HUGOvision

Assessing the economic and political environment in New Zealand

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Urban planning
Pp 2&4

The Productivity Commission recommends considering creation of a national Urban Development Authority to cut through local body political impediments to Auckland's housing shortfall. The Property Institute calls it a "Soviet style" proposal. Ministers and officials are starting to think about life after the RMA and the case for a long term aim of new planning law.

Health and safety reform
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The govt's concerns about the Health and Safety Reform Bill run deeper than backbench nervousness. The issue is developing as a rare case of big business and trade unions lining up against small businesses, farmers and National Party MPs nervous about their core vote.

Grid pricing
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The Electricity Authority is just doing its job by trying to find a rational way to price access to the national grid, but its latest proposals will create a major political headache if the most purist version is pursued. A package that favours most industrial users over Aucklanders, Coasters and the impoverished Far North looks at first blush unsustainable.

TPP off life support?
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It's ugly to watch, but President Obama now has Congressional support for 'fast-track authority' to pass a TPP deal safter Thursday's vote. A Senate vote next week is likely. If that succeeds, a Ministerial meeting to try and conclude the pact could emerge swiftly.

Labour's 'Progress'
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The expectation that the Labour Party would enter a new era of internal discipline is sliding away as party heavyweights move against a new centre-right leaning ginger group, dubbed 'Progress', which seeks to force the party to confront why it has now spent almost 10 years trailing National in opinion polls.

Tiny budget surplus back in prospect
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The Cabinet has been briefed that a minuscule Budget surplus may be achievable in the current fiscal year following an unexpectedly strong and apparently sustainable increase in the tax take in the figures for the 10 months to April.

Colin Craig's leadership

As we went to press, media reports suggested Colin Craig's leadership of the Conservative Party is under threat after another questionable media appearance. Craig is both the party's founder and chief funder. If he goes, the Conservatives are unlikely to survive and National would lose the widely discussed option of an Ohariu-style deal in the electorate of East Coast Bays in 2017.

2014/15 Budget surplus back in prospect

The Cabinet has been briefed to **expect a wafer-thin Budget** surplus for the year to June 30, following an unexpectedly large surplus declared for the 10 months to April 30, boosted by what appears to be a sustainable improvement in PIE tax receipts. A surplus, however small, is politically valuable, even if it's meaningless from an economic perspective.

Also, when the difference between a plus and a minus is a timing issue, it's a fair bet that **a few things that might have appeared in the current financial year might yet fall in July**. Will Labour regret its "broken promise" line on this one?

And looking to next year, the odds are worsening for the achievement of a Budget surplus in June 2016. The government may find itself posting a tiny surplus this year, only to fall back into a small deficit next year as the impact of falling dairy returns hits the tax take.

Grid transmission pricing

The Electricity Authority is between a rock and a hard place coming up with a transmission pricing methodology that meets its statutory obligation to create an efficient, competitive market. Doing so without creating political headaches and opposition from North Island generators and consumers is not the EA's business, but another matter. This week's proposals do just that. The main change to earlier, rejected proposals is a new "deeper grid connection" charge aimed at assets servicing large users. This is not only complex, but pits big industrial users and South Island generators against upper North Island consumers and two perpetually struggling regions: Northland and the West Coast.

Under what it calls the 'Application A' proposal, in which all existing assets are bundled into a new grid transmission pricing method, South Island generators and consumers would benefit. That's mostly Meridian, but includes Genesis and Clutha scheme owners Contact. Meridian has complained for years that the North Island benefits from the HVDC link and should contribute to its cost. Industrial users other Norske Skog also benefit from the proposal, particularly NZ Aluminium Smelters, whose current $60m p.a. transmission costs would fall to around $10m. South Island consumers, except those on the expensive-to-serve West Coast would also see a drop of $40m or so in annual grid costs.

The political calculus is unfortunate. Upper North Island, for which read Auckland, consumers would expect their power bills to rise by around 4.5%, while Northland and the West Coast would see a 10% annual increase. A less onerous alternative, Application B, would apply the new methodology only to new assets, but that would create a glacial change to the pricing signals the EA is seeking to alter to improve efficient grid investment.

