

*Foreign Control*

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# CORPORATE PRESSURE ON JOURNALISTS

- Ian Wishart

*This is the paper presented to CAFCA's "Who Owns The News?" seminar, in August 1996. Ian Wishart is the author of "The Paradise Conspiracy"; and a journalist specialising in the Winebox saga.*

*The other speakers were journalists Chris Hutching ("Who Owns The New Zealand News Media?"); Tom Frewen ("Who Sets The Agenda?"); and CAFCA's Murray Horton ("The Politics of The Press"). Copies of all four papers are available from CAFCA, Box 2258, Christchurch, for \$5. Ed.*

For those who haven't heard, I was an investigative reporter for TVNZ until I was suspended on Friday October the 13th 1995 and placed on "special leave", after daring to publish a book called "The Paradise Conspiracy" (reviewed in *Watchdog* 81. Ed). I can safely report that after ten months, I'm still on special leave. I feel like one of John Le Carre's spies who hasn't come in from the cold - yet,...although, given recent events in this city, perhaps my reference to espionage is a little "indelicate".

That is, however, what we as journalists do: we spy on people. We are, or we should be, the secret agents of democracy - ferreting out that which remains hidden, but which should, in the public interest, be exposed. Before I get stuck in, I thought I'd remind you of some of the things that happen to journalists when they refused to be controlled. Some of you will remember Ms Guerin, the Irish investigative journalist gunned down and killed as she tried to expose organised

crime. Now, from Argentina, we hear of another journo vying for the same epitaph. Santiago Pinetta has been attacked four times since he uncovered a \$360 million dollar bribery & corruption case involving a Government-owned Bank and an Argentinian subsidiary of the giant IBM corporation. The most recent attack was probably the most savage...his assailants cut the letters IBM into his chest.

The theme of my address today is "Corporate Pressure On Journalists"...perhaps this is a literal example...proof that a sword can be used as a pen. In Mexico at the moment, journalists have exposed major corruption involving the sale of Mexico's state-owned assets to a string of major multinationals. The US Justice Department is investigating. In Mexico, Argentina and other countries that we like to think of as 'third world', journalists and the news media in general have more to worry about when they do a story than whether its defamatory or not. These people sometimes put

their lives on the line...because they believe fervently in the public's right to know, and in freedom of the press. Perhaps its because the media in developing countries know from first-hand experience how precious and fragile freedom really is, they cherish it more than we do in our 'quarter-acre pavlova paradise'.

When was the last time you saw a New Zealand journalist put their life on the line in a bid to expose corruption? I'm not saying for a moment that there was any corruption in New Zealand's state asset sales, but did any New Zealand journalists ever dig deep enough to find out? I don't think so. The question is why. For the record, I don't subscribe to some vast conspiracy theory - that a small group somewhere on the planet have plotted over decades to take over the world. I do subscribe, however, to conspiracies of greed and self-interest. Smaller, sleazier conspiracies that come as naturally to humans as breathing.



"Who owns the news?" They do. Rupert Murdoch and Kerry Packer

with a vested interest, you are almost guaranteed to find some sort of plot being hatched to ensure that their vested interest is not threatened or undermined. Unfortunately, in New Zealand culture, we have been taught that it is rude to question the motives of our "betters", and we have managed to turn obsequiousness into a kind of national sport. We hear it in the breathless hero-worship of business and political leaders, particularly from acolytes of the loony right who have fallen - hook, line and sinker - for the cleverly crafted slogans and soundbites that now pass for public debate in this country. We are a nation of sheep in search of a shepherd...and in the process we've managed to pull the wool over our own eyes.

All of this rubs off on journalism graduates, who enter the workforce with fire in their bellies but quickly find themselves forced to conform with prevailing public opinion. It is at this level that pressure on journalists begins. Most will go through their careers never realising that there is a world hidden from their view, and that makes it very hard for them to believe it when someone gets up and makes allegations about it. That someone is usually dismissed as a "conspiracy theorist".

### Two Worlds

But there are, in fact, two worlds on this planet, one that you see and one that you can't see. The world you see is that which is around us every day and whose trials and tribulations feature on the TV news every night. This is what people naively call "the real world", but they are wrong. The real world is one populated by big business and global political dealing, outside the glare of media coverage and public scrutiny. The only links between these two worlds is when Government or corporate press advisors decide that today is the day to release as "news" something that they've known about for months.

I have been a Cabinet press secretary, and I have taken part in a cynical but highly effective manipulation of the news media. We might be getting too much heat on an issue, so we contrive to release something else to distract attention. Everytime we did that, the media fell for it. They could not help themselves. The big issues that might have crippled our Government slipped from the front pages and the top of the news bulletins, because the journalists foolishly believed something newer had come along. It wasn't newer, it was just that they didn't know about it.

The agenda of much that you see in the news has been set by corporate and Government PR people. It's important not to become too cynical, because 90% of what is released concerns routine issues of the day...but just as it is important not to be too cynical, it is also important not to be too Pollyanna, too naive and gullible. The difference between the real world and what I call the TV world is illustrated by the collapse of companies like Fortex and others...institutions praised by journalists and politicians as success stories that turn out to have been built by fraud and deception.

The media accepts people at face value because it has to, to

some extent. If you question someone too hard, or suggest they are lying or trying to hide something, they sue you. This is how big business and big government control the media...through fear.

Why do they need to control the media? The other day I was talking to a friend of mine in Government service at the highest levels, in a clandestine occupation. "Ian," he said, "you've got to realise that 60% of what goes on in this world is stuff the public will never find out about. It has to be that way, because if they knew the truth it would cause mass hysteria and all sorts of problems." I half expected him to tell me aliens have been communicating with world leaders for some time...but seeing as our conversation was in the context of multinational links to Pacific Rim governments, I presume he was restricting his comments to that subject. Nevertheless, his comments speak volumes. This is not some kid straight out of spy school, this is a man nearing retirement at the top of his chosen field, a respected and powerful individual. If the public knew the truth, he said, there would be mass hysteria.

Isn't it our duty, as journalists, to find that truth and publish it, or should we self-censor and choose not to expose the truth? At what point do we become part of a cover-up? Certainly, I have been asked to do just that.

When we first uncovered the truth about the Winebox deals, I kept getting the message through the corporate and political grapevine that what we were doing could destroy New Zealand's economic recovery and cost the country billions. Some things are better left alone, they told me. Others involved in the investigation with me were getting similar feedback, so I don't believe the comments were random. I believe it was an appeal to our patriotism, to stay silent about the Winebox deals for the greater good of all New Zealanders. We responded by saying that our democracy should be strong enough to handle the truth, and if our economic recovery falls over as a result then it wasn't a true recovery in the first place.

To this day I remain thankful that we didn't fall for that crap. Others have. When "The Paradise Conspiracy" was published, with its revelations that New Zealand soldiers have been secretly fighting and dying in foreign wars right up to the present day...some of my colleagues dismissed it as a conspiracy theory. One senior reporter at a provincial newspaper didn't however. He had known for years that the Special Air Service (SAS) had been doing this, but he'd been pressured not to run the story. The public shouldn't be told, had been the message. Officially, the Government and the Army were prepared to blatantly lie to any journalist who asked direct questions about the SAS serving overseas. For two decades the public have been kept in the dark about an important aspect of our foreign policy, because of pressure on the news media not to tell the story. Despite the fact that details are in my book, and have now been investigated and published by peace researchers, this is not a story that you have ever seen on *One Network News* or *Holmes*. Why not? It's a valid question, but so far I haven't heard a valid answer.

## Unspoken Corporate Pressure

I mentioned a few minutes ago about reporters going through most of their careers without ever coming into contact with the forbidden zone - the stories they are not allowed to do for political or other reasons. The journalists don't come into contact with them because decisions on who chases what story are usually made by senior editorial staff. 99% of the news coming across their desks will be mundane, ordinary news stories, but occasionally there's a tricky one.

The *Frontline* TV programme on the Winebox could be classed as a tricky one, especially when senior management were taking actions that came dangerously close to sinking the documentary before it ever screened. It was then that the reality of how the news is managed hit home. Our news bosses had the best of intentions to run the programme, but ultimately they report to more senior, corporate managers. By the time you've reached the level of TV news director or newspaper daily editor, you've generally reached the pinnacle of your journalistic career, short of leaving the newsroom behind to become a senior executive. By this time in your life, you're on a very high wage, you have children and a mortgage to pay. Most importantly, there are few if any job vacancies in the Southern Hemisphere, let alone New Zealand, at your level. If you stuff up this job, the only way out is down. Faced with that sort of reality, is it any surprise that senior staff in news organisations may not be prepared to run stories that their bosses won't like?

It is not the overt corporate pressure that kills investigative journalism in this country, it is the unspoken corporate pressure that comes from having you over a barrel. This was the choice I faced when writing "The Paradise Conspiracy". Telling the truth about what had happened inside TVNZ meant that I had to walk the plank, a hard decision to make when you have two young kids and a mortgage. You will be banished to the fringes of journalism, they told me.

I am pleased to say that newspapers like the Christchurch *Press* and others didn't see it that way, and had the courage to take on a journalist who had nailed his colours to the mast.

I was told, the week before "Paradise" came out, while I was still employed at TVNZ, that some corporate interests had been lobbying to have me taken off a documentary I was working on at the time. I do not know if they were indeed asking TVNZ to take me off the case, but I do know that I was taken off the programme a couple of days after the PR executive for one of the corporates expressed surprise that I was still working on it. I have no problem with corporates lobbying the news media to push their case or complain about something, but it does annoy me when the media bosses apparently don't have the balls to take the heat. We, as working journalists, go out on a limb for our employers, and they repay us by helping a whinging corporate saw off the tree branch we're sitting on.

This is corporate pressure at its simplest form, but there is a more sinister version, where the news is manipulated, either directly or indirectly, to create an unhealthy slant. These big

distortions, on the issues that affect all of us, are more subtle, more deliberate, and far harder to spot. Look at the Michael Laws affair. All credit to the Hawkes Bay newspapers for pursuing a legitimate local body news story. But...who engineered all the innuendo that blew up around it, and why did the news media keep broadcasting and publishing that innuendo without any factual backing for it? You can make your own minds up, but at the end of six weeks of daily coverage, all we were left with was the fact that Laws had found out about a prank signature on a poll document, and lied about who signed it in order to protect his secretary. The issue was not the signature, it was Michael Laws' decision not to tell the truth when he found out about it. He took the proper course of action and resigned. Despite that, the Prime Minister and ACT kept suggesting that questions remain, and we haven't seen the last of the Michael Laws affair. Many media commentators bought that innuendo hook line and sinker, just go back and look at some of the coverage. But it's been months now, without a skerrick of evidence about anything more sinister.

At TVNZ, I'd already had first hand experience of a corporate attitude towards New Zealand First, when senior managers, outside the news division, ordered the removal of Winston Peters from the Winebox programme because they didn't like his politics. Some of you may sympathise with their motives, but removal of an interviewee for political reasons by a so called objective news organisation is a national scandal. Of more significance, if they can do it once they'll do it again, and next time it might be you or your organisation on the receiving end. I fought against it on a matter of principle - I would have done the same regardless of whether it was Peters, Bolger or Anderton being removed for political reasons. If the team making the TV programme remove an interviewee for editorial reasons, that's one thing, but to have the censorship made by people not directly involved, and for political reasons, is absolutely abhorrent to me.

