

Peace breaking out between Auckland and Wellington? Page 2

The interim report of the Auckland Transport Alignment Plan is another sign that the country's largest city and central govt are finally aligning on a range of critical issues, with the final version of the Auckland Unitary Plan the largest, due in August. Congestion charging is likely to be a reality within five years, although offsets on other road and fuel taxes are expected.

Maori Party positioning as alternative to Peters Page 3

The Maori Party's 2% showing in the latest Roy Morgan poll may not look much, and it will need to be sustained or bettered to be meaningful, but it's consistent with a good couple of months for a party that is seeking to position itself as an alternative partner in govt to NZ First in 2017.

Silver Fern Farms deal looking shaky Page 5

Unconfirmed Australian media reports suggest Shanghai Maling Aquarius may be pulling out of its proposal to become the controlling shareholder in Silver Fern Farms. If correct, the deal's failure will be another black mark against NZ's foreign direct investment regime and a blow for meat industry restructuring, while handing NZ First and dissident SFF shareholders a win.

Leak inquiry hurts govt's 'go-to' fixer, Paula Rebstock Page 3

The Ombudsman's report into the SSC-ordered inquiry into leaks in 2012 against MFAT restructuring plans land serious blows on retiring SSC ceo Iain Rennie and on Dame Paula Rebstock, one of the govt's most trusted fixers on difficult issues.

Prickly RBNZ Page 5

The Reserve Bank is smarting over public criticism, particularly coverage by international financial news wire Bloomberg, of how it's managed its communication of monetary policy this year.

Transport – as much an issue in Wellington as Auckland Page 3

Every serious candidate in the crowded Wellington mayoral race has transport issues – particularly the Basin Reserve bottleneck and airport connection – as a central plank in their campaign. Govt ministers are becoming bolder in their taunts that Wellington has let half a billion dollars of roading investment go elsewhere, thanks to delays so far.

Brexit – all over bar the shouting? Page 4

As we went to press, there was no official outcome in the UK referendum on EU membership, but UKIP party leader and 'leave' campaign leading light Nigel Farage was conceding the 'remain' camp had won. In the short term, an even stronger NZ dollar is the main local impact.

ATAP – a huge step forward for Auckland

The interim report of the Auckland Transport Alignment Project is a huge step towards a common view about Auckland's future between the Council and central govt. That ought to bode well for joined-up thinking emerging from the final Auckland Unitary Plan, even if **differences in view between the Queen's City and the capital remain on the extent of urban intensification**. That's the one area of contention that appears unresolved in the report, which produces competing 'heat maps' projecting where the forecast 700,000-odd new Aucklanders will settle over the next 30 years as the city breaks through a total population of 2m. The Proposed Auckland Unitary Plan (PAUP) foresees about 50,000 fewer dwellings on the Auckland isthmus than the growth assumptions used for ATAP. "Depending on the outcome of the Unitary Plan, a greater balance of growth towards outer areas will need to be reflected in the prioritisation of investment." **Watch this space as the finalised UP and ATAP final report converge in August.**

Some political commentary has misread the govt's support for congestion charging as a 'U-turn' by the Cabinet, achieved by the efforts of Transport Minister Simon Bridges. Rather, Bridges – supported by John Key, Bill English and Steven Joyce – established ATAP as a vehicle to force Auckland's focus onto the issues that Wellington thought mattered most - congestion and public transport - before it would consider any new charging system for roads. The interim ATAP report also provides no support for toll roads, which the council had previously advocated. Instead, the proposals for congestion charging are being positioned as all about creating 'behaviour change'. No policy work has yet occurred on practical implementation, but when pressed, Ministers expect to offset congestion charging by reducing RUCs and petrol taxes, with a goal of broad fiscal neutrality. **In the absence of proof, many voters will say 'yeah, right' to that, but it is an essential element in making congestion charging politically saleable.** The only hard numbers in the report with an impact on motorists modelled charges ranging from 3c to 40c per km, depending on location and time of day.

Reports suggesting congestion pricing may be a decade away are also off the mark. Indications are that it will start becoming a reality within 5 years, to some extent dictated by the cost and availability of appropriate technology to allow vehicle charging and to convey data to improve traffic flow.

