

## Labour – an autumnal spring in the step

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A recent string of successes – the Andrew-Jacinda show, the fiscal and monetary policy agreements with the Greens and a ‘non-loss’ in the Hagaman defamation trial – are combining with a flat-footed govt performance to allow senior Labour MPs to dare to hope for an election win in September.

## The Budget – all the more critical

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Steven Joyce’s first Budget, on May 25, emerges as the best opportunity for a govt reset as the country starts to focus on its electoral choices. Surpluses are running well ahead of forecast this year, meaning scope for generosity may be growing.

## UFB model for local govt infrastructure

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The Ultra-Fast Broadband revolving fund / PPP model is rising to the top of the possible options for helping local govt fund infrastructure investment as the govt grapples with reluctance to take up debt from its \$1b infrastructure fund. Meanwhile, the Auditor-General has criticised councils for underspending their capital budgets.

## That UN vote – McCully acted alone

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Information released to NZ First under the OIA shows Murray McCully arguing he did not need to consult Cabinet when committing NZ’s UN Security Council vote condemning the Israeli settlements policy last Christmas Eve because the timing was bad and the Cabinet was briefed on NZ’s overall stance. Was this an unusually bold act made possible by his looming retirement, a way to curry favour with Gulf States on a stalled FTA, or both?

## The RMA – not dead yet?

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Cross-party support for major environmental and urban planning law should not be equated with a huge departure from the sustainability principles that underpin the current Act. That part of the Act has not changed in the latest, hard-won and flawed round of reforms.

## An optimistic mood persists

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Polling by UMR Research on whether the country is on the ‘right’ or ‘wrong’ track remains strongly positive, which would normally favour an incumbent govt. Latest polling still puts National ahead of Labour-Greens, but Winston Peters and NZ First are firmly in kingmaker position.

## Those water reforms

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The PM’s Science Advisor, Sir Peter Gluckman, hastened production of his report on freshwater quality and policy after the furore created by the govt’s shift from ‘wadeable’ to ‘swimmable’ as a national freshwater body target. He concludes the proposed standards will help.

## Reasons for Labour optimism

Labour has a spring in its step at the moment. While the polls still show the party mired around 30% support, there is now only a gap of 3.8% between the Labour-Greens bloc and National in RNZ's Poll of Polls, compiled by Colin James and using a five poll rolling average. That's a four point narrowing since Feb. That's gratifying for both centre-left parties because one of the most important developments in the last month has been a show of unity on both fiscal and monetary policy.

While there are cosmetic elements to the commitments in both areas and the moves have annoyed activists on the left of both parties, the demonstration of unity and orthodoxy makes it easier for voters to imagine a Labour-Greens govt. It also makes it easier for Winston Peters to imagine dealing with Labour-Greens before National, if the duo poll higher as a bloc than National on election day. Peters's standard post-election behaviour has been to speak first to the party with the most seats.

Also buoying Labour is the early success of the Andrew Little/Jacinda Ardern pairing. Their double act is commanding big crowds in provincial towns and Ardern, while a policy lightweight, is proving a deft producer of on-message soundbites. A political chemistry between the two is also seen as bringing out a less dour Little.

Finally, Labour is mightily relieved at the outcome of the Hagaman defamation case. While the claim never looked strong, Labour insiders were deeply concerned about losing and the potential for a large damages award to harm both Little and party fundraising. While a retrial on his comments against Earl Hagaman may yet occur, it is unlikely to be before the election.

Add in a middling few weeks for the govt and senior Labour MPs are daring to imagine a change of govt.

## The importance of the Budget

As the graphics from UMR Research (*see opposite page*) show, public sentiment remains strongly net positive on the country's direction, which should ensure re-election of an incumbent govt. However, a number of stumbles have created a sense of lost momentum in recent weeks.

Bill English's early flair for the PM's role is giving way to some less than deft public performances and some setbacks. The data breach at Internal Affairs and the Privacy Commissioner's concerns about NGO data collection are both serious blows to the social investment approach, which should be a centrepiece not only of the Budget, but also of

English's particular stamp on public policy.

