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Watchdog

CAMPAIGN AGAINST FOREIGN CONTROL OF AOTEAROA, PO BOX 2258 CHRISTCHURCH, NEW ZEALAND

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THE TRUST BANK CAMPAIGN

- Murray Horton

CAFCA has a way with banks. When we started out 20 years ago, we banked with National, which is, of course, owned by Lloyds of London. Not wishing to be associated with the sort of wellbred gangsters who made the Empire great, we shot through to the good old Post Office Savings Bank. Naturally that became PostBank and was flogged off to the ANZ of Australia. Just a few months ago, we decided to investigate moving all our money to Trust Bank, solely to support the only remaining nationwide New Zealand owned bank. We were on the brink of doing so when the news broke that Trust Bank was looking for a foreign buyer (ironically, right up until the last minute, it appeared that our old mate, the National Bank, was going to be the lucky suitor. But it was pipped at the post by Westpac). We stayed with PostBank and turned our attention to Trust Bank for quite a different reason.

We put out a statement condemning the proposal and called together an informal coalition of groups to work on a campaign. Groups represented included the Alliance, Grey Power, CORSO and the Christchurch Peoples Resource Centre. There were individuals from a range of other groups also - the Alliance was represented by national leaders, John Wright (Democrats) and Rod Donald (Greens). Lawyer Evan Alty gathered together a subgroup of people which eventually named itself Trustwatch, to seriously examine mounting a legal challenge to the takeover. The broader coalition met weekly for several weeks and undertook a range of activities, for example, contacting a number of the community groups funded by the Trust Bank Canterbury Community Trust (the single biggest shareholder in Trust Bank New Zealand Ltd), to inform them of the situation. This seriously aggrieved the Trust, which responded with a mixture of blatant heavying, PR offensive, and refusing to meet opponents.

Public Meeting

Opposition to the sale had widespread mainstream support - both the Alliance and New Zealand First condemned it - and all sorts of unlikely allies popped up. Mick Connelly, associate Minister of Finance in the 1972-75 Labour government and foundation president of the former Canterbury Savings Bank (which became Trust Bank Canterbury) strongly condemned it in the media. His son John, National candidate for Christchurch Central, did likewise (certainly the only Tory to do so) and called for the creation of a new New Zealand owned bank. On the inspired suggestion of Wolfgang Rosenberg, the informal coalition invited Mick Connelly to be lead speaker at the public meeting held in the Christchurch Town Hall on April 30. Common cause makes strange bedfellows - here I was sharing the stage with somebody who, as Minister of Police in that Labour government, approved the massive police operation to suppress the 1973 national protest at the US military base at Christchurch Airport, a protest that I played a key role in organising, and an event which was a milestone in the evolution of both CAFCA and the Anti Bases Campaign (ABC) out of the anti Vietnam War and anti bases movement of the early 1970s.

In fact, Mick Connelly, who is now in his 80s, spoke very well. Nor was it just rhetoric. He'd done his homework and come up with a 1995 *Press* clipping (7/3/95) in which Ian Howell, chairman of the Community Trust's Board, said that it had no intention of selling its holding in Trust Bank, and if need be, would buy more. The other speakers were: Richard Austin, chief executive officer of the Trust (no directors would attend or meet us); Evan Alty; Jim Lamb, of the Christchurch Peoples Resource Centre; and myself. The several hundred people present passed resolutions:

Condemning the sale to a foreign bank, as not being in the public interest and as a betrayal of trust. Shareholders were urged to refuse to sell.

The Trust Bank Canterbury Community Trust was urged to seek an immediate Declaratory Judgement from the High Court that its decision to sell all of its shares in Trust Bank NZ is lawful and that it suspends the sale pending the outcome of that hearing.

If the Community Trust refused to do this *(which it did. Ed)*, the meeting resolved to obtain expert legal opinion for the purpose of seeking a Declaratory Judgement on the lawfulness of the sale; to seek funds for such legal action; and to set up a committee for that.

The meeting urged all Trust Bank account holders to make a token withdrawal on Friday May 10, in protest at the sale.

A vote of no confidence in the trustees of the Community Trust was passed; and one to network with likeminded groups nationally. For instance, we liaised with Alliance candidates in Hawkes Bay, where a public meeting was held to oppose and condemn the sale.

Alliance Petition; Protest Withdrawals

One thing this short sharp campaign did succeed in was getting very good media coverage, both locally and nationally. I must congratulate Rod Donald for this - he's even better in getting himself in the media than I am (and that's no mean feat).

The Alliance, primarily through Rod's energy, held a two day petitioning exercise outside as many Trust Bank branches as possible, gathering 6,000 signatures in Christchurch. Rod pronounced himself stunned; Ian Howell sniffed that it only represented 2% of customers.

On May 10, at Trust Bank's main Christchurch branch, a

number of individuals and organisations made their withdrawals under the watchful eye of several TV networks. We printed some slips to be handed across the counter when the withdrawal was made. They read: "The Manager, Trust Bank. This withdrawal is made in protest at Trust Bank's decision to sell out and become just another foreign owned bank. This is not in the public interest. It is a betrayal of trust".

As CAFCA doesn't bank with Trust Bank, I made $10 withdrawals on behalf of each of Philippines Solidarity and Campaign for Peoples Sovereignty. At the Sydenham branch, the ABC's redoubtable campaigner, Warren Thomson, (the legendary Waihopai testicle dangler) fronted the counter staff and emerged unscathed with $10 for the petty cash. There were withdrawals that day all over town, mostly of the $10 variety but some were decidedly more than token - Graeme Tapper, a leading figure in both Grey Power and the informal coalition, pulled all $10,000 out of his personal account, in front of the national TV cameras. Another fellow withdrew $5,000.

A number of organisations (GATT Watchdog is one example) are planning on making their withdrawal terminal and are seriously reviewing closing their Trust Bank accounts in protest and going elsewhere. After all, if they're all foreign banks now, why not shop around for the best deal?

(Eagle eyed cynics may have noticed that the CAFCA/ABC Organiser Account, which pays Murray Horton's income, is held at Trust Bank. No withdrawal was made from this nor is there any intention to move it, purely for pragmatic reasons. It would involve getting several dozen regular pledgers to change their direct payment arrangements, and would generally involve more hassle than what it's worth. Ed).

Legal Challenge Too Late

As for the legal challenge, one was tried. Firstly, as resolved at the public meeting, attention centred on the decision of the Board of the Trust Bank Canterbury Community Trust to sell out. But this foundered on the question of money ie no appropriately qualified barrister could be found to take the case for nothing. The Reserve Bank, as administrator of the 1988 Trustee Bank Restructuring Act (a Labour law which set this whole process in motion), was asked to investigate. It replied that all was in order.

The challenge then more fruitfully centred on the Overseas Investment Commission's approval of the Westpac takeover, specifically on the fact that land is involved and therefore the Commission is obliged, under the 1995 Overseas Investment Amendment Act, to ensure that the takeover meets the "national interest" criteria of that Act *(see Bill Rosenberg's article "Government ignores own law in Trust Bank sale" for a full explanation of this. Ed)*. I, on behalf of CAFCA, and Wolfgang Rosenberg, as a shareholder in Trust Bank, were the plaintiffs. Affidavits urging that the High Court review the Commission's approval were rushed to Wellington but by that stage the takeover had passed the point of no return. In short, it was too late. At the time of writing, legal action has not been completely ruled out but it can no longer be an urgent priority.

The takeover proceeded but it wasn't through lack of opposition from us. As is the way with these deals, it was done with maximum speed and secrecy. It is a disgrace and a crying shame, but there is no reason for us to feel ashamed. We did what we could, and then some more.

The following are extracts from Murray Horton's speech to the April 30 public meeting. Ed.

THE BANK WE CAN'T TRUST

Once again the people of New Zealand, and specifically Cantabrians, find ourselves staring down the barrel of what we are told is a fait accompli. In the greatest secrecy, with the the most indecent haste, and with absolutely no public consultation, Trust Bank has announced that it is selling itself off to Westpac.

So what is wrong with that? There are three main areas of concern.

1/ It means that every major bank in the country will now be foreign owned, completing a process begun in the 1980s of the total foreign takeover of New Zealand's banking system. Walk around the Square and Hereford Street - every bank you see is foreign owned. Postbank, the ANZ, the BNZ, Countrywide, ASB, Westpac itself. And now Trust Bank.

This needs to be seen in context. **Of the rapid growth of foreign investment worldwide, fully half to two thirds is in services**. This includes many of the most strategic parts of any economy: the news media, banking, insurance, transport, communications. It also includes retailing, tourism, publishing, computer software, entertainment, advertising and professions such as law and accountancy.

Since the Rogernomics coup about two thirds of the foreign investment in this country has been in the services sector - mainly in banking and property. Most of the biggest recent examples of foreign takeover have been in services: the banks, a number of power companies, Telecom, State Insurance, Air New Zealand, Ansett, NZ Rail, Woolworths, Big Fresh, Foodtown, 3 Guys, Countdown and other supermarket chains, TV3, the Christchurch *Press*, Wilson and Horton, the Quality and Kingsgate hotel chains, Tasman Properties, Landcorp Property, to name just a few.

So buying banks is a profitable exercise for the buyer. With ownership comes control. Despite all the sincerest of protestations, decisions about Trust Bank will now be made by its Australian owner. Profits from Trust Bank will join the haemorrhage of money leaving New Zealand to fill the pockets of the new transnational owners of our economy - these profits are our biggest single export, an invisible export. This export of profits amounts to several billion dollars per year...

What is so disappointing about the Trust Bank sale is that it traded heavily on its being the only remaining New Zealand owned bank. It made great play on that in its advertising,

Campaign against bank sale rapped

Press - 10/5/96

Critics of deal 'being selfish'

Jackson

Prov ... action to stall t ... will cost ... $16? Bar ... H...

Former finance minister against Westpac bid

Dominion - 29/4/96

The foundation president of the former ...nterbury Savings Bank has slammed the ... takeover offer for Trust Bank New ... of Cashmere, a former Labour ... has called on the G... block the ... activities were ancillary."

Mr Connelly said the immed... proposed Trust Bank ... and a new ...

of the ...ncies ...on to ...pay- ...ally ...uld ...ot- ...he ...st

Alliance, NZ First war... against Trust Bank

Press - 13/...

WELLINGTON — The Alliance and New Zealand First issued a warning yesterday not to sell Trust Bank to foreign interests, pointing out the sale would mean the loss of the last New Zealand-owned bank.

Alliance asset sales spokesman John Wright said Alliance candidates in every part of the country were approaching Trust Bank community trusts asking for an opportunity to make a submission urging them not to sell their Trust Bank shares.

Community trusts owned 78 ... the bank and distribut... on their shareh... community projec... Trustees ...

overlook a ... fore... people ... trust o... they are ... with Trus... New Zealan... The sale sh... widespr... fro...

BANK ROBBERY

If you're concerned that Trust Bank — the last main New Zealand owned bank — is about to become foreign owned;

If you're concerned about the fate of the only bank that puts its profits back into the community;

If you're concerned about the fate of a bank that caters heavily to small customers;

then come to a

PUBLIC MEETING

at the
LIMES ROOM, TOWN HALL
on
TUESDAY, APRIL 30, 7.30 P.M.
YOUR OPPOSITION TO THIS TAKEOVER ... Bank Canterbury directors have been invited.

...AY OUR TRUST

Merger with foreign bank 'outrageous' idea

Press - 9/4/96

By Greg Jackson

Opponents of a possible merger of the Trust Bank Group with a foreign bank should consider taking out their money if the move goes ahead says veteran economic sovereignty activist, Murray Horton.

Mr Horton said he and the Campaign Against Foreign Control of Aotearoa regarded ... with a major foreign bank as "outr... idea of New Zealan... foreign control and w...

Mergers were an e... another bank. It was ... size.

"Unique among b... trusts which put the ... Mr Horton. Trust Ba... community trusts ... have a ...

Outrage against bank sale stuns petitioner

Press - 13/5/96

by Greg Jackson

Trust ...

A tally of 6000 signatures in ... petitioning against the ... Westpac, ...

and had been ...ews, Mr Donald ... had said they ...y Trust Bank ...hares without ...us mistake. ...oups will get ...y does not said. ...owell said received ...ns from ...port and ...st in law ... who ...

understand that our main purpose is to suppor... them," he said.

Mr Howell estimated that the communit... groups represented the interests of 100,00... people.

The windfall effect of the sale of the share... would effectively be to increase the fundin... available to South Island community group... about 40 per cent.

The petition against the sale appeared t... ignore the realities of the sale process.

"Virtually all the legal documentation has been signed and completed and there is a legal commitment to Westpac subject to the 90 per cent acceptance from shareholders," he said.

All issues involved in the sale had been ...checked several times by ...

BUSINESS & FINANCE

Canty Trust 'bound to accept Westpac offer'

Anti-sale petition gathers 6000 signatures

WELLINGTON — The Trust Bank Canterbury Community Trust was legally bound to accept the Westpac offer for Trust Bank and the decision also had community support, Mr Ian Howell, the chairman of the trust, said.

He was responding to Alliance Party candidates in the Canterbury and Nelson regions, who said they had received overwhelming support for a petition against the sale of Trust Bank to Westpac. The petition received 6000 signatures in two days.

...nce spokesman, Mr Rod Do... ...struck so much su... ...nds of the ...

investme... meant t... having ... now, a... investe... "All... prude... the ... now 94 per cent-owned by Westpac, reported an after-tax ...fit of $98.68 million for the ... March 31.

...elped by a ...

Tax refund helps Trust Bank lift profit to $98.68 million

Press - 1/4/96

...rovision for bad and doubtful debts increased to $5.6m from $4.4m the previous year. The chairman, Peter Wilson, said that $4.2m of the new figure was general provisioning reflecting strong lending growth.

Total lending climbed 16.4%, compared with ...1.5%. The main growth ... were Auckland at ... and Bay of Plenty ...5%. Card services ...th was in line with ...all growth.

...ry's general manager, ...d not say how much ... was recorded in this ... very substantial. Resi... ...p 50%, and was partic... ...ember through to March.

Canterbury, Nelson, and ...ce date was $2.36 billion. ...nk group, total assets in... ...epositors' funds were $9.3b. ...s as a proportion of total ...%, within the bank's target

Full-year summary

Trust Bank audited preliminary result for 12 months ended March 31.

	1996 $000	1995 $000	Chge %
Revenue	446,974	433,227	+3.1
Bad debts	(5,559)	(4,431)	
...l items	6,052	879	
	...48,628	137,796	+7.8
		45,390	+6.7

Petition signatures 2pc of customers, says bank chief

Press - 15/5/96

by Greg Jackson

The 6000 signatures on a petition against the sale of Trust Bank to Westpac represent just 2 per cent of Trust Bank's approximately 1 million customers, says Trust Bank Canterbury general manager Richard Westlake.

He was commenting after the petition was officially handed to Trust Bank Canterbury Community Trust staff yesterday.

Mr Westlake said he could not comment on the petition during the process of the formal takeover of Trust Bank. Commercial protocol meant that he had to confine himself to supplying specific facts when requested.

Asked if the protest action last week of a campaign of token withdrawals on Thursday and Friday had had any impact, Mr W... said it had not.

"The amount of d... over the a...

and the anger of many members of the public when they realised New Zealand's last nationally owned bank would in future be controlled by Australians.

"But the real issue, and the reason for this petition, is that the trustees of the Trust Bank Canterbury Community Trust have abused the trust placed in them by Trust Bank account-holders by agreeing to sell the shares they hold on the community's behalf," Mr Donald said.

He believed that the trustees had lost the community's respect through agreeing to ... their large holding of shares to W...

Historically, the tru... hold the capital ... Savings ...

Trustbank Sale

John Connelly

Trustbank should nc... be sold to a foreig... bank, said Joh... Connelly, NZ Natio... Party Candidate ... Christchurch Cent... and a former truste... Trustbank Canterb...

People say if that ... ahead a new NZ ... bank should be ... and I support ... approach.

which featured little New Zealand flags and the like. Indeed, when the BNZ was taken over by an Australian bank, Graeme Pentecost, managing director of Trust Bank NZ said: "Yes, we did pick up accounts of those people that felt strongly about the New Zealand ownership" (*Press*, 2/12/92). Where will those people go now?...

2/ Unique among banks, Trust Bank actually puts its profits directly back into the community via the various regional Trust Bank Community Trusts, which make annual donations to a whole raft of community groups. It does not simply dish out dividends to its shareholders. Now the Trust Bank Canterbury Community Trust has gone to inordinate lengths to assure everybody that it will continue to fund community groups, and indeed to increase such funding.

But what is this assurance worth? We've heard this sort of thing every single time another New Zealand asset has been sold. Telecom comes to mind. Why should we believe these assurances when Trust Bank's current TV ads tell us that everything is subject to change? Why should we believe these assurances when Trust Bank New Zealand's 1995 Annual Report says:

> "In May 1995, Community Trusts Investments Limited, which represents eight of the nine Community Trust shareholders, confirmed its intention to retain a majority shareholding in Trust Bank. This will ensure that Trust Bank remains this country's only majority New Zealand owned nationwide bank".

That was less than 12 months ago. What happened to change the minds of the Community Trusts? Why should we believe the assurances of an organisation capable of that sort of 180 degree reversal?

In its Open Letter which appeared in the *Press* on April 27, the Trust Bank Canterbury Community Trust said: "The Trust is not the bank, and as a minority shareholder the Trust ultimately has no control over the Bank or its future". This is not correct. Once again, to cite Trust Bank NZ's 1995 Annual Report. 75% of the bank is owned by Community Trusts Nominees Ltd, which is made up of eight of the nine Community Trusts. The single biggest of those is the Trust Bank Canterbury Community Trust, with 27%. Far from being a minority shareholder, it is the single biggest shareholder in Trust Bank New Zealand. If the Board of that Trust had said "no" to Westpac's offer, that could very well have stymied the whole deal. That Board had the power to do that, in the name of the Canterbury community, and it failed to do so.

Suddenly we're being told that the Trusts were obliged to sell because "all our eggs were in one basket". Why are we being told this only now? That one basket had served the Trusts and the community exceedingly well for many, many years. It was veritably a golden goose. What aren't we being told here? Is there something wrong with the bank that requires an urgent sale? Why did the Trusts sell all their shares in Trust Bank? Couldn't they have kept some? And what are these range of investments that the Trust will now be making? And who are the investment advisers? We've been through all this in the 1980s. Remember the BNZ? They made a few investments too. Trust Bank was a very sound source of funds for the Trusts - what guarantee do we have that the new investments will be? What will the money go into - the Auckland property market perhaps? Or ostrich farming? How about turkey farming, because that's what we're being taken for. A bunch of turkeys.

3/ Trust Bank is the last of the little peoples banks, the one closest to the old Post Office Savings Bank. It is heavily dependent on small customers. Ever since the various regional Trust banks merged into Trust Bank NZ, and certainly since it floated 22% of itself on the sharemarket, it has been aping the other banks and instituting some of their punitive fees, etc, which discriminate against the poor. So it is not lilywhite on the question of fees and charges, but it compares favourably to other banks...

Which is precisely why we need a bank such as Trust Bank. We are continually told by politicians that we must save to pay our own way through life now. Fair enough. How can the poor even think about saving if so-called savings banks won't have them, or charge them an arm and leg for giving them access to their own money? When Trust Bank NZ floated on the sharemarket, Simon Collins of Wellington's *City Voice* paper said it best (24/3/94):

> "It is still important for at least one bank to keep a branch open in every suburb, so that people can get to a bank. It is still useful to have a community owned bank 'to keep the others honest' on interest rates. It's still important to have a bank which is committed to creating jobs in NZ regions. And it is still valid to affirm the principle that public or worker ownership is generally more democratic than ownership by an elite group, because both income and control are then shared around a larger group with a stake in the enterprise".

That, in a nutshell, is what Trust Bank is supposed to be all about. It is the only bank in the country to have the word Trust in its title. By selling out to Westpac (or anyone else, for that matter), the management have acted against the national interest, they have acted against the bank's best interest, and, most fundamentally, they have betrayed our trust...

The Taranaki Savings Bank is still New Zealand owned and is making noises about going national to fill the gap left by Trust Bank. Taranaki very wisely did not join Trust Bank NZ and topped the poll in a 1994 *Consumer* survey of customer satisfaction. Trust Banks Canterbury and Auckland came second; Westpac was among the bottom rankers (all Australian owned). So, if you want to bank with a New Zealand owned bank, give them a whirl if they go national, at least until something better comes along...

Trust Bank was quite deliberately the people's bank, and in this region, it was the bank for Canterbury people. We have not been consulted nor even advised of the sell out that has robbed us of our bank. This was a bank robbery, but an inside job. The whole bank was stolen from us. Those responsible for this should be thoroughly ashamed of themselves.

Government ignores own law in Trust Bank sale

Bill Rosenberg

Because land is involved in the sale of Trust Bank to Westpac, the "national interest" must be considered by the Overseas Investment Commission under specific criteria. CAFCA presented a convincing case that none of those criteria were satisfied.

Aside from organising the public meeting in Christchurch to oppose the sale of Trust Bank to Westpac, CAFCA naturally focussed its attention on the role of our favourite bureaucrats, the Overseas Investment Commission. If no other foreign investment was to be stopped, surely this one should be. It was educational to watch the Commission at work avoiding its responsibilities. (Recall the questioning of the Secretary of the Commission, Mr Stephen ['Open'] Dawe, on a recent TV1 *Assignment* documentary on foreign investment in Aotearoa. When asked why the OIC approves all applications he said it was because it had instructions from the Government that the benefit of the doubt should always be given to the overseas investor.)

Our first action was to ask the Commission for anything they had on file on the case. Mr Dawe, considerably more obliging than his predecessors, faxed down Westpac's application for consent to the takeover, in time for the public meeting. A breathtakingly dishonest aspect of Westpac's application was to claim that "the merger will have substantial benefits for Trust Bank staff", never mentioning the widespread job losses being freely admitted in public.

But another astonishing aspect of the application was that Westpac claimed that no land covered by the Overseas Investment Regulations was involved.

Land: forces consideration of the national interest

Whether land is involved is crucial. Under the Act, if no land is involved, only patsy criteria are applied: that the investor should have "business acumen", that no-one controlling more than 25% of the company should be of bad character, and that the investor must be putting money in. However, if land is involved, "national interest" criteria come into play. The relevant ones in this case are:

Whether the overseas investment will or is likely to result in -

(i) The creation of new job opportunities in New Zealand or the retention of existing jobs in New Zealand that would or might otherwise be lost;

(ii) The introduction into New Zealand of new technology or business skills;

(iii) The development of new exports or increased export market access for New Zealand exporters;

(iv) Added market competition, greater efficiency or productivity, or enhanced domestic services in New Zealand;

(v) The introduction into New Zealand of additional investment for development purposes;

In addition there is an escape clause: "such other matters as the Minister [of Finance] and the Minister of Lands, having regard to the circumstances of the particular overseas investment, think fit." However this must be interpreted in the light of the other criteria and the objects of the Act: "to make better provision for the supervision and control of overseas investment in New Zealand."

We wrote to the Commission on 2 May as follows:

> "We note with concern that Westpac claims, and the Commission has accepted, that the Trust Bank Group does not own any land for the purposes of the Overseas Investment Regulations. There is clear evidence to the contrary.
>
> Trust Bank New Zealand Ltd's 1995 Annual Report lists (p.46, Notes to Financial Statements; Note 13) Fixed Assets: Freehold and leasehold Land totalling $24,849,000; with Total Land and Buildings being $82,399,000 (as at 31/3/95).
>
> The *Press* ("CDL subdivides Chch land", 24/4/96, p.28) reports that "CDL Investments' other major subsidiary, LPL Group, is involved in real estate and property services activities. Under the Frank Knight trading name, the group manages Trust Bank's property resources...". This implies total land holdings considerably in excess of the five hectare threshold of the Regulations. In addition it is in excess of $10 million. This is the logical conclusion given the considerable number of CBD and branch offices Trust Bank operates throughout the country. Trust Bank Property Holdings Ltd (company number 418943) is owned 499 shares by Trust Bank New Zealand Ltd and one share by Graeme Pentecost, the managing director of Trust Bank New Zealand Ltd.
>
> If land is involved then the following criteria apply and do not appear to be satisfied:
>
> *Whether the overseas investment will or is likely to result in -*
>
> *(i) The creation of new job opportunities in New Zealand or the retention of existing jobs in New Zealand that would or might otherwise be lost;*

On the contrary, Westpac's New Zealand chief executive, Mr Harry Price has confirmed that "it was inevi-

table there would be some branch closures, redeployment of staff, and redundancies." Industry sources estimated the loss of up to 2,000 jobs. (*Press*, "Union worried bank merger will cost jobs", 20/4/96, p.1, 3.)

(ii) The introduction into New Zealand of new technology or business skills;

Westpac is already a major presence in New Zealand, being larger than Trust Bank (*Management Magazine*, December 1995). It can be assumed then that any technology or business skills it has available have already been introduced and if they have not been, can be introduced without this takeover. In fact there is evidence that Trust Bank is a leader in some fields of bank technology, and certainly in customer-focused business skills (it ranked very highly in a 1994 *Consumer* poll on customer satisfaction – *Press*, 14/6/94, p.31, "Small banks come out on top for customer satisfaction"). This technology and skills could potentially be lost if Trust Bank eventually is absorbed into Westpac. Further, any further technology and business skill development by Westpac and Trust Bank is more likely to take place under competitive pressure than with reduced competition.

(iii) The development of new exports or increased export market access for New Zealand exporters;

On the whole this transaction has little direct relevance to exports. To the extent that it may lead to the export of services or aid other exporters, the same argument applies as (ii). Since Westpac is already a major presence in New Zealand, such developments can take place without the take over and are arguably more likely to take place under competitive pressure than with reduced competition.

(iv) Added market competition, greater efficiency or productivity, or enhanced domestic services in New Zealand;

Clearly this take over reduces market competition. To that extent it is likely to be damaging to domestic services in New Zealand as Westpac is known to discourage low income depositors because they are not sufficiently profitable whereas Trust Bank has a history of being considerably more welcoming to such customers. An obvious way for Westpac to improve Trust Bank's profitability is to impose Westpac's policies on Trust Bank, in which case many customers will have worsened service, and in some cases a complete loss of service. We have seen no evidence that greater efficiency or productivity will arise from the takeover, although greater profitability well may arise. The two should not be confused as raised profitability may well arise from reducing services or charging more for them.

(v) The introduction into New Zealand of additional investment for development purposes;

This is a takeover, not "investment for development purposes". Indeed the "rationalisation" indicated by the new owners (*Press*, "Union worried bank merger will cost jobs", 20/4/96, p.1, 3.) indicates dismantling rather than development.

In the light of these criteria not being met by this application, we urge the Commission to reconsider its consent to the take over of Trust Bank by Westpac."

We could have added that even more land was involved through Trust Bank's more than $5 billion of mortgages to home owners and farmers.

OIC finds loophole

This obviously set the OIC thinking, though not for too long. On 13 May (following prompting by us) they replied that they thought they had a loophole through which they were willingly walking. Though the Regulations and the Act say land of over five hectares (or 0.4 hectares on an island, foreshore lake or reserve) is covered, the OIC gleefully gave the opinion that that minimum applied to every *single* block of land, not to the land in total. So Westpac could buy up half the country as long as no two blocks were adjacent:

"I can now report that the Commission consented to the proposal whereby Westpac would acquire the securities of Trust Bank New Zealand Ltd on Thursday 9 May. Prior to making a decision we investigated the issues raised in your 2 May 1996 letter. You urged the Commission to treat the proposal as a land acquisition. This was because you believed that Trust Bank owned land in excess of the thresholds in the Overseas Investment Regulations. However, it is our view and the general view of the legal fraternity, including the advisors to Westpac/Trust Bank, that the land thresholds in the Regulations are to apply in terms of individual holdings not cumulative holdings. Thus, a land transaction only requires consent when a contiguous block of land exceeds the thresholds in the Schedule as opposed to the total holdings of any entity... We sought further assurances from Westpac's advisors that this was the case. They confirmed by telephone that no land in the Schedule was involved in the transaction."

Even more incredibly, they went on to say, without explanation or reply to our points, that even if land had been involved, they would have approved the take over anyway.

