

FPAs - the smoke clears a bit

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The detailed battle lines for the debate over how Fair Pay Agreements should be structured have been delineated in the discussion document issued by the govt this week. However, employers and unions alike can be sure there's little prospect of any FPAs being negotiated before the next election and no guarantee of legislation in place by then either.

'Good things take time'

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Labour ministers are adopting what might be dubbed the 'Mainland Cheese defence' in response to the clamour from the commentariat, the Opposition and some of its own core supporters that it is taking too long to drive policy change. In what amounts to an appeal for patience, ministers are arguing consistently that decisions reached slowly are likely to be more enduring.

Polls - what are they good for?

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The latest TV network opinion polls simply confirm that National is doing a bit better than Labour and the Greens and NZ First should make it back to Parliament next year. Their volatility and infrequency makes detailed poll-to-poll analysis almost meaningless, as is ACT's claim that at 1.4% - still a result well within the margin of error in the latest Colmar Brunton poll - that it's now on track for 2 MPs. However, the PM's popularity slide looks real.

NZ First - expect a united front

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After a bruising few weeks and the rare airing of some dirty laundry, expect an NZ First annual convention this weekend in Christchurch where Winston Peters reasserts the firm personal grip he has usually had on party discipline. That said, his concession this week that he is "not immortal" could be the first signs of succession planning.

Inflation has bottomed out - why cut more?

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The 1.5% CPI for the year to Sept is almost certainly the low-point and inflation is heading back towards and perhaps above 2%, with non-tradables inflation surging and indicating domestic economic capacity constraints. The case to keep on cutting interest rates is hardly compelling, but the RBNZ will probably keep going.

TV3 sale comes with news-sized political headache

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By putting its TV broadcasting assets up for sale, Mediaworks is effectively conceding it has no clue how to make money from that consistently loss-making part of the network. New 40% shareholder QMS Media has forced the pace on a decision that's been a long time coming. The impact on NZ journalism, if the process now under way were to lead to closure of TV3's Newshub service, is politically significant.

Orr: embattled but unrepentant

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RBNZ governor Adrian Orr is perhaps the most overtly political head of the central bank since its independence was legislated in 1989. He is reeling personally from the backlash but not backing down. The board is standing behind the senior management team.

Clarity emerging on Fair Pay Agreements

The release of a 56-page discussion document on Fair Pay Agreements clearly sets out where the areas of greatest dispute between employers and unions will be.

It is also now clear that FPA legislation is highly unlikely to be passed in time to allow any negotiations to conclude before the election, if it has been passed at all by polling day.

Key issues:

- the inclusion of a ‘market test’ once an FPA is concluded, to be satisfied it will not be economically harmful. The **CTU has made no such test a bottom line**. The document suggests that “in extreme circumstances, the government may reject the FPA if it believes the market impacts are fundamental and cannot be mitigated”;
- the **extent of regionalisation** in FPAs. The discussion document contemplates but appears lukewarm on FPAs being able to be signed at a regional level, rather than regional variations being negotiated for national FPAs;
- **definition of sectors and industries**. This could be done by ANZSCO or ANZSIC industry code. “The requirements to specify both occupation and sector, combined with the public interest test and representativeness test, **should drive initiators to only include relevant occupations that could benefit from an FPA**”;
- **treatment of contractors** in the future. “We are currently considering options for strengthening protections for contractors and it would make sense to include them in FPAs. We plan to **progress this work in parallel**”;
- **whether to pre-approve certain occupations** or sectors where an FPA can be bargained as of right. **Winston Peters appeared to hint at approval for that approach** to cleaners, supermarket workers and security guards - the three groups identified by the CTU as first targets - in comments after he spoke to the CTU this week;
- **the criteria for application of a ‘public benefit’ test**. The document proposes that two criteria be present “to ensure the system is focused on sectors not only where workers and employers are in evident need, but also where an FPA is likely to be a suitable intervention”. Those proposed **criteria are “current problematic outcomes for workers” and potential for beneficial sector coordination**. The definition of both is included in detail in the document.

the workforce, whichever is smaller - appears uncontentious although very large groups of workers could find themselves brought into an FPA by the actions of just 1,000 of their colleagues, in theory.