Among key recommendations and findings from the

interim report:

- Early investment in route protection, land acquisition and investments to support Special Housing Areas is critical;
- A second harbour crossing looks inevitable, but will be a tunnel and very expensive. Yet the improved connection between the cbd and North Shore may not relieve congestion much, if at all;
- The existing Harbour Bridge is facing constraints on its ability to handle heavy traffic volumes. Heavy traffic management is envisaged to preserve its useful life. **"There could be substantial economic costs for Auckland and NZ";**
- A north-west bus corridor is a key part of any plan if behaviour change is to lead to greater use of public transport;
- Southern motorway reconfigurations could make a major difference to South Auckland travel times and congestion;
- Car-sharing emerges as a surprisingly strongly advocated approach to reducing traffic.

Perhaps most important is the carefully mounted argument that simply investing more in roads and public transport in the traditional manner would fail to improve Auckland's transport issues long term. That's paved the way for an approach that, if well-executed, has the potential to see the city take advantage sooner rather than later of variable network charging and connected vehicle technology – approaches made possible by emergence of the so-called 'Internet of Things'.

"Pricing is adaptable, can be phased in over time, and changed. Unlike infrastructure investment, it is also reversible if it fails to meet its objectives."

Spanish firms eye Auckland

Comments by the PM in the presence of a group of Chinese investors has led to speculation the govt is thinking again about the merits of an Urban Development Authority, as proposed by the Productivity Commission, to assist coordinated provision of below and above-ground infrastructure required to achieve faster house-building.

However, it appears Spanish as much as Chinese providers are among the large-scale infrastructure developers that are eyeing opportunity in Auckland.

Auckland's Deputy Mayor Penny Hulse has revealed that the Council is looking to one of the foreign partners from whichever of the three shortlisted consortia gets the Puhoi – Wellsford motorway tender to also enter the housing market in Auckland. She says this will pave the way for a significant new

player to enter the market - a player large enough to not only build motorways, but schools, hospitals and many homes. "That may be just the catalyst domestic developers need to up their game and build at the scale Auckland so badly needs," she wrote in The Herald. The Council has apparently already begun negotiations with two of the companies involved in the shortlisted consortia, Ferrovial and Acciona (both Spanish) who are already active in Australia and keen to extend their footprint to New Zealand. Acciona is active in housing across Europe and like most Spanish construction companies has expertise in project finance and public private partnerships.

Maori politics

The latest Roy Morgan poll had the Maori Party rising to 2% support, within the margin of error but consistent nonetheless with a strong few months for the gov't's support partner. The party had a string of wins in the Budget, has **positioned itself as willing to work with a Labour-Greens administration as well as National and is being eyed by all three as a preferable ally in the next Parliament to NZ First.**

As long as it wins one Maori electorate -- co-leader Te Uruora Flavell looks safe in Waiariki -- the party gets seats under MMP. At 2% support, that's 3 MPs and 5 MPs if it can snatch close to 4%. **The party is feeling ambitious about candidate selection.** It's probably a bridge too far, but names being tossed about include former Ngai Tahu head Mark Solomon, who looks more likely to return to tribal governance, and the head of Te Tumu Paeroa/the Maori Trustee, Jamie Tuuta, who is also thought to have plenty still to achieve in his current role. However, **note the ambition.** While Hone Harawira has announced a revival of the **Mana Party, its hard-left position is unappealing to many Maori,** while the damage done by its association with the Internet Party at the last election runs deep. *Note: Maori Party co-leader Maarama Fox has agreed to address our October breakfasts and we will shortly advise dates.*

Knocks for SSC and Rebstock

Former London High Commissioner Derek Leask has won a comprehensive vindication of his career after Paula Rebstock produced an SSC-ordered report effectively blaming him for the leaking of information in 2012 to undermine the restructuring of MFAT. Ombudsman Ron Paterson says Leask is owed a public apology along with expenses and compensation for an investigation that failed to apply principles of natural justice, strayed beyond its brief and simply getting wrong Leask's role. There is no argument that Leask campaigned vigorously against the reforms. The report reveals the then head

of the DPMC, Sir Maarten Wevers, sought a 'Chinese wall' arrangement to shield him from Leask's efforts. However, Leask was not the leak source. The Rebstock investigation was out of control "from start to finish," he now says.

