

The Trump presidency: implications for NZ

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This earlier than usual edition of HUGOvision seeks to pick out some of the main influences that the surprise US presidential win by Donald Trump might have on NZ and western politics. Uncertainty is an inherent feature of this maverick, outsider non-politician, but fears of an economically weaker US look overblown.

ComCom finds claws for media mergers

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The Commerce Commission has surprised many by indicating unwillingness to approve either the Sky-Vodafone and NZME-Fairfax NZ merger proposals. The reasons for declining are different in each case, and its findings will create political heat about its role and standing.

Labour's future – will it work?

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For those attending last weekend's annual Labour Party conference, the party was unified and upbeat. Anyone watching the media coverage saw a party on the backfoot, with a confused story to tell despite unveiling its two year Future of Work project. A year out from a general election, is it any more ready to govern?

Interest rates: surely this is the bottom

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There is still a weak easing bias in Thursday's monetary policy statement from the RBNZ, but this looks to be the last OCR cut, now at a new historic low of 1.75%. Bank mortgage rates on longer dated lending nudged up this week, with warnings of more rises to come.

RMA – a bedraggled phoenix rises

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The govt has caved to many of the most important criticisms raised about RMA reforms by both business and environmental groups, although the compromises were dressed up as a deal struck with the Maori Party. That was necessary to undo the parliamentary pickle the legislation had fallen into.

Cometh the maverick

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Gareth Morgan's electoral appeal has yet to be tested, but his launch of The Opportunities Party caused quite a buzz in a political landscape filled with the usual choices. Morgan's iconoclasm is in tune with Trump and Brexit, and his policy stances veer from strong climate change action through to radical tax reform. He looks capable of taking votes from just about everywhere apart from NZ First.

Trust law review

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The govt has introduced a new Trusts Bill, based on three year-old Law Commission recommendations, to give the regime governing trusts their first update in 60 years.

Local lessons from Trump's win

NZ and the US are not the same place, so direct parallels between the fortunes of the two should be drawn with care.

The MMP electoral system represents a valve against 'politics as usual' backlashes by widening the array of views represented in Parliament and 'right track/wrong track' polling continues to show a solid majority who believe the country is on the 'right track'. The same was not true of the American body politic going into its election on Nov 8.

However, there are some clear portents at this early stage from a **US presidency that will be characterised by periods of extreme uncertainty caused both by the profound political upheaval that Donald Trump's election implies, and by the inherent unpredictability of the new president by nature.**

Our early view on impacts in NZ is that:

- **immigration just became a much more politically charged issue** than it already was. The govt and Labour will both be under pressure to limit population growth, with the housing unaffordability and supply crisis in Auckland all the more sharply focused as a problem of unrestrained migration;
- the **Trump win gives legitimacy to a range of conservative right-wing causes and represents a knock for 'soft' liberal values.** Feminism, racial tolerance, **action on climate change** and human rights issues are likely to face greater challenges from resurgent conservative right-wing voices who have struggled for air-time. In this heightened environment, the **govt's accession to Maori Party demands for enhanced iwi participation in regional plan development under the reformed RMA (see p.6) is a gift to Winston Peters**, who can be expected to campaign against perceived 'separatism';
- both of the above trends play to NZ First's appeal. **A further surge for NZ First must be on the cards;**
- that surge is as **likely to come from disaffected working and struggling middle class Labour voters** as National Party supporters;
- the result is a fillip for the maverick, **anti-politician appeal of Gareth Morgan, who may prove to be a wild-card** capable of drawing votes from both traditional parties of govt with uncertain effect. and creates a high barrier for political success with the 5% party vote threshold;
- PM John Key, who showed more prescience than some national leaders in not expressing a negative

about Trump pre-election, will be **highly attuned to the political opportunity afforded by subtle shifts to the conservative right on social issues**, even if trade issues become much more difficult. He is already beginning to write off the TPP, happy to park it rather than argue for it now that it looks either to be dead or stalled ahead of some, as-yet-undefined renegotiation process;