Unions focused on the poorest

The **CTU has made a poor job of arguing that its focus at the end of the labour market spectrum where real social need is observable owing to low household incomes**. But this is where its focus lies. It has realistic views about its capacity to push quickly into industries where workers are generally content with current, less regulated employment terms and conditions.

“Occupations with high bargaining power would likely not be included if applicants need to pass a **public interest test**,” the discussion document says.

CTU president Richard Wagstaff told reporters some were **just pleased to know the FPA process hadn’t been killed off** altogether, such is Labour’s concern about weak business confidence and NZ First’s lack of enthusiasm for a return to de facto compulsory unionism.

Migrant worker exploitation link

Less noticed but important to the union movement was also a **discussion document on proposals to deal with migrant worker exploitation**. The **issue is of increasing concern** because of its prevalence in some sectors and communities, and because it **undermines wages and conditions of low-paid NZ workers and erodes competitiveness of firms employing staff legally**.

Making a virtue of being knobbled

Stung by a growing chorus of critics who claim the government is drifting and unduly influenced by NZ First, **Labour ministers are singing from a new hymn sheet** that seeks to make a virtue of the tortuous negotiations required in coalition govt.

PM Jacinda Ardern, in a speech to the CTU biennial conference, gave a full demonstration of this approach, saying “**collectivism ... is the nature of a genuine MMP Government like ours ... but it is also the nature of change that sticks.**”

Acknowledging “a school of thought that we should be doing more, going faster and further”, Ardern said she was “impatient for change too”.

“But we need change that lasts and we need change that brings people with us. **I can’t guarantee that all the improvements we have made in just two short years will last for the next 50. But I do know their**

chance of sticking is increased the longer we are in govt and the more collaboratively we work to build consensus for them.

“Big bold moves that we haven’t built public support for are easily dismantled.”

As a plea for another electoral term, the argument has some empirical merit. MMP, by its nature, is a handbrake on swift or radical change.

However, her CTU comments were also a curtain-raiser for Workplace Relations Minister Iain Lees-Galloway’s unwillingness even to say whether legislation for Fair Pay Agreements will be introduced before the 2020 election.

The inherent contradiction between the early talk of a ‘transformational’ govt and the muddled centrism of a govt in thrall to the nationalist pork-barreling of NZ First will only become more apparent next year.

Labour’s ace card is that its supporters have nowhere to turn other than to NZ First or the Greens. Both continue to poll better in Labour’s tracking polling than either the TV networks’ polls, released this week.

That being so, Ardern’s appetite for knee-capping either party in the coalition is all the more diminished.

Greens still easy-beats

Demonstrating how much easier it is for the govt to deal to the Greens than to NZ First was the overturning of Land Information Minister and Green MP Eugenie Sage’s rejection of OceanaGold’s Overseas Investment Office application to buy land for a tailings dam. The company reapplied and decision-making roles were transferred to Finance Minister Grant Robertson and his associate, David Parker, who were satisfied the investment would result in substantial benefit to NZ.

The decision was warmly greeted as a signal about investment certainty by a wide range of business sector groups.

NZ First - a difficult conference, but entrenched in NZ politics

Media seeking evidence of division inside NZ First at this weekend’s annual convention in Christchurch may be in for disappointment.

While the departure of president Lester Gray over his inability to sign off the party’s financial accounts is serious, Winston Peters runs a tight ship. Public displays of loyalty and unity are almost more likely as a result of the party’s recent troubles.

The party’s entrenchment in the political

establishment was also on display in the last week.

On Tuesday, Peters addressed the CTU bi-ennial conference in Wellington - the first time he’d been invited to make a keynote speech there since first being elected to Parliament 40 years ago.

The same evening, the Business NZ major companies group hosted the whole NZ First caucus.

