

PM cements an unassailable position

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PM Jacinda Ardern's strong political instincts ensured a Waitangi weekend that will be remembered not only for its goodwill and the absence of protest, but also the unified spirit it engendered. Next year's reception will depend on progress on poverty reduction, Northland regional development, and progress on a Ngapuhi Treaty settlement.

Crown-Maori relations – subtle tensions

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The Iwi Chairs Forum became accustomed to having the ear of the previous National-led govt and is still adjusting to a Labour/NZ First administration that regards it as having an inflated view of its own importance.

Public sector wages in focus as Budget prep continues

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Finance Minister Grant Robertson's biggest fiscal headache is the expectation in parts of the public sector – the education and health sectors in particular – of large pay increases under a Labour-led govt. The issue overlaps with pay equity claims. Defence capex is also high on his list of complex challenges.

Northland rail link

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NZ First is determined to make a new rail link to Northland, including Northport, a top priority. A panel of experts to study the proposal is due for announcement shortly. Connection through the Auckland isthmus is cited as a barrier, but Peters is focused on connecting Northland to the rest of the country, not just the largest city.

James Shaw vs his grassroots

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Green Party co-leader James Shaw faces a testing few weeks ahead of the April 9 deadline to choose a female co-leader. While he clearly supports fellow moderate and minister outside Cabinet, Julie Anne Genter, grassroots support may lie more with activist and Metiria Turei defender Marama Davidson.

DIRA review

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Little-noted was the announcement just before Christmas by Agriculture Minister Damien O'Connor that the new govt will conduct a further review of the dairy sector and may propose its own further reforms to the Dairy Industry Restructuring Act. Just what the review seeks to achieve remains opaque, although terms of reference are due soon.

Obama visit

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Former US president Barack Obama still looks likely to visit NZ briefly on a private trip in mid-March, with plans for a huge gala dinner in Auckland. However, pre-emptive media leaks have jeopardised the plan.

Waitangi Day – a political triumph without policy

Gushy media coverage of the mood at the Waitangi Treaty grounds last weekend reflected two things: the almost palpable **outpouring of goodwill towards the Prime Minister** – note, not necessarily her govt but a very strong personal connection with crowds attending – and the **absence of anything more substantive to report**.

Jacinda **Ardern proved again her almost instinctive capacity to read a political moment**, from the decision to spend five days on what amounted to a ‘listening tour’ of the Far North to her finely judged speech from the porch of the Waitangi meeting house, to her willingness to go off-script and host a sausage sizzle for the public in the Treaty grounds.

Ngapuhi leaders insisted the peaceful, positive vibe throughout Ardern’s five day visit was partly about avoiding another nationally embarrassing weekend for the tribe. However, the change of govt and affection for the PM was a huge part of the formula. **A returned National-led govt would not have expected or experienced the same goodwill**.

Whether the unifying sentiment is enough to push Labour above National in the next round of political opinion polls remains to be seen, but it underpins **National Party polling that suggests Ardern is in an unassailable position as PM**, but that support for her wider coalition administration is far from bullet-proof.

Over time, **charisma alone will not be sufficient** to hold the govt together, especially as the success at Waitangi appears to have allowed perennially critical commentators to the left of Labour to unsheath their keyboards after a period of restraint. The tenor of that commentary is that: the govt is more talk than action; its recent labour reforms do no more than set the clock back to before National came to office in 2008; the rebranded **CPTPP** agreement is a betrayal of pre-election rhetoric; and the govt’s budget responsibility rules are a handbrake on a truly progressive agenda.

Ardern’s rhetoric was notable also for its concentration on the govt as the solver of poverty. The role of a stronger economy and regional economic development was notably absent from her unscripted comments to media.

Crown-Maori relations

The new positivity at Waitangi is being talked up as evidence of a **new era of Crown-Maori relations**.

However, that relationship is more at the macro level of Maori voters’ growing certainty that they were right to turn back to Labour at the last election.

