

Taking Jacinda seriously

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No one yet knows how powerful the ignition of hope and momentum created by replacing Andrew Little with Jacinda Ardern will be. But no one is taking it for granted. Senior National Party members and ministers are saying “give it a week” rather than “forget about it”.

New political dynamics

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Labour’s leadership change is achieving what Metiria Turei achieved for the Greens a fortnight ago with her ‘benefit bomb’ disclosure – creating almost exclusive political media focus. In the next few days, Ardern’s performance is crucial as she relaunches a tweaked campaign slogan and presents major new policy on Auckland transport.

Parties poles apart on climate change policy

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National announced substantive elements of its climate change policy, including an intention to auction NZ carbon units and to limit NZ emitters’ access to international carbon markets to meet the country’s Paris agreement commitments. But National is cold on putting commitments into law, while Labour, the Greens and NZ First back creation of a Climate Change Commission.

Multi-national tax law changes

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With the OECD moving in synch to close down commonly exploited cross-border tax avoidance ploys, the govt is upping its estimate from \$100m to \$200m in additional tax revenue annually as it announces tax law changes to attack practices that, in some cases, the NZ courts had already begun striking down.

Lots of independent possibilities

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This election is unusual for the number of potential one-MP parties that could be represented in the next Parliament. Peter Dunne, Te Uruora Flavell, David Seymour and Hone Harawira are all in the mix, but perhaps most intriguing is Christchurch City councillor and former merchant banker Raf Manji’s bid to unseat Gerry Brownlee in Ilam.

Wheeler’s last stand

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Next week’s Monetary Policy Statement will be the last in RBNZ governor Graeme Wheeler’s sometimes unhappy five year tenure. Job numbers this week gave equivocal signals – job growth and participation rates were down, but so was unemployment, while full time work and wages are robust. There is little argument for either a tightening or an easing bias at present.

Auditor-General resigns

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The suppression by a parliamentary select committee into its report on the outgoing Auditor-General Martin Matthews’s performance over a \$750,000 fraud when he was ceo at the Ministry of Transport is at odds with the transparency essential for a country whose incorruptibility is one of its global sources of differentiated competitiveness.

A campaign transformed

As David Farrar noted in last month's Hugo Group breakfast briefings: "Campaigns matter." Trump and Corbyn are the go-to current examples, and the question is now whether replacing Andrew Little with Jacinda Ardern has transformed Labour's hopes of leading the next govt.

Tuesday's note, immediately after her elevation, suggested success for Ardern was as simple as doing better than 25%. The injection of hope into both Labour and centre-left voters that the appointment of a telegenic 37 year-old who could become NZ's Justin Trudeau or Emmanuel Macron has created is extraordinary. More than \$300k in small member donations have flowed to the party since Tuesday.

Labour's social media presence suggests the old campaign slogan – "a fresh approach" – may be replaced with "let's do this" – a call to action that would capitalise on the sudden sense of momentum the risky late leadership change has created.

The big question that remains is this: will Ardern's elevation grow the centre-left vote or just the Labour vote. Both the TV network polls published before Andrew Little stepped down showed Labour losing ground either to the Greens (TVNZ Colmar-Brunton) or NZ First (Newshub Reid Research). Unless she can reach across the political aisle, National's position at 45%-plus will still leave it in the best position to form a govt. In effect, National now faces a Labour Party looking as competitive as it would have been reasonable to expect under any Labour leader. The main challenge now for National now is that Ardern will easily outshine him on electronic media and as the face of a new generation of political leadership.

Crucially, the **media are now talking about Labour instead of everybody else**, which was a big part

of Labour's problem in recent weeks. Had the Ardern story not happened this week, Bill English's apparently popular Monday announcement the govt is **dropping the primary school decile funding system might have set the political tone** for the week after a quiet couple of weeks from National while Metiria Turei dominated headlines.

Worth noting as a harbinger of a more unsettled electorate is the **sharply deteriorating trend in UMR's 'right track/wrong track' measure** for NZ, long regarded as a bellwether for electoral success. Last December, the reading was 65 right-track to 24 wrong-track. That had fallen to 57-33 in June and 53-35 by late July.