The scale of the political challenge quickly became clear this week, with NZ First and Labour both leaping on the proposed increases. Energy Minister Simon Bridges, answering questions in Parliament, was quick to point to Application B as an alternative with less impact.

Submissions on the proposals are due by **August 11**.

Monopoly networks

Meanwhile, the **Commerce Commission** has published its first consultation paper relating to input methodologies for setting regulated pricing of electricity and gas networks, and airports. Among issues raised are the implications of emerging energy technologies, such as **solar photovoltaics and electric vehicles on the regulation of electricity networks**. It is assessing whether the sharing of risk and reward between suppliers and consumers is set correctly. Also under scrutiny are its methods for assessing **airport profitability**.

The case for an Urban Development Authority

The gathering impulse for more centralised decision-making got a further boost from the Productivity Commission, whose draft report on Using Land for Housing made a strong call for more interventionist policies to deal with what it sees as an intractable shortfall in housing supply in Auckland under the current range of policies.

While special housing areas should be helping release more housing land, the draft report suggests they are not sufficient on their own because they don't tend to aggregate large enough land parcels to allow development at scale, don't incentivise private sector volume builders into the market, and are hampered by local governments' tendency to see infrastructure investment as an inconvenient cost.

The draft report, which seeks submissions by Aug 4 for Sept 30 publication of final findings, proposes the creation of a single, national Urban Development Authority that would have compulsory acquisition powers to enable the assembly of large land parcels for housing development. By having national status, it would be better able to resist Nimbyism, which the commission says is a natural outcome of homeowners being more engaged than renters in local body politics and motivated by the desire to maintain the value of their homes rather than being concerned with national good outcomes, such as affordable housing.

The report also sings Bill English's song on the question of local body planning rules that exceed the requirements of the Building Act. It says any such exceedances should be removed from District Plans, including such cost-increasing elements as balcony and open space requirements for apartments, minimum apartment sizes, minimum parking requirements, and building height restrictions, unless subjected to rigorous cost-benefit analysis.

Local government

Meanwhile, the defeat of Wellington Regional Council chair Fran Wilde' s attempt to revive "super-city" plans for Wellington marks the end of an era that sought to replicate the Auckland experiment, the success of which remains hotly debated.

Wilde has stepped aside rather than be voted out as mayor of the Wellington Regional Council after nine regional councillors signed a letter expressing no confidence in her chairmanship after she began work on a Plan B option that would have sought to amalgamate more of the region's essential services.

Health and safety law reform

It remains unclear exactly what the transport and industrial relations select committee proposes to do with its extra two months before reporting back the Health and Safety Reform Bill. John Key avoided questions on Monday about what role, if any, the Cabinet might take in further review, beyond denying reports that the slowdown was the product of a backbench revolt. Cabinet Ministers were also taking heat from small business and farmer constituents concerned at the potential for unworkable new health and safety requirements. Likewise, the select committee chairman, Jonathan Young, dodged questions in Parliament from fellow committee member and Labour MP Iain Lees-Galloway about whether the committee would seek further submissions. That would normally be a decision made jointly by the committee, Young said, offering only that the delay allowed the National Party caucus time to reflect on the reforms.

Meanwhile, the Business Leaders' Health and Safety Forum, representing some 178 large businesses, government agencies and other institutions has expressed concern at both the delay and potential dilution of the proposed new Australian-style framework. Executive director Francois Barton and his predecessor Julian Hughes, now at Z Energy, both noted that those lobbying hardest for exemptions from the scheme were also the most likely statistically to come to harm at work. Hughes said Z may choose not to engage small-scale businesses if they were unable to demonstrate an appropriate health and safety compliance culture.

It appears part of the political dynamic at work here is the appearance of the newly created WorkSafe agency in small businessplaces and on farms for the first time. This has been a shock to the system for many. There is also some recognition that WorkSafe is in the early stages of developing a more effective culture than was evident in the old Labour Dept safety service. The reform bill may be catching flak in part because of WorkSafe's activities.

