

New government within the week?

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As the weekend looms, government formation talks between National, Act, and NZ First appear to be gaining momentum, with Act and NZ First now having face-to-face conversations for the first time in an air of constructive positivity. However, there is plenty of detail yet to settle. While Christopher Luxon's desire to go to the APEC leaders' meeting around Sept 16 is adding pressure, it is not being treated as an artificial deadline. There will be another APEC next year, after all.

Market-dominant players beware

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The expectation that a centre-right government will be "more business-friendly" in every respect is not something that large players with dominant positions in the NZ domestic economy can rely on. There are signals from all three parties in the new government that they are willing to consider taking up the cudgels on behalf of consumers. Whether they will or not, is another matter. But the preconditions are clear.

Fiscal headaches loom before Christmas

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One of the most challenging tasks for coalition-builders is how to construct a narrative that will produce public spending cuts that don't produce an austerity reaction from consumers, and begin the process of reducing expectations about the size and scale of National's pre-election tax relief promises. The fiscal position will force a flinty-faced early first few months, if not longer.

Water services reforms becoming clearer

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Shorn of co-governance provisions and based on a less coercive central government approach to water service entities' amalgamation, the new government's Three Waters reforms nonetheless look rather like the previous one's in desired outcome, if not pathway.

Hipkins safe for now

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Chris Hipkins remains leader of the Labour Party for now, and has signalled willingness to revisit the wealth tax package that he personally stopped before the Budget this year. His confirmation in the post should not be read as a long term endorsement.

Fonterra's climate and costs reset

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Fonterra announced plans to cut on-farm emissions by 30% by 2030 and cut annual expenses by \$1b over the same period. Some plant closures are likely as milk production is no longer growing.

A scrappy PIF

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The Pacific Islands Forum was meant to put a split among regional governments behind them. Instead, the president of Nauru spat the dummy and missed the leaders' retreat. A record number of foreign governments were represented at the PIF, indicating the region's growing geo-political and security significance. The island governments themselves want climate change action.

Market dominant firms in the spotlight

Firms enjoying either real or perceived market dominance in NZ domestic markets may be in for a rude surprise once the new government is formed.

The collapse of start-up supermarket challenger Supie during the post-election inter-regnum has exposed the potential for a meeting minds between the three centre-right parties about the desirability of being clearly seen to act in consumers' interests.

Australian-owned banks, Air NZ, supermarket operators Foodstuffs and Woolworths and the electricity generator-retailers are amongst the most obvious targets.

While the expectation might have been that a centre-left government represented a greater regulatory threat to sectors in which market power is an issue, there is an unusual alignment among the parties of the centre-right on this issue.

The cost of living "crisis" is driving the politics.

For NZ First, the issue plays straight to its populist, economic nationalist instincts: to protect the regions and the "little guy".

For Act, there are issues of principle in pursuing competition policies that create discomfort for dominant incumbents. The party is looking for demonstrable wins and is not in the mould of the kind of traditional right wing party that instinctively favours its constituency.

While National might fit that latter mode, its three most important figures – Christopher Luxon, Nicola Willis, and Chris Bishop – all understand that taming inflation will require at least some micro-economic reform to encourage competition.

It is far too early to say how this combination will play out, but Willis is an economic liberal and National seems determined to shut down Labour policies that it saw as "corporate welfare".

There is also understood to be competition for the role of Minister of Commerce, which sank to the bottom of Labour's Cabinet rankings.

Shane Jones from NZ First, who has long indulged in intemperate rhetoric on retail competition – particularly with respect to the national airline – would like the role.

But David Seymour would like Act to hold that portfolio too, with competition reforms likely to sit comfortably alongside the regulatory reform agenda he is not only keen to pursue, but may also have reasonable hopes of pursuing.

By comparison with Act's desire for a referendum on

the Treaty, which looks to be dead in the water, this might be a win that Luxon could offer Act as a salve.

Coalition talks

A new government still looks a few days away from being formed, with Sunday or Monday the most optimistic target dates.

The Act and NZ First leaders are now talking, and there will now be the equivalent of round-robin discussions as all three parties consider what they can and can't live without.

