

Foreign Control

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FOREIGN INVESTMENT IN NEW ZEALAND: THE PROPAGANDA ASSAULT

Bill Rosenberg

In one way, the 1995 Overseas Investment Amendment Act was useful: it forced many people to take a public position on foreign investment. Unfortunately for the Government and most business organisations, many of those positions were far more suspicious of foreign investment than they expected.

Orchestrated propaganda offensive

The reaction has been a well orchestrated propaganda offensive on "why foreign investment is good for you". U.S.-owned Bankers Trust, transnational accountancy firm KPMG, Malaysian-owned Bancorp, the American Chamber of Commerce, the Asia 2000 Foundation, and multiple cabinet ministers were among the many who spoke publicly or magically commissioned studies coming to the same conclusions: foreign investment is good for you. Perhaps the most prominent among these however was Dr Don Brash, Governor of the Reserve Bank. He is also, ex-officio, a member of our old sparring-partners, the Overseas Investment Commission.

Brash should be singled out for attention for a number of reasons. First, he is in a position of considerable influence and power. Second, as a public servant he is purportedly there to serve the public interest, whereas most of the other apologists had an obvious commercial or political bone to chew. Third, he is almost unique among public servants in that he is for unexplained reasons being allowed to become publicly involved in matters of considerable controversy from a partisan viewpoint, this being one of them. Another recent example was his statement to a Parliamentary select committee that he would resign if the objectives of the Reserve Bank were widened beyond controlling inflation. These public utterances go well beyond simply defending current government policy, which top public servants are expected to do in public. His statements take a very personal viewpoint, as is seen in both these examples. He is clearly personally committed to the policies he advocates and carries out. To make the distinction between his duty as a public servant and his personal advocacy of policies clear, we need only ask what would happen if his personal views happened to be different from the Government's. This makes him currently the most public of the ideologues who aided in the Rogernomics revolution and gained powerful public positions in the process. It is a symptom of the politicising of the public service which is extremely dangerous to democracy.

On 20 November 1995 he gave a speech to the Wellington Rotary Club called "Foreign Investment in New Zealand: does it threaten our prosperity or our sovereignty?" It was widely reported and widely distributed: CAFCA received at least five copies of it indirectly, and it was sent to a wide range of organisations, presumably by the Reserve Bank. It is typical of the various "defences" of foreign investment and so is doubly worth answering.

Brash says that five main issues have been of concern to the critics of foreign investment. After addressing those issues,

he looks briefly at different forms of foreign investment in Aotearoa, and gives his answers to the questions: "Do we 'need' foreign investment?", and "Does foreign investment benefit us?" He looks at the countries of origin of the foreign investment in Aotearoa and looks at whether there is a case for restricting foreign investment. So as not to keep you holding your breath for his conclusion, it is:

"All of which goes to explain why I – a fifth generation New Zealander who yields to nobody when it comes to my loyalty to New Zealand – am entirely comfortable with the guidelines which successive Ministers of Finance have given me as a member of the Overseas Investment Commission. Almost all foreign investment will be of benefit to New Zealand and New Zealanders."

Seeing the wood for the trees: the loss of sovereignty

Before beginning to answer him point by point, it is important to step back and look at his approach to the subject. It is, in economists' jargon, essentially a "micro" viewpoint: he looks at the benefits and costs of individual companies and industries. Even when addressing the crucial point of "sovereignty" he looks only at whether individual companies will obey our laws or pay our taxes (and of course concludes they will). Here he almost emerges from this narrow tunnel, saying, albeit in a partisan way,

"Indeed, one could make a strong argument that the greatest threat to our ability to control our own destiny arises not from foreign investment but rather from poor economic policy – which leads to rising public sector debt, slow growth in real incomes, inflation and all the rest."

Another of the warriors in the propaganda offensive, Gavin Walker, chief executive of Bankers Trust, got close to addressing the real issue in saying as part of his defence of foreign investment that

"the indirect effects of any significant action to limit foreign investment would go further. If we were to backtrack, there would be a loss of confidence in the country's direction, an increased country risk premium (meaning higher interest rates), and a fall in the value of the New Zealand sharemarket. Investors – foreign and domestic – would conclude if New Zealand was foolish enough to take such a step, worse would inevitably follow..."

A liberal policy on foreign investment has much to commend it, both for traditional reasons and for the greater constraints it places on government today to follow sound policies." (*Evening Post*, "Foreigners can't take our land away", 31/7/95)

What he saying is, first, that being open to foreign investment is seen as a touchstone of pro-business economic policies. There would be capital flight if the policy were changed. Put another way, foreign investors invest subject to certain political conditions. This is seen most clearly in the "credit ratings" given by international credit-rating agencies Moodies, and Standard and Poors. Their ratings explicitly have a substantial political content: for example, the likelihood of a post-MMP government changing current policies. It is also seen repeatedly in politics – particularly in the Labour Party. Helen Clark's recent panic which led to the abandonment of coalition talks with the Alliance arose precisely from this pressure. Bolger simply made a statement in his "State of the Nation" address to the effect that it looked like Labour was going soft on its economic policies. Clark called off the talks. It was carefully explained in her "State of the Nation address" a few days later. She said: "International credit-rating agencies knew that the election of a Labour government in New Zealand would not affect the nation's credit rating one iota. They knew that Labour would be both socially and economically responsible." (*Press*, "Clark belittles Govt tax move", 19/02/96, p.2.)

Second, Walker is telling us that a "liberal policy of foreign investment" actually constrains government policy. There is only a very limited range of policies that will be tolerated by investors. Our experience is that none of those policies are friendly to others: to workers, beneficiaries, families, the old, the young or the sick. In other words, the choice of the broad sweep of government policies is made by those investors rather than by the electorate of Aotearoa. What is left (as we have experienced) is a hollow democracy in which the important choices have already been made. Rather than design the house, we are left choosing the wallpaper. National elections become more and more reminiscent of local body elections. Even those with the best will in the world find when they take office that they have not taken power.

So, what Brash leaves out is the *systemic*, macro, social effect of dependence on foreign investment. We can debate long and earnestly the merits of each individual investment. What is much more important is the effect of trying to develop a country in this way. To use a topical analogy, there is little use in being able to choose the best seedlings if it leads to us losing the forest.

Need for scrutiny of foreign investment that does occur

In arguing on a "micro" basis, Brash in fact strengthens the arguments of those opposed to open slather foreign investment. What he argues in many places is that *some* companies increase exports, *some* provide expertise we could not otherwise acquire, *some* replace exports and save foreign exchange, and so on. He of course does not emphasise the "some" but that is the fact of the matter.

Though he and other advocates might claim so, it is an extremist position to argue that *all* foreign investment is good for us. He claims, for example, that "it is not at all difficult to demonstrate that the after-tax profits which foreigners earn on their investment can not exceed, and almost by definition fall well short of, the value added by the investment. In other words, the foreign investment creates additional value ..." But this can only be demonstrated if we have perfect competition, full employment, and a number of other fairy-tale conditions.

It is not at all clear that the takeover of Telecom, Post Bank or the BNZ have led to any benefits we would not have gained if they had remained in New Zealand hands. Quite the contrary: ask Telecom's thousands of sacked employees or its competitors trying to break into its monopoly position or its residential subscribers who have seen only a fraction of the benefits of new, cheaper technology. What evidence is there that the sale of hundreds of thousands of hectares of farmland to foreigners has improved New Zealand farming? What of the "investments" that have been little more than asset-stripping such as Canterbury Roller Mills or London Pacific? Or technology transfer in reverse, such as Powermark, Allflex, Carter Holts, or genetically valuable farm stock?

The point is that if foreign investment is to be considered at the "micro" level, then the logic leads inevitably to the need for scrutiny over which companies (if any) we allow in.

Bearing these points in mind, let's return to Brash's "five main concerns" he attributes to critics of foreign investment. I'll quote his statements of these concerns in italics.

The balance of payments problem

Brash: First, it has been asserted that, since New Zealand companies are currently earning only some \$700 million annually from their investments overseas and foreigners are earning some \$6,500 million annually on their investments in New Zealand, foreign investment is somehow creating a serious and permanent balance of payments deficit.



This is setting up a straw man to be knocked down. I haven't heard that as a major concern. What does concern people is the overall effect on the balance of payments of \$6.5 billion profits going overseas. For what it is worth, Brash answers the above "concern" by explaining that foreign companies have been investing in New Zealand for well over a century whereas New Zealand companies have only recently been allowed to invest overseas freely. He implies that the balance will right itself in time if only we allow New Zealand companies to become transnationals too. Even if that were desirable (Should we be doing unto others what we don't want done unto ourselves? Is it good for our savings to be invested elsewhere when they are clearly needed here?) it is quite unbelievable. Does he really believe there is equal opportunity for mainly small-scale New Zealand capital to compete out there? Are our capital resources ever remotely going to match those of the economic giants? What his figures do show though is that the response to criticism of profits going overseas, "Oh, but we get profits from overseas in return", comes from the numerically challenged.

Brash does address the balance of payments issue later on. First he argues on what amounts to a case by case basis: that some companies add to our export earnings, or replace imports. He argues here and at the end of his speech that "except where subsidies are involved, the profits accruing to foreigners can not exceed the value added domestically by foreign investment and can not create a negative impact on the balance of payments." Again this requires some idealistic assumptions. Then he argues that foreign investment flows "almost by definition" widen the current account deficit be-

cause foreign exchange will be spent buying capital goods – machinery and so on. "As long as the overall economic environment is sound, so that investment flows are not distorted, or diverted into unproductive areas by subsidies, protection or inflation, there is no reason to feel concern about such capital flow, or its impact on the balance of payments."

Yet the fact is that New Zealand does suffer from chronic balance of payments problems. The consistent pattern over many decades has been "paying our way" in trade (we consistently export more than we import) but running heavily into deficit in the "invisibles", a large part of which is profits and interest payments. That is how New Zealand's huge foreign debt has mounted, and is still mounting by billions of dollars a year. It is only by getting further into debt – either by loans or by direct investment – that the payments are balanced.

The degree of overseas ownership of the economy

Brash: Secondly, it has been claimed that 56% of all the shares on the New Zealand market are now held by foreigners, up from 19% just six years ago.

Brash says this is "somewhat misleading". He says that by far the largest increase in this percentage occurred between March 1991 (when the ratio was 23%) and December 1992 (when it was 46%) and was due to the listing of Telecom and the "restructuring of the ownership" (overseas control) of Carter Holt Harvey. He points out that most companies are not listed on the sharemarket at all. "Many of those un-

Table 1
Top 20 companies excluding financial institutions
December 1994
 (from *Management Magazine* 1994 top 200 listed by turnover).

Rank	Company	% voting shares overseas owned 1994
1	Fletcher Challenge	43.5 (Ordinary division); 42.8 (Forests division) ¹
2*	New Zealand Dairy Board	0
3	Air New Zealand	more than 24.9 ²
4	Telecom Corporation	more than 50 ³
5	Carter Holt Harvey	more than 37.6 ⁴
6	Progressive Enterprises	73
7*	New Zealand Cooperative Dairy Co	0
8*	Electricity Corporation	0
9	Lion Nathan	unclear: at least 6%, possibly over 50% ⁵
10	Brierley Investments	approx 40
11*	Foodstuffs (Auckland)	0
12	BP New Zealand Holdings	100
13	Shell New Zealand Holding Co	100
14	Mobil Oil	100
15	Independent Newspapers	76 ⁶ (49.7% News Ltd ⁷)
16*	AFFCO New Zealand	0
17*	Foodstuffs (Wellington) Co-op	0
18*	Alliance Group	0
19	Wrightson	Not available
20	Caltex Oil (NZ)	100
*	Cooperatives, statutory marketing boards or SOEs (though AFFCO and Alliance had significant minority Fletcher Challenge shareholding).	

Table 2
Overseas ownership of the top 200 companies
(from Management Magazine 1994 top 200 listed by turnover).

	No.	Turnover (\$m)	Profit after tax (\$m)	Tax paid (\$m)	Earnings before interest and tax (\$m)	Total Assets (\$m)	Share- holders' funds (\$m)	Employees
Total	200	71,832	4,491	1,224	8,013	83,547	39,842	182,511
Overseas owned	90	37,385	2,974	702	5,086	51,014	22,011	112,437
% in top 200	45	52	66	57	63	61	55	62
Top 20								
Total	20	40,151	3,029	608	5,399	55,835	24,742	88,495
% of Top 200	10	56	67	50	67	67	62	48
Overseas owned	11	25,051	2,387	425	3,969	40,536	16,732	70,129
% in top 20	55	62	79	70	74	73	68	79

listed companies are, to be sure, foreign owned, but many are not." It is a pity he has not encouraged the Government to collect such figures: nobody knows exactly what the situation is. But we do know that the New Zealand economy is heavily dominated by its big companies, and the top 20 companies in *Management Magazine's* December 1994 top 200 list are shown in Table 1.

So eleven of the top 20 companies at the end of 1994 were overseas companies (remembering that the legal definition of an overseas company is one that is more than 24.9% overseas owned). Possible exceptions were Wrightson and Lion Nathan (the latter a significant transnational in its own right), a State Owned Enterprise, a marketing board and five cooperatives. Since then AFFCO has listed on the stock exchange and has a significant overseas shareholding, and Alliance has issued \$40 million worth of shares, some to overseas institutions. What is preventing the commerce of this country being overseas controlled is the remaining state and cooperative-owned enterprises.

The top 20 were only a little more overseas owned than the rest of *Management Magazine's* top 200, as Table 2 shows. Overseas owned companies were 45% of the top 200, had half (52%) of the turnover, two-thirds of the profits (66%), 61% of the assets, and 62% of the employees^a.

A notable omission from the list of financial institutions in Table 3 is the Bank of New Zealand, 100% overseas owned, which would have been number one on this list if its audited accounts had been available at the time. The great majority of the companies listed as being over 50% overseas controlled are in fact 100% overseas controlled.

Even more than in the non-finance sectors, only the remaining state owned and cooperative-type institutions prevent the sector being almost entirely foreign owned.

So a case could be made quite contrary to Brash's soothing words: that the control of New Zealand's core companies is

even more concentrated overseas than the control of companies listed on the sharemarket.

But "of course", says Brash,

"the ratio [of overseas to local ownership] tells us nothing at all about whether the impact of foreign investment is benign or otherwise. It is not difficult to show that foreign investment in Telecom has been hugely beneficial to the New Zealand Government as the former shareholders and the recipients of taxation on the greatly increased profits, to the New Zealand economy more widely through the provision of a vastly improved quality of telephone service, and to the New Zealanders who were wise enough to buy the shares of Telecom when it was first floated at \$2 a share (a group which, alas, did not include me!)"

This astounding statement tells us something about his method of analysis. If he finds Telecom so beneficial then it is not difficult to see why he finds *all* foreign investment good. His analysis fails to compare what would have happened if an already revitalised Telecom, its technology newly upgraded before privatisation, had remained in public ownership. With that failing, and in the knowledge that few social benefits have resulted from these taxes and proceeds of the sale, his justification basically adds up to saying that the wealthy who could afford the shares benefited, so "New Zealand" benefited. Or perhaps he isn't actually saying that – though clearly that is the conclusion he wants his audience to reach. Reading the statement carefully, you will see that he nowhere claims there is a general benefit from Telecom's foreign ownership.

Land sales

Brash: Thirdly it is claimed that foreigners are buying up vast blocks of land in New Zealand.

He acknowledges that "the information does not exist to say precisely how much land is owned by foreign residents." He

quotes Overseas Investment Commission statistics showing that it approved the sale of "some 200,000 hectares" over the four and a half years ending the middle of 1995: "an area equivalent to about 0.7% of New Zealand's total land area". Again, he has used the tactic of misquoting the critics of foreign investment in order to belittle them. The concern is focussed on the increasing amounts of land being sold overseas: it is rising steadily and largely unchecked. The concern is about the lack of any scrutiny of those sales. But as a point of fact, 200,000 hectares is certainly a considerable understatement of the area affected: 761,000 hectares of forestry land alone was overseas owned or managed in 1994.

