

A transactional, “here and now” election

Page 2

The second tranche of the so-called policy bonfire further demonstrates Chris Hipkins’s willingness to ditch politically distracting policies to appeal to centrist voters. He has decided that the 2023 election is going to be fought and won on “here and now” issues rather than lofty aims for the future.

Greens hang in

Page 2

The Green Party’s capacity to soak up humiliation continues apparently unabated. Co-leader James Shaw refused to consider resigning or ending the deal with Labour that gives him the climate change portfolio. While he admitted to considering it every day, Shaw believes no climate change minister from another party would do a better job.

How is Stuart Nash still in Cabinet?

Page 3

At publication time, Chris Hipkins was coming under increasing pressure to accept that Stuart Nash was a repeat offender in having inappropriate contact with police over court proceedings. Nash is lucky to have survived as a Minister at all, but Hipkins appears to hope that stripping him of the police portfolio is enough to satisfy public expectations.

Australia goes nuclear

Page 3

Australia’s commitment to build and operate nuclear-powered submarines as part of the AUKUS pact has major implications not only for NZ’s defence and security positioning and investment, but also for industry. The deal will involve step-change technology transfer to Australian manufacturers.

Todd Muller makes up his mind

Page 2

The sympathy genuinely extended to Todd Muller when he stepped away from leadership of the National Party was not so much in evidence from National Party colleagues when he announced his retirement from politics today. The decision overshadowed the govt’s problem with Stuart Nash and is a loss for National’s climate change and agricultural positioning.

Is Project Onslow dead?

Page 7

Electricity generators who oppose the pumped hydro scheme were taking heart from a fourfold increase in the projected cost of the proposal to nearly \$16b and the announcement of a long timetable to decisions, let alone construction.

External accounts blowing out

Page 5

The current account deficit came in at 8.9% of GDP at Dec 31 2022, which would normally be regarded as sufficiently large to provoke both currency market and rating agency reactions. There has been none from either so far, but it must surely only be a matter of time.

A transactional battle for the centre

Chris Hipkins's second tranche of policy reversals further demonstrates that this year's election will be highly transactional, with both major parties hewing so closely to the centre as to be difficult to differentiate. This could work for Hipkins, since that exacerbates the extent to which all modern era elections are popularity contests between individual leaders.

On the basis of that test, Hipkins is so far strongly out-polling Christopher Luxon on likeability and preference as PM.

For National's part, the announcement in Luxon's state of the nation speech of increased childcare support could just as easily have been a Labour policy.

This week's announcements from Hipkins were highly transactional and pragmatic:

- inflation rather than average wage adjustment for benefits and pensions plays to Labour's low income base and social justice brand, while almost certainly baking in inflationary wage demands that will work against the RBNZ's attempts to tame inflation;
- ditching open-road speed reductions for all but the most dangerous stretches of road to placate motorists everywhere;
- dropping either unsuccessful (cash for clunkers) or cumbersome and inflationary (plastics recycling levies) policies that were associated with the Greens;
- killing the debate about the voting age falling to 16 for general elections, for the time being;
- slower implementation of Auckland transport decarbonisation projects: code for going slow on Auckland light rail;
- prioritising road damage from storms and cyclones in Waka Kotahi's budget.

The overall effect is to pull Labour more to the centre, neutralise what could have been niggling issues, and fund cyclone recovery while appearing less zealous on climate change infrastructure investments that polarise public opinion.

He appears to believe that while weakening Labour's climate change commitments at a time when its impacts are so visible may pull some support away, it will only go left to the Greens.

The compensation, Hipkins appears to be calculating, will come from swinging voters in the centre who appear willing to pick his leadership of the country over Luxon's.

The further delay in progress on Auckland light rail is a blow for Transport and Auckland Minister Michael Wood.

Todd Muller moves on

Todd Muller's decision to quit politics, announced this morning, does appear to be **no more to it than a final personal realisation that he does not have the personal resilience for politics**. However, his departure **left National with difficult choices for the intimately linked agriculture and climate change portfolios**.

Muller was a progressive on both issues and instrumental in a cross-parliamentary consensus approach to climate change policymaking and the treatment of agricultural greenhouse gas emissions.

He was also able to walk the rural-urban tightrope that seeks to keep its traditional farmer base on-board without simply opposing climate change action that affects the rural sector.

