

Officials flag size of KiwiBuild challenge

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Urban Development Minister Phil Twyford continues to insist KiwiBuild targets are achievable, but official estimates of the pipeline – both known and anticipated – of KiwiBuild dwellings over the next three years roughly lines up with highly critical analysis by Infometrics.

Transport policy changes narrative; but with risks

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The govt sought to take back control of the political agenda with its major announcements on transport strategy this week. It is taking a huge gamble that the balance of voter sympathy lies with paying more petrol excise for investment in public transport, road safety and maintenance, and rail rather than more large arterial highways. Four-laning from Auckland to Whangarei now looks a distant prospect. PM Jacinda Ardern's defence of an excise not being a tax looked no more convincing than when any previous politician has mounted that argument.

Employment law reform – the next political battleground?

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Submissions on the Employment Relations Amendment Bill closed on Good Friday, with the Education and Workplace Relations select committee expected to hold hearings in May. However, employer groups are making plain they have serious concerns in several areas.

Jones on a tighter leash

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The electricity industry was to have been the next sector to cop a broadside from NZ First's Shane Jones, but that plan is on hold, if not on ice. While his attack on Air NZ's regional air services strategy was politically successful, a judgement has been made that the govt needs to avoid starting too many battles at once. The final electricity review terms of reference, however, do reflect late input from NZ First.

Greens to define their term with co-leader choice

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The Greens will choose this weekend between high-profile Associate Transport Minister Julie Anne Genter and caucus member Marama Davidson for their next co-leader. Genter is existing co-leader James Shaw's choice, but party rank and file may yet choose Davidson, who represents the social activist wing of the party, many of whom protested former co-leader Metiria Turei's resignation before the election.

Door ajar on irrigation

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As expected, the govt has started to wind up the previous administration's Crown Irrigation Investments Ltd bridging finance vehicle for irrigation projects. However, smaller-scale "water storage" projects remain in scope for assistance under its Provincial Growth Fund.

Robertson committed to Budget Responsibility Rules

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Finance Minister Grant Robertson has recommitted to the Budget Responsibility Rules, following opposition from the Greens and a call from the CTU to "reassess the game plan" as fiscal pressures mount.

KiwiBuild targeting just 16k dwellings by 2021

The scale of the political challenge facing the govt over the pace of its KiwiBuild programme is starkly revealed in papers prepared for the Cabinet sub-committee on the building and construction work programme.

They show that officials are working to a target of 16,000 KiwiBuild homes by June 2021, some 10,000 of those in the last of the next three years.

More worryingly, the same papers are able only to identify 8,646 KiwiBuild dwellings in the current pipeline. In other words, the official estimates come close to endorsing analysis by Infometrics that KiwiBuild may produce only 9,000 extra dwellings in the current term of Parliament.

Infometrics colourfully described Housing Minister Phil Twyford of “pulling numbers out of his arse” for the programme, prompting Twyford not to deny the analysis but to say KiwiBuild was better than “sitting on your arse” for nine years, referring to the previous govt.

The gap between target and known dwellings should fall – the biggest gaps are in the 2019/20 and 2020/21 years, while the target for 2018/19 of 1,000 may be slightly exceeded. But the official analysis doesn’t attempt to quantify the potential for KiwiBuild to “crowd out” other residential construction activity.

Rather, official advice is highly focused in three areas:

- the potential for insufficient skilled labour to be available to ramp up house construction. Special KiwiBuild visas and apprenticeship-for-the-dole schemes are in prospect as a short term measure. Longer term, a concerted strategy to increase both the capacity of construction training and the attractiveness of the industry as a career are in train. But they will not be a quick fix;
- the potential for insufficient home buyers to be able to afford KiwiBuild homes. A “shared equity” model is being developed, with private capital – possibly involving Westpac and other trading banks – to allow transition to full ownership;
- the potential for building quality to be sacrificed to speed of construction.

Changing the narrative: transport policy, EQC repairs

The govt is taking an enormous gamble by slugging all motorists with another 9 to 12 cents a litre in petrol excises over the next three years. There will need to be multiple proof points – public transport

investment in Auckland and regional roading improvements – to offset the additional impost, especially as it will be on top of an Auckland regional fuel tax of 10c p/l. Note that **Transport Minister Phil Twyford** says there will be **no more regional fuel taxes “in this term of govt”**.