Brash says it is "inevitably an emotional issue, with concern sometimes expressed that New Zealanders will be denied access to the land if it is owned by foreigners." His answer is that we don't have unfettered rights of access to privately owned land whoever owns it. That is correct as far as it goes, but again he fails to see the wider picture of increased pressure for those fetters, as more private playgrounds for the wealthy are created, such as the Indonesian owned Lilybank station.

He acknowledges the concerns that foreign purchases might drive up land prices, but points out that they constitute less than 3% of farm sales so could "hardly be said to be having a determining effect on the price of land". What he does not address is the possibility that that 3% may have a very important marginal effect on a weak market. Certainly foreign

purchases had a very significant effect on the commercial property market in the slump after 1987 and are an important factor in the current inflationary property price boom in Auckland. In any case, he says, if prices rise, that is to the advantage of New Zealand farm owners. That begs the question as to whether the rises are sustainable in terms of the land's earning power and productive potential. If they are not, then an increase in price, even if it goes to New Zealanders, is not a good thing.

He fails to address other concerns: speculation in land, absentee ownership and its effects, vertical integration of agriculture and forestry into agribusiness transnationals, the pressure on land of special importance, and ensuring benefits arise if land is sold into overseas hands.

A limited view of sovereignty

Brash: Fourthly, it is claimed that foreign investment in New Zealand will, if unchecked, make us "serfs in our own land". Even discounting the hyperbole, the fear that foreign investment will in some sense lead to a loss of economic sovereignty is a very deep-seated one. Surely, it is self-evident that if most of our banks, most of our insurance companies, all our petrol companies, all of the large telecommunications companies, all of our motor vehicle assembly companies, and most of the shipping companies and airlines which serve our shores are owned abroad, we must have lost control of large chunks of our economy and perhaps of our identity.

Table 3
Top 20 financial institutions
(from *Management Magazine* 1994 top 30 financial institutions listed by assets).

Rank	Company	Over 50% overseas controlled
1	National Bank of New Zealand	●
2	ANZ Banking Group (New Zealand)	●
3	Westpac Banking Corporation	●
4*	Trust Bank New Zealand	
5	ASB Bank	●
6	AMP New Zealand Group	●
7	Countrywide Banking Corporation	●
8*	National Provident	
9	National Mutual Life	●
10	Bankers Trust New Zealand	●
11*	Tower Life Holdings	
12	New Zealand Insurance Life	●
13	BNZ Finance	●
14	Norwich Union Holdings (NZ)	●
15	Prudential Assurance Co New Zealand	●
16	Colonial Mutual Life Assurance Society	●
17*	TSB Bank	
18*	Southland Building Society	
19	Australian Guarantee Corporation (NZ)	●
20	Guardian Assurance	●

* SOEs, community trusts, mutual societies and building societies.

"Actually, no," he answers. Those companies all have to obey our laws, pay our taxes, and pay local wage rates. In that they try to "avoid paying New Zealand taxation or to wriggle around a law or regulation" they are no different from New Zealand companies. "No matter how many companies are owned abroad, ultimate authority resides with the New Zealand Government, subject of course to the right of foreign investors to take their capital to more hospitable climes if the New Zealand authorities make unreasonable demands. There is no loss of sovereignty."

And yet in pointing out the "right of foreign investors to take their capital to more hospitable climes" he is pointing out the vital difference. That footloose nature, interests everywhere in general, and responsibilities nowhere in particular, allows those companies to evade and avoid laws (whether "reasonable" or not) and twist arms in a way that a local company cannot. Because in the final analysis the local company must stay and make the best of the outcome. Transnational companies (whether New Zealand or overseas owned) by threatening flight, or refusing to come, can force countries to bid for their capital and expertise. The bidding can be to offer subsidies and tax breaks, or it can be to weaken social and environmental protections that the transnational can avoid by going elsewhere. Further, as I pointed out in my introduction, there are widespread systemic effects. To attract foreign investment, certain policies must be followed and international agreements signed. There clearly is loss of sovereignty.

International comparison of New Zealand laws on foreign investment

Brash: Finally, it is suggested that since foreigners severely restrict our right to invest in their countries, we should restrict their right to invest in ours.

This is a new one on me. I respect the right of other governments to restrict "our" right to invest in their countries. This kind of objection sounds like something Muldoon used against Australia in order to open up foreign investment, rather than the other way around. Brash gives examples of the U.K., North America, Singapore and Australia to show that other countries have an open door. He says: "Chris Butler, director of the investment unit at our Ministry of Foreign Affairs and Trade, tells of the British city which spends £100 million a year encouraging foreign investment to establish within its precincts." Such is the competition in the Dutch auction.

"Even in the case of foreign investment in land, it is an illusion to suggest that our policy is very much more liberal than that in most other countries," Brash says, quoting a Department of Survey and Land Information study which showed only seven had more restrictive land acquisition rules than New Zealand. But this was a restricted survey which looked only at the letter of the law, not the practice. In New Zealand the practice has been considerably more liberal than the letter suggests.

Brash concludes his answer by saying that even if others restricted "our" right to invest in them, we should still allow foreign investment here if it is beneficial. Quite, and the re-

verse also applies: even if others are besotted with foreign investment, that is no reason that we should be.

What other concerns does Brash not address? These include:

- contrary to the assertion Brash makes that direct foreign investment "will almost always bring a package of things, usually including capital, technology, and, often, market knowledge and contracts", it leads to us becoming a "branch economy". That is one where higher level processes such as research and development, and final control of what is produced and where, are taken away to a "metropolitan" country. Lack of significant research and development in New Zealand by transnational computer companies and Telecom, and the transfer of the highly successful New Zealand developed Unisys/Linc Development Centre out of New Zealand by Unisys, are indications of this.
- companies will bring unpleasant, ruthless, even brutal – but possibly legal – methods of dealing with workers, unions, national and local government, consumer and environmental groups. Examples include anti-union policies, and tactics used by a number of transnationals to try to force the takeover of local body services such as rubbish collection. That is not to deny that New Zealand companies too can be, and are, ruthless, but spanning countries gives transnationals hugely increased arm-twisting power.

Forms of foreign investment, savings and reasons for restrictions

Brash goes on to discuss the various forms of foreign investment in New Zealand. Foreigners held claims against New Zealanders amounting to \$98 billion in March 1994, while New Zealanders held claims against foreigners of \$33 billion, leaving a net debt of \$65 billion. Of the \$98 billion, \$26.5 billion was in direct investment (involving the ability to control) and the balance in portfolio investment consisting of shares (\$1.5 billion), government and SOE borrowing overseas (\$29.4 billion) and private sector borrowing overseas (\$40.7 billion). He observes that the figures for direct investment and portfolio investment in shares are likely to be understated, and that part of the private borrowing was by one branch of a company from another and should be seen as direct investment. As CAFCA does, he also rightly debunks the myth in some quarters that foreign investment in New Zealand is largely Asian: in fact it made up only about 16% of the total over the last five years he says (though it is accelerating).

He asks "do we 'need' foreign investment?". He condescends to "award a point to the critics of foreign investment" here. "If New Zealand's own savings performance had been better over the years", if we were running balance of payments surpluses, the need to use foreign capital would have been less. He says that here, the signs are "cautiously encouraging". The balance of payments deficit is "only" at 4% of Gross Domestic Product. He attributes the improvement in private sector savings to his anti-inflation policies. Yet there are important misconceptions here which he does not address. Recent work by Westpac/FPG and the Institute for Economic Research suggests that household savings have always been underestimated because comparisons with other

countries have not taken into account house ownership and the ownership of shares. When those are taken into account, household savings compare very favourably with the rest of the world: third in the OECD ("A comparison of household savings rates: New Zealand and the OECD", press briefing notes, Westpac/FPG Research IHS: "Household Savings Indices", report to FPG Research, New Zealand Institute for Economic Research, February 1995). These findings need to be treated with some scepticism at this stage: the interest in reversing the accepted wisdom on savings comes from a desire from financial institutions to "prove" that New Zealanders can afford private superannuation schemes to replace government superannuation. And further, using the existence of a balance of payments deficit to prove lack of savings is a circular argument. In the national accounts, savings are by definition what is left from the incomes of New Zealand residents after they have paid for their consumption of goods and services, and any investments they may make. If there is a deficit, it is made up by foreign investment or overseas borrowing and it appears as a "shortage of savings". So if government policy or economic events lead to huge foreign investment flows, it will by definition increase the apparent "savings shortage". The key question is what causes the balance of payments deficit in the first place, and a significant part is the servicing of foreign debt and investment.

The only ground Brash can see for restricting foreign investment is to protect "infant firms". Even that he rejects on the grounds that a foreign takeover would "probably" add to New Zealand's technology and management experience and would release the funds from the "infant firm" to be used elsewhere. That assumes the funds would indeed find a productive purpose elsewhere in New Zealand rather than being invested abroad or spent on luxury imports. And it makes assumptions about the introduction of expertise and tech-

nology which I have already dealt with.

Conclusion

Brash's last word before his conclusion (quoted earlier) is to relate an incident where an Indian industrialist flew in to Singapore to discuss the establishment of a large plant with the Minister of Finance. Several times he asked what conditions his company would have to meet. Each time the Minister said his government was only concerned that the plant would operate at a profit. Pressed, he finally explained: "because if you operate profitably you will employ more Singaporeans and pay more taxes; you will in due course invest more, employ still more people and pay still more taxes. What else should we want of a foreign investor in Singapore?"

A hint as to the effects of this type of investment came recently from Singapore itself. Singapore was classified as a "developed" economy by the OECD as from the beginning of this year. Its annual per capita income around \$NZ36,000, is considerably higher than New Zealand's, at around \$31,000. However, Lee Kuan Yew, former Prime Minister, Senior Minister, and chief architect of Singapore's development since independence, objected. "If you take away the foreign element in Singapore, foreign companies, foreign managers, research scientists, accountants, I think we'd fall below the mark," he admitted. "What is lacking is [Singaporeans] at the top end. We can do the middle-end jobs ... the low-end jobs." (*Press*, "Singapore 'not developed' yet", 10/1/96, p.9.)

Certainly foreign investment can bring wealth into a country. The real questions are: whom does it bring that wealth to, and what damage is done to the fabric of society in the process?

- ¹ Fletcher Challenge Ordinary Division Annual Report 1994. Figures are as at 31 August 1994.
- ² Air New Zealand is 19.9% owned by Qantas (Australia), 5% by Japan Airlines (Japan) (*Press*, "Air NZ, BIL may take Qantas stake", 22/9/92), and Brierley Investments Ltd (37.5%). There are other overseas minority shareholders.
- ³ 49.9% is held by the two main shareholders, but the various minority shareholders include many overseas residents and companies.
- ⁴ Carter Holt Harvey Ltd Annual Report 1994, as of 20 June 1994. However the percentage is not as they state it. The largest (and controlling) shareholder was Rondeau Investments Ltd (32.0%) which was 75% owned by International Paper Company of the U.S.A. Thus, even though it was a New Zealand registered company for the purposes of the CHH Annual Report, it was legally a overseas-owned company (more than 24.9%). Of the remaining shareholders, 5.6% had overseas addresses as of that date (a figure which is likely to understate the overseas ownership amongst them). It was therefore at least 37.6% overseas owned, and certainly overseas-controlled. Since then of course, International Paper has taken direct control.
- ⁵ According to the 1994 Lion Nathan Annual Report, 55.27% of the 490,576,166 ordinary shares and 28.54% of the 57,100,000 "mandatory convertible stock units" (which convert to ordinary shares on 28 February 1995) were held by identifiably overseas-owned "principal" (largest 20) security holders in the company as at 25 October 1994. This makes overseas ownership 52.48%. On the other hand, Lion Nathan give the "domicile" of only 6.29% of the owners of their ordinary shares, and 3.13% of the convertible stock as being overseas, but this almost certainly comes from the postal address given by the shareholder. This would mean that the New Zealand branch of the ANZ (for example) would be counted as New Zealand domiciled, though it is an overseas owned company. In short, without considerable research, it is difficult to put an accurate figure on Lion Nathan's overseas ownership.
- ⁶ "INL tipped to fall short of \$48m target", *Press*, 18 August, 1994, p.37.
- ⁷ "INL to sell Adams Print to News arm", *Press*, 11 May 1993.
- ⁸ These figures use information supplied by *Management Magazine* (December 1994) which indicates companies that are more than 50% overseas owned, plus my own information. Companies which are overseas controlled (i.e. 25% or more overseas owned) are counted 100% in the various totals, as this table is an indication of control, not equity ownership.

OPPOSITION TO FOREIGN INVESTMENT HAS GOT NOTHING TO DO WITH RACISM

- Murray Horton

CAFCA is regularly mistaken by wouldbe friends, or accused by our opponents, of being a racist organisation. Inevitably the issue that leads people to this wrong conclusion is immigration. After one such 1995 claim by Philip Burdon, we issued this release. Ed.

A Reply To The Minister Of Commerce (and others similiarly Burdoned)

Philip Burdon, the Minister of Commerce and lameduck MP for Fendalton (*Press*, 28/10/95, front page) has pontificated that a poll showing an increase in racist attitudes proves that parties campaigning against foreign investment have caused prejudice against foreigners.

This is arrant nonsense, all too typical of the Minister and his ilk, and involves the deliberate confusion of too quite separate issues - immigration, and foreign investment.

For our part, CAFCA has no policy for or against immigration. It is not our issue. But we most definitely campaign against foreign control and make no apology about that.

We find the term of "racist" particularly entertaining coming from the National Party which, as its legacy to international and domestic race relations, has given us the Vietnam War, dawn raids, Bastion Point, the Springbok Tour and the fiscal envelope. Who the hell are the racists here?

It is absolutely not racist, xenophobic, or anything else to believe that the destiny of this country should be decided by its own people.

For the record, we have no argument with people of any particular race or colour. Power and wealth are our targets, not pigment. We are concerned about foreign control regardless of its country of origin and point out the obvious - the Asians come a long, long way behind the Australians, Americans, British, Canadians and Europeans as to how much of the New Zealand economy they own.

Sorry, Minister, you can't get rid of the problem by calling your opponents "racists". Previous National governments used to label their opponents as "communists". It's the same old smear tactic. And it's as wrong and inappropriate as it was then. Try arguing the facts, rather than name calling.

BUT ACTIVELY OPPOSING IMMIGRATION IS ANOTHER MATTER ENTIRELY

We define ourselves as a "progressive nationalist" body - we take the viewpoint of working people in Aotearoa. We reclaim the legitimacy of "nationalism". We reject racism, either as used against foreigners or as used against opponents of foreign control. We are also internationalists - as

we are fighting a global enemy, we work with global allies.

As a group, we have no policy on immigration. As for me personally I am married to an Asian, I have a large Asian extended family, I have lived there and taken part in the ferocious political struggles of the Asian people; my grandfather was an Australian migrant; and as a New Zealand migrant worker in Australia I have experienced firsthand the racism directed at "Kiwi dole bludgers". All of us, Polynesian and Europeans, are migrants here and we are all Pacific Islanders. Some of us just happen to be blue eyed Pacific Islanders.

It is not the race of the migrants coming here that bothers me. But the class they come from - ie the rich - bothers me very much. That class bias transcends all other considerations of race, colour, language, or culture, as far as I'm concerned. I personally see no contradiction whatsoever in opposing foreign control whilst supporting immigration. But CAFCA itself has no opinion on the subject.

However, it is quite another step altogether to actively campaign against immigration and, indeed, against migrants. Despite protestations to the contrary, that can very easily become racism. And it's at that point that we part company with New Zealand First. In 1995, we provided a platform for Winston Peters (alongside Jim Anderton) to speak in opposition to the Overseas Investment Amendment Bill (now an Act). We actively assisted Peters' staff research his speeches for his "New Zealand Is Ours" speaking tours (and have continued supplying information to them, upon request). But it would be fair to describe the relationship between CAFCA and New Zealand First as uneasy, very much a marriage of convenience. That was, and is, clearly understood by both. Indeed having had its back scratched by us, the party was not prepared to scratch ours when we asked a favour (access to electorate contacts).

Peters has announced opposition to immigration as one of New Zealand First's major policy planks for the 1996 general election. He sees that as consistent with the party's position on foreign investment. We definitely do not support a campaign of opposition to immigration, regardless of whether it's being run by New Zealand First or the National Front. Let there be no misunderstanding at all about that.