The party will also be seeing the same internal polling as Labour, which still has NZ First above the 5% threshold for parliamentary representation under MMP, so is unlikely to be panicking when it has a year to engage in the customary process of election year differentiation.

Peters continues to argue NZ First is the country’s only true centrist party, while apparently endorsing repeated instances of disrespect towards the PM by his most obvious heir apparent, Shane Jones.

Jones kept up his nose-thumbing while on holiday, allowing his partner to post social media images of him at a firing range with an automatic weapon. He may not have known the govt would announce moves against online extremist content on the same day. But he won’t have minded to have the contrast pointed out.

Polls, schmolls?

The Newshub-Reid Research poll recorded National’s support increasing 6.5 percentage points to 43.9% and Labour’s support dropping 9.2 points to 41.6% since the last poll in the series in June.

However, the steepness of that fall is attributable to a credibility-testing result in the previous poll, which put Labour on 51% support.

NZ First was on 4% and the Greens 6.3% in the Newshub poll.

The 1 NEWS Colmar Brunton Poll had National on 47% (up 2 points), Labour 40% (down 3), Greens 7% (up 1) and NZ First 4% (up 1).

The slump in the PM’s personal rankings has a more credible feel to it. The Newshub poll recorded Jacinda Ardern’s most preferred PM rating dropping to 38.4%, down 10 percentage points. Colmar Brunton also found 38% preferred PM support for Ardern, although that was only a drop of three points from its previous poll, in July. Simon Bridges continues to outpoll Judith Collins but his personal popularity rankings remain below 10% in both mainstream polls. At 9% in Colmar-Brunton, though, he is

Luxon for Botany?

Ex-Air NZ chief executive Chris Luxon is to seek the nomination as National’s candidate for Botany electorate.

While an obviously attractive candidate, Luxon is a two-edged sword for Simon Bridges. If selected - and that is not a slam-dunk - his initial contribution to National will be to revive speculation about the longevity of Bridges’s leadership.

showing some resilience.

Robertson's big surplus

The gov't's annual accounts were healthier than predicted, due in large part to a \$2.6b reversal in earlier write downs of the rail network and a bigger tax take. The operating balance before gains and losses was a surplus of \$7.5b in the 12 months ended June 30, from a surplus of \$5.5b a year earlier and well above the \$3.5b predicted in the 2019 budget. The network is now being valued on a public benefit basis rather than a commercial for-profit basis, which led to previous impairment charges being reversed.

Stripping out the accounting adjustment, the gov't's surplus would still have exceeded forecasts as tax revenue grew 7.9% to \$86.5b, compared to the \$84.7b forecast. A new tax recognition scheme meant some tax, particularly for corporates, was recognised earlier. The personal income tax take was buoyed by more people in work and rising average tax rates. The tax take was equal to 28.8% of GDP, up from 27.7% a year earlier and the 28.2% forecast.

Grant Robertson shows no signs, at this stage, of loosening the purse strings, pointing out that the gov't already raised its new capital spending allowance by more than \$1b in the last Budget. It appears the gov't is both keeping its powder dry for election year and seriously concerned that it would struggle to spend more than is currently planned, given workforce and other capacity bottlenecks, and the lack of 'shovel-ready' projects - in part a consequence of its shifting priorities on roading.

Nats change tack on ZCB?

With recent poll results giving a glimmer of hope to National that it could form the next gov't, the party is conducting weekly focus groups and beginning to actively address specific political issues in the framework of the election campaign. Thus it appears ready to support the Zero Carbon Bill with

an explanation to its rural base that the post-2030 methane limits will be reviewed by the Independent Climate Change Commission. Bridges is happy with the appointment of Rod Carr to chair the ICCC and presumably their support for the Zero Carbon Bill will be dependent on them being happy about other appointments to the ICCC.

In the same vein, climate change spokesman Scott Simpson has acknowledged that methane reduction targets should be determined by the Climate Commission, **even if that results in higher thresholds than those proposed now.**

Freshwater not so easy

The gov't has got a stronger kickback on its freshwater proposals than it was expecting. Typical is a submission from the Taranaki Regional Council which says: "Already we see the likelihood of a very adverse impact on the viability of many farms, even allowing for a compliance timeframe of 'a generation'. This would impact on the well-being of the wider community, urban as well as rural."