## Deathly Silence

For two years, Peters and a small band of journalists and lawyers fought desperately to expose the contents of the Winebox, while against them rallied a massive subversive campaign mounted by political and business interests with the apparent assistance of some in the news media. Their agenda, as I have spelt out in the book, was to ridicule Peters and others, and make the public believe that there was nothing in the winebox worthy of investigation. Their agenda was not to bring people the truth, but to distract them with lies. For two years, that agenda worked. Who was yanking the chain and why, I don't know.

Some six weeks or so before "The Paradise Conspiracy" was published in 1995, private investigators associated with one of the corporates had been trying to get hold of a copy of the manuscript for the book. Somehow, they obtained a draft copy of the book illegally - and I stress that...ILLEGALLY, because the few parties who had draft copies had been placed on notice that the work was copyright and not to be shown to anyone without my express written permission. One of

my contacts warned me that the corporate had obtained one within 24 hours of the event taking place, and he also told me that the company had told the prospective publisher of the book that they would be sued for millions if they handled my book. The next day, that publishing company backed away from the deal that we had, forcing me to publish the book myself or lose everything. This is an extreme, but true, example of the lengths some people will go to to stop the truth coming out. Had this dirty little scheme succeeded, I would not be here today, and there would be no "Paradise Conspiracy" book for you to read.

There are a number of ways that those in power can try to discredit a book. If you take Nicky Hager's book on espionage, "Secret Power" (see review elsewhere in this issue. *Ed*), the authorities tackle that one by lending their weight to news stories suggesting the information is all old hat. It's the "so what" brush-off. Alternatively, they can label it all as paranoid conspiracy theory.

Surprisingly, the only official reaction from any of the named individuals and companies in "The Paradise Conspiracy" was deathly silence. They are so frightened of creating publicity about the book that not one of those named in it has ever publicly commented on its allegations. In the days before "Paradise" was published, numerous journalists rang me wanting interviews to follow up on the major revelations in the book. Very few of those interviews ever saw the light of day. I had journalists at some major newspapers ringing and apologising to me, because every story they did was withdrawn from publication by their editors. I'm not sure whether it was because "Paradise" is politically incorrect - attacking the sacred cows of big business and Government - or because someone was leaning on the editors. I subscribe more to the earlier theory...that some of my senior journalistic colleagues simply didn't want to give credence to something that made them look like wallies. Thankfully the Christchurch Press was not in that category.

The week before publication, "The Paradise Conspiracy" was referred to the Solicitor-General of New Zealand for a ruling on whether it should be banned because of its explosive content. They tried to do the same thing with a book called "Spycatcher" a few years ago. Needless to say, "Paradise" went on sale and became a runaway bestseller.

Was it worth losing my job over? I think the answer must be yes. If any one of you had devised the schemes in that Winebox, and they fell into the public domain, do you believe for a second that you could have held off the investigating agencies? I don't think so. To illustrate my point, take the example raised at the Winebox Inquiry of a movie called "Merry Christmas Mr Lawrence", which the Inland Revenue Department (IRD) alleged was a tax evasion scheme. One group of investors, mainly partners in mega law firm Russell McVeagh, obtained a very favourable settlement from the IRD. One IRD witness described the favourable settlement as blackmail. An Auckland lawyer who appeared said a Russell McVeagh tax partner was threatening to use embarrassing information about an IRD official as a weapon to get the prosecution dropped. Do any of you here think for

a moment that you could blackmail the Tax Department and get away with it? Would you have believed that such a thing was possible, if you hadn't heard it from the lips of a senior tax investigator? The IRD head office subsequently signed a letter promising never to prosecute Russell McVeagh or its clients...and later the IRD and Serious Fraud Office (SFO) stated that there was nothing illegal in the deals. If there was nothing illegal, why did the law firm demand that the IRD sign a secret agreement not to prosecute?

The Russell McVeagh lawyer involved has appeared at the inquiry and denied blackmailing the department. He says the other witnesses have got it wrong. Small to medium sized businesses in New Zealand have been persuaded to support various government policies in the name of the so-called "level playing field". Which is fine as long as the playing field really is level, and that the referee will call a foul when he or she sees one. Otherwise the game isn't fair, and the odds are stacked against the rest of us. The Inquiry has been asked to judge whether the Serious Fraud Office and the IRD acted lawfully or competently in their handling of the Winebox. I suggest that on the evidence to date many people are already forming their own judgements.

### **A Fools' Paradise**

The whole point of my book is to expose the truth about New Zealand, however abhorrent and shocking that may be, because we have lived in a fool's paradise for the past decade and it's time to wake up and smell the coffee. An analysis of the evidence at the Winebox Inquiry shows that a huge hunk of Fay Richwhite's profits during the late 1980's came not from producing anything that could be exported to earn money for this country, but instead that chunk of profit came directly from raids on the New Zealand Revenue, effectively withdrawing the taxes paid by the rest of us. And yet we were the mugs who were told by the current Government to look up to this crowd of leading business brains and follow their example.

These are the stories that exist out there, and many more in a similar vein, but they are not stories that you will see on the six o'clock news, because our news leaders are too scared to run with them. How do you beat that sort of corporate pressure on journalists...you call their bluff. If journalists stand prepared to resign on issues of principle, and their colleagues stand ready to go on strike in support, then you will have a free press. But if there is no leadership in the media, then we have a free press in name only. Ultimately, we must all have the courage of our convictions, the ability to stand up and say "this is wrong". We must stop being intimidated by the defamation laws. We must endeavour to get our facts right, and having done that we must take the risk of publication. I for one would like sweeping changes to our defamation laws to bring them into line with America's. The suggestion that a businessman's hurt feelings are worth more than a mother of three who is gang raped and beaten is absolutely abhorrent, and I for one can't understand why New Zealand juries insist on paying out millions of dollars to bleating business executives. The players on the other side are not helpless debutantes who spend their evenings sobbing because vari-

ous allegations have hurt their feelings - they are tough, and ruthless. Accusations of guilt are easy to make, and perhaps are sometimes wrongly made, but by the same token - protestations of innocence can be wrongly made but too easily believed by the gullible.

Only the other day I was interviewing a lawyer who will feature in the next big expose we're writing. I made a number of allegations against him, and he said he would sue me for defamation if I published those details. All lies, he said. I'll sue you for wrecking an innocent man's reputation, he said. And as he said this, I was looking at documents which prove that this lawyer has committed perjury...a criminal offence carrying a seven year jail term. But to listen to him, butter wouldn't melt in his mouth. Just because someone says they are innocent doesn't mean they are. Keep an open mind until the final whistle is blown.

To those who suggest the Winebox Inquiry can now be closed down...read "The Paradise Conspiracy". I didn't need the protection of Parliamentary privilege to name names in that book... and not one person has taken legal action against me. If they did, they would lose. Everything you read in that book is a provable fact. It is with my background in public relations work that I quickly recognised the fingerprints of damage control and media manipulation in relation to the Winebox.

Some of you may dismiss this as paranoia or conspiracy theory, but my response is this. When you have sat in the Auckland police headquarters and discovered that police and customs both have intelligence files linking certain business figures - none of whom I have referred to here - but linking these people to overall control of the New Zealand drug industry, when you have had this explained to you, it comes as a shock. When you then discover, as I did from a very high ranking cop, that police are not allowed to investigate these people, then you come to realise that the happy, clean green New Zealand that the media portrays doesn't exist. When you hear, from another police officer, of a major 1980's surveillance operation on a cocaine ring being switched off and forgotten after the discovery that a Government MP was involved, then you come to realise just how far the rot has gone. Some of you may have seen a television debate recently where gangs were accused of controlling New Zealand's drug industry. I'm sorry to shatter any illusions you may have. Our cannabis industry is worth about one billion dollars a year. If you listen to the cops, a large chunk of it is run by the gangs. Don't you think if those gangs were earning that much cash we'd be seeing the results after all these years? No, the drug industry is ultimately controlled by high-powered business people with high-powered lawyers and accountants who help launder the profits. They use the gangs as their retail outlets and as a private army. Gang members have been hired by business people to stage robberies on competitors, to burgle premises and to terrorise people. They have also been hired to kill. If the gang member gets caught, they take the rap, do the time, and come out of jail later with a big fat pay cheque to greet them for their silence and loyalty. That's how it works in New Zealand. The police know this, they're not stupid, but there is only so

much they're allowed to do. Yes, the gangs are the public face of our drug problem, but they are only one group clipping the ticket on the way through.

### Armed Uprising Within Five Years?

I mentioned to you earlier about the difference between the TV world and the real world. Let me give you another example. There is another, more dangerous side to this that we should all be concerned about. Treasury estimated that New Zealand was losing up to a billion dollars a year during the late 80's through Cook Islands tax schemes. That was money that could have paid off the Government deficit a lot earlier and taken the pressure off some of the social services. Instead, that pressure was left to build. History shows that if you push people too far, there will be a downstream result just as surely as the sun will rise tomorrow. We ignore that at our peril. Whether the day of reckoning is in five years or 20 is irrelevant - it will come.

I had the pleasure of attending, about a year before my demise from TVNZ, a private briefing for senior television executives and a newsroom representative (myself) on economic projections for NZ. This briefing was given by a leading economic forecasting group. The analyst warned that if the gap between rich and poor widened in New Zealand by too much further, there would be a possibility of an armed popular uprising within five years! This was the opinion of a leading business advisory group, talking about New Zealand's future. They were already detecting the early conditions necessary to foment such a scenario. Of course, those around the table with me, all keenly following the leadup to the TVNZ-sponsored America's Cup campaign and never venturing closer to Otara than a trip to the airport, guffawed with disbelief as they sipped coffee provided by servants. These people don't mix in blue collar circles, and they don't pay any attention to what they call "the politics of whinging". By refusing to hear or see the discontent around us, we are condemned to meet the fate that has befallen countless ruling classes before us. Sir Roger Douglas recently said there will soon be parts of New Zealand, and I quote, "where it is too dangerous to go. They will have to be fenced off, to protect people."

Is that the New Zealand that you and I grew up in, where we spent long hot summers with our families? I ask again, what has happened to our country? Now I personally don't believe we'll see an organised armed uprising in New Zealand, because New Zealanders don't exhibit the same kind of passion for causes that some in other western countries do. But even if we manage to avoid a revolution by default...what does that say about the health of our democracy?

Why are we not seeing more in depth journalistic investigation of these issues...is the New Zealand media really so far out of touch? If the Winebox Inquiry achieves nothing else other than a cold hard look at corporate morality and the effect that it can have on a nation, then in my view it will have been a success. If it also makes journalists aware that they can break out of the rut and tackle real news, then that too is a plus.