But, in fairness to Peters, people should get their information about the policy directly from the horse's mouth, not via the media. Both the NatLab coalition and the media have it in for Peters and will gleefully distort what he says and use it as part of their non-stop attack on him. It happened throughout his attempts to get the Winebox documents into the public domain - they've stopped berating him about that because it has become embarrassingly obvious that he was right all along.

FLOGGING THE FORESTS - AGAIN

The massive selloff of cutting rights* to 550,000 hectares of State forest was started by the unlovely Labour government in the late 1980s (it was when Richard Prebble was doing the thinking that he's now writing books about) and continued in the early 90s when National commanded a massive majority. There is precious little left of State forestry. Timberlands on the West Coast is a special case, dealing, painfully slowly, with the transition from native to exotic forestry. The Ministry of Forestry essentially exists as a mouthpiece for the transnational corporations (TNCs) which now completely dominate ownership of this country's booming forestry industry. There are scattered parcels of State forest around the country that have not, as yet, been sold. There are a number of reasons for that, primarily environmental or Maori claims.

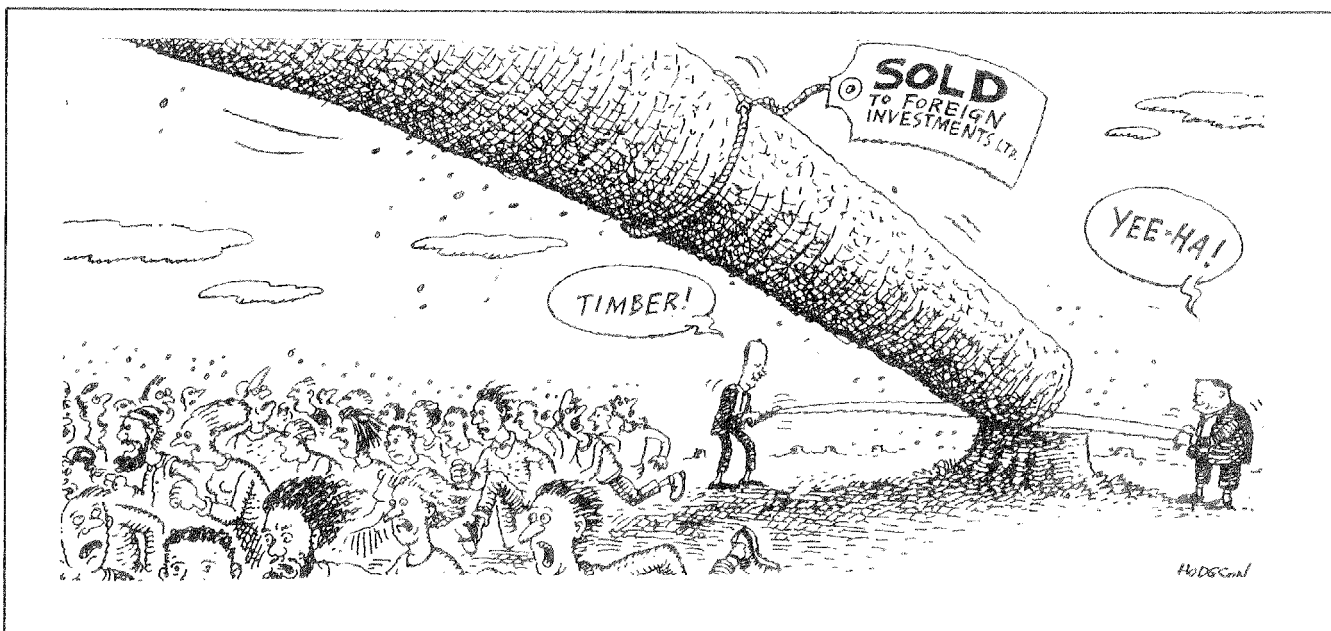
(* the sale of cutting rights does not include selling the land itself. Maori land claims are the reason why the land itself has not been sold throughout this whole process).

As of 1993, the State still owned 20.1% of planted production forests (269,000 ha). Although it is the third biggest owner it is a long way from the days when it owned 53% of the total. The State's principal presence in forestry today is in the form of the Forestry Corporation of New Zealand (Forestcorp). It was formed in December 1990 to manage seven Bay of Plenty forests and two processing plants (Waipa and Mt Maunganui), totalling over 180,000 ha. 1993 official figures showed it owning 12.7% of the country's total plantation forest area. One of those forests, Kaingaroa, established early this century, is the world's largest plantation forest. Forestcorp's Waipa mill is Australasia's largest radiata processing facility, producing over 200,000 cubic metres per year. Its two plants process over two thirds of its logs.

In 1995, the Government announced that it was planning to sell Forestcorp, with cutting rights to Kaingaroa being the star attraction. The book value was \$2.1 billion. All the evidence was of an ideologically driven government planning to carry out as much of its programme of privatising the State sector before the country's first MMP election. The sharks were immediately circling, having scented the blood in the water. At the time of writing a buyer hadn't been announced but the smart money was on American giant TNC Weyerhaeuser (which already had a "strategic alliance" with Forestcorp) or a consortium of it with Brierley Investments. All the other major forestry TNCs were very keen to get their hands on it too. (If Carter Holt Harvey [CHH] succeeds, then Forestcorp workers can look with trepidation at the actions of International Paper Corporation [IPC], the American owner of CHH. As its New Year gift to its workers, IPC announced, in January 1996, that it is making 1,300 redundant in the US and Europe). A new factor was Maori capitalism. For example, Fletcher Challenge came to a 1995 agreement with one Maori group, Te Ika Whenua. But that fell through and Te Ika Whenua appointed advisers, including Ruth Richardson (!), to assist them in their move to play a pivotal role in the future of Forestcorp.

The Reasons Why It Should Not Be Sold

In addition to the usual tired old reasons trotted out by Ministers about why selling public assets are good for us (we know they're good for the new owners, just look at Telecom) there was a new one, breathtaking in its implications. Dr Wink Sutton, a forest economist, said that New Zealanders "don't have the capital or the brains" to run a forest industry. See, we're too stupid to run our own country. The experts have told us so.



Opposition to the proposed sale came from a variety of sources, some of them unexpected. Lindsay Poole, Priestly Thompson and Mick O'Neil, three former directors general of the Forest Service (abolished in 1987), publicly spoke out and called for an inquiry into the whole process of selling State forests.

"We are worried about the sales being rushed into without public consultation... We don't know if it will protect the many sawmills around the North Island, which supply local demand and create employment..." (*Dominion*, 12/1/96).

They were not convinced by Government claims of the great results achieved by previous sales.

"The great bulk of sales have resulted in massive exports of logs. There's a medium investment from (Japanese TNC) Juken Nissho in Masterton, a bit in Nelson, a bit in Southland. They are not big at all" (*NZ Herald*, 22/1/96).

This was not the first time these three had sounded alarm bells about the direction that our transnationalised forestry industry is taking. In 1993, at the height of the unprocessed log export gold rush, they released a joint statement describing the log export trade as "bad news". They said that in 1989 10% of the sawlog harvest was exported as logs; but in 1992 it was 40%. They attributed this to the sale of the State forests to their new owners and called for a detailed examination of the forestry sector with a view to providing long term stability and direction. They also called for Forestcorp to phase down its log export activities and concentrate on supplying the local industry. "We are in fact doing just about everything which is contrary to soundly based resource management" (*Christchurch Mail*, 28/10/93).

Apart from minor details like the Government not having any mandate to flog off the forests (or any other public asset), there is the inescapable economic argument against selling. Terry Hall, business editor of the *Dominion*, expressed this most succinctly in his feature entitled "Forests sale plunders nation" (26/2/90):

"It is giving no thought to maximising the economic benefit for New Zealand as a whole, and the prospect of creating worthwhile skilled jobs and new industries in a sector that the poor old taxpayer has funded for years. The benefit in jobs will be created overseas and benefit other economies. The price obtained will be too cheap... Overseas companies will be buying New Zealand's important forestry resource at a substantial discount. The sales are being made in a high interest rate, high exchange rate environment. This means that, temporarily, the wood resource is less valuable internationally. When, as is inevitable, the dollar drops to a more realistic level, the overseas owners will be onto a bonanza... The rush to sell the forests, and other State assets, appears politically motivated, with the excuse that the money raised is being used to retire debt. In all, the Government is losing real productive assets..." That was written about the first wave of sales but is

FORESTCORP MUST NOT BE SOLD

Kaingaroo Belongs To The People

CAFCA fully supports the opposition by people in Rotorua to the proposed sale of Forestcorp, and the jewel in its crown, Kaingaroo. Rest assured you are not alone - people throughout the country are outraged. This Government and its Labour predecessor have already sold the cutting rights for over 550,000 hectares of State forests. Now they want to finish the job.

Well, we paid for Kaingaroo and its sister forests in the Bay of Plenty. They were created by New Zealanders, for the benefit of the New Zealand people. Politicians have no mandate to flog them off to finance election year tax cuts, reduce "our" foreign debt, or any other spurious reason.

We should oppose the sale of all public assets. Once gone, they become playthings of the transnational corporations who now dominate our national economy. But there are particularly strong grounds for opposing the sale of forests (the sale of cutting rights amounts to the same thing). It's because forestry is a boom industry; the foresight of those who pioneered the exotic plantation industry is now paying handsome dividends. But to whom? Not to the New Zealand people. Not even very much to New Zealand business. No, the benefits are going to the new owners and they are overwhelmingly foreign and local Big Business. Carter Holt Harvey (US); Fletcher Challenge (over 50% foreign shareholders); Rayonier (US); Juken Nissho (Japan); Ernslaw One (Malaysia); Wenita (China), Oji Sankoku (Japan), and a raft of smaller transnationals. These are the winners in this criminal giveaway.

New Zealand is now growing trees for foreign profit. We have ceased to have any meaningful ownership of our own forestry resource. We have become a seedling nursery for the rest of the world. This selloff mania is not restricted to the State - the Christchurch City Council is very keen to sell its stake in the Selwyn Plantation Forest (which announced a record profit).

Matakana Islanders showed how to stop their forest being sold to transnationals - in 1993, they blockaded the operation for six months until they got a deal that went some way towards meeting their grievances. So these sales are not inevitable. They only happen if we let them. A mass campaign has just stopped the highly controversial proposal by Wenita to build a processing plant on the Taieri Plains, near Dunedin. These transnationals are not invincible, they have feet of clay. But if we don't hit them, they won't fall.

So all power to your campaign. We join you in saying: Hands Off Forestcorp. Kaingaroo Belongs To Us.

equally applicable to the Forestcorp situation.

The Campaign To Stop The Sale

The sale will rule out the possibility of alternative uses for Kaingaroa. Apart from the question of Maori ownership and/or operation, an interesting idea was floated in 1995 by Geoff Fischer, a Forestry Education Centre tutor at Rotorua's Waiariki Polytechnic. He correctly pointed out that the backbone of New Zealand agriculture is the family farm, and asked, why not family ownership of forests? "If retained by the State, Kaingaroa could be broken up into independent forest farms, of similar economic weight to sheep and dairy units, operated by individuals or self-managing hapu, families or cooperatives". When the sale proposal was announced, he set up Kiwi Forests for Kiwi Families and joined those campaigning against it. The Socialist Workers Party held demonstrations, circulated a petition and leafleted throughout the Bay of Plenty. A broader campaign was waged by the Save Kaingaroa Coalition, spearheaded by the Wood Industries Union of Aotearoa. It organised a public meeting in Rotorua, in December 1995, attended by several hundred timber workers and members of the public. It unanimously passed a motion stating:

"This meeting of Forestry Corporation workers and the community calls upon the Minister of Finance to maintain the

Kaingaroa Cutting Rights and Forest Corp as State Owned New Zealand Assets and calls upon all Political Parties, the Union movement and the public to take whatever steps are necessary to prevent a sale".

Needless to say, CAFCA does not carry a flag for Forestcorp. Since its creation in 1990, it's been run under exactly the same obnoxious profit obsessed philosophy as all other SOEs (which are invariably headed by Government appointed SOBs). It has become very much the complete corporate animal - working hand in glove with the TNCs; ruthlessly exporting unprocessed logs to garner record profits; laying off workers in both its processing mills and forests. It is completely commercially driven. To quote from a particularly insightful *Independent* article (19/2/93):

"...The effect of Government policy has been direct for the Forestry Corporation which is encouraged to cut down immature trees by directives to crank out specific cash flows" ("Forestry's hollow boom: Chainsaw Massacre", Bob Edlin).

But we fully support public ownership of New Zealand's forest estate and strongly oppose the selling off (in reality, giving away) of our public assets. *See the box on Page 11 for the message which we sent to the December 1995 Rotorua public meeting. Ed*

WENITA PROJECT STOPPED

Watchdog 79 carried a detailed critique on the proposed Taieri Plain timber processing plant to be built by Wenita, a Chinese/Hong Kong forestry TNC that, in the space of just a few years, has become the biggest forest owner in Otago. The proposed plant would be the largest of its type in the Southern Hemisphere and would cause a horrendous range of environmental and noise problems. Locals from Mosgiel and elsewhere on the Taieri campaigned very hard against the proposal; it became a very major issue in the 1995 Dunedin local body election.

We're pleased to report that it has been stopped. In November 1995, the Otago Regional Council (ORC) refused an air discharge permit for the proposed plant, meaning that it would not be allowed to discharge contaminants into the air. Although the ORC granted conditional water and land use consents and water and land discharge consents, and the Dunedin City Council (DCC) granted conditional land use consents, the ORC's refusal of the air discharge permit has put the whole project on hold. Most tellingly, the ORC didn't see how it could grant even a conditional air discharge permit. That was rejected in entirety. "The scale and intensity of the plant when fully commissioned is inappropriate for this location" (*Otago Daily Times*, 23/11/95).

Plain Sense, the Taieri group that spearheaded the campaign, welcomed the refusal. Public unease about the DCC's relationship with the company was a big factor in the unseating of Mayor Richard Walls. Dunedin's new Mayor, Sukhi Turner ("I'm the first Mayor of Dunedin not to be a middle aged white man in a kilt") welcomed the decision as "a victory for the environment" (*ODT*, 24/11/95). Before her election, she had made a submission as an individual, opposing the plant. (More recently, she has taken her disapproval of things Chinese to the extent of refusing to take part in a Dunedin delegation to sister city, Shanghai). The *ODT*, which supported the project, editorialised:

"The fact that the regional council could not see its way clear to imposing conditions which would mitigate the likely adverse effects seems to leave little room for the company to pursue a plant of the particular type on the Taieri site" ("Knotty problem"; 24/11/95).

But TNCs tend not to take these sorts of setbacks lying down, so, naturally, there will be interminable appeals. But we congratulate the people of Dunedin and the Taieri for winning this major battle. Hopefully you never will have to live with this monstrosity as a neighbour.

Plain Sense can be contacted c/o Taieri Plain Environmental Society Inc, Box 259, Mosgiel.

BUT EVERYBODY SAYS SORRY TO THE TIONGS

Watchdog 80 analysed the saga of the 1994 TVNZ *Frontline* programme on the New Zealand empire of the Tiongs of Malaysia, principally represented in this country by forestry company, Emslaw One. In a highly contentious move, the Broadcasting Standards Authority upheld the company's complaint that the programme was "unbalanced" and ordered TVNZ to apologise.

This is not the only country where the Tiongs have had their delicate feelings hurt. Their major conglomerate, Rimbunan Hijau Group, is the biggest player in Papua New Guinean forestry (a euphemism for uncontrolled despoilation and exploitation of the tropical rainforest). PNG was also covered by *Frontline* and by an earlier Australian *Four Corners* programme. In November 1995, PNG media carried fullpage apologies concerning remarks, made on a 1993 PNG radio programme, by the then Minister for Forests, Tim Neville (one of the stars of both TV programmes). The PNG newspaper, the *National*, solemnly reported the apology and pontificated about it in an editorial entitled "Media must be conscious of duty to truth" (7/11/95). The paper neglected to mention that it is owned by Rimbunan Hijau!