TPP prospects improve

As we were going to press, the White House had won an important Congressional victory, which sees President Obama granted 'fast-track authority' to negotiate a final US position on the Trans-Pacific Partnership. He now needs support of the Senate, which voted for fast-track already but out of sequence. Congress had to support it first. A Senate vote is likely to be attempted next week so that the president is free to act after June 26, when Washington goes into summer recess. That timing is vital if the TPP trade and investment treaty is to progress before the 2016 US presidential elections.

While Trade Minister Tim Groser sees the potential to pick up negotiations again by, say, late 2017, International Business Forum executive director Stephen Jacobi is far less optimistic, citing over-long negotiation periods as the reason the Doha round of WTO negotiations ultimately failed.

He anticipates a reorientation of NZ trade policy to bi-lateral trade agreements and to Chinese initiatives such as RCEP. NZ's early membership of Beijing's Asian Infrastructure Development Bank means the country is well-placed to play to either camp. US politicians are becoming highly focued on the loss of Asia-Pacific influence the US would suffer if it is seen to sink the TPP inititaive.

Labour's 'Progress'

Tensions remain high in the Labour caucus over what is said to be the leaking of the plans by a number of right leaning MPs and party members to form 'Progress', a centrist Labour-aligned think tank.

The matter is said to have been discussed at two caucus meetings with Stuart Nash singled out as the culprit. But their willingness to appear in the media points to the 'Progress' supporters wanting to announce their plans regardless.

There has also been finger pointing about the leaking of the party's review of the election campaign.

Party leader Andrew Little is said to be personally pursuing the leaks in meetings with MPs in a further indication that the party has yet to recover from the bruising internal battles since their election defeat in 2008 and the factions they spawned.

Labour continues to look like a house divided as it approaches a full decade since it last held a lead over National in any publicly published opinion poll.

It has to be remembered that Little did not win the majority of the caucus vote in last year's leadership contest; Grant Robertson did.

And the leaks and grumbling are a sign that Little has not yet brought the Caucus together as a unified body, although their performance in the House has been improving.

Labour landed some blows on Housing Minister Nick Smith, who over-reached with announcements on the release of Crown land in Auckland for housing, and the steady drip of new revelations about the Saudi model farm deal are an ugly look for senior ministers.

But outside Parliament things have been less successful, in part because Little has nothing to say.

Again, the potential for factionalism within Labour is so great that the parliamentary party is now treading very carefully with respect to policy for the next election.

All policy is being reviewed by the party as well as the caucus and its replacement policy must be ticked off by the party organisation before it can be promoted by the caucus.

One one level, that has left a vacuum which sees Labour MPs like Phil Twyford this week calling for a crackdown on property speculators with no explanation as to how this might be achieved.

On another, it endangers Labour's chances of finding a more electable platform by making policy creation hostage to party operatives who are deeply resistant to change, as evidenced by the angry reaction - led by deputy leader Annette King - to the Progress initiative.

It leaves Little making speeches in front of out-of-Wellington business audiences which are being panned as lightweight.

Labour has a huge mountain to climb before it can lead a centre left Government after the next election.

It needs to accelerate its policy review and work out a new relationship with the Greens, let alone NZ First.

Either way Little needs to quickly assert himself forcibly on his congenitally fractious caucus if he is to have any hope at all in 2017.

The evidence to date suggests he is watching from the sidelines rather than asserting control.

Makhlouf on RMA and EEZ

Treasury Secretary Gabriel Makhlouf's speech at the National Fieldays attracted most interest for its advocacy of a more open-minded approach to the regulation of novel organisms, including GMOs.

But also contained in the speech were the seeds of thinking that may yet emerge on the future of the RMA and exploiting minerals in the EEZ. With a new RMA reform bill unlikely before Q3 while Nick Smith seeks accommodations with reluctant coalition partners, **talk among senior officials and ministers is starting to turn to how best to deal with the increasingly apparent shortcomings of the RMA.**

Those are particularly evident in the way it deals with the urban environment, including infrastructure and affordable housing, neither of which now appear likely even to be capable of being added to the list of economic considerations covered in Section 7 of the RMA. There is a detectable increase in 'thinking aloud' about whether incremental RMA reform would be better replaced by a long term goal to split planning and environmental legislation. That would be politically extremely difficult for a National-led govt to do, but might be achievable if leading environmental organisations were to lean that way.