- **deeper anger on the left of politics.** The Trump win will drive the left of the Labour and Green parties to redouble their opposition to economic globalisation and pro-market economic policies. The mainstream parties will seek to recalibrate for this broadly observable sentiment, but show no capacity or appetite for embracing it wholeheartedly. **The loser from that is likely to be Labour**, whose emerging policy platform remains mainstream and relatively cautious;
- **economic impacts are likely to be less dramatic than some pre-election commentary suggested.** Global financial markets appear to be recovering their equilibrium quickly; Trump promises to be a fiscally stimulatory president, so the US economy may grow faster and produce more inflation, helping the RBNZ to meet its inflation targets at last. While trade deals will falter and global trade may slow under a more protectionist US, there is no reason to expect the current level of trade with the US to diminish for political reasons;
- a new level of **challenge to the credibility and relevance for both news media and pollsters.** The US polls were very tight, but still gave the edge to Hillary Clinton. Their credibility is seriously damaged. Pundits, too, have been exposed by both the Trump and Brexit wins. In the latter case, polling gave the win to the Leave campaign, but only narrowly. The expectation of a Remain win was down to the beliefs of elites and commentators who wished for that outcome. In both cases, the media failed to produce a pre-vote narrative that matched the outcome.

Any Trump effect for the RBNZ?

Many are asking what a Trump victory will mean for RBNZ policy decisions. In the short term, not much. The two key Trump outcomes that New Zealand should be interested in are his anti-trade instincts' impacts on global growth and the impact of expansionary fiscal policy on US inflation, interest rates, and the potential for a stronger USD.

Competition law in the spotlight

The Commerce Commission is exciting both brickbats and bouquets in the business community

Labour's future – will it work?

Delegates attending Labour's annual conference in Auckland were younger, more confident and present in larger numbers than at last year's conference in Palmerston North. With next year's general election – which Labour believes could be as early as September – the message to the party faithful was relentlessly campaign-focused: donate time, donate money, "be proud to be Labour", said party president Nigel Haworth.

However, in the background was another awful poll for Labour – a 7 point drop to 26.5% in the latest Roy Morgan sounding. Yes, the Morgan poll can be volatile, but a score in the mid-20s is 10 points off what Labour must achieve to hope to lead a govt.

Grant Robertson's big reveal on the outcome of the two year Future of Work Commission was then dogged by a left-field fixation by the Press Gallery with a single proposal to institute a training levy in industries requiring access to skills. Robertson got tangled on the hardy perennial unwinnable argument as to whether a 'levy' and a 'tax' are the same thing. Phil Twyford later picked a fight with OneNews about coverage of Labour's policy to put unemployed youth to work. That kind of testy relationship with media can be corrosive.

The lesson for Labour, and newly appointed chief press secretary Mike Jaspers, is simple: tell a simple story well. If you announce a morass of detail, you'll be hostage to unexpected focus. That's what happened over the weekend, although party members were willing to give a standing ovation for any speech.

That confused story-telling also masks the extent to which Labour has slowly but surely built a coherent, if so far uninspiring, policy platform that has a lot of relevant detail for business.

Key aspects of that policy development from the final Future of Work document, not all of which constitutes settled policy, include:

- ICT policy: create a target to make ICT the second largest contributor to GDP by 2025; creation of a whole of govt Chief Technology Officer reporting to the PM to create a 5-10 year 'technology roadmap'; and strengthening IP protection for NZ SMEs. The intention is to develop an IP regime that conveys medium term protections at low cost to companies that cannot afford full global patent protections but are vulnerable to having their IP stolen early. "Innovation and the likelihood of intellectual property remaining in NZ should be a relevant factor in selecting NZTE clients for support";
- R&D tax incentives: the proposal now is to apply these only to personnel costs – wages and salaries

– rather than to all r&d expenses. The subject of intense debate and another walk back from the policy platform developed pre-Little by David Parker, it appears feedback from industry was firm that a better system of grant-making was preferred to open slather on deductible r&d expenses;