There are very few hints coming through, although it does appear that Winston Peters wants the foreign affairs portfolio and spoke to Gerry Brownlee about that last week. Brownlee is the stand-in representative for the incoming government at international meetings and would prefer the role to Speaker.

Peters also seemed to suggest in an interview with NBR this week that he might give way on the pension entitlement age. That would be a big concession for which he would require a large prize. It would be explained away as being fiscally responsible but also on the far horizon for recipients.

While much has been made of Christopher Luxon's desire to attend the APEC leaders' summit, it is not a must-have. Rather, it creates some constructive tension for the negotiations without being treated as an artificial deadline. Luxon's presence in San Francisco will be of greatest moment only to NZ news audiences.

National's negotiations with Act appear to be in an advanced state, while those with NZ First seem to have only this week progressed beyond "relationship building". This led the National-Act negotiations to "pause", while things get going with NZ First. Most significantly, all three parties are discussing how to structure the potential for a nine year government. If achieved, this would be a significant change of position from NZ First, which has historically exploited the ability to go with Labour or National.

It might also allow a more measured approach to reform timetables. National is anxious not to repeat Labour's mistake of pursuing too many big ideas at once.

Luxon wants to get the three in a room together before talks wrap up (something that did not occur in 2017), but that would require the National-NZ First talks to progress much further.

Despite Act having 11 seats and NZ First only 8, there appears some likelihood that both can expect three Cabinet seats each.

Elsewhere, Seymour is known to want a Minister of Regulation portfolio and at least one other significant portfolio like education, allowing it to reintroduce charter schools.

Beyond foreign affairs and, as noted, commerce, NZ First would likely seek regionally impactful portfolios like forestry and fisheries.

Mini-Budget – tax cut concessions inevitable?

A big area of tension is National’s tax plan.

NZ First does not like the \$2.9b foreign buyers’ tax component and both NZ First and Act have other ideas for the \$2.3b climate dividend, funded by ETS receipts. If both of these were to disappear, it would blow a \$5.2b hole in the \$14.6b plan, meaning a rescoping or searching for other cuts – perhaps taking up Act’s policy of scrapping first year free tertiary education.

The tax relief National wants to deliver also looks fiscally unsustainable and will play into a mini-Budget that Luxon has said is likely to coincide with the release of the Half Year Economic and Fiscal Update from the Treasury, due before Christmas.

It is unclear whether the HYEUFU will include the impacts of decisions by the new government or form the backdrop for new policies that there has been insufficient time to fully cost.

Nicola Willis’s first priority for the budget is to begin to book its public sector spending cuts. These are cuts of 6.5% of “back-office” spending, on top of the 2% announced by Labour earlier this year. At that scale on the timeframe envisaged, they risk creating a politically damaging austerity effect that reaches well beyond the cafes and lunch shops of Wellington.

The likely failure of the early December ETS carbon auction will also tighten the parameters for tax relief, while National’s promise to deliver pay parity for health workers outside of Te Whatu Ora’s direct employment could also require in the region of \$500m annually that was not in the Prefu.

National has promised to fix the issue on the campaign trail. It may be granted a reprieve in the mini-Budget, because Treasury would not necessarily be required to book the cost of any settlement in the document, beyond inclusion as risk to the fiscal forecasts. It is a problem for another day.

Meanwhile, if a government does not form over the weekend, Chris Hipkins will need to reswear as caretaker Prime Minister. This may cause some headline kerfuffle but is simply the parliamentary process at work.

Three Waters – not really a replacement

Labour’s hugely unpopular Three Waters reforms will be gone within the first 100 days of the new government. All three parties agree on that.

National and Act both have replacement policies, but getting these to a position where they could be practically adopted by councils will take time (not to mention additional consultant spending – Three Waters reforms were top three recipients of the \$1.3b spent on contractors and consultants last year).

National is gearing up for a fair bit of creative destruction with its policy, a key plank of which is to give councils the freedom to decide for themselves they can’t afford to go it alone on water to decide to join up to an amalgamated water entity, much like what Labour proposed (minus co-governance).

Councils are desperate for clarity. They’re putting together their ten-year plans (updated every three years) and want to know the precise workings of the model, in particular whether water assets will or will not be on council balance sheets, allowing them to free-up borrowing headroom.

