

## Fears of 'deal fever' on NZ-EU FTA

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The long negotiations over an FTA with the EU may conclude in Brussels next week, when the PM is there. Huge diplomatic effort has gone into trying to get a deal ready to sign to coincide with Jacinda Ardern's first European trip since the pandemic began. However, the deal as drafted is seriously deficient for dairy and beef exports.

## Three waters regulator - how to progress?

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The Cabinet is being urged to consider using Auckland's Watercare as a test case for the new three waters regulatory regime in order to accelerate what might otherwise be a six year hiatus between the creation of new water entities and settled economic regulation.

## A flurry of offshore activity for the PM

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The PM will be in Europe for a week, at a NATO summit in Madrid - a first for NZ - then to Brussels for trade talks (see above) and lastly to London. From there, she will return to Australia for the first week of July for major Australia-NZ economic activity. A week later, her presence will likely be required at the Pacific Islands Forum in Suva. That's a long time to be out of the country. Christopher Luxon is also heading offshore for policy and political inspiration during Parliament's 3 week winter recess.

## Reshuffle further concentrates Cabinet power

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By giving the police and building and construction portfolios to Chris Hipkins and Megan Woods respectively - to replace Poto Williams, who was failing in both - Jacinda Ardern further concentrates power in the hands of her kitchen Cabinet. Another reshuffle in the New Year will deal with retirements and may struggle to showcase compelling new talent.

## Inflation-killing risks

Pp 5&6

Central banks around the world caused an unintended degree of asset price inflation while responding to the challenge of the pandemic. As they tighten monetary policy to tame global inflation, the risk is that they will over-correct similarly on the downside. Monetary policy is, after all, a blunt instrument.

## Turning west

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The fact that the Asia-NZ Foundation has found a sudden negative shift in NZers' attitudes to China is significant if for no other reasons than that the government-funded organisation has been polling attitudes to Asia for 25 years and has a mandate to foster understanding and closer relations.

## Last ditch FPA skirmishing

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A string of employer and industry groups made impassioned submissions against the Fair Pay Agreements legislation in select committee hearings this week. However, there is little or no sign that there will be any substantive change to the legislation of that Business NZ's campaign against it has struck any wide public chord.

## High-stakes on NZ-EU FTA

The PM's third of three signalled international 'reopening' trips will take her to Europe next week, where **the main prize would be an inkable free trade agreement with the EU.**

However, the signals from affected sector groups suggest there is a real **fear the government will prefer to sign a weak deal than to let the PM's trip to Brussels be a perceived failure by having no deal.**

The FTA draft on the table is said to be acceptable for sheepmeat - the largest single export category affected by tariffs and quotas, and which has been complicated by Brexit.

However, **beef and dairy concessions are minuscule** and, despite airy talk from the EU Trade Commissioner during a visit to NZ in 2019, the **Europeans are not budging on so-called 'geographic indicators'**. That means foodstuffs with traditional European names - brie, camembert, parmesan etc - will not be able to use those names in EU markets.

The latter may be unwinnable, but farming, dairy and beef **sector lobbyists are already in Brussels** giving as much moral support - and backbone - to NZ trade negotiators as they can ahead of Jacinda Ardern's arrival in Brussels mid-week.

Our soundings suggest that **ministers have been softening up the beef and dairy sectors for poor outcomes.** The message received, presumably intentionally, is that exporters have had great wins from the China, Taiwan, CPTPP (particularly Japanese market access) and the UK FTA, and that there has been insufficient gratitude for the UK deal.

Whether this indicates pessimism that the habitually protectionist Europeans cannot be shifted or that there is some 'deal fever' on the NZ side because of the PM's impending visit is difficult to unpick.

On one hand, **the international tide has turned on the kind of 'high quality' FTA that NZ has always prided itself on negotiating.** The US is officially not interested, nor is India. There is very little impetus for the EU to shift our way.