"From an economist's point of view, a resource management system like ours is intended to reduce the costs of allocating resources, account for factors which market forces don't value, and manage collective action problems - including intergenerational fairness. Our current system could be better on all of these fronts," said Makhlouf.

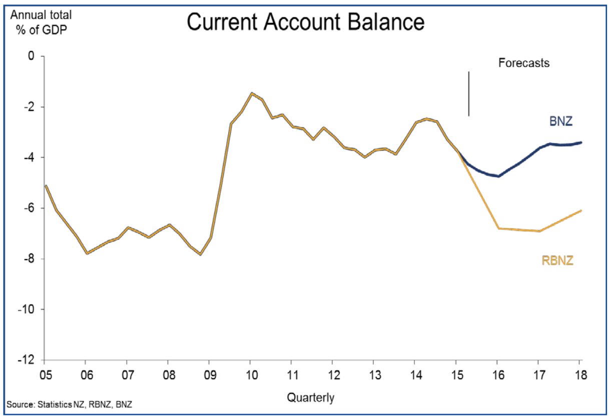
He also criticised the approach to risk management in marine enviroments – a clear reference to the rejection of applications to mine phosphate and ironsands in the EEZ, where adaptive management was ruled out. "When systems adopt rigid approaches to risk, for example, rather than genuinely enabling adaptive management approaches, we limit our ability to explore and assess the potential risks of our actions."

The imminent introduction of a new Marine Protected Areas Bill, may help to alleviate this by creating one avenue by which a form of spatial planning can be applied to the EEZ.

Why the Reserve Bank cut the OCR

Further to our note on the morning of the RBNZ's last monetary policy statement, it is worth emphasising the key reason why Graeme Wheeler has effectively switched focus from the impact of lower interest rates on the Auckland housing market, which had dominated his earlier determination not to ease already very accommodative monetary conditions.

Why the RBNZ has panicked:



That reason is the rapid deterioration in the RBNZ's outlook for the current account deficit. While the Stastistics NZ release this week for the March quarter came in smaller than expected, on a seasonally adjusted basis, the central bank is forecasting the annual deficit to widen to nearly 7% of GDP over the next 18 months, which helps justify a further significant downward adjustment in the value of the New Zealand dollar.

"In light of the forecast deterioration in the current account balance, such an exchange rate adjustment is needed to put New Zealand's net external position on a more sustainable path," the bank said. However, it's not clear that interest rate changes can be used to reliably alter the real value of the currency over the medium term. It's worth noting also that the current account deficit, at its current 3.6% of GDP, is below its long term average and that the net international investment position has continued to improve, with net liabilities sitting at 64% of GDP, compared with 85% at the height of the GFC.

Surprise low March GDP: fuel for another rate cut?

Every forecaster was surprised by the weakness of the 0.2% March quarter GDP figures. Not least the RBNZ, which was bang on market consensus with a 0.6% forecast for the quarter. Annual growth for the year to March was 2.6%, compared with 3.5% in the year to December 2014. Some economics teams have taken this as a sign not only that there is now likely to be another 25 basis points OCR cut in July, and that a third cut in September may be on the cards.

We are cautious about jumping to conclusions. While GDP growth slowed in Q1, the extent is likely to have been overstated. Even if economic growth doesn't return to trend this year, CPI inflation is still likely to pick up during 2016.

The Q1 GDP data were also a reminder that if there is evidence of a slower economy – meaning less pressure on inflation – then the NZ dollar has plenty of scope to respond by falling further. It dropped about half a cent in response to Thursday's GDP out-turn, having drifted below 69 US cents in offshore trading on Wednesday evening. That underpins a rising outlook for tradables inflation as the currency's long influence of price suppression begins to reverse. Keep an eye on this as a cost pressure for the economy.

The biggest surprise in the GDP stats on the production side was a 2.8% fall in the Information, Media and Telecommunications segment. This category has a weighting slightly higher than each of construction, wholesaling, retailing and total primary, and is about half the size of the manufacturing sector. Statistics NZ said the drop was "driven by broadcasting and internet publishing, and motion picture and sound recording".