# WHO OWNS THE NEWS? THE ADVERTISERS.

Bill Rosenberg

The liveliest correspondence in the Christchurch *Press* for several years was sparked recently by its TV critic, Ken Strongman. Correspondents fumed at the overwhelming level of advertising on our free-to-air TV channels. The immediate impact of ads is disruption to people's viewing. But the debate soon went beyond that. It became clear that because TV is reliant on ads for its revenue, it has to choose its programmes to attract the viewers who will attract the advertisers. That is hardly a cross-section of New Zealanders and leads to restricted choices of programmes. Advertisers want people with money who are willing to spend it. Those people are usually young or middle-aged, and have plenty of discretionary dollars. They are not attracted (programmers think) by investigative journalism or hour-long documentaries, or serious news coverage beyond tabloid journalism.

The crassness of our TV (one of Richard Prebble's proudest gifts to Aotearoa) is frequently and rightly deprecated. In effect, the advertisers choose the programmes. That is the effect of commercialisation.

But what is almost always missing from these observations is the fact that *all* our news media other than (perhaps) public-funded, commercial-free radio, is in the same condition.

It's not quite as obvious in the print media. The dailies (the source of serious news for most people who don't rely entirely on TV and radio) have long articles and backgrounders. They have a variety of specialist pages and writers. And you can skip the ads – even consecutive full page ones. Yet the trend is to magazine-style "lifestyle" topics where the local content is overwhelmingly easy-to-write (read cheap-to-write) reviews, interviews and reprints from overseas publications and agencies. All our panellists and audience agreed that, with very few exceptions, investigative journalism is dead in Aotearoa other than in a few specialist publications.

However, it goes further than the loss of investigative journalism. The news coverage is superficial, relying heavily on news handouts and opinion-pieces, leaving the news pages open to manipulation by the "spin-doctors" amongst whom Michelle Boag is distinguished only by being caught. Journalists rarely feel they have the time, let alone the encouragement, to look far behind the news releases (see side boxes).

It's for the same reason as TV. Publications rely on advertising for their income. If they don't, they have to charge high cover prices (look at the business weeklies and the Auckland glossies). Either way, they end up "choosing" a readership that is scarcely a cross-section of society. That it is wealthy and likely to be relatively conservative will of

course suit the views of the owners, and the editors they appoint.

It is somewhere around here that the insiders (journalists) and outsiders (readers, political groups, those cast aside like Ian Wishart) begin to part company.

The journalists grow cynical. They realise that journalism is just another job, their newspaper or magazine is to its owners just another product like a tin of baked beans. If they want a job they have to accept that reality. The reality they see is that the owners of each publication choose the market they will aim it at. They will then choose content to suit. The business weeklies print business news and opinion reported from an impeccably Politically Correct right-wing stance. That's what attracts their customers. The daily newspapers are a bit more like a supermarket, having to attract a wider range of customers. Nonetheless, their advertisers have no interest in those people imprisoned by their poverty in Otara who never go past the corner store or may indeed never read a newspaper. And so it goes. Commercialism is the perfect excuse for publications that ignore the problems of the down-trodden in society. Journalists see it as inevitable: after all, everyone is free to set up their own newspaper! From the outside, we see it as conservatism controlling our mass media.

After all, say the journalists, in larger countries newspapers make no pretence at covering a wide spectrum of opinion. In London, you can pick up a newspaper to match your views (admittedly a considerably smaller choice if your views are on the Left than if they are on the Right). The newspapers have chosen their market, and that is their right. In Aotearoa there is no history of such political diversity in the mainstream press. That may be due to our smallness or to lack of competition (no main centre has any). But really it is due to commercialism.

So where does that leave those of us who want to reach the public with views that challenge the current orthodoxy? We asked our panel that. Their view was that it was pointless trying to penetrate the mainstream media: they have chosen their "market", and our ideas are not what that market wants. We should use our own media. All very fine, but our media reach a few hundred, perhaps a few thousand people – not tens or hundreds of thousands.

The question we wanted to explore in the seminar was how ownership of the news media affects what it reports. The short answer is simply that if it is owned *for profit* it will only rarely step outside a mind-numbingly conservative view of the world. It is commercialism that kills the search for truth more than any interference by right-wing politically

# Confessions of a Spindoctor

One of the most disturbing trends in journalism in Aotearoa is the migration of journalists from "seeking the truth" to "shaping the truth". They can get enormous increases in salary (think of Michelle Boag's \$300,000-plus) by moving from the press gallery to a Minister's office as "press spokesman", from the business pages to fronting for a large company, from TV current affairs to TV advertising. Think of Richard Griffin, David Beatson, Katherine Azare, Ian Fraser, Lindsay Perigo, ... There are major ethical issues here that are never addressed, not at least in public. It does little for the reputation of the journalist profession.

But it was intriguing to hear from a former spin-doctor. Ian Wishart, author of the *Paradise Conspiracy* (and dismissed from TVNZ when he published it), and permanent freelance reporter on the Winebox enquiry, was a ministerial PR man for the 1984-1990 Labour government. His job was, among other things, to inject a diversion into the news when bad news threatened:

"I have been a Cabinet press secretary, and I have taken part in a cynical but highly effective manipulation of the news media. We might be getting too much heat on an issue, so we contrive to release something else to distract attention. Every time we did that, the media fell for it. They could not help themselves. The big issues that might have crippled our Government slipped from the front pages and the top of the news bulletins, because the journalists foolishly believed something newer had come along. It wasn't newer, it was just that they didn't know about it. The agenda of much that you see in the news has been set by corporate and Government PR people. It's important not to become too cynical, because 90 percent of what is released concerns routine issues of the day...but just as it is important not to be too cynical, it is also important not to be too Pollyanna, too naive and gullible." (From speech to CAFCA's seminar, "Who owns the news?")

His most interesting story was how GATT was sold to the media. The story (not verbatim) went something like this. Everyone knows that GATT is boring, but the Labour government wanted to sell it to the country. So intrepid press secretary Ian Wishart scratches his head, then starts ringing around those who might benefit from a GATT settlement. He rang the Dairy Board. "How much will New Zealand benefit?" he asked. "Haven't a clue" was the reply. "Go on, give me a guess, ball-park figure." (Noises off - blah blah, 3%, blah blah, exports per year, blah blah) "oh perhaps \$3 billion". "Thanks." That figure was incorporated in a press release ("industry sources estimate that" or suchlike) and through constant repetition became regarded as an official estimate. And we naïve GATT-sceptics attributed it to a mad economist!

motivated owners. The news is no longer (if it ever was) presented for its own virtues. It is presented to attract an audience to the advertisers - whether it be in print, on radio or on TV.

But that is not quite the whole story. Competition forces down standards. If the main newspaper chains are run as they are, with *above all for profit* on their mastheads, then those which step out of line will risk losing advertisers and the battle for survival. Our newspapers are dominated by two chains which in 1991 between them owned two-thirds of provincial press circulation and over 90% of the metropolitan readership (*Republican*, no. 80, July 1993, "The political economy of communication", by Wayne Hope) and by now even more. That they are transnationals is no coincidence: they have honed the skills of running a newspaper like a baked bean factory. And while our working journalists all say they have never seen stories withdrawn for political reasons (though TVNZ recently withdrew an *Assignment* programme on the Employment Contracts Act) that is not the only way in which news selection occurs. It can occur by selecting editors and journalists who "know the rules", or simply promoting only those who do. It is difficult for example to imagine one of our transnational-owned newspapers campaigning against transnationals.

How do we get out from under this suffocating blanket? The answer must be to avoid commercialism. It is not enough to have Aotearoa-owned news media. There is a strong and persuasive lobby for public-service television and radio. The analysis must be carried further. Precisely the same arguments apply to the newspapers. We cannot have a truly free press that caters for the interests and opinions of all of us who live in Aotearoa, without a non-commercial, public-service print media.

## Lies and white lies: overseas debt and the Forestry Corporation

A frightening example of how confused or how superficial journalists can be came with the Government announcement of the sale of the Forestry Corporation. Remember Bill Birch telling us that the proceeds (\$1.6 billion) would "move the Government to zero net foreign-currency debt for only the second time since 1857"? Perhaps you don't, because while that is what his written press statement said, the news media reported it in a variety of ways, and sly old Bill never took the trouble to correct them. TV One *News* for example reported it as "government net foreign debt" being zeroed. Spot the difference. So did the

Christchurch Press. The *National Business Review* took it one further: it editorialised that the government was now entirely free of foreign debt. When I wrote to the *NBR* to correct them, they refused to acknowledge they had even made a mistake. The *Press* was more honourable: after four letters from me, and a number of other queries, they actually wrote an editorial beginning:

The Government's announcement that the sale of Forestry Corp would eliminate all New Zealand's net foreign-currency debt has caused considerable comment and been the subject of several inquiries to "*The Press*". Bill Rosenberg has written letters raising questions about exactly what is being eliminated. As happened with a number of other news reports throughout the country, in some of our reports we did not make clear that it was not all Government overseas debt being eliminated but net Government foreign-currency debt.

The distinction is vital. As I explained in my letter to the *NBR*:

I would have thought a newspaper which elevates economic literacy to the level of Political Correctness would have done better than your editorial on 23 August. Not content with Bill Birch's claim that the net \$1.6 billion from the Forestry Corporation sale will zero out the "net public foreign-currency debt", or other commentators' major blunders (doubtless much to Birch's delight) in reporting him as wiping out the "net public foreign debt", you make the extraordinary claim that it will "quit the remaining foreign public debt".

The official Statistics New Zealand measure of official (i.e. public) overseas debt at 31 March 1996 was \$21,896 million. How can \$1.6 billion "quit" that?

Perhaps you meant "quit the net public foreign debt". Then you're wrong again. If we take the Budget estimates, at 30 June there were \$9.1 billion in public foreign currency as-

sets, leaving a net public foreign debt of about \$12-13 billion.

What Birch claimed sounded rather like "net public foreign debt" but was something quite different and relatively insignificant: "net public foreign-currency debt". Gross public foreign-currency debt was about \$10.2 billion at 30 June according to the Budget, so the net public foreign-currency debt was about \$1.1 billion, which indeed could be zeroed by the sale.

The point is that most of both New Zealand's public foreign debt is now denominated in New Zealand dollars. That is no reason to ignore it. It is simply slightly less risky (though the advisability of converting to a rising New Zealand dollar could be argued). It is of relatively minor significance that our "net public foreign-currency debt" will be zero when our gross and net public foreign debt is still unpleasantly high. It is rather like boasting that you've paid off your credit card, "forgetting" to mention that you still owe ten times as much on your BMW. It isn't even clear that zero net foreign-currency debt is a particularly significant status: the government must keep a foreign currency reserve - in the last few years around \$6 billion.

One smells a propaganda ploy by Mr Birch to confuse the public with similar-sounding phrases. If you were an economic-illiterate, your compounding of this confusion could be dismissed as simply a blunder. As it is, I can only hope that it was not your enthusiasm for privatisation, and government debt and fiscal policies, that has led you to so badly mislead your readers. A correction would be in order.

The *NBR*'s reply: "Mr Rosenberg misses the point that a consistent feature of National party policy has been foreign-debt repayment. How this is defined is a matter for the economists to debate but to suggest the government hasn't achieved its aim - or somehow fudged the figures - is to deny the obvious."