Conversely, a powerful coalition of environmental lobby groups oppose plans to introduce mandatory environmental plans for farms, saying these plans should not replace explicit rules to manage polluting activities.

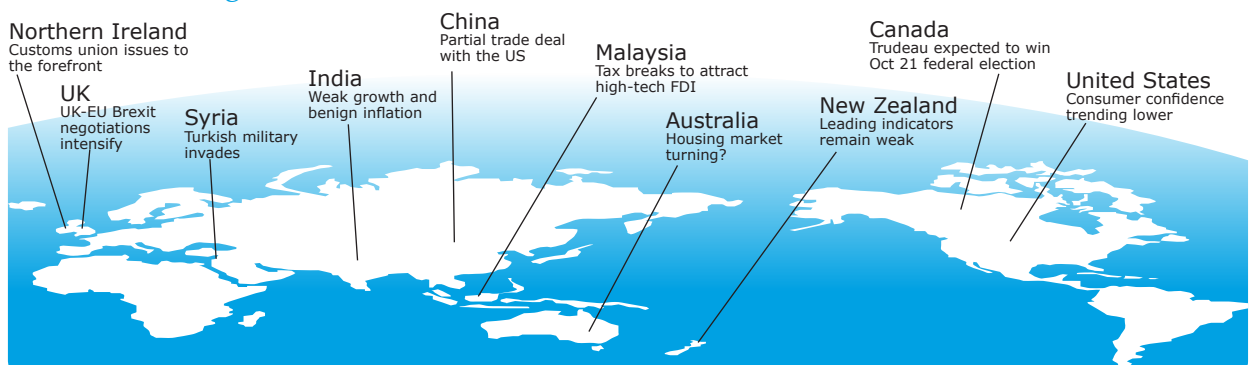
Submissions are due about now on the proposals and will go to an independent advisory panel for recommendations. Policy decisions are expected in the first half of 2020.

Combatting online extremism

The announcement of a \$17m boost to funding for the Dept of Internal Affairs to seek out and try to take down violent extremist content online will effectively double the DIA objectionable content workforce.

However, the gov't is moving cautiously on law reform to allow more censorship of hate speech and extremism. ■

The world at a glance



DOMESTIC ECONOMY

Inflation hits a low-point - why cut further?

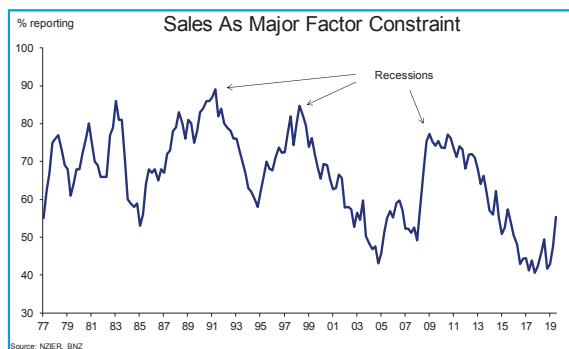
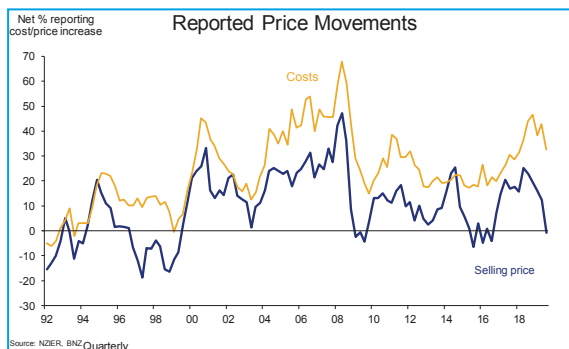
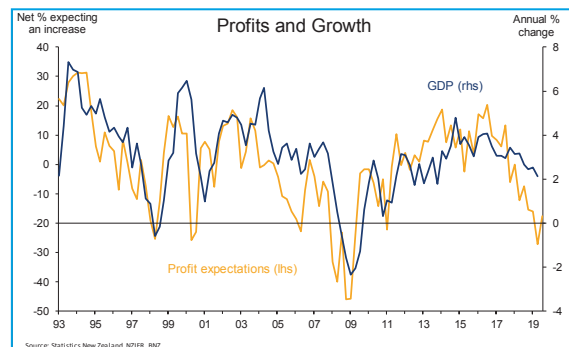
The consumers price index increased 0.7% in the Sept quarter, bringing the annual rate of inflation to 1.5%, down from 1.7% in June. Non-tradables inflation surged, driving an annual increase of 3.2% in the part of the economy most susceptible to expressing capacity overloads.