Against that, however, is the geo-political realignment that is currently occurring, and which will see **Ardern become the first NZ PM to attend a NATO summit.** That will be her first engagement, in Madrid, on this trip. **She has bi-lateral meetings scheduled there, at which trade will surely arise.**

Clearly, NZ will be arguing that **if it is time to hold your friends close, it is time for Europe to relax its unnecessarily tight market restrictions** for key NZ exports.

The argument should be all the stronger for the fact

that **tariffs on imported foods underpin high global food price inflation** at present.

However, that may not be enough to shift the entrenched opposition of European, particularly, French farmers to trade liberalisation. French president Emmanuel **Macron has certainly not been helped by the loss of his parliamentary majority in the last week.**

The **final calculus may yet be which is worse politically:** being castigated in NZ for signing a weak deal or using the Brussels meeting to insist on the need for further improvement?

This assumes that such a choice exists. It may also be that this long-negotiated FTA could simply be shelved if there is no agreement now. It would join the India, Gulf States, and American invitation to CPTPP in the too-hard basket.

The UK FTA legislation was introduced in the British Parliament this week.

## Watercare and 3 waters reform

We understand the **Cabinet is about a fortnight away from decisions** on the regulatory regime to govern the reformed '3 waters' sector.

A key question will be **when new price-quality paths should kick in,** with the CEO of the Water Industry Commission of Scotland, Alan Sutherland, in NZ and strongly advising a **'sooner rather than later'** approach.

WICS has been a key adviser to the Dept of Internal Affairs throughout the 3 waters reform process.

Sutherland is advising that **proposals to leave price-quality path determinations until 2030 - one of the current draft proposals on the table - is to wait too long.**

The Scottish experience was that newly formed water entities quickly developed a gold-plated approach in the absence of a regulator.

However, the issue is **how to learn enough about the way the new entities operate to impose a new regulatory regime more quickly.**

Current focus is on **whether and how to make Watercare a kind of guinea pig** to accelerate the imposition of the new regulatory process.

**Watercare is already well down the track,** compared to many of NZ's other water service delivery bodies, to the kind of scale and structure that is envisaged for the four entities that will ultimately oversee NZ's water infrastructure.

It is therefore judged to be well-placed to allow swifter development of a regulatory approach.

Despite his numerous public utterances in opposition to the reforms, Auckland mayor Phil Goff is reportedly broadly on-board with this proposal, which also has constructive engagement from Watercare itself.

Part of this approach is predicated on an expectation that Aucklanders would almost immediately find the sharp, annual increases in water charges that they are currently being told to expect will be considerably lower. If that can be achieved, some of the political heat may go out of the issue.

As previously observed, it is now clear that the government is absolutely committed to seeing these reforms through. While Nanaia Mahuta may lose the local government portfolio in the 2023 reshuffle, that will be after enabling legislation has been passed.

## Long absence for Ardern

While the PM's European trip is punishingly short, leaving Sunday this and week and arriving back in the southern hemisphere a week later, other offshore commitments may keep her out of the country for up to three weeks in total.

She will return from Europe to Melbourne to lead a business delegation to Australia for meetings there and in Sydney, for the first in-person Australia-NZ Leadership Forum since before covid.

The following week, she is likely to need to attend to the Pacific Islands Forum in Suva. Chinese ambitions in the Pacific make this a more important PIF than is often the case, and it will be the first attended by the new Australian PM, Anthony Albanese. Ardern's attendance is likely to be necessary.

Whether she needs to be away for a full week may depend on whether she flies commercially or takes the RNZAF jet, which traditionally does a kind of "milk run" around the islands picking up Pasifika delegations ahead of and after the PIF.

## Polls and by-election

A May Taxpayers' Union / Curia poll put National's support on 37.4%, Labour at 34.2% (nc), Act 9.4% (-1.5), Greens 8.3% (-1.4), Māori Party 1.8% (-0.6), NZ First 2.3% (+0.5), TOP 3% (+1.6%) and Conservatives 1.4% (+0.1).