The Ombudsman's report is damaging to the retiring head of the SSC, Ian Rennie and Dame Paula Rebstock, used as a safe pair of hands by successive govts on complex inquiries. While both told the Ombudsman they were "acutely aware of the ramifications for Mr Leask", Paterson found they had produced "a flawed report" that "caused significant damage to Mr Leask's reputation and resulted in serious, unwarranted and adverse professional, personal and financial consequences for" the career diplomat of 40 years, who was High Commissioner in London at the time. Foreign Minister Murray McCully, who ordered the MFAT shake-up, is untouched by the report's findings.

Wellington mayoralty

Jo Coughlan had her brother-in-law Bill English launch her campaign in the crowded race for the Wellington mayoralty, where transport looks to be the defining issue. Also present were two local MPs, Paul Foster-Bell and Brett Hudson, former mayor Fran Wilde and Wellington Chamber of Commerce chair, Peter Cullen. English used the occasion to point out how Wellington has failed to secure available govt funding for roads -- he supports a second Mt Victoria tunnel and a solution to the Basin Reserve bottleneck -- and what a boon that has been for other regional roading projects, where the funds have gone instead. Cullen's appearance was interesting, given that the Chamber has been quietly backing Porirua Mayor Nick Leggett in his campaign to become Mayor of Wellington. That may change.

Paula's problems

Paula Bennett's star has waned markedly in recent weeks.

Once regarded as a possible PM-in-waiting, her stumbles on social housing and homelessness have knocked her self-confidence. She retains powerful Cabinet allies, colleagues, including Bill English, Murray McCully, and Key himself. However, her recent performance won't be inspiring confidence.

NZU carbon at \$18; early Paris ratification in prospect

The price of NZ Units in the ETS is now firmly anchored around \$18 a tonne, with some of that firm tone attributable to comments by Climate Change Minister Paula Bennett that NZ will be under pressure to ratify the Paris global climate change agreement earlier than expected. Major signatories, including the US, are looking to sign this year instead of 2020. NZ needs to sign for access to negotiations on detailed rules, including treatment of forestry. ■

Brexit, TPP and Hillary

Polling stations had closed but there was no result from the EU referendum in the UK by the time HugoVision went to press. However, UKIP party leader Nigel Farage was conceding defeat mid-morning NZT. Short term impacts were already being felt in the currency markets, with the kiwi dollar rising above US72 cents for the first time in a year overnight Thursday.

Even assuming the UK remains in the EU, the Brexit vote has underscored the growing discontent among large sections of developed economies' populations with globalisation and perceived losses of national sovereignty.

Those forces continue to play out in the US, where the prospects for ratification of the TPP trade pact in the year-end 'lame duck' session continue to look shaky. Hillary Clinton's consideration of Elizabeth Warren, who sits well to her Left and opposes TPP, is but one sign of this. Former House Speaker Barney Frank, a strong Hillary supporter, suggests Clinton cannot easily go back on her stated opposition to TPP. "Regardless of the merits ... public anger over the economic status quo has reached a level that will have damaging consequences for our ability to govern ourselves" if it is not given political recognition, Frank said.

Aussie polls still finely balanced

Aust political pundits continue to back a slender win for the Liberal coalition of PM Malcolm Turnbull. But the latest Newspoll for The Australian still shows a very tight race. Published June 20 ahead of the July 2 federal election, it shows a 3.6% swing to the ALP on a two party-preferred basis. That effectively boils down to a 50/50 electorate split.

Translated to seats, the Liberal coalition could expect a bare four seat majority in the House of Representatives, the Aust Lower House.

