

## Not even Winston knows yet

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The reality is that NZ First has yet to have a serious internal debate about which of many options for govt formation represents its best opportunity not only to have impact in the next parliamentary term, but to secure its future after the departure of its founder, Winston Peters.

## Arithmetic before policy

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A key element of NZ First's decision-making is missing – the final election result. Unless special votes deliver one or two more seats to parties of the centre-left, NZ First is almost forced to choose a tie-up with National.

## Options for govt formation

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The exact nature of the relationship between NZ First and its partner or partners in govt can take many forms, many of which NZ has experienced in the wake of previous MMP elections, and in fact, in the first-past-the-post era as well.

## Water tax electorates – Labour's vote up

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It became fashionable to talk of a widening urban-rural divide during the election campaign, caused by Labour's pursuit of a water tax that would have its greatest impact on irrigators. Yet in the electorates most exposed to its impact, Labour's party vote not only held up, but improved significantly in 2017.

## NZ First policy alignment

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Winston Peters is an old-style conservative with an economic nationalist agenda, but his party's policies and caucus lean left and align more clearly with Labour's than with National's.

## Grand coalition backfires in Germany

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Frustrated observers of NZ's post-MMP election coalition dance sometimes wish that a so-called 'grand coalition' of like-minded, essentially centrist political parties could be formed. For a clear lesson in the political danger of that strategy, look no further than the German federal election.

## Ministers find jet fuel failure eye-opening

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Whoever becomes govt, the transport fuels industry should expect scrutiny and pressure for capex to improve resilience in the supply of jet fuel to Auckland airport. The pre-election timing incensed senior Ministers, who judged the NZ arms of global oil companies to be "little more than shelf companies" in terms of their crisis response capacity.

## NZ First's internal decision

The timeline to the formation of a new govt is fairly clear. Negotiation in earnest cannot begin until Saturday Oct 7, when the final vote count is known. **All parties expect to see seats change hands, with at least one or two moving to the Greens or Labour.**

Winston Peters consistently cites **Thursday Oct 12 as a deadline for concluding negotiations**, being the day the Writs are returned to Parliament and the election result officially gazetted. There is **no indication as to when a Cabinet would be announced.**

In the meantime, the parliamentary arithmetic for centre-left combinations is a barrier to negotiation.

Election night totals give a **Labour-led combination 61 seats, or a two-seat majority. That is almost certainly too slender**, especially compared with the 68 seats (including Act), that a **National/NZ First combination could muster – a thumping 16 seat majority.** Only if the centre-left majority improves to four or six seats would NZ First realistically consider going left, in our view.

In the meantime, we expect there will be back channel conversations between party operatives in an attempt to at least rough out how various coalition agreements could look, but that **the most significant activity will be a debate within NZ First itself.**

The table below shows what that debate will centre on: whether to support a very strong parliamentary majority for a National-led govt, supported either in coalition or on confidence and supply, or a relatively weak, three-way Labour-led administration.

Note also that if there were a shift of three seats to either the Greens or Labour, those two parties would be balanced against the National Party with 55 seats, and NZ First and its nine seats able to choose between two equally balanced options. In this scenario, Act is irrelevant because there is no deal to be done that includes both NZ First and Act.

As Peters himself pointed out, there are some nine combinations theoretically possible, and it will require a final vote count to clarify which have a prospect of delivering the Treasury benches.

## Implications of Labour vs Nat-led govts

A National-led govt involving NZ First would be **unlikely to pursue major policy change**, although Bill English might attempt faster action on housing and the expansion of the social investment approach, in response to the message from voters that housing affordability and inequality are central political issues. **NZ First would seek differentiating policy wins/victories** over National, since it would assume the need to be able to demonstrate bona fides for coalition with a likely Labour-led govt post-2020.

A Labour-NZ First-Greens govt would likely be **more activist, interventionist, and unpredictable** (see *policy alignment item, p4*).

## Why not National-Greens?

The National Party would welcome overtures from the Green Party. Bill English is being forced to work with Winston Peters on sufferance.