Jonathan Coleman's grasp on the health portfolio is also looking **distinctly untidy**, with widespread acceptance that mental health services are creaking and that the Dunedin public hospital service is failing.

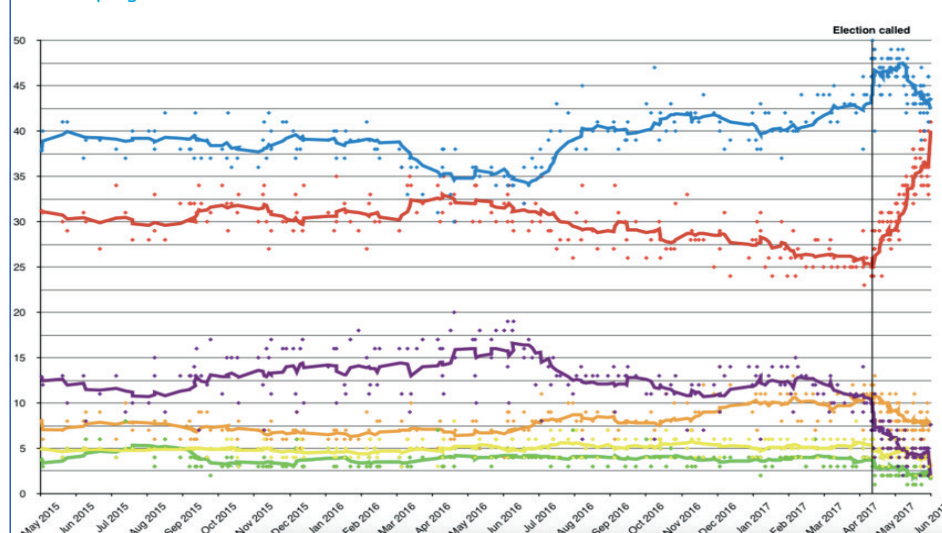
How the parties are tracking

As they head into the campaign proper, our assessment of the parties' relative momentum is:

- National had been out of the news during Metiria-gate and appeared to have shaken off the Todd Barclay affair before the Labour leadership change. At 47% in the latest Colmar-Brunton poll, taken while the Greens effectively robbed Labour of around 4% support, National should well-placed to form the next govt. English used to live by a theory that National was always advantaged "every time people see Metiria Turei on TV". His own shaky record as a campaigner matters more now that the unengaging Little is replaced by Jacinda Ardern, assuming she campaigns well;
- Until mid-morning Tuesday, Labour was in terrible

trouble, looking at its own version of National's 2002 election nadir, when it polled 22%. Redemption beckons under a new leader and more importantly, **Ardern's elevation delivers a powerful dose of hope** to NZers who want to change the govt but couldn't see how it would be done. As noted, drawing votes back from the Greens and NZ First won't be enough;

The campaign can matter – UK 2017



- **The Greens** drowned out Winston Peters's election year conference with Turei's simultaneous disclosure about historical benefit fraud. This has clearly stuck a chord with Labour voters, but might it be putting off a group that National is worried about – urban National supporters who don't like dirty rivers and the dairy industry are tempted by the Greens? National's campaign, once launched, is likely to target this group;
- **NZ First may have peaked.** Winston Peters has campaigned to 'save the regions' at a time of booming activity in many regional economies. His conference performance was tired and his traditional iron discipline over party doctrine is slipping as Ron Mark and Shane Jones mark out territory to be his successor. But he's still the best chance either National or Labour-Greens will have to form a govt. The Greens dare to hope they'll be a much larger party than NZ First in the next Parliament, limiting Peters's capacity to dictate terms;
- **The Opportunities Party:** according to both this week's public polls, TOP made 2%, ahead of support expressed for any of the three govt support parties: Maori, Act, United Future. Its campaign has appeared to be building, **Gareth Morgan is getting large crowds in regional centres**, stirring policy debate that is resonating across the political spectrum, and Morgan is able to underwrite a healthy campaign budget. **The party seriously hopes it can make 5% on election day, its metric being whether it can push to 3% in pre-election polls.** At that point, they will dare to hope the other 2% is going to come their way. **With six seats, TOP becomes a replacement for NZ First** in govt formation talks with National. However, in lining up as a clear partner for National, TOP would lose some existing support from Labour or Green voters attracted to TOP's brand of radical rationalism. The switch to Ardern heightens this possibility and would seem to make TOP's already tough job tougher. That said, as the dust settles on the Labour leadership change, **expect to see TOP campaigning heavily on being the best alternative to NZ First** being part of the next govt;
- **Maori Party:** it all depends on Te Ururora Flavell holding Waiariki and the Greens won't help Labour to make it happen. While the party can encourage Maori roll voters in seats other than Waiariki to give their electorate vote to Labour and party vote to Maori, that logic doesn't work for retaining Flavell's seat. Kelvin Davis's appearance as deputy leader should help Labour's Maori vote, although the fact he is resuming his place on the party list raises the question as to whether he has concerns about holding Te Tai Tokerau against the Mana