Chinese sentiment – slightly better

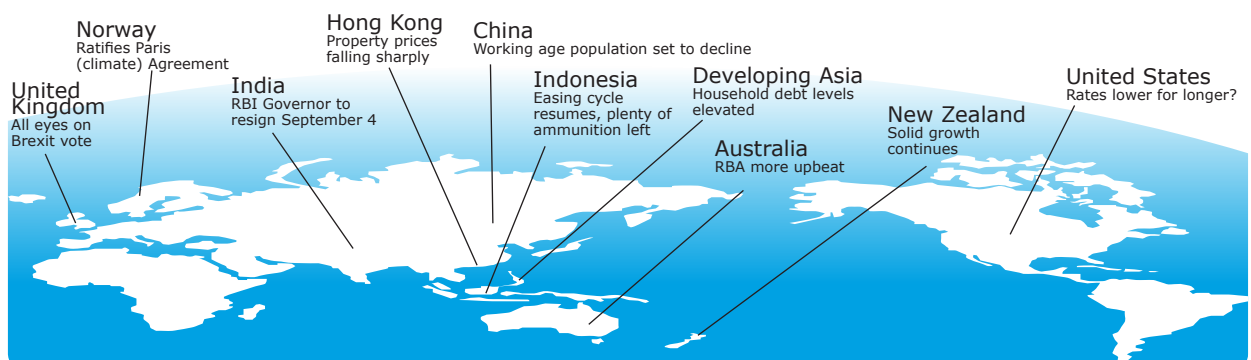
The MNI China Business Sentiment Indicator rose 9% to 54.5 in June from 50.0 in May, its the highest since last Oct, reflecting looser fiscal and monetary policy. However, output and demand indicators remain weak. Production declined 2% to 54.7, new orders were up 0.7% at 55.0 and the financial position indicator rose 1.8% to 51.3, reflecting historically low interest rates and a rise in prices received, even though availability of credit tightened. Current and future employment indicators fell, with the latter now slightly net negative at 49.5, at odds with a strong (6.8 point) lift in the future expectations indicator to 58.3. Overall, activity remains at historically low levels.

Who's best placed in Asia?

Asian economies outside China that depend on exports – Korea, Thailand, Taiwan, for example – are in a rut caused by slow global growth. But three economies with low debt and large internal markets look more promising. HSBC suggests **India, Indonesia and the Philippines** fall into this group. Indonesia has one of lowest total debt-to-GDP ratios among major economies in the world, with the Philippines close behind. India is a little more highly leveraged but exposure is skewed to govt borrowing and a bank balance sheet clean-up is in train. All three economies need are being slow to implement productivity-enhancing reforms and growth rates won't be stellar. "But they already deliver robust growth, at least in the global context, and, much more than elsewhere, the possibility for a positive growth delta still exists."

The outlier in the region is **Vietnam** – highly export-dependent and highly indebted – but still extraordinarily competitive and capable of strong growth. 🇻🇳

The world at a glance



RBNZ sensitive to criticism

The central bank is having a serious internal head-scratch about its communications performance. It's sustained criticism from financial markets about the consistency of its messaging since cutting the OCR against the expectations of many, earlier this year. A Bloomberg report this week, noting the bank now makes far fewer public speeches, appears to have hit some raw nerves

Meanwhile, new RB research has concluded there's been a substantial shift in inflation expectations. They appear to have become "more backward-looking, or at the very least less forward-looking over recent years". The bank is trying to identify influences that have kept inflation "persistently low even as the economy grew faster than its potential and previously slack resources were increasingly being used".

OIO / foreign direct investment

Unconfirmed Aust media reports suggest Shanghai Maling Aquarius, the unit of Chinese conglomerate Bright Foods, is ready to walk away from its JV deal with Silver Fern Farms. Irrespective of the reasons - which could include weak SFF earnings - a failure would throw the spotlight back on NZ's foreign direct investment approvals regime.

Louise Upston, the minister in charge of the Overseas Investment Office, has been conducting a charm offensive with 'stakeholders' in the FDI advisory sector ahead of July 4 regulatory changes the govt

hopes will make the application process faster and smoother. Upston acknowledges there is a 'culture change' project under way at the OIO, exemplified by the appointment of a seasoned public servant, Lesley Haines, as a temporary deputy CEO for LINZ, with responsibility for the OIO. More staff are coming on board in response to concerns about resource shortages, along with a wider mix of skills, Upston says. This includes appointment of an economist to help assess applications. She is also alive to criticism the OIO lacks staff with current commercial experience. Asked whether the current OIO manager, Annelies McClure, may be replaced, Upston said: "I wouldn't have thought so." Reports from the closed door stakeholder sessions suggest Upston, one of the administration's most junior Ministers, has found some of the frankness of critical feedback rather trying.

