

Luxon's weaknesses sparking premature panic

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Just because there is a lot of chatter in political and business circles about the ongoing evidence that Christopher Luxon's performance as a politician could do with substantial improvement, that does not mean his position as leader should be regarded as unsafe. There is a long way to go to election day.

Why Hipkins's honeymoon is unlikely to last

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By definition, honeymoon glows don't last, but there are particular reasons to expect that Chris Hipkins's initially sure-footed performance as PM will give way to a return of the dyspeptic political mood that convinced Jacinda Ardern to resign. The recession is one. The likelihood that highly stressed, flood and cyclone-affected communities will start to turn on the govt in coming months.

What ACT wants – no "baubles"

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ACT is sticking to its long-held desire to influence a govt from the cross-benches rather than accept Cabinet posts. The party would not seek to go into coalition with National but to support it on confidence and supply, reasoning that it can prosecute its agenda more forcefully if it is not bound by collective Cabinet responsibility.

RMA reforms – the new three waters?

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It was inevitable that David Parker's massive RMA reform package, five years in the making, would create scary, negative headlines once it got to select committee hearings. That is now happening and will continue into mid-year. The strength of the objections – particularly an unusually robust submission from the Chief Justice – suggest that the issue could replace three waters as an election year Achilles Heel.

National's three waters policy – an own goal?

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National may still expect that promising to repeal forced amalgamations and Maori co-governance will give it a political lift. However, the detail of the rest of its three waters policy is very similar to Labour's, while being less credible on how capital for substantial upgrades will be accessed. Given that Labour is looking for a way to axe co-governance, National's policy detail may have the unintended effect of assisting Labour on this unwinnable issue.

Rob Campbell – has a point, but

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The pool of private sector leaders willing to contemplate a public sector governance role almost certainly shrank this week following Rob Campbell's sackings from Te Whatu Ora and the EPA. However, claiming inflammatory social media posts as acceptable private citizen conduct is a bit cute.

CEOs on the move

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Two big moves by high-profile Auckland-based CEOs in the last fortnight: James Lee is leaving Jarden this month, while ex-Air NZer, now MediaWorks boss Cam Wallace is heading to Qantas.

Panic over Luxon premature

The **confident expectation of a change of govt** in the business community and among National Party supporters late last year **is evaporating**.

By the end of last year, it appeared that almost nothing could stop Labour's inevitable slide in the polls, led by the slide in Jacinda Ardern's popularity and her increasingly polarising impact on the electorate.

Chris Hipkins has, in less than two months, cauterised that polarisation and stabilised a weak Labour govt against a National opposition that looked strong by comparison with an Ardern-led govt but now looks, at best, competitive.

Both the major traditional parties of govt continue to struggle to consistently achieve popular support above 35% – too little to be assured of forming a govt after Oct 14.

The **panic this is causing among National Party supporters and some of its MPs is palpable**. It is extraordinary, given how Luxon's leadership has settled the party and focused it on winning rather than in-fighting, how quickly the doubts about his fitness to lead have gained momentum.

The reality is that **Luxon is an inexperienced politician. He is not, yet, all that good at it**. As CEO of Air NZ, he was generally unavailable to the media, **preferring controlled public appearances**. He is paying for that now. He has difficulty thinking on his feet and portraying a likeable political persona, and reaches too easily for a **grab-bag of corporatese**. This week's example: he didn't talk about "solving" water infrastructure, preferring to "solve for" the issue. Ordinary people don't speak like that.

However, **Luxon is ambitious, a fast study and will surely get better**.

Hipkins honeymoon can't last

Meanwhile, Hipkins has been gifted an extended honeymoon by the extraordinary devastation wrought by Cyclone Gabrielle.

Hipkins, as much as anyone, knows **the goodwill of the govt's early response to the cyclones simply cannot last**.

There are two recent precedents:

- the way Cantabrians' attitudes to National curdled as the difficult job of **post-quake reconstruction** played out. There were winners and losers, delays and mistakes, all of which bred resentment that rebounded on the govt of the day;
- the way NZers' attitudes to Labour (and Jacinda Ardern) curdled in the **second year of the**

covid-19 response. Ardern was re-elected with an absolute majority in 2020 – the first since MMP was introduced in 1996 – on the strength of the initial "team of five million" covid policy. By this time last year, a protest encampment on the parliamentary forecourt had been broken up by police in scenes not witnessed in NZ since the 1981 Springbok tour. While the protesters may not have represented mainstream NZ, between a quarter and a third of NZers expressed sympathy with the protesters' frustrations and fears of central govt over-reach.