The Sept year reading is likely to be the lowest for some time to come, with an upside 'surprise' also possible in the Dec quarter to produce calendar year inflation of 1.9%, compared with the 1.4% last forecast by the RBNZ.

If annual inflation drifts near 2% or slightly above, as appears likely, inflationary expectations might also be expected to shift and create technically easier monetary conditions without the RBNZ needing to cut the OCR again.

Meanwhile, ongoing weak imported inflation will provide a windfall gain to NZers, somewhat offset by a weaker exchange rate.

However, on balance, the RBNZ appears likely to maintain its easing bias and cut again in both Nov and Feb, with key leading indicators (see graphics) portending a potentially much greater downside surprise to the RBNZ's growth projections. The RBNZ's last forecasts assumed growth nearing 2.9% p.a. over the next couple of years. The **leading indicators suggest 1.5% might be a better bet.**



Trading partner growth

(2017-2018 actual; 2019-2021 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
China	29.1	6.8	6.6	6.2	5.9	5.8	1.6	2.1	2.4	2.3	2.4
Australia	19.1	2.4	2.7	1.9	2.5	2.6	1.9	1.9	1.6	1.9	2.4
United States	11.5	2.2	2.9	2.3	1.8	1.8	2.1	2.4	1.8	2.1	2.3
Japan	7.3	1.9	0.8	1.0	0.2	0.7	0.5	1.0	0.6	0.8	0.8
Eurozone	6.5	2.5	1.9	1.1	1.1	1.2	1.5	1.8	1.3	1.3	1.6
South Korea	3.6	3.1	2.7	1.9	2.2	2.5	1.9	1.5	0.6	1.4	2.0
United Kingdom	3.2	1.8	1.4	1.2	1.1	1.6	2.7	2.4	2.0	2.1	2.1
Singapore	2.7	3.9	3.1	0.7	1.5	2.5	0.6	0.4	0.7	1.1	1.6
Hong Kong	2.4	3.8	3.0	0.3	1.3	2.4	1.5	2.4	2.6	2.2	2.3
Taiwan	2.5	3.1	2.6	2.1	1.8	2.1	0.6	1.4	0.8	1.1	1.4
Malaysia	2.1	5.9	4.7	4.5	4.2	4.7	3.8	1.0	0.8	2.0	2.5
Indonesia	2.1	5.1	5.2	5.0	5.1	5.1	3.8	3.2	3.2	3.5	3.6
Thailand	1.9	4.0	4.1	2.9	3.1	3.4	0.7	1.1	0.9	1.1	1.4
Philippines	1.6	6.7	6.2	5.8	6.0	5.8	2.9	5.2	2.8	3.0	3.6
Vietnam	1.5	6.8	7.1	6.6	6.4	6.2	3.5	3.5	2.9	3.7	3.8
India	1.5	7.2	6.8	6.1	6.8	7.4	3.6	3.4	3.6	4.2	4.6
Canada	1.5	3.0	1.9	1.5	1.7	1.7	1.6	2.3	2.0	2.0	2.0
NZ Trading Partners	100.0	4.1	3.9	3.3	3.3	3.4	1.8	2.0	1.8	2.0	2.2
Forecasts for New Zealand											
Consensus		3.1	2.9	2.3	2.4	2.4	1.9	1.6	1.6	1.8	2.0
BNZ Forecasts		3.1	2.8	2.2	2.2	2.0	1.9	1.6	1.6	2.1	1.8
The World		3.2	3.2	2.6	2.5	2.6	2.5	2.9	2.6	2.6	2.9

Orr Agonistes

RBNZ governor Adrian Orr's critics reached a questionable crescendo when NZ Initiative ED Oliver Hartwich was quoted invoking Donald Trump while discussing Orr's aggressive agenda and unusually free-wheeling style.