## "SOMEONE ELSE'S COUNTRY"

CAFCA premiered Alister Barry's powerhouse documentary back in June 1996. It got a great response on that occasion, and we were confident that Alister was onto a winner. We're delighted to report that it has become a runaway success.

By October 1996 it had sold a phenomenal 3,000+ copies (to put this into perspective, 3,000 is a normal print run for a mainstream book). This was achieved despite the disgraceful refusal of either TVNZ or TV3 to screen it (TVNZ said it was for commercial reasons, as it is funding its own series on the period). Auckland's private music channel, Max, did screen it. And it has sold despite not having widespread cinematic release - it has had seasons in Wellington and Christchurch (the latter due to the determination of an ordinary Telecom worker to get it publicly screened before the election). Most video sales came via talkback radio. And the Alliance and New Zealand First plugged it extensively to

their members. Some media outlets, particularly the *Listener*, have given it extensive, favourable coverage. In short it has become an underground classic. It has definitely got up the Right noses - the *Dominion*'s Rosemary McLeod attacked in a feature headed "Taxpayers helped fund left-wing documentary" (30/9/96). The Wellington cinema screening it even copped a brick through a window.

"Someone Else's Country" is the definitive documentary on the New Right coup committed against New Zealanders, covering the period 1984-93. It is essential viewing.

It can be bought from: Community Media Trust, Box 3563, Wellington. The cost is \$30 for individuals, \$80 for groups, and \$110 for institutions.

*It can be hired from CAFCA for \$10, including postage, for one week.*

# FORESTCORP SOLD OFFSHORE

## Fletchers Becomes Biggest Forest Owner

"It is now crucial that the Government completes the job and gets right out of forestry. It needs to sell the rest of the forests and disband the remaining Corporation" ("Out of the Woods: The restructuring and sale of New Zealand's state forests"; Birchfield/Grant, GP Publications, 1994).

That prophetic quote came from Bryce Heard, managing director of Tasman Forestry, the former forestry flagship of Fletcher Challenge Ltd (FCL). He was speaking in the context of the Government (in the form of both Labour and National) having sold cutting rights (but not the land) to 550,000 hectares of State forests, from the late 1980s onwards. Fletchers had already done very nicely out of this, paying \$260 million for cutting rights in 1990, and being the second biggest purchaser (after Carter Holt Harvey - CHH).

That left the State with only Forestcorp, and its seven plantation forests and two processing plants in the central North Island. The jewel in the crown (or should that be the Crown?) was Kaingaroa, which accounted for most of Forestcorp's 180,000+ ha of forests. The State and Tasman were already locked into a working relationship, one characterised in recent times by an increasingly bitter battle over the 75 year contracts signed in long ago 1955. These guaranteed Tasman the right to take timber from State forests. The terms heavily favoured Tasman, particularly with regard to price.

It was only when this long running contractual dispute was settled in late 1995 that the Government announced that it would put Forestcorp up for sale. All sorts of forestry transnationals came down from the trees to be part of the action - Americans, Koreans, our old friends the Tiongs of Malaysia, CHH (by now American owned), and US behemoth Weyerhaeuser, with whom Forestcorp already had a "strategic alliance". Indeed for most of 1996, Weyerhaeuser was touted as the frontrunner. Maori interests saw this as a chance to get back Kaingaroa and formed consortia, firstly with FCL (it fell through), and then with CHH.

### A Defining Political Issue

The mooted sale became a political battlefield in the lead up to the election. National promoted it as a defining issue, that it was a party tough enough to mount the second biggest public asset sale ever (after Labour's sale of Telecom, in 1990) just two months out from an election (it also sold Workscorp at the same time, to two Asian companies). Labour was caught in a cleft stick, not wishing to revisit its disgraceful history of selloffs and sellouts when in office, but also wanting to capitalise on the huge public opposition to the sale. So the party announced its opposition to the sale, but only to the timing, not the sale itself. For its part, New Zealand First warned that, in government, it would buy back

Forestcorp. But to the languishing Alliance, this was a god-send. Instead of merely politicking and pontificating it did something, namely rediscovering itself as a campaigning organisation (having become just another parliamentary party). It launched a petition for a citizens initiated referendum on the sale and set about collecting the several hundred thousand signatures required. The countryside mushroomed with Alliance billboards proclaiming "Save Our Forests" (we hope the timber came from State trees) and it was onto a bonanza of public support and media coverage. To its great credit, the Alliance achieved the required 240,000 signatures (10% of registered voters) two weeks before the election. Any non-binding referendum is still a long way away.

*CAFCA sent out the Alliance petition with Watchdog 82, not because we are affiliated to any political party, but because we will actively support any group doing something constructive to retain this major resource in public ownership.*

Opposition to the sale came from right across the board - three of the most vocal opponents were former directors-general of the former NZ Forest Service, which was abolished in 1987 (Alister Barry's excellent documentary "Someone Else's Country" has graphic details on the destruction of the Forest Service). All opinion polls on the subject showed heavy public opposition to the sale. But National forged ahead, projecting itself as heroic in taking the "hard" decisions.

### Nonsense About Paying Off Debt

Once the sale was announced, both National and its bootlickers in the media rushed around with the extraordinary claim that it cleared the country's public debt. This was total nonsense - all it cleared was public debt denominated in foreign currency, not the \$20 billion+ of total public debt (see Bill Rosenberg's "Lies and white lies: overseas debt and the Forestry Corporation", elsewhere in this issue).

In August 1996, the Government announced that Forestcorp had been sold for \$2 billion (after the Corporation's debts were taken into account, the net sum was \$1.6 billion). The buyer was a consortium comprising Fletcher Forests (37.5%); Brierley Investments (25%), and the Chinese State-backed company Citifor (37.5%). It's not the first time these three have banded together to profit from a privatisation - in 1989 they were part of a consortium that unsuccessfully bid for the illfated New Zealand Steel. More recently, BIL and FCL worked closely on BIL's Sky City casino. And BIL has a 4% stake in Fletcher Energy.

### The Chinese

So who are these buyers? The first point to make is that the sale means that Forestcorp has gone offshore. For a start, the

25% Chinese shareholding automatically makes it a foreign owned company. Anything above 24.9% is the legal definition of a foreign owned company. Citifor is owned by Citic, which is China's largest conglomerate with more than \$24 billion in assets and investments around the world in manufacturing, property, trade and services. Citifor has timber industry investments in the Pacific Northwest (US and Canada), Alaska, and Chile. It joins the growing list of Chinese investors in New Zealand (detailed in *Watchdog* 77), including Wenita, which is the biggest forest owner in Otago.

### Brierley's - A Foreign Wolf Disguised As New Zealand Lamb

But isn't the remaining 62.5% shareholding New Zealand owned? No. Let's look at Brierley Investments Ltd (BIL) first. We detailed BIL's ownership in *Watchdog* 82. Before 1996 it was already around 50% overseas owned. In March 1996, a 20% stake was bought by Delham Investments, a consortium of Malaysian, Singaporean and Indonesian interests. Prior to that the single biggest shareholder was the Singapore Ministry of Finance (11.6%). In August 1996 that 20% stake was on sold to Malex, a Malaysian company. The Singapore Ministry of Finance retains its holding and the other substantial security holder (ie any owner of more than 5%, which must be registered with the Stock Exchange) is Franklin Resources (6.5%), an American investment fund. So by any definition, BIL is a foreign owned company.

But the Overseas Investment Commission (OIC) maintains a list of companies which it exempts from being defined as foreign owned, although they meet every definition. Extraordinarily BIL is one of those companies defined as still being "New Zealand controlled". In June 1996 we wrote to the OIC, laying out the evidence, and demanding that BIL's exemption be revoked. We are still waiting for an acknowledgement, let alone a decision.

It's BIL that gives people the creeps and with good reason. It has done very nicely out of previous privatisations. Its entire history has been one of short term predatory speculation, hostile takeovers for profit maximisation. The most recent example was its buying and selling a strategic stake in Wilson and Horton. In the Forestcorp purchase, BIL has been given an option to sell its 25% stake after three years. The most likely purchaser, at this stage, is Fletcher Forests.

Rotorua is the main town in the central North Island's timber country and civic leaders are far from happy at the sale, specifically BIL's involvement. In a reply to a letter from CAFCA member Jack Forster,

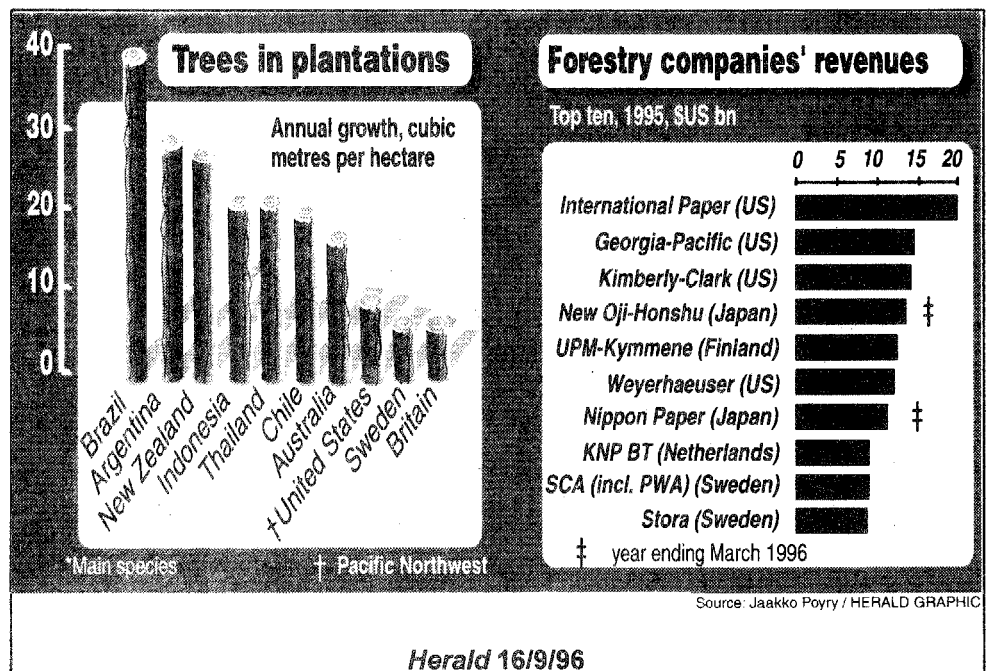
Rotorua's Mayor, Grahame Hall, wrote (6/9/96): "I must say I still have grave concerns with the prominence of the Brierley content. I believe the sale is more about finance than it is about forestry".

### Fletchers: Another Foreign Owned Company

Which brings us to FCL. It has already been one of the big winners from public asset sales in forestry and, in 1990, when Labour actually paid it several hundred million dollars of taxpayers' money to take over the Taranaki sythetic fuel plants (subsequently sold to the present Canadian owners, at a very tidy profit).