"Furthermore, even if the transaction had been one to which Part III of the Regulations applied [i.e. involved land] the Commission would still have supported the proposal. We would have recommended to the Ministers of Finance and Lands that the transaction be consented to because, in our view, the transaction would have been in the national interest. We are mindful of your contrary views in respect of certain of the criteria set out in the legislation. However, we believe that, taking into account all of the implications of the transaction, the positive aspects outway [sic] any negative impacts such that overall the transaction is in national interest."

We replied on 14 May reminding them of a further type of land that is covered: any land worth more than $10 million or securities over land (such as mortgages) worth more than $10 million:

> "You dismiss our argument that the Commission should treat the proposal as a land acquisition. Your argument is that "a land transaction only requires consent when a contiguous block of land exceeds the thresholds in the Schedule as opposed to the total holdings of an entity". We consider that position is arguable in the current context, namely where a number of "blocks" of land are being acquired in a single transaction.
>
> However, even if you will not concede that point, we believe you have overlooked Part III of the Schedule. This refers to "any land, other than land specified in Part I or Part II of this Schedule" whose consideration exceeds $10,000,000. If there is ambiguity as to whether or not the land should be contiguous in Parts I and II of the Schedule, that ambiguity is not present in Part III. In our letter of 2 May we presented evidence from Trust Bank's annual report that the land in the transaction is worth over $20,000,000.
>
> As to "national interest", you assert that "in our view, the transaction would have been in the national interest". You give little explanation of this other than to say that you "are mindful of [CAFCA's] contrary views in respect of certain of the criteria set out in the legislation" but that "taking into account all of the implications of the transaction, the positive aspects outway any negative impacts such that overall the transaction is in the national interest". The criteria in question are set out in section 14A (2) of the Act. We note that "the Minister [of Finance] and the Minister of Lands shall have regard *only* [our emphasis] to" the matters listed in the section.
>
> We quoted 2(a) in our letter of 2 May and presented what we consider are substantial rebuttals of those criteria. As 2(b) and 2(c) do not apply in this case, the Commission must therefore be relying on (d) or (e) to make its recommendation to the Ministers. If not, please inform us where our rebuttals were found to be faulty.
>
> 2(d) refers to "such other matters as may be prescribed". Please inform us what, if any, such matters had been prescribed in advance of the transaction.
>
> 2(e) refers to "such other matters as the Minister [of Finance] and the Minister of Lands, having regard to the circumstances of the particular overseas investment, think fit." Please inform us as to what those matters were, or were recommended by the Commission to the Ministers.
>
> In short, we do not believe that the national interest criteria can be satisfied in this case without introducing criteria under (e) that would negate the intent of those in (a) to (c). Without a specific explanation by the Ministers of why (a) has been ignored, we do not believe that the Commission has the right to determine what is the "national interest" after Parliament has laid down in detail what the national interest is. We have legal advice that the matter may have to be tested in court.
>
> Please treat this letter as an appeal against the decision notified in your letter of 13 May, and inform us of the Commission's explanations and decision.
>
> We also request under the Official Information Act the total hectares and value of land, and value of land and buildings, that are part of the sale of Trust Bank to Westpac.

It turns out that while this letter was in the mail, Trust Bank had investigated further and (surprise!) discovered that it indeed did own land of over five hectares: a 50% interest in 16.6853 hectares being the Greenwood Park Retirement Village in Tauranga. On 15 May the OIC revoked its first consent and told Westpac to re-apply (at a further fee of $1,600). The OIC received our letter on 16 May. The same day they recommended to the Ministers of Finance and Lands that they consent to the takeover. On 17 May a second formal consent was issued.

Decision made despite national interest

This consent was based on the national interest criteria. On the OIC's "decision sheet" summarising its consent it gave what it presumably saw as the justification for considering the take over to be in the national interest. Note that the continual use of the phrases "it is claimed" and "the Commission is advised" indicate that the whole justification is written by Westpac. We had however forced an admission of job losses:

> "The application has been approved as it met the criteria.
>
> The Westpac Group is a major international banking group with substantial banking interests in New Zealand. As such, they clearly have business experience and acumen relevant to the investment. There is no question about their financial commitment to the investment. The Commission is advised that the persons who exercise control over the Westpac Group are of good character and not the kind referred to in Section 7(1) of the Immigration Act 1987.
>
> It is claimed a merger with Westpac New Zealand's retail banking operations will bring Westpac's capital resources, higher credit rating, lower cost funding, risk management capabilities and information technology systems and resources to the Merged Bank. A larger merged Bank may also be able to utilise technology which is not available to smaller banks.
>
> The Commission is advised that the merger would re-

sult in benefits to the customers of the Merged Bank by combining Trust Bank's consumer customer service with Westpac New Zealand's range of wholesale products. It is also claimed services will be able to be delivered on a more competitive basis to customers.

Westpac has announced that it is inevitable that there will be some branch closures, redeployment of staff, and some redundancies. Westpac advises that it is likely that this would have occurred in any event, irrespective of any mergers or acquisitions, because of the excessive number of bank branches, the introduction of new technologies, and changes in customer preferences. The Commission is however advised that the merger of Trust Bank and the Westpac New Zealand operations will have some substantial benefits for Trust Bank staff, including enhanced career prospects through working for a larger international banking organisation.

Westpac advise that the acquisition of Trust Bank will result in approximately $1.273 billion being made available to the present shareholders of Trust Bank, of which approximately $960 million will flow to the eight community trusts which are the major owners of Trust Bank. That money will be available for investment and development in New Zealand."

Note the subtle finessing of the issues here.

The "larger merged bank" will be only 15% larger than the existing Westpac: unlikely to allow noticeably improved credit rating, funding costs, risk management or information technology. If Trust Bank customers wanted those supposed benefits they could get them without a merger by simply opening an account with Westpac. The fact that they had not done so indicates that the benefits are vastly overstated.

The word "competitive" is sneaked in to apparently satisfy the criteria. In the context it means just the opposite of the "added market competition" criterion. Westpac will be able to be more "competitive" in offering services to customers because it will have eliminated an important competitor and so can take more of the market. It will win because there is less competition. As we pointed out in our original letter, there is no evidence for a "win" for customers. Any services offered by the merged bank were available before the merger and probably on a more competitive basis from the customer's point of view.

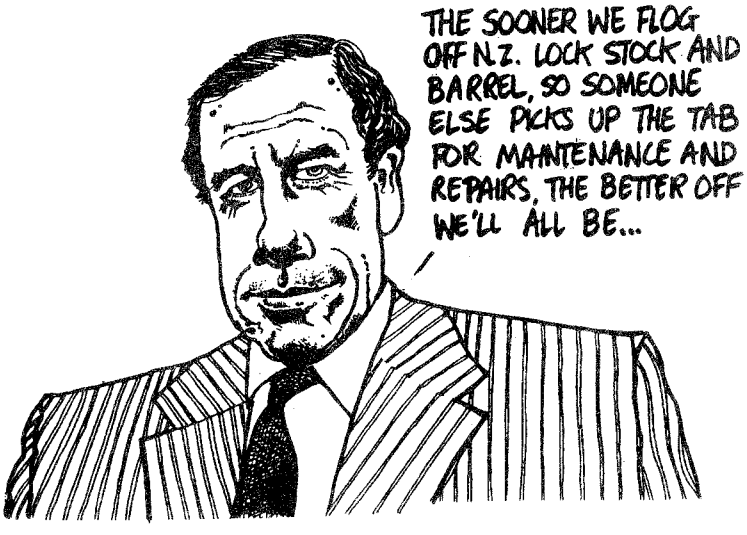
Little needs to be said to answer the bizarre claims on staff benefits. That a few senior staff will have better career prospects can hardly outweigh the job losses resulting from the merger. In fact it may shed some light on the motivation of Trust Bank executives in initiating the merger. Perhaps, as is claimed, Aotearoa is indeed "overbanked" (so much for the benefits of competition). But there is no evidence, and it is pure speculation, that Trust Bank staff would have been the ones who lost out. It might have been Westpac staff or staff of some other bank entirely.

And similarly, while the $1.273 billion Westpac is paying, "will be *available* for investment and development in New Zealand", it is sheer speculation whether or not it will be *used* for development, which is the requirement of the criterion. Some of it will be paid in Westpac shares, which at best will have no effect on development in Aotearoa. The Community Trusts will put the money safely aside (as they did with their Trust Bank shares) and use only the income from those investments. For all we know, other investors will spend the money on overseas trips or on the TAB.

The OIC wrote to the Ministers of Finance and Lands on 16 May recommending that they approve the takeover within 24 hours, which they faithfully did. The OIC's letter used the above justification almost word for word. They did add however that "as Trust Bank overlooked the fact it owned land settlement is now a matter of urgency" (perhaps they heard legal action on their heels); and "the Commission is of the view that the land at Tauranga in which Trust Bank holds an interest is of little significance when considering the overall proposal by Westpac." As "other matters" they noted that the community trusts "will derive more income for distribution to their communities", and that the Commerce Commission and the Reserve Bank had both cleared the takeover. They took no action to alert the Ministers to consider whether the huge portfolio of mortgages (i.e. securities over land) or the substantial amount of land which Trust Bank holds made the issue of considerably more significance, legal or otherwise.

But they had apparently taken some notice of what we had said. They attached a check sheet of the criteria. They ticked the "added market competition" and "introduction of additional investment" criteria but not those concerned with job opportunities, new technology or new export markets. No explanation is given as to how they justified the "ticks", or balanced them against the failed criteria.

The sale has shown the Commission and the Ministers of Finance and Lands to be fronting an elaborate charade that brings their own legislation and the Parliamentary process into contempt.



Tom Scott, "*Listener* ", 13/4/96

The skeletons in Westpac's cupboards

Bill Rosenberg

So just what is this Westpac that is taking over our last significant locally owned bank? Behind its glossy public relations lies one of the grubbier histories of any Australasian bank.

Westpac's 1995 annual report (sent to Trust Bank shareholders) tells the public what it wants them to know. Its 178 year history; its status as one of four major commercial banks in Australia and Aotearoa; buying out AGC; first to move into electronic banking in Australia; $947 million after tax profit, up 34% from 1994; assets of $106 billion; its recent merger with Challenge Bank of Western Australia; Westpac Helicopters and support for the Salvation Army.

The report lists subsidiaries throughout the world – including a number in the tax havens of Jersey and the Bahamas, all of which, except one in Jersey, were disposed of or liquidated during the year. Westpac's Aotearoa operations (which will become the biggest bank in Aotearoa with the take over) are unusual even among foreign-owned banks here: they are run as a branch of the Australian company. Hence it escapes some of the (decreasing) Reserve Bank oversight that other banks are subject to. In New Zealand it owns Australian Guarantee Corporation (N.Z.) Ltd, New Zealand Unit Investment Ltd, Aotearoa Financial Services Ltd and Ngauranga Gorge Ltd (both acquired in 1995), C.B.A. Finance Nominees Ltd, Piesse Properties Ltd, plus a long list of subsidiaries with "Westpac" in their name. (C.B.A. comes from the merger of the Bank of New South Wales with the Commercial Bank of Australia Limited in 1982 forming the Westpac Banking Corporation.)

Westpac's chairman is Mr John A. Uhrig, also chairman of our old adversary, CRA, which is the controlling owner of Comalco. CRA and its former owner (with which it recently merged), Rio Tinto Zinc of the U.K., are mining companies with an appalling record throughout the world of dispossessing native people, wrecking the environment, ruthlessly manipulating governments, and union bashing. In Aotearoa of course, Comalco and its partners have a record of doing anything required to maintain their subsidised power prices for their Tiwai Point aluminium smelter. If there was a way to declare a company an "undesirable alien", these companies would be near the top of the waiting list.

Westpac's shareholding appears to be widely spread. The single biggest shareholder listed in the 1995 Annual Report was AMP (13.01%), followed by "associates of Lend Lease Corporation Ltd" (11.46%) and a number of nominee companies which may hide the true owners. The top 20 ordinary shareholders own 62.45% of the shares and are almost all nominee, insurance or superannuation companies. However an AAP report in 1993 asserted that media magnate Kerry Packer was the second largest shareholder, with just under 10% (*Press*, "US Banker to head Westpac", 25/1/93).

History of financial problems

Westpac has had severe financial problems over the last few years. The 1995 profit mentioned above was the best since 1989. Uhrig took over in 1992 when five directors, including the chairman, Sir Eric Neil, resigned after a $2.2 billion loss in the first half of the year and a failed rights issue which had to be taken up its underwriters. (*Press*, "Westpac chairman, 4 directors resign", 2/10/92.) The chief executive, Frank Conroy resigned in December that year and was replaced by a U.S. banker, Robert Joss, ahead of former BNZ head, Lindsay Pyne (*Press*, "US Banker to head Westpac", 25/1/93). Westpac had a "$152 million tax snag in its U.S. treasury operations" and AMP (which has two seats on the board) and various fund managers had called on it to lift its performance or change its management. The Australian Securities Commission reopened its post-registration surveillance of Westpac's rights issue prospectus, and the Australian Stock Exchange queried Westpac about several statements made by its representatives when information emerged that the U.S. debacle had been known in June but Westpac claimed it hadn't emerged until October. (*Press*, "Injury-prone Westpac attacked on all sides", 7/11/92; "AMP joins demand for big changes at Westpac", 10/11/92.)

These are only the official problems of Westpac. In addition, it has a history of deals stretching beyond the limits of legitimate behaviour:

- In March 1991, letters dealing with a loans scandal were read into the Australian Senate Hansard after opposition by the then Treasurer, the President of the Senate, and the Leader of the Opposition. The scandal dealt with Westpac subsidiary Partnership Pacific Ltd (PPL), which according to the left weekly *Tribune* (20/2/91) "signed on at least 86 clients, mainly farmers and rural small business people, for offshore loans between 1984 and 1987." The letters, written to Westpac by legal advisers, "deal with the fiasco of PPL's management of these loans." Westpac sought injunctions against publication of the letters in Britain, Australia and Aotearoa, and also sought to suppress the documents at the opening of the House of Representatives Inquiry into Banking on 5 February 1991. The letters, which *Tribune* published almost in full, detail bad management and staff relationships, the "loss" of vital documents, and ways to "shrewdly exploit" difficulties that clients might have in pursuing their rights to minimise PPL's loss to 30-50% of the potential $10-12.5 million. The conclusion of the letter was that PPL did not carry out the professional management job and conservative approach to risk management it promised clients, thereby causing loss which would not otherwise have been incurred. PPL "undoubtedly took points which, at best, exceeded its entitlement and to which in my view, PPL had no entitlement at all. PPL probably switched transactions between its own account and its managed borrowers accounts". It was likely that borrowers could succeed in legal action against PPL.

- In August 1992, Australia's Independent Commission Against Corruption revealed a "rampant corrupt trade in Government information". It found that private information held in Government computers was routinely sold, usually for the purpose of pursuing debtors. It had been happening for years and involved millions of dollars. Private inquiry agents routinely paid public servants for information which they then sold to clients including Westpac and its subsidiary AGC. Other clients included ANZ, National Australia Bank, Citicorp, Toyota Finance, and NRMA insurance. (*Press*, "Corrupt trade in data exposed", 15/8/92.)
- In August 1993 the Court of Appeals held Westpac liable for losses incurred by 12 people after a Napier sharebroker collapsed during the 1987 sharemarket crash and awarded $12,500 costs against it.
  "Westpac Banking Corporation consciously benefited by allowing the sharebroker, Mr Sam Wall, to continue operating an account using client funds, the court said... both the sharebroker and the bank must have known it was unthinkable the sharebroker's clients would have agreed to what was going on if they had been made aware of the real position... Mr Wall went bankrupt. Westpac declined to pay the 12 clients the sums due to them in terms of the broker's records. Justice Richardson said that throughout November to January 18 the bank knew Mr Wall was continuing to do business on behalf of clients. 'The inference that the bank was consciously benefiting from the resulting use of the funds of the broker's clients is inescapable,' the judge said. 'Its blindness enabled and encouraged the broker to keep the true state of his affairs secret while continuing to receive client funds.' In the end the clients were engaged in transactions from which losses ensued." (*Press*, "Westpac must repay failed sharebroker's clients", 30/8/93.)
- In January 1995, it was revealed that Westpac had been "engaging customers in trials without their knowledge" in the Hunter region of New South Wales. As part of these "trials", the customers were "stung with a $A5 ($NZ6) monthly fee on accounts dipping below a balance of $A1,500 ($NZ1,810)". Westpac admitted it had not told customers they were embarking on a trial but did advise them of changes to account charges. It said it would not be changing its account-charging methods after the "trial" was exposed. (*Press*, "Westpac under fire", 14/1/95, p.27.)
- In December 1995, the official assignee appointed as provisional liquidator of the failed Druids Friendly Society (North Island), ruled that Westpac had been rejected as a creditor of the Society and would be sued for recovery of $1.5 million. A loan taken from Westpac in 1988 had been unlawful as it breached the society's rules and the Friendly Societies and Credit Union Act. This meant Westpac was only entitled to repayment of the loan principal and in effect had already been overpaid by the society. (*Press*, "Westpac faces $1.5m suit", 11/12/95.)

Ruthless pursuit of profit

Perhaps the most unpleasant aspect of Westpac however is its ruthlessness in pursuing wealthy customers and discouraging those who cannot afford the more expensive services it offers. That this is its policy is confirmed from a number of sources, including a former Westpac manager who confirmed to CAFCA the cynical attitude of the bank to low-income clients and its "targeting of wealthy clients to increase its own profit". The only saving grace for Westpac is that the other large banks share its attitude. Trust Bank, though no paragon of virtue, was the last remaining exception amongst the large banks after the fall of Postbank into the clutches of the ANZ.

Charities are being forced to take on the role of bankers for beneficiaries because of this attitude said the Christchurch City Missioner, David Morrell, in October 1994. By then it had 28 beneficiaries it was acting for in this way. Income Support (Department of Social Welfare) had refused to help. Though it will only pay benefits through a bank account, the Christchurch branch manager said "it was up to the customer to ensure access to an account. If they cannot get bank accounts, then the issue lies with banks, not Income Support." The Bankers' Association defends the banks' right to irresponsibility: "commercial banks were not part of the social system and were free to exercise their commercial judgment to turn customers away" according to Simon Carlaw, its spokesman. (*Press*, "Mission wants to drop bank role", 1/10/94, p.1, 4.)

This was officially documented in Australia where the government took a little more interest in curbing the more extreme actions of the banking industry. The Prices Surveillance Authority conducted an inquiry into bank fees last year and found that they "hit mainly low-income earners, while better-off customers could escape them". Many of the same fees were being charged here in Aotearoa. The authority said bank accounts had become a necessity for similar reasons to those here. Basic bank accounts should be available to all who needed them. The need for an account left banks with close to a captive clientele. The Authority was unhappy with some fee practices, the biggest concerns being with high monthly account-keeping fees and discriminatory charges based on the size of account balances, both widespread in Aotearoa. Low-income earners who paid the monthly fee but made fewer transactions might bear a disproportionate share of costs. Four banks also present in Aotearoa were included in the inquiry: Westpac, ANZ (which also owns Postbank), National Australia Bank (which owns the BNZ) and the Commonwealth Bank of Australia (which is the majority owner of the ASB). ANZ and BNZ had types of accounts with transaction fees but no monthly account fee, allowing fees to be kept to a minimum, and without discriminatory charges. (*Press*, "Inquiry 'highly critical' of some bank fees", 5/10/95, p.23.)

All of which may help to explain why the Consumers' Institute found that Westpac, ANZ and BNZ got a below average rating in every area in a 1994 survey of banks. At the top of the poll was TSB Bank (the former Taranaki Savings Bank), followed by Trust Bank Canterbury and Trust Bank Auckland. (*Press*, "Small banks come out on top for customer satisfaction", 14/6/94, p.31.)

THE BOTTOM Line

by THOMAS W. TRIPP

MMP AND THE VIGILANTES

With MMP looming on the horizon, investors and businesses are growing increasingly nervous. Some businesses have suggested that, after the MMP election, they may choose to move operations offshore.

The fear, of course, is that MMP may have an adverse impact on New Zealand's future economic fortunes. However, how real a fear is this?

At the risk of being trite, New Zealand is part of the global village wherein we are irreversibly intertwined with economies and investors in the rest of the world. As such, offshore interests exert significant control over many of our businesses and own large portions of our bond and share markets. If any New Zealand government were to attempt to enact laws which were viewed as anti-capitalistic, these "Economic Vigilantes" would strike instantly, dumping the NZ dollar, NZ bonds, and NZ shares in huge parcels as they moved funds to greener pastures. The resultant turmoil would be sharp and severe enough to discipline any rational politician into maintaining investor and economic friendly policies.

This phenomenon is not restricted to New Zealand. Australian and Spanish share and bond markets did quite well after the recent election of governments that are viewed as pro-business and reform in both countries. It can be argued that "Economic Vigilantes" have even made the upcoming US election moot; for the first time ever both parties now agree on balancing the US Federal budget deficit in seven years - any deviation from this promise would definitely trigger sharp reprisals from the "Economic Vigilantes".

While the outcome of MMP will prove very important for New Zealand, it should also be remembered that, in addition to the voting populace, the "Economic Vigilantes" of the world stand ready to continue to reward, or choose to punish, New Zealand to encourage the retention of a progressive, open economy.

Joseph Banks TRUSTS LIMITED

Colonial. INVESTMENTS

Time 1/4/96

ASSIGNMENT ON FOREIGN CONTROL TAPE AVAILABLE FOR HIRE

Anzac Day was the appropriate date for the screening of TVNZ's *Assignment* programme on foreign control. To give you some idea of the lengthy lead in time involved - Murray Horton was interviewed in December 1995 for a programme that didn't screen until April 1996. Be that as it may, it finally did go to air and contained some fascinating material - Stephen Dawe, the secretary of the Overseas Investment Commission (OIC) blithely stated that Government directives require it to approve everything (now you know why we've rechristened him Mr Open Door); Don Brash, Governor of the Reserve Bank, said he would have no worries if 100% of the country was foreign owned, because, after all, "we would still control it"!

It wasn't all men in suits - the other side of the story did get more than a look in. Along with CAFCA's Murray Horton pointing out who owns Cathedral Square (including the Cathedral), there were economist Professor Bryan Philpott; Eugenie Sage of the Royal Forest and Bird Protection Society; and most impressively, a group of Far North farmers (from Broadwood, a district heavily beset by foreigners buying land for speculative forestry schemes). Naturally, all of these people were denounced as "emotional" by the suits.

The programme was probably as good as we're likely to get from mainstream TV these days. It certainly had weaknesses - for example, it devoted far too much time to land, which really is a small part of a much bigger picture. CAFCA holds a number of TVNZ documentaries in our video collection - watching *Frontline's* 1989 dissection of Comalco makes you weep for the state of TV current affairs today. *Assignment* was not as good as 1991's "Sale Of A Nation" independent documentary on the same subject - but that screened on TV3 in a graveyard slot. *Assignment* goes to air in primetime and on the biggest channel. Its greatest virtue was that it raised doubts about foreign "investment", and enabled some of its strongest proponents to hang themselves with their own words.

And it certainly got right up the wellbred nose of at least one Cabinet Minister. Simon Upton devoted one of his fortnightly columns in the *Press* to rubbishing it (7/5/96; "One of the tawdriest pieces of junk my licence fee has been party to"). His first mistake was in the title - no licence fee money is used to finance current affairs. The rest was just a quite extraordinary tirade. Usually Cabinet Ministers don't deign to mention TV programmes, implying that they are too busy to watch them, or that it is beneath their dignity to do so. So *Assignment* must have done something right.

The Assignment programme is available for hire from CAFCA for $10, which includes postage.

"SOMEONE ELSE'S COUNTRY *The story of the New Right Revolution in New Zealand"* TAPE AVAILABLE FOR HIRE

Alister Barry is well known to CAFCA. The founder of Wellington's Vanguard Films, we have been working with him since he asked our help to research the early 1980s TV series on New Zealand's Vietnam War which he scripted. We worked with him on "Islands of the Empire"*, the definitive study of the US/NZ military relationship; at the end of the 1980s he came back to Christchurch to

work on Vanguard's "Rebels in Retrospect"*, a study of the Progressive Youth Movement (from whence CAFCA and the Anti Bases Campaign [ABC] ultimately sprang) of the 1960s and 70s. * *both available for hire from CAFCA, for $10.*

For the last several years Alister has been beavering away on "Someone Else's Country", a fascinating 109 minute long overview of Rogernomics (we'll let you into a secret. It was going to be called "Market Forces", but Roger Hall got that first, for his current play). In 1985, CAFCA hosted the world premiere of "Islands"; we were delighted that Alister accepted our invitation to do likewise with "Someone Else's Country" (even if he did make the commercially fatal error of completely removing the interview with Murray Horton). It had its first showing to an audience of 100+ in Christchurch, in June 1996 (an extremely good turnout, given that it was the day that Christchurch was digging itself out from a blizzard). After that it went onto the film festival circuit, and Alister sold it by mail order. Not surprisingly, interest in it is extremely high and cuts across political divisions. For the Christchurch premiere, both the Alliance and Labour promoted it (the latter on the promise of seeing David Caygill with a full head of hair).

In this election year, it is of vital relevance to understand clearly how we got into the mess we're in today. This documentary covers the period from the early 1980s until just after the 1993 election. It analyses the Rogernomics phenomenon, by featuring footage shot as it occurred; by interviewing key figures in both the Labour and National governments; and by talking to those deeply affected by it - from ousted heads of departments that ceased to exist, to those "restructured" at the grassroots.

Those interviewed or otherwise featured include: Jim Anderton, Winston Peters, Michael Laws, Roger Douglas, Jim Bolger, Doug Myers, Alan Gibbs, Ron Trotter, Moana Jackson, David Thorp, Ray Smith, Alan Hawkins, Ruth Richardson, David Caygill, Stan Rodger, Richard Prebble, Ruth Dyson, Don Brash, Jenny Shipley, Brian Easton, Sandra Lee, Bruce Jesson, Pam Corkery, Rod Donald, Peter Shirtcliffe, Tony Simpson and Oliver Riddell. Truly a cast of thousands. The narrator is Ian Johnstone. How appropriate that Mr *Crimewatch* himself should tell us about the greatest recent crime perpetrated against us.

> "In the year 2050, when today's soundbite pundits and political hacks have all gone to the great Green Room in the sky, future historians seeking a balanced account of the Rogernomics era will be eternally grateful to Alister Barry...(he) is one of a dying breed: the serious documentary maker. Astonishingly, his new movie, "Someone Else's Country", is also the only historical overview of the Rogernomics era" (*Listener*, 8/6/96; "Power from the people"; Gordon Campbell).

"Someone Else's Country" is available for hire from CAFCA for $10, which includes postage.

CAFCA does NOT have copies for sale. Copies can be bought from: Community Media Trust, Box 3563, Wellington. $30 for individuals; $80 for organisations; $110 for institutions (all prices include postage).

TELECOM

It's Always Christmas Time For The Richest Kid In Town

Like any good expatriate American stranded upside down in the Southern Hemisphere, Telecom likes to remind itself of home by having a midwinter Christmas. What better way of cheering yourself up than by declaring the inevitable record annual profit ($716 million for the 1995/96 year)? That represents a $100 million increase on 1994/95 - not bad going for a little spotty dog. It represents a profit of nearly $200 from every man, woman and child in the country - all 3.6 million of us.

> "If you have difficulty coming to terms with Telecom's stupendous earnings, you are in good company - Telecom's American owners can't quite believe it either. Addressing a Senate subcommittee on East Asian and Pacific Affairs last year, the president of Bell Atlantic, Alexander Good, could barely contain his delight explaining the windfall from the investment. 'For Bell Atlantic's part, we put in $1.2 billion cash...and we've since received $1 billion in cash through dividends and sale of our ownership share... and still our remaining 25% share is worth $1.7 billion... more than we originally paid for the 50% share. That translates to a 28% average return over five years'. Ameritech, the other US owner, has had identical returns. Assuming they were to sell all their remaining shares tomorrow - and they will sell them when it suits - by their own reckoning, they would reap $5.4 billion on a $2.4 billion outlay... The Saatchi and Saatchi ads - which cost an arm and a leg and it's **your** arm and leg - that keep telling us that Telecom is fabulous are terribly persuasive, but the win-win situation Good enthused about to the Senate subcommittee seems to apply mostly to Bell Atlantic, Ameritech and a handful of wealthy New Zealand investors..." (*Listener*, 13/4/96; "Going private: What's good for Bell Atlantic and Ameritech may not be good for the rest of us"; *Corridors of Power*; Tom Scott).