The full economic and social – let alone environmental – impact on Cyclone Gabrielle on large swathes of the upper North Island are still only just becoming clear.

However, the destruction of property, livelihoods and dreams – twinned with the need for a central govt response that will inevitably fall short of the expectations of desperate, angry people seeking someone to blame – is a **recipe for toxic politics three to five months down the track**.

As that much more complex and negative political environment emerges, **the country will also still be heading into a recession that will be deepening** – even if bottoming out – by election day. House prices are continuing to fall and unemployment will be rising.

There is also **plenty of time for the electorate to be reminded of Hipkins's baggage** as the minister for covid response (MIQ, RAT delays, an unresponsive health ministry), the education minister when children stopped going to school en masse, polytech reforms that are a mess, and public sector reforms that, this week, exposed the limits of free speech for govt appointees.

Willis-whispering

These are all reasons why, assuming there are cool heads, **National is most unlikely to change leaders** again, for all that talk of that possibility is rife among politics-watchers.

Voters don't reward disunity. National knows that from its leadership agonies since Key's resignation seven years ago. It should also know that **the alternative, Nicola Willis, may prove no more electable than Luxon**. It is tempting to imagine her being parachuted into the National leadership and achieving the kind of upset that Ardern caused when she took the Labour leadership from Andrew Little just seven weeks out from the 2017 election.

But Willis does not have Ardern's natural gift for public connection and the Little handover was very unusual for its collegiality. And finally, Ardern was

very lucky to be able to form a govt on a sub-40% party vote.

All those factors argue for National to wrap around Luxon, seek to compensate for his weaknesses, and remain confident that Labour's current improvement will be short-lived.

Cyclone Gabrielle

There is **concern emerging in Hawke's Bay that the region will suffer significant population loss** over the year ahead because of the damage done by Cyclone Gabrielle.

To coordinate the response, the govt appointed Brian Roche to head a taskforce – yet another firefighting job for Roche, who has been doing this kind of thing for govts of all stripes since the 1990s.

Grant Robertson outlined the taskforce's job at a high level as requiring:

- initial focus on immediate recovery, **including whether or not some devastated areas should be rebuilt**;
- lead on planning for future resilience, "which will become its greater focus over time";
- a primary focus on economic and infrastructure issues, with regard to "relevant social issues e.g., employment and training to support the infrastructure rebuilds";
- creating structures that **allow for the greatest possible degree of local community input to decisions**. This reflects the fear that any perception of Wellington-imposed solutions will feed into the kind of political backlash discussed elsewhere in today's HUGOvision.

Cabinet agreed to an initial support package with \$250m to help Waka Kotahi and local councils to assess and fix roads, and \$50m to deliver interim emergency business and primary sector support. Ministers also announced IRD support including interest write-offs, tax concessions for donated trading stock and an extension of R&D Tax Incentive filing deadlines.

Finance minister Grant Robertson said the cost of Cyclone Gabrielle would be in the billions and he was looking at spending allowances in the upcoming budget.

Cost estimates/insurance impacts

The economic cost of the Auckland and Northland floods and Cyclone Gabrielle will run into the billions of dollars, and eclipse all last year's losses, Insurance Council chief executive, Tim Grafton said.

The govt announced a new Recovery Visa to help

bring in additional specialist workers for the rebuild in the wake of Cyclone Gabrielle and other flooding. The visa will last for up to six months and fees will be refunded for successful applicants.

Slash inquiry

Former National MP Hekia Parata will chair a ministerial inquiry into forestry slash and land use following the devastation caused by Cyclone Gabrielle. Recommendations are expected in April.

ACT's ambitions – not Cabinet

ACT could credibly expect, on current polling, to have as large a caucus as it has ever managed – certainly 15 or more MPs – after the election in Oct.

That will make it vital to a National Party-led govt's parliamentary majority.

However, ACT is **determined not to be trapped by Cabinet collective responsibility** and will not be seeking ministerial positions.

Instead, it will seek to influence a centre-right govt via a confidence and supply agreement rather than a formal coalition.

This is consistent with ACT's origins as the party equivalent of a policy ginger group.