**The TOP result is particularly interesting, if repeated consistently.** The party appears to be finding an audience under new leader Raf Manji that it failed to find after founder Gareth Morgan trashed its strong showing ahead of the 2017 election.

Some 36% thought the country was heading in the right direction (up 2 points) and 50% thought it was heading in the wrong direction (+2). The poll was

conducted from June 1 to June 12. The sample size was 1,200 - 800 by phone and 400 by online panel.

The **June corporate poll from Labour's pollster Talbot-Mills** recorded 50% saying the country was heading in the right direction, while 42% said it was heading in the wrong direction.

National's Sam Uffindell won the Tauranga by-election with 10,931 votes, 56% of all votes, on a low turnout of 40%.

## Reshuffle

PM Jacinda Ardern used the desire of both Kris Faafoi and Trevor Mallard to leave politics to remove Poto Williams from the police and housing and construction portfolios. They were allocated respectively to Chris Hipkins and Megan Woods, further concentrating key portfolio and political risk in the 'kitchen cabinet'.

She intends another reshuffle early next year, which is also likely to be driven largely by retirements, including David Parker's.

Kiri Allan and Ayesha Verrall were notable promotions, taking the justice and covid-19 response portfolios respectively. Allan won immediate attention for a response to questions about tokenistic use of Maori language by government agencies, which she criticised.

Ardern's sensitivity to the Maori and Pasifika caucuses was evident. Williams, a Cook Islander by birth, retains her Cabinet ranking despite now holding the less demanding portfolios of conservation and disability issues.

Kieran McAnulty, becoming associate local government and racing minister, is clearly understudying for bigger things in later reshuffles.

Verrall also picks up research, science and innovation from Woods.

Mallard will step down as Speaker of the House in mid-August and is expected to be appointed ambassador to Ireland later in the year, with Phil Goff tipped for London and the current High Commissioner to the UK, career diplomat Bede Corry, likely to replace Rosemary Banks as ambassador in Washington DC. Mallard will be replaced by Adrian Rurawhe.

Duncan Webb replaces McAnulty as chief whip and Barbara Edmonds, a former Beehive private

## Carbon prices

The latest **NZ carbon auction** was solidly supported, with all available NZUs cleared at \$76, just above prevailing spot prices.

There were 4.8m NZUs available in the quarterly allocation and the cost containment reserve was exhausted for the second year in a row.

## POLITICS AND POLICY

secretary, will chair the finance and expenditure select committee - generally a sign of eventual ministerial promotion. Deborah Russell, once tipped as a junior minister, appears to be stalled on the back benches.

Meka Whaitiri picks up food safety from Verrall and Willie Jackson takes broadcasting. Priyanca Radhakrishnan moves into Cabinet, retaining her current portfolios and picking up associate workplace relations.

### End of the Goodfellow era

Peter Goodfellow's decision to retire as president of the National Party at this year's annual conference in August ends a more than 13 year run at the helm.

Goodfellow will serve on the board for another year, which will ensure smooth transition in election year, with the most likely candidate to replace him being Sylvia Wood, a human resources consultant and Goodfellow ally who was elected last year.

Goodfellow faced concerted opposition when he stood for the role again last year. Despite his skills as a fundraiser, he was held responsible for several disastrous candidate selections in the lead-ups to the 2017 and 2020 elections.

### International tax

Revenue Minister David Parker told a select committee that progress at the OECD on a new international tax avoidance pact had stalled and that he feared that "could post some risks as to whether it is ever achieved internationally".

### Shifting views on China/US

NZers have become markedly less trusting of China in the first half of 2022, compared to attitudes measured in an Asia-NZ Foundation poll in November last year. The foundation has polling attitudes to Asia for 25 years.

The survey found that 13% saw China as a friend,

a record low for the poll. 58% saw the country as a threat, a big jump from last year's 37%. Only 10% thought China would act responsibly in the world.