Muller's **replacement in agriculture, Todd McClay**, is positioned as putting trade and agriculture together.

By placing **Simon Watts in the climate change portfolio**, Christopher Luxon is punting big on a very junior MP whose media performances in the three waters portfolio were surprisingly strong, even if the policy that emerged in that area underwhelmed.

Overlooked is Selwyn MP Nicola Grigg, who had been understudying Muller in both portfolios and has potential to bridge the urban-rural divide.

Labour and the Greens

Hipkins's approach is giving the Greens an opportunity to differentiate and potentially to gain some climate change-focused Labour activists while hoping to pick up swinging centrist voters.

James Shaw, who looks increasingly embattled as co-leader, expressed anger and frustration and discussed whether Labour was in breach of its support partner agreement with the Greens.

However, since Labour doesn't need the Greens for a majority, there would be no more than symbolism in the Greens tearing up the agreement.

The risk in doing that would be to alienate centrist voters who would see the centre-left as divided. Disunity tends to be punished.

Shaw himself is determined to stick it out. Asked whether there was a case for walking away from its agreement with Labour: "No. And I don't believe that a Climate Minister from another party would be more likely to strengthen climate policy."

He made those comments after the first failure of a NZ carbon units auction, caused by the govt's decision last year to abandon the Climate Change Commission's advice on ETS settings and NZU supply.

Stuart Nash – sort of lucky

Stuart Nash remains a Minister in the Hikins Cabinet but has been demoted to the lowest possible rank. It appears this costs him substantially in salary and possibly access to a ministerial limousine.

However, it could have been far worse. Losing the police portfolio was a minimum response to Nash's initial comments. There was a strong case for removal from Cabinet altogether.

He Waka Eke Noa – some progress?

Unpopular though it is with many in the farming community, it appears that ag sector leadership groups will support it.

Indications are that there's an acceptance among lead farm lobbies that failure to move forward on agricultural emissions is net negative for the sector in the medium to long term. This is particularly so in export markets.

We understand that peak bodies are willing to take responsibility for arguing the case and wear some of the political flak that will inevitably also attach to the govt.

Assuming this is how the debate on He Waka Eke Noa plays out, it would also make it easier for National to maintain the balancing act it needs between the expectations of its regional base and urban voters who expect action on ag emissions.

However, it **remains to be seen whether the reshuffle following Todd Muller's decision to quit politics may affect National's positioning.**

Farms vs forests

Beef & Lamb NZ and the Forest Owners Association are engaged in a public slanging match that risks appearing self-referential and tone-deaf.

B&LNZ is attacking farmland conversions to forestry at a time that coincides with the backlash against forestry slash post-Cyclone Gabrielle.

However, the campaign appears tone-deaf to the fact that the cyclone brought down silt from steep, farmed hill country that was once forested.

Bio-diversity credits – new focus?

Among climate change adaptation policies being urgently prioritised is the potential to develop a

bio-diversity credits scheme to encourage forestry planting on erosion-prone farmland.

This would likely be more focused on either existing or new native forest planting that exotics, and would seek to justify subsidies to incentivise such planting by reference to adaptation and bio-diversity co-benefits.

Ministry for the Environment is the lead agency and MPI is involved. The idea has been floating around in policy circles for some time, but is understood to have gained new currency post-cyclone.

A huge Australian decision

There has been remarkably little examination by NZ politicians or media of Australia becoming one of only nine countries with nuclear-powered submarines. While the Virginia class subs will not, at this stage, be nuclear-armed, the decision is momentous for the defence and security relationships in our region.

The defence policy review currently under way and open for public consultation will need to take this into account.

To the extent that the govt has started to absorb the Australian step, it is assuming that NZ will need to increase its defence expenditure.

The technology transfer elements of the subs deal will also likely be very substantial for Australia, with three submarines to be built in Adelaide.

NZ's relevance not only as a defence partner, but also as a technology-savvy economy will come under some pressure accordingly.

Inevitably, the purchases will eventually test NZ's banning of nuclear-powered ships in NZ waters, although note that **the ban applies to the 12-mile nautical limit, not the whole EEZ.**

Polls

A **1News Kantar Public poll** put Labour support at 36%, down 2 points from the last in the series in Feb. National was at 34% (down 3), Act 11% (up 1), Greens 11% (up 4), Te Pāti Māori 3% (up 1.2) and NZ First 3% (up 0.8). The poll was taken between March 4 and March 8.