Party's **Hone Harawira**. There has been some inspired political thinking by party president Tuku Morgan, but sound execution has proved difficult. Thoughts last year of a clean sweep in the Maori seats are a distant memory;

- **ACT's David Seymour** has done a good job as a lone MP re-establishing ACT as a party of political principle and Epsom will vote as directed, but ACT feels tired and may lose support to TOP, as evidenced by TOP's threat to stand Gareth Morgan in the electorate (now changed to TOP campaigning in Epsom for the party vote);
- **United Future's Peter Dunne** has a hold on the Ohariu electorate that shows no sign of loosening, especially given the invisibility of Labour's candidate, former police union spokesman Greg O'Connor;
- **Raf Manji, independent for Ilam.** Manji's campaign announcement flew under the radar with national news media, but he is said to be making inroads with the blue-blooded voters of Ilam. If anyone has a chance of toppling Gerry Brownlee, who's held the Christchurch suburb since 1996 and had a majority of 11,898 in 2014, it's the former merchant banker who is **highly regarded for his stewardship of Chch City Council's finance committee** through the rebuild so far. Manji wants to be Minister of Chch Regeneration in the next govt, irrespective of its stripe, on the basis that he's done all he can as a Christchurch city councillor and now needs to wield influence at a national level. He is concerned the city's rebuild has stalled, vision lost, and that there's a risk the strategic importance of re-establishing a strong city of Chch could be lost too. His proposal of a **2026 Commonwealth Games bid becomes a focus for achieving that.** Manji has no interest in the Chch mayoralty, has worked well with Lianne Dalziel, and will be encouraging voters to give their party vote to TOP.

CEO Retreat

There are still a couple of places left for this year's CEO Retreat, Aug 24-26.

If you haven't already registered for this stimulating weekend, where partners are welcome to attend and participate, there are still limited opportunities to do.

Contact Tracey Gabbitas on tracey.gabbitas@thehugogroup.com or on 027 44438434 for further information.

Ardern's first policy outing – Auckland transport

Ardern's first major set-piece policy announcement will be on Sunday. It will be interesting to see whether the policy, postponed by the leadership change from Thursday, gets more attention than it would have under Andrew Little's leadership.

Trump's next gamble: tax reform by September

Having been out-manoeuvred by John McCain on repealing 'Obamacare', the Trump presidency is moving on to tax reform. Politico reports that White House legislative director Marc Short last week laid out a "super-ambitious timetable for tax reform at a Koch Brothers network event". The plan is to have a bill introduced in early Sept on a two-month timetable, passing through the House in Oct and the Senate in Nov. In the absence of any further action on healthcare reform, which Republicans will not touch, the timetable is theoretically doable.

The hurdle for Trump this time will be that Budget and debt ceiling legislation – the hardy perennials of US congressional gridlock – are looming in Sept and Oct.

Belt and road gets auditors

Chinese financial regulators are imposing **new reporting and audit requirements on SOEs contemplating foreign investment**. At a time when Beijing is promoting its global 'belt and road' strategy to build infrastructure connecting China globally, the new measures appear designed to attempt some degree of risk management.