By comparison, greater warmth towards the US is emerging. While trust in the US is far lower than towards Commonwealth Anglo countries, 61% believed the US was a responsible global actor in the 2021 poll, compared with 50% a year earlier.

### FPA skirmishes

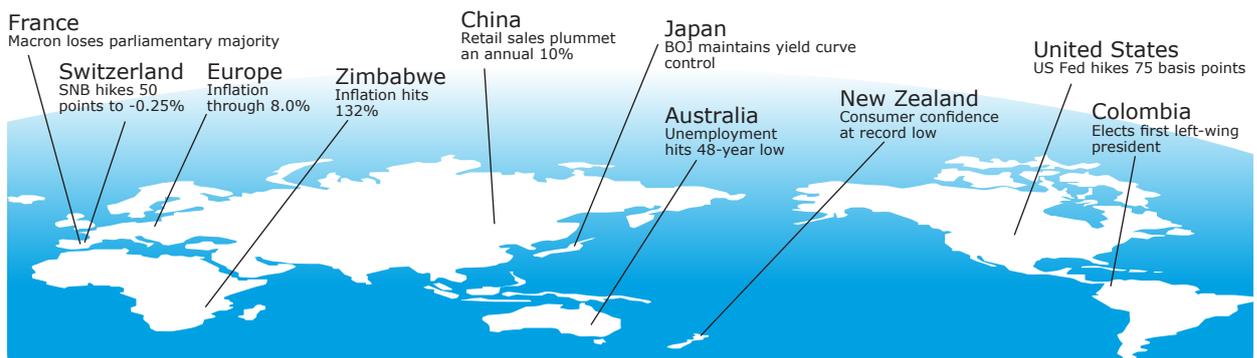
Business NZ appears to have landed a significant blow to the legitimacy of the Fair Pay Agreements legislation with a legal opinion from public law expert Andrew Butler contradicting justice ministry advice that FPAs don't breach the Bill of Rights Act.

The ministry had relied, incorrectly according to Butler, on earlier advice that he had given on the proposals. FPAs' universal coverage, departure from voluntary participation, interference in party autonomy and prohibition on employers initiating bargaining for an FPA were all problematic, Butler's opinion said.

However, despite a large number of dissenting employer group submissions to the select committee considering the bill this week, there is little or no sign of significant changes being recommended by MPs. Attorney-general David Parker, who intervened recently in a way that killed off a private members' bill on Maori wards, may yet respond, but the government's commitment to FPAs is inextricably linked to its obligations to the union movement.

Butler also found FPAs justifiable where the focus was enhancing the bargaining power or low-paid and insecure work. The political reality is that this is where the government has focused its attention for the first FPAs. Assuming that there is a change of government in 2023, it may be that the only FPAs achieved will be in a limited number of low-paid sectors before a National-led government changes the law again. 🇳🇿

### The world at a glance



## Potential for US recession is real

A growing number of commentators and indicators suggest a sharp slowing in the US economy is underway and that there is significant likelihood of a recession. Whether or not a “soft landing” is achievable is also now in play following comments by Fed chair Jerome Powell in congressional hearings this week.

Among the harbingers are some sudden shifts being observed in consumer behaviour, including a contraction from an early burst of enthusiasm for air travel as covid restrictions eased, reduced spending on luxury and big ticket items, and a trend towards casualising or dispensing with services such as housekeeping and delivered meal kits.

Among the challenges facing central banks is how unused most people living in democracies are to dealing with high inflation.

This quote is instructive from US Democrat and darling of the American liberal left, Elizabeth Warren, who said to Powell during this week’s hearings: “You know what’s worse than high inflation and low unemployment? It’s high inflation and a recession with millions of people out of work. I hope you will reconsider that before you drive this economy off a cliff.”

This is particularly because of the impact of uncontrollable shocks from oil and food price inflation caused by covid and the Ukraine war, which undermines the orthodoxy that tighter money will curb inflation. This argument tends to understate the

extent to which current global inflation also reflects the loose monetary and fiscal policies that prevented deeper economic shocks from pandemic disruption.