- A sceptical view about Callaghan Innovation: while its aims are supported, Labour says its "performance has been poor", taking too long to develop its strategy and that it has "an unfocused growth grant process";
- A shot across the bows of the current science and university research funding systems, and the Performance-Based Research Fund in particular. Current science funding is "operationally complex and burdensome" and encourages "gaming" – the PBRF in particular. A review of both the CRI and university science funding system, and universities' commercialisation processes is also flagged;
- A tilt in favour of funding occupational training over further investment in universities;
- Commitment to establishing of a separate Climate Change Commission – a standalone policy agency charged with ensuring "carbon budgeting, planning and adaptation". Such a commission, modelled on the UK's approach, is being pushed by the environmental lobby and considered by the govt;
- Creation of a "centralised office of regulatory expertise" modelled on the US federal Office of Information and Regulatory Affairs. The RBNZ might be relieved of some of its recently inherited regulatory roles, including insurance sector regulation. Labour says the RBNZ has the wrong "structure and culture" for some of its new responsibilities. The document also questions whether the more permissive, disclosure-based financial market regulatory environment now in operation has "high informational needs for the regulator and review agencies, which may not be able to be met in practice".

Also clear is that Labour will be hunting women's votes with a strong push on pay equity. The issue arose continuously throughout the set-piece speeches, standing out among the usual list of priorities: health, education, housing and law and order spending.

However, **there is not yet sufficient sense of belief within the party itself that it's ready to govern.**

In the summary of a members-only session on party 'history and values', one long-standing member suggested the party was in a similar state as it was in 1969: facing a tiring third term National govt, but not yet fully ready to take the reins. There was reportedly no pushback about that view.

for its handling of two major media merger applications, both of which it is inclined not to permit.

In the case of the proposed Vodafone/SkyTV merger, the commission's publication of a 'letter of unresolved issues' shows some of the same fears

as US anti-trust regulators are expressing about the proposed tie-up between AT&T and Time Warner. Both involve allowing the provider of otherwise undifferentiated telecommunications services – particularly broadband and mobile services – to own

Everything has changed

The Trump presidency **cements the arrival of a new era of political opportunism, nationalism, protectionism and erosion of both liberal values and globalisation.** It does not necessarily mean a weaker US economy.

This is a western world more than a global phenomenon. Many of the developing economies that have flourished economically under globalisation remain politically repressed, have populations whose living standards are rising and are seeking still to attain western living standards. The only corollary is the Arab Spring-style rejection of corrupt elites. In the west, **politics matters again** in a way that it had started not to over the last generation.

Irrespective of what sort of president Donald Trump proves to be – perhaps he will be surrounded by competent lieutenants and produce a competent surprise – the **momentum for fresh political responses to the inequities of globalisation is undeniable.** This is a huge political opportunity that most traditional parties of govt in the west are struggling to grasp.

In Europe, the Trump win strengthens the hand of both the far-right nationalist, anti-migrant parties, and the left-leaning anti-globalists, whose influence has raised serious questions about the EU's capacity to sign trade treaties with other countries.

Crowd-sourced wisdom

"Just like with Brexit, rational argument doesn't count, the little guy has had a gutsful of being *****ed over by the beautiful people and is relearning how to fight back."

- *US election day facebook post*

Some implications:

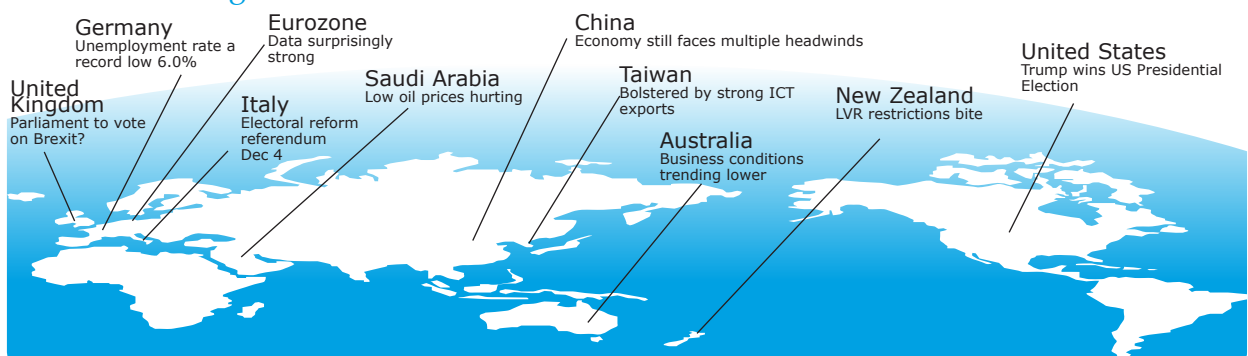
- By controlling the White House and Congress, Trump will have far **greater freedom of action than either the Obama or Bush administration enjoyed.** He will be able to get stuff done, as long as his party supports him, meaning he has the capacity for radical action, if so desired;

- current **political polling methodologies must be regarded as seriously flawed.** The US electorate was heavily surveyed by numerous pollsters and with various models. None gave the win to Trump in the lead-up. There is a huge commercial prize for anyone who can devise a better big data prediction model than current polling methods;
- this month's **Morocco climate change summit faces an uphill battle.** Trump does not believe climate change is real. The US will go from global leader to recalcitrant, taking pressure off developing world laggards such as India. US industries facing regulatory threat have seen early, positive share price re-ratings;
- the trend towards more **free movement of people is stalling,** although Trump is unlikely to take action on the free movement of capital.
- **TPP is dead.** Next week's APEC Leaders' Summit in Peru will be a post mortem rather than an opportunity to push it forward in the lame-duck period. PM John Key will be in Lima, where Asia-Pacific political and business leaders are expected to share views about the uncertain immediate outlook for global trade and economic trends created by the upset Trump win.
- geo-political uncertainty will be greater. Trump's statements on NATO, apparent closeness to Russia, and admiration for classic 'strong man' politics increase the risk of unintended escalations and conflicts. Trump may, however, be inclined to support a peace deal in Syria that leaves Bashar al-Assad in place and allows focus on defeating ISIS.

Key dates on the way to the White House

- Nov 24. Thanksgiving: top 50 Cabinet and key White House personnel selected
- Nov/Dec - policy implementation plan developed
- Dec - lame duck session
- Jan 20 - swearing in 🇺🇸

The world at a glance



Time to imagine when rates start rising

The RBNZ delivered a hawkish 25bps cut to the OCR, now at 1.75%, with a strong signal that the current easing cycle ends here, albeit with a 20-25% chance of further reduction. Its view appears to be the economy is growing strongly enough not to warrant further stimulus, despite how long CPI inflation has remained in the bottom of the target band. The RBNZ's new forecast shows no return to the mid-point until Dec 2018. The first rate hike may not be before May that year. The bank confirms that it is "flexible in its inflation targeting approach". "The projected path for the OCR is one that supports strong but steady growth in the economy and provides for a gradual increase of inflation towards the target mid-point. More aggressive policy easing to drive inflation to the mid-point of the target range much sooner risks generating unnecessary volatility in output, interest rates and the exchange rate."

The NZD TWI should eventually drift lower, largely because of offshore developments, with the US Federal Reserve still expected to tighten. For the meantime, however, the TWI at 78.8 immediately post-MPS is already 2.6% higher than the 76.8 average assumed for the Dec quarter – a continuing pattern with MPS releases.

The Bank notes housing market activity has slowed since the introduction of tougher lending restrictions in Oct, but is unwilling to read too much into that. The same thing happened last time, and prices jumped again after a hiatus. Its forecasts are still for

a 17% increase in house prices over the next two years – a moderation on recent rises but still strong. That said, governor Graeme Wheeler continues to be reticent about the introduction of debt-to-income lending restrictions, which are on the agenda with Bill English, but not signed off as yet. Wheeler says he wouldn't automatically implement, even if the govt were to agree to extend his mandate to allow such a move.