Asked who was their preferred PM in the poll, 27% said Chris Hipkins (up 4), Christopher Luxon 17% (down 5), David Seymour 6% (steady), Winston Peters 3% (up 1), Jacinda Ardern 2% (down 3).

CEO Retreat 2023

The next Hugo Group CEO Retreat is scheduled to run from **dinner on Thursday September 7 to lunch on Saturday September 9 at Millbrook Resort.**

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.

The latest **Roy Morgan poll** recorded Labour's support up 3 points to 33%, National was unchanged on 32%, Act was also unchanged on 13.5%. Support for the Greens increased 0.5 points to 12.5%, the Maori Party on 3.5%, down 1 point, NZ First 2%, down 3 points. The poll was taken throughout Feb.

The **Roy Morgan Govt Confidence Rating** was up by 4 points to 95 in Feb – its highest level for a year since Feb 2022. 47.5% (down 1.5 points) said NZ was 'heading in the wrong direction' and 42.5% (up 2.5 points) said the right direction.

The **Taxpayers Union/Curia poll** put Labour up 1.1 points from last month in the series to 35.5% while National was up 0.4 points to 34.8%. ACT dropped 2.4 points to 9.3% and Greens down 2.1 points to 5.7%. NZ First on 4.2% (+1.3 points), New Conservatives 2.5% (+1.7 points), TOP 1.7% (-0.3 points) and Māori Party 1.4% (-0.7 points). The poll was conducted from March 2 to 7.

Labour leader Chris Hipkins's net favourability rating continued to rise in the poll and now sits at +33% up 6 points from last month. The PM also now has a positive net favourability rating with National voters of +13% up 17 points from -4% last month. Christopher Luxon's net favourability increased by 3 points from -5% to -2%.

Extreme weather

Insurance claims on the Auckland and Northland flooding reached almost \$1b across 48,000 claims, with \$111m already paid out.

About 36,000 claims valued at \$565m are home and contents, another \$320m from 3,800 commercial claims have been lodged, and 7,500 motor claims worth \$109m.

The Insurance Council said another 30,000 claims have been lodged relating to Cyclone Gabrielle, with an update expected later this month. The two events over the course of a fortnight resulted in about twice as many claims as the 2016 Kaikōura earthquake.

While insurers appear confident that reinsurance will be available, it is likely to be at a materially higher cost than in the past.

The state of emergency for Tairāwhiti and Hawke's Bay ended this week.

RMA reform pressure continues

Chris Bishop's demands for release of a Sapere report for the Infrastructure Commission on resource consenting issues relevant to RMA reforms has borne some fruit.

The commission this week released analysis suggesting NZ could miss between 11% and 15% of its carbon emissions reduction targets owing to slow resource consenting for decarbonisation investments, particularly in the electricity sector.

While this does not play directly to the concerns about David Parker's RMA reform bills – the Natural and Built Environment and Spatial Planning bills (NBEB and SPB) – the analysis shows into sharper relief the potential impact on climate change goals if the reforms were to create even slower consenting process.

The issue does not yet appear to have registered strongly in the minds of senior Cabinet ministers.

However, early indications are that Chris Hipkins is willing to act decisively to take off the table any policy initiative that starts to become a politically damaging diversion.

The reality is that Parker's star has waned in the Cabinet. His Project Onslow may be lauded as "ingenious" by Megan Woods, but it has been placed on a never-never timetable.

Likewise, the RMA reforms have been placed on a timetable that is intended to see them passed by mid-year.

That "intention" was reconfirmed in a recent written Parliamentary Question from Bishop.

However, the govt has already lost legislative time to the cyclone and flooding and has more legislation to pass than it has time to pass it.

The case for taking longer over the RMA reforms may be starting to make itself.

Depreciation proposal

The govt's latest industry transformation plan proposes accelerated depreciation on new plant, machinery and equipment as having "potential to be a pivotal action" to incentivise investment in new technology to improve manufacturing productivity.

Nats on public service costs

National wants to cut govt spending by scrapping some of the 14,000 new roles that have been created in the core public service since 2017 and \$400m from \$1.7b a year spent on consultants and contractors. ■

Chilling effect

The sacking of Rob Campbell is having a chilling effect on public discourse.