In presentations to an economic forum in Qatar this week, attended by global heavyweights, Goldman Sachs also indicated increasing risk of recession as being “higher and more front-loaded” than previously assumed.

Goldman’s economics team now sees a 30% probability of entering a recession over the next year, up from 15% previously, and a 25% conditional probability of entering a recession in the second year if one is avoided in the first, Bloomberg reported. That implies a 48% cumulative probability in the next two years versus 35% previously.

## Fitch drops global growth view

Fitch Ratings pared back its growth forecasts for NZ’s main trading partners and is more downbeat about global output as inflation pressures intensify. It now forecasts 2022 global growth at 2.9%, down from the 3.5% forecast in March.

## RBA on tightening path

Australia continues to lag NZ in its inflation path and consequent monetary policy response.

However, while the RBA is all but ruling out a 75bps increase in the benchmark rate at its July meeting, NAB continues to expect 50bp increases in July and August, with a slower pace of increases from then on. 🇺🇸

## Trading partner growth

(2020-2021 actual; 2022-2024 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
China	36.2	1.8	8.1	4.3	5.2	5.2	2.5	0.9	2.2	2.3	2.2
Australia	15.4	-2.2	4.8	4.0	2.6	2.7	0.8	2.9	5.4	3.3	2.1
United States	12.6	-3.4	5.7	2.6	1.8	2.0	1.2	4.7	7.7	3.6	2.3
Japan	6.4	-4.5	1.7	1.7	1.9	0.9	0.0	-0.2	1.9	1.2	0.6
Eurozone	5.4	-6.5	5.3	2.8	2.0	1.7	0.3	2.6	7.2	3.3	1.4
South Korea	3.4	-0.9	4.0	2.7	2.3	2.4	0.5	2.5	4.5	2.4	1.4
United Kingdom	2.8	-9.7	7.4	3.5	0.8	1.5	0.8	2.6	8.5	5.2	2.2
Singapore	2.1	-5.4	7.6	4.0	3.0	2.3	-0.2	2.3	5.2	3.1	1.5
Hong Kong	2.2	-6.1	6.3	1.0	3.6	2.5	0.3	1.6	2.3	2.3	1.9
Taiwan	2.4	3.4	6.6	3.6	2.8	2.3	-0.2	2.0	2.9	1.9	1.4
Malaysia	1.8	-5.7	3.1	6.5	4.5	4.6	-1.1	2.5	2.9	2.6	2.0
Indonesia	2.3	-2.1	3.7	5.2	5.1	5.1	2.0	1.6	3.8	3.7	3.5
Thailand	1.8	-6.2	1.5	3.4	4.4	3.3	-0.8	1.2	5.6	2.1	1.2
Philippines	1.2	-9.3	5.7	7.1	5.9	6.3	2.6	3.9	4.7	3.7	3.1
Vietnam	1.6	2.9	2.6	6.9	6.9	6.9	3.2	1.8	3.5	3.7	3.8
India	0.9	-7.0	8.7	7.2	6.0	6.3	6.2	5.5	6.7	5.0	4.6
Canada	1.4	-5.2	4.5	3.7	2.3	2.0	0.7	3.4	6.3	3.1	2.1
<b>NZ Trading Partners</b>	<b>100.0</b>	<b>-1.7</b>	<b>6.0</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>	<b>1.4</b>	<b>2.1</b>	<b>4.2</b>	<b>2.8</b>	<b>2.0</b>
<b>Forecasts for New Zealand</b>											
Consensus		-2.0	5.7	2.6	2.2	3.7	1.7	3.9	6.1	3.0	3.1
BNZ Forecasts		-2.1	5.6	2.8	1.4	1.7	1.7	3.9	6.6	3.5	3.5
<b>The World</b>		<b>-3.3</b>	<b>5.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>1.9</b>	<b>3.6</b>	<b>6.9</b>	<b>3.8</b>	<b>2.8</b>

## DOMESTIC ECONOMY

## Consumer sentiment slumps

Consumer confidence, as measured by McDermott-Miller for Westpac, is at its lowest since the index began in 1988.