However, we can take heart from the fact that, apart from buying a Tauranga radio station, the Tiongs have apparently decided not to expand their media empire into NZ. Despite speculation that they were in the running to buy Radio New Zealand's network of commercial stations, they confirmed that, after only a cursory look, they decided not to get involved. After all, why go to all the expense of creating your own mouthpieces when you can bully the existing media into achieving the same result. That's the theory - time will tell if the media, both here and regionally, have been cowed into silence or a PR role by the Tiongs' counter-punching.

TOMMY KLEPTO HAS TO SURRENDER HUGE CHUNK OF LILYBANK

For several years *Watchdog* has been chronicling the saga of Tommy Klepto, the most notorious son of President Klepto of Indonesia. Back in 1992 Tommy bought Lilybank Station, near Lake Tekapo, and proceeded to build Lilybank Lodge, a super luxury resort for the rich of the world to use as a helicopter potshot range for trophy shooting. When Tommy bought it, he assumed he was acquiring the full 27,500 hectares. But that was not the case.

In 1984 the previous owners did a deal with the Government. In return for \$300,000 of taxpayers' money, they agreed to surrender 25,000 ha to the conservation estate. When apprised of this, Tommy was less than happy and his lawyers wrangled with the Government for three long years, arguing that he was entitled to a special lease over the whole lot, ensuring him exclusive use. Whilst that was being sorted out, Klepto's resort management won themselves many enemies by trying their level best to bar recreational fishers, hunters and trampers from the property, going so far as to serve them with trespass notices.

However, by late 1995, the game was up and the December handover of the 25,000 ha was announced (the first of 17 big handovers of high country land to be negotiated between runholders and the Commissioner of Crown Lands). Chris Hutching reported in the *National Business Review* (24/11/95; "Surrender now in sight as hunters take 'potshots' at Tommy Suharto"):

"Commissioner of Crown Lands, Sam Brown, could not say clearly why the deal had taken so long to ce-

ment. He said, as far as he could ascertain, Mr Suharto appeared to be 'not fully conversant with the purchase contract he signed with the previous owners of Lilybank'... It was unclear what Mr Suharto thought he was getting for his \$2.2 million and it had taken three years of negotiating with his representatives to obtain signatures for the formal surrender of the land... The purchase was still a good deal for Mr Suharto, according to Mr Brown. 'He's bought a prime property, he's got 2,000 ha of prime high country and that's what he needs to establish his tourist project, plus there's still the prospect he'll be able to apply for tenure review and freehold some of that. The other 25,000 ha will be available to them, but not exclusively, that's quite clear'".

This means that the 25,000 ha will be managed by the Department of Conservation and recreational users will have unrestricted access. There is still a boundary dispute to be settled between Tommy's remaining land and the surrendered land. Resort management are still trying to fix the boundary in such a way as to seriously restrict access to the 25,000 ha.

Don't feel sorry for Tommy. He's still got Lilybank Lodge, which is his core interest on the landholding. And plenty more besides. When Daddy is President of a bloodstained dictatorship, the world's your oyster. Tommy likes racing cars - no problem; in 1995 he bought Lamborghini. Not a Lamborghini - Lamborghini the company. Also in Italy, he bought a bicycle firm; and a car manufacturer in the US.

This is in addition to his various profitable monopolies in Indonesia.

NZ Capitalists Butter Up The Kleptos At Home

In the meantime, New Zealand transnationals are using Klepto family connections to enrich themselves in Indonesia. AsiaPower is owned by Brierley Investments, the merchant bank Southpac and DesignPower, a subsidiary of ECNZ. It has won the contract to build a huge, \$US600 million geothermal power station in Indonesia. This is big

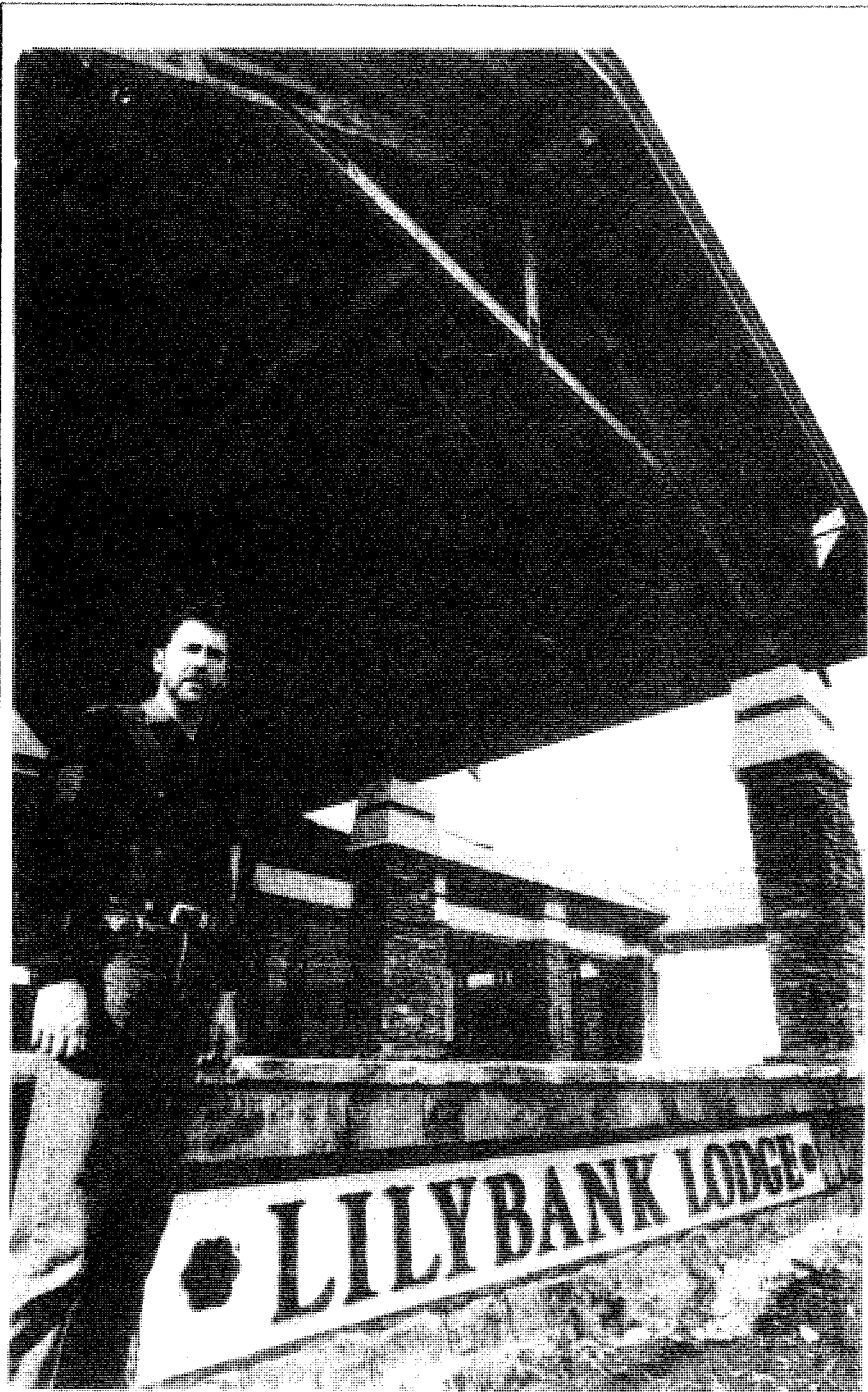
bikkies, even by world standards. The *Listener* featured the deal (13/1/96; "Full steam ahead"; Noel O'Hare). Alongside the PR puffery about Indonesia's growth rate and its potential as a huge market for New Zealand business, it spelled out some unpalatable facts.

"...corruption and graft have been endemic, with the Suharto family leading by example. The CIA has estimated (President) Suharto's personal fortune at \$US15 billion and twice that if the entire Suharto family is included. 'Those sums', says US political scientist Jeffrey Winters, 'dwarf those reportedly stolen by South

East Asia's better known kleptocrat Ferdinand Marcos'. Suharto's wife, Madame Tien, unaffectionately dubbed Madame Tien Percent, has been linked to a number of controversial business deals, including a car smuggling ring. The six Suharto children have followed suit, using political influence to win lucrative government contracts and amass billion dollar fortunes.

"It was almost inevitable that the AsiaPower contract would involve a joint venture company owned by the Suharto family. As journalist Adam Schwartz says: 'In recent years, hardly a single major infrastructure contract has been awarded without a Suharto relative or other having a part of it'. Some New Zealand companies doing business in Indonesia are wary of getting involved with the First Family, fearing the long term consequences. Many believe that, after Suharto goes, there will be a day of reckoning. 'To get it right with the family in the short term is probably beneficial', says one, 'but ultimately in the long term, there's going to be a fall-out of some sort'".

And you can bet that when that fallout comes, Tommy will have arranged a global network of plush ratholes for himself. Hawaii became the focus of global anger at the whole rotten Marcos clan when they were kicked out of the Philippines a decade ago; will sleepy little Tekapo fulfill a similar role when the long suffering people of Indonesia achieve democracy and demand justice for the innumerable crimes of the Kleptos? Tommy is one absentee land owner we can well do without. It's got nothing to do with his race, and everything to do with who he is. His presence leaves a very bad smell.



Gerard Olde-Olthof stands in front of the new Lilybank Lodge, 45min by four-wheel drive from Lake Tekapo township. The door behind opens to an air-locked foyer, which maintains a separate climate inside from the harsh alpine climate.

Press 25/8/94

TELECOM

Super Profits Grow Year By Year

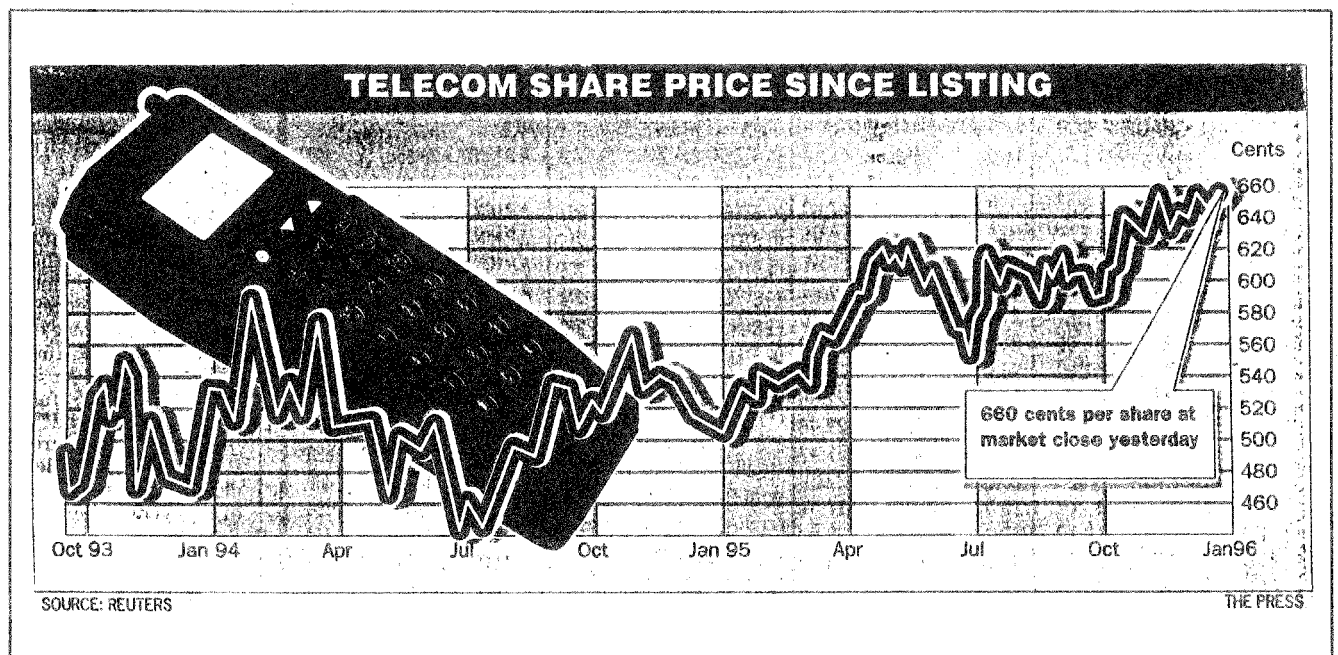
Ever since Telecom was sold (far too cheaply) in 1990, it has reaped rich rewards for its American owners. Its 1994/95 profit was over \$620 million; the 1995/96 one is on target to be a record \$710 million. At the half year mark it had made \$338 million and the third quarter of the financial year added another \$182 million. It's entirely appropriate to refer to these figures as telephone book numbers. Telecom ended 1995 as the country's top share investment, returning a total of 38% in price gains, dividends and tax credits (its nearest Big Business rival was Lion Nathan on 27%). It was sold for \$4.25 billion; its worth is now in the \$10 billion - \$14 billion range. So lucrative has Telecom become that it is now paying quarterly dividends - the directors have announced that it will distribute at least 70% of profits. In fact, for the 1995/96 half year it was 95%; and 88% for the third quarter. The directors themselves have done very nicely - Alliance leader Jim Anderton has estimated their gain, in shares, at \$124.7 million in four years (*Press*, 8/2/96). Telecom chief executive officer, Rod Deane, alone stands to make a \$2.6 million capital gain in January 1998 from his participation in a special "executive share scheme".

Anderton has signalled that Telecom will be a major election issue for the Alliance. In February 1996, it released a report on Telecom, "The Case For Public Intervention", and declared a number of policies that an Alliance government would enact, basically to ensure regulation and competition (in itself, a major step back from the Alliance's earlier policy which was for the State to buy back Telecom). One interesting point Anderton made was that Telecom is so profitable it could easily afford to totally abolish residential line rentals and still be more profitable than most major New Zealand corporates. This led to a predictable uproar from the Murdoch *Press* which ran an editorial ("Outrageous fortune"; 10/2/96) concluding that the Alliance's views on Telecom were

"old fashioned envy and profit bashing". Telecom itself has quite happily waded into the political fray - Clive Litt, its media communications manager, wrote to the *Listener* (6/1/96) referring to the regulated New Zealand economy under Muldoon as being "East Germany without the tanks". Even New Zealand First attacked the Alliance's proposals as "appalling". Finance spokesman, Bernard Downey, said

"The answer is not to give New Zealand a reputation as some sort of Eastern European socialist authoritarian State by forcing the monopoly holder to supply services for nothing, but to move to expose them to competition" (*Press*, 9/2/96). The trouble is, as Clear can attest, that Telecom has resisted any attempt to open up its monopoly to competition (see *Watchdog 80* for a detailed analysis of the Telecom/Clear saga).

Telecom, however, has no intention of abolishing or even reducing residential line rental charges. It claims it takes a \$100+ million loss per year on residential phone services. The 1990 Kiwi Share, which the Labour government imposed as its "condition" of sale, keeps local residential calls free and stops line rentals being higher than the rate of inflation. Sir Geoffrey Palmer, Prime Minister when Telecom was privatised and now an adviser to Clear, wants the Kiwi Share abolished. "The virtues of real competition would protect consumers more" (*NZ Herald*, 21/10/95). Naivety was always Sir Geoffrey's distinguishing characteristic. For its part, Telecom increased monthly residential line rentals by \$1.23 (3.54%) from February 1996. Anderton described that as "breathhtaking greed" (*Press*, 20/11/95). The *Northern Advocate* editorialised (6/11/95; "Mr Anderton is also out to profit") that his "outburst" was "patently absurd and churlish...shallow and nonsensical". It was a Monday editorial - the writer must have had a bad weekend.



Competition: Even The WTO And APEC Want To See Some In NZ

As for competition, Palmer pointed out that it had taken four years, court battles all the way to the Privy Council in London, \$50 million in legal costs and the threat of Government intervention before Telecom announced that it would sign an interconnection agreement with Clear (and it hasn't actually done so yet).