While some examples are clear – Steve Maharey's mea culpa over writing newspaper columns, for example – others are not.

We expect a range of previously willing commentators with public sector connections to fall silent in coming weeks.

Current account deficit in the danger zone

The annual current account deficit has blown out to its largest since quarterly data in 1987, at 8.9% of GDP.

In relation to the size of the economy, it is now clearly bigger than it was prior to the GFC.

The annual deficit has expanded rapidly over the past couple of years, from 6.0% of GDP a year ago, and a mere 1.0% of GDP in the year before that.

The result was a bigger deficit than market and RBNZ expectations of 8.5% and 7.8% respectively. The result was partly affected by revisions to previous data, which shifted the starting point to 8.5% from the initial 7.9% for the year to Sept. That accounted for about half of the forecast error.

The external deficit has got to a point where rating agencies and financial markets might start paying more attention to it, although not so far apparently. There was almost no response in currency markets post release.

The big deficit is a symptom of the degree of overheat that has been in the economy and looks unsustainable. The external accounts have a habit of being ignored and not mattering – until they do. This is worth keeping a close eye on as we think the deficit will get even bigger this year before it starts to shrink.

Our first cut for the annual current account deficit outlook off today's new base sees it pushing well through 9% of GDP although 10% seems unlikely.

Recession evidence grows

The 0.6% contraction in GDP in the Dec 2022 quarter turned out to be bigger than the market's expectation of a 0.2% decline and the alternate expenditure measure of GDP dipped 0.8%, with downward historical revisions contributing to a weaker picture over the last year.

The result represents a major starting point shock for the RBNZ, perhaps in the order of 1.8%, given that it was picking a 0.7% expansion in last month's Monetary Policy Statement.

All other things being equal, this would push the central bank towards a softer stance.

But all things aren't equal. If inflation

and employment indicators remain excessively tight, the RBNZ will stick to its knitting and push ahead with further rate increases.

Meanwhile, potential growth is probably lower than the RBNZ previously believed.

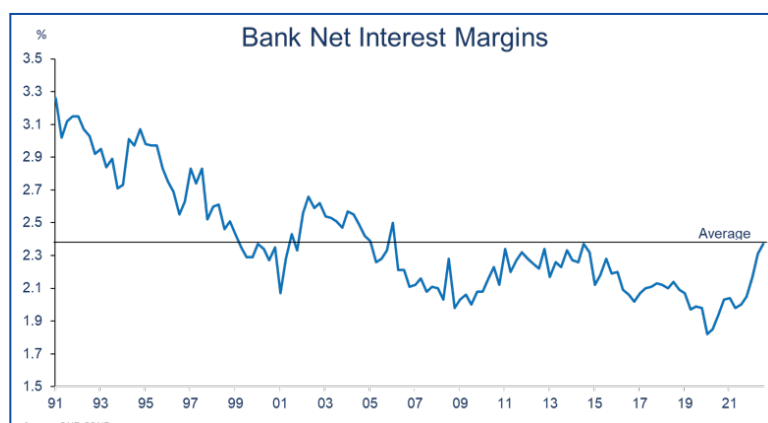
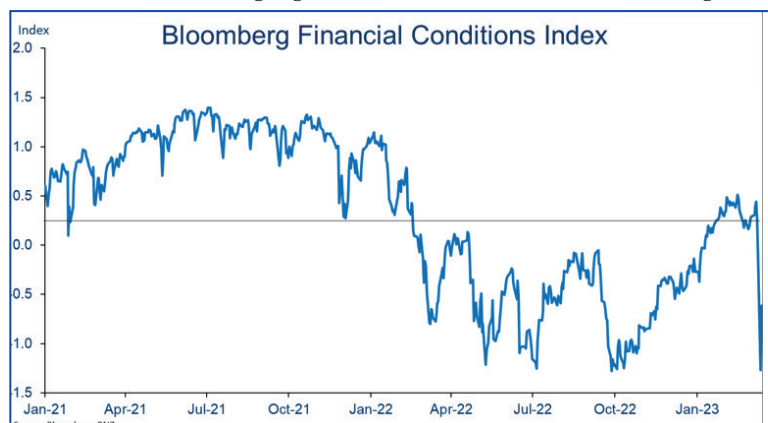
To the extent the RBNZ does downgrade its view on supply-side growth, it will reinforce inflation pressure, all else equal. After all, the Bank did the opposite after the significant upside surprise that came through on Q3 GDP.