### Labour's problem

	Election night		1 seat shifts left		2 seats shift left		
	left	right	left	right	left	right	
National		58		57		56	
Labour		45		45		45	
NZ First		9		9		9	
Green		7		8		9	
Act		1		1		1	
Totals	61-59		68-52	62-58	67-53	63-57	66-55
<b>Majority</b>	<b>2</b>		<b>16</b>	<b>4</b>	<b>14</b>	<b>6</b>	<b>11</b>

National's problem – the unexpected disappearance of the Maori Party + United Future

But it is a step far too far for the Greens, who see in such a tie-up the potential to be wiped out as the Maori Party has been. It feels sure it would lose a large chunk of its already diminished support base to Labour, even if it could make policy gains for the environment. Its party consultation requirements would almost certainly kill such an initiative stone-dead, assuming it was ever even proposed.

Note that much of the push for this otherwise attractive notion started with National Party sources and is being talked down by Green supporters as a ploy to create leverage with NZ First.

James Shaw has emphatically ruled out working with National since election night. He means it. The Greens, in this guise, are therefore hostages to the fortunes of the Labour Party, which would happily swallow them if it could, and to the potential for a better-organised, more slickly led TOP party to attempt in a future election to play a centrist, but Green role.

Note that, for now, **TOP founder Gareth Morgan is undecided on whether to continue with the project.** Without his deep pockets, it's difficult to see TOP returning in 2020, but the potential for a rationalist, green party willing to partner with either left or right has been demonstrated. At 2.2% support on election night, TOP supporters wasted their votes, but it might have performed better with fewer of the boorish blunders that turned off urban liberal and particularly women supporters attracted to TOP's fresh thinking. An Act-style electorate seat accommodation, ruled out at this election, may now look an attractive option although for which seat is not obvious. **Act is probably finished in 2020.**

## What does Winston want?

There are as many theories about this as there are armchair pundits. Expect him to have an unexpected demand. That could be to be made PM, but at 9% support, that seems a stretch.

What he craves most is respect, according to Jim Bolger, who was the first PM to cut a coalition deal with Peters under MMP.

On balance, our judgement is that the NZ First caucus leans further left than Peters, who is an old-

## Govt formation – the options

Since the mid-1990s, even before the first MMP election in 1996, NZ has had various types of minority or coalition govt, including:

- Minority govt – the governing party has no majority, requiring horse-trading on every piece of controversial legislation (1993-96 – pre-MMP);
- Confidence and supply agreement – policy concessions for support, but no portfolios given to the supporting party (2002-05);
- Confidence and supply agreement – policy concessions for support, ministers outside Cabinet (2005-08, when Winston Peters held the foreign affairs portfolio but was a minister outside Cabinet);
- Full coalition – policy concessions, ministerial portfolios shared (1996-99).

Note that although Winston Peters was sacked from Cabinets in 1993, 1998 and 2008, he has never precipitated an early election. While MMP govts are typically somewhat constrained in their capacity to pursue the lead party's policy agenda, they have tended to be stable and capable of going their full term.

school conservative, economic nationalist. However, one of the issues for NZ First to consider is that its vote dropped prior to the election as voters went 'home' to Labour, suggesting much of its remaining support base is former National Party voters.

NZ First also aware of the potential for Labour to try to further cannibalise its support base – one of the main reasons Labour is relaxed about forming a govt with the party, especially as Peters's retirement at some stage in the next electoral cycle is likely and the party will face challenges to grow beyond a political machine based around its charismatic founder.

## The urban-rural divide – myth or reality?

Much has been written about the opposition of the farming community to Labour's water tax proposals, and the issue became a theme in campaign reporting.

However, the policy's author, David Parker, points out that Labour's party vote in rural electorates most

Party vote	Rangitata		Clutha-Southland		Waitaki		Selwyn		Tukituki	
	2014	2017	2014	2017	2014	2017	2014	2017	2014	2017
Nat	20,108	18,221	21,964	19,556	22,658	21,163	22,809	22,716	18,680	17,190
Lab	8064	11,467	5036	7712	7162	11,614	4654	9652	8205	11,320
Green	2715	1085	2647	1322	4386	1933	3910	1947	3078	1620

Note: 2014 totals are final count; 2017 totals are election night count

exposed to the proposed levy of 1-to-2 cents per cubic metre was far stronger than in 2014.

To be fair, Labour's gains in the **Selwyn, Rangitata, Waitaki and Clutha** electorates were more at the expense of the Green rather than the National Party, although all in four electorates National's total party vote was lower than in 2014.