Elsewhere, English is frustrating his advisers by his propensity to give intellectually rigorous rather than politically useful answers to questions from journalists. For example, at this week's post-Cabinet press conference, he declined to link the Edgumbe floods with climate change, leaving an impression of climate change scepticism that may not have been intended.

However, this is all still shadow-boxing. The next defining election event is Steven Joyce's first Budget, on May 25. Here, the govt has the opportunity to spend down surpluses that are coming in well ahead of forecast. The outturn for the first eight months of the current fiscal year showed a surplus of \$1.41b, against a forecast last Dec of \$498m. The corporate tax take was a big contributor, running \$462m ahead of forecast.

Scope for tax bracket threshold changes to account for fiscal drag, increases to Working for Families entitlements, debt repayment and spending on key areas of policy pain – health especially – are in prospect. The 2014 Budget was a critical turning point for National, which had looked under some threat from Labour at this stage of the cycle three years ago.

## Labour's monetary policy

The Labour monetary policy announcements were heavily hyped but danced on the head of a pin. It has been Labour policy to include employment in the Policy Targets Agreement since at least the 2011 election, while the committee structure for OCR decision-making is significant but rather arcane confirmation of current actual practice.

It was also long-standing Greens policy. The fact that Steven Joyce tried to spike Labour's guns by seeking Treasury advice on committee decision-making shows the govt is paying attention.

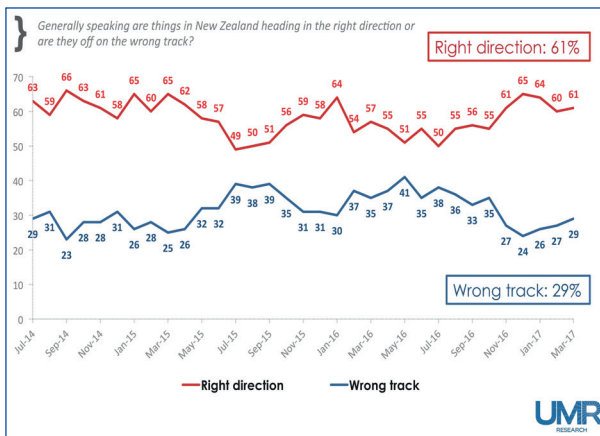
This opens up the possibility that National could put the Act on the table in any negotiations with Peters if it needed to. That would not come as a surprise to the Bank itself, which has been quietly soliciting opinion on what Peters would want from them if he were to form part of the next govt.

On the fiscal front, the Labour-Green commitments to low public debt targets and surpluses through the cycle are conventional and implicitly allow governments to spend up in Keynesian fashion, when appropriate.

While this all annoys some in the activist base, it undercuts the potential for business interests to over-egg fears about the future under a Labour-Greens

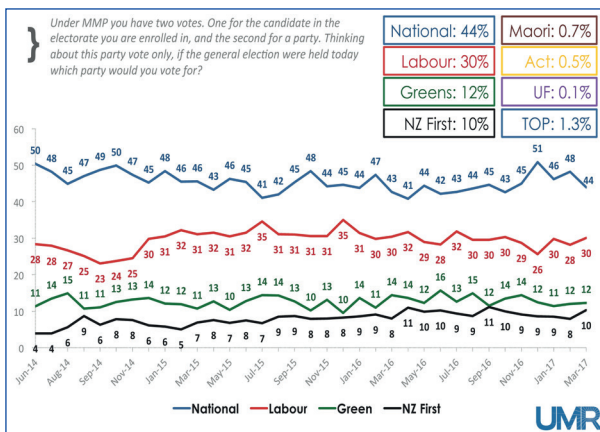
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## POLITICS AND POLICY