Like any other rich kid embarrassed by the Christmas presents he's shouted himself, Telecom is always keen to point in the opposite direction and proclaim: "Look at the presents I gave him". In 1995, it was half price rentals for 40,000 poor families that couldn't afford a phone - very few qualified to take up the offer. This year, it's offering to install a

special phone line in every school in the country to be used specifically for learning purposes, and has instituted "Talking Points" for its residential customers ie giving away toll calls, phone services and equipment to those running up monthly bills of $50 or more. Alliance leader Jim Anderton summed it up: "It's like a circus trick when you say look here at my right hand when my left hand does something we do not want you to see" (*NZ Herald*, 13/5/96). It's worth keeping in mind that Rod Deane, Telecom's chief executive officer, is on a salary and benefits package worth $1.2 million per year.

The Alliance is gunning for Telecom this election year, and specifically residential line rentals. Telecommunications spokesperson Dr Joel Cayford launched the party's policy by declaring that Telecom would be regulated under an Alliance government, and line rentals cut by up to 50%. Telecom earns more than $400 million per year from the line rentals to its nearly one million residential customers. Cayford said:

> "Right from the start of privatisation, residential customers got a raw deal, and now every home pays a whopping $430.44 a year for having a phone line - without making one call...Many New Zealanders can ill afford this $400 flat tax on telephones" (*Press*, 21/5/96).

> "At the time of privatisation, much was made of the Kiwi Share, which limited increases in line rentals to the rate of inflation. Despite efficiency gains in every other area of Telecom's operations, line rentals have magically needed to keep pace with inflation. This puzzles me, as the poles and copper wire were, in large measure, installed ages ago and must have paid for themselves many times over. It's not as though the rental covers repairs - every Telecom bill has a separate charge for wiring maintenance..." (*Listener*; Tom Scott, ibid).

Richard Prebble, the Labour Minister responsible for selling Telecom in 1990, and currently ACT's chief bad actor, has a simple solution to the problem - the Kiwi Share should be scrapped.

Workers Strike

Let's not forget Telecom's workers in all this. Ever since 1993, the monopoly has been shedding 40% of its staff over five years. In February 1996, it made a further 30 South Island workers redundant. Ged O'Connell, South Island secretary of the Engineer's Union (which now represents most Telecom workers) said: "My reaction is: here we go again, more greed, more profit. I'm not surprised at what Telecom does. Management does not look at people - just money and profit" (*Press*, 27/2/96). Telecom's remaining workers wouldn't mind some of the record profit either. Rex Jones, the Engineers Union national secretary, pointed out that since 1991, wages had gone up 5%; productivity 13%; and net earnings 114%. "Telecom's reluctance to share its gains with staff indicates a poor management attitude within the company" (*Press*, 16/5/96).

By June 1996, Telecom's unionised workers had had enough. The collective contract expired, and Telecom informed the Engineers Union and its workers that it would negotiate individual contracts only. So Telecom's unionised workers struck for 24 hours to demand the reinstatement of collective contracts. As well as the strike, technicians refused overtime or call outs indefinitely. This would increase the time taken to fix a fault from a matter of hours to up to several days. The *Press* had a startling turnaround in headlines within 24 hours - "Telecom strike 'small in ChCh'" (17/6/96) became "Telecom strike hits ChCh most" (18/6/96). The previous week's heavy snowstorm in Christchurch had given phone faults workers a powerful ace to play. Of the 650 striking Christchurch workers, about 120 picketed Telecom's main building in Hereford Street. The Engineers Union's Telecom coordinator, Suze Wilson, said:

> "Many staff on individual contracts feel intimidated by Telecom and want the security and strength in numbers offered by a collective contract. If Telecom thinks individual contracts veto opportunity for mass industrial action, they may be in for a surprise" (*Press*, 17/6/96).

Alliance leader, Jim Anderton, hit the nail on the head when he said, in suppprt of the strikers: "While Telecom and its

Table 3: Telecom New Zealand's Profitability

	1990	1991	1992	1993	1994	1995
Shareholders' Equity ($m)	2463	2595	2695	2447	2030	2085
Net Profits ($m)	**257**	**332**	**402**	**108**	**528**	**620**
Net Profit as % of Equity	10.4%	12.8%	14.9%	4.4%	26.0%	29.7%

Note: (1) The abnormally low result for 1993 was brought about by accruing all the costs of the staff reduction programme (through to 1997) into the 1993 year.

shareholders are receiving huge profits, workers are getting virtually no pay increases" (*Press*, 18/6/96).

Ironically while redundancies continue (cash spent on restructuring and redundancies fell from $142 million to $34 million in 1995/96), staff numbers actually **increased** 2.6% over the year. This was alarming to financial analysts studying the annual report - Telecom hiring people might set a bad precedent for the rest of the market (particularly now that Stephen Roach, the American apostle of "downsizing", has admitted that he was wrong and that companies must now recruit workers, pay them more, and treat them as their most valuable resource. Heresy!). And no consolation to the thousands made redundant.

Never mind, Telecom isn't wasting any of its hard earned money on former staff either. From the 1930s onwards the former Post and Telegraph section of the Post Office gave current and retired staff concessions on line rentals and national toll calls. That was all abruptly ended with the sale of Telecom. Having got nowhere with informal approaches, the Telecom Retirees Association was formed, and up to 1,000 retirees have been asked to put in $50 each to take Telecom to court, seeking restoration of the staff concessions. As Association Organiser Dennis Mahn wrote to the *NZ Herald* (25/3/96): "...our job was not to make obscene profits but primarily to provide a service to the public...". The Association sees it as an important point of principle, with any money being won as secondary.

But Telecom is still recruiting managers who are just right for it. Ian Frame - the man who oversaw the destruction of the publicly owned Christchurch Transport Ltd, and its replacement by the deregulated shambles that passes for a local public transport system; the first head of Canterbury Health, one of Christchurch's two CHEs, and an enthusiastic practitioner of all that stinks in the health "reforms" - is the first manager of Telecom's new Design, Build and Maintenance business unit, with a national staff of 2,000. He'll fit in perfectly.

Cable TV

Globally, the telecommunications business is booming - the American market alone is worth over $NZ150 billion. New US legislation removed antitrust barriers in 1996, clearing the way for a frenzy of amalgamations. First out of the starting blocks - Nynex Corporation and Bell Atlantic (which owns a quarter of Telecom NZ) were rumoured to be planning a merger, which would create the second biggest telecommunications company in the US (combined 1995 revenues - $NZ39 billion).

And there's serious money to be made in telecommunications in little old Noo Zeeland. Within the coming year, Telecom plans to spend an estimated $700 million on expanding into video, information services and overseas ventures. For example, it plans to roll out cable, for cable TV, to 70,000 houses in Auckland and Wellington in 1996/97 (at $1,000 per house).

> "Watching what? Well, (Telecom financial controller Jeff) White is pretty sure that something called NVOD - or Near Video On Demand - will be the jewel in Telecom's crown. With NVOD, viewers can switch on to prime movies more or less to suit themselves, since the same film will start at slightly different times, staggered across several channels. NVOD comprises the bulk of what Telecom has in mind. 'Essentially, there are 50 channels we are planning on offering', White says 'and about 20 of them would be classic cable channels. The remainder will be NVOD channels'. To some people the thought of switching channels to find the same Jim Carrey movie starting over and over again right through the evening might not sound very enticing. The rise of pay TV also raises the bogey of cultural colonisation. As the cable outlets unwrap their cheap and bulky programme packages from Disney or Ted Turner, will we become a mere outpost of reality, southern California style?" (*Listener*, 18/5/96; "Is Sky worth it?: At last cable television threatens Sky with real competition"; Gordon Campbell).

But Telecom has not been having everything its own way, however. In April 1996, it announced that it was no longer seeking to buy the 25% stake of Sky TV owned by its American parents. Nor was it any longer seeking programming from Sky. Rival telecommunications transnationals Clear and BellSouth had taken it to court on both counts, claiming they would give Telecom an even greater monopoly (see *Watchdog* 81 for full details). The collapse of the Sky deal leaves Telecom's cable TV plans looking more vulnerable, as it won't be able to simply poach Sky's programmes, or even better, own Sky.

New Vultures Gather On Phone Lines

And there are new rivals on the scene - the smell of money brings the vultures in from miles around. The established rival is Clear (in March 1996, British Telecom - which owns 20% of American MCI - bought Bell Canada's 25% stake in Clear. MCI already holds 25% of Clear). Also in March, Telecom and Clear finally signed their interconnection agreement, ending five years of multi-million dollar legal bickering (which ended up in the Privy Council. See *Watchdog* 80 for full details). This gives Clear users access to the full Telecom network. Even American economist, Professor Henry Ergas, the first visiting professor at Auckland University's centre for research in network economics and communications, and an unabashed supporter of New Zealand's "lighthanded" telecommunications regulatory regime, was critical of the whole Telecom/Clear mess (*NZ Herald*, 27/5/96).

But the new kid in town is Telstra, the State owned company formerly known as Telecom Australia, and the biggest telecommunications company in Australia. It launched itself in New Zealand in March 1996, saying it will spend $34 million over the next 18 months. It is not bothering with residential customers or even medium size businesses - it is targeting the 550 transnationals whose business is handled

by Telecom, and to a lesser degree, Clear. Within its first six weeks, it had won over 15 of them. The declared goal is 10% of the overall NZ telecommunications market within three years. By April it was trying to effect a working relationship with BellSouth (US), to tap into the 10% market share that BellSouth holds in the highly lucrative cellphone field. Such an alliance would pose a real challenge to Telecom. Indeed the introduction of competition from Telstra was the prime reason why Telecom's share price fell sharply in March. In June Telstra commissioned a switch capable of handling 700,000 lines in Auckland.

As with airlines, there is no trans-Tasman reciprocity on offer - Telecom NZ is debarred from the Australian market. Ironically, Telstra is earmarked for the same fate as Telecom - the new Liberal government plans to sell one third of it, which is seen as a way station to complete privatisation. Union opposition to this is shaping up as one of the first major industrial battles facing new Aussie PM, John Howard, and his Tory mates. As in NZ, telecommunications profits are immense - Telstra's 1994/95 net profit was $A1.7 billion.

And there are smaller new players dipping their toes in the increasingly crowded pool. American callback services have become the latest fad here - you ring the US operator and hang up. The operator calls you back and connects your call at US domestic rates. USA Global Link has customers in 200 countries and territories and 1995 revenues of $NZ260 million - including 1,000 New Zealand customers, who spend over $1 million per year. The company plans to expand in both NZ and the Pacific generally. It recently sold a 20% stake to PT Sisindosat, the long distance telecommunications subsidiary of the Indonesian State carrier, PT Indosat. Inevitably, such a State monopoly in the Indonesian kleptocracy has connections to the ruling Suharto family.

Red Hot Nanas

Telecom has made itself a most impressive range of enemies. *Watchdog* 81 detailed the plea of Jan Lane, of Christchurch's Taylors Mistake beach, for a public phone there, in light of the number of emergency cases requiring use of her home phone. Well, bighearted Telecom announced it would do so - if residents pay for the line rental! Not surprisingly, residents drew obvious conclusions regarding record profits and such mean spirited pennypinching. The New Zealand University Students Association, joined by the Alliance, has complained about Telecom imposing a tollbar on phones in student flats, preventing access to either its own or Clear's long distance lines. Jim Anderton called it "age discrimination" (*Press*, 22/2/96). So much for those folksy TV ads, beloved by both Telecom and Clear, showing students ringing their anxious families in faraway hometowns. Telecom has even enraged the curious subculture of phonecard collectors, who claim that overproduction, followed by rationing, has caused a crash in this collectibles market (which ranks with personalised numberplates in the dopiness stakes. If you see a car with a STUPID1 plate, it's probably that of a phonecard collector).

Not to mention the red hot nanas. Several eminently respectable old ladies received whopping great bills - allegedly run up by them ringing international phone sex numbers (poetically called "phone bone" by our American friends) in exotic locales such as Ghana, Israel and Moldova. Despite the potential for ribald humour (hold the jokes about aural sex, please), this is no laughing matter for customers left with bills in the thousands of dollars, and facing having their phones cut off. Telecom resolutely denied that there was any mistake, but a leaked internal paper revealed that it was investigating the security of cordless portable phones (a favourite with the elderly). Ross Lambourn, who worked for Telecom for 21 years, said tapping into a neighbour's phone to run up toll calls on it was so simple: "I would say if you are of reasonable intelligence and eight years old, I don't see why you couldn't do it" (*NZ Herald*, 16/3/96). Fearing another public relations disaster, Telecom started writing off these bills.

Grassroots Opposition: A Towering Success

But the bitterest battle being waged against Telecom, and the other phone companies, is that of the grassroots groups that have sprung up all over the country to fight the rapid proliferation of microwave transmission towers for cellphones. Radio frequency radiation from these towers is suspected of having deletrious effects on people nearby, particularly children. And nowhere is this battle more ferociously contested than in Christchurch. The stakes are high, as cellular services are the most profitable for all the phone transnationals - Telecom recorded a 44% increase in this sector in 1995/96. As of March 1996, 9.3% of all New Zealanders had a cellphone. So those rather good 025 TV ads must work.

There are plenty of health concerns about cellphones themselves. International research indicates dangers from having such a device so close to your ear and brain. In this country, heart patients with pacemakers have been warned not to carry them in their breast pockets. Even the much vaunted advertising saying how carrying cellphones saves lives in remote areas is so much wishful thinking - the rescue of three young trampers in the Tararuas, in March 1996, was delayed because of the weak signal of their cellphone. Mountain phones are recommended, as cellphones can't be relied on in the mountains.

90% of us don't have cellphones and an awful lot of people don't want the transmission towers anywhere near them. What most concerns opponents is that there appears to be no upper limit put on their proliferation. Moka Ritchie, spokeswoman for the Environmental Protection for Children Trust, has called on Telecom, BellSouth and now Telstra, to state how many tower sites they want in Christchurch and where they will be located.

> "...we will have three networks operating in Christchurch, all requiring separate sites. Telecom already has more than 30 sites in Christchurch - and 300 nationwide - for 300,000 users, and they envisage 1.4 million cellphone users by the year 2000..." (*Press*,

20/4/96).

In June 1996 it was revealed that Telecom has changed the designations of 24 phone exchanges in the Christchurch City Council's proposed city plan, which could allow the sites to be used for towers. Some Canterbury Regional councillors have suggested an apparently obvious answer - that the companies share towers. Naturally, the transnationals are not keen. BellSouth's communications manager, James Norman, raised fears that sharing would "make us subject to (Telecom's) whims and fancies about what we can do on the site" (*Press*, 22/5/96).

In March 1996, the Planning Tribunal released a landmark decision on the November 1995 appeal by Ilam residents against a proposed BellSouth tower in the area. It ruled that the tower would have no harmful effects on the public, but set a tough standard for radio frequency radiation from the site. The Tribunal's standard, based on a World Health Organisation report, is two microwatts per square centimetre at any dwelling - the New Zealand standard is 200 and a draft Christchurch City standard is 50! Judge David Sheppard stressed the precautionary principle. Both BellSouth and its opponents claimed victory.

Various communities in and around Christchurch are fighting tower site proposals - for example, in Templeton, where the Selwyn District Council approved a Telecom tower, despite objections from 80% of Templeton residents, and the public opposition of National MP, David Carter. In March 1996, the Beckenham Neighbourhood Association won its battle against Telecom's proposed tower - the Christchurch City Council rejected the proposal on visual impact grounds. The company is appealing.

Schoolkids Take On Telecom

But it's the proximity of transmission towers to schools that causes the greatest strength of feeling against the phone transnationals. Having lost their right to site the towers in school playgrounds, due to adverse public reaction, the companies have decided that the next best thing is to site them next door to schools. In Christchurch, Telecom was rejected by numerous commercial property owners in Shirley, until the Masonic Lodge agreed to sell it a site - next to Shirley Primary School. This led to a local grassroots campaign that was so vocal it attracted national media attention. There were threats from parents to pull their kids out of the school if the tower was built; the board of trustees suggested that the whole school might be closed. The school made a cash counter-offer to the Masons - this sufficiently annoyed Telecom that it threatened to sue the school.

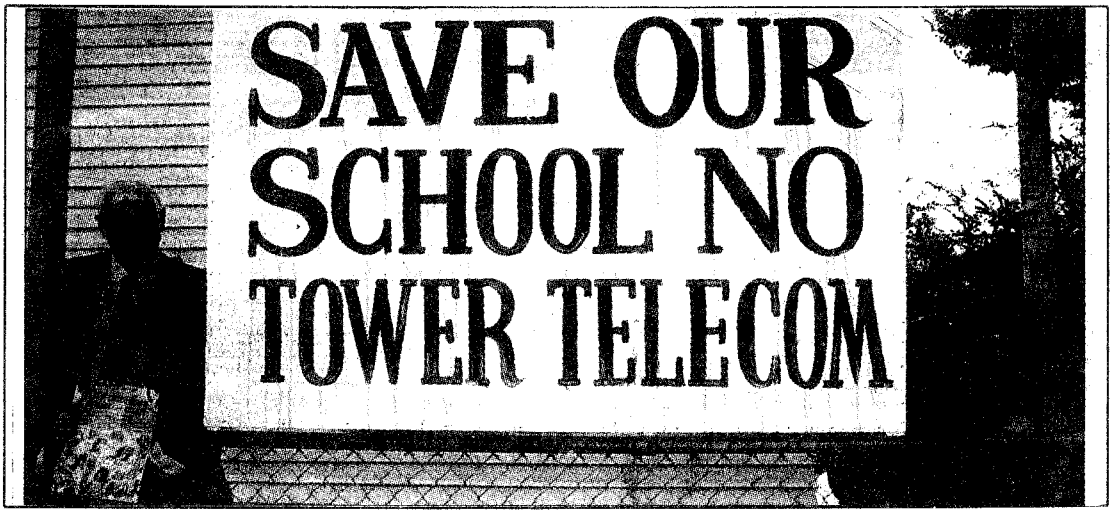
Board member, and Christchurch 2021 city councillor, Garry Moore, called this "jackbooted...bloody disgraceful ...heaviness personified" (*Press*, 17/4/96). The kids paraded outside the school with placards soliciting public support; signs attacking Telecom were put up (and ordered removed by the City Council, citing the Resource Management Act). The whole thing was a public relations disaster for the Masons - they are famous for their secret handshakes but the national TV news audience very clearly understood the two fingered gesture directed at picketing schoolkids by one Mason. By June, the Lodge was engaged in discussions with the school to find alternative sites.

Which just goes to show that despite all manner of gimmicks, including free phone lines for schools, Telecom can't even persuade kids to like it. Let alone anyone else. It's perceived to be grotequely greedy, mean, a bad employer, and a health risk.

Hold The Front Page!
Telecom Supports Foreign Investment!

Telecom chairman, Peter Shirtcliffe, achieved notoriety with his 1993 Campaign for Better Government (remember them? Where are they now?) which vainly tried to stop the electoral reform victory in that year's general election referendum. Now he's decided its time to wade into the foreign investment debate. In 1996, he personally funded economic forecaster Berl to model the impact of various levels of investment. Surprise, surprise - the study concluded that up to 100,000 jobs could be lost by 2005 if foreign investment was curtailed. "Mr Shirtcliffe said it was vital to understand the price of limits on foreign investment" (*Press*, 12/6/96). Which drew a sharp response from the leaders of both the Alliance and New Zealand First. Jim Anderton said:

> "I've noted over the last 12 to 15 years, it (foreign investment) has not stood New Zealanders, in the majority, in very good stead. It has actually stood Mr Shirtcliffe in good stead and that's why he wants more



of it. But that's why most New Zealanders are going to vote against it in the next election". Winston Peters added: "New Zealand First understands the difference between foreign investment and foreign control. Mr Shirtcliffe, typically, running a multinational, does not" (*NZ Herald*; 12/6/96; "Peters to Shirtcliffe: job loss warning is scaremongering").

One of the most fatuous defences of foreign investment offered on the April 1996 *Assignment* programme on the subject, was that of Peter Shirtcliffe. What's the problem, he asked? Americans might have bought it but "we" got to keep a phone system. Does he mean we should be thankful that Telecom didn't go door to door ripping phones out of the walls and shipping them back to the States? Why would they want to do that? Besides, there would be no room in the ships for phones - they're all full of the profits that Telecom is sending out. If that's the best argument that Telecom's billions can buy, no wonder that little kids can see right through them.

BRIERLEY'S TAKEOVER

NEW OVERSEAS INVESTMENT ACT FAILS FIRST BIG TEST

The March 1996 buyout of 20% of Brierley Investments Ltd (BIL) by Delham Investments, a consortium of Singaporean, Malaysian and Indonesian interests, completely escaped the oversight of the Overseas Investment Commission (OIC), and proves the 1995 Overseas Investment Amendment Act to be exactly the non-event it was widely predicted to be. Despite the buyout involving over $800 million, 10,000 hectares of farmland, 26% of NZ's deepwater fishing quota, and likely control of BIL, the Commission told CAFCA that "no consent (of the Commission) was needed because the purchase was for less than 25% of BIL".

This is the first major test of the new Act and it has failed utterly. The Government claimed that it would tighten up controls on overseas ownership of land. This buyout involved 9,887 hectares of land. BIL owns 52% of Tasman Agriculture, an agribusiness company which owns 61 South Island dairy farms.

BIL is the half owner of Sealord Products Group, the country's biggest seafood company. It is the largest quota holder in the fisheries industry - 26% of the total. Under the 1983 Fisheries Act, owners of quota may not be more than 25% overseas owned unless given special exemption by the Director-General of Fisheries. Has that happened in this case? And, of course, BIL is the major owner of a wide range of New Zealand companies - Air New Zealand, Aetna Health, LWR Industries, and Union Shipping - to name a few.

Before this buyout, BIL was already around 50% overseas owned. The legal definition of an overseas company is one with 25% or more overseas ownership. But the OIC maintains an "exempt" list of companies that it defines as "New Zealand", despite them meeting the legal definition of overseas ownership. Extraordinarily, Brierley's is one of them.

This 20% buyout greatly increases the overseas ownership of BIL. The Singapore Ministry of Finance is already a substantial shareholder in BIL - if it and the Asian consortium cooperate, then together they will unambiguously break that legal 25% definition of outright overseas ownership.

CAFCA will watch the Overseas Investment Commission's next move (or lack thereof) with great interest. If it does not revoke BIL's exempt status, then the new Act will have been proved a farce. If it does revoke it, then the public will be entitled to ask how an overseas consortium could take control of 10,000 hectares of farmland and a quarter of our deepwater fisheries - not to mention New Zealand's national airline and other significant assets - without the slighest scrutiny from the OIC.

CAFCA released this statement in March. It got virtually no coverage. And needless to say, the OIC still keeps Brierleys on its exempt list. Ed.

PRESIDENT WHO?

The intelligence of business reporters sometimes leaves us wondering. In the course of his usual uncritical coverage of the Delham buyout of 20% of BIL, the *Press* Business Editor described the Indonesian principal as a longtime mate of the late President Sukarno (removed as a result of the genocidal 1965 coup). Bill Rosenberg contacted him to point out that this was as likely as Sir Roger Douglas appointing a Muldoon crony to be Governor of the Reserve Bank, except that in the more bracing Indonesian political environment, such a person would meet a swift and violent death. Surely the *Press* meant that he was a mate of the present President Suharto? But the Business Editor was having none of that - Sukarno was the right answer. Bill checkmated him by faxing him a story on the very same fellow in the capitalists' Bible, *Fortune*, in which he boasted of his long connection with President Suharto. At this point the Business Editor gracelessly surrendered and blamed it all on Reuters.

This is the very same Business Editor who took the above CAFCA statement on Delham/BIL and ran one whole paragraph about it in a totally unrelated story about a Fletcher Challenge meeting in Christchurch. The only apparent connection was that Hugh Fletcher publicly supported foreign investment (fancy that). To add insult to injury, the Business Editor described Murray Horton as a "former Left activist". The only explanation must be that CAFCA has become so respectable that we are perceived as having left our disreputable origins behind. Well, we may be an ugly old bird but our left wing is still flapping vigorously.

GERMAN INVESTMENT IN NEW ZEALAND

Back in the late 1970s CAFCINZ (as we then were) was sufficiently concerned about the whole subject of investment from the then West Germany that we mounted a campaign specifically about it. As part of that, in 1980, we published a booklet: "Bloodless Blitzkrieg; Case Against West German Investment In New Zealand" (we never did have to worry about any East German investment). There had been a number of alarming developments - in 1979, the Muldoon National government (with one Jim Bludger as Minister of Fisheries) pushed through the Fishing Industry (Union Coverage) Act, specifically to cushion a German/NZ fishing joint venture from the realities of New Zealand industrial relations. This was occasioned by the joint venture's ship, the *Wesermunde*, having to be unloaded by wharfies at Bluff, not by the ship's crew (which was the owners' preference). There was national controversy.

Other concerns about German inroads into New Zealand centred on energy projects involving Southland lignite coal; the possibility of seabed mining of New Zealand's Exclusive Economic Zone; and the fact that the biggest percentage of New Zealand's foreign public debt (which seems trifling by today's standards) was owed in Deutschmarks. We were also alarmed at the prospect of the West German model of trade unionism being imported (we needn't have worried; in their next incarnation, Bludger and Birch, the old Muldoonists, decided that no model of trade unionism was the best one of all). "Bloodless Blitzkrieg", which has been long out of print, makes a fascinating historical read, even if it did trade shamelessly on WW11 stereotypes, from its very title to the recurring cartoons of thuggish squareheads with crewcuts and a fondness for sausages.

So, nearly two decades later, it's useful to examine what has become of German investment in this country. The latest full year statistics we have from the Overseas Investment Commission (OIC) are for 1994. It approved six applications, involving $82 million. This was a huge leap, as approvals for 1992 and 1993 only totalled $36 million. But these statistics reveal more about the OIC than they do about German investment. The OIC only released four 1994 decision sheets involving Germans - three rural land approvals totalling $1.8 million; and a commercial takeover involving $20 million. Presumably the other two decisions suppressed by the OIC account for the outstanding $60 million.

For the record, Germany was the eleventh biggest foreign investor in New Zealand in 1994, gauged by the OIC statistics.

What material the OIC has been prepared to release on German investment this decade contains mostly predictable stuff, but with the odd surprise. BMWs have always been the German status symbol of choice for the yuppies and the nouveaux riches - they fill the parking lots on visiting days outside the country club gaols where some of our 1980s highflyers are temporarily grounded. So it is no surprise to find **BMW**'s doings recorded by the OIC - for example, in November 1992 and April 1993, the OIC approved BMW branching out into finance, including a joint venture with **Allied Finance Ltd**, to enable customers to buy cars.

But it is definitely a surprise to realise that **Thomas Cook**, the apparent bastion of Britishness in the global travel business, is, in fact, German owned. In March 1993, the OIC approved the Thomas Cook Group fully taking over Thomas Cook (NZ) Ltd, which had been jointly owned with Union Travel. The Thomas Cook Group is owned by **Westdeutsche Landesbank Girozentrale**.

There are a few other commercial takeovers recorded. For example, in June 1994, the OIC approved **Hannover Re** and **Eisen Und Stahl Re**, subsidiaries of the **Group HDI Haftpflichtverband der Deutschen Industrie VAG**, buying (for $20 million) **NRG Victory Life Reinsurance Australia Ltd** from its Dutch owners. NRG also issued a further $60 million worth of shares to the two companies to enable it to redeem redeemable preference shares held by the previous owner. In June 1995, the worldwide merger of the **General Reinsurance** and **Cologne Reinsurance** groups (US/German) resulted in subsidiary **General and Cologne Re Management Ltd** acquiring the local business interests of the two groups for "in excess of $10 million". And, in December 1995, **Munich Reinsurance Group** shuffled the ownership of **Munich Reinsurance Company of Australia**. Reinsurance seems to be a German speciality.