The **relationship between the new govt and key figures in Maoridom remains a work in progress**.

The most obvious case in point is the relationship with the **Iwi Chairs Forum**, which gained a degree of access and mana with the National-led govt but **continues to rub both Labour and NZ First up the wrong way**.

Whereas National went out of its way to praise the forum as an efficient, focused platform for engagement with national Maori leadership, the **word out of the new Beehive is that the ICF needs to learn some humility** and has got away for too long with low quality thinking backing some of its more ambitious demands – particularly relating to Maori rights to freshwater.

There is simply **no enthusiasm for a freshwater settlement with Maori**, whether at a national or on an iwi-by-iwi basis. The politics is too difficult, not only with other water users – particularly farmers – and that section of the electorate opposed to Treaty settlements, but also with iwi themselves.

However, the **potential for the promised levy on bottled water exports may yet run up against court claims that such a charge indicates the Crown asserting some degree of water ‘ownership’**.

Officials have been hosing down comments to media from Ardern early in Waitangi week suggesting water was a key issue for discussion. However, the issue will get traction again in public next week when Waitangi Tribunal hearings into freshwater claims resume.

And govt reluctance does not stop senior Maori wanting the issue to move forward.

In a media briefing at Waitangi, ICF chair **Maahia Nathan** said Maori had “tino rangatiratanga” over water, implying more than just the “stake” that Ardern acknowledged earlier the same day.

What senior **Beehive insiders stress** – and they apply this also to the stalled and fractious Ngapuhi Treaty settlement process – is that **many claimants confuse the tribunal process with the settlement process**. While the tribunal rules eventually and in depth on individual claims, of which there are myriad, the Crown is most interested in reaching settlements involving cash, assets and apology based on the established formula relating to the extent of land and other resource losses, and tribal size.

In Ngapuhi’s case, the outline of a settlement worth around \$250m is clear. However, the lack of a single claimant with mandate to negotiate is a major stumbling block. This govt is no more interested in a ‘Balkanised’ settlement with Ngapuhi than the last. Treaty Negotiations Minister **Andrew Little** may need to spell that out soon.

The ICF was also politely but firmly put in its place by the PM's Office, which reacted poorly to the forum's invitation to meet over Waitangi weekend. The letter is understood to have read more like a command than a request. Instead of three hours, the PM devoted two hours and strictly limited presentation time from ICF representatives to one hour. As a result of the first two presenters running wildly over time, most of the presentations did not occur.

Ardern then made a point of stopping in on a delegation of Maori youth leaders, whose appearance at the meeting had been dropped because of the shortened timeframe.

The view among senior ministers and their advisers is that the ICF achieved a status with the previous govt that did not reflect either the quality of its thinking or the coherence of its agenda and the insistence by some iwi leaders that they meet only with ministers rather than senior officials is being rebuffed. In this area, there is considerable alignment with NZ First's hostility to the forum.

Public sector wage claims – Robertson's biggest headache

Finance Minister **Grant Robertson** is nominating public sector wage claims as his biggest fiscal headache as he starts to bed down Budget 2018, which will be delivered on Thursday, May 17.

Primary and secondary school teacher unions, **NZEI and PPTA**, warned last Oct, before the new govt was formed, that they would seek increases of up to 14.5% and were willing to strike to achieve what would be a historically large pay increase.

The **NZ Nurses Union** last year initiated a pay equity claim for its 27,000 members.

Women are the majority of employees among both teachers and nurses, and ancillary workforces supporting both the public education and health sectors. While the previous govt passed legislation making it difficult for a repeat of the \$2.4b pay equity settlement reached with aged care sector workers, the Labour-led administration will unpick that and is expecting a report from a review group on pay equity by the end of the month.

The potential for ambitious wage claims from sections of the public service where many core Labour voters are employed is enough of a challenge for Robertson, but the **potential for those claims to be conflated with a pay equity settlement complicates matters**. He is seeking ways to formally decouple the two issues, which are currently running in tandem, with some cross-over.