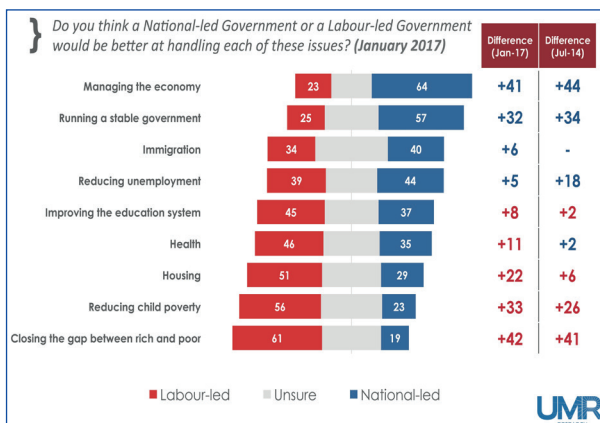
### The mood

- NZ remains a Western economy outlier for the strength of positive views about the future;
- Economic confidence (not shown) at high levels (45%) but well down on 2014 (high-to-mid 50s);
- On its own, favours re-election of a National-led govt/ favours incumbency;
- Leader polling (not shown) puts English at 58% favourability vs mid-30s for John Key on departure;
- English support has fallen 9 points since December.



### The vote – monthly tracking

- Lab-Green combined closing the gap on National;
- NZ First remains king-maker;
- Gareth Morgan's TOP appears for the first time, at equal to Maori/ Act/ United Future combined;
- TOP likely wasted vote – likely to hurt National;
- no published polls replicating Colmar-Brunton's 4% result for Maori Party;
- May 25 Budget shaping as crucial.



### Better party for issues

- Labour dominant on housing – key 2017 election issue;
- But National lead over Labour as preferred economic manager and assessed ability to run a stable govt is almost unchanged from 2014;
- Note: NZ First beats both Nat and Lab on immigration.

	March 2014	March 2017	Difference
Leader fav (National) – net	+25	+28	+3
Leader fav (Labour) – net	-7	+6	+13
Net mood	+32	+32	-
Net Economic confidence	+34	+20	-14
Net standard of living	+24	+23	-1

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### Polling fundamentals – 2014 vs 2017

- Biggest changes are net positives for Labour leader, weaker economic confidence;
- “Time for a change” mood muted, despite National's nine years in office;
- Little's challenge is to make the election about him (a la Lange 1984 and Key 2008);
- Reasonable to assume a small swing for NZ First on polling day vs polls.

### McCully assumed permission on Israel vote

Inquiries by former Foreign Affairs Minister and NZ First leader Winston Peters have confirmed Murray McCully did not consult the PM or Cabinet when he voted NZ's support for UN Security Council Resolution 2334, on Christmas Eve last year.

Res 2334 condemned Israel's illegal settlement programme in the Occupied Territories as an obstacle to the 'two state solution' sought without success since the Oslo Accords in 1993 and 1995, along with acts of violence and terrorism by all sides.

McCully argues the vote was consistent with existing NZ policy, which was more than usually clear because NZ was days away from ending its two-year membership of the UNSC at the time.

The resolution sparked outrage from Israel and its closest allies, including the US and Aust, and Israeli PM Benjamin Netanyahu declared it an "act of war" and withdrew the Israeli ambassador to Israel, who has yet to return to Wellington.

An OIA request from Peters to McCully elicited answers indicating that neither the Cabinet nor Cabinet's external relations and defence committee received any briefings on the vote.

"The specific text of the Resolution tabled in the UNSC by Egypt, which became Res 2334, was not presented to Cabinet because the text of the resolution was received on 22 Dec 2016 and it was voted on in Council, the morning of 24 Dec (both NZT)," McCully says in a late March response to Peters. "During NZ's two year term on the Security Council from January 2015, Ministers were regularly updated on NZ's policy settings regarding situations on the Security Council's agenda, including on the Middle East Peace Process."

That may be so, but the circumstances of the vote's morphing from a proposal from Egypt, which it was monstered out of pursuing by pressure from the US,

to become a resolution supported by NZ, Senegal and Malaysia – all UNSC members at the time – was highly unusual and the fallout for NZ-Israeli relations very high.

It has the feel of a last hurrah act by a Minister whose significant impact on global affairs during the UNSC membership has gone largely unrecognised at home, and one which might also be expected to assist the pursuit of a free trade deal with the Gulf States, which had stalled and become controversial on McCully's watch (think Saudi model sheep farm).