From Pakatoa To Pepin, Land Is The Attraction

But, overwhelmingly, what the OIC records is German acquisition of New Zealand rural land. They love it. Decisions record purchases near Masterton ("farming"); near Lumsden ("genetic breeding technologies"); Kerikeri ("hobby farming"); Whitianga ("lifestyle block"); Waiheke Island ("viticulture"); Cambridge ("breeding Gelbvieh cattle"); Queenstown ("tourist lodge"); near Warkworth ("forestry"); Te Puke ("lifestyle"); Hawkes Bay ("conversion to luxury hotel and restaurant"); Motueka ("forestry" and "homestay"); Riwaka Valley ("tourist facility"); Russell ("recreational purposes"); Coromandel Peninsula ("eco-sensitive development") and Marlborough ("vineyard").

The highest price paid was $1.7 million, for 47 hectares near Kerikeri (October 1994); the biggest area involved was 1,798 hectares, near Lumsden (in October 1991, the OIC approved a German with expertise in "genetic breeding" technologies increasing his ownership of the property to 75%). The OIC statistics for 1994 reveal that there were three German rural land purchases approved, totalling 71 hectares, and involving $1.8 million (a long way down from 1991's 1,800 hectares and $8.5 million).

Anyone who has travelled around the New Zealand backblocks within the last decade will be aware that there are whole colonies of Germans, from Hokianga to Stewart Island. Many of them have come here for a quality of life far

removed from that of their homeland; they are eminently worthy people, and indeed some of them are members of CAFCA. It's worth mentioning that we do also have a couple of bona fide longstanding German members in Germany itself; not to mention a certain Wolfgang Rosenberg who is a central figure in CAFCA affairs. So nobody can accuse us of being anti-German. No kidding, some of our best friends are German.

But not all the Germans buying land here are of the user friendly, treehugger variety. In April 1991, the OIC assured itself permanent redfaced shame by approving the $8.5 million purchase of **Pakatoa Island** by Horst Meyer, Ralf Simon and Wolfgang Boost. Of course, it soon became a matter of national controversy that **Ralf Simon** was a crook with a record which the OIC hadn't checked out. He had the typical fraudster's penchant for blondes, high living and other people's money. The deal fell through when Ralf was declared an undesirable immigrant and promptly went on the run, pursued by the German police. After further international adventures, including escaping from custody in Bangkok, he ended up back in a German prison on various fraud and embezzlement charges. The uproar that resulted from the whole Pakatoa Island fiasco was instrumental in the 1995 Overseas Investment Amendment Act stipulating that applicants must be of good character (ie not have a criminal record). Prior to this, any old passing crook with enough money could buy up large in little old Neuseeland. Ralf Simon earned German investors a permanent place in our history, for all the wrong reasons.

But Pakatoa isn't the only New Zealand island involving German investors and controversy. Early in 1996, **Pepin Island**, near Nelson, was bought by **Dr Viola Hallman**, for a confidential amount. She was the 1979 German Businesswoman of the Year, and is owner of one of the world's largest steel mills. Her company, Theis Kaltwalzwerke Gmbh, operates in Germany, the US, Spain, and is now venturing into China. In true Eurocapitalist style she and her husband live in Holland on a hobby farm where they raise Icelandic horses and she cross-border commutes to and from work.

> "For the most part she will be an absentee owner. At 51, Dr Hallman is too engrossed in the running of one of the world's largest steel mills to think of retiring to her island retreat (one of two, in fact - the other lies in Nova Scotia, which juts off eastern Canada)...Dr Hallman was surprised at the speed at which the sale and purchase process of the island was handled - less than a year from love at first sight, to Overseas Investment Commission clearance, Interpol investigation, Lands and Finance Ministry involvement, and of course the okay had to be given at a local political level...'Many people might be put off from investing here because of the stringent (sic) investigation: brave, normal people who think it's an offence to be investigated when they want to invest money. Instead of taking it, the Government hesitates and then checks you out'" (*Nelson Mail*, 13/3/96; "Their island in the sun").

This island purchase was not received with unrestrained glee by the locals, even though it was conditional on consent being gained for tourist facility development within three years. New Zealanders, of all political persuasions, tend to be very protective when it comes to foreigners buying islands. And this purchase involved a very unusual feature - the foreshore (the fabled Queen's Chain) was included. So questions of continued public access arise. John Blincoe, Labour MP for Nelson, was "lukewarm" about the sale.

> "It's not something I'd throw my hands up in horror over, but in my view this case is borderline. Purchases by foreigners should be closely scrutinised, and sales only allowed if they're clearly in New Zealand's interest...She has certainly made positive noises for such development here (tourism), but it's not immediately obvious she has made a strong commitment to New Zealand...It would help if she enhanced public access to the island and allowed the golf tournament (annual novelty event) to continue" (ibid).

On the other hand, Tasman MP, National's Nick Smith, welcomed the sale (the island is in his electorate).

> "Foreign ownership of our land is not at levels to get too agitated over, Mr Smith emphasises. Five, ten or 20% of land in overseas hands is cause for excitement, he says, not the current 1 or 2% total. 'If it weren't for her coming along, a major forestry company would have been the next purchaser, and the whole island would have been covered in trees. Land ownership by citizens of other countries is all part of the process of internationalisation - more New Zealanders will own land offshore in future, and more of New Zealand will have investment from overseas people. What we do have to make sure is that the agreements remain pro rata, and that there are clear, identifiable benefits for New Zealand in any land sales. Currently, I don't believe such monitoring is pursued vigorously enough'" (ibid).

More examples of Nick Smith's fatuousness on the subject can be found in *Watchdog* 78 ("Young Nick's Head Sighted: No Sign Of Intelligent Life"). The fascinating thing about his statement in the *Nelson Mail* is that it is at complete variance with his statement on *Assignment* (TV1; 25/4/96) about Pepin Island. That programme showed him in his sea kayak and depicted him as a rebel within National's caucus, on the issue of land sales. He said that those involving sensitive and beautiful coastal areas should be refused, unless very good cause exists to approve. He expressed particular concern about the privatisation of Pepin Island's shoreline because of "a legal anomaly" and the subsequent risk of the future loss of public access.

So, from Pakatoa to Pepin, Germans, of both genders and all moral dispositions, are very keen to buy our islands in particular, and our land in general. German investment is in the middle ranks of those currently merrily taking over our country - it is not the biggest but it's certainly not the smallest either. It needs to be carefully monitored, and as evidenced at both Pakatoa and Pepin, actively opposed.

One consolation though, for readers of "Bloodless Blitzkrieg" - the fears about joint fishing ventures, seabed mining, and Southland lignite never did come to realisation. But, no, you can't have your money back.

DECEMBER 1995 TO FEBRUARY 1996
OVERSEAS INVESTMENT COMMISSION DECISIONS[1]

Bill Rosenberg

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1. 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.

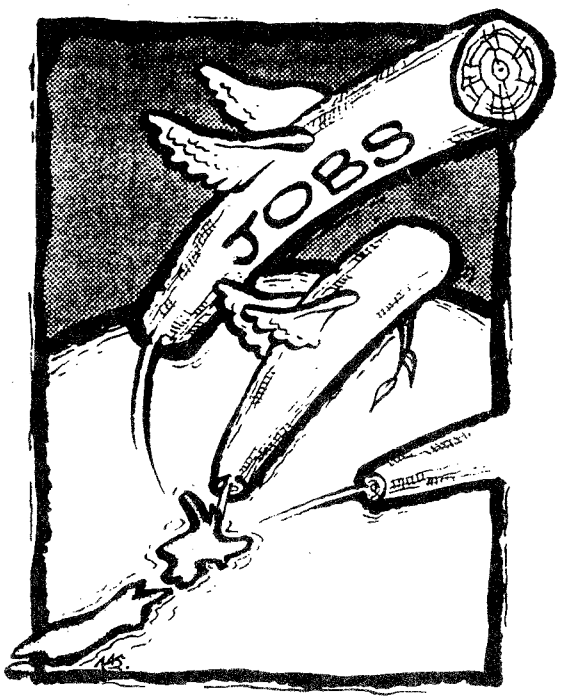
December 1995 decisions

National Australia Bank takes control of BNZ Finance

Having bought the **Bank of New Zealand**, the biggest bank in Aotearoa, in 1992, the **National Australia Bank Ltd** is tidying up the BNZ's most important subsidiary, **BNZ Finance**, which was **78.4%** owned. NAB, through its subsidiary **National Australia (1995) Ltd**, is acquiring all of the remaining shares, which were listed on the stock exchange, for **$314,220,000**. In October, Ron Brierley's Guinness Peat Group bought a 2.8% interest in BNZ Finance, probably at about 160 cents a share. It doubtless had an eye on the company's unusually high cash reserves, from which it then asked for a cash handout of 70 to 80 cents a share. However it welcomed the NAB buyout at 197 cents, which became unconditional in January 1996. (Ref: *NZ Herald*, 21/10/95, "GPG snatches key stake in BNZ Finance: Bid to force capital repayment"; *Press*, 15/11/95, "GPG lauds review of capital", p.30; *Press*, 14/12/95, "BNZ Finance bid approved", p.34; *Press*, 12/1/96, "NAB bid final", p.16.)

Helicopter Line buys Tourist Hotel Corporation hotels from U.S. owners

Three hotels owned by the **U.S.**-owned former state-owned **Tourist Hotel Corporation of New Zealand Ltd** (THC) are being sold to majority **New Zealand** ownership – but to a company which is still legally an overseas one. However, they will continue to be managed by the vendor, the **South Pacific Hotel Corporation "group"** which is owned by the **Pritzker** family of **Chicago**. The new owners are **The Helicopter Line Ltd** (THL) and its 50% owned associate, **Tourism Milford Ltd** (TML). The other half of TML is owned by **Trojan Holdings Ltd**. The OIC describes THL as being "a New Zealand public listed company with **slightly in excess of 25%** of its shares held by **various overseas persons**", and TML only as being "of New Zealand". Although the price was suppressed by the OIC, THL chairman Murray Valentine was more forthcoming when the deal was publicly announced three months before the OIC approval. He said the transaction would involve $40-45 million including working capital. It would be funded by debt and would be settled on 1 October: two months before it received OIC approval.



The deal involves three hotels:

- the **Mount Cook** hotel complex, which will be owned by TML;
- the **Rotorua** hotel, to be owned 50/50 by THL and TML;
- and the **Waitomo hotel and caves operation** to be owned by THL.

(Ref: *Press*, 2/9/95, "Helicopter Line buys into hotels", p.24.)

The Tourist Hotel Corporation, which owned key hotels in strategic tourist venues throughout Aotearoa was sold to South Pacific Hotel Corporation in June 1990 for $73.85 million. Some of the THC's hotels were sold shortly after purchase by Southern Pacific to other concerns. Of some controversy was the sale of their Wairakei golf course to Tokyo-based Japan Golf Systems. This exposed a genuinely racist strain of opposition to overseas ownership given it had already been sold overseas to the Pritzkers. Apparently approving of this reason for opposing its resale, the then Minister of Lands, Mr Tapsell, vetoed the sale in a desperate pre-election move. The veto was then overturned by the incoming National government on condition that it still be open to locals. As we commented in 1990:

> "The whole episode neatly shows the hypocrisy of both parties on issues of foreign control:
>
> a. The golf course had already been sold into foreign hands by the government, by the sale of its owner, the State Owned Enterprise, the Tourist Hotel Corporation, to a foreign (U.S.) buyer. That made clear the government's objections to the sale were substantially racist rather than principled.
> b. The government (and news media) made this stand on a relatively minor piece of property after selling billions of dollars of essential services and strategic industries into foreign ownership and control.
> c. After making vaguely concerned noises about the increasing sales of rural land to foreign owners while in opposition, the National Party has acted hastily to make clear what its practical position is: slightly worse than the previous government."

The current transaction was structured by South Pacific forming a subsidiary, **Tourist Hotels Ltd** which owns the three hotels. A 50/50 joint venture of THL and TML, **Tourist Hotels Finance Ltd**, then purchased Tourist Hotels Ltd.

South Pacific say that the sale "represents a continuation of its policy to manage rather than own hotels in New Zealand". Which raises a question about the original privatisation: if all that is being gained (assuming it is a gain) is better management, why wasn't South Pacific simply contracted to manage the SOE's hotels in the first place?

U.S. company takes over two vehicle suspension spring manufacturers

A subsidiary of **Tenneco Automotive Corporation** of the **U.S.A.**, **Monroe Springs (New Zealand) Ltd**, is taking over two Aotearoa-based automotive suspension spring manufacturers. **Motor Radiators (New Zealand) Ltd** was part of the **National Consolidated "Group"** of **Australia**, and **Federal Springs Holdings Ltd** was part of the **Skellerup "Group"**. The price has been suppressed.

> "The acquisition is part of a deal also involving a similar deal in Australia and is part of a strategy by Tenneco to expand into the Australasian market. Tenneco believes that the business being acquired will benefit from its global market synergies which will improve efficiency and access to international markets."

And, we can predict, will eventually end manufacture of these products in Aotearoa.

Direct Capital Partners Ltd to issue further shares; gets retrospective consent

Direct Capital Partners Ltd, "a New Zealand public company which is approximately **40% owned** by overseas institutional investors" (the OIC identifies it as being predominantly owned in **Australia**) has approval to issue up to a further **30,004,000** ordinary shares as part of a rights issue. Some of the purchasers may be overseas. The total price of the shares is **$15,002,000**. Direct Capital "undertakes the business of investing in non-listed New Zealand companies" and its first full year of business ended on 30 June. It is a budding Brierleys whose commodity is unlisted companies. During the six months to 31/12/95 it bought and sold shares in Sky City (Auckland Casino operator) at a net profit of $1.1 million, and in Blue Star Group (office products and equipment) at a profit of $2.2 million, contributing to a total profit of $3.446 million from an operational cash inflow of only $33,000 (*Press*, 8/3/96, "Direct Capital hopes for maiden div", p.16). Direct Capital sold its 20% share of Blue Star to U.S. Office Products, giving the billion-dollar U.S. company 51% ownership (*Press*, 9/3/96, "US Office Products expanding", p.31).

Applying for this consent obviously woke the OIC up to past misdemeanours. "In September 1994 Direct Capital made a public share offering which was subscribed for by various New Zealand and overseas parties primarily institutional investors. Consent was overlooked at the time of the public offering." Consent has been given retrospectively.

Australian fund floated to invest in technology securities in the U.S.A.

Super Nova Techno Fund Ltd of **Australia** has approval to issue up to 80 million $1 redeemable ordinary shares for **$80 million** to persons "who may be overseas persons" and to carry on business in Aotearoa. "The shares are to be offered ... to investors in New Zealand and Australia. The company is being established to invest in technology securities with the main focus being on the West Coast of the United States of America."

Retrospective approvals to New Zealand Oil and Gas going back to 1981

Explorer **New Zealand Oil and Gas Ltd**, which is New Zealand listed but "approximately 30% owned by overseas persons primarily from **Australia**", has been given retrospective consent for a number of previous share issues, going back as far as June 1981:

- to issue 500,000 ordinary 50 cent shares at a premium of 30 cents to "various Australian residents" for **$400,000**. NZOG states that "shares were issued in order to comply with the listing requirements of the Australian Stock Exchange." The date of the issue is not given.
- to issue 12,500,000 ordinary 50 cent shares at a premium of 30 cents per share to institutional investors for **$10,000,000** in order to "raise further working capital for NZOG's exploration activities". The date of the issue is not given.
- to issue 2,930,254 ordinary 50 cent shares to **Otter Exploration NL** and **Otminex Pty Ltd** for **$1,465,127**. These shares were issued "as partial consideration for shares acquired in **Pan Pacific Petroleum NL** of **Australia**. The date of the issue is not given.
- to set up subsidiary **Petroleum Resources Ltd** for **$100**. This occurred in December 1988 (!) "as part of a restructuring of NZOG's New Zealand activities".
- to set up subsidiary **NZOG Nominees Ltd** for $100. This occurred in June 1981 (!!) "as part of a restructuring of NZOG's New Zealand activities". (Note: this decision as initially released referred in part to Petroleum Resources and in part to NZOG Nominees Ltd and hence clearly had typographical errors. On querying the matter with the OIC, this was corrected to refer to NZOG Nominees Ltd throughout.)

(NZOG shares were selling at 38 cents in February 1996.)

In each case, "the consent of the Commission was overlooked at the time the shares were issued." God-like, the OIC is infinitely forgiving!

Lease of Southdown land for TransAlta/Mercury Energy power station

Mercury Energy Ltd, the aggressive Auckland electricity supply company, has approval to lease **two hectares** of land at **Southdown, Auckland** to a joint venture between it and **TransAlta Energy Corporation** of **Canada** for **$500,000 per year**. The OIC says that

> "In November 1992 consent was granted for the joint venture to build, own and operate a power station in Southdown, Auckland. Following feasibility studies a suitable property has been identified on which to construct the power station."

That OIC decision was not released at the time, but two November 1992 decisions relevant to the matter were released in April 1996 after pointing out to the OIC that the whole business was public knowledge some time ago. The 1992 decisions allow **TransAlta Energy Corporation**, a wholly owned subsidiary of **TransAlta Utilities Corporation** of **Canada** to carry on business in Aotearoa, and to investigate, build and operate a gas-fired combined cycle

power station in a 50/50 joint venture with the then **Auckland Electric Power Board**. The news media reported in 1994 that TransAlta had plans to build a 110MW gas-fired power station at the former Southdown freezing works in south Auckland with Mercury Energy (e.g. *Press*, 5/12/94, "TransAlta clears first fence in power play", p.37; 20/11/94, "Canadian utility eyes Wellington", p.41).

TransAlta is based in Calgary and has over $NZ5 billion in assets world-wide. It has controlling interests in both Wellington electricity companies, Capital Power and EnergyDirect. It is also seeking the right to build a gas-fired power station at Stratford, Taranaki, with Fletcher Challenge.

Waiheke Island land sold to U.S. for subdivision – but details suppressed

Approval has been given for a company owned in the **U.S.A.** to be set up to acquire land on **Waiheke Island** for residential subdivision. However all other details have been suppressed.

Carter Holt Harvey buys more land, some in joint ventures, including Shell

Carter Holt Harvey Ltd, **51%** owned by **International Paper Products** of the **U.S.A.**, has approval to buy further land and forestry rights for forestry development. Some are in significant joint ventures:

- **Carter Holt Harvey Forests Ltd**, **51%** owned by International Paper Products and **Te Ahuroa Investments Ltd** (ownership unspecified) is acquiring long term forestry rights over land in the **King Country (South Auckland)**: an "approximate" **33 year** right over **54 hectares** of land at **Oruanui** near **Taupo** at **$4,078** per year from Te Ahuroa Investments, and an "approximate" **34 year** right over **556 hectares** of land near **Taumarunui** at **$72,000** per year from **The properties of Te Uranga B2 Block**. The latter has "difficult access and scrub infestation" and is part of a 2,381 hectare farm.
- **Mangakahia Forest Ltd**, which is **50%** owned by **Shell Forestry Ltd (U.K.)** and **50%** (ultimately) by Carter Holt Harvey Ltd, already has **22,436 hectares** for afforestation in the **Dargaville** area in **Northland**. It was given approval in principle to acquire 45,000 hectares in 1983, and has a target of 26,000 hectares in and around Dargaville. It is acquiring a further two blocks of **291 hectares** and **134 hectares** west of **Kaihu** for **$480,000** and **$280,400** respectively. The land is currently used for arable farming but "conditions prevailing in the sheep and beef industry make the property uneconomic" for this purpose.
- Carter Holt Harvey is also buying two blocks of land in the **King Country** in its own right. One is "approximately" **748 hectares**, for **$1,660,000**; the other is "approximately" **489 hectares** for **$1,107,500**.

Telecom acquires four more cell sites

Telecom Corporation New Zealand Ltd (U.S.A.) is adding to the many small pieces of land it owns, leases or has easements over around the country for cellphone transmitter sites to improve its coverage. This month it is

- leasing **80 square metres** of land at **Cheviot, Canterbury**;
- buying approximately **1,225 square metres** of land with various easements at **Waverley, Wellington**;
- acquiring an easement over an unstated area of land at **Wanaka, Otago**;
- and buying approximately **50 square metres** of land with various easements at **Murchison, Nelson**.

In all cases the amount paid was suppressed. Most are acquired through subsidiary **Telecom Mobile Communications Ltd**.

Other rural land sales

In other rural land sales:

- **Gourmet Paprika Ltd**, a company owned **25%** each by two residents of the **Netherlands**, 33.4% by a New Zealander, and 16.6% by a New Zealander resident in the U.S.A., has approval to buy **six hectares of market gardening land at Woodhill, Helensville, Auckland** for a suppressed amount. The land is owned by the largest shareholder in the company, **P. Martin**, who wants to put the money back into the company. The company "proposes to erect a three hectare greenhouse and packing shed" on the land. The OIC says that in "June 1994 Gourmet Paprika Ltd received consent to establish a pepper production business in New Zealand utilising lease land" (see decisions released on appeal, below).
- **Inghams Enterprises New Zealand Pty Ltd** of **Australia** has approval to acquire **59 hectares** of land for manufacturing at **Waitoa, Waikato**.
- Two large properties near **Taumarunui, King Country, South Auckland** are being merged into **Hong Kong** ownership. **Maraekowhai Station**, which is on approximately **2,031 hectares** of land, is owned **89%** by **Maraekowhai Australian Unit Trust** which is not Australian, but controlled by **Mr W. Peters**, a New Zealand citizen resident in **Hong Kong**, **10%** by **Mr G. Webster** of Aotearoa, and **0.5%** each by two other New Zealanders. Webster also owns **Koiro Farms (1980) Ltd** which owns the nearby **1,250 hectare** property and is selling it to Maraekowhai Station Ltd for **$2,423,000**. This will result in "economies of scale" and "it is intended to upstock the property considerably and to introduce a more comprehensive fertiliser programme which will result in a more productive use of the property."
- The busy **Deborah Miller** of **Brookfields** has organised two more land sales at **Paparangi, Wanganui** to residents of **Taiwan** (though they have New Zealand permanent resident status). The first is of **20 hectares** for **$78,000** to **Gold Tree Company Ltd** and the second is of **32 hectares** for **$123,240** to **Verdancy Ltd**. Each of the companies is owned in Taiwan. As usual, the land will be used for forestry, but all expertise supplied by local managers. See *Watchdog 81* for previous such sales.
- Two **U.K.** residents who "have been granted New Zealand permanent residency and intend to reside on the property on a permanent basis" have approval to buy **six hectares** of land at **Maraekakaho, Hastings, Hawkes Bay** for **$200,000**.
- Two citizens of **South Africa** who have been granted permanent residence in Aotearoa and "are in the process

of moving" here are buying half of a company, **SRS Dairy Developments Company Ltd**, which owns "approximately" **282 hectares** of land near **Napier**, for **$1,225,000**. The other half is owned by two New Zealanders. "The conversion of the property from its present dry stock operation to that of dairying will result in a better utilisation of the property."

- **Sang-Ryoung Yoon** of **Korea** has approval to buy **four hectares** of land at **Arthurs Point, Queenstown** for **$410,000** "to develop a hotel or condominium style tourist accommodation on part of the property". Relates the OIC:

  "It is envisaged that the development would include 30 to 40 units probably to be utilised on a time-share style basis. Mr Yoon's intention is to target the marketing of the units to Korean people and claims that the development will enhance the rapidly growing number of Korean visitors to New Zealand. The Commission is further advised that it is proposed to develop the remainder of the land into a residential subdivision."
- The **Southland Plantation Forest Company of New Zealand Ltd** which is owned by **new Oji Paper Company Ltd** and **Itochu Ltd** both of **Japan** is buying two blocks of land in **Southland**. One, **259 hectares** in the **Otautau District**, is being purchased for **$550,000**, the other, **422 hectares** at **Tokanui** is for **$765,000**. Both are for forestry development, which will be carried out by **South Wood Export Ltd**. South Wood is the manager of a large number of forestry developments for Southland Plantation Forest Company, but also owns other forestry developments in its own right. It is owned **66.6%** by MK Hunt Foundation Ltd of Aotearoa and 33.3% by C Itoh and Company of Japan.

Internal restructurings

- **Woodlot Farm Ltd**, which is a **Singapore/Indonesia** owned company involved in a golf course and housing development near **Queenstown, Otago**, is being taken over by one of its shareholders, **Shotover Golf Estate Ltd** for **$5,624,046**. Woodlot was owned **28%** by **P. Fong** of **Singapore**, **28%** by **D. Salman** of **Indonesia**, **20%** by Shotover, **12%** by **D. and E. Broomfield** of Aotearoa, and **12%** by **B. Washer** of Aotearoa. Shotover is owned 35%, 35%, 15%, 15% by the same parties. It owns "approximately" **81 hectares** of land near Queenstown.

  The shareholding has changed since we last reported on the company in September 1993: Peter Fong of Singapore (28 per cent), Walter Jared Frost and David Salman of Indonesia (28 per cent), Loka Manya Prawiro of Indonesia (20 per cent), David Benjamin and E.H. Broomfield of Aotearoa (12 per cent), B. E. Washer of Aotearoa (12 per cent).

  In August 1992 we reported that the company had plans to acquire various pieces of land near Queenstown to develop a 9 hole "golf leisure park and village" having abandoned plans for an 18 hole golf course. "It is planned to build 160 villas within the park which will be sold locally and overseas."

- **Munich Reinsurance Group** of **Germany** is shuffling the ownership of **Munich Reinsurance Company**: it will now be owned by **Munich Reinsurance Company of Australia Ltd**. The valuation is suppressed. The Australia-based subsidiary will "acquire the Net Life assets" and commence business.

- **Dynasty Pacific Corporation Ltd**, ultimately owned by the **Tan Family Development Trust**, the **Dynasty Trust**, and **Pang Yoke Min**, of **Singapore**, has approval to take over **City Life Holdings (Wellington) Ltd** for **$10,014,369**. City Life is ultimately owned by the **New Zealand Land Trust**, the beneficiaries of which are associated with Messrs **Tang** (sic: probably a misprint for **Tan**), **Sy, Tang and Pong** of Singapore, and **George Horsburgh** of **Aotearoa**. It is part of a maze of related property companies which is in some trouble (see for example our commentary on the June and September 1995 decisions and the decision released on appeal below). In September, the beneficiaries of the New Zealand Land Trust were identified as Stanley Tan Poh Leng (otherwise known as Stanley Tan), Trustees in the Dynasty Trust, Pang Yoke Min, David Tan, and Johnny O Sy all of Singapore.

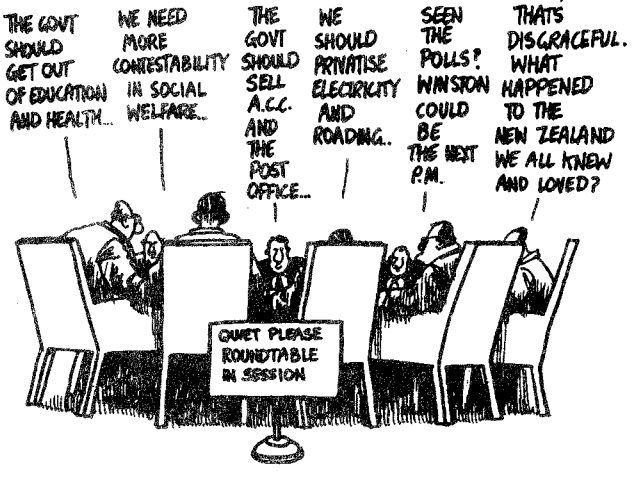
January 1996 decisions

New law comes into effect

Note that the new regulations under the Overseas Investment Amendment Act 1995 came into effect on 15 January 1996. Hence some of the decisions below were under the new regulations and some were not. There is little sign that the new regulations and criteria have had any effect on the Commission's approvals.

Bank of Scotland's Countrywide Bank, bids for Housing Corp mortgages

Nationwide Home Loans Ltd, a wholly owned subsidiary of **Countrywide Banking Corporation Ltd**, which in turn is owned by the **Bank of Scotland**, has approval to acquire "a portfolio of residential mortgages from **Housing Corporation of New Zealand**" for "approximately **$200 million**".



Tom Scott, "*Listener*", 11/6/96

In line with the new Overseas Investment criteria for non-land sales, all the OIC states in approving the application is:

> " The application has been approved as it met the criteria
>
> The applicant has business experience and acumen, is demonstrating financial commitment to the proposal and no one individual has a 25% or more beneficial interest in the investment."