Also high on his list of problematic spending

demands is the **defence budget**, especially in light of the **frosty relationship the new govt has established with the Australian govt**, following Jacinda Ardern's pursuit of a deal to bring 150 refugees in Aust detention centres to NZ. Aust has long regarded NZ as a defence free-loader and seriously believes Ardern's open-door comments will only add to ADF costs of patrolling the country's maritime borders for sea-borne illegal migrants.

If NZ is going to add to that problem, the pressure will be all the greater for an increase in defence spending, whereas Labour's pre-election fiscal plan implied that defence capex could be de-prioritised. This is a **classic source of tension between its coalition partner, NZ First and Defence Minister Ron Mark, which is sympathetic to defence claims for investment, and the Green Party's antipathy to defence spending**. Aust is particularly focused on the plans for replacing or upgrading the RNZAF's maritime surveillance capability, currently fulfilled by the ageing P3 Orions.

Meanwhile, Treasury Secretary Gabriel Makhoul told the finance and expenditure select committee he was confident the Budget would stick to Labour's Budget responsibility Rules, including reducing net Crown debt to 20% of GDP by 2022.

Makhoul said public sector ceos "are going to have to be ready to support Ministers in reprioritisation decisions or making sure evaluations of policy proposals are made extremely carefully and extremely well".

"But the Government will have to make some tough choices."

Green Party co-leadership

If the photo opportunities are anything to go by, the Greens only current leader, **James Shaw**, is **backing his fellow minister outside Cabinet, Julie Anne Genter, to be his co-leader rather than grassroots representative and Metiria Turei fan Marama Davidson**.

Davidson announced her candidacy in Auckland over Waitangi weekend, with Shaw nowhere in sight, while Genter launched her bid at Parliament on Thursday with Shaw at her side. The juxtaposition neatly exposes the **fault-lines that have still not healed inside the Green camp between those who supported Shaw when he cut Turei loose over her benefit fraud disclosure and those who saw that as an act of betrayal against a brave social justice warrior**.

2018 CEO Retreat

The sixteenth annual CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 16 to lunch on Saturday, August 18**.

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

Mark your calendar now.

Davidson has made clear she sees her lack of a ministerial position as key to her ability to represent the rank and file of the Green Party and hold her senior colleagues with ministerial warrants accountable for the deals it does with the coalition govt.

Genter, by contrast, is clearly a safer choice for Shaw, who is also facing some dissent from caucus newcomers **Chloe Swarbrick** and **Golriz Gharaman**, and possibly the more seasoned and sidelined **Gareth Hughes**.

For a sense of the dynamic, compare Shaw's recent 'State of the Planet' speech, where he stressed a need for the Greens as support partner to the govt to **"call everyone in rather than calling them out"** with Davidson's assertion that she will continue to support action in the streets against govt policies such as the recast TPP agreement.

Said Shaw: "We have to beat swords into ploughshares and make friends of our enemies. I know that there will be many on our side who, with justification, will say, 'they had their time – it's our turn now and time to look after our own, as they looked after theirs'. That is understandable, and tempting. But it is not sustainable.

"If we succumb to tribalism over inclusion we will continue down the same path we're currently on, creating different groups of winners and losers until our social fabric decays under the wear and tear of partisanship. Some of our oldest and closest friends internationally are illustrating just how badly that ends."

Davidson: "I have a role to play to uphold being outside the executive ... to uphold the story of the Greens' independent voice. I would be best placed to uphold and negotiate through the difficulties that will be the Greens trying to maintain their independence and a proactive, progressive independent voice for the very communities, networks and values that we have always stood for."

Genter, now in her third term as an MP: "I believe that

the opportunity of being both co-leader and a minister will raise the profile of our Green Party message, values and ideas to a much wider group of NZers."

Davidson has been touted as the party favourite and appears beside Shaw on the party's website landing page. The contest worries the Beehive, which would also be uncomfortable with Davidson's radical brand of politics and endorsement of direct action as a co-leader.