But is the latest GDP outcome the start of the recession anticipated for much of the last year? Possibly.

However, changes in seasonal patterns continue to create havoc with the data. Hence the ridiculous volatility in the last four quarters' data of -0.5%, +1.6%, +1.7%, -0.6%.

Bank profitability

NZ bank profitability is lower than the average profits earned by the companies within the S&P / NZX 50 Index, KPMG's latest annual survey of banks, said. Meanwhile, banks' net margins (see graph below) have rebounded strongly in the last 12 to 18 months, reflecting the impact of rising interest rates and the tendency for depositors to continue holding significant sums in low interest-bearing



DOMESTIC ECONOMY

accounts. This has restored net margins to something close to the average of the last 30 years.

Also depicted in the graphs on p5 is the volatility in the Bloomberg financial conditions index at the time of the Silicon Valley Bank collapse.

While a sharp dip, the SVB impact bears little comparison to the index at the time of the GFC. The sharp-eyed reader will also see a significant correction as the Federal Reserve and US Treasury moved to limit the SVB fallout.

Crown accounts

The Crown accounts showed a deficit of \$2.36b for the seven months ended Jan, fractionally below forecast. Tax take was down by \$434m at \$64.7b, with lower GST, personal tax, and customs duties partly offset by higher company tax receipts. Expenses were \$200m below budget, with lower health and welfare payments. Net debt was 18.9% of GDP against a forecast of nearly 20%, helped by an increase in the value of investments.

Construction sector activity

NZ construction activity slowed in the final three months of 2022, although it remains at an elevated level. The volume of residential activity shrank in the Dec quarter, driving a 1.6% contraction across all activity as it offset growth in commercial building. Westpac economist Satish Ranchhod was surprised by the contraction, but doesn't expect a sudden drop off in work given the number of projects already in train.

Economic indicators

Bad weather helped put the brakes on both vehicle and housing sales last month. New car registrations in Feb were down 23.7% year-on-year at 2,960 units, the lowest sales figures for a Feb month in nine years.

NZ Apples and Pears has cut its pipfruit crop estimate for this season by 20% because of Cyclone Gabrielle. Central Otago and Nelson/Tasman continue to experience good growing and harvest conditions and are on track to meet forecasts. Crop losses in Hawke's Bay are estimated at 33% of the total.

Food prices were 12% higher in Feb 2023 than they were in Feb 2022, according to Stats NZ. Grocery food was up 12%, fruit and vegetables prices 23%, restaurant meals and ready-to-eat food 8.4%, and meat, poultry and fish prices increased by 9.8%.

The **BNZ-BusinessNZ performance of Manufacturing Index** recorded a seasonally adjusted result of 52 for Feb up from 51.2 in Jan, the second month of expansion after contracting in the last months of 2022. The long-term average is 53.

The **Performance of Services Index** increased 1.1 points in Feb to 55.8, a notch above the long-term average of 53.6 with a reading above 50 indicating the sector expanded. The key indicator of activity and sales lifted to 53.6, the highest since Nov last year, as did new orders and business, which lifted 2.3 points from Jan to 77.1.

More than one million people crossed border control in Jan, the first time two-way traffic has moved into seven figures since March 2020, but still 500,000 down from Jan 2020. There were 514,100 arrivals and 497,000 departures for the first month of 2023, including 265,400 overseas visitor arrivals.

Worldline said underlying spending on credit and debit cards rose 7.7% to \$2.81b in Feb, just outstripping the 7.2% pace of annual inflation. That figure excludes large clients moving on or off Worldline's system, and also treats the hospitality sector separately, with spending up 29.2% at \$923m from Feb 2022.

In Feb 2023, total retail spending in Feb 2023 was \$6.1b, up 11.7% or \$636m from Feb 2022.

House prices rose 0.1% in Feb nationwide and by 0.3% excluding Auckland, compared with Jan, but the annual decline increased to 14.2%. The REINZ house price index shows the national decline from the Nov 2021 peak is now 16.2%. Sales volumes were down 31.1% at 3,964 compared with Feb last year and houses took longer to sell. There was wide disruption to much of the upper North Island in Feb due to extreme weather events.