The announcements did, however, place the govt back in control of the policy agenda after a messy few weeks of drift after PM Ardern’s Pacific foray.

Proving that attack is often the best means of defence, the disclosures about the extent of reworked in Canterbury placed the National Party firmly on the back foot.

Employment bill hearings loom

A new political front will open up over coming weeks, with the Education and Workforce Relations select committee due to schedule hearings on the Employment Relations Amendment Bill.

Employer groups’ main objections include:

- conflicts between the bill’s aim to produce more productive workplace relations and their belief it will encourage more industrial action;
- restrictions on the ability to offer terms to valued employees that differ from or exceed the terms of a collective agreement;
- concern that requiring collective agreement bargaining “until all matters have been exhausted” sets too high a bar and may prolong negotiations unnecessarily;
- potential to use un concluded collective agreement bargaining as a tactic to stall business restructuring which, in some cases, could go to the survival of the business;
- potential for national collective agreements to be insensitive to individual business size and profitability, and for loss of commercial confidentiality.

Jones on a tighter rein

Shane Jones has been placed on a tighter rein after his attacks on Air NZ. While politically successful for NZ First’s objective of remaining visible on populist issues, other Ministers became concerned when it became clear he regarded the Air NZ foray as merely the first round in a series of broadsides aimed at large corporates.

He has now scaled back intentions to turn his guns quickly on the electricity sector and on the board of KiwiRail, where NZ First had initially wanted to sack the entire board. Now it appears only the chair, Trevor Janes, is in their sights.

Whether Jones is ever completely controllable is questionable, but he has also pulled back for now on plans to attack the profitability and pricing practices of the largest electricity retailers.

NZ First influence on electricity review

That said, the influence of NZ First is clearly visible in the finalised terms of reference for the gov't's electricity review.

Compared to the draft, the final terms begin with entirely new objectives on whether "suppliers of electricity services have the ability to extract excessive profits over time" and "whether all consumers have access to affordable electricity services".

It will also consider whether "the costs of providing electricity services are or should be socialised or spread evenly across different classes of consumers, or across regions, or urban or rural communities".

This last clause goes to the heart of two key issues: the extent to which the unwinding of cross-subsidies by business consumers of household electricity tariffs in the last 30 years has gone too far; and whether attempts to rebalance how transmission costs are divvied up around the country should go ahead.

Minister Woods's office confirms those clauses were the result of negotiations with NZ First, which sought the review as part of its coalition agreement with Labour.

However, the industry has had some wins. The concept of "efficiency" has been added along with "fairness and equity", to reflect that central tenet of the Electricity Authority's mandate.

Inclusion of reference to competing and overlapping workstreams – particularly climate change policy and the target of 100% renewable electricity by 2035 – is also an important concession to the need both to encourage electricity production at prices that support renewables investment, and to ensure the review outcomes are forward-looking.

Greens co-leader decision due

The Greens will announce the results of their co-leadership election this Sunday and because of the complexity of their voting system, it's difficult to speculate on a winner. Green insiders say that the system tends to work in favour of the of the party's most committed activists. Julie Anne Genter's track record is in environmental activism, while Marama Davidson represents the social activist wing that Metiria Turei represented. The tensions in the party over Turei's departure continue, with a few Green members threatening to resign if Davidson loses to

Genter, who has performed strongly as a Minister. The gov't's transport policy statement can be seen as a win for her. The result will be crucial in determining where the party puts its emphasis over the remainder of its time as the gov't's supply and confidence partner.

National in Northcote

The National Party will select a candidate for the Northcote by-election this Sunday. Contesting selection are Dan Bidois, a Harvard-educated economist who missed out on the Pakuranga selection last year; Darren Ward, the party's Auckland policy chair and favoured by a group in Auckland who want an overhaul of the party's organisational structure and Vernon Tava, former Green who ran the election campaign in East Coast Bays last year.

Robertson resisting pressure on Budget Responsibility Rules

Opposition to the gov't's self-imposed Budget Responsibility Rules is surfacing again in response to the dual pressures of state sector pay claims and the constant stream of news about public infrastructure deficits, such as the poor condition of buildings at Middlemore Hospital.

The Council of Trade Unions and the Green Party are the most visible critics on the left.