A similar trend is observable in **Tukituki**, where the abandoned Ruataniwha water storage project was a major issue.

**Comparisons are in the table on page 3.** These results don't indicate Labour was onto a winner in those electorates with its water tax, but does indicate a significant proportion of those electorates unfazed supportive of a policy attacking river pollution by farming.

## Labour-NZ First alignment looks stronger than Nat-NZ First

If the parliamentary arithmetic looks feasible, the personality and policy alignments between NZ First and Labour look considerably stronger than with National.

On the personality front, there is undoubtedly considerable friction between Peters and several senior National MPs, exacerbated by his belief that a Minister was behind the leak to media of his pension overpayment during the election campaign. However, there are reasonable relationships with others and good relationships exist between lower ranked MPs in both parties.

While part of John Key's reason for stepping aside was that he didn't believe he could strike a deal with Peters, there is no reason to believe that Peters would not deal with National, for the right deal or if the numbers dictate it.

Defence Minister Mark Mitchell has friendships across the NZ First aisle and, of course, Shane Jones is arguably in better odour with National than

Labour after his stint as Pacific fisheries ambassador.

However, NZ First's relations do appear to be stronger with several Labour MPs. David Parker, for example, genuinely enjoys Peters and credits himself with having got Peters to back Labour's emissions trading scheme legislation in 2008 – albeit that's a policy NZ First now opposes.

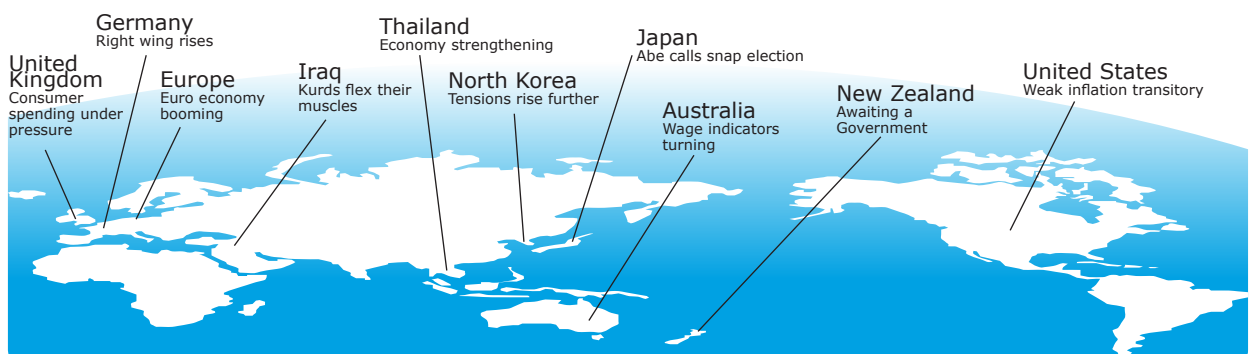
**The biggest gap is in the absence of any rapport between Peters and Jacinda Ardern.**

The **NZ First alignment with Labour, if not so much Green**, policies is marked. Areas of broad agreement include:

- Monetary policy – although Labour would not support NZ First's desire for exchange rate targeting, they agree on widening targets from inflation alone and on monetary policy decision-making by committee. Note that National is likely to support the latter too;
- Labour relations – surprisingly aligned: raise minimum wage; Living Wage for govt employees; same position on parental leave; abolish youth rates; NZ First opposed Nats' pay equity legislation;
- Industry policy – activist regional development; r&d tax credits; pro-rail, with Labour willing to consider moving Auckland port activity to Whangarei;
- Trade and investment – both support greater restrictions on foreign ownership of NZ land; preserve sovereignty by opposing investor-state dispute settlement provisions; both otherwise support negotiating new trade agreements;
- Immigration – cut immigration rates sharply;
- Housing – greater state support for housing;
- Age of entitlement for superannuation remains at 65;
- Pike River mine re-entry.

Where they are most misaligned is arguably on Maori rights and interests, charging for water – albeit both want to charge royalties on bottled water – and climate change policy. 🇳🇿

## The world at a glance



## German voters flirt with the hard right

European elections over the last year have tended to confound predictions that the kind of populism unleashed by the Brexit and Trump votes in the UK and US would prove transferable.

