HUGOvision

Assessing the economic and political environment in New Zealand

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Iwi and water

Environment Minister Nick Smith has a tough job ahead reconciling the Iwi Leadership Group, the Maori Party and his own backbench over the allocation of water. The govt cannot realistically settle on an allocation model until it has resolved the various questions raised by iwi including the fundamental claim that Maori have an ownership stake in water. Consequently, the govt's late Feb response to the pre-Xmas Land and Water Forum update on water reform contains no timeframe on allocation decisions. Our guess is this is in the too hard basket until after the 2017 election.

Meanwhile Federated Farmers remain firmly opposed to monetising water rights. This is of particular concern to those promoting new irrigation schemes. And the debate over iwi involvement has the potential to spill over into the RMA reforms about to be considered by a select committee. NZ First leader Winston Peters is already campaigning against the enhanced iwi involvement proposed in the reforms.

There were, however, useful steps forward on freshwater management policy. The new consultation document seeks to limit the ability of local govts to offset water quality improvements in one catchment against deterioration in another – a key concern from its earlier position. It's now proposed that those judgements be confined to within a new construct – the "freshwater management unit" – which would be catchment-based. The paper also responds to calls for inclusion of a 'macro-inverbetrate index' that uses riverine insect populations to help judge water body health. The science is complex, so it's not being proposed as a standard yet, but it would become a monitoring tool and be developed further. Stock exclusion requirements for dairy cattle were confirmed for 2017, with beef, cattle, deer and pigs to follow in the mid to late 2020s.

Auckland chaos

As the Auckland mayoral election campaign becomes more confused with the confirmation now of four centre right candidates – Mark Thomas, Stephen Berry, Victoria Crone and John Palino – the govt is sending signals that it will not bail the city out if it cannot agree on how to intensify housing within the city's current boundaries. Both Finance Minister Bill English and Transport Minister Simon Bridges are saying the joint govt-city Transport Alignment Project (due to report in August) will spell out the costs of additional transport infrastructure to meet greenfields expansion in the outer suburbs. The govt will expect the city to put up half of that money. But there will be no agreement to any tolling and Wellington will frown on any substantial rates increases. Whether this will discourage extravagant campaign rhetoric remains to be seen. The sense that the Beehive may prefer the known quantity of a Phil Goff mayoralty is strengthening.

Greens rethinking trade policy

If the submissions on the first day of the TPP hearings are anything to go by, the govt need not worry too much about the opposition to the agreement. The committee heard conspiracy theories and half-baked conjecture as to what the TPP might mean. That the Opposition may be having trouble getting submissions together is evidenced by Labour's David Clark persistently asking each witness whether they have had enough time to prepare their submission. Mr Clark is proposing a deadline extension. Meanwhile, Labour sources are suggest the persistence of leading TPP opponent Jane Kelsey is beginning to become tiresome in the Opposition offices.

Kelsey may also be finding the Greens' approach to trade policy less familiar too. The party's trade spokesman, former diplomat **Kennedy Graham, is conducting a project to identify the kind of free trade agreement the Greens could agree to**. This is part of co-leader James Shaw's drive to make the Greens attractive to a wider range of voters. Graham this week hosted a public seminar involving international arbitration expert Gary Horn – a staunch proponent of the ISDS (investor-state dispute settlement) provisions in the TPP that allow corporations to take action against govts. Horn had been invited, however, to discuss the potential for developing a **new process for settling cross-border commercial disputes: bi-lateral arbitration treaties.**

BATs would only apply between commercial entities, rather than govts and businesses. However, the fact the Greens are willing to host a discussion on the needs of business for certainty and just processes as a spur to growth in international trade is a shift in itself. The Greens would always claim to have been supportive of such concepts. It's just that's rarely been so visible previously. It remains to be seen how party rank and file react to this. Senior MP **Eugenie Sage attended the seminar and expressed reservations** about BATs' ability to set rules outside the judicial systems in which parties were operating.