Fletcher Forests was split off as a separate division in 1993, with its own shares. Since then FCL has split into several other divisions - energy, building and paper. FCL tops the OIC's list of companies exempt from being defined as foreign owned. As of the 1995 Annual Report, 47% of the company's Ordinary Division (ie non-forestry) shareholders had overseas addresses. The biggest single shareholder in FCL itself is a couple of employee unit trusts (followed by the AMP). In Fletcher Forests' 1995 Annual Report, 54% of the shareholders had overseas addresses, and the biggest substantial security holder (12.4%) is Franklin Resources of the US; next comes the employee unit trust (9.2%), and a UK investment fund (5.6%). It can be argued that while FCL and Fletcher Forests are definitely overseas owned, it is New Zealand controlled (unlike Brierley's).

The Forestcorp purchase has vaulted Fletchers from second biggest to biggest forest owner, leapfrogging CHH. Chief executive Hugh Fletcher said: "It really doubled our involvement in solid wood plantation forestry" (*Listener*, 14/9/96; "Fletcher letters"; Mary Holm). It will now manage 400,000 ha of plantation forests, with an annual harvest of about six million cubic metres of wood, representing more than a third of the country's total. This is on top of its huge plantations in several countries, primarily Canada and Chile (*see*



"Clearcut" for details). It is a genuine New Zealand based transnational, and plantation forestry is the backbone of that empire.

You taxpayers will be pleased to know that the money flow in the Forestcorp purchase wasn't all one way. The Government paid Fletcher Challenge Paper \$30 million of your money to extinguish all Crown obligations related to those troublesome 75 year contracts mentioned above. Already FCL is rearranging its forestry holdings to pay for the deal. First to go will be Fletcher Forests' 20,000 ha Hikurangi forest on the East Coast. The sale of this is expected to finance Fletcher's stake in Forestcorp, with \$100 million as change.

### The Final Insult: Forestcorp's Record Profit

The sale has raised real fears among Forestcorp workers about whether they will have jobs, particularly at the Waipa mill. And Fletcher's has made clear that it is opting out of cooperative forestry research. This will have a major adverse impact on the Forest Research Institute, the Forest Industries Council and the Logging Industry Research Organisation (Fletcher's and Forestcorp together contributed one sixth of the latter's annual budget). Fletcher's has its own research facilities - its new attitude amounts to a privatisation of forestry research.

Apart from the "emotional" ones, there are solid economic grounds for opposition to the sale as well. The final irony is that, after the sale was announced, Forestcorp released its

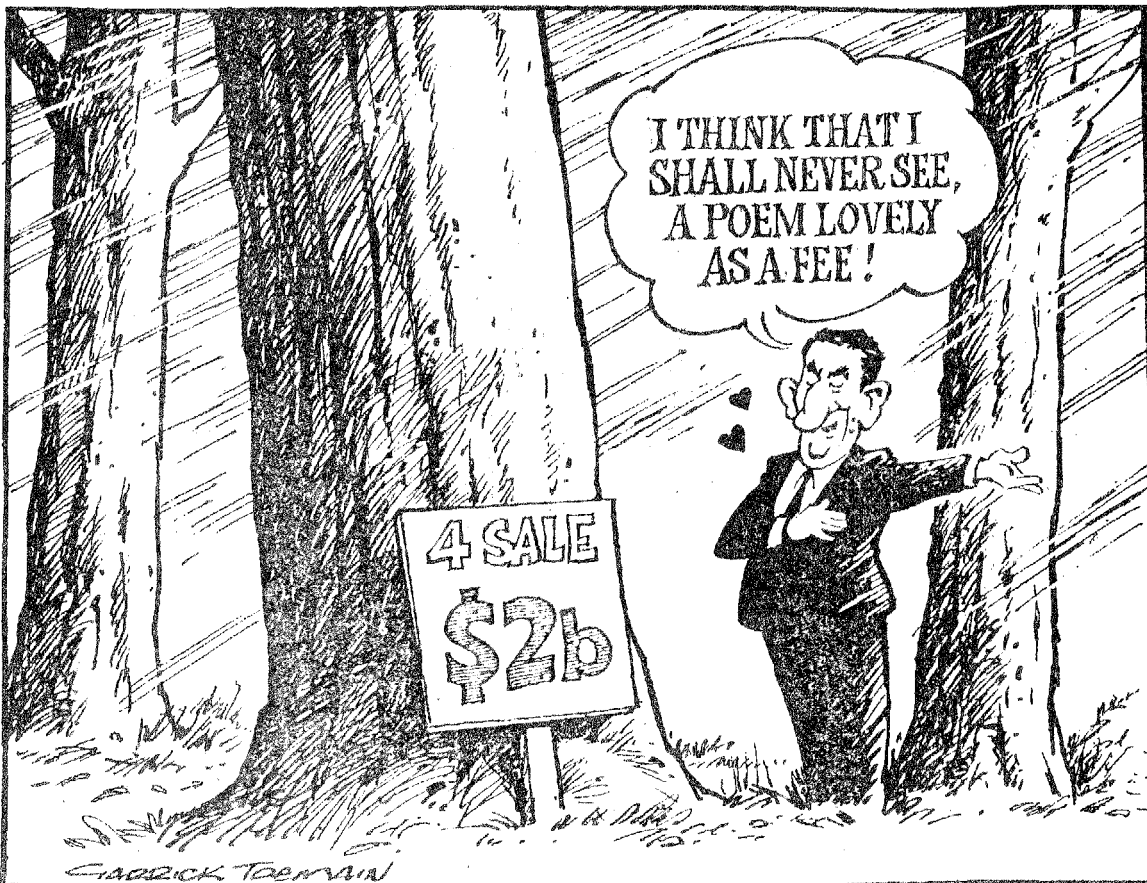
last annual report. It made a record profit of \$168 million. The *Press* editorial couldn't find a way around this, so declared "The efficient gets sold with the inefficient" (16/8/96; "Selling Forestry Corp"). The most succinct statement of the economic opposition to the sale came from Ted Bilek, of the University of Canterbury's School of Forestry.

"There are several misconceptions regarding the recent sale of the Forestry Corporation... Government has much expertise, having managed forests for at least 77 years. Private industry is not more efficient. The Forestry Corporation is extremely well managed, outperforming both Carter Holt Harvey and Fletcher Forests in each of the last three years in terms of its profitability in relation to its sales. The corporation has continually exceeded its commercial performance targets. Its return to shareholders was greater than interest rates on foreign debt. I do not believe that the bottom of the market, and right before an election, was the proper time to sell this well performing and profitable investment" (*Press*, 3/9/96).

### We Have Become A Seedling Nursery For The Rest Of The World

Murray Horton's conclusion in "Clearcut" (1995) is particularly relevant to this latest asset giveaway:

"The huge changes in ownership mean that New Zealanders already have virtually no stake in one of the country's biggest industries, and will reap very little



benefit from it. Can we see the wood for the trees? We can definitely see the trees, but very little of the wood is ours any more. The goldmine that we developed and paid for has been taken away from us. We are largely spectators at the current goldrush. The best that a few of us can hope for is to fossick for some specks.

Forestry represents a golden opportunity denied us, one which would have generated real benefits for this country's people. We have ceased to have any meaningful ownership of our own forestry resource. We have become a seedling nursery for the rest of the world".

## **"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 nearly two years 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. The Forestcorp sale is only the latest example.

*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.*

# **WESTPAC STARTS SACKING TRUST BANK WORKERS**

CAFCA played a leading role in the Christchurch based campaign against the sale of Trust Bank to Westpac (see *Watchdog* 82 for several articles on it). But, due to the perfidy of the Community Trusts (of which Trust Bank Canterbury Community Trust was the single biggest shareholder), and the covert speed with which these deals are always consummated, the takeover went through.

Well, don't say we told you so but we told you so. Within months, Westpac has started getting rid of Trust Bank workers. There was nothing unexpected about this - before the takeover, there was talk of up to 2,000 jobs going. The process has started. In September 1996 Westpac announced a net loss of 26 jobs (the "gross" loss was 86 jobs at Trust Bank Canterbury, with 60 new jobs being created). This was just the start - Westpac announced that 105 management positions would disappear over 18 months.

This jobcutting is not confined to Westpac/Trust Bank. All the major banks are now foreign owned; all of them are dumping New Zealand workers. National, which was pipped at the post in the Trust Bank takeover, is also cutting staff. The BNZ, which was supplanted as the country's biggest bank by Westpac, has had a major reorganisation at senior level, with 220 jobs lost in 1995/96, and rumours persist of massive job cuts. ANZ/PostBank is shutting one branch per week over a two year period, aiming to close one third of the 320 branches it had in 1995. All these banks are trying to drive their customers to use machine service - automatic teller transactions, telebanking, eftpos, etc, etc. The common de-

nominator is that machines are cheaper than workers.

And worse is likely to come. As so many of the banks here are now Australian owned, what happens in Australian banking has vital significance for NZ. Currently Australia operates the "six pillars" policy, which prevents National Australia Bank, Commonwealth Bank, Westpac, ANZ, and life offices AMP and National Mutual from merging. It also prevents any one shareholder owning more than 15% of a bank. That ban expires in March 1997 and is not expected to be renewed. The result will be an open slather of mergers and takeovers in Australia, with direct consequences for their New Zealand branch operations. Westpac is regarded as the weakest Australian bank (nothing was mentioned of that during the takeover) and therefore is being touted as the most likely takeover target, meaning that Trust Bank will simply become a plaything of Australian banks. Australian unions have forecast up to 40,000 job losses in the two years after the ban's expiry.

The biggest disappointment of CAFCA's campaign on Trust Bank was the point blank refusal of Finsec, the bank workers' union, to join or support it. The Christchurch official we contacted (more than once) was actively hostile, giving us such pearls of wisdom as: "New Zealand is overbanked...we can't be seen opposing foreign control, we have to work with these employers, and get the best deal for our members". The best deal looks a lot like redundancy in many cases. Yellow unionism such as this is one of the greatest enemies confronting workers generally, and was absolutely no help to the sold out Trust Bank workers.

# 1996 AGM MINUTES

The 1996 CAFCA AGM was held at the Christchurch WEA on September 9. 17 members were present. Bill Rosenberg chaired. Apologies were accepted from Stan Hemsley and Trade Aid. The 1995 Minutes were accepted.

The accounts were available for all present to read and question. They were not audited this year. There is no requirement in our rules for one. Leigh Cookson of CORSO had prepared an income and expenditure sheet, both for all our individual accounts, and a grand total (see elsewhere in this issue for full details). The meeting passed a unanimous vote of thanks to Leigh. The accounts were passed (moved by Bill Rosenberg; seconded by Brian Stephen). Bill presented the latest available bank statement for the CAFCA/ABC Organiser Account, which exists solely to pay Murray Horton. As of September 3, it stood at \$6,320.97.

Election of officers. Murray Horton was re-elected as secretary/organiser. The committee was re-elected - Bill Rosenberg, Liz Griffiths, John Ring, Reg Duder, Dennis Small. Lana Le Quesne did not stand again as treasurer. Liz Griffiths is serving as bookkeeper. Wolfgang Rosenberg was re-elected as honorary auditor.

Murray Horton presented the Organiser's report (see below).