Orr and the RBNZ board hosted their annual drinks in the marae at Te Papa rather than the usual head office do, in a move that underscored Orr's defiance about the te ao Maori strategy he has introduced at the central bank as part of its bid for outreach and relevance.

Orr is feeling beaten up and isolated by the combination of hardball lobbying from Australian banks and their proxies over his eye-popping proposals to increase NZ banks' capital-holdings. He has never been in the media limelight previously as anything other than a jovial economic commentator or hero CEO at the high-performing NZ Super Fund.

To help him cope, much emphasis is being placed on the breadth of talent in the bank's senior management team, rather than focusing solely on Orr himself.

The bank board is clearly backing the new focus on the financial system impacts of climate change, which are derided by some critics as an illegitimate extension of the central bank's mandate.

However, the board believes climate change raises fundamental issues of asset insurability, including the use of uninsurable assets as collateral for bank lending. The potential for climate change to have severe impacts on urban environments and agricultural activity is also a legitimate issue, particularly as the bank turns its sights next year to the insurance industry and the extension of its conduct and culture review.

The RBNZ has clearly taken a reputational hit from its poorly judged communication of the most recent 0.5% OCR cut, which scared rather than encouraged consumers, the opposite of its intended effect. That may have made it harder for the bank to be believed when it says its examination of 'unconventional' monetary policy tools is merely precautionary, rather than actively preparatory.

Global turmoil and the kiwi dollar

The kiwi dollar has recovered somewhat in recent weeks from the lows of around US62 cents that it plumbed when the combined impact on sentiment of the US-China trade war and weak global growth was at its height.

However, the 'mini-deal' struck between the US and China last Friday has yet to be inked and is a long way short of a complete resolution to trade tensions between the two major powers. Brexit optimism today may still be pessimism by tomorrow.

However, expectations that the NZD might end the year around US61.5 cents are now more open to challenge.

While the Fed remains likely to cut rates by another quarter-point on Oct 30, it doesn't provide a firm pretext for significant or sustained US dollar depreciation, notwithstanding growing evidence of a US domestic slowdown.

To the extent the outlook for the global economy remains poor, it doesn't lessen the chances of the RBA being forced down the path of near zero rates and unconventional monetary policy next year in the absence of fiscal stimulus. This represents downside risk to AUD forecasts.

On balance, the chances of a near-term re-test of the early October post-GFC lows on AUD around 0.6770 and NZD just above 0.62 have receded a little.

Competitiveness

NZ is the 19th most competitive nation in the world, according to the **World Economic Forum's Global Competitiveness Index**, dropping from 18th in 2018. This year's Index shows NZ gaining 1st place for macroeconomic stability, Budget transparency, corporate governance, time needed to start a business and social capital. NZ's rankings declined slightly for some factors, including infrastructure, property rights, burden of regulation, IP protection, skills, and ability to hire labour.

Economic indicators

The **BNZ-BusinessNZ performance of manufacturing** activity was unchanged from Aug at 48.4 points, remaining below the 50 level separating expansion from contraction. The production sub-index fell to 46.2 points from 49.2 in Aug, well below its long-term average of 53.9.

Seasonally adjusted **electronic card spending** lifted 0.4% in Sept after a 1.2% rise in Aug, Stats NZ said. Core retail spending, excluding fuel and vehicle purchases, rose 0.6% after increasing 1.4% in Aug. Spending on clothes and shoes decreased the most in Sept, down \$12m or 4%, partly reversing the 5.3% increase in Aug. Spending on fuel fell 0.6%, or \$3.7m, after falling 1.4% in Aug.