Flashpoints

North Korea's latest ICBM test demonstrates the Hermit Kingdom is now capable of targeting west coast US mainland targets, a major development. Among theories as to why North Korea continues to pursue such a bellicose stance centre on an **attempt to follow the strategy China followed in the 1960s**, where it parlayed its new-found nuclear capability into forcing the rest of the world to create openings for it in the international order. North Korea's main problem with that strategy may be that it is far smaller than China and that its dependence on patronage from Beijing is somewhat stretched

already.

NATO is preparing to deploy additional troops to eastern European locations ahead of **Russia's** plans to hold its largest military exercises since the Cold War near the borders with the Baltic former Soviet states of Lithuania, Estonia, and Latvia. The preparations are eliciting new expressions of support for NATO from US Secretary of State Rex Tillerson, in contrast to President Donald Trump's previously stated scepticism about the trans-Atlantic military alliance.

Pakistan has a new PM, Shahid Khaqan Abbasi, a staunch ally of Nawaz Sharif, who was removed from office by the Supreme Court on Aug 25. Deeply politically connected by birth and marriage to the Pakistani elite, Abbasi spent time in prison for refusing to testify against Sharif after his earlier overthrow by coup in 1996 by Gen Pervez Musharraf.

Foreign Policy reports that **Kazakhstan**, the most stable of the 'stans, has discovered deeply rooted ISIS activity within its border.

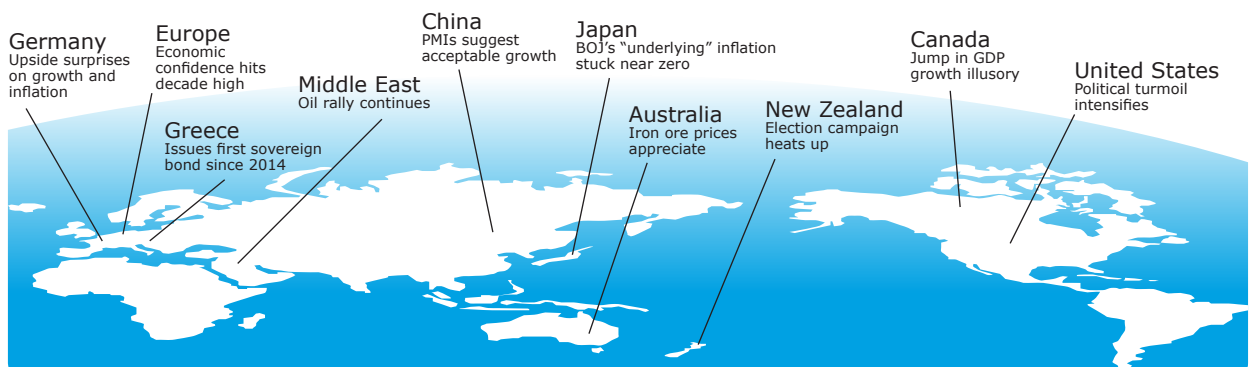
Global growth outlook

The IMF lowered its growth forecasts for the UK and the US in its July World Economic Outlook update report. In its first downgrade of Britain's economy since the country voted to leave the EU in June 2016, it expects the growth of 1.7% this year, down from a 2% forecast in April. It continues to project global output growing by 3.5% this year and 3.6% in 2018, although the composition of that growth has swung more to Europe and Asia. US fiscal stimulus is now expected to be less than previously anticipated while Japan and the Eurozone had shown unexpected momentum. China's growth projections were revised up on Q1 strength and expectations of continued fiscal support.

RCEP delayed again

The Regional Comprehensive Economic Partnership trade negotiations have extended to 1H 2018. ■

The world at a glance



'Noisy' jobs data

June quarter labour market statistics surprised on the downside with a drop in the participation rate, which remains very high at 70% and slower than anticipated job creation, the net effect of which was still a drop in the unemployment rate to the expected 4.8% rate.

However, financial markets reacted to the figures as a sign of unexpected economic weakness, sending the NZ dollar lower.