A decision is due on April 9.

National Party leadership

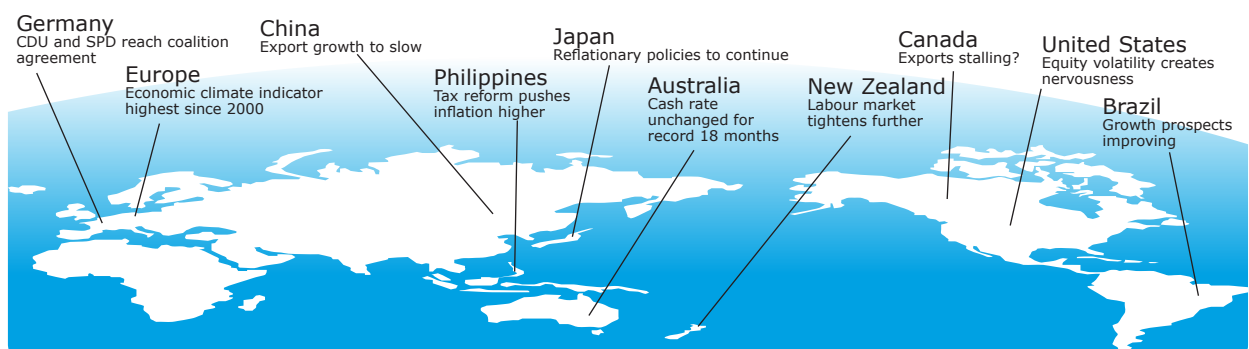
Both **Jonathan Coleman** and **Mark Mitchell** are likely to stand for the National leadership when Bill English retires. As we posited in the last edition of HUGOvision, we see **no immediate likelihood that English will be ousted**, but also no likelihood that he will lead the party into the next election.

Conventional wisdom suggests a move against deputy leader **Paula Bennett** – a John Key protégé who has failed to meet expectations as a 'retail politician', especially when pitted against Jacinda Ardern – or against **Steven Joyce**.

A Coleman bid would be a creature of the former health minister's ego rather than any real likelihood that he might lead National to an election victory. He has coveted the role for years despite a lacklustre ministerial record. He stood unsuccessfully in Nov 2016 after John Key stood down. His platform is criticism of the current parliamentary leadership. Mitchell, a former soldier and private security contractor, is a lesser known quantity, and sees himself as a John Key type leader who could unite the party's various factions. He is also a long-shot compared to **Nikki Kaye**.

This week's two-day National Party caucus in Tauranga had not concluded before HUGOvision went to press, so smoke signals from that meeting are unable to be assessed in this issue. It appears some longer-serving National MPs, including Chris Finlayson, are considering leaving Parliament early.

The world at a glance



Road, rail or both for Northland?

Buried by the rapturous coverage of the PM's triumphant tour of the North over Waitangi weekend are **some signs of tension between Labour and NZ First over regional infrastructure plans for Northland.**

Asked at Waitangi whether things would be so sweet next year if there were no progress on upgrade rail links to Northland, Peters told reporters: "We're going to see a railway to the north here, all the way to Northport." **Peters is assembling a panel of experts to advise on the upgrade to both the Northland and Gisborne-Napier lines.** Membership is close to being announced and **KiwiRail ceo Peter Reidy was in the Beehive this week meeting Peters.** The Greens are enthusiastic, but numerous attempts to seek comment from Transport Minister **Phil Twyford** have met with silence.

While it appears broadly agreed that repairing the line to Whangarei and extending it to Northport is achievable both physically and fiscally, there is considerable disagreement about how to connect the section between Oakley and Wiri, which is assumed to require an expansion of the rail corridor through the most crowded parts of Auckland.

Also over the weekend, **Shane Jones** met with regional mayors to discuss **four-laning the whole of the Auckland-Whangarei highway.** How this fits with timing of a rail upgrade is unclear, but it appears local govt would have to stump up for a substantial portion of that cost, while the rail link

is NZ First's and Jones's key priority. **The Greens remain opposed to the four-laning plan,** arguing that the money could be spent much more cost effectively dealing with Auckland's transport problems.