RMA reforms taking heat

David Parker's massive RMA reform package is running into some **serious flak in select committee hearings**.

While some has appeared a little, shall we say, performative – Contact's Mike Fuge described it as a "dripping roast" of opportunity for lawyers – it **cannot be comforting in the Beehive to see the Chief Justice, Helen Winkelmann raising very similar concerns in more sober language**.

Any such large reform will inevitably generate litigation to establish new common law precedents, but Winkelmann's rare intervention indicates **the judiciary is concerned** about the scale of such activity.

The Natural and Built Environment Bill (NBE) is "long and complex" and deals with issues of significance that are already frequently litigated.

There had been limited consultation with the judiciary about the impact of the new law on the operations of the Environment Court.

"The resourcing implications of the Bill for the courts

Budget May 18

The Budget will be a little earlier than usual in May, on Thursday, the 18th.

The govt will have to have made decisions on how and whether to fund at least some cyclone recovery from new taxes. It may try to box National in on its tax cut commitments.

New National Party economic policy announcements are unlikely before then.

POLITICS AND POLICY

are of particular concern given the extent of the reforms for which it provides," her submission said.

She also **questioned whether it was appropriate to make the chief judge of the Environment Court responsible for appointing members of independent hearing panels.**

"They are not judicial functions, and the judiciary considers that it would not be appropriate for functions of this kind to be conferred on a judge."

Parliamentary Commissioner for the Environment, **Simon Upton**, repeated his concerns about the NBE's large number of unranked and competing priorities.

However, his submission was more strongly worded than previous commentary, **suggesting the environment could be better off if the reforms did not proceed.**

National's RMA lead, **Chris Bishop**, scents blood and is ramping up his concerns about the reforms, which Parker likely regards as a key legacy project that may be delaying his retirement plans.

The **RMA reforms are beginning to look as if they may replace three waters as an Achilles Heel** for the govt in coming months.

As with three waters, abandonment is unthinkable – the reforms have taken five years to get to this point and, like three waters, there is cross-party and cross-sector agreement that the RMA requires reform.

However, we are **watching for signs of Chris Hipkins's instinct for compromise** when complex policy issues become politically heated.

Nats on three waters – a misfire?

If the National Party was hoping for accolades from its alternative three waters policy, announced last weekend, it will be disappointed.

While the sacked chair of Te Whatu Ora and the Environmental Protection Authority, Rob Campbell,

has done a better job than National dared of stressing its policy abandons Maori co-governance, the rest of **the policy has underwhelmed.**

This is primarily because it **largely apes Labour's solutions, without the forced amalgamation of water entities.** That placates the local govt lobby, which objected to being railroaded into Nanaia Mahuta's preferred reform agenda.

But National's policy **lacks credibility on the question of how water infrastructure will be funded under its model.**

National accepts needs reform and large-scale capital investment are urgently required. It proposes, like Labour, that amalgamation of water assets in new entities that are off councils' balance sheets is probably necessary in many cases, but prefers that occur voluntarily.

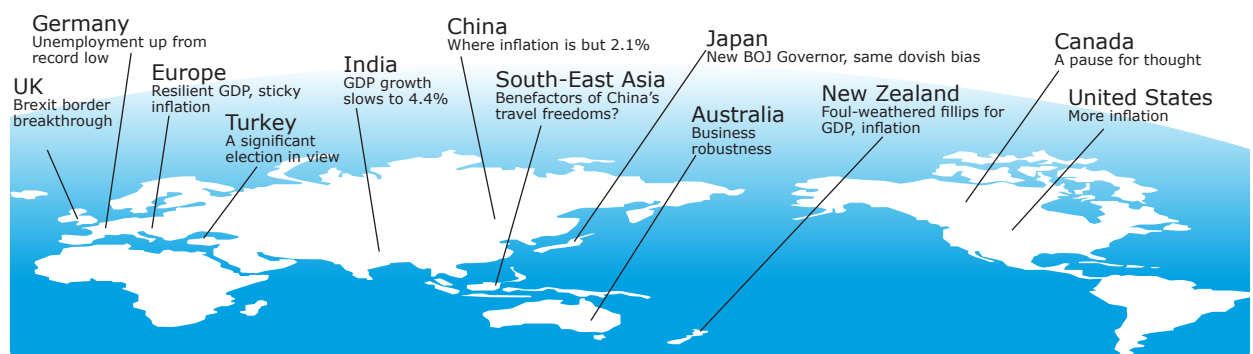
The problem with that is that the **councils with the biggest water infrastructure and affordability issues are the least likely to make attractive amalgamation partners** for councils that are better-placed. Avoiding responsibility for propping up weaker neighbours is why the better-placed councils have been arguing against Labour's reforms.