The Dutch and French elections, in particular, were notable for failing to give mandates to hard right-wing political movements. It was hoped the same might prove true in Germany, where threats to long-serving chancellor Angela Merkel were seen to both right and left. The challenge from the left evaporated, but the hard right Alternative for Germany has won up to 88 seats in the 630-seat Bundestag – the first time it has gained representation.

The outcome is, if nothing else, **a lesson in the dangers for coalition partners of engaging in ‘grand coalition’ arrangements.** The centre-left Social Democratic Party, previously in coalition with Merkel’s centre-right Christian Democratic Union, has opted to become the main party of Opposition in the current term, having been mauled at the polls.

## Trump tries for tax cuts

US president Donald Trump has outlined plans for corporate and personal income tax cuts that represent his next attempt at a legislative victory after a string of defeats. He is proposing the corporate tax rate be cut from 35% to 20%, below the OECD average of 22.5%, and to reduce tax on non-US earnings. The personal tax code would be simplified from seven

brackets to three, set at 12%, 25% and 35%.

## Fed starts QE unwind

US Federal Reserve chair Janet Yellen has signalled that the Fed will not wait for the emergence of full-blown inflationary pressure before responding and has signalled a start to unwinding the US\$4.5 trillion of bonds issued under the quantitative easing programme undertaken in response to the prolonged impact of the 2008 banking crisis on the US and global economy. She warned against “moving too gradually” on monetary policy despite “significant uncertainties” over inflation. Market commentary suggests the QE unwind will take place over three years and that the stock of remaining Treasuries will still be substantial, at around US\$3.3 trillion. Despite the devastation caused by Hurricanes Harvey, Irma and Maria, the Fed expects their damage to have little impact on aggregate output or the outlook for monetary policy settings.

## Australia normalising at last

RBA Governor Philip Lowe is signalling an **improving outlook for the Aust economy**, although conditions don’t justify an interest rate hike for “quite some time”, he said in remarks in WA on Sept 21. The RBA seems happy to lag the global rate cycle for now, although the improving domestic outlook is likely to see the RBA hike rates in 2018. **Higher global rates in time will also flow through to Aust but the RBA has “considerable independence” on timing.** ■

## Trading partner growth

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

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
China	23.7	6.9	6.7	6.7	6.4	5.8	1.4	2.0	1.7	2.1	2.4
Australia	20.8	2.4	2.5	2.2	2.8	2.6	1.5	1.3	2.1	2.3	2.4
United States	13.4	2.6	1.5	2.2	2.4	2.1	0.1	1.3	2.0	1.9	2.3
Japan	7.5	1.2	1.0	1.6	1.2	0.9	0.8	-0.1	0.5	0.8	1.2
Eurozone	7.3	1.9	1.8	2.1	1.8	1.4	0.0	0.2	1.5	1.3	1.7
South Korea	3.8	2.8	2.8	2.9	2.7	2.3	0.7	1.0	2.0	1.9	2.1
United Kingdom	3.7	2.2	1.8	1.6	1.4	1.5	0.0	0.7	2.7	2.6	2.3
Singapore	2.8	1.9	2.0	2.6	2.3	2.3	-0.5	0.7	1.1	1.4	2.0
Taiwan	2.7	0.7	1.5	2.2	2.1	1.7	-0.3	1.4	0.9	1.4	1.2
Indonesia	2.2	4.9	5.0	5.1	5.3	5.1	6.4	3.5	4.0	3.8	4.6
Thailand	2.1	2.9	3.2	3.6	3.4	2.9	-0.9	0.2	0.6	1.3	1.8
Hong Kong	2.0	2.4	2.0	3.3	2.5	2.3	3.0	2.4	1.7	2.4	2.3
Malaysia	2.0	5.0	4.2	5.4	4.9	4.3	2.1	2.1	3.6	2.4	2.5
Philippines	1.6	6.1	6.9	6.5	6.3	5.9	1.4	1.8	3.1	3.4	3.1
India	1.6	7.9	7.1	7.0	7.5	7.4	4.9	4.5	3.5	4.5	5.1
Canada	1.5	0.9	1.5	3.0	2.1	1.9	1.1	1.4	1.6	1.9	1.9
Vietnam	1.3	6.7	6.2	6.4	6.3	6.3	0.9	2.7	3.6	4.3	4.3
<b>NZ Trading Partners</b>	100	3.6	3.4	3.6	3.6	3.2	1.1	1.4	1.9	2.0	2.3
<b>Forecasts for New Zealand</b>											
Consensus		2.5	3.1	2.6	3.1	2.8	0.3	0.6	1.8	1.7	2.0
BNZ Forecasts		2.5	3.0	2.6	3.1	2.6	0.3	0.6	1.9	1.8	1.9
<b>The World</b>		3.0	2.5	3.0	3.1	2.8	1.9	2.5	3.0	2.9	3.2