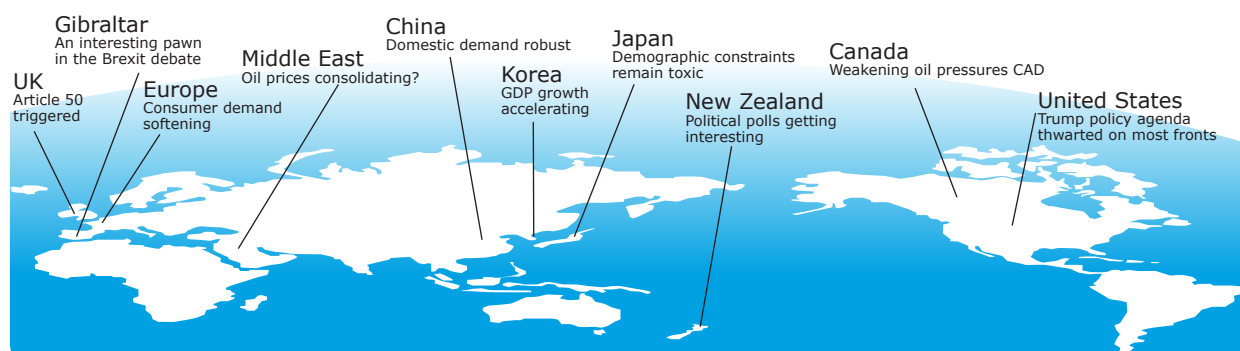
By not consulting the Cabinet, McCully was able both to surprise the left with a 'pro-Palestine' vote to the govt's advantage among urban liberal voters and to advance the country's trade agenda, while giving his Cabinet colleagues deniability.

### McClay getting ready to travel again – waiting for Lighthizer

Meanwhile, Trade Minister Todd McClay is getting ready to travel again after a rare three weeks on the trot in NZ. The Senate confirmation for US Trade Representative-elect Robert Lighthizer is imminent and will be a trigger for talks in Washington DC on the emerging Trump administration trade agenda. A **vigorous new voice in NZ trade circles will be Leon Grice**, returning shortly from a highly successful stint as consul-general in LA. Grice, a former PR man and RWC2011 top executive, schmoozed for his country during **The America's Cup** challenge in San Francisco and returns to run the **NZ-US Council**. Among his opportunities: to differentiate from other established trade policy voices, including China-focused **Stephen Jacobi** at the International Business Council. Grice is due back in July.

McClay is also due in Vietnam shortly for another round of talks among the 11 remaining signatory countries to the **TPP**. Commitment to salvaging something from the failed pact remains, although a way forward has yet to emerge. ■■■

### The world at a glance





## A pause in Auckland

Auckland house prices fell by 0.4% in the March quarter, according to govt-owned Quotable Value. CoreLogic statistics confirmed that trend too, although Colliers reports a rush of completed apartments to help meet demand over the next year.

This looks more like a pause than an end to house price inflation, although the potential imposition of new capital adequacy ratio rules on home lending for Aust banks by their regulator, APRA, is likely to have a chilling effect on the availability of credit in NZ. APRA is conducting a strategic review that effectively asks how safe is “safe as houses?”, given chronic unaffordability.

Meanwhile, there is some serious indigestion causing financial difficulty at many levels in the Auckland construction sector.

Fletcher Building’s \$110m profit warning on two big projects hit by delay and consequent cost escalation are the risk writ large for all property developers, especially those reliant on pre-sales rather than existing equity to fund projects.

Banks are less willing to lend on lightly capitalised projects at present, leading to talk of a “construction bust” in Auckland from economist Shamubeel Eaqub.

His definition of ‘bust’ is not apocalyptic and there are signs consistent with it in the Auckland market now. Barfoot & Thompson and QV confirm sales of \$1m+ homes remain buoyant, with prices still appreciating and accounted for 41% of B&T’s sales in March.