The CTU president Richard Wagstaff described the mounting evidence of capex and opex underfunding as a crisis, which should prompt the gov't to "reassess its game plan".

Likewise, both contenders for the Green co-leadership oppose the rules, which seek to drop net Crown debt to 20% of GDP by 2022 and to maintain gov't spending at around 30% of GDP. On the NZ First side, Shane Jones is increasingly finding the \$3b set aside for the **Provincial Growth Fund is becoming a catch-all for unfunded capital projects.**

Robertson's office countered the CTU call quickly with a one line statement saying "the gov't is confident that it will meet the Budget Responsibility Rules while being able to begin the process of rebuilding our social and physical infrastructure".

However, the **rationale for the rules, particularly the debt target, are driven mainly by political rather than economic considerations.** While NZ has very

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.

high external private debt, which justifies prudent levels of Crown debt, NZ's net Crown debt is already among the lowest in the developed world.

The constraints imposed by the rules are exacerbated by the 'no new taxes' promise for the current term of govt.

The scene is set for policy wrangling ahead of the 2020 election on whether the fiscally constraining rules are appropriate for a second term coalition govt, especially as new tax policy will be part of the platform. **The potential for that dynamic to produce a fiscally looser, bigger taxing second term govt is worth keeping an eye on.**

More moves on residential property tax treatment

Investors and speculators will lose their ability to offset losses on NZ residential properties to reduce their tax on other income from April 1 next year, if proposals in an Inland Revenue Department issues paper are adopted. Revenue Minister Stuart Nash said "persistent tax losses that many property investors declare on their investments indicate that they rely on capital gains to make a profit".

Meanwhile, legislation to extend the bright line test on residential investment properties from two years to five years has passed its third reading in Parliament. The extension means that profits from residential investment properties which are bought and sold within five years will generally be taxable.

... and cryptocurrencies

Cryptocurrencies are treated like property for tax purposes, according to the IRD. Trading in cryptocurrencies may happen in a digital realm but tax obligations still apply in NZ. "Just like with property – when you acquire cryptocurrency for the purpose of selling or exchanging it, the proceeds you make from selling it are taxable."

Curran-watch – all over for now?

The **sacking of RNZ executive Carol Hirschfeld** and Broadcasting Minister Clare Curran's subsequent tightrope walk on resignation involves issues of principle but, politically, is a Wellington 'beltway' issue.

Its main impact has been to force **Jacinda Ardern again to explain away the questionable actions of Ministers.**

At the **heart of the issue** is the extent to which Hirschfeld may have been keeping a back-channel open to Curran on opposition from the RNZ board and other senior managers, particularly CEO **Paul Thompson**, to Curran's cherished concept of making RNZ into a new public service TV broadcaster – a policy requiring far more funding than the \$38m p.a. set aside in Labour policy for various public broadcasting goals.

Door remains ajar for small scale irrigation

There was nothing unexpected about Grant Robertson's announcement that the previous govt's irrigation bridging finance vehicle, Crown Irrigation Investments Ltd, will be wound up.

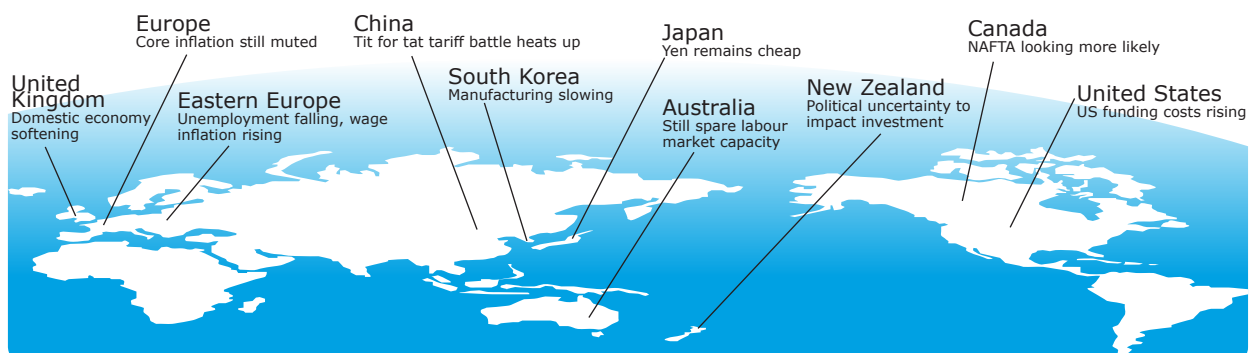
The important thing to note is that the govt is leaving the door ajar to smaller-scale projects, which it is preferring to call "water storage" rather than irrigation schemes.