Immigration topping out?

Statistics NZ reported this week that immigration seasonally adjusted figures showed a net gain (more arrivals than departures) of 5,500 migrants in May 2016. Since reaching a peak of 6,200 in November 2015, the seasonally adjusted net gain in migrants has averaged 5,700 a month. This reflects a declining trend in net monthly gains in migration, they say.

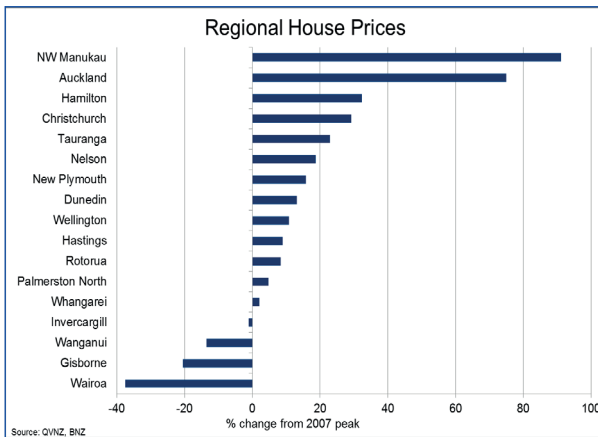
Maybe for that reason, Immigration Minister Michael Woodhouse was resolute when facing the Finance and Expenditure Committee last week in his argument that there was no need to change current immigration policies. 🇳🇿

Trading partner growth

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

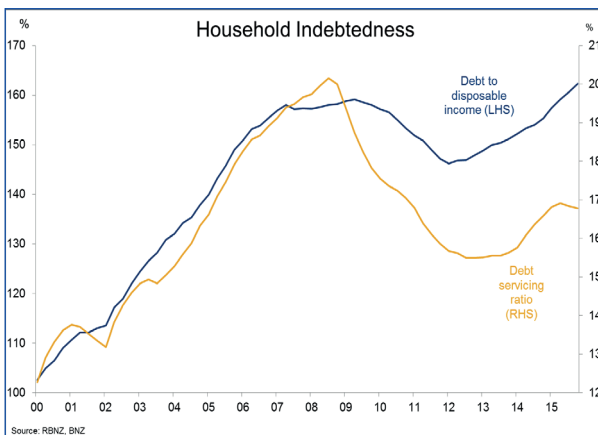
Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	21.9	7.3	6.9	6.6	6.3	6.2	2.0	1.4	1.9	1.8	1.8
Australia	21.0	2.6	2.5	2.9	2.9	2.7	2.5	1.5	1.4	2.3	1.9
United States	14.1	2.4	2.4	1.9	2.3	2.4	1.6	0.1	1.3	2.3	2.2
Japan	7.4	-0.1	0.6	0.5	0.9	0.9	2.7	0.8	-0.1	0.9	1.1
Eurozone	7.6	0.9	1.6	1.6	1.6	1.5	0.4	0.0	0.2	1.3	1.8
United Kingdom	4.1	2.9	2.3	1.9	2.1	2.1	1.5	0.0	0.6	1.6	2.0
South Korea	4.0	3.3	2.6	2.6	2.8	2.8	1.3	0.7	1.1	1.8	2.0
Singapore	2.9	2.9	2.0	1.7	2.1	2.2	1.0	-0.5	-0.3	1.0	1.5
Taiwan	2.7	3.9	0.6	1.2	2.2	2.0	1.2	-0.3	1.1	1.2	1.5
Malaysia	2.2	6.0	5.0	4.2	4.4	4.9	3.1	2.1	2.4	2.8	2.6
Hong Kong	2.0	2.5	2.4	1.3	1.8	2.0	4.4	3.0	2.4	2.0	2.5
Indonesia	2.0	5.0	4.8	5.0	5.3	5.0	6.4	6.4	4.1	4.7	5.0
Thailand	1.9	0.9	2.8	3.0	3.2	2.5	1.9	-0.9	0.5	1.9	2.0
Canada	1.7	2.5	1.1	1.4	2.2	2.1	1.9	1.1	1.6	2.1	2.0
Philippines	1.6	6.1	5.8	5.9	6.1	5.4	4.1	1.4	1.9	2.9	2.6
India	1.6	7.3	7.5	7.6	7.7	7.3	6.0	5.0	5.1	5.1	5.3
Vietnam	1.3	6.0	6.6	6.3	6.6	6.4	4.1	0.6	2.6	4.2	2.9
NZ Trading Partners	100	3.6	3.4	3.3	3.5	3.4	2.2	1.0	1.4	2.0	2.0
Forecasts for New Zealand											
Consensus		3.7	2.5	2.7	2.7	2.9	1.2	0.3	0.7	1.7	2.0
BNZ Forecasts		3.7	2.5	2.7	2.5	2.4	1.2	0.3	0.8	2.0	1.8
The World		2.8	2.6	2.4	2.8	2.7	2.6	2.1	2.6	2.8	2.8