Irony of ironies. The global free trade organisations set up to enrich TNCs such as Telecom are being used to pressure New Zealand to regulate interconnection. "The Case For Public Intervention" quotes a 1995 Treasury/Ministry of Commerce Discussion Paper, "Regulation of Access to Vertically Integrated Natural Monopolies":

"Currently negotiations are proceeding at the World Trade Organisation (WTO) under the General Agreement on Trade in Services (GATS) specifically on Basic Telecommunications. These negotiations are due to conclude in mid 1996. There is a general push for members to commit themselves to practical processes that will provide for timely interconnection by new entrants. More specifically, requests have been made for New Zealand to introduce such a process. Similar issues are being raised in other forums (such as APEC [Asia Pacific Economic Cooperation]) and in bilateral negotiations"

In December 1995, Clear won an injunction blocking Telecom from proceeding with programming and other agreements with Sky TV. An earlier Clear injunction stopped Telecom buying 25% of Sky, which had been conditional on the programming agreement. Telecom's whole relationship with Sky will now be the subject of court hearings. (See the August 1995 Overseas Investment Commission decisions, elsewhere in this issue, for full details of the Telecom/Sky saga.)

Deunionising

Let's not forget Telecom's workers in all this. The company

Phone advert ruled to be misleading

A Telecom advertisement in which a hunter recounts how his mobile telephone saved his life has been ruled misleading by the Advertising Standards Complaints Board. Even though the advertisement carried a warning that people venturing into remote areas should take proper precautions, its overriding impression was that a mobile phone would provide adequate security, the board said.

Telecom Mobile and the creators of the advertisement, Saatchi and Saatchi, said the advertisement was based on a real incident in the Kaweka Ranges and the warning to take precautions had been approved by mountain safety and maritime officials.

—NZPA

Press 14/10/95

is making 40% of its workforce redundant over a five year period. By the third quarter of the 1995/96 year, staff was down to 9019 from 9307 a year earlier and redundancy and restructuring payments were down 63%. Restructuring is ongoing - from April 1996, there will be two new major divisions, Services and Network. Of those workers left, Telecom is very keen that they not belong to a union. The Communication and Energy Workers Union (CEWU), the successor to the old Post Office Union, collapsed in a very undignified heap in late 1995 and has gone into liquidation (indeed CAFCA was amongst those approached by the liquidators, concerning an unpaid *Watchdog* sub from years ago. After careful consideration, we've written it off). An internal memo to senior Telecom managers warned them to steer clear of the Engineers Union, which was expected to recruit the 5,000 Telecom members of the CEWU left high and dry by the collapse of their union. The memo, from David Bedford, human resources manager, said: "The Engineers Union is very professional and may present an image that is

Shares Held by Directors and Associated Persons. As at 31 March 1995

	Number of Shares Held	January 1996 Value. (\$6.20 per share).	1995 Dividend (30c per share).
Peter Shirtcliffe	151,672	\$940,366	\$45,502
John King	356,248	\$2,208,738	\$106,928
Rod Deane	885,427	\$5,489,647	\$265,628
David Richwhite	14,332,000	\$88,858,400	\$4,299,600
Alan Gibbs	37,572,800	\$232,951,360	\$11,271,840

"Telecom: The Case For Public Intervention" - Alliance

quite appealing" (*Press*, 10/1/96). The company moved to obstruct the Engineers by not deducting union fees from workers' wages (a service it had provided for the CEWU). Telecom confirmed that it was actively trying to put its staff onto individual contracts. Obviously it sees the CEWU's inglorious demise as a golden opportunity to deunionise its remaining workers. It got a strong reaction from both Rex Jones, the Engineers national secretary and Steve Maharey, Labour's employment spokesman.

Poor Service

Despite extensive advertising selling its image, Telecom has a poor service record. In November 1995, Katherine O'Regan, Minister of Consumer Affairs, released figures showing that it took longer to fix a home phone fault (9.9 business hours average) than it did in 1992 (4.7). A new voluntary performance agreement was signed between the Government and Telecom, allowing for six monthly reports to the Government. It still didn't include a fault answer time indicator. Earlier in 1995 Mrs O'Regan was so disappointed with Telecom's service performance that she asked for monthly, as opposed to six monthly, reports.

At the unglamorous end of the market, there is no service to be had. Mr and Mrs Lane of Taylors Mistake, a popular Christchurch beach, publicly complained about the lack of a public phone box. Their home had been used by hundreds of people over the previous five years, wanting to use the phone for all manner of emergencies, including life and death ones. The surf club phone is available for limited hours in the summer only. Jan Lane said:

"I think it's so irresponsible of a company which makes such a large profit. They say it's not financially viable to install a telephone, but don't they have some sort of duty to the public?" (*Press*, 27/12/95).

Telecom wasn't entirely unforthcoming - it offered to install a phone at her gate - at a cost to her which would include the monthly line rental! Never mind, although it can't provide phone services in New Zealand, it can do so in Sri Lanka, where it's won a \$45 million contract to design and build a regional public phone service carrying 33,000 lines. Presumably there's more money to be made in Sri Lanka than in Taylors Mistake.

Grassroots Opposition: A Towering Success

The big money for any phone company nowadays is to be had in the cellphone market. They are undoubtedly useful things - the Anti Bases Campaign made very good use of one during the January 1996 demonstration at the Waihopai spybase. But they're not all they're hyped up to be. Inevitably the overselling of them and the ridiculously deceptive advertising has led to tragedies amongst the gullible. The most spectacular case was doubtless the Invercargill beneficiary who bought one for \$1 and proceeded to use it to constantly ring the Hong Kong girlfriend he'd found through an introduction agency. Within three months he owed over \$25,000!

More importantly, cellphones themselves, and their attendant transmission towers, are the subject of deepseated public misgivings. Christchurch hospitals have put restrictions on their use because they interfere with vital medical equipment - they are already banned from some hospitals in parts of New Zealand, the US, Australia and Scotland. But the real battle is that over the towers and Christchurch is where it is fought most fiercely. Telecom has designated 24 city sites for telephone exchanges in the new City Plan and confirmed that they are actually for transmission towers. This aroused the concern of the Environmental Protection for Children Trust, which is spearheading opposition to the citywide proliferation of Telecom towers and those of the other phone TNCs.

Hearings have been held on objections to tower proposals in several Christchurch suburbs eg Ilam, Beckenham, Bryndwr. Dr Neil Cherry, wellknown to Cantabrians as a meteorologist, peace activist and regional councillor, has been the scientific spokesperson for groups opposing the towers, saying that standards governing public exposure to radio frequency radiation are inadequate. In November 1995 he was instrumental in organising what was billed as the world's first scientific symposium on health hazards associated with cellphone tower transmissions. Two international experts, from the US and Israel, took part - they had been flown to Christchurch by the Trust to testify at a Planning Tribunal hearing (the Trust spent \$30,000 on its case).

The phone TNCs had started their tower proliferation drive by offering hardpressed schools \$4,500 each to host towers

Capital Gains on Directors' Interests in Telecom Shares April 1992 to January 1996

Peter Shirtcliffe	\$605,766
John King	\$879,469
Rod Deane	\$2,809,648
David Richwhite	\$47,435,341
Alan Gibbs	\$72,961,333
Total	\$124,691,556

"Telecom: The Case For Public Intervention" - Alliance

in their playgrounds. Alarm at this had kicked off the public opposition in Christchurch, where three schools had been approached. They declined, because of parent opposition and, in June 1995, the Ministry of Education reversed its approval and banned towers in playgrounds. In December 1995 the Ministry dismissed an appeal from BellSouth to lift the ban - the Trust announced it was delighted and said its priority was now to get the towers out of the three North Island schools that had accepted them. But opposition has also been mounted in Christchurch to proposed tower sites near schools or kindergartens, in Shirley, Ilam and Bryndwr. The proposed Beckenham tower was originally going to be sited next to Opawa School but was moved to Colombo Street because of opposition, only to encounter even fiercer local flak. Jane Ellis, spokesperson for the newly formed incorporated society fighting the Bryndwr proposal, summed it up in a nutshell: "They (Telecom) think it is safe and we don't" (*Christchurch Star*, 27/12/95).

The grassroots opposition is winning significant victories. The Christchurch City Council has proposed a change to the City Plan, meaning that anyone wanting to install transmitters within a 300 metre radius of schools, kindergartens and houses would have to apply for a resource consent. This issue hits home with councillors - for example, Christchurch 2021's Garry Moore, who has a child at Shirley Primary School, has pronounced himself concerned about Telecom's proposal to put up a transmitter next to the school. And, in February 1996, Telecom announced that it was putting its Bryndwr proposal on hold and looking for alternative sites.

It hastened to add that this was for aesthetic reasons, not health ones. Even local Tory MPs have got onto the bandwagon. Selwyn MP, David Carter, has supported Templeton residents opposing Telecom's plans to erect a 20 metre tower on the Main South Road.

He emphasised that he wasn't involved in "the health side of the issue...What I resent is the people of Templeton having to look at this thing every day of their lives, as well as the poor tourists coming into the city being greeted with this thing...There must be 101 better places to site this monstrosity...I won't rest until every step has been taken to ensure this stupid idea is not allowed to proceed" (*Christchurch Mail*, 15/2/96).

Which just goes to show that, despite all the hype of relentless TV advertising (which cashes in on New Zealanders' wellknown love of new status symbols), the phone TNCs are not winning the hearts and minds of the people when it comes to cellphones. Couple that with the fact that Telecom and its obscene profits have become a public villain (TVNZ's *Holmes* regularly taps into this populist vein) and we can take comfort from the fact that it is seen for what it is. A profiteering bloodsucker. No amount of cutesy animal ads, Spot the dog or \$5 Weekends will alter that perception.

"Telecom (NZ) and the New Zealand Telecommunications Industry: The Case for Public Intervention" can be ordered from any Alliance electorate office or directly from the Alliance Parliamentary Office.

WAIHOPAI

The annual Waihopai spybase protest, in January 1996, was militant and got good national media coverage. Despite being small in numbers (about 30) and rather slapdash in organisation, it achieved the Anti Bases Campaign's (ABC) goal of keeping pressure on this hideous blot on the Marlborough countryside and, more importantly, keeping it in the public eye. The ABC action led directly to the Green Party, meeting in the nearby Marlborough Sounds, holding their own separate action there and the Alliance strongly condemning both the base and police actions at the protest, as did John Blincoe, Labour MP for Nelson.

(The ABC was pleased to welcome back Moana Cole at this year's action. She'd only been back in the country a few days from Australia. She'd had to leave there because the Australian Government officially classifies her as being of "bad character" and only let her in on a six month visa, for family visiting. She was not allowed to work, study or appeal the visa).



Photo: BH

Protesters ignored a police ban on entering any of the base's land (the high security compound, which is protected by electric fences, floodlights and security guards, is surrounded by hectares of farmland owned by the Government). Six were arrested and charged with wilful trespass. Among those arrested were Warren Thomson and Bob Leonard, leading fig-

ures in the ABC. This is the first time that the Government Security Communications Bureau (GCSB), which operates Waihopai, has ordered police to arrest any people entering its land. It is also the first time, in eight years of Waihopai protests, that the police have used dogs. Nobody was bitten but a dog was used during the arrests. In the past, protesters have been allowed up to the high security fences of the spy base compound. Generally the cops were aggro - two of those arrested were handcuffed to a fence and left there in the blazing sun. When the cops came to cut the cuffs, they discovered that they could only do so with a lot of effort.

Trespass charges against the four arrested at the January 1995 protest have not been heard yet and the police have recommended that they be withdrawn because of the delay. This is further evidence of official reluctance to prosecute Waihopai cases and focus attention on the base. In the past, defendants have used tactics like subpoenaing the GCSB director and

subjecting him to cross examination. In 1994, despite Warren Thomson having pleaded guilty, the charge against him was still dropped. Understandably, Warren is amongst those who have difficulty keeping track of his annual sojourns in the Blenheim Police Station. After a blameless youth, he is catching up with a vengeance in middle age.

The ABC's Waihopai campaign costs money, for mundane things like setting up the camp there, to more substantial items like legal expenses. For instance, the lawyer's bill for the dropped 1995 charges is \$1,500. These 1996 arrests will add to the total. The ABC is deeply grateful to those people who have donated money over the last 12 months. But, as always, more is needed.

Donations can be sent to:

ABC, Box 2258, Christchurch.

Accompany it with a note saying it's for Waihopai costs.

BLACK BIRCH CLOSES

But one other installation, close by Waihopai, is closing in 1996. The US Naval Observatory atop Black Birch ridge is not merely being closed but demolished. Hallelujah! It has completed its ten year programme of mapping Southern Hemisphere stars, an essential prerequisite of missile targeting for US nuclear monstrosities, such as the Trident submarines.

CAF CINZ (as we then were) kicked off the campaign against

Black Birch back in the early 1980s, organising two protest climbs up the 1,500 metre hill. Once the ABC was founded, later on in the 1980s, we handed the campaign over to them. But we are delighted to see the US Navy climbing down from its incongruous hilltop perch. That leaves one American base here (Harewood). Plus the two "New Zealand" bases - Waihopai and Tangimoana - that work for US intelligence. But as Wally Hadlee said, talking of how to win a cricket match: "We'll take them in singles".

INTELLIGENCE AND SECURITY AGENCIES BILL

In the fashion made notorious by the old style politics that people voted MMP to get rid of, this Bill was announced by the Prime Minister just before Christmas 1995, with submissions closing at the end of January 1996. They were considered, not by any ordinary old select committee, but by a special committee comprising the PM, three other senior Cabinet Ministers, the Leader and Deputy Leader of the Opposition and the leader of the United "Party" (the National you get when you don't vote National). After widespread public uproar, the committee agreed to extend the deadline for public submissions further into February. It is

the first law involving these agencies since the 1977 Security Intelligence Service (SIS) Act. The GCSB has never been specifically covered by any law, being simply treated as part of the Ministry of Defence.

The ABC's indefatigable Warren Thomson personally succeeded in alerting a large number of individuals and organisations to the existence of this Bill - no mean feat in the annual silly season - and mobilising opposition to it. He and Bob Leonard appeared before the committee at Parliament.

If you would like detailed critiques of the Bill, contact: ABC, Box 2258, Christchurch. Enclose \$5 to cover costs

CAFCA'S SUBMISSION ON THE BILL

Our submission is short and to the point. Despite the obstacle of the deplorable haste with which the Government has tried to slip this Bill through unnoticed over the silly season, it didn't take us long to arrive at our central conclusion, which is

1/ the agencies at the centre of this Bill - the SIS and the GCSB - should not exist, full stop.

In the evocative words of the lovely old song "Why Was He

Born So Beautiful?" - "He's no bloody good at anything; he's no bloody good at all". That sums up exactly our feelings about the SIS and the GCSB. They are useless, dangerous, a waste of public money, and an anachronism in this day and age. The words "intelligence" and "security" are misapplied in the Bill's title - the New Zealand public has seen precious little evidence of either.

2/ If, however, it is decided that these wretched bodies should not be put out of their misery, then they need radical sur-

gery. For starters, they should astonish themselves and start **working for the New Zealand people**, who fund them, instead of for the foreign intelligence agencies that tell them what to do. This means that New Zealand should get out of the 1947 UKUSA Agreement (*the top secret global intelligence sharing Agreement between the UK, USA, Canada, Australia and New Zealand. Ed*) and all commitments that flow from it. After all we're out of ANZUS, so let's finish the job and quit UKUSA as well. That should give the eavesdroppers at Waihopai plenty of spare time in which to think of ways to actually gather intelligence that might be of use to the New Zealand taxpayer, rather than the US National Security Agency (*the NSA is the biggest US intelligence agency in the US, much bigger than the CIA. It specialises in signals or electronic intelligence. Ed*). And the SIS could stop being a (very) junior partner of British and American intelligence and start finding ways to actually ensure the security of those who pay its wages. Where was any evidence of its "intelligence" or "security" when real foreign terrorists attacked this country in 1985? The *Rainbow Warrior* killers were caught by good old fashioned police work, not by any covert agency. Nor do we accept that providing a private gossip supply for successive Prime Ministers constitutes a useful service to the New Zealand people.