## Tax burdens compared

An OECD report identified NZ as having the second lowest tax burden in 35 developed economies. Australia ranked eighth, although Aust media focused on the tax on average income families being amongst the highest in the developed world. Most heavily taxed are the Belgians, with an overall tax rate of 54% against the lowest-taxing country, Chile, at 7% followed by NZ at 18%, based on tax paid by an average single income worker with no children. The Australian rate was 29%. Ninth, 10th and 11th are the UK and Canada on 31% and the US at 32%. France, ranked fourth most-highly taxed on that criterion, came in at 48%.

## Consumer stress-testing

With consumer sentiment and retail spending a little weaker this year, the BNZ tested for the pain point for the average NZ borrower as they contemplate rising interest rates on very large mortgages. About 17% said they could absorb a fortnightly increase of \$80 without noticing any difference, while only 10 percent said that would be the case with a \$120 increase. Of those, 20% would seek to extend the term of their mortgage to cope with a \$120 increase, which BNZ was reported as describing as particularly concerning. The average size of a mortgage in NZ is currently \$275,000 and two-year fixed interest rates are currently 4.79%. The modelling assumed a 1 percentage point rise in the prevailing mortgage rate. ■

## Trading partner growth

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

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
China	23.7	6.9	6.7	6.5	6.2	5.9	1.4	2.0	2.3	2.3	2.1
Australia	20.8	2.4	2.5	2.6	2.8	2.6	1.5	1.3	2.1	2.2	2.4
United States	13.4	2.6	1.6	2.2	2.4	2.0	0.1	1.3	2.5	2.3	2.3
Japan	7.5	1.2	1.0	1.2	1.0	0.9	0.8	-0.1	0.7	1.0	1.2
Eurozone	7.3	1.9	1.7	1.6	1.5	1.3	0.0	0.2	1.7	1.4	1.6
South Korea	3.8	2.6	2.7	2.5	2.5	2.6	0.7	1.0	1.8	1.8	2.0
United Kingdom	3.7	2.2	1.8	1.7	1.3	1.6	0.0	0.7	2.6	2.7	2.2
Singapore	2.8	2.0	2.0	2.1	2.1	3.0	-0.5	-0.5	1.0	1.3	1.9
Taiwan	2.7	0.7	1.5	1.8	1.9	2.0	-0.3	1.4	1.5	1.4	1.3
Indonesia	2.2	4.8	5.0	5.2	5.4	5.1	6.4	3.5	4.4	4.3	4.6
Thailand	2.1	2.8	3.2	3.3	3.2	3.6	-0.9	0.2	1.6	1.9	2.2
Hong Kong	2.0	2.4	1.9	2.0	2.1	2.5	3.0	2.4	1.9	2.1	2.5
Malaysia	2.0	5.0	4.2	4.3	4.4	4.7	2.1	2.1	3.3	2.5	2.8
Philippines	1.6	5.9	6.8	6.4	6.3	5.8	1.4	1.8	3.2	3.3	3.2
India	1.6	7.6	7.0	7.3	7.7	7.6	4.9	4.7	4.7	5.1	4.8
Canada	1.5	0.9	1.4	2.1	2.0	1.9	1.1	1.4	2.1	2.0	2.0
Vietnam	1.3	6.7	6.2	6.6	6.4	6.5	0.9	2.7	4.4	4.5	3.5
<b>NZ Trading Partners</b>	<b>100</b>	<b>3.6</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>	<b>3.3</b>	<b>1.1</b>	<b>1.3</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>
<b>Forecasts for New Zealand</b>											
Consensus		2.5	3.2	3.2	2.9	2.5	0.3	0.6	1.8	1.9	1.9
BNZ Forecasts		2.5	3.1	2.7	2.5	1.8	0.3	0.6	2.2	2.0	1.8
<b>The World</b>		<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>1.9</b>	<b>2.5</b>	<b>3.1</b>	<b>2.8</b>	<b>2.8</b>

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govt in these two fundamental areas.

Labour and the Greens are also committed to curbing net immigration, making them more attuned to Peters's anti-migrant stance than National. Labour MPs report complaints about immigration – particularly in Auckland where it is seen as stoking chronic housing under-supply – are among the most common they encounter.

