per TEU will be effective from Jan, doubling to \$40 from July 1 2022. Last year the port handled more than 818,000 TEUs.

Freightways bought chilled food transport operator ProducePronto for \$10m. The firm's first-quarter net profit after tax fell 5.7% to \$18.1m – \$1.1m less than the comparable three months in 2020. Revenue was down 4.1% for the three months to Sept to \$203.1m. However, both figures were influenced by there being one less week in the accounting period, which reduced sales in the quarter by about \$12.4m. Lockdowns in Aug were a major part of a \$7m reduction in earnings.

A covid case at **KiwiRail's** freight hub in Auckland slowed container movements with 15 staff at the Southdown container terminal in Onehunga isolating after a contractor was covid-positive.

NZ ports will have reduced log volumes in the coming years as the tree maturation profile changes.

CentrePort will pay dividends of \$20m to the Wellington and Horizons regional councils, including

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\$15m from a 2016 Kaikōura earthquake claims settlement.

Move Logistics, formerly **TIL Logistics**, said it will raise about \$40m via a fully underwritten one-for-3.06 rights issue priced at \$1.40 per share.

Capital Markets

Vulcan Steel will list on the ASX and NZX on Nov 4 to raise A\$372m at A\$7.10 a share for a 39.8% stake. Cornerstone and early bids have already secured a reported A\$220m, backed by institutional investors in Australia, NZ and Asia.

Taranaki-based cannabis and hemp food company **Greenfern Industries** listed on the NZX.

Australian firm **Superhero** is working to add NZX-listed stocks as it plans to expand its retail investment platform into NZ.

Sharesies' latest capital raise, led by global venture firm **Amplio**, has more than tripled the investment platform's value, to about half a billion dollars.

Corporate actions

Tourism Holdings is selling its peer-to-peer campervan rental company **Mighway** and **Shareacamper**. It will take a stake in Mighway's new owner **Camplify**, which will issue THL new shares. The purchase price was A\$7.37m, subject to closing adjustments.

Courts, legal and regulation

The **Ministry of Business, Innovation and Employment** was instructed by the High Court to reconsider businessman **Murray Bolton's** rejected application to isolate at home following a planned trip to the US for a pre-listing board meeting.

The appeal court overturned an employment court decision against **Metro Performance Glass**, which if upheld, could have cost other businesses hundreds of millions of dollars in holiday backpay.

Last year, the employment court found in favour of the **Labour Inspectorate**, which argued Metro Glass had underpaid holiday pay by not appropriately recognising its short-term incentive scheme as part of employees' gross income.

Inland Revenue is writing to about 400 NZers it believes have a net worth of at least \$20m asking for details of their finances and assets with warnings it will check.

US tech billionaire **Peter Thiel's** consents to build a luxury lodge above the shores of Lake Wānaka are being opposed by some environmental groups.

The **Defence Force** failed in its bid to dismiss charges laid against it by **WorkSafe** over the death of an SAS

solider at a training facility in Ardmore.

The **Serious Fraud Office** started looking into allegations of abuse of the government's covid wage subsidy.

Vaccination mandates

The **govt widened its vaccination mandates** from the health and education sectors to include hospitality, events, gyms and close-contact retail businesses such as hairdressers that require vaccination certificates for customers.

Workplace Relations Minister Michael Wood said the widening of the mandates would help improve vaccination rates. Wood said the existing mandates covered about 15% of the workforce and this widening would expand mandates to around 40% of the workforce.

PM Jacinda Ardern said businesses that required vaccination certificates would need to have all their employees vaccinated to ensure all their customers were safe. She restated that the mandates would not be applied for 'essential' services, including supermarkets, pharmacies and medical clinics.

However, Ardern and Wood said the govt was also considering further widening the mandates to include other public services, such as for **WINZ** and **MSD**. Other public services such as the **Police** are yet to have vaccination mandated, although they did not specifically mention the Police.

The construction sector and Corrections are also seen in line for mandates.

Wood said, although the mandates would not come with explicit 'sunset clauses', they would be enacted through **secondary Covid-19 legislation** which needs to be renewed regularly. Ardern and Wood said the aim was not to override the **Human Rights or Employment Relations Acts** and employees would still be able to test their rights in the courts.

Extra funding will be provided by **Worksafe** to implement its existing workplace risk framework more widely. Employers will be required to give time off for vaccinations, and workers sacked for not being vaccinated must be given at least four weeks paid notice.

People news

Former NZTA ceo Geoff Dangerfield resigned all his board positions this week with immediate effect for personal reasons. He had been chair of **Wellington Water** and **Port Nelson** and executive chair of the **New Zealand Festival**.

Jacqueline Lethbridge was elected the 32nd president of the Law Society. 