On the expenditure side, which recorded just 0.1% expansion for the quarter, the biggest puzzles were in an 11% drop in investment in plant, machinery equipment and transport equipment, and a 12% drop in intangibles. These can be very bumpy series. Their Q1 results are at odds with strong investment indicators from the recent business surveys.

Primary production fell 1.4% in the March quarter, as agriculture output shrank a seasonally adjusted 2.3%, in line with expectations.

Climate change policy

Modelling by Infometrics for the Ministry for the Environment counter-intuitively suggests that ambitious cuts to greenhouse gas emissions would not have materially more impact on economic growth than small cuts.

Based on $50 per tonne for carbon, Infometrics found a 5% cut in emissions between 2021 and 2030 - the next global commitment period - would have a 0.9% impact on GDP over the whole decade, at an assumed annual growth rate of 2.1%. A 40% target would increase that cost to a 1.1% growth cut.

NZ dollar outlook

An anticipated July OCR cut has important implications for the NZ-Aussie dollar cross rate, which is particularly sensitive to change in relative short-end interest rates.

Australian short rates are predicted to rise faster than in NZ from their current lows, narrowing NZ's interest rate advantage. This underpins our medium-term view of a trend decline in the NZD/AUD cross. But short-term direction will be greatly influenced by the record short position the speculative community has placed on the kiwi. Holding a short NZD/USD position is costly. Leveraged investors may become frustrated once downside momentum weakens. Momentum favours further weakening of the NZ dollar against the Aussie in the short term, with a forecast range A88c to A92c over the rest of this year, and deterioration towards A85c by 2017.

Outlook for interest rates

Last week's rate cut and this week's weak GDP figure mean the market now prices an OCR that drops below 2.8% in the year ahead. Having started an easing process, a further 25 basis point cut in July is virtually a 'done deal', with a 75% expectation of a cut priced in for next month.

Watch the impact on credit spreads of the increasing likelihood of a Greek debt default and exit from the eurozone. This would be likely to result in much wider spreads and NZ credit would not be immune, though NZ govt bonds could rally.

International Economy

US interest rates

This week's statement from the US Federal Open Market Committee meeting still points to moderate expansion, although a weaker outlook has left markets less clear about whether and how far interest rates might rise in the next two years.

The Fed maintained its projection for the benchmark interest rate to rise this year to 0.625%, implying two 25 basis point increases by the end of the year. But it lowered its forecast for 2016 to 1.625% from 1.875%, and for 2017 to 2.875% from 3.125%. The Fed also revised down its estimate for 2015 growth to a range of 1.8% to 2%, from 2.3% to 2.7% previously.

The FOMC saw evidence of progress in increasing labour market activity and on inflation reviving, but wants to see more "decisive evidence" that moderate economic growth will be sustained.

Prospects for Grexit

The Greek govt is now in the last stages of an end-game with its European lenders. Negotiations on a debt bail-out appear to be foundering, most significantly because Greece's few sympathisers in other European capitals have all but given up on Athens.

PM Alexis Tsipras has rejected repeated insistence that the country's generous pension entitlements be part of a debt restructuring programme. Commentators are divided on how things may play out for Greece. Writing in the Financial Times, commentator Wolfgang Munchau suggests a horrific year of harsh adjustment would follow an exit from the Eurozone. However, the defaults would mainly be with public institutions, the Greek govt would work hard to meet private debt obligations and would swiftly gain a tourism boost from the reintroduction of a very weak domestic currency to replace the Euro. A growth rebound might be expected within two to three years.

Banking and growth

A new research paper from the OECD critiques both what it calls the "over-expansion" of bank-financed credit and the disproportionately high salaries paid to senior bank executives.

The former is acting as a material drag on growth in OECD countries, while the latter is contributing to growing income inequality without sufficient supporting evidence that the productivity of senior employees in the banking sector is much greater than similarly senior employees in other sectors.

The report, issued Thursday morning NZT, suggests implicit and explicit guarantees by governments to 'too-big-to-fail' banks may be allowing some rent capture by senior executives and questions whether the sector may be exhibiting a lack of competitiveness if its most senior employees have such significant bargaining power.