Coalition communications

Deputy PM **Winston Peters's** announcement of two all-weather race courses when he opened the Karaka Yearling Sales caused some alarm in the Beehive. His speech notes only referred to one course but he ad-libbed a second. Though Grant Robertson tried to wish it away as a budget bid, it appears there is so far nothing on paper from Peters. **The Labour leadership worry that this is how he could operate when he is Acting PM,** governing by instinct rather than due process. There is already discussion and planning under way to try and prevent that from happening.

Obama visit

Former US president **Barack Obama's** expected to visit to NZ around March 21 has been jeopardised by leaks to the media. Dismissive comments from Winston Peters have apparently also not helped. Peters's antipathy towards **John Key,** whose personal friendship with Obama has been critical to the ex-president's plan to visit, was on show when he commented on both the "going rate" for an Obama speaking engagement and that he would be more impressed if Obama had visited when he was still president. ■

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	26.2	6.9	6.7	6.8	6.5	6.3	1.4	2.0	1.6	2.2	2.2
Australia	20.3	2.4	2.6	2.3	2.7	2.7	1.5	1.3	2.0	2.1	2.3
United States	12.5	2.6	1.5	2.3	2.7	2.4	0.1	1.3	2.1	2.1	2.1
Japan	7.6	1.2	1.0	1.8	1.4	1.1	0.8	-0.1	0.5	0.9	1.1
Eurozone	6.7	1.9	1.8	2.3	2.2	1.8	0.0	0.2	1.5	1.4	1.6
South Korea	3.6	2.8	2.8	3.2	3.0	2.8	0.7	1.0	2.0	1.9	2.0
United Kingdom	3.3	2.2	1.8	1.7	1.4	1.5	0.0	0.7	2.7	2.6	2.2
Taiwan	2.6	0.7	1.4	2.6	2.4	2.2	-0.3	1.4	0.6	1.3	1.3
Singapore	2.3	1.9	2.0	3.4	3.0	2.7	-0.5	0.6	0.6	1.0	1.5
Malaysia	2.3	5.0	4.2	5.8	5.3	5.1	2.1	2.1	3.9	2.8	2.8
Indonesia	2.1	4.9	5.0	5.1	5.3	5.4	6.4	3.5	3.8	3.6	3.8
Hong Kong	2.1	2.4	2.0	3.7	2.8	2.6	3.0	2.4	1.6	2.3	2.1
Thailand	2.1	2.9	3.2	3.9	3.8	3.6	-0.9	0.2	0.7	1.4	1.6
Philippines	1.6	6.1	6.9	6.7	6.5	6.4	1.4	1.8	3.2	3.6	3.5
India	1.6	7.9	7.1	6.6	7.4	7.6	4.9	4.5	3.5	4.7	4.7
Vietnam	1.6	6.7	6.2	6.5	6.5	6.2	0.6	2.7	3.7	4.3	4.3
Canada	1.5	0.9	1.4	3.0	2.1	1.8	1.1	1.4	1.6	2.0	2.0
NZ Trading Partners	100.00	3.8	3.6	3.9	3.9	3.7	1.1	1.4	1.8	2.1	2.2
Forecasts for New Zealand											
Consensus		2.5	3.0	2.8	3.0	2.9	0.3	0.6	1.9	1.8	2.0
BNZ Forecasts		3.5	4.0	2.9	2.9	2.9	0.3	0.6	1.9	1.6	2.0
The World		3.0	2.5	3.2	3.3	3.1	1.9	2.4	3.4	4.6	2.8

DOMESTIC ECONOMY

Monetary policy

Thursday's monetary policy statement from the Reserve Bank maintained its modest tightening bias, but the timing for an increase in the Official Cash Rate is still far off. To underline the point, the central bank published the same OCR track as it did in November, with no increase before Feb 2020, although a rise early in 2019 cannot be ruled out.