The 13 point fall in the index to 78.7 is instructive as a guide to how unsettling the return of rising interest rates and inflation for the first time in a generation.

Compared with the recession of the early 1990s, when both mortgage rates and unemployment were in double digits and fiscal austerity measures were being actively pursued, economic conditions today are objectively relatively benign.

However, sentiment is subjective and the slump in confidence - and the growing consensus that house prices look likely to keep falling for some time - suggests the RBNZ may score early wins in its inflation battle. Indeed, the issue for both the NZ and global central banks may be overshooting.

Having pumped up asset prices during the loose monetary policy response to covid and unleashed inflation beyond the price pressure created by global supply chain, food and oil price shocks, there is inevitably potential to be similarly inexact in reversing the impacts of the stimulus.

"If there is a more abrupt slowdown in spending than the RBNZ anticipates, then it's likely that increases in the cash rate will be more measured," Westpac said.

However, about half of all outstanding mortgages will come up for repricing in the next 12 months, which will likely compound the impact of falling house prices on the 'wealth effect' that underpinned previous consumer confidence and spending.

## Weak first quarter

**NZ's economy contracted 0.2% in the March quarter**, when the median economists forecast had been 0.5% GDP growth. The RBNZ had forecast 0.7% growth after 3% growth in the Dec quarter.

**Grant Robertson pointed to global economic trends** causing exports to fall 14.3% compared to the Dec quarter and noted on an annual basis economic activity was 5.1% higher than the previous year. "While outward-facing sectors have been hit by the global situation, domestic activity in areas like construction was up" with Gross National Expenditure up 2.6% during the quarter. This excludes the impact of imports and exports on GDP and measures business, household and govt spending.

## Current account blowing out

The seasonally adjusted **current account deficit**

widened to \$8.5b in the March 2022 quarter, from \$6.6b in the Dec 2021 quarter. The current account deficit was \$1.9b wider than the previous quarter, mainly due to an \$871m rise in the value of goods imports and an \$831m fall in the value of services exports.

## Economic indicators

**Annual house price inflation** slowed to 3.7% in May with prices down 1.6% in the month and down 5.6% in the three months ended May. The Real Estate Institute's house price index data showed the biggest monthly fall was in Wellington, down 2.8%, taking that city's annual price drop to 6.9% while Auckland's annual price was up 0.6% on a year earlier. **Realestate.co.nz** figures said auction listings fell by more than a third from a year ago, while displayed prices listings jumped by close to a quarter.

**Annual food price inflation** was 6.8% in May, with a 10% annual lift in fruit and vegetable prices and a 7% jump in meat, poultry and fish prices. Grocery food prices were up 7.4% while restaurant meals and ready-to-eat food prices increased by 6%.

**Filled jobs numbers** were almost unchanged between the Dec 2021 and March 2022 quarters, after adjusting for seasonal effects. This follows four consecutive quarterly increases during 2021.

**Seasonally adjusted card spending** rose 1.4% to \$123m in May for the third consecutive monthly rise this year. Stats NZ said fuel spending was part of the reason behind last month's increase, up 8.9%.

**Wholesale trade sales** rose 2.8% in the March 2022 quarter to \$34.9bn, following a rise of 6.9% in the Dec 2021 quarter.

**Border crossings in April 2022** were the highest for a month since border and travel restrictions were introduced in March 2020, Stats NZ said. There were 266,700 border crossings in April 2022 - 125,100 arrivals and 141,600 departures. This compares to 1.2m border crossings in April 2019, before covid.

**MyHR** data said between April 2021 and March 2022, staff turnover increased to 58.2% nationally, up 10% from 2020 to 2021. The hospitality sector was the most active, with 94.2% turnover (up 17.4%), while healthcare was up almost 20% to 50.5%. **Seek** job ads rose 3% in May to were 15% higher than a year ago. Applications fell 4%.