The new analysis finds that for every 10% pf GDP expansion in credit finance, there is a 0.3% drag on annual GDP growth across the average of the 34 OECD countries, although impacts differ from country to country. The OECD suggests that the initial benefits of financial deregulation to economic growth ended some time ago and that it has become "excessive" and is now "weakening economic fundamentals". The paper effectively amounts to an argument in favour of more equity-raising, which the OECD economists fear is being crowded out by over-reliance on bank financing options.

Origin Energy's Contact stake

The official line from Origin Energy remains that its 53% stake in Contact Energy remains an important part of its Australasian energy business, but there is very little belief hat Origin is a long term holder anymore. Speculation is also mounting that Origin may also be willing to quit its 50% of the Kupe oil and gas field.

Comments to the Australian Financial Review by Origin chief executive Grant King, on the margins of an investor presentation last week, increased specualtion on the Contact stake.

Where Contact had been important in the past to Origin maintaining an investment grade credit rating, King said "that role is no longer as significant and therefore Contact is like any asset in our business. It's one where it's valuable to us but if it's more valuable to someone else and we felt we could deploy the capital more effectively elsewhere, we'd do so. That is different from what we've said previously."

The challenge for Origin may be whether it can achieve a one-off selldown or might need to make placements to institutions over a period of time. **AFR reports Origin has appointed investment adviers, Luminis Partners, to advise on its options.** There would presumably be a hurdle at the Commerce Commission if one of the other 'big four' gen-tailers made a bid and Trustpower probably lacks the firepower. A possible local trade buyer might be Todd Energy, with its vertically integrated access to gas, generation plant and a customer base through the Nova retail brand.

On the Kupe front, Origin has made no comment, but it's worth noting that the other joint venture partners – Genesis Energy, NZ Oil & Gas, and Mitsui – have pre-emptive rights in the event of a sale. Genesis might not be interested, but NZOG is on record as believing Kupe has significant upside potential.

Fonterra review

The latest **GlobalDairyTrade auction** pushed the GDT average winning price down 1.3% to US$2,409, the lowest since Aug 2009. **Whole milk powder,** the biggest product by volume for **Fonterra**, fell just 0.1% to US$2,327 a tonne as the dairy company offered to sell just 10,000 tonnes, the smallest volume this year. Weakening prices will do nothing to soothe Fonterra's disgruntled farmers who are facing two seasons of milk payouts below the $5.70/kgMS breakeven level estimated by **Dairy NZ**. **Fitch Ratings** this month said NZ banks' exposure to dairy farming will put their asset quality under pressure as milk prices fail to recover as quickly as expected. The farmers may be happier that **ceo Theo Spierings** has enlisted **McKinsey & Co** to provide global benchmarking on how Fonterra performs against its peers as part of a major review that's expected to see hundreds of jobs cut from its 1,500 head office and support function staff. Spierings wants more sales and in-market roles instead. Spierings has also vowed to defend Fonterra's share of the NZ milk pool, which has shrunk to 87%. The **Commerce Commissio**n is also considering Fonterra's market share as part of an assessment of competition required under the dairy company's enabling legislation and from which the regulator could recommend further curbs on its dominance.

Synlait milk forecast

Synlait Milk is among smaller dairy companies that have won a share of the milk pool, but like some of its rivals, it has ample milk for processing and isn't looking to lure suppliers from Fonterra. Synlait has lowered its forecast payout to dairy farmers for the current season as prices remain weak amid oversupply and soft demand, and sees a recovery in 2016. The Rakaia-based company lowered its forecast payout for the current 2014/15 season to a range of $4.40-$4.60/kgMS and forecast $5.50/kgMS payout for the upcoming season. "We're very aware of how financially tough this current season is for our suppliers," said **managing director John Penno**. Synlait also announced an excluzive manufacturing partnership with US baby products manufacturer, Munchkin Inc, which is launching a new Grass Fed branded retail-ready infant formula into the United States and China.

Danone Nutricia's results

Fallout from Fonterra's botulism scare in 2013 continues. **Danone Nutricia**, the French-owned infant formula maker, has reported a full-year loss it attributes to the recall and bad publicity that followed Fonterra's contamination crisis, later shown to be groundless. The NZ subsidiary of the French food giant posted a loss of $1.19m in 2014, from a profit of $1.99m a year earlier. Danone Nutricia ended its supply contract with Fonterra and launched a $1b lawsuit against the dairy company last year. That followed its sales being disrupted in Aug 2013 when it had to recall 67,000 cans of its Karicare infant formula because of Fonterra's whey protein contamination warning. **CEO Corine Tap** said that "while recovery from the recall is still ongoing, this includes costs incurred transitioning to alternative ingredient suppliers" following the botulism scare.