3/ Who is the enemy? This is the big question in the post Cold War era. We submit that NZ's intelligence and security agencies undergo a radical reorientation and define who the enemies of New Zealand really are. Who has the capacity to actually destabilise our economy? **International currency speculators.** These agencies could actually do something useful if they turned their attention to this real enemy. Nor is this wishful thinking. Very recently Italy, a much bigger economy than ours, announced that it was directing its intelligence services against this very same group. Who else? **Corporate tax dodgers.** They can wreak havoc in an economy as small as ours. Lets see our secret agents deployed against European Pacific (*the mysterious tax dodge company at the centre of the Wine Box Affair. Ed*) and its ilk

with the same vigour with which they pursued Bill Sutch into court and into his grave (*the arrest, trial and acquittal of Dr W.B. Sutch, followed closely by his stress-assisted death in 1975, marks the only time anyone was ever charged with anything remotely resembling espionage under the former Official Secrets Act, and represents one of many low points in the history of the SIS. Ed*).

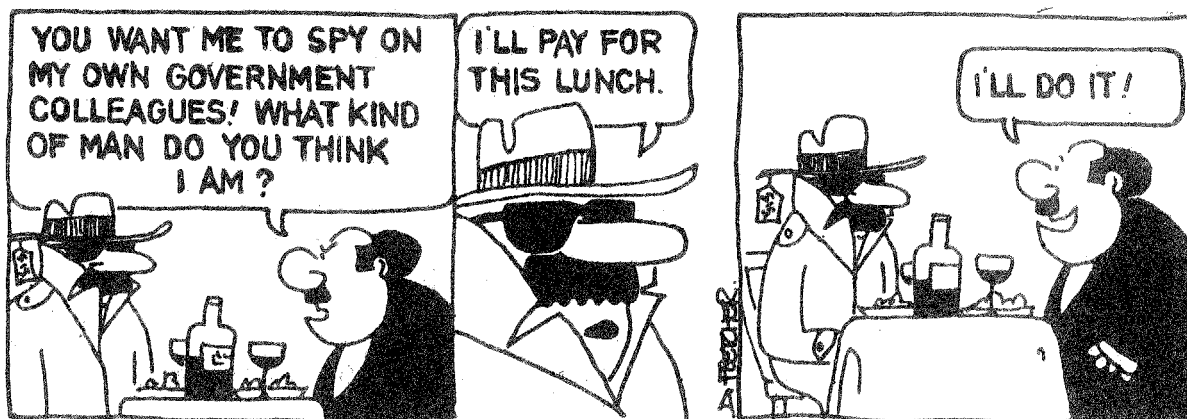
4/ International wellbeing and economic wellbeing. These are the only actual clauses of the Bill that we wish to comment on, and only to reiterate the much more detailed submissions of any number of other groups and individuals. These are truly ominous clauses, meaning that all manner of groups (including ours, no doubt) become the target of intelligence and security agencies because we might be perceived as adversely affecting either or both of the international or economic wellbeing of New Zealand. Other submissions have given the detailed critique of these clauses - we endorse their comments. They turn criticism of government economic policies, which is the very stuff of politics in a democracy, into an activity worthy of covert surveillance and investigation. This confirms our views that the prevailing politico-economic ideology cannot abide democracy and wishes to see it weakened as far as possible.

5/ Unless these agencies are reoriented and restructured to perform the useful tasks outline above, then the country is better off without them. Think of the money that could be saved. It could go towards clearing the national debt, or the Government could demonstrate real intelligence and provide security for the education and health systems.

We have no doubt that Waihopai could be sold and turned into a resort with a difference. The biggest satellite TV dish in the country would be a drawcard in itself. And wealthy tourists would value the security offered by electric fences, surveillance cameras and floodlights. Any number of redundant SIS agents could be hired as security guards.

THE POLITICIAN

By David Fletcher



JULY TO NOVEMBER 1995

OVERSEAS INVESTMENT

COMMISSION DECISIONS¹

Bill Rosenberg

July 1995 decisions

This month reports the largest number of OIC decisions since we started analysing them in December 1989: 63, including eight deletions. However, 17 of these relate to one forestry operation hawking off small blocks of land to Taiwanese residents. The majority relate to land sales.

The controversial **combined cycle gas turbine power station** proposed for **Stratford, Taranaki** features this month. **National Power Plc**, a U.K. public listed company which "currently operates four similar plants in England and state they will provide leading edge technology and experience to the project" gained approval to "carry on business in New Zealand on its own account in partnership with **Todd Petroleum Mining Company Ltd.**" The consideration was "approximately \$300 million".

National Power and Todd were selected on 16 June as sole preferred bidder for the 350 megawatt power station by the **Electricity Corporation of New Zealand Ltd.** However the good intentions disintegrated only two months later when Electricorp announced that the partnership had withdrawn and it was putting the station up for tender again. National Power blamed "unexpected technical problems" that transmission SOE, Trans Power, had raised regarding the suitability and reliability of National Power's proposed design. The plant might automatically disconnect at times of system stress said Trans Power (*Press*, "Power station back to tender after problems", 21/8/95, p.35). Presumably National Power's claims to the OIC of leading edge technology were not to be taken too seriously.

Just a month later Electricorp announced that a consortium comprising Fletcher Challenge, TransAlta Energy of Canada, and Auckland distribution company Mercury Energy would build it. Each of the three companies would provide a third of the equity for the station, which was expected to cost \$400 million. Electricorp said the sale of the project to the consortium was a "major step in the creation of a competitive electricity generation market". In other words it will be the first significant privatised power station in Aotearoa. The sale included a **12.6 hectare** site near Stratford and a supply of 230 petajoules of gas. The station should be commissioned in 1998. (*Press*, "Consortium wins power project", 15/9/95, p.18.)

Whether the station provides real competition is a moot point:

1. Note: All spelling of geographic and company names is as supplied by the OIC unless otherwise it is clear from the context that the source is from elsewhere. Errors are those of the OIC.

Areas are rounded to the nearest whole number.

Information quoted, unless otherwise noted, comes from the "decision sheets" of the Commission.

all three partners in the consortium are significant owners of electricity supply companies and will want to maximise the benefits of the Stratford plant to their own operations. Added to that is Fletcher's 33% shareholding in the Natural Gas Corporation. And then there is the original reason for the plant being controversial: its carbon dioxide emissions.

Kingsgate International Corporation Ltd, 50.35% owned by **CDL Hotels New Zealand Ltd** and 31.79% by **Tai Tak Securities Pte Ltd** and **Tai Tak Holdings Ltd** of Singapore, has approval to issue up to **131,060,443** shares at **10 cents** a share to **CDL Hotels New Zealand Ltd** and/or **Tai Tak Securities Pte Ltd** to raise more capital. **CDL Hotels New Zealand Ltd** is 68% owned by **CDL Hotels International Ltd**, itself 52.8% owned by **City Developments Ltd** of Singapore, 37.8% by "offshore institutional investors" and 9.4% by **Hong Leong parties** of Singapore. **Tai Tak Securities Pte Ltd** is owned by **Messrs Ho Whye Chung** and **Ho Sim Guan** of Singapore. **CDL** acquired its shares from the Hos' companies in 1994 (see April 1994 decisions).

CDL Hotels New Zealand Ltd has also been given approval to acquire the whole of **Kingsgate International Corporation Ltd**. However this is strictly "on approval": "The applicants state that currently there are no firm arrangements in place to acquire further shares but that they wish to be in a position to do so should the opportunity arise." They already had had approval from the OIC in April 1994 to acquire 85.34% of the shares. **Kingsgate's** major assets are two tourist related property investments in Australia. They are both in Sydney: the 400-room **Hyatt Kingsgate Hotel** and shopping centre, and the **Birkenhead Point** waterfront warehouse and marina.

A **Singapore/Malaysia** consortium has approval to buy the **James Cook Hotel** and associated car park and commercial and retail properties in **Wellington** for **\$37,500,000**. The property is currently owned by the **JR McKenzie Trust** through **James Cook Hotel Ltd** and **Rangatira Credits and Investments Ltd** which it controls. The Malaysian partner is in the final analysis, the **Government of the State of Johor Malaysia** through its investment arm, the **State Economic Corporation**, which in turn owns **Johor Land Berhad**. The Singaporean partner is **Hotel Grand Central Ltd** which "is a publicly listed Singapore company with expertise acquired through its hotel and property investment activities in south east Asia. It owns a number of hotel investments." In 1993, **Grand Central** acquired **Plimmer City Centre** on

the corner of Gilmer Terrace and Boulcott Street and on Plimmer Steps, Wellington for \$15.75 million, the Central Tower and Cashel Street Car Parking Buildings, Christchurch for "approximately \$10 million", to convert into a hotel, and the DB Tower, Auckland for \$7.1 million. It also owns the Grand Central Building in Manners Mall, Wellington.

New Zealand Properties (No. 1) Inc of the U.S.A. has approval to buy **Aurora House and Chambers on The Terrace, Wellington** for \$36,450,000. The owner of New Zealand Properties is "Trust interests" associated with five U.S. residents, who "state that they have embarked on an investment strategy whereby available funds are spread internationally in commercial property." This property (owned by **Mayfair Ltd [in liquidation]**) has been in receivership and liquidation since 1989.

Hind Hotels International Ltd, a Singaporean public company controlled by the **Jhunjnuwala family** of Singapore has approval to acquire **Florencia Properties Ltd**, a wholly owned subsidiary of the **Skellerup Group Ltd** for \$15,100,000. Florencia owns one property in **Auckland** and one in **Christchurch** from which Skellerups undertake manufacturing operations, which they will lease back. "Hind Hotels views the acquisition as a natural extension to its investment property portfolio in New Zealand." According to the *Press* ("Offices planned", 25/1/96, p.20), Hind owns "more than \$90 million in property in New Zealand". In May 1992 we reported:

In a decision initially suppressed but released on appeal, the Commission approved **UK company, Chapman Properties Number One Company Ltd** ("owned by **NZIB Investments Ltd** which is acting for a syndicate of creditor banks") buying an office complex in **Great South Road, Penrose, known as Central Office Park**, from **Central Office Park Ltd** (under statutory management) for "approximately" \$38 million. Central Office Park Ltd is owned by the **Aurora Group**, from which "the applicant [Chapman Properties] will acquire certain other assets." By June this had been sold on to **Hind Hotels International Ltd** (major shareholders **C.L., S.S. and L.N. Jhunjnuwala**) of Singapore at the same price.

Permanent Trustee Australia Ltd of Australia is setting up a company, **Big Bonds (NZ) Ltd** "to carry on business purchasing financial assets and issuing debt securities."

Benchmark Building Supplies Ltd, owned by **Howard Smith Ltd** of Australia, is taking a 30 year lease on 2.62 hectares of land in **Ti Rakau and Burswood Drives, East Tamaki, Auckland** to establish a retail outlet. Rental rates are yet to be determined but initial monthly rent instalments were \$50,467 + GST. The land is owned by **Burswood Developments Ltd**.

Swift Energy International Inc of the U.S.A. has approval to undertake "petroleum prospecting and the exploitation of any petroleum resources located in any licence area as may be approved ..." "Swift is engaged in the exploration development and operation of oil and gas properties in the

United States of America."

Further "regularisation" (read "retrospective approval") of the position of **Apple Fields Ltd** is approved in a number of decisions after it, "unknown to Apple Fields", became an overseas company in March 1994. One decision gives retrospective consent to acquire "interests in orchard partnerships and land owning companies (approximately 23 hectares)" for "approximately" \$199,925. A second decision, in identical terms, applies to 20 hectares priced at \$440,008. A third decision gives retrospective consent to "entering into transactions with **Rural Super Bonds Superannuation Scheme** (approximately 1,163 hectares)" priced at "approximately \$11,400,050". This super scheme was the subject of significant criticism by the Securities Commission (see commentary on the January 1995 decisions).

The fourth decision gives retrospective consent to the joint venture set up with the former owners and founders of Killinchy Gold ice cream manufacturers to form the dairy processor **Killinchy Gold Dairy Foods Ltd**, for "approximately \$1,200,000". Since we last reviewed this particular venture (see January 1995) it has found itself in a spot of trouble. The structure of the joint venture is that 21% of the shares are held by Killinchy Gold founders, Brent and Faye Thornton. The other 79% are held by Dairy Brands New Zealand Ltd, which is half owned by Apple Fields and the other half was to be sold to "processors and investors", interest coming from "overseas as well as New Zealand". Dairy Brands owns the dairy assets of Apple Fields, including 31 dairy farms in Canterbury, Otago and Southland. Its directors are a line-up of the Politically Correct of the New Right: Ruth Richardson, Murray Valentine (Apple Fields chairman), Rob Campbell and David Bainbridge, a Tauranga businessman. The float was principally a means to reduce the debt of the parent company: its rationale was said by Tom Kain to be to realise the assets of the ill-fated Rural Super Bonds scheme which owned most of the farms. It was preceded by Dairy Brands (projected profits to September 30, \$2.91 million) paying a \$27.05 million dividend to Apple Fields, leaving the company with a non-interest bearing debt to Apple Fields of \$20 million, the bulk of which would be made up by the share issue. Loans of \$2.55 million to Apple Fields by a company controlled by two executive directors of Apple Fields, brothers Tom and Charles Kain, would also be repaid and used partly for them to buy Dairy Brands shares. (*Press*, "Dairy Brands to add value - chairman", 6/9/95, p.26.)

The float of those shares to existing Apple Fields shareholders ran into considerable trouble. Questions were asked as to why the Kain brothers were not taking up their entitlements to shares, although they did underwrite the issue by about \$2 million. They, along with other underwriters, were paid fees of \$94,395. Another major Apple Fields shareholder, **Société Generale**, also declined to take up its shares. Apple Fields' confrontational stance against the Apple and Pear Marketing Board then returned to haunt it when a minor (320 share) shareholder from Nelson, accountant Barry Thompson, hired a public relations firm and an Auckland accountant to query the float. He alleged that the float would leave Apple Fields with the risk of minimal earnings, that forecasts in the Dairy Brands prospectus were optimistic,

and questioned why shareholders should pay for dairy assets that they already own, particularly when Apple Fields was paying only 32.8 cents for shares where other shareholders were paying 90 cents. Tom Kain said "it would be unreasonable for Apple Fields to pay for something that it already owned." (*Press*, "Dairy Brands share float stirs controversy", 19/9/95, p.32; "Further details sought on Dairy Brands float", 22/9/95, p.16; "Controversy surrounds Dairy Brands float", 23/9/95, p.22.)

While this was going on, supermarket owner Progressive Enterprises claimed that letters of support in the Dairy Brands prospectus from four of its supermarket chains were printed without approval. Trevor Herd, Progressive's Chief Executive, said he "nearly died" when he saw the letters in the prospectus. Trading managers in the Countdown, 3 Guys, Foodtown and SuperValue supermarkets had been approached in March with a request to comment on marketing strategies for Killinchy Gold's products, but no approach had been made to Progressive's management for permission to print the letters, and no approval had been given. The letters were not to be taken as endorsing the prospectus offer of Dairy Brands shares, and he disassociated the supermarkets from the document. However it appears that Apple Fields did have the various supermarket managers' approval to print the letters, but those managers hadn't checked company policy with the Progressive hierarchy. (*Press*, "Progressive lashes A Fields prospectus", 20/9/95, p.25.)