Elsewhere, **National is proposing the same regulatory regime as Labour to force councils to invest appropriately.** It would appoint an economic regulator at the Commerce Commission to enforce both water infrastructure quality standards and pricing of these monopoly services.

Significantly, National inserts support for the NZ Initiative-driven "localism" concept, which **seeks to break NZ local govt's habit of controlling costs and rate pressures by discouraging new development.** It is not interested in allowing councils to meet their water infrastructure deficits simply by pricing new development and water investment out of the market.

Chris Luxon has also looked flat-footed again in

The world at a glance



POLITICS AND POLICY

response by appearing to be forced into conceding the obvious: that however water infrastructure is funded, the costs will be higher than at present and borne by either ratepayers or water users. His local govt spokesman, the relatively inexperienced Simon Watts, didn't help by trying to claim the opposite.

Help for Hipkins

Tactically, National has also arguably assisted Chris Hipkins as he prepares to reset Labour's policy.

The chorus of scepticism about National's long-awaited "repeal and replace" promise makes it **easier for Hipkins to ditch co-governance while driving ahead with the existing plan for four water entities** covering the whole country.

Standard & Poor's added to the emerging focus on funding of three waters upgrades, saying that NZers are "blind to the astronomical costs" involved.

"If councils fund the investment, general property and targeted rates will likely soar to record levels. If water services entities fund the investment, water charges will likely soar instead."

With National's policy now announced, **voters have a choice now between two very similar policies, both of which are going to be very expensive.**

Sympathy for Rob Campbell?

Ministers threw Rob Campbell under a bus this week, sacking him from two important public

sector chairmanships at Te Whatu Ora and the Environmental Protection Authority.

At both agencies, Campbell's publicly stated willingness to embrace at least a te ao Māori approach to health service delivery and environmental regulation respectively was no doubt in tune with the current govt's political agenda.

On that basis, and given his extensive governance experience, he is **a loss to public roles even if he might not have survived a change of govt.**

However, the **greatest damage is in the chilling effect the sackings are likely to have** on the already thin pool of high quality leaders from outside the public service who would be willing to take on these kinds of governance roles.

Campbell doubled down on his contention that a post on social media about a topic outside his areas of responsibility should be viewed as being made in a personal capacity, which he argues is explicitly protected by the public service code of conduct.

This is naïve. A post to a social media platform is a public expression of opinion.

While the reality is that public service roles do constrain and therefore limit the pool of potential applicants for key roles in public sector governance, the contention that social media posts are private does not wash with a public sector leader any more than it would for a corporate sector leader. ■