Scrambling towards Xmas

Parliament returned to normal business though a large number of Auckland and Waikato-based MPs remained away from the House. The government used extended sitting hours to advance its programme and also introduced a number of major bills on health and housing reforms

- *Italics denote update from previous edition of Hugovision*
- A full compendium of the legislation before the House is available on The Hugo Group website, www.thehugogroup.com

Bills introduced

Data and Statistics Bill - Introduced on Oct 11. Repeals the Statistics Act 1975 following a review of statistics legislation.

Education and Training (Freedom of Expression) Amendment Bill - Drawn from the ballot and introduced on Oct 11. The bill in the name of ACT MP James McDowall would require tertiary education institutions to protect freedom of expression, including by issuing codes of practice. Tertiary education institutions would not be allowed to rely on their duty to eliminate or minimise potential risk of mental harm to students, staff, or visitors under the Health and Safety at Work Act 2 as a reason not to comply with their duty to ensure freedom of speech.

Tertiary education institutions will be ineligible for funding, and may have funding suspended, revoked, or withdrawn, if they fail to comply with the requirement to protect freedom of expression.

Employment Relations (Extended Time for Personal Grievance for Sexual Harassment) Amendment Bill - bill in the name of Labour MP Deborah Russell drawn from the ballot and introduced on Oct 21. Extends the time available to raise a personal grievance that involves allegations of sexual harassment from 90 days to 12 months.

Financial Professional Services Trading Advice Transparency Bill - bill in the name of National MP Barbara Kuriger drawn from the ballot and introduced on Oct 21. The bill would prevent financial advisers who recommend that a third party take over the management or disposal of a business or its assets from performing such a function themselves.

Pae Ora (Healthy Futures) Bill - Introduced on Oct 20. The bill disestablishes DHBs and the Health Promotion Agency and replaces them with Health NZ and the Māori Health Authority to fund and administer health services. It also creates iwi-Māori partnership boards as a vehicle to exercise tino rangatiratanga and mana motuhake at the local level.

There will be a new Public Health Agency to be established within the Ministry of Health. There will also be a new series of monitoring and accountability documents including a NZ Health Strategy, Health Plan, locality plans, Health Charter and Code of Consumer Participation. First reading on Oct 27 opposed by National and ACT. The bill was referred to a specially formed select committee the Pae Ora Legislation Committee.

Remuneration Authority Legislation Bill - Introduced on Oct 11, the bill transfer responsibility for determining the remuneration of certain judicial and statutory officers

to the Remuneration Authority. First reading on Oct 26 with all parties in support and sent to the Justice Committee.

Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill - Introduced on Oct 19, the bill amends the RMA with the intent to accelerate housing supply to set more permissive land use regulations by bringing forward and amending the National Policy Statement on Urban Development.

The bill introduces medium density residential standards allowing at least 3 dwellings of up to 3 storeys per site across more urban areas. Received its first reading on Oct 26 with just ACT opposed. It was sent to the Environment Committee to be reported back by Dec 2.

Retail Payment System Bill - Introduced Oct 11, the bill gives the Commerce Commission powers to regulate a new retail payment services regime in line with a government promise to regulate merchant service fees charged to retailers to bring them into line with overseas fees.

Sale and Supply of Alcohol (Exemption for Race Meetings) Amendment Bill - bill in the name of National MP Ian McKelvie drawn from the ballot and introduced on Oct 21. The bill provides an exemption from section 235 of the Sale and Supply of Alcohol Act for racing clubs on the days of race meetings if alcohol consumption takes place when the club holds either an on-licence or an on-site special licence that applies to the race meeting

Bills in progress

Animal Welfare Amendment Bill - Introduced Sept 21, the bill implements a ban on the export of livestock by sea by April 2023. First reading Oct 19 and sent to the Primary Production Committee with National and ACT opposed.

COVID-19 Response (Management Measures) Legislation Bill - Introduced on Sept 28. The bill mostly relates to changes for statutory deadlines disrupted by the pandemic. Among them is the dates by which the government must finalise its Emissions Reduction Plan. It also extends the sunset clause of RMA fast track legislation to 2023 First reading on Sept 29 under Urgency.

Opposed by ACT though National opposed the bill being reported back from select committee by Oct 14. Both parties also raised concerns about provisions allowing the government to delay local body elections for a short time if there are pandemic lockdown conditions. There are also concerns about law changes relating to commercial rental reduction rules in lockdowns. Reported back on Oct 14 with no major changes despite strong opposition from many on changes to lease contract law.

Second reading Oct 19 with National, ACT and Te Paati Māori opposed. Committee stage begun on Oct 27 with the government deleting the proposal to give it more powers to delay local body elections beyond what already exists.

Digital Identity Services Trust Framework Bill - Introduced on Sept 29. The bill establishes a legal framework for digital identity services for individuals and organisations. First reading Oct 19 and referred to the Economic Development, Science and Innovation Committee with the support of all parties.