Our read is that there is too much noise in the numbers to call it a trend at this stage, especially as the official figures run counter to a host of other more positive employment indicators during the period. The Quarterly Employment Survey, for example, showed the number of full-time equivalent employees rose 0.7% in the second quarter and a 1.0% increase in filled jobs. While there are conceptual differences between the two surveys, this result aligns better with very strong employment intentions and high and rising job ads and firm consumer confidence. A bounce back in the official employment figures may be ahead but these are the numbers political parties will take into the election campaign and allow a 'weakening job market' narrative for Opposition parties. Nonetheless, unemployment rate is at its lowest level since 2008.

On wages, the 0.4% increase for the quarter in the private-sector Labour Cost Index was in line with expectations and gives annual wage inflation of 1.6%. QES total gross weekly earnings rose

a strong 1.5% in Q2 for a 5.1% annual increase, well ahead of CPI inflation at 1.7%, suggesting a hint of wage acceleration. That, in turn, should underpin household spending as will after-tax income increases after April 1 tax changes next year, assuming no change of govt.

Monetary policy implications

Given that the CPI has already undershot expectations and the NZD continues to run significantly higher than RBNZ projections, the chances of an OCR hike by mid-2018 are further diminishing. Next week's MPS will be principally about CPI inflation forecasts.

Given all that has occurred since the May MPS, we see broad downward pressure coming on the Reserve Bank's inflation forecasts. Note, for example, the central bank's admission its 'neutral interest rate' assumption has moved from above to below 4%.

Even so, we suspect the Bank will do its best to try to maintain a neutral stance on the OCR and don't expect rate cut signalling, especially as the economy is currently sufficiently capacity constrained and growing well enough that it needs no extra stimulus from the central bank.

Uneven inflation impacts

Beneficiaries were the hardest hit by inflation in the second quarter of the year due to higher prices for housing, household utilities and food, while overall prices continued to dip for top earners, Stats NZ said. ■

Trading partner growth

(2015-16 actual; 2017 Consensus Forecasts; 2018-19 figures Hugo estimates)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
China	23.7	6.9	6.7	6.6	6.3	5.8	1.4	2.0	1.8	2.1	2.4
Australia	20.8	2.4	2.5	2.1	2.8	2.6	1.5	1.3	2.2	2.3	2.4
United States	13.4	2.6	1.6	2.2	2.3	2.1	0.1	1.3	2.1	2.1	2.3
Japan	7.5	1.2	1.0	1.4	1.1	0.9	0.8	-0.1	0.5	0.8	1.2
Eurozone	7.3	1.9	1.7	1.9	1.7	1.4	0.0	0.2	1.5	1.4	1.7
South Korea	3.8	2.8	2.8	2.8	2.6	2.3	0.7	1.0	1.9	1.8	2.1
United Kingdom	3.7	2.2	1.8	1.6	1.4	1.5	0.0	0.7	2.7	2.7	2.3
Singapore	2.8	1.9	2.0	2.5	2.3	2.3	-0.5	-0.5	0.9	1.3	2.0
Taiwan	2.7	0.7	1.5	2.2	2.0	1.7	-0.3	1.4	1.0	1.4	1.2
Indonesia	2.2	4.9	5.0	5.2	5.4	5.1	6.4	3.5	4.2	4.1	4.6
Thailand	2.1	2.9	3.2	3.4	3.4	2.9	-0.9	0.2	0.8	1.6	1.8
Hong Kong	2.0	2.4	2.0	2.7	2.3	2.3	3.0	2.4	1.8	2.3	2.3
Malaysia	2.0	5.0	4.2	5.0	4.7	4.3	2.1	2.1	3.8	2.5	2.5
Philippines	1.6	6.1	6.9	6.4	6.4	5.9	1.4	1.8	3.2	3.3	3.1
India	1.6	7.9	7.1	7.3	7.6	7.4	4.9	4.5	3.8	4.6	5.1
Canada	1.5	0.9	1.5	2.7	1.9	1.9	1.1	1.4	1.7	1.9	1.9
Vietnam	1.3	6.7	6.2	6.3	6.3	6.3	0.9	2.7	3.8	4.5	4.5
NZ Trading Partners	100	3.6	3.4	3.5	3.5	3.2	1.1	1.3	1.9	2.1	2.3
Forecasts for New Zealand											
Consensus		2.5	3.1	2.6	3.1	2.8	0.3	0.6	1.9	1.8	2.0
BNZ Forecasts		2.5	3.1	2.5	3.0	2.6	0.3	0.6	1.8	1.7	1.9
The World		3.0	2.5	3.0	3.0	2.7	1.9	2.5	3.0	2.8	3.1

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Labour's fiscal plan and other major announcements have sunk without trace in recent weeks.