Trading partner growth

(2021 actual; 2022-2025 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
China	36.2	8.7	3.0	5.2	5.1	4.9	0.9	2.0	2.4	2.3	2.3
Australia	15.4	5.2	3.6	1.7	1.8	2.3	2.9	6.6	5.3	2.9	2.5
United States	12.6	5.9	2.1	0.7	1.1	1.8	4.7	8.0	3.9	2.5	2.0
Japan	6.4	2.2	1.0	1.1	1.1	0.8	-0.2	2.5	2.1	1.2	0.9
Eurozone	5.4	5.3	3.5	0.4	1.2	1.6	2.6	8.4	5.5	2.4	2.0
South Korea	3.4	4.1	2.6	1.2	2.2	2.4	2.5	5.1	3.2	1.9	2.0
United Kingdom	2.8	7.6	4.0	-0.8	0.7	1.6	2.6	9.1	6.7	2.9	2.5
Singapore	2.1	7.6	3.8	1.8	2.4	2.5	2.3	6.1	4.7	2.5	2.0
Hong Kong	2.2	6.3	-3.5	3.4	3.5	3.1	1.9	2.2	2.1	2.0	2.0
Taiwan	2.4	6.5	2.5	1.9	2.6	2.1	2.0	3.0	1.9	1.6	1.6
Malaysia	1.8	3.2	8.7	3.9	4.3	4.3	2.5	3.4	2.9	2.3	2.5
Indonesia	2.3	3.7	5.3	4.5	4.9	5.1	1.6	4.2	4.0	3.0	2.8
Thailand	1.8	1.6	3.2	3.7	3.7	3.4	1.2	6.1	2.9	1.8	1.7
Philippines	1.2	5.5	7.6	5.4	5.7	6.0	3.9	5.9	5.2	3.3	3.1
Vietnam	1.6	2.6	8.0	6.0	6.5	6.0	1.8	3.2	3.8	3.3	3.1
India	0.9	8.3	7.0	5.8	6.2	6.0	5.5	6.6	5.0	4.8	4.7
Canada	1.4	5.0	3.6	0.6	1.5	2.2	3.4	6.8	3.7	2.3	2.4
NZ Trading Partners	100.0	6.4	3.1	3.0	3.2	3.3	2.1	4.6	3.5	2.4	2.2
Forecasts for New Zealand											
Consensus		6.1	2.8	1.3	0.9	2.6	3.9	7.2	5.5	2.8	2.0
BNZ Forecasts		6.1	2.8	1.2	0.3	2.6	3.9	7.2	6.0	2.9	2.3
The World		5.9	3.0	1.9	2.4	2.5	3.6	7.4	5.2	3.3	3.0

DOMESTIC ECONOMY

Monetary policy

The Reserve Bank lifted the official cash rate by 50 basis points to 4.75% and said it's too early to assess the impact of Cyclone Gabrielle and other recent severe weather events.

The central bank will focus on the medium-term impacts on inflation and maximum sustainable employment. The decision-making committee did discuss a 75-basis point hike and concluded that while "the balance of risks around inflation remain skewed to the upside, the extent of this risk had moderated somewhat" since its 75bps increase in Nov last year.

It now expects the OCR to peak at 5.5% in Dec this year.

There was no case for cutting rates in response to Cyclone Gabrielle, RBNZ governor Adrian Orr said.

Mortgage lending slows

RBNZ data show new mortgage lending fell sharply in Jan to its second lowest point since records began in Aug 2013.

Total monthly new mortgage commitments were \$2.8b in Jan, down \$2.3b (45.8%) from \$5.1b in Dec.

Retail sales weakening

The total volume of retail sales decreased 4% in the Dec 2022 quarter compared with the Dec 2021 quarter. Hardware, building, and garden supplies sales were down 15%, and in the motor vehicles and parts industry, down 10%.

Consumer caution entrenched

Consumer confidence, as measured by the monthly ANZ-Roy Morgan index, remains above its absolute low point last December, but slipped slightly from Jan.

Perceptions of current personal financial circumstances fell 10 points to -30%, the lowest since 2008; a net 7% expect to be better off this time next year, unchanged; a net 35% think it's a bad time to buy a major household item, down 7 points. Perceptions of the economic outlook in 12 months' time fell 1 point to -41%. The 5-year-ahead measure eased from 1% to -3%.

Rent pressure

Record rental prices in Auckland, Hawke's Bay and Northland could be pushed even higher as Cyclone Gabrielle cuts housing supply, according to Trade Me Property.

National median rents hit a record high of \$595 a

week in Jan up 4% or \$25 from Jan 2022. The highest median rents were in the Wellington region at \$660 p/week, followed by the Auckland region at \$630 p/week. Median rents in both Northland and Hawke's Bay were \$580 a week, the highest ever.

House prices

Some 4% of homes sold in the past three months went for less than the seller paid for them, according to CoreLogic data. The average loss-making property had been held for 19 months.

Housing consents soft

The number of standalone housing consents was down more than a quarter to 1,067 for Jan, bringing the number of overall new home consents down 2% year-on-year to 2,777 homes, Statistics NZ said.

SME stats

Xero's customer data showed sales through small businesses in agriculture were down 7.2% in Jan compared with a year earlier, down 5.1% in retail and down 2.4% in professional services but hospitality sales bounced to 16.2% as that sector recovers from the covid restrictions and closed borders.

Inflation now #1 public issue – IPSOS


The February Ipsos NZ Issues Monitor found the top-5 issues currently concerning NZers in the Sept 2022 survey were:

- inflation / cost of living (65%);
- housing / price of housing (33%);
- crime / law & order (33%);
- healthcare / hospitals (27%);
- climate change (27%).