Wellington residents pay the most for fuel in the country, according to the Commerce Commission's new fuel monitoring report. Christchurch drivers had the lowest petrol prices, while Tauranga offered the cheapest diesel, with both regions having the lowest average fuel prices.

Dairy prices fell 0.7% in the latest global auction, although key whole milk powder prices rose 0.2%. Westpac had anticipated clearer signs of a price recovery stemming from the reopening of the Chinese economy and a subsequent rebound in Chinese dairy demand. As a result, there were downside risks to its 2022/23 milk price forecast of \$8.75/kg.

Red meat exports for Feb were worth \$858m with a drop in export values to most major markets, including China with \$344m, down 10%, followed by the US with \$177m of exports, down 6%. Exports to Japan were down 22% to \$31m, with the UK down more than a quarter to \$30m.

The ANZ World Commodity Price Index increased 1.3% month on month in Feb. ■■■

Primary Sector

Fonterra lifted first-half net profit 50% and raised its annual earnings guidance on improved margins for high-value products. 1H NPAT was \$546m in the six months to Jan 31, up from \$364m a year earlier, while earnings per share were 33 cents, up from 22 cents in the prior period. That was due to wider margins for protein and cheese products.

Zespri forecast a slump in its net profit after tax for the 2023 financial year to \$217m-\$227m compared to last year's \$361.5m and confirmed it plans to list on the NZX later this year.

Energy and resources

A new projected costing for **Project Onslow**, the pumped hydro scheme the govt has been exploring as a 'battery' to provide long term dry year electricity security supply has blown to \$15.7b. This compares with previous estimates of about \$4b. The govt is pushing on with studies into its feasibility and that of alternatives, but on a timeline that takes next decisions well beyond the election, to late 2024. Critics of the project believe this indicates the project is all but dead, albeit ministers are unwilling to admit defeat.

New Talisman Gold Mines said a rights issue raised \$1.718m, short of its target of \$3.45m.

Banking, finance and insurance

Labour MPs on parliament's finance and expenditure select committee rejected a proposal by National's finance spokesperson, Nicola Willis, to open an inquiry into the retail banking sector. She said Labour MPs indicated the Commerce Commission would begin a market study on banks shortly.

BNZ said it will remove international payment fees and overseas bank charges from March 23.

The **US Treasury** announced it would guarantee all deposits at **Silicon Valley Bank** and **Signature Bank** saying both represented a systemic risk. Many SVB depositors were initially uninsured because their deposits exceeded \$250,000. Several NZ companies had deposits tied up in SVB including RocketLab, IkeGPS, Comvita and FileInvite.

Insurance Australia Group injected a further \$100m of capital into its NZ subsidiary in the wake of the recent Auckland floods and North Island cyclone damage.

Telecommunications, media and entertainment

Chorus announced a 'stop-sell' on new copper services, meaning no new copper connections will

be available to anyone who has access to Chorus or local-provider fibre.

Wholesale and retail

Turners said its market share continued to grow over the fourth quarter and margins were stable at a time when national used car sales had fallen about 9% year-on-year. It forecast profit before tax to be \$44m, about \$1m more than its record result last year.

Outdoor clothing retailer **Edmund Hillary** is seeking to raise \$5m in capital as part of its expansion drive into North America.

Transport

Air NZ faces competition on the key Auckland-LA direct route from **Delta Airlines**. Delta will begin flying the route in Oct. While drawing less media interest than the airline's new direct service to New York, the LA sector has long been a core part of Air NZ's capacity to serve North America profitably.

Auckland International Airport expects to spend \$3.9b on a new domestic terminal and connection to its upgraded international terminal and transport hub. Some \$2.2b of this is the cost of the domestic facilities – well above the \$1b-plus cited last year. Newly revealed is the \$1.7b cost of connecting the terminals. Airlines objected to the likely impact on landing charges and ticket prices for plans that have been under discussion for 12 years.

The govt is to spend \$78m to accelerate a Greater Christchurch bus upgrade plan, roughly halving the initial 10-year delivery time.

KiwiRail's Cook Strait ferry service experienced more disruption with the Kaitaki out of service for at least two weeks due to mechanical failure.

