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The New Zealand Herald

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Oil giant's fuel ads misleading says watchdog

Accused petrol company goes public to say Commerce Commission has got it wrong

by Isaac Davison

The Commerce Commission has charged an oil giant with misleading the public in advertisements promoting a more economical fuel.

But today, Shell New Zealand has hit back at the commission, saying its Fuel Economy Formula advertisements are accurate.

Shell's offensive is the second time in a week a large company has hit back at the commission.

Air New Zealand on Monday accused it of grandstanding to justify its decision after 11 airlines - including Air NZ - were accused of acting in a cartel to skip up to \$60 million from freight customers.

Shell's Fuel Economy Formula, a fuel additive it claims gives better economy than untreated fuel, went on sale in 2006.

Its advertising campaign said it was "designed to take you further".

But after a 2½-year investigation, the commission has decided to charge Shell with breaches of the Fair Trading Act.

It says the advertisements were misleading.

Under the act, companies can be fined up to \$200,000. It is not known how many charges Shell is facing.

Spokeswoman Jackie Millard said the company was disappointed at the commission's decision, but it was ready to present evidence supporting the formula's efficiency.

Shell had co-operated with the commission at every stage, and rejected any claims of misleading advertising.

A commission representative declined to comment, saying that the matter was before the courts.

Fuel Economy Formula is an additive to Shell's Ultra 91 and Ultra HI 95 petrols.

The company claimed it improved efficiency by preventing the buildup of fuel deposits in car engines and reducing friction. It did not add to the cost of the petrol.

The authority did not uphold the complaint, saying the advertising campaign was accurate and was supported by extensive independent tests.

Fair Go also vindicated the fuel's efficiency, when it tested two cars filled with \$20 of petrol, one untreated fuel and the other with the additive.

The Formula-fuelled car drove 181.5km, and the other car 174.5km. AA, which helped Fair Go with the test, said that by using Fuel Economy Formula a driver would save 0.25 litres per 100km.

AA technical advice manager Jack Biddle - who supervised the Fair Go trial - last night told the Herald the exercise merely showed that the additive was "no worse than any fuel and arguably may be better".



SPEAKING OUT: Shell has taken out advertisements, including in the Herald (page A1), to defend itself.

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Shell New Zealand defended the

THE HIGH LIFE... NATURALLY



Table for four? Certainly... just mind the branches.
A restaurant 10m up a tree is something different in dining out, even if it's part of a marketing campaign.
The Yellow Tree House, north of Auckland, is a chrysalis-shaped structure on a privately owned reforested forest plantation off State Highway 1 between Puhai and Warwerothi.

It was created in 66 days as part of a marketing project for the Yellow Pages.
The 10m-wide, 12m-high hut seats 18 people on split-level floors.
Diners enter the hut over a 60m walkway. For \$125, they get a three-course meal and a glass of bubbly. The restaurant is also open at lunch time, at \$95 a head.
Guests will be hosted by the face of the

Yellow Pages campaign, Tracey Collins (right).
The restaurant will be open from January 9 to February 9, but bookings will be cancelled if it rains or winds are too high.
The restaurant has taken 500 bookings since Monday, and Yellow Pages says the season may be extended.



Speedsters in quick on new road

Aim to improve road safety, but some drivers see a chance to take off

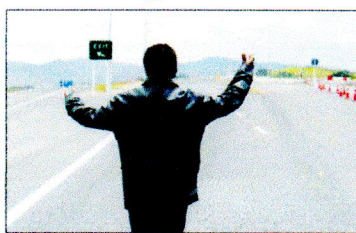
by Matthew Dearmley

Police issued more than 100 speeding tickets on New Zealand's newest stretch of state highway before its official opening yesterday.

The road, just Mangawhiri in northern Waikato, eliminates a dangerous winding stretch of road on the main route between Auckland and Thames.

Transport Minister Steven Joyce congratulated the Transport Agency for completing the \$46 million bypass in time to reduce the risks for holidaymakers.

"During holiday periods this stretch of road is particularly busy and unfortunately it has a poor track record when it comes to safety," he told about 50 people, including children from three local primary schools, at a tree-planting ceremony outside the Mangawhiri Golf Club, at the eastern



PRAYERS: Local kaumātua Toko Pompy, from Mangatangi Marae, blesses the road during yesterday's opening ceremony. PICTURE: MAHINA NEWS

end of the new bypass.