General business. Bill Rosenberg summarised the committee's objectives for 1996 from its annual strategy session, and concluded that CAFCA had actually met quite a number of those objectives. A number of members had suggestions for areas of concern for CAFCA - Wolfgang Rosenberg urged a campaign on the privatisation of power companies; Murray Horton drew attention to the drive for water privatisation; and Don Archer wanted us to look at the Business Roundtable agenda for privatisation of local government functions.

At the conclusion of business we screened the 1996 *Assignment* programme on foreign control (*this is available for hire from CAFCA for \$10, including postage*).

Once again, thanks are due to the CAFCA Catering Corps of Reg Duder and his daughter Colleen Hughes.

Numbers were down on last year, but the mood was positive.

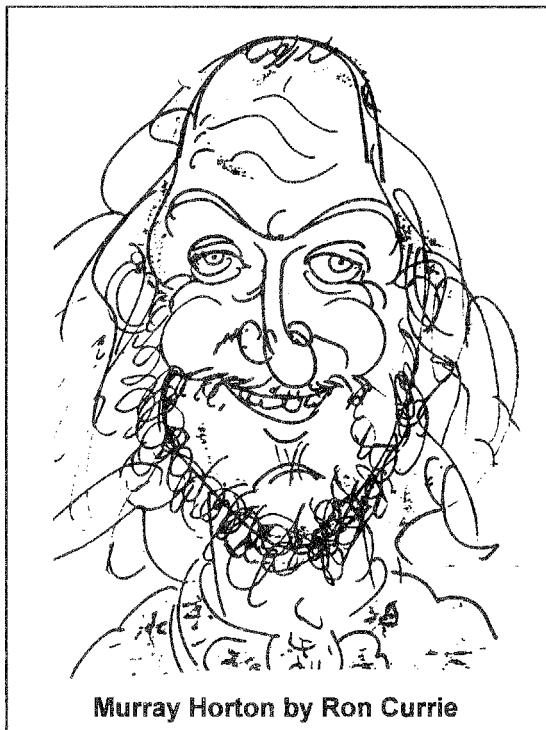
## ORGANISER'S REPORT

- Murray Horton

My 1995 report to the AGM covered a period of 18 months. Just to be perverse, this one covers 11. I will report both on my own work, and that of CAFCA.

The basics of my work don't change very much (although, since the last AGM, I have had to grapple with a new word processing programme; a new type of printer; and now e-mail. All this for a person who has a very volatile relationship with anything mechanical or technological). So great chunks of my 1995 report, and indeed those of earlier years, still apply word for word. I am the CAFCA secretary, and have been since time immemorial. A lot of my work is strictly administrative.

Because we have recently conducted our annual Sub Due mail out, a disproportionate amount of time has been spent updating the mailing list and banking the loot. Not that I'm complaining - our members are very partial to being Sub Dued, and respond magnificently. I was astonished to discover that our most recent fortnightly banking totalled just under \$4,000 - the highest ever. Those subs and donations



Murray Horton by Ron Currie

are the backbone of our finances, which, as you can see from the accounts, are in a healthy state. Unlike so many other small groups, we actually make money, we don't have to ask for loans or grants, and we can finance quite major undertakings entirely out of our own resources.

My daily routines haven't changed - collecting and processing mail six days a week; correspondence; reading and analysing publications for fortnightly committee meetings; banking; handling all orders for CAFCA publications; clipping papers and gathering material for our files and *Watchdog*. This stuff has to be done daily, otherwise it can easily get away on me, and become a major headache. To give one recent example - it took an

entire day just to prepare and transact that \$4,000 banking. Then there are the spontaneous approaches from members, the public and the media for information or statements on a whole raft of subjects. You mightn't believe the range of people who contact us. I have an unlisted phone number, precisely because my entire time could quite easily be taken

up with what I call Radio Pacific calls ie people who want to vent their anger at, or ask questions about, the relentless give-away of this country to TNCs.

### *Watchdog*

I am the editor of *Watchdog*, which is CAFCA's lifeline to our members and the broader community. It continues to grow, bringing in both members and money. We maintain a mailing list of currently financial subscribers only, which means it isn't padded out with those that we think might be interested in it, should get it, or who once paid for it. Once a year we review every single overdue subscriber, complimentary copy, and exchange deal. Then we purge the list - in 1996 over 70 were removed. In the few months since, that number has been nearly replaced by new subscribers. The mailing list stands at over 520. The sheer logistics of posting out that number of 50 something page newsletters, plus inserts, takes several people the best part of a day. We have discussed abandoning the folded-in-a-wrapper format, and simply putting them straight into big envelopes. That would automatically double our postage bill and lead to the sub going up. As we are keen to keep the costs down, both for CAFCA and individual members, we will stick with wrappers for the time being. Besides, the mail outs are great social occasions.

Once again, there have been three issues since the 1995 AGM. Four would be preferable, but each involves an awful lot of work. Apart from anything else, each issue takes several weeks to get printed, collated and stapled. We have stuck to 50 pages as the optimum size, and with Dennis Small having dropped out of writing for *Watchdog*, there is no longer such a problem about deciding what to leave out. Mind you, Bill and I do a pretty good job of filling it up, with regular help from other contributors, such as Wolfgang Rosenberg. In recent years, we have deliberately introduced some new features into it - for example, the detailed material on Telecom in every issue. And the highlighting of one particular country in each issue. We are happy with *Watchdog*, and the feedback we get from members and the broader public leads us to believe that they are too. It has a very distinctive style, unique even, is jampacked with information and analysis unavailable anywhere else, is better laid out and produced than ever, and has never lost its sense of humour. Nor the human touch - I defend the space taken up by obituaries. They are the most frequent feature to get positive comments.

We have decided not to solely rely on people coming to us. For the past several issues, we have been sending copies of *Watchdog* to selected interest groups, with an invitation that they subscribe. For example, to trade unions, and to people who got involved in the Trust Bank campaign.

We are fully aware of its limitations - that it will never have mass appeal, and will never be a regular publication. That's because we don't exist solely to publish a newsletter or magazine. I am on the committee of the *Monthly Review*, which has died (but has not yet been buried). The Monthly Review Society exists solely to publish it - no magazine, no

other reason for being. That is a trap that CAFCA will never fall into.

### **Other Publications**

We have branched out into rather more concise publications, namely our new series of *Fact Sheets*. Bill produced the first one, on foreign ownership of rural land. We sent one to all members, and a special mailout to farmers, environmentalists and Maori. I wrote the second one (with a lot of help from others) on foreign debt. Likewise, that went to all members, and we've just done a special mailout to Democrats. Bill has drafted the third one, on transnational ownership of the news media.

CAFCA is still in the book publishing business. In 1995, it was my "Clearcut", which brought in over \$3,000 in the last financial year. We have sold all the 300 copies we printed, but still have some spares left. This year, we (finally) published Dennis Small's epic "The Cost of Free Trade". *Watchdog* no longer features a regular section on trade issues, but this book more than makes up for it. Originally intended as a 20 pager to be published in 1994, Dennis (like me before him) bolted and took some reining in. It's a solid production - 152 pages - with no illustrations, but it is the first detailed look at the impact of free trade on this country. As such, it is invaluable. Dennis deserves congratulations for this major achievement. It is selling very well. It was only launched in July 1996 - we've sold more than half of the 300 printed. And we've hardly approached bookshops yet. We keep the prices of our books low - no more than \$15 or \$20 - so that people can afford to buy them. But we have no plans for any more books in the foreseeable future.

### **Work With Other Groups**

Before going any further, I should mention my work with other groups. I am co-employed by the Anti Bases Campaign, although CAFCA work takes the great bulk of my time. My most regular contribution to ABC is as a writer for *Peace Researcher*, which appears much more regularly than *Watchdog*. ABC's workload diminished, in that Black Birch closed this year (CAF CINZ was the very first group to protest there, a decade and a half ago). But as we had not devoted any attention to it in a long time, that had no practical effect on us. We concentrate on Harewood and Waihopai. I went to the annual Waihopai protest camp for the first time in two years, and due to Warren Thomson and Bob Leonard getting arrested, I was thrust into the role of media spokesperson. Because the police jumped on the protest that much harder this year, it got much more extensive coverage than in other years. Most recently, ABC has assisted with the distribution of Nicky Hager's new book "Secret Power"; and next, we are fundraising and organising for an end of year visit by world famous British investigative journalist, Duncan Campbell.

I am still involved with Campaign for Peoples Sovereignty, which is continuing in a much more low key fashion. We meet regularly, and have tended to concentrate on Southpower. Thus we organised a public meeting several

months ago when domestic power prices went up again; most recently, we attended Southpower's annual meeting, distributing a leaflet and asking pertinent questions (*see article elsewhere in this issue. Ed*). We have resolved to picket Southpower the next time prices go up.

I have been much more active in GATT Watchdog this year, and that is completely attributable to the decision to organise the Trading With Our Lives: The Human Cost of Free Trade Alternative Forum, held to coincide with the APEC Trade Minister's Annual Meeting here, in July. This was a very major undertaking, one which took up more and more of our time for over six months (starting with a meeting in the week between Xmas and New Year, definitely a first for me). We had to raise many thousands of dollars, primarily to get several international speakers here. But the whole thing was a resounding success, with a lot more people taking part than expected. I personally, and CAFCA as a group, played a leading role in that Forum. The events afterwards, namely the bungled SIS break in at Aziz Choudry's house; the highly suspicious hoax bomb at the City Council; and police raids on Aziz and David Small, looking for "bombmaking equipment" led to a major public issue, which ran in the media for weeks (I kicked it off with the first press statement), and most recently, to a public meeting, which I chaired, of several hundred people expressing outrage at what had been exposed. It is a salutary lesson that groups such as GATT Watchdog (and CAFCA), which successfully challenge the ideological orthodoxy, will be targeted by covert State agencies and be the victim of attempted dirty tricks campaigns, one aimed in this case at smearing opponents of free trade as "terrorists". GATT Watchdog, which was moribund a year or two ago, is chugging along nicely, and its newsletter, *The Big Picture*, now has several hundred paying subscribers.

I continue to be involved with the Philippines Solidarity Network of Aotearoa, and edit its newsletter, *Kapatiran (Solidarity)*, which is a much snappier, more extensively illustrated publication than *Watchdog*. Apart from hosting Omi Royandoyan, the Filipino speaker at Trading With Our Lives, PSNA has had no speaking tours or visitors this year. We are involved in sponsoring a very interesting piece of research, with NZ connections, in the Philippines itself. Hopefully it will be available soon.

As mentioned before, I am on the committee of the Monthly Review Society, but that means little or nothing in the absence of any issues of the magazine. Suffice to say that I have transferred my writing loyalties to *Political Review*. I continue to review books and write the odd article for the *PSA Journal*, the country's biggest union paper. I've done that for a decade.

I am no longer involved with the Canterbury Health Coalition, purely for reasons of time. But I'm still interested in health matters, and not only for political reasons. Early one Sunday morning, in November 1995, Becky had to use her brand new driver's licence to get me to a 24 hour clinic, after a night of extreme pain. The diagnosis was gallstones, and I'm now one of the nearly 100,000 on a public hospital waiting list (two years, in my case). I joined the Coalition in

burning my outpatients' bills, in the Square, in a protest to mark the fourth anniversary of hospital user charges. I'm saving up the latest batch for the next bonfire. In short - stuff them. As far as I'm concerned, I've got the stones and they've got a bloody gall to ask me to pay to have them removed. My only other health scare was that of being knocked off my bike by a police car on the day that Trading With Our Lives started. It would have made a great story if it had been an assassination attempt by the fascist lackeys of the State but, I'm afraid to say, it was my fault, and the poor woman driving the car was considerably more shaken up than me.