The bank again acknowledges there "are substantial upside and downside risk to the projections" that may mean interest rate hikes are further postponed. It reduced its near term CPI inflation forecasts recognising both the weaker-than-expected Dec ¼ out-turn and a stronger-than-anticipated NZD. Consequently, the Bank is not expecting annual CPI inflation to hit 2% until the Sept quarter of 2020.

Labour market statistics released this week for the Dec ¼ showed a 4.5% unemployment rate, compared to the bank's belief that the non-adjusted inflation rate of unemployment is "in the vicinity of 4.7%" and is forecasting a further fall from the current rate.

The seeds of a communication problem loom for the incoming governor, Adrian Orr, whose first full MPS will be delivered on May 10, a week before the Budget. If both CPI and GDP results are lower than currently forecast, a **push for rate cuts could grow**.

Meanwhile, the **Treasury** expects the annual pace of inflation will slow further in Q1 as year-earlier petrol prices roll out of the equation and the government's 'fees free' tertiary education policy comes into effect.

Mixed messages on wages

Despite the labour market looking as tight as a drum, the evidence remains mixed on any flow through to wage pressure. The Labour Cost Index for the Dec ¼ came in 0.1% under expectations, despite the unemployment rate being slightly lower and employment growth slightly higher than forecast.

At 71%, labour market participation remains the third highest in the OECD.

Competing measures are providing some food for thought. The Quarterly Employment Survey found a 3.1% annual increase in average hourly ordinary-time earnings, against the trend in the LCI at 1.9% (although the LCI printed 3.6% unadjusted).

Note that NZ's average hourly wage rate in Q4 2017 was \$28.60, low by developed world standards, making the current minimum wage of \$15.75 an hour one of the highest in the world relative local pay rates. The increase to a \$20 an hour minimum wage by 2022 should, in theory push general wage rates unless that gap is to keep on closing.

Housing and real estate

Residential building consents rose in calendar 2017 to their highest level in 13 years. While stand-alone houses continue to represent the lion's share of new builds, total consents slipped 1.4% to 21,022, while consents for apartments and townhouses surged. A total of 31,087 new dwellings were consented in 2017, up from 30,066 consents in 2016 and marking the highest level since 2004's 31,423 new consents.

Apartment consents rose 35%, totalling 3,239, while consents for townhouses, flats, units and other dwellings rose 11% to 4,875, a 23-year high. Retirement village unit consents were almost unchanged at 1,951.

QV's monthly house price index showed a 3.8% increase in nationwide residential property prices in the 3 months to Jan 31, for an annual increase of 6.4%, or 4.7% after inflation adjustment. Auckland region property showed a 0.7% lift in the three months to Jan. Residential property value growth across the Auckland Region increased 0.7% in the year to Jan and 1.6% in the last three months. When adjusted for inflation, values dropped 0.9% over the past year.

Immigration

Net migration in calendar 2017 remained high at 70,600, although down on the 71,200 recorded in 2016 and the annual peak of 72,400 in the July 2017 year. A net 71,100 non-citizens arrived in 2017 while a net 1,000 NZers left.

While arrivals of non-NZ citizen migrants increased to 99,300, there was also an increase in those leaving the country after earlier migrating here. Chinese migrants were the largest group of new arrivals, at 9,300 net terms, down 10% on 2016.

Confidence

Consumer confidence rose in Jan, ending its slide since the Sept election. The **ANZ Roy Morgan consumer confidence index** rose to 126.9 in Jan from 121.8 in Dec. The current conditions index rose 8.1 points to 131.3, the highest level since 2007, while the future conditions index gained 3 points to 124. The latest, privately published **UMR right track/wrong track poll**, taken last week, shows no change in the right track reading of 65% in Dec, although 'wrong track' has risen from a historic low of 17% to register 22% this month.