## Crown Fibre model mooted for infrastructure

Steven Joyce is looking at the govt's revolving fund approach to the UFB rollout as a model for assisting local authorities who have reached their borrowing thresholds. This is seen as an increasingly urgent priority to speed up infrastructure building in Auckland, in particular, to increase housing construction.

Crown Fibre Holdings was established to manage the govt's \$1.5b investment in UFB and a similar model for infrastructure would allow the Crown to provide funding on a grant, loan or equity basis in partnership with local govt for infrastructure projects.

At the same time, Joyce and Transport Minister Simon Bridges are looking at allowing the creation

of stand-alone entities to finance, build and manage new roads. Not only would the entities be able to partner with any central fund but they would also eventually receive income from both tolls and targeted rates applied to property near the roads which went up in value once the road was built. An early candidate for funding is likely to be the Pennlink road from the Whangaparoa Peninsula to SH1.

This method was used to finance London's Crossrail project. Infrastructure NZ CEO Stephen Sellwood has just led a NZ delegation to look at that project.

All these concepts are consistent with the advice of the Productivity Commission in its final report on urban planning.

## The RMA – not quite dead

While substantial RMA reform post-election is inevitable, note the comments of Environment Court judge David Kirkpatrick at last week's NZ Planning Institute conference. He observed that Part

2 of the Act – the principles section – is unchanged after the latest and 19th round of reform, rammed through Parliament against an Opposition filibuster in the first week of April. "The basis for the RMA is reasonably sound," he said. The NZ Initiative's Oliver Hartwich argues reforming the incentives on urban authorities to encourage rather than fear growth is more important than reforming the RMA – a process likely to take several years.

## The govt and the Maori Party


There has been a subtle shift in the way the govt deals with the Maori Party. While John Key saw the strategic value in having a relationship with the party, English has an emotional investment in the relationship. His long time Maori advisor, Amo Parata, is the sister in law of Cabinet Minister Hekia and the wife of, Selwyn, the CEO of Te Runanganui o Ngati Pouru. English is close to the Parata family, making this a close relationship with one of the most conservative wings of Maoridom, which resonates with English's own personal values. Remember too that English was an early champion of Tariana Turia's Whanau Ora policy, which accords with English's social investment approach and willingness to have grassroots rather than bureaucratic delivery of social services where local organisations can do the job better. All of this explains why he feels comfortable with the Iwi Leaders' Forum and also why he is staring down members of his caucus who have been made nervous by the Whakahono a Rohe iwi participation clauses in the RMA.

## Gluckman endorses water reforms

The PM's Chief Science Advisor, Sir Peter Gluckman, has given carefully worded endorsement to the govt's proposed new freshwater standards, which have been derided by critics who say the adoption of a 'swimmable' criteria hides laxer standards than exist now.

The devil is in the detail and is much related to exceptions to account for storms and unforeseen polluting events.

"The effect of the changes ... is to ensure management that ameliorates continual or repeatable sources of contamination and to force overall and progressive improvements in the safety of the freshwater estate for swimming," the report says.

Gluckman found improving trends nationwide in both urban and rural waterways in the presence of phosphate and ammonia, deterioration on nitrate and total nitrogen, and a mixed picture on visual clarity improvements and E.Coli concentrations. 

### Funding local infrastructure

The Auditor-General is worried too many local govts are underspending on capital renewal. **"Local authorities are carrying out substantially less capital work than budgeted."** This indicates that local authorities might be underinvesting in their assets," the OAG says in a report issued this week. A review of asset funding strategies is on the A-G's agenda.