Food price surge

Food prices rose by 2.2% from Sept 2018 to the same month this year - the highest rise in food prices in a year since April 2018. 📊

Telecommunications, media and entertainment

The loss-making **TV3** network and associated television broadcasting assets owned by **Mediaworks** are for sale, in what appears to be the first major decision driven by the radio and TV network's new 40% shareholder, Aussie-based **QMS Media**. The sale raises questions about the future of the Newshub news service, the main linear broadcast alternative to state-owned TVNZ's news service. An opportunity may open up for Sky's Prime News, which runs a nightly NZ news bulletin.

NZ Rugby will get a 5% stake in Sky TV as part-payment for rights to broadcast domestic and international rugby in NZ from 2021 to 2025. The cost of the deal is confidential, but Sky said it was materially higher than its current arrangement.

Sky shareholders overwhelmingly supported the transaction but some 25% of those voting at the company's AGM voted against the terms of ceo **Martin Stewart's** incentive plan.

Sky also retained its broadcasting deal with the International Cricket Council until the 2023 men's world cup in India, covering Twenty20 tournaments and qualifiers until then. This is on top of its recent six-year deal with Cricket Australia for broadcasting rights across the Tasman and an existing relationship with India's Board of Control for Cricket.

However, Spark won the rights to stream all NZ Cricket's matches played in NZ with TVNZ joining as the free-to-air partner for a number of T20 International and Super Smash matches. The rights run six years from April 2020. Sky TV shares fell below \$1 for the first time in its 21 years as a listed company after the Spark announcement but recovered strongly on the rugby rights deal.

Chorus hired former **NBN** executive **JB Rousselot** as chief executive after the current ceo, **Kate McKenzie**, announced her departure in Aug. A keen yachtsman, French-born Rousselot has been in Australia for some years, where he owns a vintage sailboat with former Aussie PM **Malcolm Turnbull**.

Southern Cross Cable Network and its shareholders signed agreements and received regulatory approval to build the NEXT undersea data cable. The deal makes **Telstra** a 25% shareholder of Southern Cross and an anchor customer of NEXT.

Radio NZ's emergence as a de facto replacement for the **NZ Press Association**, closed earlier this decade, continues. The state-funded broadcaster is providing increasing volumes of hard news content to both **NZME** and **Stuff** titles. There is a certain irony in this as NZPA was shuttered largely because of withdrawal of support by the Stuff-then-Fairfax titles

under the leadership of **Paul Thompson**, who is now ceo at RNZ.

Banking, finance and insurance

The **Financial Markets Authority** is to consider whether KiwiSaver investors are getting value for money as it believes management costs should be cheaper. An options paper from the **Commissioner for Financial Capability** suggests a surtax on National Superannuation for superannuitants with high personal incomes.

ASB sold its **Aegis** business to MMC on undisclosed terms.

ANZ Bank says its group annual results will be hit by an A\$559m after-tax charge to cover the costs of remediating over-charging and mis-selling products to its customers in Australia. The bank is also warning there may be ongoing costs from problems it has yet to uncover.

Venture capitalist **Lance Wiggs** believes his **Punakaiki Fund** won't qualify for funding from the govt's \$300m **Venture Capital Fund** and most of the money is likely to go overseas. He argues the govt may be better to do nothing, as the new fund may just get in the way of NZ operators.

Energy

Mercury NZ has raised its full-year earnings guidance by \$25m to ebitdaf of \$510m, citing rising storage in its Waikato catchment and sustained high wholesale electricity prices.

Contact Energy announced progress on installation of a 13MW electric boiler for a dairy plant.

Genesis Energy ceo Marc England warned that forcing gas and coal out of the electricity system too quickly could raise the cost of decarbonising the wider NZ economy.

The amount of electricity generated from non-renewable sources fell last year despite a rise in coal-fired generation to cope with a constrained gas supply according to **MBIE's** latest annual energy report.