"The crashes on this route have included a large number of fatalities and I know the impact of these deaths is keenly felt by the whole community here."

But Mr Joyce, opening the first of what he hoped would be "many" new roads, came under immediate pressure

on his arrival from community leaders seeking early starts to work on other parts of the 34km Mangawhiri Highway between Pokeno and the eastern rural to Thames at Mangatangi.

Environment Walkaro chairman Peter Buckley told the Herald he supposed the Walkaro Expressway on State Highway 1 as the Government's

priority for completion, but he was concerned about "black spots" on both ends of the new stretch past Mangatangi.

Local volunteer fire brigade chief Don Shanks shared Mr Buckley's disappointment that a narrow bridge at the western end of the bypass had not been replaced, and said he was concerned at a lack of median barriers to separate opposing traffic.

Mr Joyce said median barriers should be overlooked... "But there are cost realities that intervene."

He said the new road was a huge improvement on what it had replaced - a stretch on which the Transport Agency says crashes claimed nine lives in the past five years.

These deaths were among 28 fatalities on the 34km route to Mangatangi.

But Mr Joyce said he would be keen to receive reports on the new road's safety performance, as well as feedback on two more projects, through the Kopaki and Maramara sections of the highway, to the east.

Although construction budgeted at up to \$10 million has not been programmed to start on those until at least 2011, Mr Joyce said the new

Continued on A3

Mercury donates \$50,000 and calls on others to follow

by Beck Vass

A research project into minimising brain damage to children on life support has received a \$50,000 donation from Mercury Energy following the Herald's Our Lost Children child-abuse series.

And the power company's general manager, James Munro, has issued a challenge to other companies to follow suit.

Andrew Young, chief executive of the Starship Foundation which is sponsoring much of the research, said he was "absolutely blown away" by news of the donation.

Mr Young said the money meant a vital three-year research project could be completed.

If the money had not been received, the project could have stalled.

"This is just money from the heavens," he said. "James Munro called me personally to say he'd followed the series and he'd talked to his team and they'd all been following the series and felt incredibly moved by the whole issue of child abuse in New Zealand."

"We've worked really hard to fund



INSIDE
How to give - A3

this research to date but we were really struggling to find a supporter to complete the research.

"It's enough funding for the research to complete its third year next year. I'm so thrilled that the New Zealand Herald series had such an impact on our supporters which culminated in this \$50,000 donation."

The Starship Foundation had already been given \$200 from others who had read the series.

Mr Munro said Mercury, which is also a principal sponsor of the foundation, through donations it gives on

behalf of its customers, was happy to help a worthy cause.

He laid down a challenge for other companies to follow Mercury's lead and donate to the charities featured in the series.

"It would be wonderful if there were a couple of other corporates out there that wanted to do a similar thing," he said.

"Child abuse is a serious issue in this country. It's a hot topic at the moment, for obvious and horrible, horrible reasons. I don't want to tell them how to run their business - it's Christ-mas and we're heading into a recession - but there still seem to be some really serious issues out there."

"Doing something like this is something corporates can do that maybe makes the consequences of that [child abuse] and other accidents a little less severe."

Other organisations featured in the series have also received generous offers. An Auckland couple are sponsoring two families associated with Grandparents Raising Grandchildren, which has also had offers of food and clothing. Presbyterian Support has received more than \$20.

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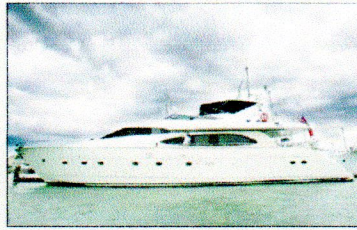
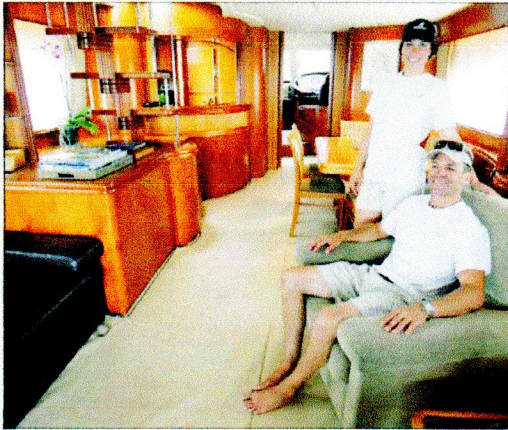
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NEWS