The Auckland transport plan will lay out a detailed and large-scale public transport infrastructure programme that would be underpinned by a Labour-led govt committing to Auckland growing mostly south of the isthmus. The thinking reflects Labour's Auckland Issues spokesman Phil Twyford's regard for the views of Infrastructure NZ ceo Stephen Sellwood.

The policy is expected to commit to at least a third, perhaps even a fourth rail 'main line' in the chokepoint between Weymouth and Wiri. That will open up major opportunities for rail-based public transport from Britomart to Pukekohe and the potential for a spur-line service to the airport.

The Wiri rail upgrade is a ripe political opportunity as Transport Minister Simon Bridges has been successfully painted as opposing KiwiRail's bid to fund the project, the business case for which was released under the OIA, but only after his office attempted to block its release.

The southern residential intensification would likely lend itself to Labour's KiwiBuild mass affordable housing plans too. Do not underestimate the potential for Labour's coherent, costed plans to emerge more under a more charismatic leader.

Daylight between parties on Climate Commission

There is clear daylight between the National and Opposition parties on the Parliamentary Commissioner for the Environment's **recommendation that an independent Climate Change Commission be established**. It would have legislated powers to set a national carbon budget and place in law the country's commitments to reduce greenhouse gas emissions following the Paris climate accord. National thinks "interesting", but not yet. Labour, the Greens and NZ First support its creation.

The commission would be based on a UK model that has found favour with a cross-parliamentary group of MPs, including several from National, led by former diplomat and Greens climate change spokesman Kennedy Graham.

The issue looks likely to gain political focus, irrespective of the outcome, when the Environmental Defence Society hosts a conference on

MNC tax decisions

Decisions on tax base erosion and profit-sharing

(BEPS) are now expected to raise double the revenue forecast in the May Budget, with the govt now targeting \$200m a year in additional revenue from a range of measures aimed at choking off routinely exploited opportunities to arbitrage tax regimes through tax-optimised debt and equity allocation across borders.

Key changes are:

- foreign parents will not be able to charge NZ subsidiaries high interest rates to reduce taxable profits in NZ;
- MNCs will no longer be able to use 'artificial arrangements' to avoid a taxable presence in NZ;
- MNCs to be taxed 'in accordance with the economic substance of their activities in NZ';
- counter strategies allowing MNCs to exploit gaps and mismatches in different countries' domestic tax rules to avoid paying tax anywhere in the world;
- improve IRD's ability to investigate 'uncooperative' MNCs.

Wanted: a new Auditor-General

Martin Matthews took an arguably belated decision to resign as Auditor-General just before the release of a parliamentary select committee report that found serious fault with his handling of a whistleblowing and fraud scandal at the Ministry of Transport, where he as CEO at the time.

The resignation smacks of a deal to keep detail of the Matthews investigation out of the public eye. The Offices of Parliament select committee has resolved not to release its report into Matthews's performance after Matthews resigned just ahead of the committee tabling a redacted report recommending his resignation. He stood down from his role in May while the investigation occurred.

Matthews issued a statement apologising for the \$0.75m fraud that took place on his watch and said he should have been more suspicious of his senior manager, Joanne Harrison, now serving a prison sentence for her offending. While his statement said he was "as angry and aggrieved as anyone about her stealing and breaches of trust", it did not mention the four staff who received apologies and payouts from the SSC for the damage that occurred to their careers as a result of being ignored.

The **unusual decision not to release a report** into the conduct of a public servant **at the heart of institution intended to promote and preserve public trust** in the financial probity of publicly managed funds is troubling. ■

Capital markets

TSB Bank has announced its intention to buy the 51% of managed funds operator Fisher Funds that it doesn't already own and is bringing US private equity firm TA Associates on as a minority shareholder.