Credit rating

Standard & Poor's has affirmed NZ's 'AA' sovereign credit rating, saying the new government's plans to lift spending will be a bigger contributor to growth in the future, but are funded through cancelled tax cuts. ■

Primary sector

Agriculture Minister Damien O'Connor has outlined his plans for a broad review of the dairy sector and **Fonterra's** enabling legislation, saying NZ's "biggest and best company" shouldn't take for granted the advantages it has through legislation. He plans a fresh bill to ensure **Dairy Industry Restructuring Act** provisions on Fonterra don't expire this year and won't proceed with some relaxation of conditions in a DIRA amendment bill progressed by the former National govt. Terms of reference for the review, which needs to be agreed by the Cabinet, will be released "soon" and he hopes the review will be completed within 12 months.

Open Country Dairy generated more than \$1b of revenue last year but payments for milk rose faster than receipts from customers and profit fell. Profit was \$23m in the year ended Sept 30 from about \$62m a year earlier. Sales rose 34% to \$1.1b while cost of sales gained about 44%.

Dairy farm fund **Southern Pastures LP**, which took a quarter stake in **Lewis Road Creamery** last year, will link with **Westland Milk Products** as a supplier from the 2018/19 season and with plans for a high-value product joint venture. Separately, Westland cut its forecast milk payout for this season.

Dairy product prices rose at the **Global Dairy Trade** auction, rising for the third straight time, as buyers stocked up in anticipation of easing output. The GDT price index climbed 5.9% from the previous auction three weeks ago. The average price was US\$3,553 a tonne. Some 22,197 tonnes of product was sold, down from 23,319 tonnes three weeks ago. Whole milk powder rose 7.6% to US\$3,226 a tonne.

MPI has avoided a legal stoush with NZ **beekeepers** over a planned definition of what constitutes **mānuka honey** as regulators exert greater control over the label. MPI reissued the 'general requirements for bee products export notice', reducing the level of chemical marker 2-MAP to greater than or equal to 1mg per kilogram for multifloral mānuka honey from 5mg/kg in the earlier notice.

Export log prices advanced to a new record, driven by continued strong demand from China, lower shipping rates and a favourable currency. The price for A-Grade export logs lifted to \$131 a tonne from \$129/t last month, marking the highest level since **AgriHQ** began collecting the data in 2008.

Construction

Fletcher Building expects to breach its debt covenants because of further "material losses" at its building and interiors (B+I) business. Its shares and notes were halted pending an updated review.

The company has previously forecast 2018 earnings, excluding B+I, of \$680m to \$720m and said B+I's loss would be \$160m. It has \$1.26b of debt raised in the private placement market and \$389m from its banking syndicate as of June 30 last year. Net debt stood at \$1.95b.

Food and beverages

An **NZIER** literature review into the efficacy of **sugar taxes** found no more than a "weak" link with improved health outcomes. It found that early studies apparently finding such a link had serious methodological flaws, although those studies had continued to be cited in the context of either lobbying for or introduction of sugar taxes.

Prepared for the **Ministry of Health**, the report is a blow to lobbying in NZ for a sugar tax, although Health Minister David Clark was quoted as saying the govt was still looking for voluntary action by food and beverage manufacturers to reduce sugar content. The govt was not afraid to regulate, should no such voluntary action occur, he said.

NZIER found there was insufficient evidence that reduced sugar intake from "some reduced demand" caused by higher priced food and drinks was not being replaced by sugar from other sources. Such reduction was unlikely anyway to be enough to produce measurable health benefits, according to reputable studies. Some **findings of health improvements were based on modelling rather than real world behaviour**.

A group of **Maori organisations** has partnered with Japanese food company **Imanaka** to develop a milk processing plant to make high-value niche products in Kawerau. **Kawerau Dairy** is a collaboration between 11 Maori Bay of Plenty entities, which own two thirds of the venture, and Imanaka's **Cedenco Dairy** unit, which owns the remaining third. They expect the first stage of the \$32m project to begin operations early next year.

The **kiwifruit industry** needs to manage its ambitious growth plans to ensure there are enough workers and packing plants, and to be aware of rising input prices, an ANZ report on kiwifruit as an investment proposition says.