The National Party continued to be seen by more NZers (34%) than any other political party as being the most capable of handling inflation.

However, this was a significant decrease from the previous survey (40%) while those confident in Labour's ability to manage this rose by 5 percentage points to 31%.

When asked which political party NZers believed is the most capable of managing the issues, Labour was seen as most capable of managing two of the top five issues: housing / price of housing and healthcare / hospitals.

National was seen as most capable of handling inflation / cost of living and crime / law & order. 

CORPORATE ROUND-UP

Primary Sector

Fonterra revised down its price range for its farmgate price to a range of \$8.20 - \$8.80 per kg of milk solids, which is a 50c drop in mid-price. Milk collection has also been revised down to 1,465m kgMS from 1,480m.

A2 Milk's revenue was \$78m in the six months to Dec 31, up 19% on the prior period while net profit, including the Mataura Valley Milk non-controlling interest, was \$68.5m, up 22%. Net profit attributable to owners of the company was up 24% to \$73.8m.

Landcorp, which trades as Pāmu, reported a net operating profit \$15m for the six months to Dec 31 compared with a loss of \$1m in the same period last year. It also said 22 of its farms had suffered damage as a result of Cyclone Gabrielle.

Delegat reported total revenue in the six months to Dec 31 was up 11% from the same period the prior year to \$198.8m, with earnings up 5% to \$74.2m. Net profit increased by 2% to \$40.2m with a 4% increase in global sales volume to 1.97m cases. It warned it was facing increasing cost pressures and some vineyards had been damaged in recent storms.

Comvita reported a net profit of \$4.2m in the six months to Dec 31, an increase of 19.4% over the same period the year before. This was on a 6.8% increase in revenue, up to \$112.1m, and an 11.1% lift in earnings to \$13.4m.

NZ Manuka Apiculture failed, owing \$2.9m to creditors, blaming the extended lockdown in China as part of its demise.

Energy and resources

OMV announced it was putting all of its NZ oil and gas assets on the market as part of its global strategy to decarbonise. It is also selling its Malaysian assets which, like those in NZ, are not connected to any OMV downstream activities. Preparation for a second new well in the Pohokura field are continuing.

Mercury's first-half earnings reflect its purchase of **Trustpower's** retail arm and wet weather boosting its hydro generation with operating earnings up \$209m to \$451m, while net profit was down 46% at \$230m. The previous period included the one-off net gain from the sale of Mercury's shareholding in Tilt Renewables. Hydro production was up 852 gigawatt hours to 2,735 gigawatt hours after Lake Taupō experienced its highest-ever inflows for the July to Dec period.

Meridian Energy reported ebitdaf of \$425m for 1H23, from \$394m in 1H22, reflecting a surge of water into the Pukaki hydro catchment during winter storms last winter and 5% growth in customer sales.

Genesis Energy reported first-half earnings of \$298m, an increase of 42% from \$210m in the previous comparative period mainly due to high hydro generation. The revaluation of long-term contracts resulted in a net profit after tax of \$145m, a 72% increase on the same period last year.

Channel Infrastructure, the former Marsden Point refinery operator, reported its first profit in over three years after conversion to a fuel import-only terminal. For the 12 months to Dec 31 2022 it reported a net profit of \$11.9m vs a \$552.6m loss in the previous year.

A 427% increase in transmission charges for **Buller Electricity** has been put on hold while legal proceedings are underway.

OceanaGold reported a 30% increase in annual revenue to a record US\$967.4m (NZ\$1.56b) for the year to Dec 2022 on higher gold sales out of its two NZ mines and ramped-up operations at its Didipio mine in the Philippines.

Z Energy's parent company, Ampol, reported record earnings and dividends mainly due to the high operating margins at its refineries. The dual-listed Australian-based company recorded earnings of A\$1.316b (NZ\$1.452b), up 124%, including A\$1.269b from continuing operations. This flowed through to net profit after tax of A\$795.9m for the 12 months to Dec 31 2022, an increase of 42% compared to 2021.

Banking, finance and insurance

Kiwibank lifted first-half net profit by 53% amid a surge in lending on both housing and businesses. It reported a \$98m net profit for the six months ended Dec 31, up from \$64m in the same six months a year earlier, with net interest income up 29.5% to \$386m.