## Primary sector

**Rabobank** expects prices for dairy commodities to stabilise until 2H 2017 but notes “hesitation” in the market as the uncertain outlook for production, foreign exchange markets and stocks fuels short-term volatility. **Heavy rains across NZ have pushed up the price of NZX whole milk powder futures** as traders anticipate slower grass growth will dent milk production. A **drop in slaughter rates** for lamb has pushed up prices to multi-year highs in export markets. Culling last year to reduce production has seen a slow start to the annual dairy slaughter season too. **Zespri** reported strong interest in bidding for 400 ha of new Gold3 or SunGold variety kiwifruit licences. It received 938 bids of which 235 were successful, returning \$98m. The average size of the successful bids was 1.7 ha. The **Ministry for Primary Industries** released a **scientific definition of manuka honey**, involving four chemicals and a DNA marker, as part of a consultation package on honey exports, saying authentication was “essential to maintaining NZ manuka honey’s premium position in overseas markets.” **Comvita** shares tumbled after the company said it would post an operational loss due to weaker than expected trading and a poor honey harvest in NZ. It expects to report an operating loss of about \$7m in the year ending June 30.

## IT & telecommunications

The **Commerce Commission** is due to issue its reasons for declining the **Sky-Vodafone** merger this afternoon. **TeamTalk** shareholders accepted a bid by Vodafone for the company’s rural broadband provider, **Farmside**, that ends a hostile bid for TeamTalk by **Spark**. The govt’s Computer Emergency Response Team (**Cert NZ**) officially opened as a one-stop shop for information on how to deal with cyber-security issues. Cert NZ will act as a go-between for individuals, govt agencies and businesses both big and small and will be responsible for monitoring, tracking and advising on cyber security incidents. The govt set aside \$22m over a four-year period in last year’s Budget for the project.

## Energy

**Shell NZ** made its first divestment of upstream assets since announcing a strategic review in Dec 2015. It will sell the **Kapuni** oil and gas field and processing assets to Todd Energy. At the same time, the JV **Shell-Todd Oil Services** will be folded into 100% Shell ownership. This will simplify marketing of the Shell majority-owned offshore production fields, **Maui** and **Pohokura**. STOS has existed in various forms since 1955. **Z Energy** has reversed its decision not to hold physical annual meetings in favour of cheaper virtual

ones. Instead, it will hold a hybrid of the two after lobbying from the **NZ Shareholders’ Association**. **Contact Energy** launched high-profile marketing and comms on a range of new offerings replacing **Fly Buys** with the **AA Smartfuel** loyalty programme. **Bathurst Resources** announced a new coal contract to replace the lost supply deal for Westport’s cement works when **Holcim** closed the plant last year. Bathurst will supply up to 65,000 tonnes of coal a year to an unnamed buyer, presumed to be a dairy processor, for up to 10 years from its Canterbury mine west of Christchurch. **NZ Oil & Gas** says potential partners for the deepwater Barque prospect off the Canterbury coast are “studying the data” and the company may be willing to put up more of its own capital if one of them comes on board. MBIE sought charges against three **Greenpeace** protesters, including former Green Party co-leader **Russel Norman**, with offences under law banning protests within 500m of offshore oil and gas activities. The trio swam into the path of a seismic survey ship.

## Financial services and insurance

NZ’s banking sector remains vulnerable to **money laundering** and terrorism financing risks, says the **Reserve Bank**. **Kiwibank** chairman Rob Morrison and deputy chair Rhoda Phillippo resigned at this week’s board meeting. Current director Susan Macken was named as Morrison’s replacement. **Kiwibank shareholders NZ Post, the NZ Super Fund and the ACC are injecting \$247m** of equity to ensure the state-owned bank’s capital stays within the Reserve Bank’s limits. The two events are said not to be linked. **ANZ** has dropped **Mastercard** and will issue only **Visa** product from now on. The chair of **NZ Money Co-op**, which oversees the credit union movement, has resigned less than two months since joining the board. Steve Nichols said someone with experience of the credit union sector is required.

## Metals

Rio Tinto-controlled **NZ Aluminium Smelters** faces a “deeply favourable cocktail” of factors that have returned it to profitability, according to Woodward Partners analysis. The combination of higher metal prices, a lower NZ dollar, low alumina input prices and strong regional premia for NZAS product are behind the shift back into the black, but the smelter owner says electricity remains too expensive to justify restarting its mothballed fourth potline. **Bluescope Steel** has sold the **Taharoa ironsands mining permits** and operation to a JV involving the Maori owners of the land, Taharoa Block C, and private equity interests of its CEO, **Wayne Coffey**, a former industry lobbyist. The sale is a key step in Bluescope’s efforts to make the **NZ Steel** operation sustainable.