International Financial Corp, a member of the World Bank Group, has launched a minimum \$100m Green Kauri bond sale to finance private sector investments addressing climate change in emerging markets. It is the first "green bond" launched in NZ.

Moa Group has raised about \$329,000 from a US investor who paid a 6.8% premium for a small shareholding. The brewer also announced the exit of founding director, winemaker **Allan Scott**.

Punakaiki Fund, the long-term investor in high-growth local firms set up by **Lance Wiggs**, wants to go public in the middle of 2019 with at least \$100m of assets.

Powerhouse Ventures sought a trading halt of its ASX-listed shares after NBR reported a mass resignation of directors at investee firm **Hydroworks**.

NZX cash trading fell in the first half, with fewer IPOs but more funds under management. Total trades in the six months to June 30 were flat at 923,078, while total value traded dropped 12.7% to \$19.8b, with daily average value traded dropping 12.7 percent to \$161m. The NZX50 Index was at 7,611 as of June 30, up 10.3% on the year.

Innovation

Flight Plastics, which makes plastic packaging, has opened the first plant in Australasia able to recycle local polyethylene terephthalate (PET) drink bottles into food-grade packaging.

Blis Technologies expects to post a maiden profit in the current financial year and says it is positioned for sustainable, profitable growth in a rapidly expanding market.

Corporate earnings

Datacom lifted annual profit 61% to \$44m as new services boosted sales and earnings, allowing a bigger dividend of \$3.10/share. Revenue rose 9.8% to \$1.16b, and gross profit of \$701.5m was at a margin of 60.6%, up from 59.8% in 2016. Of that revenue, 5.2%, or \$59.7m, was from its biggest customer, compared to 8.5%, or \$90m a year earlier.

Banking, finance and insurance

The **Commerce Commission** has declined Suncorp-owned **Vero's** bid for NZ insurer **Tower**, citing the loss of competitive tension that it fears would result

from allowing the country's 2nd and 3rd largest general insurers to merge.

The **Reserve Bank** aims to improve the effectiveness of its prudential regulation by simplifying its regulations and shoring up its supervisory activities, deputy governor **Grant Spencer** said in a speech. "We must maintain the high international reputation of the NZ financial system. Within that we seek to maintain and build on the bank's non-intrusive supervisory approach and simple-yet-conservative prudential requirements," he said.

Partners Life, whose shareholders include US private equity firm **Blackstone**, posted a 13% drop in annual profit to \$9.7m, which it said was the result of low interest rates pushing up the life insurer's theoretical long-term liability. Customer numbers rose 15% to 145,000, while in-force annual premiums were up 20% to \$207m. Underlying earnings were little changed at \$12.5m from \$12.6m.

Peer-to-peer lending platform **Harmoney Corp** more than halved its annual loss as revenue rose 63% in its second full year of operation, and has since passed \$500m lent through the portal. The loss was \$6.5m in the year, down from a loss of \$14.2m a year earlier. Revenue rose to \$14m from \$8.6m.

Primary industries

Fonterra and **Westland Milk Products** have lifted their milk payout forecasts. Westland expects to pay between \$6.40 and \$6.80/kg of milk solids for the current season. Fonterra lifted its forecast farmgate payout for the 2018 season by 25c to \$6.75/kg of milk solid and earnings per share unchanged at 45 to 55c, making the forecast total available payout to farmers in the 2017/2018 season \$7.20 to \$7.30, before retentions. Fonterra also lifted the amount it will pay its Aust suppliers on the back of an improvement in its business across the Tasman and rising milk prices. Fonterra Australia lifted its average milk price for the 2017/18 dairy season by A20c to A\$5.50/kg of milk solids. The increase will apply from July 1 and will be paid on Aug. 15.

Fonterra penalised South Canterbury farmers who had been supplying a failed dairy company it took over to avoid bad optics with its existing suppliers and to show there would be consequences for leaving, the farmers' lawyer has told the Supreme Court in the appeal over lower-paid "growth contracts" for suppliers of a failed dairy venture.