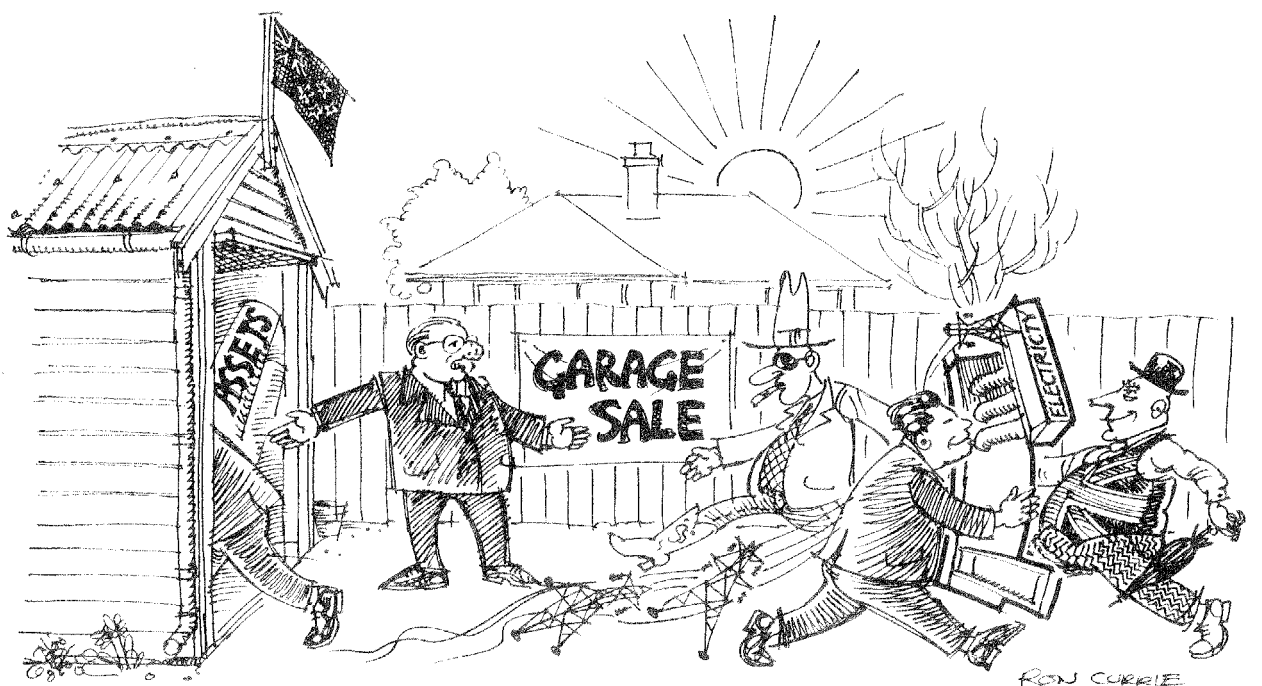
According to the OIC, Apple Fields is now 28% owned by T/A Pacific Select Investments, and 13.21% by "various other overseas persons".

For some years, a company at Broadwood, Far North District, has been selling off small blocks of land to overseas residents as a way of raising funds for forestry development.

Such transactions continue (see below). A similar scheme is now underway in the Wanganui district. It is related to the Broadwood scheme because the contact for both is Ms Deborah Miller, Brookfields, Auckland. "The New Zealand Forestry Group Ltd, a New Zealand company, has acquired a substantial area of poor quality farm land in the Wanganui area which it is converting into a commercial forestry operation... To date there has been little interest from New Zealand investors." So it is selling 19 blocks of land totalling 497 hectares at Paparangi, Wanganui, to residents of Taiwan (different in each case), and in one case (Spruce Forest Company Ltd), Hong Kong. New Zealand Forestry will manage the whole development and in each case a holding company is being set up as follows:

Holding Company	Hectares	\$ Value
Big Land Forestry Company Ltd	28	109,200
Braybrook Enterprises Ltd	25	110,000
Champion Products Company Ltd	20	88,000
Chen New Farm Company Ltd	51	224,000
Edwinton Ltd	25	110,000
Grand Innovation Company Ltd	24	92,400
Kaiben Properties Ltd	21	92,400
Kingo Forestry Company Ltd	20	89,760
Lin's Forestry Company Ltd	23	89,700
Loughborough Properties Ltd	25	110,000
Mou Fang Company Ltd	20	88,000
New Art Company Ltd	23	89,700
New Life Ltd	26	114,000
Pei-Li Management Company Ltd	20	88,000
Spruce Forest Company Ltd	30	117,000
Wen Chu Forestry Company Ltd	20	88,000
Winnie Trading Company Ltd	40	176,000
Wu Lin Company Ltd	20	88,000
Yungmaw Forestry Company Ltd	36	124,800
Total	497	2,088,960

The Bargain Hunters Arrive Early



Another unusual scheme surfaces in Northland this month. Seven Hong Kong residents are acquiring "approximately" 45% of Bridgethorne Holdings Ltd for \$1,500,000. The rest of the company is apparently held by local shareholders. It owns 103 hectares of land in Kerikeri, Far North District. "The land will be subdivided into 12 orchards, 12 lifestyle blocks, a main farmhouse and a small strip for a new golf course." The blocks will be allocated by ballot to the shareholders, but the orchard blocks, which will be adjacent to each other, will be planted and managed as if they were one entity by New Zealand appointed managers.

Evergreen Forest Ltd, which is approximately 62% owned by Xylem Funds 1 L.P. of the U.S.A. is buying 3,996 hectares of land from the 11,000 hectare Waipaoa Station near Gisborne for \$7,700,000. "Evergreen proposes to convert the land, much of which is mudstone based soil and susceptible to erosion, into a commercial forestry operation. Such utilisation of the land in the area has been actively encouraged by the Gisborne District Council. It is intended that 1,300 hectares will be planted by the end of July 1995 with the balance being planted by the end of June 1996." Pretty good going to plant 1,300 hectares in less than a month!

On 6/2/95, in a report headlined "Waipaoa Station for international tender", *Straight Furrow* reported (p.21):

"One of New Zealand's largest privately owned farms, the 7,966 hectare Waipaoa Station in Poverty Bay, is for sale. Bayleys Real Estate has been appointed to market the property, which has been owned by the Clark family since 1907. It is currently carrying more than 43,000 stock units and also contains 891 hectares of established pine plantations. The station has its own primary school, swimming pool, community hall and contains nine houses as well as single men's quarters.

The property is being offered for sale by international tender. Bayley's John Dobrowolski says because of its size, tenders will be able to be made either for the entire property or for one of two blocks of 4,273 hectares or 3,693 hectares. Mr Dobrowolski says each of these blocks has its own dwellings and farm facilities and could be operated as a stand-alone station.

Radiata pine has been planted on parts of both blocks progressively since 1985. The station currently winters approximately 24,050 sheep, 17,500 of which are Romney ewes. It also carries just over 4,000 cattle, half of which are angus hereford cross cows. Over the last two years lambing has averaged 107 percent and calving 90 percent. The property contains two wool sheds, six sets of yards, a range of general purpose sheds, stables and killing facilities.

The station takes its name from the river which forms its boundary. It is adjacent to Mangatu Forest, formerly a state-owned forest established in the 1960's and now owned by Rayonier New Zealand. The farm was purchased by present owner David Clark's great grandfather John Clark in 1907. David Clark says he is selling the station to pursue other business interests.

Mr Dobrowolski says the property has the potential to be developed further as a livestock farm or for large scale forestry plantings. Extensive areas of the property contain land eligible for grants under the East Coast Forestry Project, an initiative introduced in the 1992 Budget to encourage forestry plantation in the region.

Tenders for the property close on March 15, 1995."

We are not sure how to reconcile the contradictions between this report and what the OIC tells us. First there is the discrepancy in size (11,000 versus 7,966 hectares), and secondly the OIC reports: "Mr Clark claims that the sale of the land will provide him with the funds which are required to fully develop the potential of the remainder of Waipaoa Station." Presumably the tender fell through.

For details of who Evergreen and Xylem are, see the commentary on the December 1994 OIC decisions.

A joint venture between two major U.S. entrants to the forestry industry in Aotearoa is being formed. Rayonier New Zealand Ltd (a subsidiary of Rayonier Inc of the U.S.A.) and RII, which has various subsidiaries in Aotearoa, but is "ultimately predominantly owned by pension funds, non-profitable, charitable and educational institutions from the U.S.A." are forming a joint venture to run their combined forestry holdings in the Wanganui area. It is identified by the OIC as the RII Madaket Ltd/Rayonier CNI Ltd joint venture, in which RII has 75% and Rayonier (which will apparently do the management of the forests) 25%. From RII Marlborough the joint venture receives approximately 1,957 hectares of land near Hunterville for NZ\$2,254,125. From Rayonier New Zealand Ltd it receives approximately 12,785 hectares for US\$46,428,000 (approximately \$71 million). These consist of the Crown Forestry Licences and assets of the Pirongia Forest, the Tawarau Forest, the Pureora North Forest, the Pureora South (Tihoi) Forest, the Mangaokewa Forest, the Waituhi Forest, the TeWera Forest, the Erua Forest, and the Taurewa Forest.

In other rural land:

- Three Hong Kong residents are buying 20 hectares of land at Peria, Far North District, Northland for \$95,000 via the company Codima (NZ) Ltd. They wish to develop a commercial forestry operation using "New Zealand appointed managers".
- Two Hong Kong residents who "state their long term plan is to immigrate to New Zealand" have approval to buy seven hectares of land at Kerikeri, Northland for \$142,000 from Emerald Properties Ltd, owned by two other Hong Kong residents. The vendors must have been neglecting their land because the new owners "intend to turn the present unproductive orchard into a profitable business." The vehicle for the sale is Darleigh Properties Ltd.
- Three more sales of blocks of land for forestry at Broadwood, Far North District, Northland have been approved, this time all involving residents of Taiwan. In all cases, the development will be managed by "New Zealand appointed managers". In the first, four people,

through the disturbingly named company **Great Asia Enterprises Ltd**, have bought **20 hectares** for **\$95,000**. In the second, three people, through **Pacific Glory Enterprises Ltd** have also bought **20 hectares** for **\$95,000**. In the third, one person is acquiring **25%** of the share capital of **Green Nation Development Ltd** for **\$190,000**. **Green Nation** owns **40 hectares** of land, but it is not clear who owns the other **75%** of the company.

- **Carter Holt Harvey Forests Ltd**, **51%** owned by **International Paper Products** of the U.S.A., is buying two blocks of land for new forest development "south of Tokaroa". One is **310 hectares** for **\$792,630**, the other **165 hectares** for **\$412,500** from **PG Farms Ltd**. There is no "Tokaroa" in the atlas: only Tokoroa, South Auckland, and Tokaora, Taranaki. The OIC seems as mystified as us as to where it is because it fails to give the usual provincial location. We assume it is Tokoroa.
- U.S.A. residents, **Messrs Dittmar, Druckenmiller and Bacon**, are restructuring their ownership of three farms on the **Coromandel Peninsula**. **Carolina Farms Ltd** will own **1,189 hectares** of land previously owned by **Ned Farm Ltd, Whangamata Farm Ltd, and Ohinemuri Farm Ltd**. The farms were bought in 1993, when they were reported by the OIC to total **1,120 hectares**. It appears more land has been acquired without notification. The same people own **212 hectares of sheep farming land at Lake Hayes near Queenstown** which they purchased the same year (then reported to be **210 hectares**). The ownership of this is also be restructured, moving from **Threepwood Farm Ltd** to **Protocol Holdings Ltd**. **Carolina Farms** and **Threepwood Farm** are to be owned by the **Coromandel Settlement Trust**, the **Stanley F. Druckenmiller Jersey Trust** and the **PCI Trust**, the respective settlors of which are the three men and their associated family interests.
- The **Mohaka Bridge Forestry Partnership**, owned by "a group of individuals from the **United Kingdom**", is buying **121 hectares** of land at **Mohaka, near Gisborne** for **\$357,000** through a company, **Southern Forestry No. 28 Ltd**. The land "which has deteriorated due to erosion problems and the infestation of gorse fern and blackberry" will be developed for forestry by **Southern Forestry Ltd**, "a New Zealand company which has extensive experience in forestry activities."
- **Ernslaw One Ltd**, owned by the **Tiong family** of **Malaysia**, is leasing **five hectares** of land near **Rotorua, Bay of Plenty** from the **Ministry of Maori Development** for up to four years for **\$8,507.96 per year**. The land will be used for a seedling and stool bed nursery for **Ernslaw One's Titoki Forest** in the southern **Hawkes Bay**.
- **Ernslaw One** is also acquiring **4,223 square metres** of land near **Dannevirke, Hawkes Bay** for **\$1**. "In November 1994 consent was granted to **Ernslaw** acquiring **512,1439 hectares** of land near **Dannevirke** from **R.W. Holloway**." This piece of land was overlooked at the time and "has now been transferred to **Ernslaw** as was originally intended".
- **Telecom Mobile Communications Ltd**, a subsidiary of **Telecom Corporation of New Zealand Ltd** of the U.S.A., is buying another cellphone site, this time **400 square metres** at **Waipukurau, Hawkes Bay**.

- **Nelson Pine Industries Ltd**, a subsidiary of **Sumitomo Forestry Company Ltd** of **Japan**, is buying out a neighbour who has complained about the noise and dust pollution from **Nelson Pine's** factory. **Nelson Pine** is buying **seven hectares** of land at **Nelson** for **\$375,000** and leasing it back to the vendor, **A E Field and Sons Ltd**. "While **Nelson Pine** complies with its planning and statutory requirements in these matters nevertheless it wishes to remove the source of complaint."
- Two citizens of the U.S.A. who will employ **New Zealanders** to run the farm, are buying **45 hectares** of land at **Golden Bay, Nelson** from **PS and PE Abrahamson Ltd** for **\$861,418** to carry out organic farming. "Their international contacts will assist in establishing export markets for their organic produce."
- Two residents of **Germany** who "are applying for and intend to take up **New Zealand** permanent residency" are buying **nine hectares** of land at **Pokororo, Motueka, Nelson** for **\$260,000** through the company **Motueka Farms Ltd**. They intend to develop the property for homestay/tourist activities.
- **Southland Plantation Forest Company** of **New Zealand Ltd**, which is **51%** owned by **New Oji Paper Company Ltd** of **Japan** and **49%** owned by **Itochu Ltd** of **Japan**, is buying a further **774 hectares** of land in the **Lilburn District, Southland** for **\$900,000**. The property is currently a "marginal economic sheep and cattle operation". The actual conversion of the land to forestry and subsequent operation will be contracted to **South Wood Export Ltd**, which is **33 1/3%** owned by **C Itoh** and **66 2/3%** by **M.K. Hunt Foundation Ltd** of **Aotearoa**. Similar sales and developments were reported last month.

Milburn New Zealand Ltd is restructuring some of its associated companies. **McDonalds Lime Ltd**, **52%** owned by **Milburn**, is acquiring "all the property rights, powers, privileges, liabilities and obligations" belonging to its wholly owned subsidiary, **McDonalds Coal Ltd**, in **Taranaki**. **Milburn** is approximately **72.5%** owned by **Holderbank Financiers Glaris Ltd** of **Switzerland**.

August 1995 decisions

The highly contentious proposal by **Telecom Corporation** of **New Zealand** to purchase its U.S. parents' interest in **Sky Network Television Ltd** has been approved by the OIC without even a blush. This despite the fact that it earned widespread public criticism for the privileged position it would give **Telecom** in yet another strategic market and eventually was subject to an appeal to the **Commerce Commission**. A **High Court** injunction was taken out to prevent the sale going ahead after the **Commerce Commission** initially allowed the sale.

At stake here is the future of the much-ballyhooed "information highway" in **Aotearoa**. Though **Sky** is largely an entertainment medium, a cable TV provider in competition with **Telecom** could well see it worthwhile to progressively lay fibre-optic cables to subscribers (and potential subscribers). This would put pressure on **Telecom** either to do the same itself, or at least lower costs and access barriers to its competition. In other words, **Sky** could potentially be to

Telecom (in information and entertainment) what Clear Communications has been in toll calls. That could vastly speed up the development of our information networks, which could (at least in theory) also be used for many other purposes such as high speed access to the Internet.

As Clear spokesperson, Janiene Bayliss, said: "It is amazing that the dominant telephone company could buy the dominant pay television company without it constituting aggregation of dominance." Clear and fellow telephone competitor, BellSouth (of the U.S.A.), are the challengers to the proposal in the High Court and to the Commerce Commission. BellSouth spokesperson, James Norman, said the Commerce Commission had missed the point and completely overlooked the big picture – convergence of telecommunications, entertainment and computing. The approval offered potential for a monopoly to dominate the industry so that it might be uneconomic for competitors to bring in other technology, he said.

Though more independent, the Telecommunications Users Association of New Zealand Inc (TUANZ) came to similar conclusions. The last sentence of the following comment by its chairman, Don Hollander, is particularly telling:

"TUANZ opposed the acquisition in a submission to the Commerce Commission. Our argument was that what the Commerce Commission perceived as separate markets (telephony, television distribution and television transmission) were converging in to one. With Telecom the obviously dominant player in telephony services and Sky the obviously dominant player in subscription television services, TUANZ felt that the acquisition would put too much market dominance into a single organisation without any formal structure for resolution of network interconnection issues. Indeed TUANZ made the point that with recent refinements of technologies, the natural monopoly was not the transmission infrastructure, but the customer base required for ubiquitous service." (TUANZ *Topics*, "Chairman's Comments", October 1995, p.3.)