National’s alternative proposal, in brief:

- Keep the water quality regulator (Taumata Arowai) to enforce minimum water standards.
- A new Independent Water Infrastructure Regulator within the Commerce Commission to enforce a minimum level of investment from councils in water assets.
- Councils that can meet those quality and investment standards can carry on as now.
- If councils find they cannot afford the level of investment required, they can amalgamate water service delivery into a Regional Council-Controlled Organisation covering many councils’ water services.

Freshwater policy

Labour’s freshwater reforms were unpopular with the rural sector and National is proposing to roll them back and regulate standards via a National Policy Statement.

Act would likely support this. The policy re-adopts Nick Smith’s pre-2017 aim to get 90% of rivers swimmable within 40 years.

Even that is potentially too much for Groundswell, where NZ First fished for votes.

These new entities look similar to what Labour proposed, with separate balance sheets from councils, the ability to borrow to invest in new kit, and to service that debt by levying water charges or charging back to councils.

National’s Chis Bishop publicly acknowledges many councils’ water assets will find their way into one of these entities. There are some big kinks to be ironed-out. Does National employ DIA officials (or consultants) to design an off-the-shelf CCO model that interested councils can use? Do they force cash-poor councils to invest in creating a bespoke

model? And can the new model actually achieve the necessary balance sheet separation, and what level of local control is traded-off to achieve it?

National acknowledges the pathway to this end point will be somewhat chaotic, but thinks Three Waters has lost the public to such an extent that a reset is needed.

There is some good news: Wellington Water is drafting a briefing to the next local government minister asking to be the first into the new system and something of a test case. Former Infratil exec Tim Brown is a prime mover in this effort.

National is keen for that to happen, and Wellington Water is ideal. It is very close to the multi-council CCO model the party envisages. What it lacks is ownership of the actual infrastructure assets and balance sheet separation from councils.

Wellington councils would benefit by being the first to lift the assets of their balance sheets, and the new government would be able to demonstrate that they have a model that works.

Act also wants to allow PPPs to deliver water services. After the 2020 election the NZ Super Fund expressed an interest in getting involved in Three Waters, before being hosed down by Labour. It's possible this could survive coalition talks, reviving the debate about water privatisation.

Labour starts a long journey

Chris Hipkins won the support of at least 21 MPs in a confidence vote this week to stay on as Labour leader. The vote is required after every election by the Labour constitution. No one challenged Hipkins but it was a secret ballot so there is no indication of how many MPs abstained or refused to "endorse" him.

Hipkins said he intends to contest the 2026 election as Labour leader, the clearest he has been on that issue for a while.

The party is already showing fractures, although there was no enthusiasm for a leadership by David Parker.

Hipkins is safe for now, allowing Labour to dust off and he is open to revisiting the wealth tax package that he canned in a captain's call before the Budget in May.

Deputy Prime Minister Carmel Sepuloni was elected deputy leader following the resignation of Kelvin Davis, who said he would not fight the 2026 election but did not immediately quit either. His colleague in the Māori Caucus Willie Jackson is also likely to announce his resignation in the next year or so, unless Act gets its treaty referendum over the line.

Jackson is so exercised about that prospect, he says he will stick around in politics to fight against any such proposal.

Labour's nine-strong Māori caucus has not yet had its first post-election meeting. When it does it will need to confirm its two co-chairs, who are likely to remain Willie Jackson and Willow Jean-Prime.

Former MPs Tracey McLellen, Shanan Halbert, Glen Bennett, and Vanushi Walters are next on the list for any vacancies.

Election result detail

The final election result delivered National 48 seats, two fewer than election night.

The Greens have 15 seats compared with 14 on election night. Te Pāti Māori took two more electorate seats and has 6 seats.

This overhang creates a 122 MP Parliament, which will become 123 seats after the Port Waikato by-election, requiring 62 MPs to command a majority. There were no changes for Labour, which has 34 seats, ACT 11 seats, and NZ First 8 seats.

Close results which could draw a recount.

Labour's Rachel Boyack won Nelson with a majority of 29 votes over National's Blair Cameron.