And once again, the Provincial Growth Fund features as a catch-all funding bucket, partly reflecting tension between Labour/Greens and NZ First over the merits of irrigation. On balance, NZ First supports it for increased agricultural output.

"We recognise that year-round water availability is important for drier areas of NZ," says Robertson. "Smaller-scale, locally run and environmentally sustainable water storage projects could be

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The world at a glance



NZ yield story going off the boil?

Rising US interest rates and an end to QE in Europe may explain an **apparent reduction in interest in NZ blue-chip, high-yielding equities** from foreign fund managers.

Harbour Asset Management's Andrew Bascand told a Russell Investments seminar in Wellington that for the last six months or so, the firm has noticed a "pause" in previously predictable monthly flows to foreign investors of stocks such as **Spark, Auckland International Airport, F&P Healthcare, Fletcher Building, Ryman, Z, and Chorus**.

Sky TV had been particularly heavily sold in recent weeks, although that was likely because of its decision to halve its dividend had dropped both its yield and its market cap.

While NZ equities struggle to attract any serious global interest, high quality NZ yield stocks had become a feature of many of the **global and Asia-Pacific ETFs** established over the last six years or so, when equities have boomed and interest rates have been flat and close to zero in developed economies, Bascand said.

"What we've observed in the last six months is a complete pause" and "in fact at the end of the last two months, the opposite. At the end of the month, we're seeing block-trade selling in yield names."

Monetary policy changes gain cautious endorsement

Economists have generally **welcomed proposed changes to the Reserve Bank's decision-making processes for monetary policy**, including a committee-based decision structure with a majority of internal bank members. There is **less unanimity on having a Treasury observer** at the policy committee – Treasury themselves argued against such a role when the Act was changed in 1989.

There is also a **lack of unanimity on the inclusion of employment in its policy targets**, with most monetary policy experts recognising that, at best, the bank can have only a short run impact on employment outcomes. The changes are unlikely to herald a near-term change in the interest rate outlook.

Fiscal balance remains robust

The govt continues to benefit from the tailwind of recent, robust economic conditions, with the govt operating surplus running ahead of Treasury forecasts in the first eight months of the financial year as higher employment rates bolstered income and consumption taxes. The operating balance before gains and losses (obegal) was a surplus of \$2.85b in the eight months ended Feb 28, more than the \$2.36b surplus predicted in Dec and twice the \$1.41b surplus in the same period a year earlier.

Trading partner growth

(2016-2017 actual; 2018-2020 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
China	26.2	6.7	6.9	6.5	6.3	6.0	2.0	1.6	2.3	2.3	2.2
Australia	20.3	2.6	2.3	2.7	2.7	2.7	1.3	1.9	2.2	2.3	2.2
United States	12.5	1.5	2.3	2.8	2.6	2.6	1.3	2.1	2.4	2.1	2.1
Japan	7.6	1.0	1.7	1.4	1.1	0.6	-0.1	0.5	1.0	1.1	1.2
Eurozone	6.7	1.8	2.5	2.4	1.9	1.3	0.2	1.5	1.5	1.5	1.8
South Korea	3.6	2.8	3.1	3.0	2.8	2.4	1.0	1.9	1.9	1.9	2.0
United Kingdom	3.3	1.8	1.7	1.6	1.5	1.5	0.7	2.7	2.6	2.2	2.0
Taiwan	2.6	1.4	2.9	2.7	2.4	2.1	1.4	0.6	1.3	1.2	1.5
Singapore	2.3	2.0	3.6	3.2	2.8	2.4	0.6	0.6	0.9	1.4	1.5
Malaysia	2.3	4.2	5.9	5.4	5.1	4.5	2.1	3.7	2.8	2.7	2.5
Indonesia	2.1	5.0	5.1	5.3	5.4	5.4	3.5	3.8	3.7	3.9	3.8
Hong Kong	2.1	2.0	3.8	3.0	2.6	2.6	2.4	1.5	2.2	2.2	2.2
Thailand	2.1	3.2	3.9	3.9	3.7	3.0	0.2	0.7	1.3	1.5	1.8
Philippines	1.6	6.9	6.7	6.5	6.5	6.0	1.8	3.2	4.0	3.5	3.2
India	1.6	7.1	6.7	7.4	7.6	7.5	4.5	3.7	4.9	4.7	4.5
Vietnam	1.6	6.2	6.8	6.6	6.4	6.2	2.7	3.5	4.2	4.4	4.2
Canada	1.5	1.4	3.0	2.1	1.9	1.8	1.4	1.6	2.1	2.0	2.0
NZ Trading Partners	100.00	3.6	4.0	3.9	3.7	3.5	1.4	1.8	2.2	2.2	2.2
Forecasts for New Zealand											
Consensus		3.0	2.8	2.9	2.8	2.6	0.6	1.9	1.7	1.9	2.0
BNZ Forecasts		4.0	2.9	3.0	3.0	2.4	0.6	1.9	1.2	2.0	2.0
The World		2.5	3.2	3.3	3.2	3.0	2.4	3.7	8.0	3.4	3.5