This reflects the minimal three criteria for non-land sales to overseas interests: the overseas purchaser must have business experience and acumen, must demonstrate financial commitment to the proposal, and any individual having a 25% or more interest in the investment must be of good character. The OIC need not consider whether selling the mortgages of some of Aotearoa's most disadvantaged house owners to this bank will be good for them or Aotearoa. Even the "good character" provision is shown to be empty, as an individual having a 25% interest will be relatively rare in any large company.

Auckland Regent Hotel sold to Singapore company

The **Regent Hotel** in **Auckland** has been sold to the **Hai Sun Hup Group Ltd**, a **Singaporean** public company, for **$80 million**. The Regent was owned by the "**Togen group**" which is ultimately owned by **Eastern Prime Line Ltd** (a shipping company owned by the Liu family) of **Hong Kong**. They say they have been actively seeking to sell the hotel for some time. The price was "approximately **$80 million**".

> "From a small lighter business in 1935, the Hai Sun Hup Group has grown to become one of Singapore's leading shipping companies today... The Group is now an integrated maritime transportation organisation, and in addition to owning ships, provides services such as: Shipping Agency; ship owning, chartering and management; sea transportation of conventional cargo, bunker oil supply; warehouse and distribution; port terminal operation and marine supplies."

It has American Depositary Receipts listed in the U.S. and has 700 employees (ref: World Wide Web, http://www.money.com/corps/322948.HTM). In February it bought the six-storey building housing Mietta's Hotel Restaurant, in Alfred Place, Melbourne, for $2,020,000 from Squitchy Lane Holdings. It "plans to retain the upstairs dining room and convert conference facilities as an expansion of the neighbouring Stamford Plaza Hotel". (Ref: http://www.propertyweb.com.au/MarketPlace/SoldVic/3474409651.html, Australian PropertyWeb.)

It is one of 70 Corporate Associates of the Institute of Policy Studies (IPS), a public policy think-tank in Singapore. IPS boasts that "for an annual membership fee of S$10,000, a Corporate Associate can enjoy the full range of corporate benefits offered, including invitations to special briefings, members-only dinners, luncheons and executive roundtables with Ministers, senior government officials and eminent foreign visitors." IPS serves as the Secretariat of the APEC Pacific Business Forum, "a grouping comprising two business persons, appointed by their respective Leaders, from each APEC economy" (ref: http://odin.pacific.net.sg/ipsone).

In November 1995, the OIC gave approval to Cogent Investments Ltd, a subsidiary of Perfect Match Investments Ltd of Hong Kong, to buy the hotel from the Togen group. They then said that the hotel "urgently" required further development and maintenance. The price was suppressed. At the same time, press reports were naming Hai Sun Hup Group as the buyer.

The hotel was built in 1985 for about $60 million. It has 332 rooms and is rated five-star. (*Press*, "Singaporean group buys Regent Hotel", 24/1/96, p.45.)

Togen are 45% shareholders of Wenita Holdings (NZ) Ltd, a major buyer of Crown forest licences and land for forestry particularly in Otago and Southland. Another 45% of Wenita is owned by a Chinese Government Corporation, China National Foreign Trade Transportation Corporation. 10% is held by Chen Wen Dong of Hong Kong.

U.S. investment fund T/A Pacific, buys 35% of Dairy Brands

U.S.A. owned but Cayman Islands registered investment company, **T/A Pacific Select Investments LP**, is shifting its ownership of **Apple Fields Ltd** to its listed subsidiary, **Dairy Brands New Zealand Ltd**. It is acquiring a **35.3%** interest for a sum "to be advised". Dairy Brands was set up by Apple Fields to buy out its dairy farms, including 31 farms totalling **4,381 hectares** in **Canterbury**, **Otago** and **Southland**, with the main objective being to reduce Apple Fields' debt (see our commentary on the July 1995 OIC decisions). The OIC says that "in July 1995, consent in principle was granted to overseas persons holding up to 50% of the shares in Dairy Brands as part of that company's float".

> "At the time of the float it was the intention of Dairy Brands that it should be and be seen as a separate entity from its former parent company Apple Fields Ltd. The Commission is advised that there is still a market perception that Dairy Brands is dominated by Apple Fields and that this perception has made Dairy Brands less of an attractive investment to institutional investors. The Commission is further advised that in an endeavour to dispel this perception T/A Pacific have agreed to sell 20.1% of their shareholding in Apple Fields to other Apple Fields shareholders in exchange for their interests in Dairy Brands. The Commission is advised T/A Pacific propose to be a passive investor in Dairy Brands as it was in Apple Fields and will not seek board representation or involvement in the day to day operations of the company."

This leaves a total of approximately 21% of Apple Fields overseas owned: 8% T/A Pacific and 13% other overseas shareholders (see the July 1995 decisions).

The "market perception" would not have been dispelled by the manoeuvring preceding the float: Dairy Brands (projected

profits to September 30, $2.91 million) paid 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.)

Gulf USA Corporation takes full control of Gulf Resources Pacific Ltd

Gulf USA Corporation, which according to the OIC previously owned **96.5%** of **Gulf Resources Pacific Ltd**, has approval to acquire **100%** of it through another subsidiary, **Gulf Holdings Ltd**, for **$0**. Aside from being a major property investor in Aotearoa and Europe, Gulf Resources, through its subsidiaries was (at least in 1993) also engaged in open cast mining of bituminous coal. It also had a 26% equity interest in a Texas based oil and gas company (ref: World Wide Web, http://www.marketguide.com). It originally divested from the U.S.A. because of a major environmental disaster which it wanted to avoid paying up for. It bought City Realties in a series of controversial transactions (see for example our commentary in the OIC's October 1991 decisions) and later renamed it Gulf Resources once it had majority control. Gulf Resources owns landmark properties at Lands End, Cornwall, England and John O'Groats, Scotland which it is desperately trying to sell. It also owns a "troublesome" property in Paris, France which it is also selling (*Press*, 9/1/96, "Gulf Resources lifts efforts to quit British landmarks", p.23). In Aotearoa it owns seven properties in Christchurch including the Triangle Centre, 33 properties in Auckland, and six elsewhere. Gulf USA was released from U.S. bankruptcy protection in June 1995 after two new shareholders, the Karfunkel brothers, injected new capital. (*Press*, 23/12/95, "Gulf Res stake extended", p.42.)

While the OIC says Gulf USA previously had 96.5% of Gulf Resources, in fact until December 1995 it had 91%, when it bought 5.14% from Tower Corporation for $19.2 million. There was trouble looming from the remaining shareholders. An Auckland broker, Phil Briggs said the offer of 28 cents a share should be closer to the asset backing of 32 to 34 cents. He threatened to test section 208 of the Companies Act 1955 relating to minority shareholders (*Press*, 20/1/96, "Gulf group to fight takeover", p.28). However two Gulf Resources independent directors recommended the offer saying estimates of asset backing were between 27 cents and 32.3 cents a share and its chief executive said the Karfunkel brothers refused to budge on the price (*Press*, 1/2/96, "Gulf shareholders urged to accept bid", p.23; 3/2/96, "Higher Gulf offer unlikely", p.31). The sale had not been completed by March 1996 when Gulf Resources was suspended from trading on the Stock Exchange for failing to issue a 12-month preliminary report in the required time. Gulf Resources said the delay was due to "its protracted sale of the Paris-based Rond Point 93 property". By then Gulf USA owned all but about 1.5% of the company (*Press*, 20/3/96, "Gulf Resources off list for missing deadline", p.27).

Mitsui leaves Greymouth Coal Ltd, sells shares to Kanematsu

Two Mitsui companies which together own **22.99%** of **Greymouth Coal Ltd** are withdrawing from the company, not being willing to proceed into Stage II of the Rapahoe mine development project. Their holdings are being sold to the other shareholders who are buying them in proportion to their current holdings. Greymouth Coal was owned **33.66%** by **Coal Corporation** of **Aotearoa**, **24.99%** by **Kanematsu Corporation** of **Japan**, **20.44%** by **Mitsui Mining Company Ltd** of **Japan**, **2.55%** by **Mitsui Matsushima Company Ltd** of **Japan**, and **18.36%** by **Todd Corporation** of **Aotearoa**. This decision approves **Kanematsu Corporation** acquiring a further **7.46%** for **$788,665**. As well as various exploration and mining licences, Greymouth Coal owns **21 hectares** of land near Greymouth, **Westland**.

525 hectares in Bay of Islands to Canadian for tourism and forestry

Turinter NV, ultimately owned by **Mr M. de Nora** of **Canada** has approval to buy the remaining **76%** of **Robinia Investments Ltd** that it does not already own, for a price "yet to be finalised". Robinia owns "approximately **525 hectares**" of land in the **Bay of Islands**, **Northland**. The property was acquired in March 1994, although we have no record of it being approved by the OIC, presumably because the overseas interest was less than 25%. It was bought

> "for the purpose of developing a tourist based fishing lodge, a forestry operation and upgrading the farming activity on the property. The applicants state that there is a need for significant further capital investment to ensure that the proposed development is completed. It is claimed that under the existing ownership structure such capital is not available. However, Turinter who has already provided $4 million to the development is prepared to make available further long term capital if it assumes 100% ownership. The Commission is advised that the acquisition will ensure the continued development of the fishing lodge venture coupled with additional conservation steps for existing wild-life habitats."

Land for forestry

- **Mangakahia Forest Ltd**, owned 50/50 by **Shell Forestry Ltd** of the **U.K.** and **Carter Holt Harvey Ltd** of the **U.S.A.** is buying a further **310 hectares** of land west of **Kaihu** in **Northland**, for **$585,000**. This is an echo of a similar sale in December 1995. Mangakahia was given approval in principle to acquire 45,000 hectares in 1983, and has a target of 26,000 hectares in and around Dargaville. In December it acquired a further two blocks of 291 hectares and 134 hectares west of Kaihu for $480,000 and $280,400 respectively. In each case, the company claims that the land is uneconomic for sheep or beef farming.
- The industrious **Deborah Miller** of Brookfields, Auckland has arranged another sale of land at **Paparangi**, **Wanganui** to two **Taiwan** residents for forestry development. This time it is **18.3 hectares** for **$71,390** through holding company **Vista Screen Ltd**. See December 1995

for the last such sale.

- Forestry developer, **Roger Dickie (NZ) Ltd** is selling **342 hectares of land** known as **Grand Vue and Pine Park Forests** in **Gisborne** to **Old Mill Forest Partners**, a U.S. limited partnership which is owned by the **Paulus** family of the **U.S.A.** The price is **$739,390** and the land will be used "by converting pasture and scrub land into a genetically superior managed radiata pine forest". The land will be developed as part of "the larger **900 hectares Craills Brothers Forestry** development".

Other rural land sales

- **Deborah Miller** has organised a more conventional sale this month. A block of **four hectares** of "arable land" at **Glenbrook Road, Glenbrook, Auckland** is being sold to **Chen Hua Huang** of **Taiwan** and **James Lin Ching Ling** of **Aotearoa** for **$170,000**. They are acquiring the property "which is primarily vacant at present, to plant it with Macadamia trees and spring onions and to operate it in conjunction with an adjoining property which is owned by Mr Ling's wife."
- A **U.S.A.** couple has approval to buy **Thunder River Farms Ltd** which owns **approximately 154 hectares** of land at **Murchison, Nelson** for **$257,000**. They "propose to extend the existing pasture land on the property and also to embark on an extensive afforestation scheme on the steeper parts of the property." The new owners have "entered into a management agreement with the farmer of an adjacent property" but it is also their "intention in the longer term to take up New Zealand permanent residency." A case of absentee ownership.
- A German emigrant to **Australia** has approval to buy **24 hectares** of land near **Blenheim, Marlborough**, for **$250,000** to establish a vineyard. It is currently used for grazing dry stock. "In the longer term the **Hengstlers** propose to take up New Zealand permanent residency to manage the operation" but in the meantime "extensive connections" in Germany "will be utilised to developed the New Zealand white wine export market". The land is being bought through the holding company **Sagittarius Ltd**.
- **Club Flying Kiwi Ltd**, which is owned by **Mr Yasuda** of **Australia** and **Ms Kuramoto** of **Japan** has approval to buy **three hectares** of land at **Arthurs Point, Queenstown** for **$615,000**. "It is intended to erect a homestay/lodge accommodating 10 to 20 people on the property."
- Another **U.S.A.** couple are acquiring a further **381 hectare** farm at **Milton Road, Akatore, Taieri Mouth, Otago**, for **$1,050,000**. It is "next door" to a property they received approval to acquire in October 1994 which was a 154 hectare farm purchased for $500,000. It in turn was adjacent to a 184 hectare farm they bought for approximately $502,500 in December 1993 (see January 1994 decisions). "The applicants state that they wish to acquire this property next door to complete their holding as an economic unit. The applicant states that a farm manager, a labourer, one consultant and casual labour will be employed." Even though in 1994 they were reported by the OIC to be taking up permanent residence, it appears the farm will still be in absentee ownership.

Internal restructuring: CDL and Te Maori Lodges

Approval is given for two companies, identically structured, to acquire **QINZ Holding New Zealand Ltd** and the **QINZ Property Companies** for "approximately **$40 million**" each. All the companies, which are presumably the holding companies for the Quality Hotels chain in Aotearoa, are owned **70%** by **CDL Hotels New Zealand Ltd** (which is **68%** owned in **Singapore**), and **30%** owned by **Te Maori Lodges Ltd**.

February 1996 decisions

This is the first full month under the criteria of the Overseas Investment Amendment Act passed last year. Unsurprisingly, although the new Act was supposed to tighten up on overseas sales of land, the great majority of the decisions are for land sales. There is no sign of additional scrutiny and no rejections.

Only independent drug manufacturer sells "Karitane" to baby food pariah

Nutricia Ltd, a subsidiary of one of the villains of the international controversy over the marketing of breast-milk substitutes, has approval to take over the **nutritional food business** of **Douglas Pharmaceutical Ltd** and **Douglas Nutrition Ltd**. Nutricia is a subsidiary of **NV Verenigde Bedrijven Nutricia** of the **Netherlands**. The Douglas group is the only locally owned pharmaceutical manufacturer in competition with the huge drug transnationals and produces the Karitane infant formula products, a brand it bought from the Karitane Society. The amount paid by Nutricia is suppressed.

The issues underlying the breast-milk controversy are summed up in *Multinational Monitor*, March 1992, "A Formula for disaster", p.9-13, by Ellen Sokol:

> "In 1984, when Nestle signed an agreement pledging to abide by the World Health Organisation (WHO)/ UNICEF International Code of Marketing Breast-milk Substitutes, consumer leaders agreed to suspend the 7-year boycott against the Swiss food giant. The boycott leaders felt a genuine sense of accomplishment following an almost decade-long fight. Unfortunately, the battle over infant formula promotion continues today, nearly eight years later.
>
> The stakes in the ongoing battle are high, because infant formula companies' marketing efforts strongly influence women's decision to breastfeed newborns or to use breast-milk substitutes, and that decision has tremendously important implications for the health of infants.
>
> There is nothing that equals breastfeeding in providing proper nourishment for infants. Breast-milk has the advantage of containing antibodies that help protect the baby against many common childhood illnesses. It is sterile, always at the right temperature,

inexpensive and nearly every mother has more than enough for her baby. There is also an important relationship between breastfeeding and child spacing.

Babies who are not breastfed are fed with some type of substitute, usually by bottle. For bottle feeding to be safe, there must be clean water, fuel and facilities to boil the water and sterilise the equipment, adequate income to be able to afford the milk powder and a level of literacy that allows for the mixing and sterilising instructions to be carefully followed.

In the developing world, the risk of death for infants who do not breastfeed is ten to fifteen times greater in the first three to four months of life than for babies who are fed only breast-milk. Despite the important role that breastfeeding plays in preventing malnutrition and infection in infants and young children, the prevalence and duration of breastfeeding have declined in many parts of the world.

As far back as 1974, public interest groups advocating for better infant health and the World Health Assembly, the official governing body of WHO, identified aggressive and often inappropriate marketing of breast-milk substitutes as a significant factor contributing to the alarming decline in breastfeeding rates and an associated increase in young infants' morbidity rates worldwide.

In October 1979, UNICEF and WHO organised a Meeting on Infant and Young Child Feeding that was attended by 150 representatives of governments, public-interest organisations, the infant food industry and experts in related disciplines. The main outcome of this meeting was the recommendation that "there should be an international code of marketing of infant formula and other related products used as breast-milk substitutes." Two years later, the World Health Assembly approved the final version of the International Code."

Yet the companies continue to break the code. The International Baby Food Action Network (IBFAN) in October 1991 identified the worst offenders as Nestlé, Wyeth (a subsidiary of American Home Products), two German companies, Milupa (remember that name) and Hipp, and the Japanese company, Meiji. Nestlé, as the market leader, was always seen as the chief offender, but *Multinational Monitor* listed Milupa, Nutricia and Cow & Gate (U.K. domiciled but owned by Nutricia) as fifth, sixth and seventh by worldwide sales, as also being significant in their violations of the WHA Code.

Milupa was a subsidiary of Altana and was found to be totally or substantially violating several sections concerning labelling, promotion in healthcare facilities, promotion to healthcare workers, giving free samples and the marketing of soft foods. Milupa has also been criticised for its marketing of heavily sugared baby herbal drinks. In December 1990, a Frankfurt court ordered the company to pay compensation to parents for causing severe dental caries in two children. The company was accused of negligence and providing insufficient warning on packaging about the sugar content of its products. About 100,000 children are said to have suffered severe tooth damage from these drinks marketed by Milupa and other producers. (Ref: *Multinational Monitor, op cit,* and World Wide Web, http://www.mcspotlight.org/beyond/nestle.html, "McSpotlight on the Baby Milk Industry".)

Nutricia is a violator of the Code by promoting baby milk to health workers, and giving free samples or supplies. It is also only in partial compliance in its labelling, promotion in healthcare facilities, and inappropriate marketing of follow-up milks. Their Cow & Gate Plus products used pictures of babies on labelling in Sierra Leone in 1990, and carried no health warning or reference to advice from health workers. It also engaged in promotion in healthcare facilities, and was only in partial compliance in other areas of the Code.

As recently as March 1996 Nutricia has had formula baby milk imports to the U.S. detained by the U.S. Food and Drug Administration for being an "Unregistered LACF Manufacturer". (e.g. World Wide Web, http://www.fda.gov/ora/ids/3/ora_ids_i_3_40.html, "Detentions for Industry 40".)

Nutricia is on an acquisition campaign. It is currently taking over Milupa and the take over has been referred to the U.K. Monopolies and Mergers Commission (MMC) because of its implications to the baby milks and meals market there. (*Chemist & Druggist Newsweekly*, 6/4/96, "Nutricia's acquisition of Milupa referred to MMC".) Another acquisition led the U.K. Competition and Consumer Affairs Minister, to order that Nutricia should be required to give price undertakings restricting Nutricia's ability to exploit its position in the specialist gluten-free and low-protein food market. This followed its merger with Valio International UK Ltd now known as Scientific Hospital Supplies Holdings Ltd (SHS). (Department of Trade and Industry, U.K., Press Release, 21/12/95.) His decision followed the publication of a report by the MMC which concluded that the acquisition by Nutricia of SHS "may be expected to operate against the public interest by strengthening Nutricia's ability to increase prices for a number of specialist gluten-free and low-protein products (including bread, rolls, and flour mixes). The MMC recommend that Nutricia undertake for a period of four years to set prices of these products no higher than at present plus the annual change in the retail price index less two percentage points."

Nutricia is also involved in privatisation of East European industry: it has acquired a 22.5% stake in Hajdutej Tejipari, Hungary's largest regional dairy and owns a distribution joint venture in Hungary. It also owns two dairy companies in Poland and two in the Czech Republic. (World Wide Web, http://www.business-europa.co.uk/bbhung.html, The European Business Home Page, Business Europa Magazine, Summer 1995.)

The buyout is particularly poignant in that the Douglas group is the "only New Zealand-based manufacturer of pharmaceuticals" (*Press*, 5/2/93, "Drug company ready to act"), the

second-largest pharmaceutical supplier in New Zealand (*Press*, 31/3/95, "Douglas growth", p.21), and an important supplier of "generic" competitors to the brand-name pharmaceuticals of the transnational companies, succeeding despite restrictive patent rules designed to protect the transnationals. In addition the Karitane name and brand has particular significance to New Zealanders. This brand is presumably the object of this sale, though it is not clear if other products are also involved.

Douglas Pharmaceuticals was founded by Graeme Douglas, then a retail pharmacist at Te Atatu South, in 1967. Its most important "generic" product is the asthma drug Atomide Forte, which does the same job as Beclo Forte, made by U.K. transnational (originally of Aotearoa), Glaxo. In February 1995, Glaxo challenged the Ministry of Health in the High Court when it said Atomide Forte had passed safety tests and could be used in place of Beclo Forte. Glaxo argued that the two were not equivalent. At that time Glaxo was earning $17 million a year from its inhaled asthma drugs, and generics were earning only about $1 million. (*Press*, 21/2/95, "Government's generic medicines list facing legal challenge from drug company", p.6.) Douglas also markets ZenoDerm which was developed by a company with ties to Otago University. It reduces scarring from wounds, burns and leg ulcers. In addition Douglas does contract manufacturing for about ten transnationals, which "have closed their manufacturing plants and retrenched to Australia since the Closer Economic Relations agreement and New Zealand's abolition of subsidies." Douglas employs 165 staff including 45 scientists and three medical practitioners. (*Press*, 10/2/93, "Douglases beat the patent handicap".)

Skellerup, 25th biggest company in Aotearoa, now an overseas company

Skellerup Group Ltd, formerly a public company 30% owned by Brierley Investments but subject to a management buy-out last December, is now owned by **Maine Investments Ltd** which is **84%** owned by **GS Affiliated Funds** associated with **GS Capital Partners II** of the **U.S.A.** and **16%** by members of the senior management of Skellerup Group Ltd, all of whom are Aotearoa residents. The price paid was "approximately" **$407,129,262**. According to press reports, "GS" stands for **Goldman Sachs**, the U.S. finance house which financed Skellerup chief executive Murray Bolton in the buy-out. It was financed by equity provided by the Skellerup management group and the Goldman Sachs funds, and senior debt and subordinated debt provided by a syndicate of financial institutions. (*Press*, 20/12/96, "Skellerup chief steers $400m bid to buy company", p.25.) Prior to the buy-out, Skellerup, though controlled by Brierleys and hence technically an overseas company, had an exemption from the overseas investment regulations. On 2 April that exemption was cancelled.

Skellerup is a diversified conglomerate of manufacturing companies assembled by Brierleys from its other acquisitions. According to Brierley annual reports, it includes the original Skellerup Industries based on the old Christchurch family firm's rubber products; Masport, the mower company now making wood fires, barbeques and operating Aotearoa's largest iron foundry; Paykel engineering supplies, Projex equipment hire, Skellerup Flooring, Cable Price Corporation, and Viking Footwear; Lane's Industries, including market leader Palmers Gardenworld, and Watkins seeds; DML Resources, formerly Downer Mining, the largest contract mining and earthmoving organisation in Aotearoa; Dominion Salt, the sole producer and refiner of industrial, food, rural and pharmaceutical salt products in Aotearoa, jointly owned with Cerebos Greggs; the Levene Group retailing home decorating products; and Dunlop Flow Technology. In 1995 the Group was the 25th largest company in Aotearoa (ranked by turnover in *Management*, December 1995).

Blue Star Group sold to US Office Products Company

The office products retail and wholesale business has undergone a massive restructuring over the last few months, which has ended with it being controlled by three major companies, two of which are overseas owned. This month the OIC gave approval to **US Office Products Company** of the **U.S.A.** to acquire **51%** of the **Blue Star Group Ltd** for a suppressed amount. Blue Star started life as Panasonic Office Automation, owned by Fisher and Paykel Industries. The name was changed to Blue Star Automation and it was sold to former Xerox executive, Eric Watson, in 1993. He will still own 47% of the company. Since then Blue Star has acquired more than 25 companies and is Aotearoa's largest supplier of telecommunications equipment, copiers and fax machines and the second largest supplier of office supplies, according to Watson. It employs 1,000 people operating out of 45 locations and claims over 50,000 business customers. Its recent acquisitions have included U-Bix Business Machines, Wang New Zealand (30%), Turners Office Products, and Boanas Print. Washington-based US Office Products is on an expansion spree itself, having recently bought 17 U.S. companies for $US136 million, and eyeing more companies in Australia and Aotearoa. It has a market capitalisation of about $NZ660 million and annual revenue forecast for the year of $NZ1.2 billion.

The two main competitors to Blue Star/USOP are U.S.-controlled Corporate Express, and the old-established but several times restructured and expanded, Whitcoulls, which is currently the subject of a controversial buy-out by majority shareholder and chairman, Graeme Hart.

Corporate Express, acting through its 51% owned Australian subsidiary, Corporate Express Australia, recently bought Berrymans, the last substantial independent stationer in the South Island, and Park Lane, a private Auckland stationery firm. It has announced its intention to "either buy a company or open an office in Wellington in the next two months to give it a national presence." The names of the companies would eventually be changed to Corporate Express. Corporate Express Australia, which focuses on the high-volume end of the market, is here "to attack the market, but not decimate it" according to its managing director, Martin Chimes. The U.S. parent is the largest stationery company in the U.S.A. and the second largest in Canada with annual revenue of about $US2 billion and over 12,500 employees. The

Australian operation is the largest there, and the company's objective was to be number one or two globally. Like USOP, it has been buying up in a big way: in April it announced purchases of eight other companies in the U.K., Alaska and other parts of America. It recently bought a large courier company, US Delivery Systems for more than $600 million, and Richard Young Journal, America's biggest distributor of computer supplies. Corporate Express Australia was founded in 1987 by buying a New South Wales company, Macquarie Office. It now has 1,100 staff, 35 sites and $365 million in revenue in Australasia.

(Refs: *Press*, 9/3/96, "US Office Products expanding", p.31; 14/3/96, "Blue Star captures 54% of U-Bix in takeover move", p.29; 4/4/95, "Berrymans sale marks end of small NZ stationery retailers", p.34; 9/4/96, "Blue Star planning further expansion", p.32; 16/4/96, "Corporate Express plans NZ-wide stores", p.32.)

British Telecom takes 25% of Clear

A **British Telecommunications Plc** subsidiary, **Newgate (NZ) Holdings Ltd**, has approval to acquire the **25%** of **Clear Communications Ltd** currently owned by **Bell Canada International Inc**. The price is suppressed. The rest of Clear is owned by 25% each by **Television New Zealand Ltd**, **The Todd Corporation Ltd** (both of Aotearoa), and **MCI Communications Corporation (U.S.A.)**. British Telecom is said to be strong in providing telecommunications to transnationals. Clear, the aggressive competitor to Telecom in its toll services, is increasingly involved in wider activities including Internet and data services, and is about to begin providing fibre optic to connect business customers directly to its exchanges in Auckland and Wellington.

Tiongs take complete control of Regal Salmon

Salmond Smith Biolab Ltd, which is owned by the **Tiong Group** of **Malaysia** has approval to buy the business and assets of **Regal Salmon Ltd**, of which it already owns **53%**, for "approximately" **$22,680,000**. The sale includes **eight hectares** of land in **Canterbury** and **0.25 hectares** in **Marlborough**. Salmond Smith owns Southern Ocean Seafoods and will combine the two operations, giving them 71% of the country's farmed salmon output. "It is intended that new Asian markets particularly in Malaysia be developed." Salmond Smith also has horticulture, food processing, scientific products and plasticware divisions. See the commentary on August and September 1995 OIC decisions for further details.

Hectare of Auckland CBD land sold to Singapore company for $12m

The ubiquitous **Stanley Tan (Singapore, 80%)** and **George Horsburgh** (Aotearoa, 20%) have approval to buy up an unimproved **1.03 hectares** of land currently being used as a car park in central **Auckland**. It is "most of the land" bounded by **Queen, Turner and Liverpool Streets and City Road**. The price is "approximately" **$12 million**. They are buying it through their company **Entwistle Enterprises** (owned in the above proportions) from **Mainzeal Group Ltd** which itself became an overseas company only in April 1995, being **51%** owned by **Richina Equity Trust** of **China**. Tan and Horsburgh propose to develop the property "with a view to a possible mixed use development combining both residential and commercial aspects". They are behind the varyingly successful Pacific Group Ltd, The Habitat Group, Firle Holdings Ltd, New Zealand Land Ltd, Dynasty Pacific and other hotel and property development companies.