Nor does Wheeler believe fiscal stimulus is required at present, suggesting the central bank believes the economy is operating at around full capacity. That creates an interesting dilemma for a govt that is receiving an unexpected cash windfall from current buoyancy and is under some pressure to spend more or return surpluses as tax cuts. The recent noise from the public health sector – junior doctors' strikes, deficit financing, and service under-delivery – is starting to be loud enough to require the same sort of political attention as emergency housing, which was voted \$300m extra this week in the first announcement of Budget 2017 decisions.

Such increase in expenditure risks crowding out the private sector, pushing inflation higher and, perhaps, providing upside risk to the Bank's OCR track. With **trading banks already signalling that lending rates to retail customers may not fall any further despite the OCR cut**, and some cautious increases in longer dated lending, the govt will need to weigh fiscal largesse against the impact of even small increases in mortgage funding costs on heavily indebted Auckland homeowners. ■

Trading partner growth

(2014-15 actual; 2016-17 Consensus Forecasts; 2018 figures Hugo estimates)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	21.9	6.9	6.6	6.3	6.0	5.9	1.4	1.9	1.9	2.0	2.1
Australia	21.0	2.4	3.0	2.8	2.8	2.6	1.5	1.2	2.1	2.4	2.4
United States	14.1	2.6	1.5	2.2	2.1	2.0	0.1	1.2	2.3	2.3	2.3
Japan	7.4	0.6	0.6	0.9	0.8	0.9	0.8	-0.2	0.4	0.9	1.2
Eurozone	7.6	1.9	1.6	1.3	1.4	1.3	0.0	0.2	1.3	1.5	1.6
United Kingdom	4.1	2.2	1.9	0.9	1.4	1.6	0.0	0.7	2.3	2.3	2.2
South Korea	4.0	2.6	2.6	2.6	2.7	2.6	0.7	0.9	1.4	1.8	2.0
Singapore	2.9	2.0	1.7	1.8	2.4	3.0	-0.5	-0.6	0.8	1.5	1.9
Taiwan	2.7	0.6	1.0	1.7	1.9	2.0	-0.3	1.1	1.1	1.2	1.3
Malaysia	2.2	5.0	4.1	4.3	4.6	4.7	2.1	2.1	2.6	2.8	2.8
Hong Kong	2.0	2.4	1.3	1.7	2.4	2.5	3.0	2.5	2.1	2.2	2.5
Indonesia	2.0	4.8	5.0	5.3	5.2	5.1	6.4	3.6	4.3	4.5	4.6
Thailand	1.9	2.8	3.2	3.3	3.4	3.6	-0.9	0.3	1.7	2.1	2.2
Canada	1.7	1.1	1.2	2.0	2.1	1.9	1.1	1.5	2.1	2.1	2.0
Philippines	1.6	5.9	6.5	6.1	6.1	5.8	1.4	1.7	2.9	3.2	3.2
India	1.6	7.6	7.6	7.7	7.6	7.6	4.9	5.1	5.1	5.0	4.8
Vietnam	1.3	6.7	6.1	6.5	6.4	6.5	0.9	2.5	4.0	3.5	3.5
NZ Trading Partners	100	3.5	3.3	3.3	3.3	3.3	1.0	1.3	1.9	2.1	2.2
Forecasts for New Zealand											
Consensus		2.5	3.2	3.0	2.9	2.5	0.3	0.5	1.5	1.8	1.9
BNZ Forecasts		2.5	3.4	3.2	2.4	1.8	0.3	0.7	1.8	2.0	1.8
The World		2.9	2.5	2.8	2.8	2.7	1.9	2.5	2.8	3.1	3.2

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exclusive broadcast content that is highly prized by mass market retail consumers. While Vodafone and Sky argue they will make Sky content available to competitors, the commission isn't convinced the incentives would be strong enough. "We consider that without the merger there is a real chance that more parties would resell or retransmit Sky services in the future. Sky may choose to offer their full service as an over-the-top service in the future without the merger." Industry sources suggest Spark might soften or even drop its objections to the merger if it were guaranteed access on reasonable terms to premium sports content, while others argue the commission is stuck in the present, failing to recognise how quickly OTT providers will overwhelm Sky's existing, non-OTT offering anyway.