Manufacturing and construction

An additional \$1.074b is required to complete the Auckland **Central Rail Loop** project, taking the total projected cost to

Steven Khov and Kiearan Jones were appointed as liquidators of **Bayside Designer Homes**, which owes \$2.56m to creditors.

Sinking land delayed the construction of Christchurch's metro sports facility by five months.

Courts, legal and regulation

Du Val Capital Partners was formally warned by the Financial Markets Authority for misleading investors in its mortgage fund.

Australian law firm Mayweathers filed a class action suit against **Fletcher Building** in Victoria's supreme court relating to disclosure of the company's losses

CORPORATE ROUND-UP

on high-rise construction.

A group of care and support workers won a judicial review challenging the mandate requiring a covid vaccination in order to receive payments when caring for family members they lived with. The Crown now agrees there was an error in decision-making.

Engineering NZ announced a disciplinary hearing against the engineer whose firm designed the building. Alan Reay has always denied any culpability.

Former Manhattan property developer turned Canterbury winemaker, **Colin Rath**, was sentenced to three years and seven months in prison for \$1.5m in fraudulent GST returns.

Technology and IT

HRL Morrison & Co was reported to be in discussions to acquire **Ark Data Centres**, in a deal that could value the UK business at about £2.5b (NZ\$4.8b). At least one other suitor is also competing for the business, which is controlled by **Elliott Investment Management**, according to the Australian Financial Review.

Rakon expects its underlying profit to be in the range of \$40m-\$44m for the full year ending March 31, compared with the previous guidance of between \$38m-\$44m, subject to currency fluctuations.

Customs processing SaaS **Trade Window** announced it was cutting about one-third of its workforce as it seeks to reduce cash burn after an only partially successful capital raise. It says the cuts won't affect existing customers, but will reduce r&d while it seeks new capital from other avenues.

Rocket Lab is launching a subsidiary across the Tasman to try and get a slice of the booming Australian space industry.

The America's Cup

The **Royal NZ Yacht Squadron** is facing a trading loss of up to \$1.6m in the current financial year and is reviewing its operations to find savings. Emirates Team NZ and the RNZYS are declining to discuss whether a widely rumoured 'legacy' payment to the club has been or will be paid. The payment is understood to have been intended to allow construction of a sailing academy at Kawau Island.

Property

Kiwi Property Group said it expected its property valuation to fall \$134.7m in the six months ending March 31 to \$3.2b. That's on top of the \$213.3m unrealised fair value writedown in the Sept period.

The **Commerce Commission** issued guidance on

anti-competitive land covenants, which may be limiting competition across many sectors of the economy.

Corporate actions

Xero announced a 15% cut in staff with the elimination of between 700 and 800 roles at a cost of between \$25m and \$35m. New chief executive Sukhinder Singh Cassidy also chose to exit the cloud-based lending platform Waddle, which Xero bought in 2020, writing off between \$30m and \$40m as a result.

NZ infrastructure investor **HRL Morrison & Co** is said to be in discussions to acquire Ark Data Centres, in a deal that could value the UK business at about £2.5b (NZ\$4.8b).

Capital markets

Channel Infrastructure will rejoin the S&P/NZX 50 Index after two-and-a-half year's absence replacing **Restaurant Brands**.

Pushpay shareholders have received an improved takeover offer of \$1.42 per share from Pushpay's two biggest shareholder, up 6% from the previous, rejected offer of \$1.34.

The local stock market and the NZ dollar took a tumble as markets took on board US Federal Reserve chair Jerome Powell's apparent willingness to ratchet up interest rate hikes.

Law and regulation

The **Financial Markets Authority** issued a formal warning to **Du Val Capital Partners** over a proposed debt-for-equity swap for unitholders in a flagship mortgage fund.

A class action against **Fletcher Building** relating to its losses on high-rise building projects alleges it didn't have reasonable grounds for its forecasts between Aug 16, 2016 and Oct 23, 2017.

Justice Ian Gault of the high court has agreed with businessman **Owen Glenn** that NZ is the right place to hear a dispute over a supposedly fake contract entrepreneur **Eric Watson** created for Glenn. The UK high court has previously ruled that an investment Watson fraudulently induced Glenn into involved "deliberate deception".

People

Former journalist **Kate Gourdie** will be Auckland mayor Wayne Brown's new head of communications and govt relations.