I have been the Organiser for nearly five years now, which is an extremely long time for a job funded entirely by the regular pledges and donations of CAFCA and ABC members and supporters. Once again, I take the opportunity to thank you for your generosity. The Organiser Account has fallen somewhat since the last AGM (from nearly \$8,000 to \$6,000+) but is still healthy and viable. My pay has been slightly increased, to \$255 per week gross, to keep up with the minimum wage. Some pledgers have left; others have joined. This continuing financial support is a most gratifying vote of confidence in the work that we, and I, do.

### Campaigns And Events

CAFCA has kept its high profile. Some of our work has been up front and public; some of it behind the scenes. Our most active campaign was that against the sale of Trust Bank. We initiated the coalition that campaigned vigorously on the issue; we organised and financed the public meeting about it in the Town Hall (which featured former Labour Associate Minister of Finance, Mick Connelly, as a speaker). Other groups came to the party and plunged in with gusto, most notably the Alliance. It wasn't through lack of effort on our behalf that the sale was rushed through. As with all these deals, it was done in secret and with maximum speed. We got a very effective campaign established in Christchurch, but other centres didn't follow suit. There was a private side to that campaign - we tackled the Overseas Investment Commission's approval of Westpac's takeover, and by knowing more about their operating laws than they did, forced them to reconsider it (which they did, before rubberstamping it again. Our years of needling the Commission led to our first ever meeting with its Secretary recently, at his request. No blood or rubber was spilt). I personally, on behalf of CAFCA, came within a hair's whisker of being the lead plaintiff in a court case seeking a review of the takeover. We were only defeated by the deal being closed days before our papers were filed.

We have run a number of events. In June, we hosted the world premiere of Alister Barry's documentary "Someone Else's Country". It was a great success, but because of the phenomenal cost of hiring equipment, we lost a bit of money on it. Alister was delighted at the reception it got here and it set him up for the runaway success that he's enjoyed ever since. Most recently we organised an all day seminar "Who Owns The News?", flying down journalists Ian Wishart and Tom Frewen from the North Island to speak. The numbers were not as high as we'd hoped, and we definitely lost money



Photocopying	\$ 111.90	Dennis Book/Research	\$ 444.38
Postage	\$ 76.75	P O Box Hire	\$ 105.00
Video Hire	\$ 115.00	<b>Watchdog</b> - Postage	\$ 714.60
Donations Organiser Account	\$ 610.00	- Printing/layout	\$3,812.93
<b>Wages:</b> NZES	\$2,568.00	Accounts Preparation	\$ 560.00
Cafca	\$ 200.00	Clearcut	\$ 81.82
Interest	\$ 3.56	Greenpeace Project	\$ 50.00
	\$2,771.56	Trans to Organiser A/c	\$ 715.0
Interest (Investment/Savings)	\$ 116.68	Trans Wages TFG a/c	\$ 200.00
		<b>Wages</b>	\$2,831.50
		- PAYE/ACC	\$1,080.84
		- AP Fee	\$ 2.50
		Miscellaneous	\$ 162.46
		Bank Charges	\$ 9.50
<b>TOTAL</b>	<b>\$19,414.06</b>		<b>\$18,251.57</b>

<b>Cash at Hand 1.4.95</b>		<b>Cash at Hand 31.3.96</b>	
a/c 0104838-11	\$5,437.17	a/c 0104838-11	\$1,679.14
a/c 0562862-11	\$1,190.49	a/c 0562862-11	\$ 47.21
a/c 0104838-55	\$ 494.43	a/c 0104838-55	\$ 497.26
		Invest A/c	\$6,060.97
<b>Total</b>	<b>\$7,122.09</b>		<b>\$8,284.58</b>

**EXCESS INCOME OVER EXPENDITURE \$1,162.49**

**CAFCA  
Income & Expenditure  
Account 0104838-11  
for year 1-4-95 to 31-3-96**

Income		Expenditure	
Subscriptions	\$5,890.25	Postage	\$ 802.00
Donations	\$3,670.30	Tolls/Faxes	\$ 553.58
Meeting Donations	\$ 360.00	Stationery/Office Equip	\$ 519.98
Collections	\$ 779.20	Office Equipment	\$1,350.95
Sales - Clearcut	\$3,341.42	Photocopying	\$1,010.00
- Selling the land	\$ 250.00	OIC Photocopying/Info	\$ 435.25
- Beginner Guide	\$ 95.00	Subscriptions	\$ 128.80
- OIC Information	\$ 680.00	Insurance	\$ 151.20
- Watchdogs	\$ 401.00	Donations	\$ 650.00
- Information	\$ 145.00	Meetings - Room Hire	\$ 335.00
Photocopying	\$ 111.90	Advertising	\$1,544.28
Postage	\$ 76.75	Dennis Book/Research	\$ 444.38
Video Hire	\$ 115.00	P O Box Hire	\$ 105.00
Organiser Account	\$ 610.00	Watchdog - Postage	\$ 714.60
		Printing/Layout	\$3,812.93
		Accounts Preparation	\$ 560.00
		Clearcut	\$ 81.82
		Greenpeace Project	\$ 50.00
		Trans to Organiser A/c	\$ 715.00
		TFG Top up A/c	\$ 200.00
		Bank Charges	\$ 9.50
		Miscellaneous	\$ 162.46
<b>TOTAL</b>	<b>\$16,525.82</b>		<b>\$14,336.73</b>

**CAFCA**  
**Income & Expenditure 1.4.95 to 31.3.96**  
**for Wages Account 0562862-11**

<b>Income</b>		<b>Expenditure</b>	
NZES Subsidy	\$2,568.00	Wages (Dennis)	\$2,831.50
CAFCA top up	\$ 200.00	IRD Payments	\$ 900.94
Interest	\$ 3.56	ACC Levy	\$ 179.90
		AP Fee	\$ 2.50
<b>TOTAL</b>	<b>\$2,771.56</b>		<b>\$3,914.84</b>

<b>Opening Balance 1.4.95</b>	<b>\$1,190.49</b>
<b>add Receipts</b>	<b>\$2,771.56</b>
=	<b>\$3,962.05</b>
<b>Less Payments</b>	<b>\$3,914.84</b>
<b>Closing Balance 31.3.96</b>	<b>\$ 47.21</b>

**Statement 1.4.95 to 31.3.96**  
**Key Saver Account 0104838-55**

<b>Opening Balance 1.4.95</b>	<b>\$ 494.43</b>
<b>add Interest</b>	<b>\$ 2.83</b>
<b>Closing Balance 31.3.96</b>	<b>\$ 497.26</b>

**Statement 1.4.95 to 31.3.96**  
**Investment Account (Term Deposit)**

<b>Opening Balance 1.4.95</b>	<b>\$4,000.00</b>
<b>add interest</b>	<b>\$ 67.84</b>
<b>add new deposit</b>	<b>\$4,000.00</b>
=	<b>\$8,067.84</b>
<b>less payments</b>	<b>\$2,006.87</b>
<b>to A/c 0104838-11</b>	
<b>Closing Balance 31.3.96</b>	<b>\$6,060.97</b>

# 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).**

# TELECOM

## Politics

Before the 1993 election, Telecom chairman Peter Shirtcliffe fronted the high profile and lavishly funded Campaign for Better Government, which headed the corporate drive against MMP in that year's referendum. Shirtcliffe lost and MMP won, and nothing more has ever been heard from that Campaign. But he is nothing if not consistent. In 1996 Shirtcliffe personally funded a study which tabulated the "benefits" of foreign investment to New Zealand. Just before the 1996 election he made a widely reported Sydney speech to Australian businessmen, warning them that if the "populist" parties (whom he coyly declined to identify) won, then Australian investment in New Zealand (which he estimated at \$20 billion) would be at risk.

"It is of concern that at least two of the larger parties are actively campaigning on platforms that involve nostalgia, envy, anti-success, anti-business, or xenophobic nationalism" (*Press*, 24/9/96; "A strategy to counter the rhetoric of doom, despondency, and failure").

(Just to be sure that nothing interferes with Australian investment, National's Finance Minister, Bill Birch, exchanged letters with his Australian counterpart just two weeks before the election. These aimed to put "minimum constraint" on trans-Tasman investment in the future; committed the two governments to avoiding any further restrictions on trans-Tasman investors; and worked towards a trans-Tasman investment agreement, as this is not covered in the Closer Economic Relations [CER] Agreement).

The chairman's scaremongering was at odds with statements by other Telecom spokespeople. In June 1996, Jeff Carter, an adviser to chief executive, Rod Deane, said that Telecom was banking on National winning but was relaxed about New Zealand First. The company had held talks with that party and Carter said that Winston Peters was not likely to put pressure on Telecom's American owners to reduce their 49.6% holdings. Carter said that even though Telecom was about 80% foreign owned, Peters was not in a mood to do anything about it. Telecom had held talks with all the major parties and was confident that it faced no major regulatory change no matter who was in Government.

Telecom's preference was National, because it offers "stability". Jeff Carter said: "We have a view that there is no risk as far as that's concerned... One way or the other the National Party will be there, either by itself or in coalition, probably with the Labour Party or one of the larger of the new parties" (*NZ Herald*, 22/6/96).

But Labour doesn't want to be stuck with a Telecom tarbaby. Deputy Leader Michael Cullen told a Dunedin Grey Power meeting that he had disagreed with Labour's 1990 sale of Telecom, as a breach of an election promise not to sell any of the assets of the former Post Office. He said that he had been sacked as Associate Minister of Finance in 1988 be-

cause he strongly disagreed with Rogernomics, and described some of the actions of that 1987-90 Government as "intensely regrettable". Grey Power Otago president Gavin MacDonald said he was "agreeably surprised" by Cullen's speech, particularly about the Telecom sale.

"That was a significant remark to make that I don't think has come out before. We are finding at this very late date that there was considerable opposition that didn't surface at that time, probably because of caucus pressure" (*Otago Daily Times*, 31/5/96).

## "Competition"

That Telecom had nothing to fear from National was reinforced in June 1996 when the Government announced that it would make no changes to the regulatory regime governing access to monopoly networks, such as telecommunications, electricity or gas. Terrence Currie, the chairman of the Major Users of Monopoly Services (MUMS) used an appropriately mumsy metaphor. He likened it to a pregnant schoolgirl rubbing vanishing cream on her stomach in the hope that it would go away. Rival phone transnational corporation (TNC) Clear, expressed disappointment, saying it was spending \$3 million per year on legal fees on the interconnection issue. Telecom and Clear had taken five years to resolve the question of Clear's access to Telecom's monopoly network. Maurice Williamson, the Minister of Communications, did however say that the Government rejected the Baumol-Willig rule, a splendidly Alice in Wonderland device cited by Telecom, which would have rendered Clear liable to fully reimbursing Telecom for lost profits. Not that Telecom is averse to all competition - Clear's chief executive, Andrew Makin, has said that Telecom will tolerate what he calls a "healthy dwarf strategy" (*NZ Herald*, 20/7/96).