More land bought to extend the Waihi gold mine

More land is being acquired for the **Waihi Gold Mine** in and around Waihi. The purchase of three blocks of residential land has been approved, the first of which is being purchased from the **Crown**, the others from private individuals: **0.1012 hectares** at **2 and 4 Haszard Street** for **$95,000**; **1.2040 hectares** in **Matangia Road** for **$194,000**; and **0.4048 hectares** at **3 Pitt St** for **$175,000**. The purchases are all by **Waihi Gold Company Nominees Ltd** of **Australia**, which "holds rural and urban land in and around Waihi as trustee for the participants in the Waihi Gold Mining joint venture." It is owned **28.35%** each by **Waihi Mines Ltd** and **Welcome Gold Mines Ltd**, **27.84%** by **AUAG Resources Ltd**, and **15.46%** by **Martha Mining Ltd**. All of these companies are Australian owned except AUAG Resources, which is owned in Aotearoa.

> "The property is being acquired to enable the extension of the existing mining operation. ... The proposed extension of the mine will extend the life of the mine for an additional seven years (approximately) and this will result in continued employment for the 165 people employed in the operation. The applicant states that the extended operation will entail the further investment of significant development capital."

Land for Forestry

- **RII Marlborough Ltd**, owned by **U.S.A.** pension funds and "non profitable charitable and educational institutions" has approval to buy three blocks of land in **Northland** for forestry development: of **289 hectares**, **382 hectares**, and **439 hectares**. RII has acquired considerable land holdings for forestry in the Nelson/Marlborough and Wanganui areas. In each case, the price is suppressed.
- **Carter Holt Harvey Ltd**, **51%** owned by **International Paper Ltd** of the **U.S.A.**, continues to buy up farm land. It has approval this month to buy three blocks of land in the **King Country**: **150 hectares** in **Okaihae Road, Taumarunui** (**Taranaki** land registry) for **$175,000** from **Byelich Farms Ltd** who are retaining 47 hectares for pastoral farming; **81 hectares** in **Kururau Road, Otunui** (**Taranaki** land registry) for **$148,392** from **GJ Street Ltd** which is retaining 110 hectares for pastoral farming; and **1,660 hectares** in the **Kaiteke** area (**Wellington** land registry) for **$3,500,000** from **A.H. and P.D. Bayly** who want to sell because it is in a "tuberculosis endemic area". The purchases are part of Carter Holt's "purchasing programme to enable it to establish new forest areas to expand its renewable resources and raw materials for the wood processing industry in the future."
- **Evergreen Forests Ltd** which is **62%** owned by **Xylem Funds 1 L.P.** of the **U.S.A.** has approval to buy **West Ho Station Ltd** which owns **1,165 hectares** of affor-

ested land in **Gisborne**, for **$2,670,000**. The land requires "significant expenditure on roading and pruning in the short term". Evergreen owns land adjacent to West Ho. For details on the formation and ownership of Evergreen see our commentary on the December 1994 OIC decisions.

- **Ernslaw One Ltd**, owned by the **Tiong family of Malaysia** has approval to buy further land near **Dannevirke**. One approval is for **1,104 hectares** in **Johnson's Road, Te Uri** for a suppressed amount. A second is for **723 hectares** in **Te Uri Road** for **$740,000**. Ernslaw "aims to establish a Pinus Radiata forest in the Horowhenua/Manawatu and Southern Hawkes Bay/ Dannevirke regions over the next five years. ...The new planted area in conjunction with Ernslaw's existing forest interests in the region will provide Ernslaw with the resource base required to establish a major wood processing plant in a 15 to 20 year time frame."
- **Southland Plantation Forest Company of New Zealand Ltd**, ultimately owned by **New Oji Paper Company Ltd** and **Itochu Ltd** of **Japan**, has approval to buy **245 hectares** of land at **Waimahaka, Southland** for **$510,000** for forestry. As usual with its purchases, all forestry activities will be conducted under contract by **South Wood Exports Ltd**, which is owned 66.6% by MK Hunt Foundation Ltd of Aotearoa and 33.3% by C Itoh and Company of Japan. The land is being sold "due to the unrealistic returns from farming the property".

Other rural land

- Two residents of **Israel** who "are intending to immigrate to New Zealand and reside on the property" have approval to buy **eight hectares** of land at **Tai Tapu, Christchurch** for **$470,000**. "The primary purpose for the purchase of the property is to provide a home for their family. In addition the applicants propose to continue to use the balance of the land for cattle raising and cropping." The vendors are selling to run a business nearer to Christchurch.

Internal Restructuring

- **Carter Holt Harvey Ltd** or a subsidiary is given approval to acquire the minority shares in "various Carter Holt Harvey 'Group' subsidiaries which have nine specified securities held by other persons" in order to amalgamate the companies. CHH is **51%** owned by **International Paper Ltd** of the **U.S.A.**

Released on appeal

June 1994: Gourmet Paprika of the Netherlands pepper production

Coincidentally with the release of the December 1995 decisions which have further developments for **Gourmet Paprika**, the original 1994 decision has been released. The decision allowed Gourmet Paprika to establish a pepper production business and lease land in **Helensville, Auckland**. The company has 1,000 shares owned by **Paul Martin** of **Aotearoa (334)**, and **Adri Botman** and **Ton Zwetsloof** of the **Netherlands (333 each)**. The amount of money put into the company by the shareholders has still been suppressed.

July 1994: price for Bankers Trust shareholding in St Lukes Group revealed

In a decision originally completely suppressed apart from the country of origin, **Bankers Trust Australia Ltd** (ultimately owned by **Bankers Trust New York Corporation** of the **U.S.A.**) was been given permission to acquire an increased proportion of the shares and notes in **St Lukes Group Ltd**. The actual proportion it applied for permission to buy is still suppressed but the OIC is now releasing the fact that Bankers Trust paid **$204,514,048** for **61,430,134 shares** and **112,111,320 notes** which convert to shares on either 1/4/99 or 1/4/2004 at Bankers Trust's option. It already owned **17.7%** of the shares and **22.4%** of the convertible notes. St Lukes owns retail property, largely formerly owned by Fletcher Challenge, having been "spun off" by Fletchers in 1993.

September 1994: price paid for North Canterbury farm released

A person described only as "a Japanese Wool Trader" was given approval to buy a **461 hectare farm in North Canterbury** for a suppressed amount. "He wishes to use the land to develop and produce specialised wools for export to Japan." The person's name is now released as **Mr Y. Imagawa**, and the price he paid has been revealed to be **$1,200,000**.

December 1994: price paid by Rayonier for land at Gore released

Rayonier New Zealand Ltd (owned by **Rayonier Inc, U.S.A.**) bought **125 hectares of freehold land and 8450 sq. m. leasehold land** at **Gore** for a sum that was originally suppressed. It is now revealed to be **$1,400,000.** Rayonier intended to build a medium density fireboard [sic] facility on the property.

June 1995: price for Blenheim land for vineyard revealed

A **U.S.** resident, **Bruce Marcus Kerner**, bought the 76% of **Vineyard Investments Ltd** that he did not already own, for an amount that was initially suppressed. The company owns **73.4 hectares** of land at **Blenheim, Marlborough** and Mr Kerner wished to establish a vineyard on the property, exporting all the wine produced "initially primarily" to the U.S.A. At time of purchase, the land was being used for pastoral farming. The price is now revealed to be **$878,800**.

July 1995

Five decisions have been released on appeal to the OIC, four of which were initially almost completely suppressed.

Hong Kong's Transmark eyes up U-Bix

Transmark Corporation Ltd, which is listed but **66.6%** owned by **Shriro Pacific Ltd** of **Hong Kong**, gained approval to buy **100%** of **U-Bix Business Machines Ltd**, another public company, then owned **35%** by **Global Asset Management Inc** of the **U.S.A.** The price was said to be"**$15,000,000** for **40%**". Both companies import and distribute electronic products: U-bix photocopiers and telephone equipment; Transmark consumer products such as toasters, TVs, home security systems, watches and cameras. Of the

remaining shareholding in U-Bix, 29% is owned by Maori interests (*Independent*, 8/4/93, "The Renaissance of Maori Commerce?", Rebecca MacFie). In August 1995 it was announced in the news media that Transmark had bought GAM's shares and with an existing holding of 3% and 2% bought at the same time, had 40% of U-Bix. It paid $9.135 million for these shares (at 105 cents a share), so its total cost will have been well below what it told the OIC. This is probably explained by U-Bix's plummeting share price which ranged from a high of 360 cents to a low of 85 cents during the period between November 1993 and August 1995. Shriro, which is owned by Mark Shriro who lives in Monaco, owns its stake in Transmark through subsidiary Siegen Investments. Transmark's chairman, David Wilson, lives in Hong Kong. (*Press*, 3/6/95, "Transmark stake", p.28, *Press*, 15/8/95, "Transmark takes control of U-Bix", p.32.)

New Zealand Land Trust buys City Life Apartments from The Habitat Group

City Life Holdings (Wellington) Ltd, ultimately owned by the **New Zealand Land Trust** of **Singapore** and **George Horsburgh** of Aotearoa, has approval to acquire "the properties, fixtures, fittings and equipment and business known as **City Life Apartments** on **The Terrace, Wellington**" for **$10,014,369**. They were owned by **The Habitat Group Ltd**, which is part of the Pacific group of property companies, of which City Life Holdings is also part. This acquisition is to bail out Habitat which would otherwise have to liquidate (see June 1995 decisions). The property is leased serviced apartments and "will be operated in conjunction with a similar operation in the **old TAB Building in Lambton Quay, Wellington**. The beneficiaries of the New Zealand Land Trust are Stanley Tan Poh Leng (otherwise known as Stanley Tan), Trustees in the Dynasty Trust, Pang Yoke Min, David Tan, and Johnny O Sy all of Singapore, and are "associated with" **Messrs Tang, Subsidiary, Tang and Pong** of **Singapore** according to this decision.

Pepin Island Sheep Station bought for resort

The sale of **Pepin Island, Nelson**, which is "not in fact an island because it is a peninsula connected by an isthmus to the South Island", has been approved to a **Netherlands** resident for **$2 million**. The property is **521 hectares** and is being bought by the purchaser's company **Pepin Island Sheep Station and Resort Ltd** for development "into a farm stay resort with low impact chalets which will provide high class accommodation. The resort will be combined with the existing farming activities and the development will be managed by an operator experienced in managing resorts of this nature." In October 1995, Tasman MP Nick Smith expressed concern that the Island was to be sold to a "German businesswoman with significant investments in the steel industry". He was worried that access to the beach would be lost under new ownership.

Japanese syndicate offers to buy out remainder of Huttons Kiwi

A syndicate of mainly **Japanese** companies called **Janz Investments Ltd** which in June was given approval to acquire the **57.08%** of **Huttons Kiwi** owned by **Brierley Investments Ltd**, now has approval to buy out the remaining **42.92%** for "up to **$6,525,190**". According to this decision, Huttons Kiwi has assets in **Taranaki, Manawatu** and **Marlborough**, though the June decision listed Manawatu, Waikato and Canterbury. The acquisition of the shares was at little cost to Janz because the share purchase "will be achieved through a capital reduction which will result in the distribution to shareholders of the equivalent of 50 cents for every share and an offer to acquire the shares at 19.4 cents per share (cum div) or 17.4 cents per share (ex div). The Commission is further advised that the proposal will increase overseas investment in the under capitalised New Zealand meat industry. It will also create increased efficiencies through synergies with Asian New Zealand Meat Company Ltd." Janz is owned by **Itoham Foods Incorporated** of **Japan, Nippon Suisan Kaisha Ltd** of **Japan, Romney No, 19 Ltd** of Aotearoa and various employees of **Asian New Zealand Meat Company Ltd** of **Aotearoa**. For further details, see our commentary on the June 1995 decisions.

Swift Energy of the U.S.A. setting up Petroleum Exploration company with no capital

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." When first released the money put in was suppressed. It has now been released and is **nil**.

August 1995

Three decisions have been released on appeal to the OIC, all initially almost completely suppressed.

TransAlta, Fletchers and Mercury Energy get approval to run Stratford power station

The controversial **combined cycle gas turbine power station** proposed for **Stratford, Taranaki** features again. In July, 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 OIC 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 in 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. (*Press*, 21/8/95, "Power station back to tender after problems", p.35.)

Just a month later Electricorp announced that a consortium comprising **TransAlta Energy Corporation** (subsidiary of **TransAlta Utilities Corporation**) of **Canada**, **Fletcher Challenge Ltd**, and Auckland distribution company **Mercury Energy Ltd**, would build it. This OIC decision approves this arrangement, including the sale of the **rights to build the station** and a **12.6 hectare** site near Stratford. The

public announcement said that each of the three companies would provide a third of the equity for the station, which was expected to cost "**approximately $380 million**" according to the OIC's information. 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 to National Power also included a supply of 230 petajoules of gas, but this is not mentioned in this decision. The station should be commissioned in 1998. (*Press*, 15/9/95, "Consortium wins power project", p.18.)

Janz shareholders named; takes ownership of Huttons Kiwi Approval is given to set up **Janz Investments Ltd**, which has already appeared in the July decisions despite being unapproved. This company was set up to acquire **Huttons Kiwi Ltd** (see June and July 1995 decisions). Its shareholding, valued at **$31,048,405** ($1 a share) is as follows:

Itoham Foods Inc	Japan	16,533,162
Nippon Suisan Kaisha Ltd	Japan	5,510,360
Romney No. 19 Ltd	Aotearoa	5,510,360
B. Harrison	Aotearoa	1,665,600
G. Harrison	Aotearoa	847,607
I. Singleton	Aotearoa	694,000
M. Hirose	Japan	130,472
H. Miyauchi	Japan	156,844
Total		31,048,405

The individuals have elsewhere been identified as being employees of **Asian New Zealand Meat Company Ltd** of Aotearoa.

Janz also takes over the ownership of **57.08%** of **Huttons Kiwi Ltd**, which was owned by the shareholders of Janz. This includes **50 hectares** of land in **Taranaki, Manawatu and Marlborough.**

AN INTRODUCTION TO PLUNDER

Review of *1995 World Investment Report*

United Nations Conference on Trade and Development (UNCTAD), Division on Transnational Corporations

- Wolfgang Rosenberg

I/ Globalism and Transnational Corporations (TNCs)

This *Report* assumes that liberalisation of the world's economies, leading to privatisation of formerly communally owned public utilities and other government activities, combined with an accelerating torrent of Foreign Direct Investment (FDI) by TNCs, will lead to an end of national economies as the fulcrum of economic development. National economic policies are being replaced by global economic integration, organised by TNCs:

> "Enabled by increasingly liberal policy frameworks, globalisation more and more shapes today's world economy. FDI by TNCs now plays a major role in linking many national economies, building an integrated international production system - the productive core of the globalising world economy" (pXIX).

We shall question the necessity for and desirability of such a "global" economy. However, within this framework, the *Report* shows in detail how fewer and fewer capitalistically controlled firms dominate a larger and larger slice of the world's production, distribution and exchange. It shows how, in 1993, international trade was dominated by TNCs to the extent that out of about $US4,800 billion world exports, $US1,600 billion moved within TNC worldwide organisations that commanded the movement of their own raw materials and semi-manufactured goods, leaving only $US3,200 billion of the world's exports "at arm's length" (p37).

It is through their influence on trading policies, and starting from there, on governments' general economic and social policies, that TNCs can control government activities throughout the world. On this basis a world population, at present counting some four billion souls, is reduced to "human resources" for the most efficient exploitation by less than 40,000 transnational parent firms and their 250,000 affiliates (p7). The largest 100 TNCs are scheduled in the *Report*, but these exclude financial TNCs, undoubtedly even more powerful than the industrial and trading TNCs listed and analysed.

These listed 100 largest TNCs are based in the central "Triad": North America, Europe and Japan. They represent, in the main, automobile, electronics and telecommunications, computers, metals, chemicals and pharmaceuticals, oil and trading industries. Because they dispose of integrated production chains all over the world, their viewpoints and policies are global. However, it is important to realise that they represent relatively few types of industry, leaving a vast field for national economic activity. On the other hand, TNCs are spreading their nets ever wider and use the weapon of FDI for their expansion. The 100 largest TNCs owned about one sixth of the stock of "foreign investment" throughout the world, worth about $US1,300 billion. 94% of foreign investment is owned by TNCs with head offices in the "Triad". Only about 20% of foreign investment is situated in non-Triad countries; what the *Report* calls the "developing" world. Although, with the emergence of China and South East Asia, the flow of FDI into "developing" countries has accelerated, the great bulk of it remains directed into "de-

veloped" countries.

The total of the stock of foreign investment by TNCs throughout the world was $US2,600 billion (pXX). Sales by these "foreign" firms from their host country affiliates were estimated at $US5,200 billion. If we add to the sales of FDI affiliates, worldwide activities by TNCs, such as subcontracting, licensing and franchising, TNC-organised trade is estimated at $US7,000 billion in 1993. Compare this to all "arm's length" exports in world trade of about $US3,000 billion equivalent and the importance of foreign investment can be appreciated.

Only about $US117 billion, of the stock of $US2,600 billion FDI, is owned by non-metropolitan countries' residents, such as those in China, Hong Kong, Singapore, Taiwan and South Korea. Even some of those companies, holding FDI outside their home countries, may be themselves partly controlled by Triad proprietors. The world of FDI is, therefore, almost exclusively a world of old colonial and imperial powers. Thus, in some ways, the *Report* looks somewhat like a 1995 appendix to Lenin's "Imperialism, the highest stage of capitalism".

The global importance of FDI at the present stage is shown by the huge flows of capital connected with FDI. From Figure 12 of the *Report*, it can be seen that during 1994 private debt incurred by "developing" countries was about $US50 billion equivalent. Portfolio purchases of shares in companies in the peripheral world by metropolitan buyers was about $US40 billion, but FDI into the "developing" world amounted to $US90 billion. (As a comparison, New Zealand's annual Gross Domestic Product [GDP] is only something like $US60 billion).

Unfortunately the *Report* is silent on the flow of service payments on FDI from the "developing" to the creditors' world. Detailed figures are made available only concerning the takeover of resources by the former imperial countries. Total transfer of ownership from peripheral to former imperial countries between 1982 and 1991 was estimated at $US236 billion, but between 1992 and 1994 the FDI torrent swelled to $US553 billion (p14). Privatisation of public assets contributed $US32 billion to the tidal wave (1989-93).

It must be emphasised that the acquisition of assets by developed from developing countries does not imply an acquisition of equivalent foreign exchange reserves by developing countries. Much of FDI is financed out of surpluses earned by affiliates in the host countries, that is by the host countries (including NZ) themselves. Nor are the figures of profits and other monies remitted back into the home countries of FDI from affiliates shown as finance of the takeover of assets from peripheral to Triad countries. The *Report* states that in the case of US TNCs, only about 20% of the value of foreign affiliate assets is financed through cross-border outflows from the US (p147). Thus the transfer of the resources of the "developing" world into the possession of capitalistic organisations of the old Triad of the industrial heartland is achieved without sacrificing Triad resources. **One cannot avoid the thought that FDI contains a substantial element of plunder.** Much additional capital for the development of FDI in the host countries is later on raised by loans from host country banks. Such finance, as well as possible minority capital issues, derive from host country savings, not from foreign investment.

As far as New Zealand is concerned, the following figures can be extracted from the *Report*.

Non Financial FDI in NZ and Capital Formation 1983-94

Number (1993) 247 TNCs 1,717 TNC affiliates
FDI inflow $US314m (average 1983/88) $US10,200m (total 1989/94)

	FDI inflow as % of Gross Capital Formation	Capital formation as % of GDP
1981/85 (average)	4.8	26.2
1986/90 "	9.5	21.8
1991	24.1	16.7
1992	15.2	17.3
1993	32.4	17.7

Sources: *Report* Table 12 and Annex Tables 1 to 6.

The torrent of FDI into New Zealand since 1989 is a remarkable feature of the figures in this *Report*. In $NZ the amount represents something like $15 billion. It might have been assumed that such an inflow of foreign funds would have led to a growing pool of funds in the hands of New Zealand investors available for capital formation in NZ. In fact, probably due to FDI being largely financed by NZ internal resources, capital formation in New Zealand dropped from 26.2% of GDP in 1981/85 to 17.7% in 1993.

It appears that FDI "globalism" has meant the handing over of NZ capital assets to foreign proprietors at the price of reduced internal capital formation. Indeed it has become more difficult for people with investable funds in this country to find investment opportunities within NZ. Thus, adding to increasing reliance on imports, NZ is losing funds by New Zealanders investing abroad, either in the form of portfolio investment or FDI. It is unfortunate that the *Report* makes no reference to the financial and balance of payments effects of FDI, which express themselves in the growing indebtedness of peripheral countries like NZ, Australia and the "developing" world to the financial institutions in the Triad of metropolitan countries.

II/ FDI - "Efficiency", Competition and Exploitation

The *Report* describes the efficiency of integrated global production by TNCs. It makes recommendations how individual State governments can maximise inward FDI. The term "investment" in this context is used in two meanings: FDI may signify mere "ownership switching", in which case FDI does not directly create new capital. If the term "investment" is used to describe the creation of new income creating assets, "ownership switching" does not increase the nation's capital stock and to that extent the term foreign "investment"

may be misleading. Then there is what the *Report* calls "greenfield" investment. This term describes new capital formation by FDI. Ownership switching - of which privatisation of communally owned assets is an important part - consists of the takeover by TNCs of existing national firms. It is by far the most prevalent form of FDI:

> "In developed countries most FDI is ownership switching as opposed to greenfield investment. Investment outlays for acquisitions in the US by foreign firms accounted for nearly 90% of total investment outlays in 1993, although that share was lower in some of the earlier years. For the US (and presumably for other developed countries) the importance of acquisitions suggests that most FDI capital may add only indirectly to the existing capital stock" (p145).

New Zealand is counted in the *Report* as a "developed country". There can be no doubt that FDI, as it affects NZ, has been predominantly of the ownership switching variety, not making a direct contribution to capital formation in NZ (see the above table).

However, a general assumption is made in it that ownership switching through FDI almost invariably leads to radical improvements which could not be provided by firms nationally owned. Reasons for this faith that TNC ownership improves efficiency in a way that national ownership cannot, are set out in the following statement:

> "The liberalisation of international transactions has made it less and less possible for individual firms to withdraw into the safe havens of their home markets as a relatively secure source of profits. On the contrary, with liberalisation of imports, inward FDI and technology flows, competitive pressure increases. Furthermore, slower growth of demand in some home countries has intensified competitive pressure in these markets, while in other home countries exchange rate changes to correct structural imbalances have further intensified such pressure. Overall these conditions have heightened the preoccupation of firms with their competitiveness - ie their ability to survive and grow while attaining their ultimate objective of maximising profits - and forced them to exploit fully every available source of efficiency" (p126).

Because that quote enumerates many of the points made in the *Report* concerning the nature and effects of foreign investment, the following is a critical analysis of some of those points:

1/ The liberalisation of international transactions has led to the increasing takeover of firms in peripheral countries.

2/ One reason for the readiness of firms under "liberalisation" to sell out to, or acquire, foreign competitors is that liberalisation has ended the security for firms to look at the home market, based on the equality of national income from production and on national expenditure on the next round of production, as a "safe haven". With increasing amounts of national expenditure directed at imports (no longer necessarily financed from equivalent exports), relatively less of re-spent national expenditure flows back to purchase new national production.

3/ "Slower growth of demand" is caused by less of the GDP being available, after FDI service and imports, to create new rounds of added value. Situations of overproduction arise. This means either attempts are required to press local production on the relatively diminishing consuming and investing power in the local market by reducing prices, etc, or to maintain unused capacity because of the environment of increased poverty. Situations of poverty in the midst of abundance arise.

4/ The "ultimate objective of maximising profits" of TNCs is assumed to be a laudable goal of international integration of production by FDI. But domestic firms using the "safe haven of home markets" may be pilloried for looking towards these safe havens as a secure source of profits. Such profits are sometimes derided by observers critical of protected, full employment economies. Yet such internal market profits are no different from TNC profits, praised as essential sources of incentives and investment.

5/ Reference to frequent exchange rate changes describes further pressures on domestic business brought about by liberalisation. These frequent exchange rate movements are partly a by-product of the (*Report*-omitted) transnationalisation of finance. Movements of money, independent of commodity trade developments, may lead to currency apppeciation when high national interest rates are used to depress business in situations of balance of payment difficulties. Inflow of foreign money in such a situation may lead to exchange rates encouraging imports even further and discouraging exports. Conversely, "lack of confidence" induced speculative outflows of money may lead to devaluations and consequent depression of purchasing power, availability of cheap labour for TNCs and of cheap takeover prices for FDI. Such movements will create business cycles unknown to the equilibrium model of Adam Smithian theories.

6/ The above volatilities, introduced and enlarged by liberalisation, explain deterioration of employment, of employment conditions and of the social environment which has gone hand in hand with liberalisation and the torrent of FDI "globalisation" in the 1980s and 90s. A quote from the *Guardian Weekly's* Will Hutton (25/2/96) expresses these principles well:

> "We are living through a great empowerment of capital in a very particular financial system and misunderstanding the by-products. Low wages do not presage a new Nirvana or an efficient labour market. They are the result of a system malfunction that inexorably generates low investment and low growth".

7/ The *Report* - in its p126 paragraph quoted above - mentions the "slower growth of demand" which accompanies liberalisation and consequent takeovers of national econo-

mies by FDI. The underlying population is now called "human resources" and is consequently subject to the necessity to "exploit fully every available source of efficiency". Environmentalists deplore ever more intense exploitation of natural resources in the name of "efficiency", which is correctly described in the *Report* as maximisation of TNC profits. Not surprisingly, there arise everywhere alliances between labour and "greenies" campaigning against globalism and FDI, based on maximisation of money profits. Significantly the NZ National Development Conference of 1968 opposed development based exclusively on maximisation of profits, by resolving in its final resolution that "economic development is justified mainly by the contribution it can make to a good social and physical environment".

III/ Macro economics and FDI

This review is not the place to describe in detail how countries all over the world - such as NZ - are encouraged to spend incomes, earned in the local market, abroad. The leakage of purchasing power thus created must lead to the unemployment of resources which can no longer be used in the "safe haven" of the local market and/or borrowing abroad (including inward FDI) to replace the lost purchasing power. A third possibility for dealing with the leakage of purchasing power abroad is to reduce internal purchasing power, and consequently production, to reduce the purchase of imports and drive local producers to find export markets, since local markets have shrunk.

Thus, the first assumption of "classical economics", viz that the national flow of income and expenditure is a circular one, does not apply in the real world.

The second assumption of "classical economics" is that a full employment level within the national economy can only be maintained and distribution of incomes earned in that fully employed economy can only evolve fairly, when there is perfect competition all round. The *Report*, while not dealing with national but only with a global economy, stresses, therefore, repeatedly that free competition is a pre-condition for the forces of good, assumed to be associated with FDI, to be effective. However, while some global competition between some TNCs exists, it is imperfect at the best. The legal monopoly of "intellectual property" with its patents and protection of secrecy and protection of trade marks, the marketing advantages of organisations with worldwide historical standing and sometimes near unlimited capital resources, create an atmosphere where small local firms face economic powers with which they are unable to compete. TNCs can also give preferential access to markets to their affiliates - and similar privileges apply to access to TNC research and development, trade secrets and other intellectual property. To speak of perfect competition in such circumstances ignores the realities of power in the economic world.

Summarising the falsity of the "equilibrium" argument, basic for an uncritical acceptance of the domination of the world's economies by large TNCs, it is just not true that "what is good for General Motors is good for the world".