Prod Com tertiary study starts

The Productivity Commission has published its issues paper on the future of tertiary education provision. While offering no views, the questions and framing of the report suggest it is primarily focused on the performance of universities, which the govt regards as displaying "considerable inertia" when it comes to adopting new models.

Among questions the issues paper seeks responses to: are NZ's universities too alike, with all emphasising research and none being 'teaching' universities; how do capex and research costs impact on student fees; should university lecturers be required to have teaching qualifications, as do polytechs and other higher learning providers; why, if NZ is spending above the OECD average on tertiary education (2.1% vs 1.6% of GDP), is there no apparent productivity gain relative to similar countries? It also seeks views on the impact of international education activity – attracting fee-paying foreign students – on educational outcomes. The capacity of the tertiary sector to meet the skills requirements of the labour market is also questioned. Submissions are due by May 4.

Robertson risks credibility

A belief that the National-led administration has allowed govt debt to blow out has taken hold strongly on the left, with social media memes on the issue constantly recirculating. The charge is mistaken, as **NZ's net govt debt to GDP ratio, at 25%, is unarguably low by OECD standards,** albeit higher than the zero net debt position briefly achieved by Labour's Michael Cullen in 2008. Since then, a decision not to pursue austerity policies post-GFC - in part thanks to the strong fiscal and debt position – and the imperatives of the Canterbury earthquake rebuilds did see net govt debt rise sharply.

However, critics of that dynamic appear oblivious that they are arguing the govt should have cut welfare and other spending after the GFC and not responded to the quakes by leveraging the Crown's balance sheet. Clearly, those positions are nonsense. **It's worrying therefore to see Labour finance spokesman Grant Robertson picking up that theme in press statements**. "After 7 years of National, the finances are in a much worse state to deal with any recession," he said. "While some of that debt is justified, especially in the Christchurch rebuild, the problem is Bill English's complacent attitude – real economic growth has ground to a halt and he is in no hurry to re-balance the NZ economy."

The suggestion that growth is grinding to a halt will come as a surprise to most economic forecasters. NZIER's quarterly predictions this week revised forecast growth for 2016 up close to 3% and chugging along at around 2.5% for the following two years. Not spectacular, but healthy by historic standards. **The bigger concern is the extent to which that growth is fuelled by high immigration rather than productivity gains**.

National energy intensity target proposed

Energy Minister Simon Bridges used the annual downstream energy conference to announce his intention to promote a new set of national energy targets, including a measure of energy intensity to add to the target of 90% renewable electricity by 2025.

Arguably, Bridges has picked a reasonably easy target. NZ's energy intensity between 1990 and 2014 fell by 25%, in part reflecting the growth of less energy-intensive service industries. Closure of gas and coal-fired electricity generation plant will already be reducing that further, as would the closure of the Tiwai Point aluminium smelter, which accounts for 1/7th of all electricity consumed in NZ.

Bridges also cited "opportunities to increase the use of renewable energy in the transport and industrial heat sectors over time", but came **no closer to announcing the elusive electric vehicles policy** that he has been talking about for more than a year. The NZ Energy Efficiency and Conservation Strategy 2011-2016 will also be refreshed.

Crunch decision for smelter looms

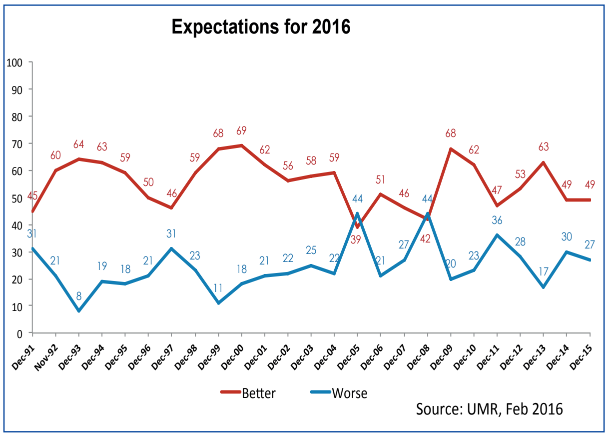
The Electricity Authority's decision on a new transmission pricing methodology is due by the end of this month and represents a key input to decisions pending on the future of the Tiwai Pt aluminium smelter. The authority's preferred approach, which would shift grid costs to North Island and west coast South Island users, could be worth as much as $60m a year in savings to the smelter. Meridian Energy ceo Mark Binns was, as usual, frank in his assessment at the power company's half-year review that "any savings (from reduced transmission charges) are, in my opinion, going to feature strongly in the smelter's future."