Similar criticisms are levelled at the commission's thinking on the NZME/Fairfax merger, which the commission opposes because it would deliver a degree of news media concentration that would be "highly unusual when compared with other modern liberal democracies. It raises questions as to the possible impact of the merger on media plurality."

The commission is only able to stray so far into the somewhat subjective area of the public benefit of a diverse news media because the applicants already acknowledge the degree of concentration – which they argue is required to allow commercial survival. However, some of the commission's critics argue the commission has placed too much weight on the unlikelihood of new models for news provision emerging, since even the merged entity would likely continue to struggle commercially. The publishers themselves have argued something similarly questionable: that if they disappear, no new model of news provision will arise to fill the void. Yet the demand for news remains as strong as ever. It is the existing business models that are challenged. If the micro-economic reforms of the last 30 years have demonstrated anything, it is that products and services evolve to meet demand.

RMA's forward path found

The RMA reforms are back on after a very messy bit of parliamentary process. The Resource Legislation Amendment Bill returned to the House without a select committee reportback on Nov. 7 after Opposition MPs refused to grant a third extension of time for deliberation. To return it to the select committee, the govt needed to be able to pass an undebated motion and, for that, it needed the Maori Party's two votes. That led to Wednesday's announcement by Environment Minister Nick Smith of a 'deal' with the Maori Party to allow the reforms

to go forward. However, positioning the agreement this way was window-dressing to give its support partner maximum political kudos while **Smith also agreed to soften, delete or amend some of the elements of the reforms most criticised by business and environmental submitters.** Ministerial powers to over-ride regional plans and Water Conservation Orders have been largely removed, appeal rights on resource consents have been reinserted in part, and collaborative planning processes will now require the involvement of an Environment Court judge, among other changes. Iwi participation processes are also strengthened, with the timeline for engagement lengthened from six to 18 months. It is clear the Iwi Leaders Group had a significant hand in the process. The legislation now looks likely to pass by Feb, assuming the select committee process can now proceed smoothly.


What might Gareth Morgan's party achieve?

Gareth Morgan's TOP (The Opportunities) Party is yet another in the long chapter of challenger parties formed by wealthy individuals with a few ideas on how to run the country. Think Bob Jones or Colin Craig for other examples. The question is where he might draw votes from.

He might compete with ACT in its tiny electoral space for radical economic ideas. He might get some conservative conservationists who would otherwise have moved from the Greens to National because of his trenchant stance on climate change. He might contest the "inequality" vote with Labour, with his advocacy for a Universal Basic Income. That idea, while radical, has ignited imaginations in the Labour and Green parties, although Morgan's version looks remarkably similar to the 'flat tax package' promoted by Roger Douglas in 1987 and which led to the meltdown in that Cabinet because it was so deeply opposed on the left.

This is clearly a season for maverick outsiders, so Morgan may draw votes from both left and right. However, experience with MMP suggests that unless there is a territorial electorate he believes he can win, they are likely to be wasted votes as his chances of topping the MMP 5% party vote threshold are slim.

Morgan uncovers forestry credits swifty

The Morgan Foundation's latest report on the NZ govt's approach to meeting its climate change obligations finds MPI has devised a policy sleight of hand to reduce the number of credits NZ would have to repay after 2020 from forest felling, while continuing to bank credits in full from new planting. 

Primary sector

China's **Heilongjiang Binxi Cattle Industry Co** intends to make a \$25.3m takeover offer for **Blue Sky Meats**, the Southland-based meat processor whose shares trade on the Unlisted platform. NZ Binxi (Oamaru) Foods, a subsidiary of the Chinese company, will offer \$2.20 per share for up to 100% of the shares, Blue Sky says. Its shares have traded at \$1.30 this year.