## CORPORATE ROUND-UP

## Retirement homes

**Infratil** has sold its cornerstone stake in **Metlifecare** for \$237.9m, generating an annual return of 15.5% over the three-and-a-half years it held shares of the retirement village operator and developer.

**Summerset Group** increased sales of occupation rights at its retirement villages by 41% in the first quarter and said the remainder of the year “looks positive”. Aust private equity firm **Adamantem Capital** has bought into Wellington-based **Heritage Lifecare** in a deal valuing the NZ retirement village and aged-care operator at \$115m.

## Technology and Innovation

Healthcare systems software provider **Orion Health** has had a torrid time after issuing an April 3 downgrade warning on delayed contract signings. Media reports questioned the leadership of founder-CEO **Ian McRae** and made comparisons with the failure of the apparently promising **Wynyard Group**, which designed crime-fighting software and targeted global markets. The shares fell as low as \$1.33, having lost more than 2/3 of their value in the last 12 months. Interests associated with tech billionaire **Peter Thiel** have sold about 1.1m shares in **Xero**, reducing his overall holding to below 5%. **Scott Technologies** posted a 48% jump in first-half profit to \$2.89m and CEO Chris Hopkins says a global drive for increased automation means the industrial robotics firm is in a “sweet spot”. Revenue was \$56.7m, up 32% on the year. **IkeGPS** missed a goal of positive cash flow in the March quarter after Stanley Black & Decker pushed out a large order of the laser measurement toolmaker’s Stanley Smart Measure Pro products.

## Corporate actions

**NZX** acting CEO **Mark Peterson** will take over the reins full-time, effective immediately. Peterson has been acting CEO since Jan, replacing Tim Bennett, and was appointed to the top job on a five-year contract with an option for a two-year extension. **Opus International Consultants** is already seeing benefits from its new business strategy and that momentum has continued into 2017, said chairman Kerry McDonald, who also announced his retirement in the next few months. While the 2016 result was

disappointing there were key elements that were “positive and encouraging,” including in Aust and Canada. **Augusta Capital** has paid a 17% premium to double its stake in real estate investor NPT to 18.9% from 9.3%, putting more clout behind its bid to replace the board and block a deal giving management control to Kiwi Property Group.

**Michael Hill International’s** newly opened stores in Aust and Canada helped drive a 5.5% increase in sales in the first nine months of its financial year. Its jewellery chain sales rose 4.4% to A\$435.6m in nine-month sales, while same-store gained 0.8% to A\$411.5m.

## Courts and regulators

Two former **Canterbury Employment Recovery Authority** employees have been referred to the **Serious Fraud Office** after an investigation by former Solicitor-General Mike Heron. Former CERA staffers Gerard Gallagher and Simon Nikoloff had a conflict of interest when they set up a private company to participate in a business deal while participating on the other side as employees of the govt agency and may have broken the law, Heron found. A person has pleaded guilty in the Auckland District Court to a single charge of **insider trading** after an employee of **Eroad**, the logistics software developer, texted confidential company information to a former staffer who then traded 15,000 shares. The other person involved faces one charge of insider trading. **Property Brokers** and its director Tim Mordaunt have been ordered to pay penalties totalling \$1.5m for colluding with other real estate agencies to make vendors foot the bill for advertising property on an auction site. US wine fund manager **Charles Banks** could be removed as an owner of NZ’s **Trinity Hill** winery if he is found not to be of “good character”, says the Overseas Investment Office. It noted Banks has pleaded guilty to a federal wire fraud charge in the US. Former **Feltex Carpets** shareholder Eric Houghton’s lawyer has argued in the Supreme Court that the failed company’s 2004 prospectus wasn’t valid because it contained untrue statements about its sales prospects. Patricia Mills for Houghton is seeking leave to appeal to the **Supreme Court**. She said the invalid prospectus meant Feltex wasn’t entitled to offer securities to the public and should pay the money back. ■