Even if the EA decides in favour of the smelter and SI generators, that may not be the end of the matter. Judicial review would appear a likely possible next step by opponents. **An analysis of the submissions on this fraught issue, which has been under discussion for more than a decade, shows a reasonably even split of views on the EA's recommendation.**

Auckland port

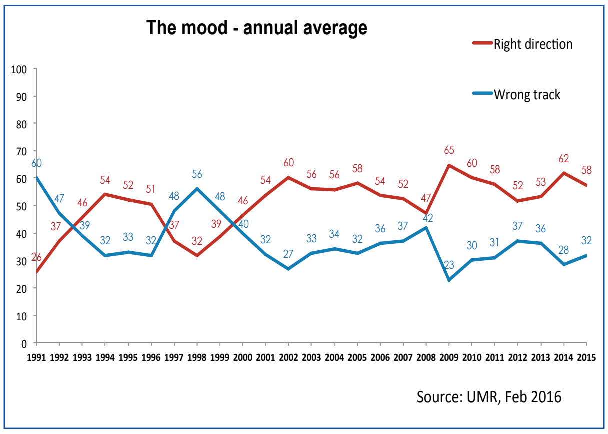
Transport Minister Simon **Bridges opposes shifting the Auckland port.** That puts him in conflict with the majority of the study group looking at the issue, who are understood to have a list of more than a dozen alternative sites. Sceptics doubt any are consentable.

POLITICS AND POLICY



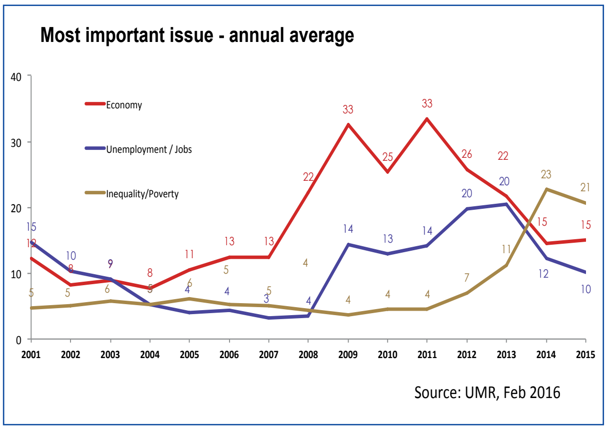
Economic expectations

- Even before the latest softer business confidence indicators, economic sentiment was weaker by the end of last year than it was a year earlier;
- Compared to early 2010 and 2013 – around half-way through the electoral cycle before the 2011 and 2014 general elections – current sentiment is notably weaker;
- In 2010, expectations were coming off a post-2008 election high while the 2013 reading was during the height of the dairy boom.