LEGISLATION

Education and Training (Teaching Council Fees and Costs) Amendment Bill - Introduced on Aug 10. Enables the Teaching Council to fix fees so that it can recover costs for all its functions and powers. It would also retrospectively validate payments for fees collected by the Teaching Council since Feb 1 2021 after those fees were quashed by the High Court. First reading on Aug 12 supported only by Labour with all other parties objecting to the retrospective nature of the bill which would add costs for teachers.

Referred to the **Education and Workforce Committee** with a report back of Sept 16. Reported back on Sept 10 with a number of amendments including giving the council new powers to set levies and a change to the bill's title to reflect that. *Second reading on Oct 19 supported only by Labour*

Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of Online Harm) Amendment Bill - Introduced on May 26 2020. Updates the **Films, Videos, and Publications Classification Act** to provide regulatory tools to manage harm caused by content that is livestreamed or hosted by online content hosts. The bill mostly relates to online publications, however, one aspect – urgent interim classification assessments – will apply to all publications covered by the Act.

First reading completed on Feb 11 2021. Supported only by Labour with all other parties saying the bill went too far in restricting free speech. Sent to the **Governance and Administration Committee** with a report back of Aug 11. Reported back on Sept 13 with a wide range of changes intended to assuage human rights concerns most notable the proposed electronic filtering system to prevent public access to online publications deemed objectionable. *Second reading on Oct 19, opposed by ACT. Committee stage completed on Oct 26.*

Maritime Transport (MARPOL Annex VI) Amendment Bill - Introduced on May 19. Gives ministerial powers to make marine protection rules in relation to Annex VI of the international marine transport treaty – MARPOL. These relate to vessel fuels and pollution standards. First reading on June 1 with the support of all parties.

Sent to the **Transport and Infrastructure committee** to be reported back by Sept 16. The shortened time frame was so NZ can accede to the latest annex and take part in upcoming talks on maritime greenhouse gas emissions. Reported back on Sept 14 with minor changes. Second reading on Sept 28 with all parties in support. **Committee stage completed on Oct 26.**

Protection of Journalists' Sources Bill - *Introduced on Sept 23, the member's bill of Louisa Wall seeks to give protection to journalist from having to reveal their sources in court by amending the Evidence Act. It also amends the Search and Surveillance Act to ensure journalists' sources are protected in relation to production orders and Police searches. First reading on Oct 20 and sent to the Justice Committee.*

All parties supported but reservations were expressed about aspects including the protection of material gained by illegal activity.

Bills passed/defeated

Arms (Firearms Prohibition Orders) Amendment Bill (No 2) - Introduced on Dec 13. A bill in the name of **National MP Brett Hudson**, it would give police powers to prohibit people from being licenced gun owners aimed at gang members with new powers to search people and properties subject to the arms prohibition orders.

First reading on July 21 supported by National, NZ First and ACT and sent to the Justice Committee. Reported back on May 18 with the recommendation the Bill not proceed. Voted down at second reading with just National and ACT in support.

Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill - Introduced on April 12. The bill creates a regime requiring climate-related disclosures by large listed issuers, banks, insurers and fund managers. First reading on April 15 and referred to the Economic Development, Science and Innovation Committee, to be reported in 4 months and 1 day.

Opposed by just ACT. Reported back on Aug 16 with a number of changes. These include defining large listed issuers as issuers with a market capitalisation over \$60m. Also there are changes to when parts of the requirements come into law and who can be give third party assurance reports. Second reading completed on Sept 28 with National still supporting but indicating it wished a longer implementation time and the return of the 'comply or explain' option which was removed by the select committee. *Committee stage Oct 19 with only minor government changes, third reading on Oct 21 with ACT opposed.*

Freedom Camping (Infringement Offences and Other Matters) Amendment Bill - bill in the name of **National MP Maureen Pugh** drawn from the ballot and introduced on July 1. The Bill would make restrictions on freedom camping around NZ more consistent, and make it easier to punish breaches of the rules. *Voted down at first reading on Oct 20 with Labour and the Greens opposed.*

Regional Comprehensive Economic Partnership (RCEP) Legislation Bill - Introduced on May 4. Implements the trade deal between NZ, Australia, China, Japan, South Korea, and the 10 members of ASEAN. This includes the issue of certificates of origin on goods, preferential tariff rates and transitional safeguard measures.

First reading on May 18, opposed by the Greens and Māori Party. Sent to the Foreign Affairs, Defence and Trade Committee to be reported back by Sept 19. Reported back on Sept 3 with no changes. *Second reading completed on Sept 28 with the Greens and Māori Party opposed. Committee stage Oct 19, third reading Oct 21 with no changes in the bill or the parties positions.* 🇳🇿