For most people, the "information highway" is likely to be predominantly the "entertainment highway" giving access to the likes of pay TV channels and video on demand. But information can also ride along the same cables – and can be cheaper if it is shared with the high intensity use of entertainment. So while the public squabbles may appear somewhat frivolous and focussed on multiple cable TV entertainment channels, there is a very serious side to the matter: who controls our information channels of the future?

Of course the issue is not the monochrome good guys versus bad guys movie that the warring parties project it as being. Even if Telecom is eventually prevented from taking its shareholding, the shares it is buying were owned by subsidiaries of its controlling parents **Bell Atlantic Holdings Ltd** and **Ameritech Holdings Ltd** of the U.S.A. They have every interest in putting pressure on Sky in the same way that Telecom would. Even if they don't, are Clear, BellSouth or U.S.-owned Kiwi Cable (at present putting experimental cable into Hutt Valley homes) to be preferred? Any of these

are likely to have an interest in pumping in vast quantities of cheap entertainment and news that they have bought or created for their (U.S.) home markets with little interest in local needs. At least they introduce competition, hopefully keeping costs down. But if in fact they are competing in a quickly saturated market like Aotearoa's low density and low-population cities and towns, the costs of duplication of facilities might in fact push costs *up* from that of a controlled monopoly. Which brings us back to the problem of the ownership of Telecom itself. If it had had not been privatised, and with a clear mandate by the government to use some of its huge profits to develop such new facilities, none of these problems would need to have arisen.

The OIC says in accepting the proposal that

"The effect of the proposals is to increase the ultimate New Zealand beneficial ownership of Sky, through Bell Atlantic and Ameritech (which are both 100% United States owned and controlled) transferring their interests in the HKP Partnership to Telecom which has a significant New Zealand presence and shareholding.

Telecom see the acquisition of an interest in Sky as providing it with access to the skills and facilities necessary to implement successfully its objective of becoming a provider of entertainment and information products as a supplement to its core telephony services. Telecom believes that the relationships with TCI New Zealand and Time Warner New Zealand through the HKP Partnership and with Sky itself will benefit Telecom and New Zealand as Telecom establishes its entertainment and information services."

Do we want Telecom controlling our information as well as our telephones? Does the OIC care?

The formalities of the share exchange are somewhat complex. 51.13% of the shares of Sky are owned by the so-called **HKP Partnership of New Zealand**. This partnership consists of the largest cable TV operator in the world, **TeleCommunications Inc** of the U.S.A. (through subsidiary **TCI New Zealand Ltd**), **Time Warner** of the U.S.A. (through subsidiary **Time Warner New Zealand Ltd**), **Bell Atlantic** and **Ameritech**. Telecom is setting up three subsidiaries, **Pippin Holdings Ltd (PHL)**, **Pippin Investments Ltd (PIL)**, and **Splendour Investments Ltd (SIL)**. First PHL, then PIL, would take 24.5% of HKP from Bell Atlantic. SIL would take 24.5% of the partnership from Ameritech. Telecom then has 49% of HKP and 25.05% of Sky. The amount to be paid has been suppressed, though HKP paid \$100 million for the shareholding in Sky in 1991. The other shareholders in Sky are **Tappenden Construction** (headed by Alan Gibbs and Trevor Farmer) 7.51%, **Todd Communications** (subsidiary of the Todd Corporation) 8.8%, U.S. sports TV network **ESPN** 0.41%, and **Craig Heatley** and **Terry Jarvis** 15.85% between them. Clearly HKP has a controlling interest, and its New Zealand partners include some of the most evangelical and New Rich of the New Right.

(Ref: *New Zealand Herald*, "Telecom takes 25pc of Sky", 1/7/95, Sect 4, p.1; *Press*, "Opponents appear after Telecom

gets Sky go-ahead", 27/9/95, p.25; "Clear happy with 'stay' on Sky deal", 3/10/95, p.42.)

A mysterious decision released only in part by the OIC tells us only that a company owned in Canada has been given approval in the Taranaki area involving electricity supply. We hope the OIC will allow us to tell you more later!

The takeover of **Salmond Smith Biolab Ltd** by **Tiong Family** owned company, **Karamea Holdings Ltd**, for \$53,600,000 also features. The Tiongs, of Malaysia, also have large forestry, port, construction and other interests in Aotearoa. They also own **Regal Salmon Ltd** in which they (in October) have increased their shareholding to 35.55% of the ordinary shares, 71.35% of the partly-paid shares and all of the convertible notes. The two companies are the principal salmon farmers in Aotearoa: **Regal Salmon** 42% and **Southern Ocean Seafoods** (Salmond Smith's fish-farming arm) 29% of the country's production. So if the Salmond Smith takeover succeeds, the Tiongs will control 71% of the country's farmed salmon output. The Tiongs say the Commerce Commission shouldn't worry because of competition from imports and other foods. They are considering merging the two salmon farming operations.

The takeover bid depended on the attitude of the Treaty of Waitangi Fisheries Commission which owns 43% of **Salmond Smith**, and took several months to gestate because of disagreements over the fairness of the Tiongs' offer. The final agreement involved the Waitangi Fisheries Commission buying the ocean-going fishing assets back from **Salmond Smith**. These include lobster and paua quota in the **Chatham Islands**, a Palmerston North export canning operation, and abalone trading operations. **Salmond Smith's** other assets include **Newman's Export**, processors and marketers of berryfruit and owners of a sphagnum moss operation; the New Zealand and Australian business of **Rhone-Poulenc Laboratory Products Australia**, a scientific products group; **Johns Plastics**, an Australian based manufacturer of disposable plasticware; and **Artel**, a plastics and brushware operation. The OIC lists operations in Auckland and Nelson in addition to the Chathams. Both **Salmond Smith** and **Regal Salmon** are in some financial trouble, **Salmond Smith** announcing a 81.6% fall in profit in the year ended 30/6/95, and **Regal** being bailed out by the Tiongs (see our analysis of the OIC's April 1995 decisions). A valuation of **Salmond Smith** put its shares at \$2.10. The OIC approved \$1.75 a share but the reported final price offered by the Tiongs was \$1.90. (Ref: *Press*, "SSB in Rhone-Poulenc buy", 15/2/94; "Salmond Smith to buy Newman's Export", 25/2/94; "SSB buys again", 18/3/94; "Struggling SSB looks for higher share bid from Tiong Group", 1/9/95, p.29; "SSB warned of grim future without Tiong", 27/9/95, p.26; "Tiong nets Regal Salmon Shares", 4/10/95, p.29; "Sal Smith takeover delayed", 21/10/95, p.28.)

A joint venture between **Marubeni Corporation** (49%) and **Marusumi Paper Manufacturing Company Ltd** (51%) of Japan is building a woodchipping plant on 1.8 hectares of leased land at **Portland** south of **Whangarei** in a total investment of \$1.3 million. The joint venture is called **Marusumi Whangarei Company Ltd**, and the land is

owned by **New Zealand Rail Ltd**, **Golden Bay Cement Ltd**, and **Northland Port Corporation**.

The merger between **Tasman Properties Ltd** (Bob Jones' old empire) and **SEABIL (NZ) Ltd** of **Hong Kong** surfaces again. This was foreshadowed in the December 1994 decisions when **SEABIL** set up **Trans Tasman Properties Ltd**. The vehicle for the full merger/takeover, **Trans Tasman** is 60% owned by **SEABIL (NZ) Holdings Ltd** and 40% owned by **SEABIL (NZ) Ltd**. Two formal proposals are approved by the OIC. The first is to amalgamate **Trans Tasman Properties Ltd**, **Tasman Properties Ltd** and **SEABIL (NZ) Ltd**. "As part of the amalgamation **Trans Tasman** will issue shares to **SEABIL (NZ) Holdings Ltd** in exchange for mandatory convertible notes in **SEABIL (NZ) Ltd**. These notes will ultimately become notes in **Tasman**." The second is for **Tasman Properties Ltd** to acquire the assets of **SEABIL (NZ) Ltd** and to issue ordinary shares to **SEABIL (NZ) Holdings Ltd** and convertible note holders. **SEABIL** is a joint venture between **SEA Holdings** of **Hong Kong** and **Brierley Investments Ltd (BIL)**. Before the merger it was already said to be the biggest commercial property owner in Aotearoa. **Tasman's** main shareholders other than **SEABIL** are **Grantham Mayo Van Otterloo and Company (GMO)** of **Boston, U.S.A.** (22%), and **Franklin Resources Ltd** (5.6%) also of the U.S.A.

No value is put on the OIC-approved transaction, but news reports put the assets of the new company at about \$1 billion in Aotearoa and Australia: 30% in **Wellington**, 28% in **Auckland**, 20% in **Sydney**, 6% each in **Christchurch** and **Brisbane**, and the remainder including some in the **Waikato** (*Press*, "Half profit payout from T Tas Props", 13/7/95, p.28). **SEABIL** held about 35% of **Tasman's** shares, and the other strategic overseas shareholder, **GMO**, also appears to support the merger. (*Press*, "Tas Prop holding", 20/6/95, p.33; "Lu stakes company reputation on Seabil-Tas Props merger", 7/10/95, p.27.)

The merger raised controversy in its early stages because some analysts considered that minority shareholders would lose from the deal. Sharebroker **Jordan Sandman** **Were** said **SEABIL** minority shareholders were being disadvantaged, saying that the merger would turn a relatively unleveraged company (**SEABIL**) into a highly leveraged company with a debt-to-equity ratio of 120%. **SEABIL** had a ratio of 66% and **Tasman** 185% before the merger. It was contrary to the original intent of the **SEABIL** prospectus. (*Press*, "Tasman plan hurts the minority, says broker", 4/7/95, p.20.) **ANZ McCaughan** said "long-suffering **Tasman Properties** shareholders would be severely disadvantaged by the proposed merger". The new company would not pay a dividend, and even if it did it would be funded through **Tasman's** cash flow. One of the reasons for the merger was to enable **SEABIL** to fulfil its prospectus promise of paying a dividend through its existing cash flow, the author of the report, **Warren Doak**, said. Otherwise it would have to sell properties. **Tasman** was just emerging from several years of losses. (*Press*, "Tasman shareholders the merger losers - broker", 2/9/95, p.24.)

Doak also made the telling statement that "the merger would give the group sufficient size and liquidity to attract over-

seas investment" (*Press*, "Seabil, Tasman form \$1b property group", 9/6/95, p.29).

Directors of the two companies predictably defended the deal, Jesse Lu, the managing director of Hong Kong based SEA Holdings saying that he was "staking his company's reputation" on the success of the merger. He expected the merged group to pay a dividend of 4.5 cents a share out of cash flow, but that if the merger did not succeed, Tasman shareholders would not receive a dividend. Lu reiterated Doak's observation that the merged company would be big enough to attract overseas interest. (*Press*, "Lu stakes company reputation on Seabil-Tas Props merger", 7/10/95, p.27.) A report commissioned by independent Tasman directors from Cavill White Securities, made recommendations on the final details of the merger and said that "Tasman Properties shareholders will trade potential capital gains for reduced risk" in the merger. It gave no recommendation for or against the merger. A parallel report commissioned by independent SEABIL directors, by Bancorp Holdings, concluded that SEABIL holders of convertible notes would benefit, but those electing not to take mandatory convertible notes would only maintain their position after the merger. (*Press*, "TasProp Seabil benefits outlined", 19/10/95, p.39.)

In order to raise capital, Alliance Group Ltd has approval to issue up to 40 million \$1 shares to a syndicate of overseas banks and other financial institutions. "Alliance as part of its on going capital raising plan has agreed with its syndicate of banks and other financial institutions that it will issue secured capital notes with an aggregate principal amount

of \$40 million. The capital notes are convertible into shares upon the occurrence of certain default-related events." The syndicate comprises "from time to time":

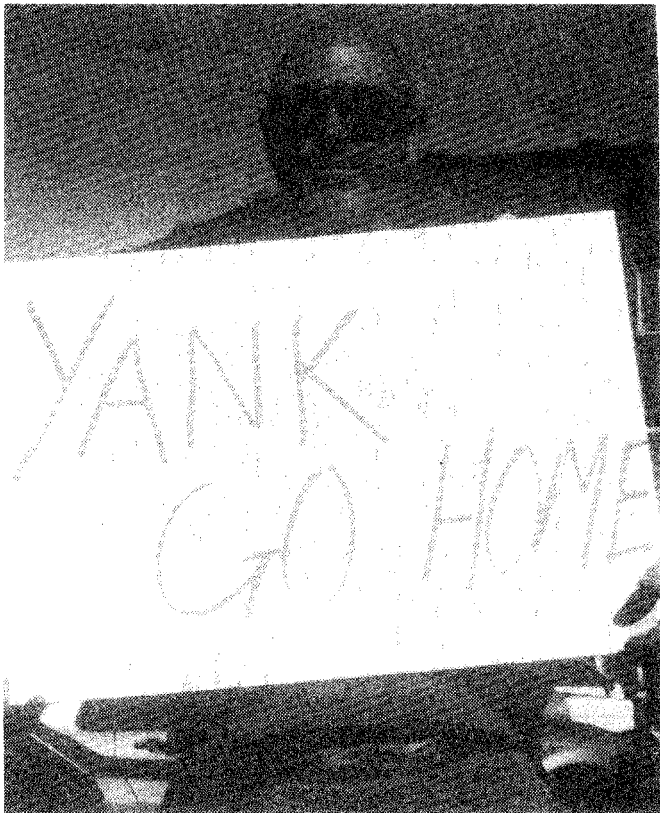
ANZ Banking Group (NZ) Ltd
Bank of New Zealand
Barclays Bank Plc
Hongkong and Shanghai Banking Corporation Ltd
Banque Indosuez
National Bank of New Zealand Ltd
NZIB Investments Ltd
South Australian Asset Management Corporation
Westpac Banking Corporation
Banque Francaise du Commerce Extérieur
Berliner Bank AG
Commerzbank Aktiengesellschaft
Rabo Australia Ltd

Halbury Ltd, a subsidiary of **Pacific Century Telecommunications Ltd** which is controlled by **R Li** of Singapore has approval to carry on business, being "in excess of \$10,000,000". Halbury modestly "intends to establish a private satellite based telecommunications network to customers throughout Asia and elsewhere."

A Taiwanese, **Mr T.Y. Tseng**, is taking full control of two developments he has been involved in. In each case he tells the OIC that the developments have been completed or "reached maturity" and there is therefore no need for his partners' continuing involvement. The total price paid is **\$4,500,000**.

First is **Woodland Property Holdings Ltd** which was 50% owned by Tseng and 50% by **Woodland Group Ltd** of Aotearoa. It was "established in 1993 to undertake primarily commercial and retail property developments." In this he is as good as his word because in the original approval for setting up the company, he told the OIC that "once the development is completed then Woodland Property will acquire the development from the Woodland Group". The Woodland Group was formed by Neville C. Mahan, a property developer who also is a business associate of Christopher Norrie, an American lawyer who was responsible for an elitist residential property development in Newmarket, Auckland. A Norrie/Woodland project in March 1994 had the Queenstown Lakes District Council selling a 2.5 hectare property at Queenstown to Fernhill Hotel Ltd, for a price that was been withheld. "It is proposed that the property be developed as a resort Hotel/Condominium complex. There is already in existence planning rights for such a development ... the vendor (the Queenstown Lake District Council) is disposing of the property in order to promote the objectives..." Fernhill was 25% owned by Norrie and 75% by Woodland Property Holdings Ltd.

Second are **Custodian 1008 Ltd** and **Formosa International Golf Club Ltd** which were both 87.5% owned by Tseng and 12.5% owned by Mahan. The two companies respectively own 72 hectares and 126 hectares of land at Maraetai/Whitford, Manakau City, Auckland. They "were established to develop an international class 18 hole golf course with all related facilities... the development of



The takeover is neither unnoticed nor unopposed. Seafarers Union picket, during 1994 dispute with NZ Rail