Telecommunications, media and entertainment

Spark reported strong half-year earnings, thanks mostly to the \$911m sale of its mobile phone tower assets, which offset a decline in the bottom line. It reported net profit for the six months to Dec 31 of \$837m. Stripping out the income from the sale of its tower network, and a one-off \$52m provision from the offload of Spark Sport, the adjusted net profit was \$165m, 7.8% down from the same period last year.

TVNZ CEO Simon Power said merger talks didn't cause its drop in reported profit to \$4.8m in the six months to Dec from \$15.2m in the same period in 2021, as TVNZ only spent \$1.2m on the process, which the govt would reimburse.

NZME recorded a net profit of \$22.7m last year following a 16% increase in digital revenue across its

CORPORATE ROUND-UP

platforms with full-year earnings of \$64.7m for the year to Dec 31. The earnings figure was down slightly on last year's \$66m, but 4% higher when adjusted to exclude the one-off impact of the disposal of voucher business GrabOne.

MediaWorks' Cam Wallace resigned and will be replaced by former NZME executive **Wendy Palmer** as an interim CEO.

Sky Television proposed cutting costs through axing 90 local jobs and hiring 200 call centre staff in the Philippines instead and content operations being outsourced to Indian provider Tata Consultancy Services.

Chorus announced an unimputed interim dividend of 17 cents per share for the first half of the 2023 financial year, ending Dec 31 and expects to meet its guidance of a 42.5 cps dividend for the full year. Net profit for the period was down 79% from \$42m to \$9m compared with the same period in the previous year.

Wholesale and retail

PGG Wrightson's half-year results to Dec 31 reported earnings of \$47.8m. Revenue was \$585.8m, up \$33.4m or 6%. Net profit dropped 6%, or \$1.3m, to \$21.2m.

Homeware and lifestyle retailer **Redcurrent** owes its creditors just over \$5m, the first liquidators' report said.

The Warehouse Group said the number of job losses due to proposed changes may increase to 340, up from an estimated 190 last month, in response to continuing challenging market conditions.

Shares in **My Food Bag** dived after saying it doesn't intend to pay a final dividend for the 2023 financial year with deliveries down 11.8% on the year to the end of Jan. Revenue was down 8% and earnings were expected to be between \$17m and \$19m – down from \$34m the previous year.

Michael Hill reported earnings of \$59.5m for the six months ended Jan 1, up 6% from the previous comparable period.

Transport

Former senior **Air NZ** executive **Cam Wallace** is being tipped in Australian media as a contender to replace **Alan Joyce** as CEO at **Qantas**. Joyce has indicated he will remain in post until the end of this year, but is likely to retire in 2024. Wallace sought to be Air NZ's CEO after **Christopher Luxon** but lost out to ex-**Walmart** CEO **Greg Foran**. Wallace left the airline in 2021, along with CFO Jeff McDowell, to be CEO at **MediaWorks**. He announced his resignation at MediaWorks this week.

Port of Tauranga's after-tax profits were up 11.3% despite declining import and export volumes. It posted an after-tax net profit of \$62.7m in the six months to Dec 31.

Ports of Auckland achieved a net profit after tax of \$20.8m for the six months, a 40% increase compared with the same period last year and lifted its full-year profit forecast to as much as \$45m driven by improved container operations.

Auckland International Airport reported an underlying profit of \$68m for the six months to Dec 31, its first in two-and-a-half years. However, a \$94m write-down on the fair value of its property assets meant the airport achieved a reported profit after tax of about \$5m. Passenger volumes were still down on pre-covid levels, with 7.6m international and domestic passengers through the airport over the six-month period.

Air NZ reported pre-tax earnings of \$299m for the six months to Dec 31, compared to a loss of \$376m for the equivalent interim period last year. This result was at the lower end of guidance of \$295m to \$325m pre-tax profit and below some analyst expectations.

Queenstown Airport's revenue for the half year to Dec 2022 was \$30m up from \$12.7m for the previous comparable period as tourist numbers surged. Net profit after tax was \$11.5m.

KiwiRail reported operating earnings – trading revenue minus "above rail" trading expenses – of \$81.6m vs \$64.9m in 1H23, partially reflecting improving revenues from passenger and tourism services post-covid.