The **BNZ-Business NZ Performance of Manufacturing Index** rose 1.7 over May to 52.9, slightly below the long-term average. The sub-measures of employment, production and deliveries of raw materials returned to being positive. ■

## Primary Sector

Chilean media reported **Fonterra's** sale of its US\$800m (NZ\$1.29b) Soprole business in Chile is making progress with JP Morgan working on a shortlist of prospective buyers for due diligence.

West Coast Christian sect **Gloriavale** sought a High Court injunction to forcing **Westland Milk** to continue collecting milk. It sought to end supply agreements after an Employment Court ruling members of the community who worked up to 70 hours a week were not volunteers.

**John Shewan**, the current independent chair of **FSF Management Company**, the manager of the **Fonterra** Shareholders Fund, and independent director **Kim Ellis** will retire at the fund's annual meeting in Nov.

## Energy and resources

**Meridian** and **Contact** announced Australian energy and resources companies **Woodside** and **Fortescue** are shortlisted to become development partner for their **Southern Green Hydrogen** project. A final selection will be made by the end of August, with public announcements shortly afterwards.

**Neil Warburton**, the ceo of **Todd Corp's** WA ASX-listed iron ore developer **Flinders Mines** resigned without explanation. Todd Corp executive **Evan Davies** resigned from the Flinders board last month as Todd restructures its executive team, making Davies ceo of one of four divisions.

**Meridian's** chief financial officer **Mike Roan** said the current turmoil in the Australian electricity market justified the decision to sell its assets there.

**Average household electricity prices** increased more than 5% in the last year, with the energy component rising the fastest and large variations between regions. **MBIE** data shows in May 2022, a 'model' consumer was paying 32.4 c/kWh, with a lines component of 11.6 c/kWh and energy and other costs of 20.7 c/kWh. Since last May, this is a 5.19% increase in the total retail price, made up of a 2.65% increase in the lines component, and 6.15% for the energy component.

## Banking, finance and insurance

A big drop in interest expenses helped to push up **TSB's** net profit by 7% to \$38m in the year to March 31, up from \$35.6m in the previous financial year. It paid out a \$12.5m dividend to its community trust owner - the biggest since 2018.

Insurance companies **Cigna Life** and **OnePath Life** are paying \$180,000 to the Financial Markets Authority for allowing misleading representations to be made about their credit card insurance policies by

ANZ Bank.

**Latitude Group Holdings** formally withdrew its application to the Commerce Commission for clearance to acquire Humm Group's consumer finance business.

**Payments NZ** said from April 2023 payments will be processed 365 days a year, instead of the current Monday to Friday.

Term deposit rates appear to be becoming more competitive, with **BNZ** and **KiwiBank** raising rates this week. BNZ is offering rates above 4% for longer maturities.

## Telecommunications, media and entertainment

**NZME** won the radio broadcast rights for the 2022 Commonwealth Games and 2024 Olympics. The media company also announced a special dividend as it paused a buyback scheme that has been going slowly. NZME will implement a new revenue-generating partnership with **Google**, populating the Google News Showcase product with NZME content, shortly, and affirmed annual earnings guidance of \$66m to \$72m.

**Sky TV** withdrew from talks to buy **MediaWorks** a week after announcing a takeover bid following a shareholder backlash.

**TVNZ** secured a deal to host **Sony Pictures** Television content on its revamped streaming platform TVNZ+.

**SkyCity Entertainment** expects full-year operating earnings of between \$135m and \$140m, with a normalised profit after tax of between \$3.5m to \$7m for the year ended June. This follows normalised loss of \$19.5m for the six months ended Dec.

**Spark** added two new non-executive directors - **Sheridan Broadbent** from Manawa Energy (formerly Trustpower) and former Ryman Healthcare chief executive **Gordon MacLeod**.