A2 Milk's first-quarter sales met target at \$112.5m on growth in infant formula and milk. Sales of fresh milk in Aust and NZ were up 7% from a year earlier. The shares rose 4% on the update. CEO Geoffrey Babidge told a UBS conference in Sydney that there had been "continued and consistent growth" in consumer demand for its A2 Platinum infant formula.

Fonterra, which recently suspended an agreement with a Chinese distributor after its products were sold after their expiry date in the secondary market, has unveiled what it calls a food quality seal. The addition to Fonterra's branded products of the "Fonterra Trusted Goodness" seal is being rolled out worldwide, including 1 litre and 2L bottles of Anchor fresh milk sold in NZ. The label also says "From Pure NZ," which plays on Tourism NZ's 100% Pure branding.

The newly elected Hawkes Bay Regional Council has ordered an independent review of the **Ruataniwha Water Storage Scheme**, reflecting the fact that the new balance on the council no longer supports it. A reportback is due on Nov 30 from a review of "key contractual, legal, financial, economic and environmental elements of the scheme, including the impacts and consequences of implementing Plan Change 6 with and without the scheme, and withdrawing from the Scheme".

Bio-security

Vegetables NZ has signed an agreement with the govt to share the cost of managing biosecurity procedures as it faced being charged for some of the costs with no input otherwise. It is the 12th primary sector organisation to join the Government Industry Agreement (GIA) for biosecurity readiness and response, giving it a say in decision-making and a share of the costs and responsibilities in preparing for and responding to biosecurity incursions. Meanwhile, the **Dairy Companies Assn of NZ is developing a draft NZ Business Biosecurity Commitment**, intended for use as a statement of intent by companies with cross-border biosecurity exposure to building into their CSR frameworks and guide good biosecurity practice within their operations.

Manufacturing

General Cable Corp intends to close its local operations with the loss of 160 jobs after the North American cable maker failed to find a buyer for its remaining Asia Pacific businesses, including the NZ unit.

Corporate actions

Trade Me has bought \$670,000 of shares in peer-to-peer lender Harmony to maintain its stake at 14.4%. The purchase of about 1.3m series B shares at 51 cents apiece matches the price paid by Heartland Bank when it boosted its stake with a \$4m investment last month.

Abano Healthcare shareholders Anya and Peter Hutson and James Reeves are seeking control of the dental clinic and radiology operator in a partial takeover offer. The group wants to buy 30.99% of the company to build a controlling 50.01% stake in Abano, via a new entity they've set up called Healthcare Partners Holdings. Abano has urged shareholders to wait for the board's response.

Airwork has received a second notice for the proposed partial takeover by Zhejiang Rifa Holding Group in a move that gives the Chinese group more time to get the backing of regulators and other third parties before a formal offer is made. In Oct, the Chinese company said it had entered a takeover lock-up deed with Airwork's major shareholders at \$5.40 per share.

Pumpkin Patch's receivers have taken the razor to the failed children's wear retailer's Australian stores with plans to close 27 outlets and cut up to 145 jobs.

PGG Wrightson's independent directors will meet to consider the implications for the company of the **New York Stock Exchange's investigation and proposed delisting of Agria Corp's** American depositary shares, which were suspended from trading on Nov 3. Agria indirectly owns 50.2% of Wrightson through Agria (Singapore). The NYSE plans to delist Agria after an investigation by NYSE Regulation that "uncovered evidence demonstrating that the company and its management engaged in operations contrary to the public interest and not in keeping with sound public policy."

Fulton Hogan chairman Mike Holloway will leave the board of the civil construction firm because of health issues at the end of the year. Former MD David Faulkner has been named as his replacement at the privately-held company.