Labour's Phil Twyford won Te Atatū with a majority of 131 votes over National's Angee Nicholas.

Te Pāti Māori's Takutai Tarsh Kemp won Tāmaki Makaurau with a majority of 4 votes over Labour's Peeni Henare.

Te Pāti Māori's Mariameno Kapa-Kingi won Te Tai Tokerau with a majority of 517 over Labour's Kelvin Davis.

Labour's Helen White won Mt Albert with a majority of 20 votes over National's Melissa Lee.

Successful recounts could reduce the overhang in Parliament if Labour are successful in the Māori electorates. Other results would not change the number of MPs in Parliament but could bring in different list MPs.

Election statistics

There were 2,883,412 votes cast with 603,257 special votes – 20.9% of total votes (17% in 2020 & 2017). Turnout of those enrolled was 78.2% (82.2% in 2020, 79.8% in 2017). The final enrolment rate was 94.7% (94.1% in 2020, 92.4% in 2017).

The public service workforce increased by 2,736 full-time equivalent roles, or 4.5%, to 63,117 in the year to June 30 2023. 📊

Unemployment rising

The official unemployment rate rose to 3.9% in the year to Sept 30, from 3.6% previously. The employment rate fell to 69.1% from a high of 69.8% last quarter, but still the fifth highest rate since the household labour force survey began in 1986.

The rise to 3.9% over the third quarter, although historically low, is still well above the 3.2% trough. The underlying driver of that was weaker labour demand, with employment falling by 0.2%, versus a market expectation of growth of 0.4%.

Construction trends

New home consents fell 20% for the Sept year to 40,408, down from the peak of 51,015 for the 12 months to May 2022.

The biggest decline came over the past quarter, when 9,126 new homes were consented, down 31% on the comparable three months last year.

While consents have continued to trend downwards, they are still higher than in any 12-month period before 2021 led by multi-unit home builds.

The price gap between building and buying an existing home has increased to almost \$200,000, the widest price premium on record, and about three times the long-run new build premium average, which sits at about \$65,000 dating back as far as 1995.

BNZ's build estimate for an average residential dwelling of 180 square metres – the post-2000 average size – is \$980,000, broken down into \$400,000 for the section and \$580,000 for building costs.

Financial stability – OK, but some niggles

The Reserve Bank's six-monthly financial stability report said the nation's financial system remains in good health, but warned a severe deterioration in the labour market continues to pose a key risk.

It warned mortgage borrowers are set to spend about 18% of their disposable income on interest payments by the middle of next year, up from 9% in 2021.

The extent of debt in the dairy sector was also identified as a source of growing risk.

Election delivers confidence boost

The ANZ NZ business outlook marked a jump in confidence among firms, with the headline measure rising 21.9 points in Oct to a net 23.4% of respondents feeling better about general conditions in the coming year.

The survey's own activity outlook rose 12.2 points to

a net 23.1% expecting their own business to improve, while investment intentions, hiring intentions and export intentions all improved.

A net 10.6% of respondents experienced a decline in activity compared to 12.9% in Sept, and a net 8.4% experienced a reduction in employment in Oct compared to 1.8% in Sept experiencing a contraction.

Credit demand soft, arrears rising

Equifax said business credit demand was down 1.2% in the Sept quarter on a year ago, based on the volume of credit applications for trade credit, business loans and asset finance.

Asset finance to replace or upgrade facilities and machinery rose 7.2% and there was a 0.3% rise in demand for business loans, but trade credit applications fell 8%.

Business loans and trade credit softened, at greater than seasonal rates, during Sept in the lead up to the election. Overall demand was 10-12% below pre-pandemic levels.

People behind on their credit repayments lifted 4,000 to 427,000 over the past month, credit bureau Centrix said. 62,000 consumers were more than 30 days past due, and 107,000 at 60 or more days in arrears, levels last seen in 2018. Overall credit demand rose 5% on last Oct to above pre-pandemic levels, driven by auto loans, which were up 14.4% year-on-year.

Better commodity news

The ANZ World Commodity Price Index gained 2.9% in Sept, although prices were still nearly 7% lower than a year ago.