DOMESTIC ECONOMY



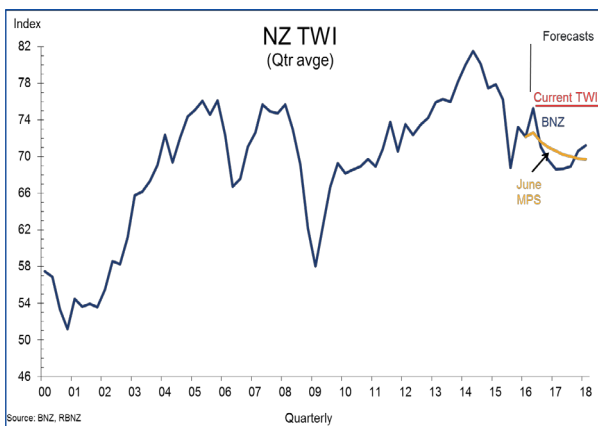
House Prices Ridiculously High

- May REINZ stats show continuing strong annual house price inflation, with a rise in the stratified index of 14.7%, from 14.5% in the year to April;
- Although the Auckland stratified index eased 0.7% in May;
- Wellington house price inflation hit 18.6% in May year (REINZ);
- National house price inflation is running firmly in the teens, bar a few low-growth provincial centres.



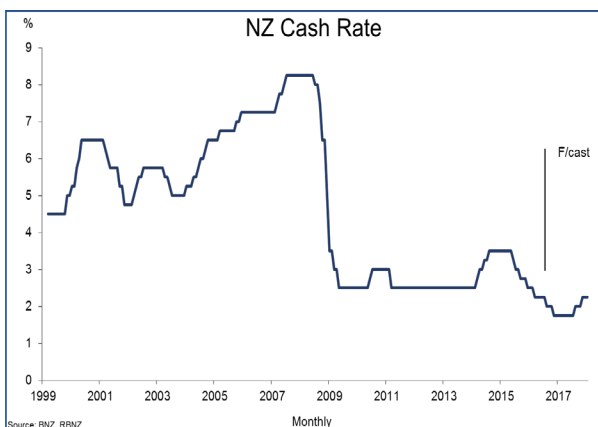
Debt Increasingly Burdensome

- RBNZ satisfied that LVRs have cut bank balance sheet exposure usefully ;
- All Aust-owned trading banks are pulling back lending on NZ residential property;
- Contemplating higher LVRs on investors vs owner-occupiers;
- Loan-to-income restrictions under consideration, but analysis still some months from completion.



NZD Takes Flight

- Robust manufacturing and services sector indices suggest it's hard to argue the NZD is seriously over-valued;
- However, the momentum has remained upward and will likely dominate the RBNZ's thinking as it approaches the August MPS;
- NZD has hit new heights against the USD as opinion firmed that the UK will remain a member of the EU, placing further pressure on the RBNZ;
- However, 125bps of easing to date has little impact



Another Rate Cut – or two?

- Current market pricing is close to 50/50 on an August MPS rate cut;
- Consensus is shifting instead to a further rate cut late in the year;
- BNZ sees 50/50 potential for two rate cuts before the end of 2016, although that call pre-dates the outcome of the Brexit vote. 🇳🇿

Economic indicators

The **Westpac McDermott Miller consumer confidence index** fell 3.7 points to 106 in the June quarter, below the long-run average of 111.5. The present conditions index was down 1.7 points to 110, while the expected conditions index dropped 5 points to 103.3. Meanwhile, the **ANZ-Roy Morgan consumer confidence index** rose to 118.9 in June from 116 in May. The current conditions index gained four points to 122.7, while the future conditions index advanced two points to 116.4.