SkyCity Entertainment Group has named Graeme Stephens as its new CEO, replacing Nigel Morrison who resigned in April following an eight-year tenure. Zimbabwe-born Stephens, 53, is currently

CORPORATE ROUND-UP

chief executive of casino, resorts and entertainment company Sun International, which is listed on the Johannesburg Stock Exchange.

NZME shares tumbled this week after the Commerce Commission said in a preliminary view that a merger with Fairfax NZ would constitute too much concentration of power in the media industry. The commission accepted that the merger was a net positive in terms of synergy gains, although there were quantifiable detriments such as price increases and wealth transfer to foreign shareholders.

Energy sector

Tilt Renewables, the wind and solar power generator split from Trustpower last month, lifted first-half Ebitda 1.7% to \$66m from \$65m a year earlier. Sales rose to \$94.8m from \$88.9m. Trustpower posted a 7.6% decline in first-half profit on a demerged basis to \$45m as revenue climbed to \$501.6m from \$474.8m.

Z Energy raised profit guidance and its first-half dividend after posting a 22% earnings rise in the six months to Sept 30, reflecting a 57% jump in fuel volumes and better information about synergy gains following its acquisition of the Caltex and Challenge! brands from Chevron NZ. Z declared profit of \$82m on (\$67m pcp), on total sales of \$1.66b (\$1.3b). It raised guidance for full-year earnings, based on replacement cost operating ebitdaf adjustments to a range of \$385m to \$415m. The projection excludes one-off integration expenses of \$34m, includes \$12m of synergies and the effect of reduced earnings from divestments of \$4m. CEO Mike Bennetts said **robberies targeting tobacco had risen and that the company was looking to “move away from tobacco in a way which supports and advantages the underlying business”**. Some 15% of its customers buy cigarettes. **The company has recently released a position paper on regulation of e-cigarettes.**

Transport and logistics

Mainfreight posted a 27% gain in first-half profit to \$41.8 million as margins improved in NZ, Aust, Asia and Europe, and said it expects a continuation of stronger trading in the second half. Sales climbed to \$1.14b from \$1.11b, with the Americas the only region to register a decline. MD Don Braid **criticised KiwiRail for having insufficient rolling stock**

to meet Mainfreight's Christmas freight volumes, especially as the company invested to exploit rail.

Banking and insurance

Westpac NZ's full-year cash earnings fell to \$872m from \$905m a year earlier. Net interest income rose 2% to \$1.71b, with the bank's NZ loan book growing by 9% to \$75.1b over the period, though net interest margin shrank 12 basis points to 2.13%. Westpac NZ CEO David McLean said it would take an extreme downturn to create losses in its \$45.1b mortgage book. A quarter of the bank's \$5.9b dairy lending was stressed, up from 4.7% a year earlier. **Fidelity Life Assurance** lifted annual profit by 43% as it grabbed market share and benefited from the sale of a superannuation fund it managed. Profit rose to \$34m from \$23.8m a year earlier and included a \$6.4m contribution from discontinued operations, being Fidelity's former Super-Super Plan, Number 3, old to Grosvenor Financial Services in April. Reserve Bank deputy governor Grant Spencer says a **new supervision regime for the country's payments system may be needed**. NZ's legislation for overseeing the payments system is no longer fit for purpose and the Reserve Bank has developed a new framework to oversee the sector, which is still waiting for Cabinet approval, Spencer told the Payments NZ conference in Auckland.

Courts and law

The NZ Law Society and the Public Service Association are **investigating reports that courts are understaffed**. In the High Court in Wellington last week, Justice David Collins warned his judgment in a civil dispute between Meridian Energy and Wellington City Council may be delayed, saying the court was “rather short-staffed in terms of judges in Wellington at the moment, and as a consequence there's a fair bit that's been backed up”.

A new Trusts Bill updates the Trustee Act 1956, based on Law Commission recommendations made in 2013. Proposals include: improving understanding about the appropriate use of trusts; making clear trustees' mandatory and default duties, including information disclosure; creating flexible trustee powers and updated rules; options to change trustees without court approval, while preserving court intervention for disputes. ■