Former 2degrees chief executive officer **Mark Aue** will take on the role of Chorus chief financial officer on April 11. 🏢

Finally under way

After a delayed start to the parliamentary year, business got underway with time spent on completing the debate on the PM's statement. There was one urgency session to pass two bills and this week emergency legislation to deal with the recovery from recent extreme weather events was introduced.

- *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

New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Bill

- Introduced Feb 23. Allows the Super Fund to take a controlling interests in entities. First reading March 9, sent to the finance and expenditure committee. Act opposed.

Returning Offenders (Management and Information) Amendment Bill

- Introduced and passed through all stages under Urgency on Feb 22. Follows a court judgment which cast doubt on the legality of some powers conferred under the Returning Offenders (Management and Information) Act 2015. Opposed by the Greens and Te Paati Māori.

Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill (No 2)

- Introduced and passed through all stages under Urgency on Feb 2. Extends the reduced road user charges that ended on Jan 31. The reinstatement of the discount will start on March 1 and end June 30 2023. Opposed by the Greens and Act.

Severe Weather Emergency Legislation Bill

- Introduced March 14. An omnibus bill to enable emergency response and recovery in the main areas affected by the recent severe weather events. Modelled on legislation used following the Canterbury quakes. It give councils more flexibility to assist to assist recovery and improve resilience. Has new powers for the govt and councils including overriding other laws such as resource planning. It also modifies statutory timelines for councils and businesses that are not practical to meet. First reading March 14 with all parties in agreement and sent to the Governance and Administration Committee to be reported back by March 16 (Thursday) and then passed through all stages.

Bills in progress

Civil Aviation Bill - Introduced Sept 8 2021. *Second reading March 8 with the Greens opposed.*

Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill

Introduced Dec 2. Creates a new penalty regime for ETS

participants with low-volume liabilities of less than 25,000 units on average per year from forestry activities who fail to surrender or repay units by the due date. Also reforms industrial allocation settings for NZUs. *Read a first time on Feb 21 with all parties in favour and referred to the environment committee, to be reported back by July 20.*

Criminal Proceeds (Recovery) Amendment Bill

- Introduced Sept 12. Creates new rules around the forfeiture of assets gained from criminal activity changing the burden of proof to the accused. Also removes a legal loophole to the effect that funds in a KiwiSaver scheme are not subject to forfeiture or debt recovery. *Second reading March 7 with the Greens and Te Paati Māori opposed. Committee stage completed March 14.*

Criminal Activity Intervention Legislation Bill

- Introduced Sept 20. Makes changes search and surveillance law aimed at curbing criminal gang activity. Reported back Dec 16 with minor changes. *Second reading March 7 with Greens and Te Paati Māori opposed.*

Fire and Emergency New Zealand (Levy) Amendment Bill

- Introduced Sept 20. Makes change to funding regime for Fire and Emergency NZ through a levy on insurance premiums. Reported back Dec 12 with minor amendments over definitions. *Second reading March 8 with all parties in favour.*

Forests (Legal Harvest Assurance) Amendment Bill

- Introduced May 18. Establishes a new regulatory system to ensure timbers throughout the forestry and wood-processing sector has been legally harvested. First reading June 21 with all parties in support and referred to the Primary Production Committee. *Second reading March 9 with all parties in favour.*

Māori Fisheries Amendment Bill

- Introduced Dec 20. Makes changes to the Māori Fisheries Act to give effect to recommendations of Te Ohu Kai Moana's review of settlement entities. *First reading March 8 supported by all parties and sent to the Māori Affairs Committee.*

Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill

- Omnibus tax bill introduced Aug 30. *Reported back March 1 with a number of changes particularly around the regime for charging GST on the "platform economy", taxation of cross-border workers, and allowing build-to-rent housing to claim interest. Second reading March 8 with National and Act opposed. Committee stage completed March 14 with the govt making a last minute change exempting bikes, electric bikes and scooters from fringe benefit tax when used for work commuting.*

Bills passed/defeated/stalled

Natural Hazards Insurance Bill - Introduced March 16. Replaces the Earthquake Commission Act 1993 and changes the name of the Earthquake Commission to Toka Tū Ake - Natural Hazards Commission. *Third reading Feb 21 with all parties in favour.* 🇳🇿