The New Zealand Herald • Thursday, December 18, 2008 A11



WORKING IN STYLE: Verena V superyacht skipper Gerry Ross and crewmember Margarita Rehakova, in the vessel's lounge and dining area. Above: The yacht at its Tauranga berth. PICTURES: MAT OF FLORITY TIMES

VERENA V

- Value: \$6 million.
- Length: 27m.
- Weight: 70 tonnes.
- Top speed: 50km/h.
- Engines: 2 x 1500hp diesels.
- Guest rooms: Two doubles and two twins. Master double has Sky TV and en suite with jacuzzi bath. Crew have rooms below deck.
- Toilet: Six.
- Bathroom: Five.
- Capacity: Nine guests and four crew.
- Facilities: Fly bridge with outdoor furniture, kitchen, lounge, bow deck and stem loungers, drive-in storage for tender and water sports gear.

Dogs suspected of killing 70 kiwi in two weeks

Tracking devices helping rangers keep tabs on Northland's endangered kiwi population have brought the devastating news that up to 70 of the birds may have been killed by dogs.

The slaughter took place during the past fortnight at Purua scenic reserve, north of Whangarei.

Department of Conservation kiwi ranger Pete Graham said DOC came to the sad realisation the northern brown kiwi were dead after being alerted by tracking transmitters which sent a different signal when the birds die.

"If the kiwi stays still for more than 18 hours, the signal speeds up. After timing in, the workers heard a whole heap of fast beeps... the more they checked the more dead kiwi they found."

Seven birds with transmitters were found lifeless, Mr Graham said, and they made up only 10 to 20 per cent of total kiwi numbers in the reserve.

"It's inconceivable the dogs only took birds with transmitters, so if you extrapolate that means between 35 and 70 birds were killed. The dead included breeding birds which will have a huge impact."

The deaths would set the sanctuary back six years, he said.



HARSH BLOW: The kiwi deaths are likely to set the breeding programme back six years.

It has been part of the "operation nest egg" breeding programme to increase kiwi numbers in the wild.

It took three to four years for kiwi to reach breeding age, and their life expectancy was 20 to 30 years.

But the average age of kiwi in Northland was only 15 years.

The reason the birds died so young was uncontrolled, untrained dogs, Mr Graham said.

He said all Northlanders should think about how special it was to have kiwi in their backyard.

—NZPA

\$6m superyacht's Kiwi skipper living the life of a millionaire

The boat has all the latest gear... and the owner will make the skipper a cup of coffee

It's the ultimate holiday home, decked out in rosewood, with staff on hand to cater for every whim.

The luxurious \$6 million Verena V approached its cruising berth to turn at its berth at Tauranga Bridge Marina.

It is on route from Auckland to the Marlborough Sounds where its British owner will ship aboard.

"Out of all the marinas we've been in, the service here has been unbelievable," Kiwi skipper Gerry Ross said.

"They've bent over backwards for us."

"We got some looks going through the entrance here and we've had a number of people coming down to have a look at its size."

He said it was hard to find a berth big enough to fit the 27m 70-tonne ship, so it was docked at the edge of the marina.

The ship was brought from France on a yacht transporter ship, as it is not rated to sail the vast distances across the Atlantic and Pacific oceans.

After arriving in Auckland, the crew has been getting the yacht shipshape for the owner, who wishes to remain anonymous.

It has been in Tauranga since Saturday and is expected to stay for a week, or

until the conditions allow it to move on to its next port of call, Napier.

The owner will stop aboard in January and has made the yacht available to family in the South Island.

In April, it will move on, again on a transporter ship, to Southeast Asia.

"It would be cheaper to charter a ship this size instead of bringing it over here but it's his boat and he wants to share it with his family," Mr Ross said.

He said that unlike other yachts its size, the Verena V is available only for private use and was never chartered out.

"It's one of the smallest boats I've skippered but also the

most.

"In terms of electronic set-ups, it's pretty amazing. It's got lots of backups that others don't have."

He said the yachting industry was dominated by Kiwis and Australians — two of the Verena V's crew are New Zealanders, while the third is Czech.