Minimum wage

The **minimum wage** rose to \$16.50 an hour on April 1 in the first step of the current govt's policy to lift the minimum wage to \$20 an hour by 2021. The **Living Wage** movement announced it had recalculated its estimate of a living wage that should apply today at \$20.55 an hour.

Media reports show **Treasury** advised of the potential for higher minimum wages and, particularly, scrapping youth wages, to have significant negative impacts for the employment of younger and inexperienced workers.

Confidence indicators

The **ANZ Business Outlook** showed a net 20% of businesses were pessimistic about the year ahead, versus 19 % in Feb. More companies saw their own activity expanding, at a net 22% compared to 20% in Feb. **Consumer confidence** rose slightly in March, continuing to recover from last year's weakness as house price growth expectations rose. The ANZ Roy Morgan consumer confidence index rose to 128 in March from 127.7 in Feb. The current conditions index rose 0.4 points to 127.7 while the future conditions index gained 0.2 points to 128.2. **Farmer confidence** picked up in the first quarter of the year following two consecutive declines as farmers' fears about the policies of the Labour-led govt stabilised. Farmers expecting the rural economy to improve lifted to a net 15% from a net 13% in the previous Rabobank Rural Confidence Survey.

Economic indicators

NZ posted a \$217m **trade surplus** in Feb as goods exports jumped 11% to \$4.46b compared with Feb last year, while imports rose 4.6% to \$4.2b. Imports rose despite a 33% decline in the value of car imports to \$257m in Feb, a five-year low, due to a delay unloading four vehicle carriers holding about 8,000 cars after stink bugs were found on the vessels.

New car sales rose in March as demand for commercial vehicles underpinned a recovery from Feb's decline. New motor vehicle registrations rose 1% to 14,028 last month from the same period a year earlier.

Residential building consents rose in Feb, driven by consents for new townhouses, flats, units, and apartments. Seasonally adjusted consents increased 5.7% on the month in Feb to 2,587, with new permits for houses rising 2% to 1,765. Building consents for new townhouses, flats, and units were at a 23-year high in the year through Feb. ■

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considered on a case-by-case basis through the Provincial Growth Fund, due to the importance water plays in growing our provinces. Smaller local schemes will help more of our vital regions better prepare for increasingly recurring climatic events such as drought."

Existing CIIL commitments to three South Island irrigation schemes remain in place. Agriculture Minister **Damien O'Connor still talked about "large-scale irrigation schemes"**, saying they needed to be both economically and environmentally viable.

No certainty on oil and gas development clearances

Energy Minister Megan Woods sought to mollify oil and gas explorers and producers that the govt will not expropriate any existing rights for exploration licences or at fields that are currently in production.

Far less clear is the fate of an application to develop a commercial find from a current exploration licence.

While decisions would always be subject to resource consents, it is hard to imagine that a govt formally more disposed towards to ending fossil fuel reliance than any previous administration would make that an easy process.