Right/wrong track – long term

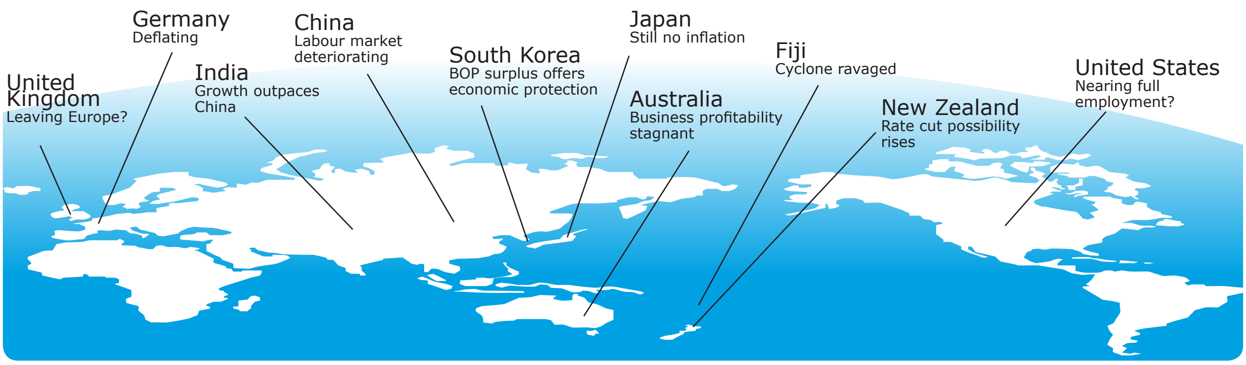
- Political parties watch the right/wrong track indicator as a bellwether for changes of govt;
- This reading, by Labour's pollster UMR, suggests that the gap between optimists and pessimists remains decisively in the govt's favour;
- Note that the only time in the last 15 years that 'wrong track' has outranked 'right track' was during the Asian financial crisis of the late 1990s;
- The closest they've narrowed in recent times was in 2008, post-GFC and before Labour's defeat.



The rise of concern about inequality

- It is a truism to say that income inequality has become a defining political issue;
- However, this long term polling by UMR offers proof of how strong that impulse is;
- Concerns about economic performance peaked after the GFC and during the recessionary, post-quake months in 2011;
- Concerns about unemployment fell sharply even as concerns about income inequality have jumped.

The world at a glance



Mervyn King on the Eurozone

Former Bank of England governor Mervyn King predicts the political strains created by the economic imperatives of the Eurozone will ultimately cause the single currency to fail, in a new book that also predicts ongoing periodic global financial crises.

In "The End of Alchemy", Lord King suggests a German exit from the Eurozone may be the route that causes the dissolution of the experiment as the German populace will tire of the bailouts required to maintain southern European economies' membership. Before then, southern European voters will have tired of a treadmill of fiscal austerity, high unemployment and apparently intractable debt burdens.

Brexit polls evenly divided

The publication of Lord King's book is timed unhelpfully for UK PM David Cameron, who wants Britain to remain in the European Union, albeit never having adopted the euro. The June referendum on so-called "Brexit" from the EU looks likely to be closely fought. A 'poll of polls' compiled by the NatCen for Social Research, a non-partisan UK think tank, in late Feb found 53% support for remaining 'in' against 47% for the 'out' vote. However, other polling indicates greater commitment to turn out to vote among 'out' voters. A key element in the current level of support for remaining 'in' is a deal wrested from the EU by Cameron that reduces British obligations to Brussels, leaving open the impression that the best way for countries to gain concessions in their membership is to threaten departure. UBS cites an 'out' vote as a reason to expect earlier action by the Bank of England to raise interest rates, as the uncertainty that has seen Sterling fall since announcement of the June 23 vote would likely become entrenched. **Some Brexit risk is already reflected in a fall in the value of the pound.** In the event of a "leave EU" vote, a 9% fall in the real GBP TWI would take it back to the average level in the 2-years after the GFC. A fair-value model view puts the long-term NZD/GBP PPP at GBP0.4250 and short-term FV at GBP0.44. An appreciation to GBP0.50 could ensue if Brexit prevails. Central projection of the status quo sees NZD/GBP settle in a GBP0.42-0.45 range in the second half of 2016. For as long as the polls suggest a close vote, expect to see increased NZD/GBP volatility.

Australia shows resilience

Recent economic statistics suggest Aust remains resilient despite weak commodity prices. Real GDP expanded by 0.6% q/q in Q4, stronger than market expectations and year-ended growth was 3%, the strongest rate since Q1 2014. Particularly encouraging was strong household consumption data at 0.8% q/q. The household savings ratio dipped to 7.6%, the lowest since before the GFC, while a 2.7% q/q decline in business investment was smaller than expected. Machinery & equipment and non-residential building investment were positive, offsetting ongoing mining sector weakness.