In conclusion, I shall now turn to a few macro economic problems which the *Report* has not addressed, because of its narrow optimistic economic assumptions. The following are some of the macro economic problems, arising out of growing "globalisation" of Big Business, not addressed by it:

1/ Consequences of divergence between GDP and GNP

The *Report* describes in a praiseworthy manner the difference between Gross Domestic and Gross National Product (p132). Few commentators are aware of that difference. It considers per head real GDP and its growth as a proxy of an indicator of welfare of a nation's citizens. Apart from the fact that there is now an ever growing dissatisfaction with the use of pure national income per head figures as welfare measurements and the developing of other more descriptive welfare indices by the UN and elsewhere, the *Report* fails to discuss the relative suitability of GDP and GNP indices. GDP (Gross Domestic Product) is the income, derived from domestic activities, which is created by residents of the nation. GNP (Gross National Product) deducts from GDP that part of income produced by productive activity within the nation, which accrues to non residents in the form of payments on foreign debt service and FDI. In peripheral countries, such as NZ, GNP is significantly lower than GDP. For example, in 1989/90 GNP was 6.5% lower than GDP. Below is a tabulation for NZ for the years 1990 to 1993.

	NZ GDP	NZ GNP	GNP as % of GDP
1990	$66.8 billion	$71.4 billion	93.5%
1991	$69.6	$73.6	94.6
1992	$69.8	$73.4	95.0
1993	$74.3	$77.1	96.4

Source: *NZ Official Yearbook 1994.*

The loss of GDP to GNP is greater in years when business profits are high, such as 1989 to 1992. Consequently it can be expected that the percentage of GDP lost through profits accruing to non residents will rise when business is more profitable (possibly due to "efficiency", shedding of labour and more effective exploitation and impoverishment of human resources). Thus "profitability" and welfare move in opposite directions, a possibility not considered by the *Report.*

2/ Failure to deal with distributional problems

The *Report* refuses to deal with problems of distribution of benefits of growth between nations and within nations. It lives in a theoretical world of "the world as a whole" (p132). Many analysts are dissatisfied with the concept of "per capita GDP" (p132) for the citizens of a country where the ruling establishment may appropriate all or most of the goodies of progress. But to assume that distribution between metropolitan creditor, ie FDI ownership countries, and peripheral debtor countries, is of no relevance is surely stretching the "wider view" too far. Yet, it says:

> "The search for increased competitiveness causes firms to act in a way that increases their efficiency. In the

process global factor productivity and output rise and employment may expand...this improves world performance in terms of enhanced production capabilities and increased per capita real income and welfare" (p132).

This is not an acceptable conclusion.

3/ Failure to integrate analysis of FDI "globalism" and "historically high levels of unemployment"

With the spread of global FDI, growing welfare should be observable throughout the world, were the optimistic neoclassical assumptions of the *Report* true. We know, however, that in fact employment and employment conditions, health care and education, social services and housing, indeed real income standards of the underlying population in most countries have either stagnated or have actually deteriorated in the 1980s and 90s, when the FDI explosion, so dramatically described in the *Report*, developed.

It explains: "The analysis so far has implicitly assumed that full employment prevails in host and home economies. Where that is not the case additional considerations need to be taken into account" (p133).

It is unfortunate, however, that it fails to deal with such additional considerations adequately, if at all. It admits that there is no adequate analysis of the macro economic effects of FDI contained in it. Indeed, to the attentive reader, the suspicion is confirmed that FDI and "globalism" reduce welfare for many, although they may increase that of some strata of society directly associated with the TNCs responsible for worldwide FDI. The *Report* states:

> "In considering this issue it should be noted that the contribution of TNCs to employment generation in host and home countries is quite modest compared to the rapid growth of FDI. In particular, employment in TNCs in developed countries has been virtually stagnant in recent years...accompanied by levels of unemployment that are at historically high levels" (p133).

Additional to the fact of record unemployment levels coinciding with a period of FDI explosion, the *Report* mentions a long list of painful FDI effects.

> "Of course there are questions of costs and the distribution of benefits that need to be considered, eg the cost in adjusting to change in the sectoral mix of output, an aggravation of cyclical factors, the distribution of wealth and income between groups and over time (possibly including an increase in the rate of long term unemployment), the possibilities that, in the competition for investment, work and environmental conditions are adjusted downward, possible reduction of competition, impact on economic independence and especially those national values that determine the character of a nation, including those concerning culture and tradition and the aggregate level of social services" (p132).

Having thus admitted that the downside of FDI globalism is wellknown to the authors, they, unfortunately, continue to invoke the invalid equilibrium fantasies of classical and neoclassical economics - now applied to the "world economy". The problems enumerated above are ignored, while the advantages of TNC FDI are stressed. Politicians and their economic advisers are supplied with arguments that FDI globalism is an unmitigated good thing for the nation. Suitable advice is given how, by adjusting public policies to the liberalisation requirements of TNCs, maximum foreign investment can be attracted. (That politicians are advised not to attract FDI by the distribution of special grants and incentives to TNCs is merely an extension of the orthodox "laissez faire" argument, not an expression that too much FDI may, after all, not be such a good thing).

4/ Omission of balance of payments problems and financial globalism and FDI

While for some hitherto underdeveloped economies, such as those of China and South East Asia, etc, FDI may be one mode of overcoming backwardness, the *Report* is a poor guide for an already technically highly developed society, such as New Zealand. The complete omission to deal with the problems of national balance of payments disequilibria (due to inability to find enough foreign exchange by exports to pay for the imports and debt service and FDI payments arising from the abolition of protective devices), implies dealing with national economic production as would a production of "Hamlet" omitting the Prince of Denmark. If we add to this the complete omission by the *Report* to include financial transnational gigantism, and the problem of "tax havens", it becomes clear that the *1995 Report of UNCTAD on World Investment*, while full of immensely valuable new information, not accessible elsewhere, is not a guide to the benefits of globalism - although it pretends to be such. To establish the pros and cons of foreign direct investment, growing power of a relatively few giant TNCs in a system of global production integration and the consequent creditor/debtor relationships between the financial powers of the old metropolitan world in the Triad of North America, Western Europe and Japan, and the former colonial world, more manysided economic research is required than is presented in this *Report*. However, having said all that, I must express my admiration, all the same, for the wealth of information brought together by the UNCTAD Division on Transnational Corporations and Investment in the *Report*.

BIGGEST FORESTRY TNC SACKS HUNDREDS

The April 1996 *Assignment* programme on foreign investment (see elsewhere in this issue for details) featured the Mayor of Masterton singing the praises of Japanese forestry transnational corporation (TNC), Juken Nissho. He credited its Waingawa plant with "saving" Masterton.

Not long before that programme went to air, TVNZ's *Holmes* featured the Mayor of Rangitikei District who was singing a very different song about forestry TNCs - in this case the biggest of them all, American-owned Carter Holt Harvey (CHH). The company was closing its Marton mill, making up to 60 workers redundant, and what was worse, refusing to entertain a proposal from the sacked staff to buy the mill and run it themselves. The TNC would rather that the mill sit idle than provide competition under the ownership of New Zealand workers. The mayor was extremely uncomplimentary about CHH.

Marton was just one detail in a bigger picture of closure and redundancy. In March 1996, CHH announced that it was closing its mills in Kumeu (near Auckland), Whangarei and Marton, making up to 187 staff redundant. It aims to consolidate on bigger sites in the central North Island and Nelson, whilst holding out the carrot of hightech plants being built near Helensville and Dargaville in three to seven years. The TNC has no plans to sell any of the mills, saying it might need to cannibalise them for parts. Trevor Noel, of the Wood Industries Union, said:

> "It's just another case of another overseas controlled conglomerate dealing to the Kiwi workers. People all over the country are too often left biting their finger nails and wondering if they will have a job from one day to the next" (*Press*, 29/3/96; "Communities in shock at moves to close three mills").

Nor was that CHH's only attack on its New Zealand workers. In June 1996, it closed its Christchurch tissue converting plant, putting 43 people out of work. This was brought about by trans-Tasman "rationalisation", following CHH's purchase of a Melbourne plant. Some of the affected Christchurch workers were offered jobs at other CHH plants in Auckland, Te Rapa and Melbourne.

CHH is not the only forestry TNC busily attacking its workers. *Watchdog* 80 ran a lengthy study of the New Zealand empire of the Tiong family of Malaysia. Their flagship company here is Ernslaw One, whose subsidiary, Blue Mountain Lumber operates the Conical Hill sawmill near Tapanui, south Otago (their only processing plant in the country). The Wood Industries Union described Blue Mountain Lumber as a good employer, whose workers enjoyed a collective contract very similar to the old award. "They have conditions that other mill workers can only dream about". Well, not any more. When the contract was up for renegotiation in 1995, the company presented the union with eight pages of clawback claims. The new collective contract, which expires in December 1996, cut back overtime rates to time and a half (from double time). The company aggressively sought individual contracts with key groups, such as the boilermakers. So the mill now has both individual contracts and a collective contract operating side by side. Those on the former lost a lot, in terms of both pay and conditions.

So, for every "good news" story the media can dish up about kindly TNCs creating jobs, saving towns and being good employers, the real world keeps providing counter-examples of job losses, attacks on workers' pay and conditions, and towns' viability being threatened. This is the normal swings and roundabouts of capitalism. It's just that when its done by such big capitalists, it has a much more harmful impact. And it's vital that we don't swallow the myth that foreign "investment" creates jobs - in so many cases, not only does it not create them, it actively destroys them.

SLAVE LABOUR OFF OUR COAST

Watchdog 81 detailed the appalling wages and conditions being imposed on the foreign crews of joint venture fishing vessels operating in New Zealand's 320 kms Exclusive Economic Zone, and the extreme reluctance of the New Zealand fishing companies to do anything about it. It's not that they pretend not to know about it - they quite happily say that they do and it's none of their business.

Things have only got worse. In April 1996, Graham Kelly, Labour's spokesperson on fisheries, revealed that, despite an October 1995 High Court decision ordering the Immigration Service to check the availability of unemployed New Zealand fishermen before approving the entry of foreign crews, the Service had blithely ignored the court ruling and issued 4,154 permits for foreign crew members, without checking to see if any New Zealanders could have done the jobs.

The Fishing Industry Association tried to rectify the situation by drawing up a voluntary code to pay all foreign fishing crews, working on NZ joint venture vessels, the NZ minimum wage (as opposed to the **$4.50 per day** some of them are being paid). As Kelly pointed out, no other NZ industry is allowed to pay below the minimum wage (which is one of the few monetary protections left for workers in the exploiters' paradise that is Aotearoa under the Employment Con-

tracts Act). But Independent Fisheries' Mike Dormer was having none of it.

> "It's like buying a good shirt made in India and then being told the woman who made it was only paid so much. So what? It has nothing to do with us because we are not paying her wages. On fishing vessels it is the owner of the boat that pays the wages. We, the charterer, only negotiate a price with the owner for them to catch a certain quota" (*Press*, 19/4/96; "Crews wage plan 'could cost jobs'").

By May, Sealord Products (jointly owned by Brierleys and Maori interests) was lobbying politicians against the Fisheries Amendment Bill, due to become law in October 1996. This commits the industry to pay its foreign crews the minimum wage by 2003. Sealord claimed that it would drive New Zealand processors to Asia, where labour is cheaper. Kelly threatened to withdraw his support for the bill, unless the industry pulled Sealord into line. He referred to Sealord's approach as a

> "vicious and tatty little campaign...Sealord already processes part of its fishing in Thailand, and now wants to not only increase that, but also extend into China where labour is much cheaper. It is looking for an excuse to get out of its processing commitments in Nelson and sees this legislation as the way out" (*Press*, 27/5/96; "MP threatens to oppose bill over Sealord 'blackmail' bid").

Horror stories abound. In May 1996, two Chinese crews of Taiwanese fishing vessels abandoned the ships in Wellington, citing, among other things, months of systematic beatings by Taiwanese officers, using sticks and whips embedded with fish hooks (no wonder the Chinese lob the odd missile or three at their Taiwanese compatriots). In Lyttelton it is Russian ships - in June, the crew of the *Novonikolsk*, embroiled in a dispute with the ship's owners, resorted to begging in the streets of Christchurch. The ship's agent threw oil on the fire by urging people not to give the begging crewmen anything: "It's easy money for them" (*Press*, 11/6/96; "Agent warns against cash gifts for begging seamen"). One of the crew, Andre Urusov, invited reporters on board to see for themselves: "They were the worst conditions he had worked under in 13 years as a fisherman in Russian and New Zealand waters" (*Press*, 13/6/96; "Life on ship suitable only for slaves, says Russian"). Despite attempts to besmirch the crews, New Zealand public sympathy is firmly on their side.

These sorts of stories may become all too familiar to New Zealanders in future. Transnational shipping companies have announced their plan to smash the 1931 trans-Tasman maritime union accord which restricts shipping between New Zealand and Australia to vessels crewed by New Zealanders or Australians. The newly elected Howard government in Australia has no sympathy for the powerful maritime unions and is keen to infect Australia with the New Zealand Disease of union busting laws. The maritime unions, on both sides of the Tasman, are no strangers to major battles and have vowed to defend their jobs. The NZ Seafarers Union has launched a campaign aimed at foreign ships doing the trans-Tasman run. The union plans to approach factory workers making goods destined for foreign flagged ships. If the unions are defeated, then we can expect to have these slave labour ships trading in every one of our ports as a daily occurrence.

APPEAL

COROMANDEL WATCHDOG OF HAURAKI

On March 6, 1996 the Planning Tribunal awarded $20,000 costs* against Coromandel Watchdog arising from an appeal before the Tribunal in 1995. The appeal was against the American Coeur d'Alene gold mining company's consent from the Waikato Regional Council to increase the level of ammonia the Golden Cross mine may discharge into local streams. **We need your help.**

* *the company actually sought $85,836 costs. Ed.*

The judge presiding over the appeal described Watchdog's case as valid and well argued. In Australia it has been recognised that costs should not be awarded against public interest groups such as ours that are trying to protect the environment. To quote an Australian judge: "There is no point in opening the doors of the courts if people cannot afford to come in".

Now, in New Zealand, the opposite is true. This Planning Tribunal decision gives the stinging message to the public to stay out of the appeal courts. A number of environmental groups throughout New Zealand have withdrawn cases under threat of costs. Watchdog joins Stop the Wash as victims of the Resource Management Act (RMA).

As groups working for the sustainable management and vital protection of our remnant ecologies **we need to sort this issue out NOW and make some changes** to the current absurdity of the Rich Man's Act.

Help Watchdog appeal the Planning Tribunal decision. What we need is money for legal expenses (this will *not* be used to pay any award of costs!). All our money goes directly to fight mining. We rely on donations and memberships.

All donations and inquiries to:
Coromandel Watchdog of Hauraki,
35 Albert Street, Whitianga. Ph (07) 8664077; fax (07) 8662900. Membership costs $20; members receive a quarterly newsletter.

COMALCO

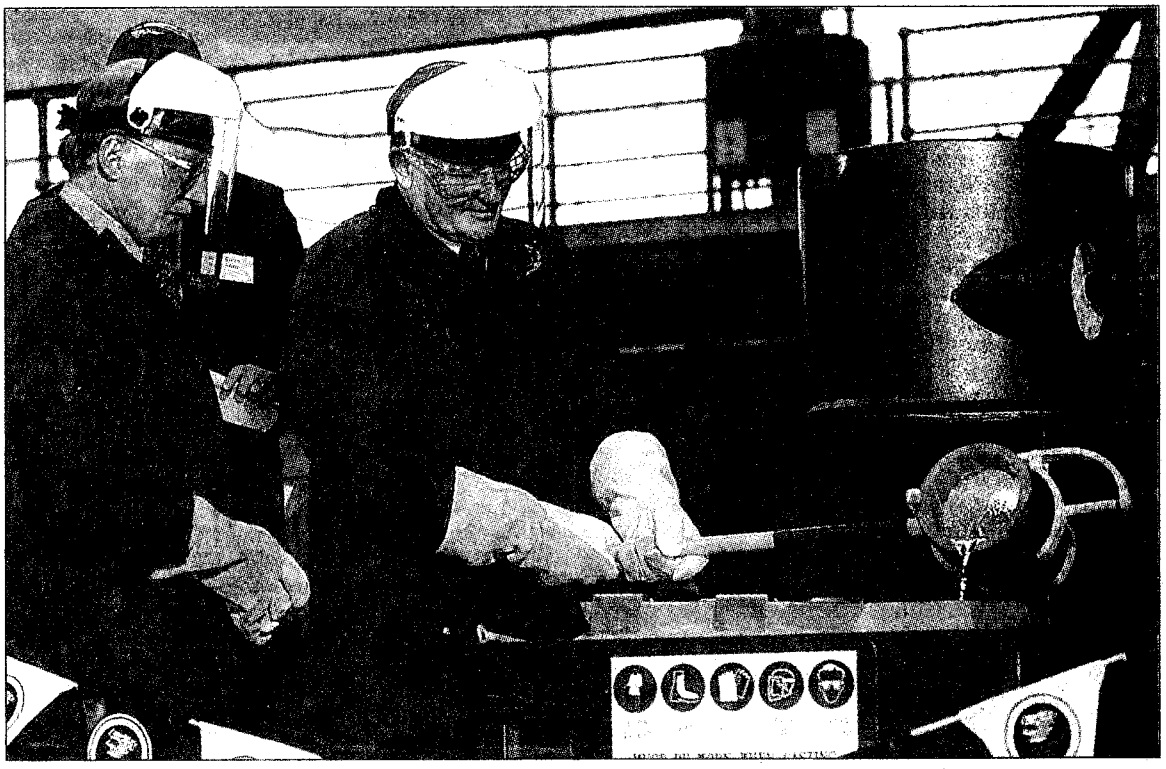
New Zealand

The biggest recent development was the May 1996 official opening of the Tiwai Point smelter's upgrade, performed by PM Jim Bludger, on his 61st birthday. Of the $465 million spent, only $186 million went on expanding the smelter, specifically upgrading half a potline. The expansion, which was second only to the Auckland Casino construction in size, increases annual output from 270,000 tonnes to 313,000. The smelter, which accounts for about $700 million of New Zealand's manufactured exports, now employs 1,170 staff. By itself, the smelter accounts for 12% of NZ's total exports to Japan. Comalco NZ's managing director, Kerry McDonald, announced that plans to float the company on the NZ Stock Exchange had been dropped, and all the money needed for the expansion would be raised internally.

Bludger used the occasion to make his now standard defence of foreign investment. He also defended Comalco itself: "Repeated cost-benefit studies have consistently shown Comalco's real annual rate of return to the national economy to be substantially above 10%" (*NZ Herald* (1/6/96).

But the bosses of Comalco (Australia) and junior partner Sumitomo Chemical (which owns 20.64% of NZ Aluminium Smelters Ltd) used the occasion to publicly earbash Bludger about their old hobbyhorse - cheap power. Comalco's Tony Palmer complained that it is paying more for its power here than at its Boyne Island and Bell Bay smelters in Australia. He said that Comalco NZ's current price was higher than that of half of the world's aluminium smelters. Sumitomo's Motoji Miniamura emphasised the primacy of cheap power, saying that virtually all of Japan's smelters were forced to close in 1986 because of high power prices (this is the same Sumitomo recently forced to admit that one of its "rogue" traders has run up multi-billion dollar losses by unauthorised trading on the global copper market).

Not that Comalco NZ is exactly poor. In the year to December 1995, it declared a $106 million profit (compared to $37 million in 1994). And it paid a $360 million dividend to its immediate parent, Comalco - the first since Comalco NZ was established in 1988. (One reason for the tripling of profit was the international price - $US1,832 per tonne in 1995, compared to $US1,505 in 1994). The company continues to shed its downstream activities, aiming to concentrate on the core activity of smelting. In March 1996, Fletcher Challenge paid $69 million to buy the joint venture aluminium business of Comalco and Carter Holt Harvey. Comalco, in Australia, is selling its extrusion and distribution businesses in both Australia and New Zealand, for more than $A100 million. More tellingly, in June 1996, Comalco NZ sold its aluminium can recycling assets, one of the more high profile of its PR campaigns to win New Zealanders' hearts and minds. Talking of those PR campaigns, remember "Comalco saves the kakapo"? Expect more of the same. In one of his last acts as Minister of Conservation, Denis Marshall appointed Kerry McDonald as chair of a new management oversight committee of the Department of Conservation.



Watched by the NZ Aluminium Smelter general manager of operations, the Prime Minister, Mr Bolger (right), casts a plaque at the opening of the Tiwai Point upgrade. PICTURE / SOUTHLAND TIMES

Australia

Comalco is doing nicely over the Tasman too, recording an $NZ260 million profit for the year ending December 1995 (more than $100 million higher than the previous year). However the annual report said that things would settle down in 1996, because there would be more international competitors restarting their smelters. Comalco was a major beneficiary of the 1994 Memorandum of Understanding on Aluminium, a cosy cartel arrangement which shut down or severely restricted the output of many smelters to counter the effect of a flood of cheap Russian aluminium onto the world market.

Comalco has announced that it will spend $A750 million upgrading its Weipa bauxite mine in Queensland's far north. The company was also heartened by the decision of an Australian federal court judge to reject a claim by the Wik (Aboriginal) people for native title rights over 35,000 square kilometres of Queensland's far north, including part of the Weipa bauxite lease land.

But Comalco's Weipa workers continue to be the fly in the ointment. *Watchdog* 81 reported their struggle to resist Comalco's attempts to dump the award and put them all on individual contracts (do you remember awards? You might find one in the museum). This was also aimed at completely deunionising the mine site. The strike became a national struggle which eventually went before the Industrial Relations Commission - the remaining award workers were granted an 8% pay rise and promised equal pay and conditions with their contract workmates, who enjoy pay up to $A15,000 per year higher for doing the same job. But Comalco strenuously resisted implementing the decision, which included back pay dating back to 1994, and actively victimised the award workers. By March 1996, the 70 odd award workers had had enough and struck again to demand that the settlement be put into effect. They simply want parity between themselves and their workmates.

West Papua & PNG

But it is to the Pacific that RTZ/CRA is devoting its closest attention. 28 out of 57 of the merged company's major projects are there. And it is the most controversial part of the mining giant's empire. Nowhere more so than on the divided island of Papua New Guinea.

Things have hotted up considerably at the Grasberg gold/copper mine in the Indonesian occupied half, Irian Jaya (West Papua). Rio Tinto Zinc, the British parent of Comalco, and the world's biggest mining company, is a junior partner (12%) with Freeport-McMoRan, of the US. Early in 1996, the partners announced that they are exploring for minerals in an additional 2.9 million hectare area. This was too much for various affected indigenous tribes. The brutal repression employed by both the Indonesian military and Freeport security provides constant flashpoints.

In March 1996, thousands of West Papuans rioted for several days at the minesite and nearby company towns of Tembagapura and Timika (which houses the company airport). Damage at both towns and the mine was so widespread (bulldozers were used to flatten buildings) that the mine was closed for a week. Only days later, there was another major riot in the capital, Jayapura, sparked by the death in a Jakarta prison of a leader of the West Papuan independence movement. The cause of the West Papuans struggling against this transnational mining conglomerate, and against brutal Indonesian occupation, has been taken up by a variety of international groups, such as Survival International and People Against Rio Tinto Zinc and its Subsidiaries (PARTIZANS), both based in London. But because the Western news media was not present (unlike the Tahitian uprising during the 1995 French nuclear testing), the outside world was largely unaware of it. Indonesia very deliberately keeps access to West Papua to a bare minimum.

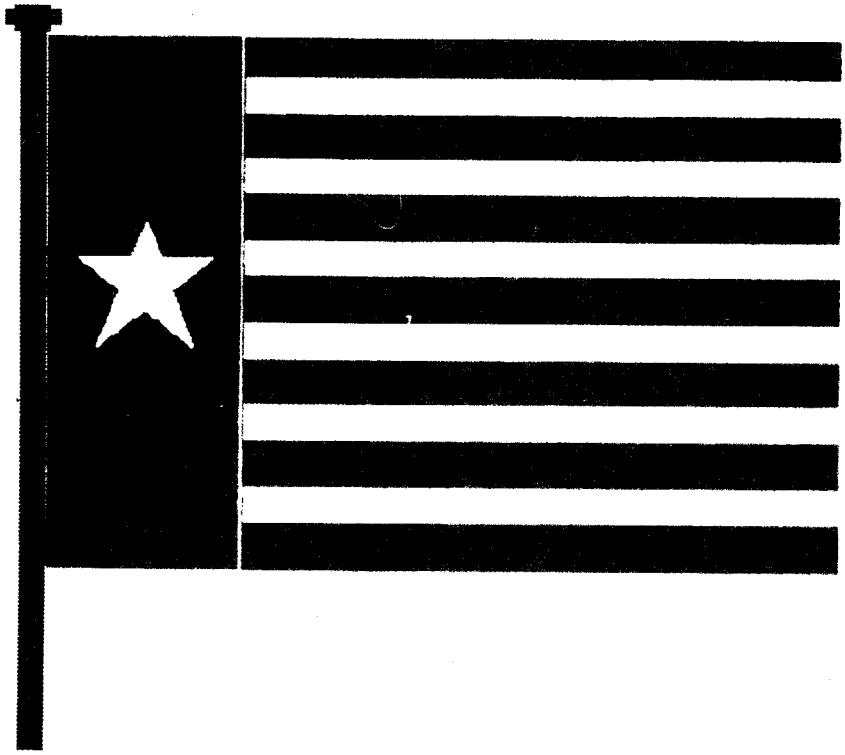
> "Although the uprising forced the closure of the massive mine, sharemarket analysts didn't believe that Freeport's West Papua operations will become another Bougainville. The Business section of the *Sydney Morning Herald* quoted one sharemarket analyst saying: 'In the cold light of day, it is Indonesia and not Papua New Guinea. The Indonesian government, a stakeholder, sees Grasberg as one of the country's most important resources, and will use its army to protect it'. The *Herald* went on to quote: 'From a market point of view, he said, this provided a measure of security which could not be counted upon in Papua New Guinea (PNG)'" (*Vanguard*, 20/3/96).

Sharemarket analysts are very approving of genocidal institutions like the Indonesian military, which stops at nothing to make the world safe for plutocracy (or kleptocracy, in the case of its own generals and national ruling family).

Across the border, in PNG, things are proceeeding more smoothly for RTZ. Construction work, scheduled for completion in December 1997, has commenced for the $A1.1 billion Lihir Gold project - the world's largest undeveloped gold deposit, located underwater, atop an active volcano on Lihir Island. RTZ is a 40% shareholder. According to the new Australian publication *Mining Monitor* (February 1996), during its 30 year life the project will dump 89 million tonnes of tailings and 330 million tonnes of waste rock through a pipeline into the deep ocean. It will use 1,800 tonnes of highly toxic sodium cyanide a year to extract the gold via cyanide leaching. There will be high cyanide concentrations in the tailings. All of this in a country recently estimated by a UN study to contain fully 7% of all known species on the planet!

But none of this unpleasant and murderous reality was allowed to intrude when Bludger cut the ribbon at Tiwai Point. This is foreign investment, after all, and foreign investment per se is good. Isn't it? Let's hear no talk of cartels, deunionisation, victimisation, and genocide. Let good old Uncle Jim put you to bed with a fairy story instead. How appropriate that he should have told this particular one at a place called Bluff.

A REPLY TO THE INDONESIAN AMBASSADOR:



DON'T TELL US WHAT TO THINK!!

THE PEOPLE OF PAPUA NEW GUINEA AND MELANESIA AS A WHOLE KNOW THAT OUR BROTHERS AND SISTERS IN....

WEST PAPUA MUST BE FREE AND INDEPENDENT FROM INDONESIAN COLONIALISM!!...

..REGARDLESS OF WHAT YOU OR OUR POLITICIANS SAY.

Sponsored by PNG Trust: Plis putim dispela posta long dua o stoa o wanem hap olgeta man ken lukim olsem yu sapotim indipendens bilong West Papua

UNI TAVUR 10 May 1996

A blunt message from the University of Papua New Guinea student newspaper to the murderous Indonesian occupiers over the border.

DRUG TNCS ADDICTED TO PROFIT

Drug transnational corporations (TNCs) are some of the world's biggest, most profitable and generally meanest companies. They have no hesitation in throwing their weight around. Globally, the drug TNCs are leading the World Trade Organisation (the successor to GATT) into protecting "intellectual property" ie patents and copyright. There is pressure to extend the period that drugs can be covered by patent, thus protecting the drug companies. For indigenous people, intellectual property rights can see them lose access to the products of trees and plants that they've used for centuries. Drug TNCs have actually tried to patent the human cells of indigenous peoples, for example in Papua New Guinea.