Netherland's New Energy Coalition and **NZ's National New Energy Development Centre** agreed to co-operate on low-carbon emissions energy projects.

Tourism, transport and logistics

Air NZ appointed NZer **Greg Foran**, currently chief executive of Walmart US, as its new CEO from early next year. Foran has extensive understanding of consumer markets in both the US and in China, where he headed Walmart before taking up the US role.

CORPORATE ROUND-UP

Nicole Rosie is to be the **NZ Transport Agency's** new chief executive, starting in Feb. Rosie has been **WorkSafe** chief executive for the past three years, and will replace interim chief executive **Mark Ratcliffe**. NZTA is to get \$45m to improve its regulatory functions after a review found major failings. NZTA said it would do more to oversee the performance of warrant of fitness certifiers.

The govt is establishing an **Airspace Integration Trials Programme** to support the safe testing and development of advanced unmanned aircraft.

The **NZ Space Agency** released information about satellite payloads approved for launch by **Rocket Lab** from Mahia. Since 2017, 34 payload permits have been granted with 12 from governments, 13 from businesses, eight from academic institutions and one from a non-profit organisation.

Infrastructure

The govt plans to cut red tape for **prefabricated building** processes, introduce minimum building product standards and reduce building levies by 13% as part of an overhaul of building law. Building and **Construction Minister Jenny Salesa** held off making announcements around occupational regulation and building insurance. **Fletcher Building** opened its 'CleverCore' prefab housing factory in Auckland, with capacity to build some 500 homes a year on a six-week build time for each.

Transmission Gully contractor **Wellington Gateway Partnership** is seeking \$352m from the **NZ Transport Agency** over delays in starting the work. The claim would increase the \$850m construction cost to almost \$1.2b.

Primary sector

Mercury NZ chief executive **Fraser Whineray** is to become chief operating officer at **Fonterra**, in a move that observers of Whineray's career to date suggest means he will angle for the top job in due course. For now, however, **Miles Hurrell** appears to be bedding in. Meanwhile, Fonterra is looking for a new ceo in China as it brings together the consumer and food service and ingredients businesses into one Greater China business.

The **Global Dairy Trade** auction price index rose 0.5% from the previous auction two weeks ago. It was the third straight gain. The average price was

US\$3,330 a tonne, compared with US\$3,306 a tonne earlier this month. Whole milk powder was steady at US\$3,133 a tonne.

Since the govt was formed in 2017, the **Overseas Investment Office** has approved more than \$2.3b of forestry-related land sales, an RNZ study found. Of that, about half has been sold via a special forestry test introduced last Oct. Overall, nearly \$5b of sensitive land has changed hands through the OIO since 2017.

Manufacturing

Fisher & Paykel Healthcare upgraded revenue and earnings guidance after getting US regulatory clearance for its new sleep mask earlier than expected. It now expects operating revenue of \$1.19b for the 12 months to March 31, 2020, up from the previous estimate in Aug of \$1.17b. Net profit after tax is now forecast at \$255m to \$265m, up from earlier guidance of \$245m to \$255m.

Reynolds Group Holdings, controlled by Kiwi billionaire **Graeme Hart**, is to sell some of its North American, Costa Rican and Japanese units to **Cerberus Capital Management** for US\$615m. Reynolds will hold on to the **Closure Systems** businesses in Europe, the Middle East, Egypt and South America.

Retail

Michael Hill International reported a 9.7% lift in Sept quarter sales but said margin compression continues. Sales increased to A\$124m in the period, and were up 11.9% when adjusted to reflect a new store opened in Canada and three closures in Australia.

Restaurant Brands NZ anticipates net profit after tax to be at least 10% higher next year as it continues to roll out new stores and looks at buying others. Net profit after tax for the 28 weeks ended Sept 9 was \$20m, which is 2% lower than the first half of 2019.

Courts and regulation

An Australia-based litigation funder and local law firm **Glaister Ennor** are launching a class action on behalf of **CBL's** shareholders, claiming failure to observe disclosure rules from the time of the initial public offering in Sept 2015 until its liquidation. ■