Trading partner growth

(2014 actual; 2015-16 Concensus Forecasts; 2017-18 figures Hugo estimates)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	21.0	7.3	6.9	6.5	6.3	6.5	2.0	1.4	1.5	1.7	1.7
Australia	21.2	2.6	2.3	2.6	2.9	2.6	2.5	1.5	2.0	2.6	2.2
United States	14.5	2.4	2.4	2.2	2.4	2.4	1.6	0.1	1.3	2.2	2.2
Japan	7.6	-0.1	0.6	1.0	0.6	0.9	2.7	0.8	0.3	1.8	1.4
Eurozone	7.3	0.9	1.5	1.6	1.7	1.5	0.4	0.0	0.5	1.5	1.8
United Kingdom	4.0	2.9	2.2	2.2	2.2	2.1	1.5	0.0	0.8	1.8	2.0
South Korea	4.2	3.3	2.6	2.7	2.8	2.9	1.3	0.7	1.3	1.9	2.0
Indonesia	2.1	5.0	4.8	4.9	5.3	5.0	6.4	6.4	4.4	4.9	5.0
Hong Kong	1.9	2.5	2.4	1.9	2.1	2.2	4.4	3.0	2.3	2.2	2.5
Taiwan	2.8	3.9	0.9	1.9	2.6	2.3	1.2	-0.3	0.9	1.3	1.5
Singapore	2.7	2.9	2.0	2.0	2.4	2.3	1.0	-0.5	0.2	1.3	1.5
Malaysia	2.5	6.0	4.8	4.3	4.6	4.9	3.1	2.1	2.8	2.6	2.7
Philippines	1.7	6.1	5.8	5.9	5.9	5.4	4.1	1.4	2.4	3.0	2.7
Thailand	2.0	0.9	2.7	3.0	3.3	2.5	1.9	-0.9	0.9	2.1	2.0
India	1.6	7.3	7.4	7.7	7.7	7.3	6.0	5.0	5.3	5.3	5.4
Vietnam	1.3	6.0	6.6	6.5	6.5	6.4	4.1	0.6	2.9	4.7	3.1
Canada	1.6	2.5	1.2	1.4	2.1	2.1	1.9	1.1	1.6	2.0	2.0
NZ Trading Partners	**100**	**3.6**	**3.4**	**3.4**	**3.5**	**3.4**	**2.2**	**1.0**	**1.5**	**2.2**	**2.1**
Forecasts for New Zealand											
Consensus		3.7	2.4	2.4	2.8	2.8	1.2	0.3	1.1	1.8	2.0
BNZ Forecasts		3.7	2.4	2.4	2.5	2.4	1.2	0.3	0.4	1.9	1.8
The World		**2.8**	**2.5**	**2.6**	**2.9**	**2.8**	**2.6**	**2.1**	**2.4**	**2.7**	**2.6**

No rate cut on March 10

We remain unconvinced of the case for an OCR cut, despite the increasing consensus among forecasters that up to two cuts can be expected this year. Weighing in favour of a more doveish stance – non-existent inflation aside – is the evidence that weak global financial markets and dairy sector prospects are now weighing against the upbeat domestic economic sentiment measured late last year. This week's ANZ business confidence survey added to that softer picture, along with increasing noise from the banking sector about the growing number of dairy farms that are facing financial difficulty and a string of cautious commentary in outlook statements during the February corporate earnings season.

Accordingly, we would not be surprised to see the RBNZ indicate one or two OCR cuts for later this year, in an attempt to underpin its CPI expectations, especially after the very weak inflation expectations in the latest survey. RBNZ governor Graeme Wheeler will be feeling acutely the political heat on him to be seen to be acknowledging both this weaker outlook and the central bank's long-running undershoot on its inflation target. Wheeler's hawkishness is now the subject of constant grumblings from ministers and govt backbenchers alike, let alone the sniping from the Opposition, which would rewrite the Policy Targets Agreement to place less emphasis on inflation control at a time when inflation is effectively dead. Wheeler is a principled governor, unlikely to bend to political winds, but he takes the criticisms seriously and personally. A reaction of some sort is likely in next week's MPS. At the very least, he may opt for a stronger tone on easing to stem the potential for the kiwi dollar to bounce higher. That could include a lower interest rate track in forward guidance. Either way, we don't believe a rate cut will make much difference to inflation outcomes as factors pushing inflation are largely external to the NZ economy.