Already in this country the British drug giant Glaxo and other drug companies successfully got the Government to amend the 1953 Patents Act, to stop local companies replicating cheap copies of drugs patented by the TNCs. Not satisfied with that, Glaxo legally challenged the Government's list of generic medicines ie cheaper copies of those whose patents have expired. Several drug TNCs are taking legal action against Pharmac, the Government's drug management agency. General manager David Moore accurately stated the reason why: "What the drug companies want is an open cheque book". It will cost Pharmac $5 million of taxpayers' money to defend the five law suits, involving anything up to six TNCs in a single suit. Some of the TNCs suing are Roussal, Pfizer and Beyer. They either want their products placed on the pharmaceutical list or are demanding higher prices for them. In some cases, the TNCS argue that Pharmac should not accept the lower prices offered by manufacturing competitors.

In February 1996, Pharmac headed off an interim injunction aimed at stopping its plans to slash subsidies on drugs for stomach ailments, a saving of about $1 million per month on the drug budget. Pharmac got one TNC, SmithKline Beecham, to drop its price for one drug by 40%, in return for Pharmac subsidising one of its new drugs. The other drug TNCs argued that the deal set a dangerous precedent involving trade-offs between medicines for unrelated conditions. Pharmac only avoided the interim injunction by agreeing to pay compensation (ie taxpayers' money) to six drug TNCs - MerckSharp and Dohme, Glaxo Wellcome, Apotex, Pacific and Douglas Pharmaceuticals - if it loses the full court case.

But the drug TNCs not getting it all their own way. In 1995 Glaxo announced that it was closing its showcase Palmerston North plant, with a loss of 120 jobs. It cited an alleged "hostile environment" in NZ. And they have drawn the ire of the formidable Jenny Shipley, Minister of Health (a veritable Muldoon in drag). Shortly after announcing her $6.3 million package to cut the abortion rate, Schering, a drug TNC, increased the price of its oral contraceptives by 5%. As improved access to contraception is a key part of the Government's plan, and Pharmac will be buying oral contraceptives in bulk, Shipley sent Schering a blistering letter.

"Schering charged up to four times more for some of its oral contraceptives in New Zealand than in Britain, and up to 100% more than in Australia. Mrs Shipley said she was left with the 'strong impression' that Schering saw the subsidy change as an opportunity to raise the price of its contraceptives, and thus the price that Pharmac might have to pay. 'Your action may simply limit the number of women who are helped. Thankfully, I'm advised that you are not the only supplier of oral contraceptives in New Zealand'" (*Press*, 23/5/96).

Mind you, making big money out of women's fertility, and indeed profiting from seriously injuring women and children, is stock in trade to the TNCs. From thalidomide through to the Dalkon shield and the Copper 7 intra-uterine device (IUD), there has been an unending string of horror stories, usually involving the big companies working hand in surgical glove with their medical partners, and an extremely well funded PR machine.

Earlier in 1996, TVNZ's primetime *Holmes* show rose briefly from riveting issues like lost dogs and Jonah Lomu's shorts to present a concise and damning expose of how one drug TNC shamelessly used a PR firm to try and get its new drug (a possible treatment for multiple schlerosis - MS) subsidised by the Government. The PR firm used MS victims to directly lobby Ministers, providing them with pre-written letters and a helpful glossary of tearjerking terms to use. *Holmes* tracked it back to source - the Government, in the person of Cabinet Minister, Maurice Williamson, pronounced itself unsurprised. "This happens all the time", he said.

Drug TNCs are themselves addicted to the drug of profit, and like all addicts, will go to any length to get their regular hit of money and power.

CAR TNCS RETRENCH

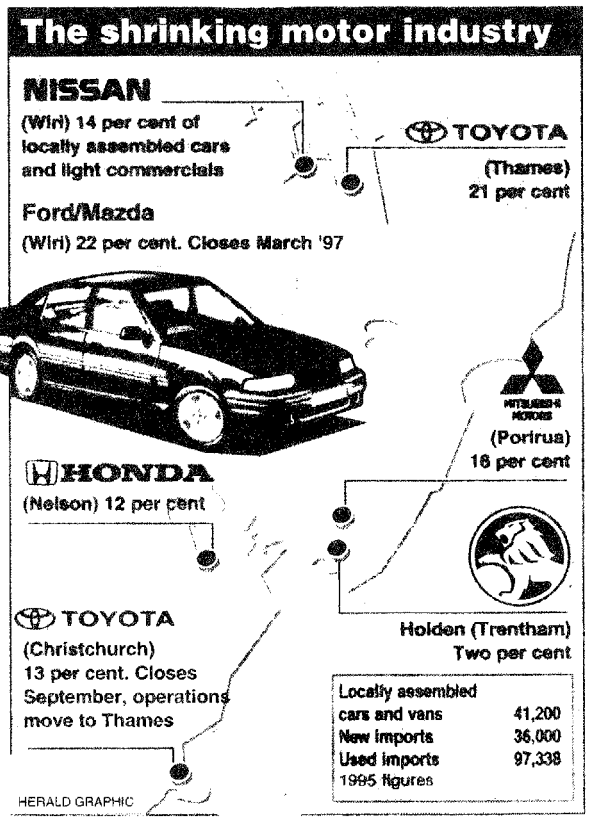
Is The Assembly Industry Completely Knocked Down?

Watchdog 72 ran a detailed study of the phoney war waged between the giant car TNCs that operate assembly plants in NZ, and the rapidly growing industry importing second hand Japanese cars. The same article looked at the political lobbying engaged in by the big TNCs to keep various industry subsidies and export incentives going on both sides of the Tasman, so that they could profit no matter whether they are located in New Zealand or Australia.

The importers are beating the assemblers hands down. And, as usual, New Zealand workers are paying the price. In June 1996, Ford and Mazda, which jointly operate the Vehicle Assemblers New Zealand Ltd plant in Wiri (Manukau City), announced that it will close in March 1997, with the loss of 300 jobs, plus hundreds more downstream in components firms. The Engineers Union warned that the whole industry was "set to tumble like a row of cards" (*Press*, 15/3/96). The Wiri plant accounts for 22% of local assembly. Simultaneously, Toyota announced that it will stop assembling new vehicles at its Sockburn (Christchurch) plant in September 1996, retrenching to Thames. Staff had already been cut back from 200 to 170. The plant will continue as a South Island distribution centre for Toyotas.

The TNCs blame the imports. Back in the mid 1980s, the Government estimated that annual demand for new cars would be up to 120,000 by now. Chris Leavy, Toyota's Thames plant manager, said: "Everyone did their planning on that. But then the used imports came and cut the industry off at the 60,000 mark" (*Press*, 6/6/96). Imports now account for 60% of the market. The other problem is the Government's ideological commitment, made as part of the general GATT/APEC/free trade madness, to drastically reduce or end all tariffs. As far as cars are concerned, the tariff on built up imports has fallen from 55% to the current 27.5% and will fall by 2.5% per month until it is reduced to 15% by 2000. By contrast, Australia charges a $14,000 surcharge on used imports, in addition to the 27.5% tariff. *(Across all industries, the jobs of 26,000 New Zealand workers are threatened because of tariff cuts).*

To add to the TNCs' woes, in 1995 the previous Australian (Labor) government rejected their proposal for a subsidy, which would have enabled assemblers to import, without duty, the same value of cars as they exported from Australia. This exposed the differences between various car TNCs - Toyota and Ford pushed heavily for the subsidy, to give them compensation for business lost to New Zealand imports. They both have major Australian assembly plants. But Mitsubishi, Honda, Nissan and Mazda opposed it, as they don't have Australian plants, and had nothing to gain from it. The New Zealand government is still trying, not very successfully, to improve access to the Australian market for NZ assembled cars. Current Australian rules impose tariffs on any car with 50% or more foreign content; NZ is trying to get that lowered to 40% or less. John Luxton, Minister of Commerce, described the Wiri plant closure decision as premature, while trans-Tasman negotiations are ongoing.



NZ Herald, 7/6/96

The end result of all this is that, come 1997, New Zealand will have only four car assembly plants left - Nissan in Wiri, Mitsubishi in Porirua, Honda in Nelson, and Toyota in Thames. All four have committed to keeping their plants open until 2001, but are awaiting a 1998 Government tariff review before committing for any longer. It's not many years since a vibrant car assembly industry was a major employer in this country, specialising in assembling CKD (completely knocked down) vehicles. Now it has ceded the upper hand to what the industry calls CBU (completely built up) vehicles. It is the industry itself that is completely knocked down. Not that the car TNCs particularly care - they simply retrench their global operations to somewhere more profitable.

DEATH IN THE FAMILY

CAFCA expresses our deepest sympathies to the following member who suffered loss in his family recently.

To **Frank Grover**, whose father Percy died in Hamilton, aged 87

OBITUARY
ARTHUR REDDISH

- Murray Horton & Owen Wilkes

Arthur Reddish, who died in Wanganui in May 1996 (aged 75), was a genuine CAFCA stalwart. He had belonged continously since 1979, which made him one of our longest standing members. He always included a donation with his Watchdog sub, and he was a donor to the CAFCA/ABC Organiser Account, which provides my income. Arthur was first and foremost a grassroots peace activist, one extremely well respected in Wanganui, and in that capacity was a longstanding subscriber to Peace Researcher, the journal of the Anti Bases Campaign.

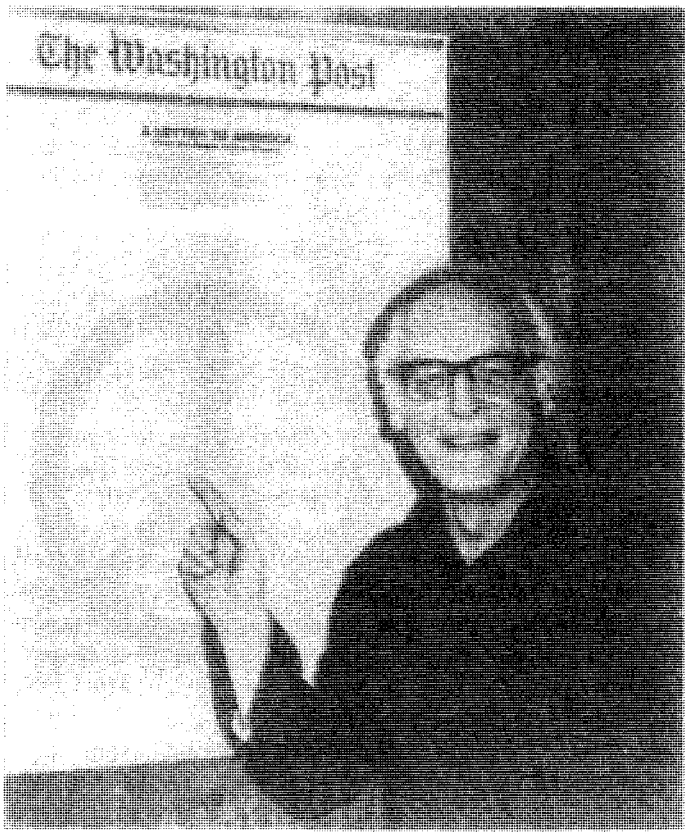
I only met him once, during my national speaking tour in 1993. He couldn't come out to my evening meeting but requested my host, the redoubtable Sister Makareta Tawaroa, to bring me over to his place during the day. We were both delighted to meet each other after all those years of only being names on paper. We passed the time discussing current events, plus Arthur dipped back into history to defend the fighting record of his beloved British tank regiments (my old man, a POW from the North Africa campaign, has always been scathing about the protection, or lack thereof, afforded to NZ infantrymen by British tanks). That one brief meeting made an impression on me and I was saddened to learn of his death.

The best tribute to Arthur Reddish was written by Owen Wilkes, when he was co-editing the now defunct Peacelink with May Bass. Owen had the laudable idea of profiling the unsung heroes of the peace movement. What follows is that profile, slightly edited (Peacelink 89, March 1991; "Arthur Reddish: Tank gunner turned peace activist"; Owen Wilkes).

After the US bombed Libya in 1986 without provocation, a man called Arthur Reddish telephoned the Wellington US Embassy and demanded to talk to Ambassador Paul Cleveland to register a protest. Cleveland came on the line. "Mr Reddish", he asked, "is this a reasoned statement you wish to make?" Arthur spluttered with rage, abandoned the reasoned protest he **had** intended to make, and shouted down the line "Why don't you bloody Yanks bugger off home!" Now it was Cleveland's turn to explode - "If ever I come to Wanganui I'll ram that statement right down your throat!" "Don't bother", snapped Reddish, "I'm coming down to Wellington to ram it down your throat!"

The very same Arthur Reddish has scholarly arguments with military historians about the great tank battles of World War 2, is the moving force behind the Wanganui Peace Research Group, and writes regular feature articles for the *Wanganui Chronicle* on war and peace issues.

...He is a small, sprightly, cheerful man living alone in a small house near Castlecliff Beach. He is an example of the sort of people who keep slogging away year after year on



peace issues in the smaller towns and rural areas, and help to keep our peace movement as strong, broadbased and effective as it is.

Arthur was born in 1921 in a Lancashire coalmining village during tough times. His Dad died when he was ten, and he and his Mum got by on a 15 shillings a week pension. At the age of 16 he tried to volunteer for the Spanish Civil War's International Brigade, but was told to go home and get ready to fight Hitler.

When war with Germany looked imminent, Arthur left his factory job and worked as a navvy to harden himself, and took up boxing. He joined the infantry as soon as he was able, but rapidly got sick of route marching and shifted to a tank regiment. He was in action for virtually the entire war - from the desert campaigns to the Normandy beaches on D Day. His tank got blown up near Tripoli, one of his mates was killed instantly while Arthur suffered multiple burns, and had to walk three kms with skin hanging off his body to get medical attention. This led to him coming into contact with the Quaker faith - he was looked after by non-combatant Quakers driving ambulances. He recovered physically but to this day suffers colitis as a result of the explosion, and is on a war pension...

Arthur was not politically conscious until the Cold War, and especially McCarthyism, came along in the late 40s. They

(the West) were stuffing his world up for him, so by gum, he was going to stuff their world up for them.

In 1949 he immigrated to New Zealand, wandered all over this new country, worked in Wanganui, then in Waiouru. Made a small fortune as a contractor, working 60 hours a week, then blew it all in Australia. Then Christchurch, then Kawerau, where the paper mill was under construction, then Auckland, then Rotorua, where he nearly got married.

In the early 60s he returned to Wanganui, settled down, and started stirring - wrote letters to the editor and all that sort of thing. It was the Cold War he felt mad about, and nuclear weapons were just part of that Cold War. Then the Vietnam War started and he was amazed at how blatant the US aggression was. Arthur went along to a public meeting which had been called to set up an anti-Vietnam War group in Wanganui. During the meeting he went to the toilet and when he came back he found he had been elected secretary.

That group kept going until about 1975. One of its main activities was collecting funds for the Vietnam Medical Aid Committee. Its biggest march had about 500 participants. During the same period Arthur was an active RSA member. In Wanganui this was no problem - another member of the peace group was president of the local branch of the normally bellicose RSA. Wanganui, says Arthur, was, and is, a tolerant town.

In the early 1980s a Wanganui Peace Forum was set up, with its main goal being a local nuclear free zone. Wanganui became the 35th NFZ, in 1983. Arthur set up the Wanganui Peace Research Group to contribute to this campaign. He started writing features for the local *Chronicle* in 1985.

Because of his war injuries Arthur hasn't worked full time since he was 43. But for many years he was part time cleaner at the local school, where he got to know lots of the kids, particularly by volunteering as a soccer coach...Arthur loves soccer, and maintains that the invention of the ball ranks in importance with the invention of the wheel. He looked after his nonagenarian invalid Mum for four years, and claims that during this period he was the first male to go on the DPB in the whole country.

Arthur lives cheaply. He has a beer before lunch and a martini before dinner. He used to smoke roll your owns. He is a great believer in transcendental meditation. He works about five hours each morning, does half an hour's TM after lunch, then goes for a walk in the afternoon. Doesn't go out much in the evenings.

The *Chronicle* once called Arthur the pacifist who is ready to fight. Arthur denies he is a pacifist. He says there are two schools of thought on how to work for peace. The first school says one should stay aloof from the military establishment, and oppose all military activity. The second school says we have to study the real world situation and if necessary, beat the military at their own game. Arthur sees himself in the second school. He says his military background is a big advantage in a peace campaigner, and one thing the military taught him is how to **organise**. Arthur isn't interested in having an impact nationally, there is so much to be done locally. He doesn't go to national or international conferences. He does donate money to Peace Movement Aotearoa. The World Peace Council awarded him a bronze peace medal in 1983.

Asked how it is possible to do peace research in a provincial town like Wanganui, Arthur says he gets most of the information he needs from the *Chronicle, Listener, NZ International Review*, and various World Peace Council publications. He uses Greenpeace material, people send him clippings, etc, and he borrows a lot of books through the Library Interloan network...

It's people like Arthur Reddish who constitute the strong backbone of the peace movement, and the broader progressive movement. He will be sorely missed.

And delving into this 1991 issue of *Peacelink* reminds me what a great pity it is that it no longer exists (CAFCA has a complete set). And an even greater pity that Owen Wilkes is no longer active in the peace movement, having transferred his invaluable skills and energy back to his first love of archaeology. Never mind, he might yet surprise us and prove that the Kaimanawa Wall actually belonged to a prehistoric secret US base.

"CLEARCUT"

Price Cut For Last Few Copies

Murray Horton's 98 page booklet on forestry in New Zealand has sold well since its 1995 launch. There are only a few copies left, and as the material is now 18 months old, we have cut the price. "Remaindered" is the correct book trade name.

Forestry continues to be a very big story, and one even more dominated by TNCs. Most recently, the Government has announced that it intends selling the Forestry Corporation, which includes Kaingaroa State Forest, the jewel in NZ's forestry crown.

Copies of "Clearcut" are available for $5 (CAFCA members and bookshops) or $10 (for the public). Send cheques and orders to CAFCA, Box 2258, Christchurch.

CAMPAIGN FOR PEOPLES SOVEREIGNTY

Public Outrage At Continuing Southpower Price Hikes

At the end of March 1996, Campaign for Peoples Sovereignty (CPS) organised a well attended public meeting to express opposition to Southpower's latest (4.9%) domestic price increase.

Don't Let Them Get Away With It.

Speakers included: Larry Sutherland, Labour MP for Avon; Rod Donald, Alliance candidate for Banks Peninsula; Councillor David Close, leader of the Christchurch 2021 team on the Christchurch City Council; Jim Lamb, of the Beneficiaries Advisory Service; and Murray Horton, of CPS. Those attending had a wide range of concerns, ranging from Southpower's ownership of Enerco, a North Island gas company, to the effects of power price increases on the poor. All were united in their opposition to the latest rise, and the grim realisation that it won't be the last.

Three resolutions were passed by a substantial majority.

1/ This meeting demands that Southpower cancel the rise in residential power rates scheduled for April 1.

2/ This meeting demands that Southpower cut, and cut substantially, residential power rates. We do so in the full knowledge that this will lead to a decrease in Southpower profits.

3/ This meeting demands that the Christchurch City Council, which owns Southpower on behalf of the people of Christchurch and surrounds, adopts a much more hands on control of Southpower affairs. The welfare of Southpower's residential customers, its actual owners, must be placed before the drive for greater profit.

The following is from Murray Horton's speech, on behalf of CPS.

From April 1st, Southpower is increasing domestic power prices by "an average" of 4.9%. In reality, many people will face a higher increase. For example, our bill at home is going up 6% - we're on Residential 1 rate. People on Night Store rates are facing increases of 10% and more. This is on top of the 23% domestic price increase introduced between 1992 and 1994 (at 1% per month). And when I was going through my Southpower clippings file, I found another price increase that had slipped by me - a 3.25% rise in July 1995. So our domestic power bills are now more than 30% higher than what they were when Southpower became an energy company.

While domestic power bills have been going up, business rates have been steadily going down. Southpower calls it "removing cross-subsidisation".

And our bills have been going steadily upwards whilst Southpower has been making record profits. Under the 1992 Energy Companies Act, which inflicted this whole sorry mess on the whole country, energy suppliers have been legally obliged to make a profit. Fair enough, but Southpower has taken to it with gusto.

Southpower is a very profitable concern. For the 1995/96 financial year, it made a profit of $19 million, a 16% increase on the projected figure. For the coming 1996/97 year, it is projecting a profit of $24.1 million. If that latter figure is accurate, it represents a **100% increase** in profit in only three years. Southpower, and Enerco, the North Island gas company it bought, supplied more than half the total revenue of the Christchurch City Council for the 1994/95 year.

Who bears the impact of power bill increases? Those least able to cope - the unemployed, low income earners, beneficiaries, the poor. The Electricity Act means that customers can contract to buy their electricity from any other supplier, and big customers can play that game. But this law has zero effect on the great bulk of Southpower's customers who are domestic consumers. We are a captive market and Southpower is a monopoly. Why should the poor underwrite a handful of big customers who can afford to shop around for a better deal?

Power Bills Could Be Cut Substantially

If Southpower can chalk up a 100% increase in net profit within three years, then it can damn well afford not only to not increase domestic power bills, but to **actually cut them**. We fully realise this will mean a lower profit. Fair enough - Southpower is publicly owned and is supposed to be supplying an essential service, not racking up record profits. Isn't one of the benefits of the much vaunted market supposed to be that things become cheaper? Well, they have,

but only for businesses, not the public. That tells us heaps about the priorities of both Southpower and the Council. Nor do we think that the answer lies in gadgets like Power Manager, which could be more properly called Poor Manager. Southpower boasts that it has one of the lowest (if not the lowest) line rental in the country. **It's making so much money that it can afford to actually abolish line rentals altogether and still be profitable** *(in exactly the same way that Telecom could abolish residential phone line rentals and still remain profitable. Ed).*

Unlike the situation in other cities, such as Wellington and Hamilton, Southpower is still publicly owned. The Christchurch City Council owns 87% of it; the rest is held by other local bodies. The Council has announced many times, and we support them, that it has no intention of privatising Southpower.

Let's get one thing clear - our criticism of Southpower and the Council **does not** mean that we want to see it privatised. All sorts of other groups, from the Business Roundtable to rival retailers to the odd publicity seeking City Councillor have criticised Southpower and called for it to be privatised. We are definitely not on the same side as them. Quite the opposite. We fully support it being a publicly owned company but we want that taken much further. We want Southpower to also be publicly controlled and publicly accountable.

The Council staunchly maintains a hands off approach to Southpower, maintaining that it is an independent company. No it's not - the City Council operates it on behalf of its owners, the people of Christchurch and surrounds. If you ask for responsibility for the hard questions (like "why are you putting up power bills?") Southpower refers inquiries to the Council; and the Council refers them to Southpower. If they're both really pressed, they blame it on ECNZ or the Government. That's not good enough - we own this highly profitable monopoly but get constant price increases and no say in how it handles our money. It's time the Council properly performed its role of operating this publicly owned asset on our behalf. We call for a much more hands on role by the Council.

We have a couple of other major bones of contention, which I'll touch on only in passing. One is accountability or lack thereof. Ever since Southpower became a company, its proceedings have vanished behind closed doors. Its Board meetings are closed to the public and media; its Minutes exempt from the Official Information Act that previously covered them. All it offers is one Annual Meeting, which is simply a PR exercise. It's not even as good as a company AGM. At least company shareholders get a vote. We, as Southpower's shareholders, get no vote in its affairs. And the other issue is the lack of any mandate for it to go wheeling and dealing into the increasingly murky world of the energy market. It bought Enerco without any public consultation or mandate and exposes Christchurch ratepayers to the risks inherent in playing the stock market.

To conclude, we want Southpower to be publicly owned and publicly controlled in more than name; to be accountable to the people who fund it; to realise that it has no mandate for playing with our money in the wheeler dealer corporate world; and to give priority to the public by cutting domestic power bills.

COUNCIL DEFENDS PUBLIC OWNERSHIP

But it's not all bad news. Despite a relentless campaign by the Business Round Table, the Building Owners and Managers Association (BOMA), the Merivale Precinct Society and one or two City Councillors, for the privatisation of Southpower (or the issuing of shares and/or customer rebates), the City Council has upheld its support of local body ownership. For this, CPS (and CAFCA) can take some of the credit for keeping the bastards honest.

"Mayor Vicki Buck said it was vital that the Council retained ownership over Southpower so that strategic decisions about Christchurch's future were made here and not in corporate boardrooms in London, the United States or Australia. 'I make no apology for having major utilities in community ownership and the profits coming back to these communities. So long as the Council owns it there is a degree of accountability. Money in the New Zealand marketplace will be made from the utilities. Why do you think there is such pressure on councils to sell them?'

Citizen's Action leader Cr Margaret Murray said her group was committed to keeping Southpower in public ownership. 'Privatisation of a monopoly leads to control by international investors. This is not in the interests of Christchurch people'" (*Press*, 23/5/96; "Southpower stays in council hands").

So even the local Tories are on our side on this one. What a pity that Mayor Vicki Buck didn't follow her own advice when it came to ownership of Trust Bank *(see elsewhere in this issue for the whole sad and sorry Trust Bank story. Ed).* As a member of the Board of Trust Bank Canterbury Community Trust (the single biggest shareholder in Trust Bank New Zealand Ltd), she voted to sell 100% of the bank to Westpac. That is the perfect negative example for those vocal proponents of putting Southpower (and other local utilities) into the hands of a trust. Some nice respectable businessmen and civic worthies get onto the board and before you can say globalisation, it's gone to "corporate boardrooms in London, the United States or Australia" (Australia, in Trust Bank's case).

WAIHOPAI UPDATE

Three Convicted And Discharged

Watchdog 81 reported on the annual protest held at the Waihopai spybase, in January 1996. Six people were arrested for wilful trespass, which is nothing unusual, but this year, for the first time this decade, the police and the painfully shy Government Communications Security Bureau (GCSB - the NZ intelligence agency which runs the base on behalf of US, British and Australian Big Brothers) decided to actually prosecute the charges in court. In the recent past, charges have either been dropped or "lost" in the system.

One defendant pleaded guilty and got diversion. The police withdrew charges against two others, apparently fearing that they hadn't been sufficiently warned prior to arrest.

That left three, including Bob Leonard and Warren Thomson, leading figures of the Anti Bases Campaign (ABC), and co-editors of its journal, *Peace Researcher* (Katherine Stokes was the third). They appeared in court in Blenheim in June. Bob Leonard had a well researched defence, which cited the 1990 Bill of Rights Act, the 1993 Privacy Act and the 1982 International Telecommunications Convention (the Nairobi Convention). The judge, however, was having none of that "political" stuff in his court, and stuck rigidly to the narrow issue of trespass. He convicted all three, but because he deemed them "sincere", imposed no penalty beyond that. Thus there were no fines or even any court costs, which is a good result.

But it still cost several hundred dollars in lawyers' bills. All donations gratefully received. Send cheques to: ABC, Box 2258, Christchurch. Specify that it is for Waihopai legal costs.

"A BEGINNER'S GUIDE TO FOREIGN CONTROL"

Murray Horton's Speech Available

For the past several years, Murray Horton has used his "A Beginner's Guide to Foreign Control" as the basis for speeches and papers delivered in Christchurch, and around the country. Most recently, he worked through it (accompanied by excerpts from CAFCA's video collection) while running a four part course on foreign control at the Christchurch WEA. He makes sure that it is continously updated. But at nearly 30 pages it's far too long for us to consider publishing, even in such a longwinded volume as *Watchdog*.

That's why we have decided to make copies available to members who request them. It covers: the global context; foreign control in Aotearoa; myths about foreign control; future trends; "free" trade; and what we can do about it.

You can order it from CAFCA. Enclose $5 to cover copying and postage.

CHEQUES

Please Make Them Out Correctly

At the beginning of 1996, a new law came into effect tightening up the acceptability of cheques. If they are marked "not transferrable", then they can only go into the bank account of the person or group named on the cheque. They can not be signed over. If they are incorrect, we have to return them to sender, with a request that s/he start again.

We have received, and continue to receive, cheques intended for CAFCA but which are made out to *Watchdog* (no such bank account), or Murray Horton (thank you very much but no thank you). In the past they could be signed over to CAFCA. That is not possible now. All in all it's a hassle and not one of our making.

Please ensure that your cheques, for subs, donations, purchases, etc, are made out to CAFCA, and nobody else. If you wish to make a donation towards Murray Horton's pay, then make your cheque out to the CAFCA/ABC Organiser Account (which is a separate account).