Dairy and horticulture's strong increases helped offset weaker prices for lamb and logs. A softer NZ dollar also lifted the local currency returns for producers.

Consumer spending processed through core retail merchants (excluding hospitality) in Worldline NZ's payments network in Oct reached \$3.1b, up 0.5% on Oct 2022, and up 17% on the same month in 2019.

EV purchases surge as rebate end looms

The market share for petrol and diesel light passenger vehicles fell ahead of the end of the clean car subsidy.

In Oct, they were 41.6% of the 10,054 vehicles sold, with non-plug-in hybrids totalling 2,891 for the month, or 28.8% share, followed by 20.3% (2,040) pure EVs and 9.3% (937) for plug-in hybrid EVs. 🇳🇿

PACIFIC ISLANDS FORUM

Pacific Islands Forum

This year's Pacific Islands Forum (PIF) was the largest held since its formation in 1971.

However, the extraordinary and at times inexplicable level of interest in the meeting in Rarotonga by non-Pacific nations ended up being overshadowed by the island nations' own political in-fighting.

The appointment of former Nauru president Baron Waqa as the PIF's new secretary-general was supposed to help heal a rift that saw the Micronesian states threaten to leave the grouping.

However, by choosing a candidate whose record on ethical probity and good governance is murky to say the least, the PIF just bought itself trouble at this week's meeting.

When the issue was raised on the floor of the plenary leaders' meeting, the current Nauruan president, David Adeang, walked out of the plenary on Rarotonga and refused to join the leaders' retreat on Aitutaki.

By 11.30am this morning, he left the Cooks, allowing no further capacity to mend fences at this meeting.

However, other Micronesian leaders did attend and it appears all parties are going to try and make the best of a bad job with respect to Waqa.

NZ was somewhat neutered this year because the attending minister, Carmel Sepuloni, was there in a caretaker capacity. She performed a bi-partisan double act with National's Gerry Brownlee, who is also on stand-by to attend the APEC summit in San Francisco next week if Christopher Luxon is not sworn in as PM in time to make a direct mid-week flight for the key day of the summit, Nov 16.

Notable for their registration, if not in all cases attendance, were representatives from some 19 observer countries including such unlikely candidates as Norway, Ghana, Portugal and Cuba.

Registrations from senior Saudi ministers were also accepted.

Representatives of the Tony Blair Institute were informal participants, seeking opportunities to play "honest broker" for island governments that expected to be wooed with major funding from western as well as Chinese donors in the coming decade.

However, the issues of geo-political advantage barely appeared in the public elements of the forum.

Climate change politics

The forum did adopt a carbon emissions reduction plan stretching to 2050, with Australia anticipated to make something of a grand gesture by offering to take in the population of Tuvalu if and when the low-lying territory disappears under rising seas. That had not occurred by the time HUGOvision was published.

Deep sea mining – the Cooks moves forward

Among the less obvious participants at the PIF were representatives of Ghana, Cuba and Norway.

However, the Norwegian involvement was not simply a non-EU Nordic country taking an interest in aid-driven geo-political influence.

Rather, it shares with the Cook Islands a desire to become a deep-sea mining nation. Norway was in Rarotonga both to plot solidarity and, it is understood, to offer advice on how best to create a sovereign wealth fund of the kind that has made Norwegians amongst the best served in the world for public infrastructure and standards of living.

The Cooks, with its 1.96km² exclusive economic zone, about half the size of NZ's, has been researching manganese and cobalt-rich nodules found across a vast swathe of the country's ocean floor at depths of up to 5km.

Five year exploration permits are nearing their halfway mark, with all three explorers using slightly different extraction techniques.

The nodules themselves are easily harvested, being like mis-shapen eggs that carpet the sea floor, are unattached to anything, and are visible in video footage in the sandy silt that they rest on.

The explorers claim both that there is little sea life to disrupt at these depths and in this relatively arid oceanic environment, and that the issue of sediment plumes is controlled by the extraction methods. Unlike the proposed ironsands mining off the Taranaki coast, the resource is in extremely deep water and there is no need to separate minerals and sand and then drop sand back to the ocean floor, creating environmentally challenging plumes in the water column.