## DOMESTIC ECONOMY

## Pipeline break focuses Ministers on resilience – again

Senior Ministers were never going to be happy about an unanticipated failure of the pipeline delivering aviation fuel to Auckland International Airport.

Having it happen in the week before a general election caused particular angst. Senior ministers were most concerned at the apparently limited capacity of the local arms of global oil companies to respond to such a crisis.

They had been revealed as “little more than shelf companies”, said one. Expect demands for upgraded resilience, at the industry’s expense, irrespective of who leads the next govt.

**NZ Refining** said the impact of damage to the pipeline between the refinery and the Auckland depot will be less than anticipated. It now expects to miss out on \$8-\$9m of pipeline and refining income after the disruption versus a prior estimate of \$10-\$15m.

## Fiscal stimulus outlook

Depending on the stripe of the govt eventually formed, next April’s tax cuts and associated family and accommodation assistance improvements will go ahead or be substantially amended.

The form of any amendment could have significant impacts within the domestic economy, simply because the legislated redistribution will be of greater benefit to higher income savers and discretionary spending, while a package aimed to lower income households will likely spur spending on essential and non-discretionary items.

At an aggregate level, however, the existing drivers of economic activity are unlikely to be derailed by whatever result the election throws up, at least in the short term, although a centre-left outcome is likely to be reflected in a knock to confidence among international investors. Many will be taking that lead from an expected fall in confidence among trade-exposed, larger NZ businesses, which are unlikely to welcome a less predictable govt. Among SME owners, attitudes are likely to be more mixed.

Rural sector confidence could expect to take a further knock if a centre-left govt is installed, as the sector can expect faster and more extensive policy action on agricultural greenhouse gas emissions and policies relating both to charging for and improving the quality of freshwater resources.

## The skills shortage

More than 100 companies signed an open letter stating tertiary qualifications are not required for

a range of roles within their workplaces and the focus during recruitment will be on assessing skills, attitudes, motivation, and adaptability of applicants. The open came from the so-called Strategic Insights Panel, a group of 30 senior business leaders from NZ companies who have set a goal to help double gross domestic product per capita growth from 1.5% to 3% by 2021.

## Economic indicators

The **trade deficit** was \$1.235b in Aug, little changed from the \$1.24b deficit in Aug last year but ahead of the \$968m average monthly deficit in Aug over the last five years. Exports of milk powder, butter and cheese declined and imports of crude oil and petroleum products rose.


**Annual net migration** rose in Aug, with increasing numbers of foreign immigrants outpacing the number of NZers leaving the country. Net migration reached 72,100 in the year to August, up 3,000 on the same period a year earlier. Three-quarters of the record 132,200 migrant arrivals were non-NZ citizens, while 1,500 more NZers left the country than returned in the latest year.

The **economy expanded in the second quarter** in line with expectations as export and domestic demand underpinned growth although output in the construction sector continued to weaken. Gross domestic product expanded 0.8% in the three months to June 30, up from a revised 0.6% expansion in the March quarter and was 2.5% higher on the year.

The **current account deficit** narrowed in the second quarter as the services balance slid, while the annual deficit continued to widen. The deficit was \$618m in the three months to June 30 versus a revised first-quarter surplus of \$221m. The annual deficit was \$7.5b, or 2.8% of GDP.

## Confidence measures

The **Westpac McDermott Miller employment confidence index** rose 0.4 points to 113.8 in the September quarter, the highest level since before the global financial crisis in 2008, with the present conditions index up 1.9 points to 115.7 while the employment expectations index dropped 0.6 points to 112.6. A net 25.3 % of employees expect a pay rise over the coming year, down 3.2 points.

Political uncertainty sparked caution in Sept with business confidence falling to a net zero reading where there are as many pessimists as optimists and its lowest level in two years. The ANZ Business Outlook survey reading fell from a net 18.3% of firms that expected general business conditions to improve over the coming year in Aug. 