Foreign direct investment

Developer **CDL Investments NZ**, which is controlled by **Millennium & Copthorne Hotels NZ**, says it isn't overly concerned by planned law changes for foreign buyers. CDL says in its annual report that demand for housing sections remained steady in 2017 despite lending curbs imposed by the Reserve Bank and tighter credit criteria.

CORPORATE ROUND-UP

Energy and resources

Meridian Energy has inked three new supply contracts in Austral giving the owner of the **Powershop** energy retailer more renewables supply from wind farms and a solar farm. Meridian confirmed the A\$168m purchase of three hydro power stations from **Trustpower** it announced last month, and said it has also signed three power purchase agreements with renewable projects in Victoria and New South Wales.

Bathurst Coal couldn't persuade Land Information Minister **Eugenie Sage** of its plan to buy **Solid Energy's mothballed Sullivan Mine** on the Denniston Plateau. She declined the application using the sensitive land test, citing insufficient economic benefit.

Finance, banking and insurance

ASB Bank lifted first-half earnings 15% to \$575m as impairment charges on bad debt almost halved and credit growth remained robust at a slightly wider margin. Impairment losses fell 47% to \$26m as the lender benefited from the recovery in dairy prices, while net interest income rose 8.2% to \$999m on a larger loan book with slightly better margins.

Commercial property

Investore Property shareholders have backed a proposal to buy three Bunnings retail sites from manager Stride Property Group for \$78.5m. The acquisition needed shareholder approval because of its related party nature, and a resolution was passed with 99.9% support at a special meeting.

Retailing

Michael Hill International said first-half earnings will more than halve, reflecting A\$20m to exit from jewellery sales in the US and to scale back its Emma & Roe stores. Ebit is expected to be about A\$20m compared with A\$40m a year earlier.

Briscoe Group says full-year sales topped \$600m for the first time, helped by stronger revenue from sporting goods in the fourth quarter, and the retailer expects to report a record annual profit of about \$61m. Total sales rose 2.6% to about \$194m in the 13 weeks ended Jan 28.

Capital markets

NZX has signed a memorandum of understanding with **Hong Kong Exchanges and Clearing** to investigate broader regional product development, and both have one eye firmly on green finance and sustainability initiatives.

CLSA raised its rating on **Xero** stock to 'buy' saying it had become more confident in the software developer's growth prospects in coming years. The Asian brokerage's analyst Roger Samuel raised his target price for the stock to A\$37.30 from a previous price of A\$34 on the expectation Xero will solidify market-leading positions in Australia, NZ and the UK.

CBL Corp's shares have been suspended from the NZX due to concerns about its disclosures, which attracted the attention of the **Reserve Bank** and **Financial Markets Authority**. CBL had said its credit rating would be cut as it sought to raise cash to increase French construction insurance reserves.

Media

Mainstream news publishers **NZME** and **Fairfax NZ** (now Stuff) will continue to pursue court approval for their proposed merger. Having failed to gain clearance from both the **Commerce Commission** and the High Court, the parties will now head to the Court of Appeal.

Transport and tourism

Infratil has begun a strategic review of its ownership of **NZ Bus** after concluding negotiations for contracts for Wellington and Auckland commuter services valued at \$1.3b. Last year, Infratil said NZ Bus's loss of some public transport contracts meant it would shrink to about two-thirds its original scale, with 75% of the business in Auckland and 25% in Wellington.

South Port lifted first-half profit 19% to \$4.9m as fertiliser shipments helped boost cargo volumes.

Waikato Regional Airport, which operates Hamilton airport, bought the **Hamilton Airport Hotel and Conference Centre** out of a messy receivership for \$3m.

Corporate actions

Life-Space Group, the Melbourne-based probiotics maker founded by Kiwi chief executive Craig Silbery, has been sold to **Chinese-listed By-Health Group** for up to A\$690m, subject to approvals. ■