The **BNZ-BusinessNZ performance of services index** fell 0.9 of an index point to a seasonally adjusted 56.9 last month, with all five sub-indices holding above a reading of 50 which separates contraction from expansion. The **performance of manufacturing index** rose to a seasonally adjusted 57.1 last month from 56.6 in April. That's above the long-term average of 53.1.

The NZ economy grew at a faster pace than expected in the first quarter of 2016 as construction expanded at the quickest rate in two years. Gross domestic product rose 0.7% in the quarter, down from a 0.9% pace in the final quarter of 2015, Statistics NZ said. That's ahead of the 0.5% forecast in a Reuters poll of economists, and the Reserve Bank's 0.6% estimate.

Corporate activity

GFNZ Group, one of the few finance companies to survive its moratorium and repay investors after a string of collapses that began in 2007, plans to revert to its old name of Geneva Finance and carry out a seven-for-one consolidation to boost its share price.

Trilogy International, whose shares have soared 326% in the past 12 months, says its share placement and the sell-down by major shareholder The Business Bakery was "significantly oversubscribed" and the skincare and home fragrance company didn't need support from its underwriter.

James Pascoe, the retail group owned by David and Anne Norman, has lifted its holding in Warehouse Group to 17.5%. Pascoe, whose retail interests include Farmers, Whitcoulls, Pascoes, Stevens, Stewart Dawsons and Goldmark, emerged as a substantial security holder in Oct 2014 before lifting its holding to 16.4% in March 2015 by buying out Aust retailer Woolworths' stake for \$87.1m.

Vital Healthcare Property Trust plans to raise \$160m to pay down debt and give itself more headroom to pursue investments. The trust will sell shares at \$2.08 apiece in a 2-for-9 pro rata renounceable rights offer, manager Vital Healthcare Management said in a statement. Vital Healthcare's biggest investor and management owner, NorthWest Healthcare

Properties Real Estate Investment Trust is to take its full entitlement, worth \$39.3m, and Forsyth Barr will underwrite the balance of \$120.6m.

The courts

The Supreme Court has granted former superyacht builder Ivan Erceg leave to appeal in a long-running family stoush over the fortune of his brother, the late **Independent Liquor** magnate, Michael Erceg. At issue is disclosure over who got what when two trusts set up by Michael Erceg, who was killed in a helicopter crash in 2005, were wound up five years later. Ivan Erceg didn't get a payout when the trusts were wound up. His company, Sensation Yachts, has since been liquidated.

Logic Funds principal Greg Marshall and Aust-based Millinium Capital managing director Tom Wallace are seeking support for a class action by shareholders of software company **Wynyard Group** to recover losses since the share price has plunged following a disappointing annual result and a heavily discounted rights issue to raise cash. Neither is a current shareholder.

PriceWaterhouseCoopers told the Court of Appeal that a litigation funder that became first-ranking creditor to one of property developer Dave Henderson's failed companies was "trafficking" in litigation in the hope of extracting excessive profits from default interest rates on the debt. PwC, which was the auditor for Henderson's Property Ventures, and the company's directors are being sued by the company's liquidator, with the case scheduled for the first quarter of 2018. The accounting firm failed in the High Court to get the action quashed or to get the transfer of the debt to litigation funder SPF No 10 declared invalid. SPF No 10 is owned by Aucklander Phillip Newland.

The former owners of the **Clear Grain Exchange** believed that providing rebates to major buyers would put the business on a stronger financial footing even though they would have eaten through most of the fees generated from trading, the High Court hearing in **NZX vs Ralec** heard. In his brief, Ralec's Dominic Pym said NZX had stopped Clear from being able to encourage growers to sell through the platform by not allowing the rebate. Pym had wanted to give one of the largest grain buyers, Glencore, a rebate of A\$2 per tonne of grain traded for 1mt of grain. Clear's trading fee was A\$2.50 per tonne. Counsel for Mark Weldon, Alan Galbraith QC, said the extra volume "would almost net out" and provide no financial gain.