## Primary sector

**Fonterra** posted an 11% decline in full-year profit to \$745m as margins fell across its ingredients and consumer and food service divisions, and it took an impairment on Beingmate Baby & Child Food. Sales rose to \$19.2b from \$17.2b while cost of sales climbed to about \$16b from \$13.6b. Rising prices offset a 3% decline in volumes at 22.9b LME.

The **Tatua** dairy cooperative lifted full-year operating revenue 16% as global milk prices improve to generate earnings of \$114m on group operating revenue of \$335m and a payout for its 114 shareholder farmers of \$7.60 per kg/MS before retentions and tax. That compares with \$289.3m revenue, \$99.8m in pre-tax revenue and a payout of \$6.41 per kg/MS in the previous year.

The company process more than 200m litres of milk annually from some 37,000 cows, although total volume was down in the last financial year because of a wet spring.

By contrast, **Westland Milk** expressed disappointment with a \$1.5m profit for the latest financial year, despite that representing a turnaround from a \$10.3m loss the previous year. The coop managed a payout to its 342 farmer shareholders of just \$5.18 per kg/MS, well short of competitors. It is targeting a payout in the current year of between \$6.40 and \$6.80 per kg/MS. Revenue rose 7.1% to \$629.7m despite total milk volumes falling 6% to 699m litres. Selling, distribution and administration expenses fell 9.6% to \$107.8m while other costs of sales dropped 18% to \$153.8m, reflecting a cost-cutting drive to return Westland to a competitive position.

**Synlait Milk** is to establish a research and development centre in Palmerston North to drive new product development, process technology and packaging. The company is partnering with Massey University and FoodPilot, which is located at the university's Palmerston North campus and houses the largest collection of pilot-scale food processing equipment in the southern hemisphere.

**Dairy product prices rose** at the Global Dairy Trade auction, increasing for the third time in seven auctions, amid stronger-than-expected demand for whole milk powder. The GDT price index rose 0.9% from the previous auction two weeks ago to US\$3,368. Some 34,117 tonnes of product was sold, up from 33,501 tonnes at the previous auction. Whole milk powder increased 0.6% to US\$3,122 a tonne and butter rose 1.2% to US\$6,026 a tonne.

**Fonterra's GlobalDairyTrade** platform, which has moved more than US\$20b in dairy products since launch in 2008, plans to broaden its offering and is

expanding its services by hosting its first multi-seller pool which will offer US-sourced lactose products during the GDT auction on Dec 5. The participating companies are Agropur, Hilmar Ingredients and Valley Queen Cheese.

Fonterra named **Marc Rivers** as chief financial officer, a position he currently holds at Roche Pharmaceuticals in Switzerland, and said he will take up the job on March 1 next year. Rivers will take up the CFO position left vacant when Lukas Paravicini was transferred to the position of chief operating officer, global consumer and food service, in June.

**Silver Fern Farms** expects a mixed season, with beef and lamb prices expected to drop as more supply becomes available while venison prices will remain strong. The new season begins on Oct 1. Silver Fern CEO **Dean Hamilton**, who resigned in July and will leave at the end of the year, said store stock markets for beef "appear over-heated" and current prices reflect a supply shortage which is typical at this time of year.

**Alliance Group** has bought Singapore-based marketing and sales company **Goldkiwi Asia** for an undisclosed amount. The two companies have worked together for more than 25 years, with Goldkiwi Asia key in building the meat exporter's presence in China and South East Asia.

**Zespri** has named global president of sales and marketing **Dan Mathieson** as its new chief executive. Mathieson first joined Zespri in 2003.

**NZ structural log prices edged up** to the highest level in more than two decades as mills compete with the export market to secure supply for the local construction market. The price for structural S1 logs lifted to \$128 a tonne this month, from \$127 a tonne last month and is 21% higher than the five-year average, AgriHQ says. The S1 structural log price is at its highest level since April 1994.

## Resources

**BT Mining**, the Bathurst Resources-Talley's Group venture that acquired coal mines from the receivers of state-owned **Solid Energy**, expects to earn between \$65m and \$82m from the assets in 2018 and could earn more because of gains in coking coal prices. It aims to reduce the freight-on-board cost of coking coal from Stockton by \$20/tonne to \$80/tonne "as insulation against low prices".