Blue Sky Meats posted an annual loss of \$1.91m, its second in a row, and said the future of its unprofitable beef plant in Gore is under review. Revenue slid 17% to \$97.9m. It won't pay a dividend.

Silver Fern Farms ceo Dean Hamilton has resigned

CORPORATE ROUND-UP

and will leave at the end of the year. The company is seeking a replacement. Hamilton's three years as CEO saw him straddle the **Shanghai Maling** investment and partnership.

Fonterra aims to expand its footprint in Africa as demand grows across the region, says Josh Hosking, sales director for **Africa NZMP**. With a population of over 1.2b, "Africa is one of the fastest growing markets of dairy imports and a significant opportunity, not just for Fonterra but for the NZ dairy industry," he said.

An outbreak of the cattle disease **mycoplasma bovis** near Oamaru appears to have been contained. Some 25 animals have been destroyed but the condition carries no human health or food safety risks.

Courts and regulation

The govt's second offer to owners of uninsured property and bare land in Christchurch's 'red zone' was unlawful, the **Court of Appeal** has ruled in a victory for the 16 Christchurch property owners known as the **Quake Outcasts**. The decision sets aside former Earthquake Recovery Minister Gerry Brownlee's second offer after the original was also deemed to be unlawful in the Supreme Court.

Former **Milford Asset Management** portfolio manager **Mark Warminger** has withdrawn his appeal against a \$400,000 High Court judgment in the country's first case of market manipulation. An FMA cross-appeal will also be withdrawn.

MPI has laid charges against **Southern Boundary Wines** Ltd former directors Andrew Moore and Scott Berry and winemaker Rebecca Cope, alleging breaches of the Wine Act and the Crimes Act. The allegations include mislabelling of wine from vintages 2012 and 2013, and falsification of records. It is believed only a 'tiny fraction' of the national harvest in each of the two years is affected and there was no food safety issue.

Tourism, transport and logistics

Auckland International Airport says it may need balance sheet support toward the end of the 2018-2022 period as it implements a \$1.9b infrastructure investment programme that includes a new runway by 2028. The company said its balance sheet was robust but "given the size and nature of the capital plan, we will need to consider our capital funding

options through the course of the next five years".

ASX-listed **Flight Centre Travel Group** will buy two local travel firms for an undisclosed sum, expanding its footprint in NZ. The Brisbane-based company agreed to buy Travel Managers Group (TMG) and Executive Travel Group (ETG), making NZ the firm's fifth-biggest business globally, with some \$1.5b in annual sales forecast in the 2018 financial year.

Airwork Holdings, the aircraft services business that's 75%-owned by China's Zhejiang Rifa Holding Group, has refinanced and agreed a new syndicated debt facility of US\$195mn replacing a US\$135m facility.

Telecommunications

Tesbri BV has been granted Overseas Investment Office approval to buy up to 49.9% of **Two Degrees Mobile** should the opportunity arise, valuing the country's third-biggest mobile operator at about \$552m. The European company already owns 26.5% of 2degrees and, according to the OIO, says it doesn't control when and if it will buy more shares.

Real estate and construction

Property values rose at their slowest annual pace in more than two years as the Auckland housing market flatlined after several years of rapid price gains. The **QV house price index** rose 6.4% in the year through July, the slowest annual rate since Feb 2015 and slowing from an annual increase of 8.1% in June. Values increased 1.6% to \$641,280 in the three months ended July 31. In Auckland values rose 5.3% in the year, the smallest increase since May 2012.

Residential building consents fell 7% in June as fewer new homes were consented although new permits were still up an annual 4.7%. Some 2,560 new houses, apartments, townhouses, retirement village units and flats were consented in June.

Retirement homes and healthcare

Demand at **Ryman Healthcare's** existing villages was strong in the first quarter but growth in the first half will be limited, chairman David Kerr said. **Oceania Healthcare** said full-year profit and pro forma underlying earnings exceeded forecasts thanks to a lift in the valuation of assets. Net profit was \$44.9m, ahead of the \$25.3m forecast in its prospectus. ■