Confident mood turning

This week's ANZ business confidence survey and Statistics NZ's Feb building consents data both registered a slower pulse. ANZ's net confidence measure sagged to +7.1, from +23.0 in Dec, although it's worth noting that own-activity expectations remain firm at +25.5, albeit a drop from +34.4. Seasonal adjustment weakens these variables further, to net pessimism for confidence at -3.0, and own activity at +20.4. This is a significant fall, notwithstanding the expected impact of a slew of disquieting economic news since the start of the year. Outside dairy, there is still plenty of anecdotal optimism.

The net confidence index in agriculture slumped to -32.6 in the ANZ survey, from the +7.5 last Dec – the last time the survey had been taken. Growth of around 2.4% is still forecast for 2016. Meanwhile, new dwelling consents fell a seasonally adjusted 8.2% in Jan, a larger than expected decline. Non-residential building consents were also weaker, down 12% on Jan last year, but this is a notoriously volatile part of the index.

Unemployment

The Treasury doesn't expect the recent fall in unemployment rates to be sustained, saying the 5.3% rate for the Dec. 2015 quarter "appears to be overstated", notwithstanding the evidence of ongoing high participation – even though it fell a bit at the last measure. "Labour market conditions are not expected to tighten over 2016 as labour supply exceeds labour demand. " However, Treasury also now thinks unemployment will peak at lower than its Dec forecast of 6.5%.

Earnings growth has also been stronger than anticipated, reflecting a larger than forecast increase in working hours and full-time equivalent jobs. Total weekly gross earnings are up 6% on a year ago, according the Stats NZ quarterly employment survey. Growth in ordinary time hourly earnings, however, fell to 2.1% annual in the Dec QES, from 2.3% at the Sept year, reflecting softer wage growth in both the public and private sectors.

Meanwhile, the govt announced the new rate for the minimum wage at $15.25, a 50c per hour increase on last year's, from $12 an hour in 2008. The Living Wage campaign issued its own update, raising its minimum living wage calculation from $18.40 an hour, set in 2013, to $19.80 an hour. We note the Living Wage calculation is based on movements in average hourly earnings rather than inflation, meaning it is more accurately an attempt to deter growing income inequality than to meet living costs.

Carbon market

NZ Units have hit $10 per tonne for the first time since the 2011 price collapse. The milestone event puts the price of NZUs still about $5 per tonne below the threshold to encourage new forest planting for carbon sequestration, but the momentum now is clearly up.

Climate Change Minister Paula Bennett has released the second tranche of **issues papers on the emissions trading scheme review, including a technical note on the way the ETS and forestry industry interact** and how forestry will contribute to meeting NZ's obligations under the new Paris climate accord.

Dairy sector

The Commerce Commission's final report on dairy industry competition confirmed market conditions do not yet justify removing protections for domestic competitors of the dominant cooperative. However, it proposes no longer requiring Fonterra to take milk from new entrant suppliers. It recommends a further review of the Dairy Industry Restructuring Act when milk collections by independent processors top 30% nationally, compared with 20% at present, or at the end of the 2021/22 season, which comes first. Meanwhile, dairy product prices rose in Tuesday night's GlobalDairyTrade auction after four consecutive falls since the start the year. The GDT average winning price gained 1.4% to US$2,253. AgriHQ raised its 2015-16 Farmgate Milk Price 9c to $4.14 per kilogram of milksolids, compared with Fonterra's current 2015-16 milk price forecast of $4.15/kgMS. DairyNZ revised its breakeven milk price for the average farmer to $5.25/kgMS, citing better weather conditions than forecast lowering costs. NZX announced links with Chicago-based brokerage and clearing firm ADM Investor Services to extend the reach of its dairy derivatives market.