## Corporate actions

**Rifa Jair Company**, a unit of Zhejiang Rifa Holding Group Co, plans to make a full takeover offer of Airwork Holdings, buying the 25% it doesn't already own for \$5.20 a share, a 21% premium to the price it last traded before the announcement.

## CORPORATE ROUND-UP

**Future Mobility Solutions**, the company formerly known as Sealegs International, has agreed to buy US boat-maker Willard Marine for US\$6.9m. The deal will be funded from internal resources and debt, and is subject to shareholder approval.

### Capital markets

The **NZX** wants a more streamlined marketplace that's easier and cheaper to use for listed issuers and able to accommodate a broader range of products in its favoured proposals to change the bourse's listing rules. Submissions are due by the close of business on Nov 17.

The **Financial Markets Authority** is stepping up its enforcement of people misusing the financial services provider register, which continues to generate the most complaints to the market watchdog. The regulator has been cracking down on the FSPR in recent years, kicking off firms that signed up to it even though they weren't providing services in NZ. The issue for the FMA is that being on the register has been touted as akin to a licensing regime by some foreign firms, even though it isn't.

### Energy

**NZ Windfarms** chair Rodger Kerr-Newell told shareholders at their annual meeting that the next govt should revisit the structure of the electricity market, which he says is stacked against the expansion of wind generation. It was becoming harder to turn a profit in the wind sector in a market where the large generator-retailers were facing a smaller decline in wholesale prices than wind farms while also enjoying higher retail prices.

### Construction and infrastructure

**Fulton Hogan** lifted annual profit 6.5% to \$179.6m as the privately-held civil construction firm benefited from a growing infrastructure spend across the nation. Revenue rose 8.5% to \$3.6b. The board declared annual dividends of 64c per share, up from 62c in 2016.

**Fletcher Building** said it has hired **KPMG** to review four major projects to bolster governance in its construction division. The company said KPMG is reviewing its two biggest projects in the B + I construction division and the two largest projects in its infrastructure business "to augment existing governance processes". The construction company has also begun to refresh its board with the departure of two directors and says it wants their replacements

to have construction and contracting experience. Director **John Judge**, who is chair of the board's audit & risk committee, will end a nine-year tenure at the company's annual meeting next month and **Kate Spargo**, who joined in 2012, will retire immediately.

### Courts and regulation

**Westpac NZ** is suing the ex-wife of convicted Lane Walker Rudkin fraudster Ken Anderson for being a party to the fraud and is seeking damages of \$50.8m. The lender claims Patricia Anderson either defrauded it, or was part of a conspiracy to defraud it, by signing documents she knew were false in securing a \$2.5m letter of credit facility, which masked the financial strain the clothing manufacturer was under.

Sacked **Fuji Xerox NZ** managing director **Gavin Pollard** claims he's been made a scapegoat by the Japanese parent over the unit's dodgy accounting and overpayment of sales commissions and is fighting to get his job back. Pollard's bid for an interim reinstatement ahead of a full hearing in the Employment Relations Authority was turned down by authority member Vicki Campbell in a Sept 4 determination.

The liquidators of the failed **Mainzeal** group of companies will face off in court with the building firm's directors next year in what's scheduled to be a six-week hearing. Liquidators Brian Mayo-Smith and Andrew Bethell of BDO said the six-week hearing scheduled to start on Sept 3 2018, is backed by a third-party litigation funder.

### Retailing

**Topshop** and **Topman** in Auckland and Wellington will close by Sunday after receivers couldn't find a buyer for the retailer. Top Retail, which operates NZ's two Topshop and Topman branded stores, was tipped into receivership on Sept 7 due to the prospect of mounting losses. The Aust Topshop operations were placed into voluntary administration in May.

**Kathmandu** annual profit rose 14% to \$38m as sales grew in NZ and Aust, and it reduced debt. Sales rose 4.6% to \$445m. Online sales accounted for 7.5% of all sales, while same-store sales gained 6.9% in Aust and 3.6% in NZ. **Warehouse Group** beat its annual profit forecast after a better-than-expected second half, and kept its full-year dividend payout unchanged for a third straight year. Adjusted profit fell 7.7% to \$59m in the 52 weeks ended July 30, ahead of its forecast for \$54-\$58m. ■