MEUG's take on the govt

Major Electricity Users Group ceo Ralph Matthes's main takeout after hearing from both Energy Minister Megan Woods and Climate Change Minister James Shaw: **"We have an interventionist govt that believes in the power of the state to effect change for good ... it is clear that MEUG, and likely many other organisations, will need to effectively engage with government over coming years in ways we might not have done in recent times."**

Mycoplasma bovis

A worst-case scenario on the Mycoplasma Bovis outbreak would see serious questions asked internationally about NZ's bio-security regime. If the disease is the product of under-the-counter importing of hormone-based growth supplements from China, as some fear, an international backlash against NZ animal products could occur and the case for a border control agency involving customs, agriculture, and immigration authorities would be strengthened.

PM offshore

Jacinda Ardern will be out of the country from April 14 to 23, attending CHOGM in London and leaders' meetings in France and Germany. ■

Tourism, transport and logistics

Air NZ and Virgin Australia Holdings will end their seven-year trans-Tasman alliance in Oct when regulatory approval for their shared services ends. The airlines said there were no changes for bookings before Oct 27 when the alliance ends, and that the carriers will work to ensure minimal disruption to customers.

Ports of Auckland CEO Tony Gibson has joined the board of **Marsden Maritime Holdings**, which owns half of **Northport** in Whangarei. The appointment is effective immediately, with Gibson replacing Peter Griffiths who left at the end of March.

Primary sector

The Ministry for Primary Industries will begin a cull of 22,332 cattle on all properties infected with **Mycoplasma bovis** after scientific testing and tracing confirmed the disease was not endemic.

Fonterra's NZ milk collection fell 4% in Feb from a year earlier, as difficult weather conditions weighed on pasture quality and feed growth rates. Fonterra collected 135.3m kilograms of milk solids in Feb from 140.9m kgMS a year earlier.

Dairy product prices fell at the **Global Dairy Trade** auction, led lower by anhydrous milk fat. The GDT price index slipped 0.6% from the previous auction two weeks ago. The average price was US\$3,477 a tonne. Some 17,222 tonnes of product was sold, down from 18,635 tonnes two weeks ago. Whole milk powder rose 1.6% to US\$3,278 a tonne while anhydrous milk fat fell 7% to US\$5,806 a tonne and skim milk powder fell 1.8% to US\$1,849 a tonne.

A2 Milk says it hasn't seen any change in growth in China and it remains confident about its prospects. Its shares had dropped on reports that rivals have begun selling their own A2-branded infant formulas in China. **Nestle** has confirmed it is launching an A2 product called Atwo under its Illuma brand in China.

Nikko Asset Management head of NZ equities Stuart Williams told investors the recently announced **A2/Fonterra joint venture** would be "transformative" for A2, bringing brand endorsement from the world's largest dairy trader, earnings uplift potential in the Aust and NZ markets, strong growth in Chinese market share, and reduced risk, including internalising competitive threats.

Synlait Milk will invest \$18m to double production of the high margin specialty milk protein **lactoferrin** at its Dunsandel plant after securing a new multi-year agreement with an unidentified customer. It expects to complete the expansion by Oct.

Silver Fern Farms returned to profit last year as a capital injection from China's **Shanghai Maling**, in exchange for a half stake, trimmed the meat processor's finance costs and global beef prices rebounded, although its cooperative shareholder posted a loss from the new structure. The Dunedin-based company reported a profit of \$15.4m in calendar 2017, turning around a loss of \$30.6m a year earlier.

Seeka, NZ's largest kiwifruit producer, has sold its small shareholding in **Zespri** after opposing constitutional changes that tie shareholdings to trays of fruit produced. The changes were approved by more than 75% of shareholders last month but among the resolutions was that shareholders who voted all their shares against the overhaul could require Zespri to buy back their shares. Seeka will receive about \$6.11m selling 740,606 shares back to Zespri. In total, holders of 1.78m shares – or about 1.5% of Zespri shares on issue – exercised their minority buy-out rights and will receive \$8.25 per share.

Zespri says the 2018 **NZ-grown kiwifruit crop** is expected to be about 20m trays or 70,000 tonnes higher than it was last year. In 2017, 123m trays of NZ fruit – or more than 430,000 tonnes – were sold.

Banking and financial services

NZ banks managed a combined 0.9% increase in lending in the fourth quarter, a period when operating expenses and impaired asset charge jumped more steeply. The nine biggest registered banks had \$401.65b of lending, up from \$398.05b three months earlier, according to **KPMG's quarterly survey**.