Healthcare tech

Parkinson's trial: Australasian biotech firm Living Cell Technologies' recent A$2.8m private placement to investors including Stephen Tindall, Gary Lane, and Julian Robertson means the company has sufficient funds to complete clinical trials of regenerative cell therapy for Parkinson's disease in the first quarter of next year. If the trial succeeds, LCT's lead product NTCELL will be the world's first disease-modifying treatment for Parkinson's. It has just launched a Phase 11b clinical trial in Auckland, the last step in securing provisional consent to sell the product to patients with Parkinson's next year.

Veterans deal: Pacific Edge has signed a supply deal for its Cxbladder product to the US Veterans Administration, the nation's biggest integrated health care system. The federal supply schedule agreement with the VA means 8.8m veterans enrolled with the system can access Pacific Edge's bladder cancer test.

Patient records: Orion Health Group says its deal to provide its Amadeus platform to Nasdaq-listed Cognizant Group has the potential to triple the number of patients it reaches, boosting a metric increasingly used to value businesses in the healthcare sector. No value was disclosed for the agreement. Currently, Orion software manages more than 90m patient health records worldwide, including 44m in the US, amounting to about 14% of the US population. Its target is to get to 20%.

Painkiller markets: AFT Pharmaceuticals has signed an out-license agreement with privately-owned Swiss drugs company Acino Pharma for its patented combination painkiller Maxigesic. The agreement is to sell all oral dose forms of Maxigesic and Maxigesic 1V in four geographic regions – Saudi Arabia and Yemen, Central America and the Caribbean, Africa, and North Africa and Levant. **Blood tests:** Auckland-based medical diagnostics company **Pictor** has scored its first major commercial deal, signing a licensing and distribution deal for its low-cost blood testing kit. Pictor is now seeking to raise $5m from strategic investors to fund growth.

Earnings season

Energy: Genesis Energy's first-half earnings rose 1.5%, while revenue fell 2% to $1.04b and customer numbers increased 1% to 643,721. Total generation rose 3% to 3,377 gigawatt hours, while the average price received fell 14% to $61.78/MWh. Gas sales to Methanex, a major user, are at close to 'floor' prices in current contracts. **Meridian Energy** first-half profit fell 11% to $104m for the six months ended Dec 31, reflecting financial instrument revaluations, but ebitdaf at $332m was applauded by analysts as a strong result, up from $324m. Meridian has been playing catch-up with its retail tariffs but ceo Mark Binns doubts the market will bear much further increase. Other retailers say the energy component of their tariffs fell last year. Meridian lifted its interim dividend and declared a special dividend of 2.4cps. Auckland electricity and telecommunications infrastructure provider **Vector's** first-half profit rose 16% to $100m. The result reflected gains across its portfolio, with the exception of its gas trading division, which faces the prospect of a writedown in the second-half unless performance improves. **Transpower** will pay a smaller dividend to the govt after the state-owned national grid operator's first-half earnings fell 8.1% to $99m.

Transport and logistics: Air NZ posted record pretax earnings of $457m in its first half, on lower fuel prices and a jump in passenger revenue. The airline plans to spend $2.3b on new aircraft in the next 3 and 1/2 years. Rival **Qantas** reported its best underlying performance in its 95-year history in the first half on higher revenue, cost cutting and lower fuel prices. The Australian airline's underlying profit before tax rose 151% to A$921m. **Freightways** posted a 5.5% gain in first-half profit on strong earnings from its information management division in NZ and Aust. Falling revenue from the rail network and one-off restructuring costs pushed state-owned **KiwiRail** to a net loss for the six months to Dec 31 of $16.2m. Wellington's **CentrePort** lifted first-half profit 48% to $4.6m. Container volumes through the port rose 18%

while log volumes increased 12%. **Port of Tauranga** reported a 9% drop in first-half profit to $38.6m as export log volumes fell and a one-time gain inflated the year-earlier result. Guidance is for flat full-year earnings. **Ports of Auckland** posted a 9.5% increase in first-half profit to $31.6m as it slashed its maintenance bill, while warning a reduction in routes will weigh on the company's revenue.