Australian courier business **Allied Express** helped Freightways to a 3.5% annual improvement in net profit after tax to \$45.2m, for the half year to Dec 2022. Group revenue was \$552m, up a quarter on the comparable period's \$441.9m.

Move Logistics' revenue for the six months to Dec 31 was \$169.5m, down 4% on the same period a year prior with a net loss after tax of \$1.5m (including discontinued operations) due to inflationary pressure, driver shortages and poor weather.

Manufacturing and construction

Metroglass is exploring divestment options of its Australian business, Australian Glass Group.

Courts, legal and regulation

The high court dismissed an application trying to stop **Westpac** from withdrawing its services from Russian-backed Targa Capital, which is linked to sanctioned Russian oligarch Alexander Abramov. Consumer NZ lodged a complaint about the

Interislander and Bluebridge ferries with the Commerce Commission. It believes passengers were entitled to claim costs for alternative travel arrangements and accommodation due to travel disruptions.

Technology and IT

BGH Capital and **Sixth Street's** bid to take donation software company **Pushpay Holdings** private at \$1.34 a share failed, following solid opposition from minority shareholders.

Trade Window is to cut r&d, accelerate sales efforts and seek additional debt or equity after pulling in only \$5.4m in an attempted \$20m raise. **Forsyth Barr** announced it would cease analysis of the company, which could yet be a takeover target. The SaaS-model business, which is seeking early-mover advantage in digitising customs procedures, listed in Nov 2021 at \$1.70, reached \$2.80 in Jan last year, but was trading at 39cps this week, six cents below the 45c strike price for shares issued in the latest capital raise.

Service industries and healthcare

Ebos lifted first-half profit by 30%, reflecting both organic growth and contributions from acquisitions. Net profit for the six months ended Dec rose to A\$132.2m (NZ\$145.899m) from A\$101.9m in the same six months a year earlier. Revenue was up 17% to A\$6.1b while the underlying earnings rose 39.3% to A\$289.3m.

Summerset's underlying annual result was up 21.5% but the bottom line was down 50.5% because the value of its retirement villages did not rise as much as the previous year. Net profit came in at \$269.1m for the 2022 calendar year, compared with \$543.7m in 2021, with its property values up \$268.8m in 2022 and up \$537.5m in 2021. The underlying result rose to \$171.4m from \$141.1m in 2021.

Metlifecare's first-half net profit fell, reflecting smaller property valuation gains and rising costs. The \$12.8m net profit for the six months ended Dec compared with the \$114.3m profit reported for the previous first half. The value of its properties rose \$46.7m in the latest six months compared with a \$129.6m gain in the previous first half.

AFT Pharmaceuticals gained FDA approval for its rapid-release Maxigesic tablets to be sold in the US, another important breakthrough for AFT, which sees

opportunities for its product to be used in efforts to provide alternatives to opioids, which have caused an epidemic of addiction to painkillers in the US.

Tourism

Tourism Holdings reported net profit of \$25.2m in the six months ended Dec 31, an increase of \$29.6m from the previous corresponding period's loss. Revenue was up 49% to \$261m as borders opened back up.

Property

Winton Land delivered after-tax profits of \$34.5m for the six months to Dec, up from \$1.3m for the comparable period a 91.9% improvement in revenue to \$85.1m, generated by the sale of 219 units, with future earnings backed by pre-sales at \$565.8m.

Capital markets

James Lee, the CEO who rebranded First NZ Capital as **Jarden** in 2019 and initiated an aggressive push into the Australian investment services market, is leaving at the end of this month. It appears that the cost of the Australian expansion, and the need for shareholders to contribute to a recent capital raise to sustain it, may be behind the unexpected announcement for one of NZ's most ambitious CEOs.

Grant Robertson introduced legislation that would allow the **NZ Super Fund** to take a controlling stake in new investments, including infrastructure. The existing ban on doing so has meant the fund has required investment partners.

NZX's earnings for the full financial year to Dec 31 were \$36.6m, a 2.3% increase from the previous year with the exclusion of acquisition costs. Net profit after tax was \$14.2m, down from \$15m.

Summerset launched a six-year retail bonds for up to \$175m.

People

Auckland Council CEO Jim Stabback resigned, four months into Wayne Brown's mayoralty. He was appointed for five years in 2020.

Milford Asset Management chief executive **Mark Ryland** will step down in March 2024.

Fiona Oliver joined **Summerset Group's** board. 



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