ICBC NZ has taken a \$10.2m impairment on a loan to **CBL Corp**, becoming the second Chinese lender to reveal exposure to the insurance group, which is in voluntary administration. ICBC NZ's latest disclosure statement said the lender could slip below the 2.5% minimum capital buffer ratio required by the central bank if additional provisioning becomes necessary. **Bank of China NZ's** unit included a \$12m provision for impairment losses linked to one loan in its latest disclosure statement. BoC also achieved RBNZ bank registration for its NZ operation.

ANZ Bank NZ chief investment officer **Graham Ansell** will step down at the end of April, to be replaced temporarily by Paul Huxford. Ansell has worked at ANZ for 22 years, formerly as the company's general manager of investment management, and has been in the CIO role for five years.

Simplicity, the low-fees KiwiSaver provider, is to offer NZ-focused funds for the first time.

CORPORATE ROUND-UP

The **Financial Markets Authority's** requirement that KiwiSaver providers publish their annual fees as a dollar figure came into force on April 1.

After eight years at the helm of **Credit Unions NZ**, trading as **Co-op Money**, CEO **Henry Lynch** left the organisation this week.

Construction

Fletcher Building gained a two-month extension to waivers from its US noteholders and bank syndicate that were granted after it breached lending covenants, suggesting the company wasn't able to negotiate new terms by its March 31 deadline.

Manufacturing

Icebreaker Holdings has been sold to US-based VF Corporation for at least \$100m after the **Overseas Investment Office** approved the deal. North Carolina-based **VF Corp** said the OIO signed off on the transaction and the acquisition "is an ideal complement to VF's Smartwool brand, which also features merino wool in its clothing and accessories.

Rakon has sold its former manufacturing site in France for 2.7m euros, as it continues to shift its manufacturing to India. The Argenteuil property was previously the main operational site for manufacturing discrete oven controlled crystal oscillators (OCXO), though that has moved to Centum Rakon India in recent years.

Retail

Hallenstein Glasson Holdings has lifted its first-half dividend and says its two core brands, Glassons and Hallenstein Brothers, are in a strong position going into winter trading. Net profit in the first half was \$15.1m, and the gross margin was up 3.4 percentage points to 61.5%.

Courts and regulation

Finance company director **Xiaolan Xiao** has lost his challenge to a \$5.3m fine imposed under anti-money-laundering laws. The **Department of Internal Affairs** investigation that uncovered the breaches found a failure to "keep appropriate records of 1,588 transactions, the identity and identification of 362 customers, and the establishment and continuation of 122 business relationships".

Christchurch businessman **Paul Hibbs** has been sentenced to eight years in jail for defrauding clients of at least \$17.5m through a Ponzi scheme. The sentence, handed down in the **Christchurch District Court**, includes a minimum non-parole period of four years.

Media

Sky Network Television says it may miss out on the broadcast rights for next year's **Rugby World Cup** and isn't the preferred bidder. Speculation emerged last year that US internet giant **Amazon** was moving into sports broadcasting and may start competing for rugby rights, while more recently **Spark** and **TVNZ** have emerged as potential preferred bidders. Meanwhile, Sky's long-standing CEO **John Fellet** says he plans to retire within the next year, after 17 years running the pay-TV company.

Rival linear TV broadcasters **TVNZ**, **MediaWorks** and **Sky TV** have relaunched their **Think TV** collaboration, first promoted in 2011, to push the efficacy of TV advertising over other formats.

The move comes at a time when TVNZ is optimistic that a recent stabilising in TV ad spend indicates a change in perception, particularly among major brand advertisers, about the impact of TV vs online advertising.

Energy

The **Commerce Commission** has approved an application by lines company **Powerco** to raise prices to fund a \$1.27b upgrade of its network. It also gave **Wellington Electricity** a green light to increase prices to fund its earthquake readiness plan.

Gaming

SkyCity Entertainment Group says it wants to free up cash from its existing assets during a period of heavy investment while it commits to protecting dividend payouts.

The company is investing A\$330m in the redevelopment of its underperforming Adelaide casino, \$703m in a convention centre and Hobson St hotel in Auckland, has committed to buy the neighbouring AA Centre for \$47m, and flagged the potential for further development. ■