## Wholesale and retail

**Countdown** is spending \$99m on a new 11,000-square-metre chilled distribution centre outside Christchurch, bringing its national warehousing and chilled storage footprint to 21 hectares.

**Foodstuffs NZ** outlined its plans to open up wholesale supply to competitors, but said confidentiality provisions would be required to prevent the terms of supply becoming widely known.

Wellington department store **David Jones** closed its doors six years after taking over from **Kirkcaldie & Stains**.

## CORPORATE ROUND-UP

### Manufacturing and construction

**Fletcher Building** said it would boost the supply of GIB board from next month as shortages cause building delays and increase costs. Efforts were underway elsewhere to increase imports and ease restrictions on alternative materials. The government appointed a six-person taskforce to examine the crisis with a view to facilitating imports and ensuring colour trademarks were not hindering supply.

The company found itself the target of a campaign by KiwiSaver provider **Simplicity**, which called for a board cleanout with support from the **NZ Shareholders Assn.** Simplicity is applying customers' funds to an affordable home construction venture.

**Auckland Transport** awarded **Downer EDI** two major road maintenance contracts valued at \$800m.

### Courts, legal and regulation

Building products company **Masons** and building products certification company **CertMark** were fined \$240,000 and \$210,000 respectively for making false representations about a building wrap product.

The **Ministry of Social Development** has filed criminal charges in 14 cases involving close to \$630,000 of alleged fraudulent use of the **wage subsidy scheme** – an increase from seven cases and nearly \$370,000 as of May. MSD has also referred 10 cases involving larger sums of money and complex investigation to the **Serious Fraud Office**.

The High Court fined **Mondiale Freight Services** and **Oceanbridge Shipping** \$9.7m for engaging in cartel conduct after entering into arrangements with competitors to not vie for customers. Four individuals associated with the companies also received penalties ranging from \$65,000 to \$100,000.

The Commerce Commission isn't yet satisfied that **Fletcher Distribution's** proposed purchase of six Independent Timber Merchants in the Wairarapa and Hawke's Bay wouldn't substantially lessen competition.

**Mobil** withdrew its application to the ComCom to buy the aviation transport fuel assets of **Z Energy**.

### Transport and logistics

This year's **Kantar Reputation Index** said Air NZ

had the best corporate reputation for the eighth year in a row, with TVNZ and new entrant Mitre 10 rounding out the top three. Air NZ cep **Greg Foran** warned customers that higher airfares are on the way, reflecting high fuel prices. The airline is struggling to bring planes back into service faster than anticipated and is concerned about the potential for a slump in demand, given high opex costs and a possible drop in enthusiasm for travel once initial pent-up demand abates. However, improving trends in travel bookings have reduced forecast loss for the year to June 30 from \$800m to under \$750m.

**Maersk** is to introduce a two-vessel coastal service with NZ crews in local waters only. The first such service for Maersk in 25 years operating in NZ.

### Technology and IT

**Fabrum Solutions**, the company responsible for the fuel system used by Team NZ's hydrogen-powered chase boats, is considering an IPO.

### Service industries and healthcare

**Ryman Healthcare** is planning to build a new \$220m retirement village on a 9.79-hectare site on Acacia Bay Road overlooking Lake Taupō.

### Capital markets

The stock exchange's regulatory arm, **NZ RegCo**, appointed five new members; **Jenn Page**, Air NZ's general counsel and company secretary, **Charles Bolt**, NZ Automotive Investments director and head of governance services at Computershare NZ, **Darren Manning**, Forsyth Barr executive director and co-head of markets, **Gretchen Williamson**, an investment adviser at Craigs Investment Partners, and **Sarah Miller**, general counsel and company secretary at Serko and principal and director at Black Letter Consulting.

### People

**Justin Tighe-Umbers** will be the **National Road Carriers Association** chief executive from mid-Aug. He is currently executive director at the **Board of Airlines Representatives**.

**Tourism Holdings'** board chair and director **Rob Campbell** resigned effective immediately to focus on other work commitments, including Health NZ chair. ■