The Cooks government has created a seabed resources regulator and sees a decades-long process of developing an industry providing minerals required for industrial and transport decarbonisation. 

Primary Sector

Zespri and its board advisor **John Key** met with China's foreign minister **Wang Yi** to discuss the illegal plantings of Gold3 kiwifruit in the country.

Fonterra outlined its plans for a 30% reduction in on-farm emissions – the lion's share of dairy sector emissions – by 2030: a highly ambitious target. The co-op also completed the sale of it and Nestlé's **Dairy Partners Americas** Brazil joint venture to French dairy company **Lactalis**.

CEO **Miles Hurrell** also announced plans to cut \$1b in costs from the business by 2030, which could include plant closures and a smaller board. CFO **Neil Beaumont** quit Fonterra after less than a year over reported incompatible working relationships.

Acting **Auckland Council** chief executive **Phil Wilson** was confirmed in the job on a permanent basis.

NZ Green Investment Finance lent \$10m to Hamilton-based company Cool Group as part of a wider partnership to lease up-to-date energy efficient cooling systems to farmers rather than having to buy and maintain them.

Wine company **Invivo**, which has partnered with **Graham Norton** and **Sarah Jessica Parker**, is preparing to raise another \$2m on crowdfunding platform **Snowball Effect** to fund expansion. The raise comes at a sensitive time for Snowball Effect, which was the platform used to raise capital for failed supermarket entrant **Supie**.

Energy and resources

Contact Energy is seeking a partner to turn carbon dioxide from one of its geothermal power stations into food-grade quality carbon dioxide.

Banking, finance and insurance

Westpac NZ's net profit fell to \$963m in the 12 months ended Sept 30 from \$1.17b a year earlier, with operating expenses growing 12% to \$1.3b, outpacing its income growth of 2%. It booked \$135m of impairment charges.

The Reserve Bank is seeking feedback on how it implements changes to its regulatory regime for branches of overseas banks operating in NZ. The RB said its policy towards branches had developed over time, resulting in inconsistent outcomes and difficulties in interpretation.

Reserve Bank governor **Adrian Orr** said climate change was a risk to financial stability which the central bank had to prepare for.

ACC reported a surplus of \$911m as claim volumes return to pre-pandemic levels. Its investment fund

has also grown in the 12 months to June 30 to \$46.9b, up from \$45.8b in the 2021/22 year with a return of 7.07% after costs. ACC's outstanding claims liability rose by \$1.3b to \$51.5b.

Telecommunications, media & entertainment

One NZ plans to buy **Dense Air's** NZ business to boost its 4G and 5G mobile service. The deal will give One NZ management of 2x35MHz of 2600MHz spectrum, which had five-and-half-years left to run, with renewal due at the end of 2028.

TVNZ trimmed its senior leadership team from 10 to seven roles in an effort to slash costs.

NZME downgraded its earnings guidance with advertising revenue for the first half-year down 7% on the previous year.

SenateSHJ promoted **Maree Wilson** to managing partner replacing **Raphael Hilbron** who is now a consulting partner, based in Wellington. The firm also appointed **Jen Nolan** as a partner, and **Liam Hansen** as a client manager in Wellington.

Wellington GR/PR firm **Capital**, founded by former Labour Party campaign manager **Neale Jones**, moved to improve its chances of advising clients under a centre-right government by appointing centre-right aligned Auckland consultant **Ben Thomas** and former NZ First deputy leader **Fletcher Tabuteau** to its ranks. Former Greens adviser **Clint Smith** is leaving the firm.

Wholesale and retail

Briscoe Group sales for the 13 weeks to the end of Oct were \$179.7m, up 2.4% on last year's comparable \$175.5m. Homeware sales increased 1.3% to \$109.1m, while sporting goods returns were up 4% to \$70.6m, year-on-year.

Mitre 10 reported a \$67m loss, down on last year's \$1.8m profit after expenses rose from its big information technology upgrade. Revenue rose from \$307m to \$315m from June 30, 2022 to 2023 but so did expenses, up from \$155m to \$196m.