"In this industry it's more about the person you work for."

"He'll make me coffee in the mornings. He's a really nice guy and that's the hardest thing in this industry — getting a good owner."

That's the hardest thing in this industry — getting a good owner.

Gerry Ross, Verena V skipper

Day of Plenty Times



AN OPEN LETTER TO ALL NEW ZEALANDERS FROM SHELL NEW ZEALAND LIMITED

In May 2006, Shell New Zealand introduced Fuel Economy Formula to Shell service stations throughout the country. Shell has more than 100 years of experience developing the technology and services that make it a leading provider of innovative new fuels today, including the Fuel Economy Formula.

Shell is justly proud of its achievement in designing and developing the Fuel Economy Formula. When the fuel was introduced, Shell commenced an advertising campaign that stated Fuel Economy Formula was "designed to take you further".

After an investigation over nearly two-and-a-half years, the Commerce Commission last week informed Shell New Zealand that it intends to initiate proceedings in the District Court under the Fair Trading Act in respect of Shell's advertising of the Fuel Economy Formula.

Shell has co-operated with the Commission throughout the investigation and is disappointed that the Commission has decided to adopt this course.

Shell will defend any such prosecution. Shell's advertising of the Fuel Economy Formula has already been considered by the Advertising Standards Authority, which dismissed a complaint by a competitor more than two years ago.

Shell's Fuel Economy Formula has been extensively fleet tested and has shown a statistically significant average fuel economy benefit of 0.98% when compared with untreated fuel. Shell believes the fleet test evaluation of the Fuel Economy Formula represents best practice. Obviously the benefits to individual motorists of using Fuel Economy Formula will vary depending on a number of factors such as driving conditions, the age and manufacture of vehicles, and driver behaviour.

Shell believes that its claim that the Fuel Economy Formula is "designed to take you further" is true in every respect and is not in breach of the Fair Trading Act. While Shell is disappointed that the Commission has indicated an intention to initiate proceedings, we welcome the opportunity to present the evidence supporting our claims that the Fuel Economy Formula is "designed to take you further".

In the meantime, Shell will continue to offer New Zealanders the best possible range of fuel products.

Yours sincerely,

Mark Forsyth
General Manager Retail
Shell New Zealand

NZH 12/2008 1102

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In the meantime, Shell will continue to offer New Zealanders the best possible range of fuel products.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Forsyth', is located below the 'Yours sincerely,' text.

Mark Forsyth
General Manager Retail
Shell New Zealand

Article rank | 18 Dec 2008 | The New Zealand Herald | by Isaac Davison

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It says the advertisements were misleading.

Under the act, companies can be fined up to \$200,000. It is not known how many charges Shell is facing.

Spokeswoman Jackie Maitland said the company was disappointed at the commission's decision, but it was ready to present evidence supporting the formula's efficiency.

Shell had co-operated with the commission at every stage, and rejected any claims of misleading advertising.

A commission representative declined to comment, saying that the matter was before the courts.

Fuel Economy Formula is an additive to Shell's Ultra 91 and Ultra Hi 95 petrols.

The company claimed it improved efficiency by preventing the buildup of fuel deposits in car engines and reducing friction. It did not add to the cost of the petrol.

Shell said the treated fuel was 0.98 per cent more economical than untreated fuel.

Company research suggested that if a car covered 500km on a full tank of untreated petrol, it would go about 505km on petrol containing the additive.

An advertisement in today's Herald (page A11) would communicate Shell's commitment to economical fuel, and also deny misleading customers, Ms Maitland said.

It is not the first time Shell has faced criticism of the Formula advertising campaign.

Shell New Zealand defended the additive in June 2006 when rival petrol company BP complained to the Advertising Standards Authority, saying the Shell advertisement was deceptive because it exaggerated the economic benefits of the petrol.

The authority did not uphold the complaint, saying the advertising campaign was accurate and was supported by extensive independent tests.

Fair Go also vindicated the fuel's efficiency, when it tested two cars filled with \$20 of petrol, one untreated fuel and the other with the additive.

The Formula-fuelled car drove 181.5km, and the other car 174.3km. AA, which helped Fair Go with the test, said that by using Fuel Economy Formula a driver would save 0.23 litres per 100km. This result confirmed that Shell's advertising was accurate.



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