Ebos, the animal and healthcare company, posted a 19% gain in first-half profit on growth in its healthcare and animal care units, allowing it to declare a bigger-than-expected interim dividend. Net profit rose to $64m. Sales rose 8.3% to $3.38b.

Corporate actions

Taharoa sale: Australia's **Bluescope** has put its Taharoa ironsands mining operation on the market after posting a A$47.1m underlying pretax loss in the first half on its NZ operations, caused by falling global steel and iron ore prices. The Taharoa operations are expected to make an ebit loss of NZ$25m to NZ$30m this year, assuming an ironsands price of US$41 per tonne and an exchange rate of 64 US cents, with ebit breakeven calculated to require US$46-US$47 per tonne in the second half of this financial year. **NZ Steel** has mined ironsands on beaches south of the Manukau Harbour since 1972 and in 2008 failed to sell the operations to Hong Kong tycoon Li Ka-shing's Cheung Kong Infrastructure Holdings. **Discounted offer: Wynyard** offered novel terms to ensure the success of its $30m capital raise after brokerage First NZ Capital as arranger put forward a "commitment" fee from major shareholders which amounted to an additional discount for the sale. The sale is at 85cps and with the commitment fee, reduces to 81.6cps. That's little more than a third of the $2 rate shareholders had agreed in Dec was the bottom of a range the company was allowed to sell shares at. **Takeover target: Diligent Corp** has often struggled to meet US and NZ reporting requirements simultaneously but American investors get the story of the boardroom management software. The company is facing a takeover offer from US venture capital firm Insight Venture Partners, which is offering US$4.93 a share, a 31% premium to Diligent's trading price before the bid emerged. The takeover will succeed on a simple majority and 60% approval by preference shareholders. The governance software app developer posted a 14% decline in annual profit after spending more on marketing and R&D. By contrast revenue rose 20% to US$99.3m and net client agreements rose 30% to 3,900. On Diligent's preferred adjusted ebitda measure, earnings were flat at US$24.3m. **Brierley targets shell:** On the face of it, veteran corporate raider Ron Brierley is angling for a $1.9m profit by offering to acquire cashed-up retailer **Kirkcaldie & Stains**. He would offer $2.75 apiece for shares the board says are worth $3.18 to $3.67. At the annual meeting, Kirk's chair Falcon Clouston said a final decision hadn't been made on selling the shell or liquidating what's left of the business. **Corporate borrowing: Genesis Energy** and **Meridian Energy** have joined corporates selling debt at record low interest rates. Genesis is seeking $105m and Meridian up to $150m. **Higgins takeover:** The **Commerce Commission** will investigate national and regional markets for construction aggregates before ruling on F**letcher Building's** $315m bid for construction firm Higgins Group. The commission's initial assessment was that there was only one potential overlap, for crushed rock aggregates used in road-building and associated infrastructure projects. **Specialist waste disposal:** The competition regulator turned down **Tennex Capital's** application to acquire **San-i-pak**, the family-owned operator of waste plant in Christchurch that mainly services the Canterbury region. It determined the merger would create a South Island monopoly on the treatment and disposal of medical and quarantine waste.

Art auction: NZ Post has put its art collection up for sale. About 50 art works, including by Gretchen Albrecht, John Pule, Fiona Pardington and Robyn Kahukiwa, will be sold through Wellington auction house, Dunbar Sloane. The Pardington photo of Huia feathers has an estimated value of $10-$20,000. A John Pule work will be offered at $30-$50,000, and works by Venice Biennale exhibitor Judy Millar and Gretchen Albrect are expected to fetch up to about $25,000. The collection could fetch $877,000.

Licensing fund managers: Fund manager **Milford Asset Management** could have avoided accusations of market manipulation by one of its managers had a licensing regime been in place at the time, said FMA ceo Rob Everett. Funds management is the last sector to join the new licensing regime, in force from Dec 1.

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