Apple Sales NZ reported a net profit of \$31.3m in the 12 months ended June 30 on revenue of \$1.21b. Due to changes in balance reporting dates, comparisons were difficult but on monthly basis sale were softer.

Canterbury-based department store **Ballantynes** is set to open its fourth retail store in Invercargill.

Grocery commissioner **Pierre van Heerden** said the commission will focus on fixing misleading pricing, reducing the influence of suppliers and lowering barriers to entry for new players.

Receivers of **4 Seasons** were unable to find a buyer for the outdoor furniture retailer but distributed

CORPORATE ROUND-UP

about \$1.5m to BNZ.

Supie was put into administration after attempts to fund raise fell through as it burnt cash in start-up mode. It was estimated the online grocer owed about \$3m. Creditors voted for liquidation this week.

Meanwhile, the North and South Island **Foodstuffs** co-operatives began to discuss merging, presumably to improve economies of scale and reduce duplicated overheads.

Transport

Mainfreight reported a 42.6% fall in 1H24 profit, reporting pre-tax earnings of \$74.2m on a 43% revenue decline that had been well-signalled. The share price rallied on the news.

KiwiRail said the delivery of its first new Cook Strait vessel has been delayed by five months to Feb 2026.

South Port said it expects net profit at the lower end of \$9m in the 12 months ending June 30 2024, down from \$11.7m a year earlier, and tempering an earlier forecast for profit to fall within \$11.7m and \$12.3m. A fall in log exports partly drove the downgrade.

AirAsia X is replacing its Auckland-to-Sydney service with three-weekly flights to Queensland starting on Feb 3 with the route to Sydney ending on Jan 31.

Manufacturing and construction

MHM Automation received a takeover offer from US-based Bettcher Industries to buy all its shares for \$1.70 a share. This was an 86.8% premium to MHM's closing price on Nov 2.

Juken NZ is considering mothballing, selling or closing its Gisborne mill due to ongoing financial difficulties and soft market conditions. Currently 80 people are employed there. The mill, which opened in 1992, processes radiata pine from Juken's East Coast forests and produces wood products, mainly for the Japanese housing market.

Union members at **Fisher & Paykel Healthcare** took industrial action over pay and overtime.

Downer NZ said revenue rose by 26% to \$2.3b for the year to June 30, 2023, up from last year's \$1.8b. Expenses also rose 27%, so the previous \$37m net profit after tax dropped to \$18.6m this year.

Courts, legal and regulation

The person found guilty of insider conduct in

relation to the sale of shares in **Pushpay Holdings** was sentenced to six months community detention and a fine of \$100,000. The Financial Markets Authority wanted the individual, who has interim name suppression, jailed for up to 39.5 months.

CPB Contractors and **HEB Construction**, which formed a joint venture to build the Transmission Gully highway, lodged a statement of claim in the high court at Wellington against the transport agency, Waka Kotahi, and Wellington Gateway Partnership.

The High Court rejected the **Gama Foundation** application for a judicial review of the Ministry of Social Development over an alleged failure to prosecute businesses that improperly took covid wage subsidy payments.

Waste Management refunded \$5.6m to residential customers after the Commerce Commission found it seeking payments via debt collection from customers who didn't owe it money.

Quest Apartment Hotels failed to overturn a 2021 court injunction preventing it from terminating a franchise agreement with **Prominent Investments** over alleged poor performance.

Technology and IT

Xero told shareholders it had now completed a 14% workforce cut announced in March. It announced revenue growth of 21% for the year in 1H24, a 90% increase in ebitda to \$206.1m and achieved free cashflows of \$106.7m for the year. However, analysts at Citi said international revenue slowed during the half and the company missed expectations.

TradeWindow is again looking to cut staff numbers after it cut revenue forecasts and put one of its businesses on the market to achieve breakeven.

Corporate actions

Cimic Group sold down its remaining 7.62% stake in dual-listed infrastructure services provider **Ventia**.

Ngāi Tahu Group reported a \$95.5m loss for the year to June, compared to a \$105.2m profit the prior year. Revenue was up 16% at \$372.8m, but higher operating expenses, at \$128.1m, borrowing costs of \$18.5m and a \$42.7m loss on fair value adjustments to the investment property portfolio were major factors. ■