Banking

Fitch Ratings has kept Kiwibank's AA+ local

CORPORATE ROUND-UP

currency rating on negative watch, pending the outcome of a plan for owner NZ Post sell a 45% of the lender to the NZ Superannuation Fund and the ACC, which would remove an NZ Post guarantee on the bank's liabilities.

Tourism

ASX-listed **Skydive the Beach Group**, which operates Skydive NZone in Queenstown, will expand its footprint in NZ with the \$10.4m purchase of Skydive Wanaka. The Woolongong-based company raised A\$15m in a placement. The deal includes buying the Wanaka operation, a new aircraft, and three luxury coaches to ferry customers between Queenstown and Wanaka.

Tourism Industry Aotearoa, which represents 140 NZ hotels, says occupancy rates hit a five-year high in 2015. The average occupancy rate was 78.8%, up 3.1% on 2014. The average daily rate achieved rose \$12 to \$157, another five-year high. Total revenue for all members rose to \$1.17b from \$1.05b in 2014.

Air NZ has indefinitely delayed the commencement of direct flights between Auckland and Manila, which were to have started in Dec. The decision is blamed on 'administrative delays'. A thrice-weekly service had been planned.

Primary sector

Fonterra CEO Theo Spierings has reshuffled the roles of some of his top managers for the third time in a year. Jacqueline Chow, previously chief operating officer Velocity, has been appointed COO of the newly created global consumer and foodservice segment. Judith Swales, previously managing director Oceania, has been named COO Velocity and Innovation and will manage the cooperative's transformation and disruption agenda, as well as research, development and technology. John Priem, managing director Greater China and Asia, Middle East and Africa, will retire on July 31. More changes loom, Spierings says.

Fonterra is to trial online sales of its Tip Top ice cream brand in China via Alibaba's Tmall platform. Distribution will be handled by specialist frozen products distributor Zhuhai Ice Technology. Tip Top will start selling six flavours of ice cream in two-litre tubs and is considering offering novelty sticks and bulk scoop products.

Dairy product prices were steady at the latest Global Dairy Trade auction, as a decline in whole milk powder offset gains in cheddar and butter amid concern about increasing supply. The GDT price index was unchanged in percentage terms at the previous auction two weeks ago at US\$2,339. Some 23,089 tonnes of product was sold, down from 24,046 at the previous auction two weeks ago. Whole milk powder dropped 4.5% to US\$2,118 a tonne.

The Ministry for Primary Industries says its goal of doubling NZ's primary sector exports by 2025 will require the annual growth in the value of exports to almost triple starting this year. MPI set the target of reaching \$64b in annual exports in 2012. In its latest Situation and Outlook for Primary Industries report, the ministry forecasts primary sector export revenue to rise to \$36.7b in the year ending June 30 and to reach \$44b in the June 2020 year. Minister Nathan Guy is describing the export goal as a 'stretch target'.

T&G Global, the fruit marketer controlled by Germany's BayWa, plans to open an office in Bangkok, its second in Asia after its office in Shanghai, China. CEO Alastair Hubert said the move builds on its joint venture with Zespri "and will be a gateway into the region not only for sales of kiwifruit but other categories as well, notably our popular Jazz and Envy apples".

Tegel, taken public by private equity firm Affinity Equity Partners in April, reported its first annual profit as a listed company of \$11.3m as sales rose to \$582m from \$563m. The company had forecast profit of \$10m and sales of \$581m in its prospectus. The poultry company said it was on track to triple 2017 profit to \$44m on a jump in sales to \$637m.

Media

John Key ruled out a merger between state-owned **TVNZ** and **Mediaworks'** TV3/4 operations. Mediaworks' owner, US investor **Oaktree**, is thought to be examining break-up options, with its **RadioLive** operations more attractive than the TV assets. **APN News & Media** shareholders approved a demerger of the **NZME** assets, which Credit Suisse suggests may leave Fairfax with a stronger hand in negotiating terms of the proposed **NZME/Fairfax** merger. The Commerce Commission announced preliminary issues to consider for the proposed merger. ■