CORPORATE ROUND-UP

Primary sector outlook

NZ's primary sector export revenues will probably drop 8% to $35.2b this year, due to a substantial decline for dairy and forestry products although the outlook for the next four years is rosier. The Ministry for Primary Industries' latest **Situation and Outlook for Primary Industries** shows revenue for dairy, the traditional heavyweight in the primary sector accounting for 40% of total export revenue, is expected to decrease 22% to $14.2b in the year ending June 30. Forest products are forecast to fall 10% to $4.63b. The slowing Chinese economy and real estate market, coupled with high log inventories and the potential for more Russian imports, mean the outlook remains tough for log and timber exports into China for the rest of this year.

Growth company losses

TruScreen, the NZAX-listed cervical cancer test developer, posted a loss of $692,000 in its first annual filing as a listed company and has lined up China to underpin growth having achieved regulatory approval and several supply deals there. Revenue was $1.57m. TruScreen plans to raise $1m through a share purchase plan, adding to the $6.07m raised ahead of its November listing, and $3.27m raised last month. **VMob**, the NZAX-listed mobile voucher developer, more than doubled its annual loss to $4.4m, while revenue jumped to $2.3m. **Snakk Media**, which helps companies find customers via apps, games and social media, reported a wider loss of $4.26m as sales jumped 40% to $9.9m. **GeoOp**, the workforce management app maker, widened its annual loss to $4.87m as sales more than doubled to $1.28m. **Orion Health** shares sank to a record low after the healthcare system software developer, which listed on the NZX last November, said an expected US-based contract has been delayed.

Software sales

Wynyard Group, the security software firm, wants to raise $45m in a discounted share offer to fund more staff and product development as it chases global growth. Last month, Wynyard said it expects annual revenue growth of as much as 73% this year to between $40m and $45m as it presses ahead with a number of contracts and gets closer to finalising a major distribution agreement in law enforcement markets.

NXT Market

G3 Group, a mail operations and document management company, launched NZX's market for small- to medium-sized 'growth' businesses with a compliance listing on the NXT market. The Auckland-based company is the first to join the new market on June 18, listing its 53.8m shares at 75 cents apiece, giving it an implied market value of $40.4m. NZAX listing fees were substantially increased.

MediaWorks ownership

US hedge fund **Oaktree Capital** has completed its takeover of **MediaWorks Investments**. **Tokyo Opportunities BV**, the Oaktree vehicle used to house its MediaWorks stake, bought the minority shareholdings of rival private equity firms **TPG Capital** and **Bain Capital**. The Los Angeles-based firm, which manages more than US$99.9b in assets, became a debt-holder of the free-to-air broadcaster in 2012, buying $125m of the group's outstanding loans at a reported discounted of 50%. That was converted to equity when the media company's lenders seized control and Oaktree has been increasing its shareholding since then.

Surplus in reach

The govt reported an unexpected operating surplus in the 10 months through April as the Crown's tax coffers were bolstered by a bigger inflow from Portfolio Investment Entity tax and strong consumer spending. The operating balance before gains and losses (Obegal) was a surplus of $448m in the first 10 months of the year, compared to the forecast deficit of $555m in the budget last month. The surplus suggests the govt could yet scrape into the black by the time the accounts are finalized in Oct. Tax revenue rose 8.9% to $55.05b, or $437m ahead of forecast.

Iwi's Auckland push

Ngāi Tahu Property, the property investor of the dominant South Island iwi, is entering the Auckland market and has hired **Eden Park Trust boss David Kennedy** to lead the expansion. Kennedy will leave the Auckland stadium, where he was responsible for a $270m upgrade in preparation for the Rugby World Cup, in late August to become general manager of the iwi's Auckland property unit. The property investor, developer and rural land ownership specialist currently has assets valued at more than $600m.

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