Williamson cited the much smoother passage of the Telecom/Telstra interconnection agreement (eight meetings over four months) as proof that the Government's "lightheaded" regime was working. Clear responded that the Government was naive, and concluded its own August 1996 interconnection deal with rival phone TNC, BellSouth. Clear's Andrew Makin said: "This is in stark contrast to interconnection agreements with Telecom, which dictates terms to protect its dominant monopoly position" (*NZ Herald*, 3/8/96). BellSouth's Larry Carter agreed: "This is very, very different from what we have experienced from Telecom, which continues to try and act as an unnatural monopolist" (*ibid*).

Telstra, the Australian State-owned former Telecom, is the new kid in town, having announced that it aims to win 10% of the NZ telecommunications market within three years of its 1996 arrival. By July 1996 it had signed interconnection deals with both Telecom and Clear, opened Auckland and Wellington offices (with Christchurch next), entered the Internet market, and announced plans to provide a cell phone network by the end of the year. Telstra dominates Australian telecommunications as Telecom does New Zealand's.

On 1993/94 figures, it was the world's 20th biggest telecommunications company.

And it more than matches Telecom in obscene profits and ruthless staff cuts. Its 1995/96 profit was \$A2.3 billion, Australia's biggest ever corporate profit. As happened here in 1993, when Telecom accompanied a record profit announcement with a five year programme to make 40% of its staff redundant, Telstra has announced that, by 2000, 22,000 of its 74,000 staff will be made redundant. The Australian Government is committed to privatising one third of Telstra. So the management of Telstra and Telecom should get along very well together.

### More Profit

Telecom makes so much profit that it reports quarterly, not just annual, profit figures. For the first quarter of the 1996/97 financial year, there was a \$177.1 million profit, putting the company on track for a full year profit of \$800 million (another record). It is the darling of the international investors - Morgan Stanley Asia, the Asian arm of a leading US investment house, has added Telecom to its model investment portfolio. Peter Churchouse, research manager, said: "It has been a paragon of the fat, floated publicly owned enterprise to one that is lean, mean and highly competitive in its field" (*Press*, 6/9/96).

And Telecom is constantly looking for market position. It is considering selling all or part of its lossmaking Australian subsidiary, Pacific Star. On the other hand, it wants to be part of the Australian action. Although ruling itself out as a bidder in the partial Telstra privatisation, it expressed an interest in buying a 24.9% stake in Optus Communications, Australia's second biggest phone company. That fell through because Optus owners include phone TNCs BellSouth and Cable and Wireless, neither of whom would have welcomed a rival to their corporate bosom. But Telecom still wants into Aussie. Company spokesman Clive Litt said: "Telecom makes no secret of the fact that sooner or later Australian and New Zealand telecommunications markets will come together. When Australia deregulates it will pick up quite quickly, so Telecom has to look quite closely at how it positions itself" (*Press*, 2/7/96).

### Service?

Even the lighthanded (lightfingered?) National government was prepared to criticise some aspects of Telecom's services. One such is its integrated services digital network (ISDN), which offers businesses the ability to transfer data at high speed down special phone lines without the expense of a permanently connected leased line. This is very popular and ISDN lines grew 142% in the first quarter of the 1996/97 financial year, compared to the first quarter of the previous one.

But a report released in August 1996 by Maurice Williamson, the Minister of Communications, unfavourably compared Telecom's ISDN prices with those in Sydney, London, Stockholm, Helsinki and Denver. In every case, Telecom's

prices were the highest or second highest. Williamson said: "I am very keen to ensure New Zealand businesses remain internationally competitive and access to telecommunications services at reasonable prices is important for that" (*Press*, 26/8/96).

Some new services simply left Telecom with egg on its face. With great fanfare, all subscribers were offered a caller display service. What happened to that? It was delayed, in August 1996, when Telecom discovered that callers could use the number withhold code to avoid toll bars. Back to the drawing board.

And the campaign against residential line rentals (a charge highlighted by the Alliance which maintains that Telecom is so profitable that it could abolish line rentals altogether) received a boost from US academic, Dr David Gabel, who presented a paper at a Wellington conference on the cost of providing a universal phone network. He concluded that: "the residential service is not subsidised. Rather, this class of customer is making an annual contribution of, at a minimum, over \$147 million a year to Telecom's fixed, common and joint costs...Although the cost of providing residential services has fallen dramatically over the past few years, Telecom has raised prices by almost the maximum permitted under the restrictions on residential tariffs and as a result has held prices essentially constant in real terms" (*Press*, 3/7/96).

Telecom fiercely disputed his conclusion, calling it purely hypothetical. It has consistently claimed that it subsidises "lossmaking" residential services, as required by the Kiwi Share imposed by Labour when it sold Telecom in 1990.

### Workers

The Engineers Union has been running a campaign of industrial action against Telecom throughout 1996, centring on the company's employment contract (or lack thereof). The workers want to retain a collective contract or contracts; the company wants to replace that with individual contracts. Throughout July and August 1996 Telecom workers staged a series of rolling strikes, snap walkouts, overtime bans, rallies and pickets. This certainly pressured the company in the court of public opinion and, coming in the middle of a particularly vicious winter, significantly increased the amount of time taken to fix faults.

The contract had expired, so all this industrial action was perfectly legal, even under the draconian anti-union provisions of the Employment Contracts Act. As Engineers Union advocate Suze Wilson said: "If Telecom thinks it is bad faith for its employees to act in accordance with their legal rights, then I think it is Telecom which has the attitude problem" (*Press*, 4/7/96).

Further proof of Telecom's anti-union attitude surfaced in Auckland where staff were told that company premises were off limits for union meetings. So an August stopwork meeting was held on the footpath. And, exactly as predicted in *Watchdog* 82, Christchurch corporate hitman Ian Frame has

fitted in perfectly with the costcutting, worker bashing culture in his new job as manager of Telecom's design, build and maintenance division. Fresh from the killing fields of Christchurch's bus and health systems (with a trail of human wreckage behind him), Frame has set about trying to slash the earnings of higher paid staff by up to \$40,000 per year, plus getting rid of a whole raft of allowances. A manager in the same division offered 18 staff a 2% pay increase if they quit the Engineers Union. Telecom was forced to apologise for this after the union threatened legal action.

The industrial dispute was taken to Telecom's annual general meeting, where workers (including one dressed as Spot the dog) leafleted shareholders, and Alliance leader Jim Anderton addressed the rally. Inside the AGM, Ken Douglas, head of the Council of Trade Unions (CTU), called the \$1.2 million pay package for chief executive Rod Deane "gross and obscene" and said Telecom had no legal, moral or any other right to try to force its staff onto individual contracts. He added: "The people who are really of value to this company are essentially those outside the door at this moment (demonstrating). They have had less than 5% increase in the last five years" (*Press*, 19/7/96). He was told to shut up by chairman Peter Shirtcliffe. Telecom's 76 page annual report featured a total of nine lines about the staff.

The seven weeks of industrial action got results and talks resumed at the end of August. Nor are current staff the only workers with a bone to pick with Telecom. Nearly 800 retired employees of the former Post Office have filed a lawsuit in the Auckland High Court seeking a refund on the lifetime discounts on line rentals and toll calls they were entitled to after 40 years service. Upon their death, the discounts were passed to surviving spouses until they remarried or died. Within three years of Telecom being privatised, the deal was completely scrapped.

Each claimant is seeking restoration of the concessions, compensation for losses and \$20,000 damages, plus costs. If they win, it would cost Telecom \$180 million (which is simply one quarter's profit, after all). Telecom plans to defend it vigorously, saying the claim has no merit.

### **Cellphone Towers; Cable TV**

As of June 1996, Telecom had just under 360,000 cellphone connections, or about 10% of the total population. That means that 90% of us aren't Telecom cellphone customers, and quite a few of us are very vociferous in our rejection of the microwave transmission towers that are an integral part of this network. Nowhere has this grassroots opposition been stronger than in Christchurch (as documented in *Watchdog*). Things have quietened down lately, and Telecom won the latest battle. The Christchurch City Council granted it the right to build a tower near the Bishopdale shopping centre, with the conditions that the radio frequency fields be kept as low as possible, and that any interference with residents' radio or TV reception directly attributable to the tower be remedied by Telecom at the company's expense. Moka Ritchie, spokeswoman for the Environmental Protection for Children Trust, said: "The Council should ensure that there

is a more suitable alternative to supplying cellphone technology" (*Press*, 9/8/96).

Helen Hughes, the Commissioner for the Environment, expressed concern that the cellphone TNCs were emphasising the lack of evidence for the risk of adverse health effects. She pointed out that international literature on the subject made it clear that there was also no evidence that such adverse effects would never be experienced. She recommended to the Minister for the Environment that a national environmental guideline on the planning for cellphone transmission facilities be prepared, in consultation with the Minister of Health.

Things are proceeding much more smoothly for Telecom on the cable TV front. Its subsidiary First Media expects to begin business by the end of 1996, and to have supplied underground cable to 70,000 homes in Auckland and Wellington by mid 1997. The network will have the capacity to carry 50 channels, both normal pay TV and pay per view channels. First Media has completed a two year cable trial in the Auckland suburbs of New Lynn and Pakuranga, and found that demand was strongest for local content. The service will be interactive. "This will change people's lives. It is not normal television", said First Media manager, Ken Rayward (*Press*, 27/7/96). Telecom sees the main advantage to itself from First Media as futureproofing ie preventing it being suddenly confronted with phone network competition from any rival cable network.

Telecom hasn't got the cable TV scene to itself. American-owned Saturn Communications has set up an overground cable network on the Kapiti Coast, and has openly expressed the hope that its broadband network will be the catalyst for a sort of "Foes of Telecom" competitive alliance, comprising Clear (national and international toll calls), BellSouth (cellphones) and itself. Saturn is looking at getting an interconnection agreement with Telecom, and says it suspects that the latter is more interested in transactional interactive services, such as Internet access, home shopping and home banking, rather than cable TV.

### **New Enemies: Telecom Undercuts Independent Internet Providers**

Telecom has always had the impressive ability to create whole new classes of enemies. And now it's done it again - independent Internet providers (of the likes of PlaNet, with whom CAFCA has signed up for e-mail). Internet access is definitely where the big money is. There are over 800,000 personal computers in New Zealand at present, with forecast growth to over 1.6 million by 2000. At present, less than 5% of them are connected to the Internet. Telecom launched Xtra in May 1996, and had signed up 15,000 subscribers within a few months. Jeff White, chief financial officer, said Internet growth was "almost vertical", and forecast growth of 15% per month (*Press*, 16/8/96). In June 1996 it signed a deal with fellow telecommunications TNC Ericsson, which will provide Internet access by cellphone.

Not content with the hard graft of finding its own custom-

ers, Telecom adopted the classic tactic of all Big Business bullies - pinch somebody else's. In August 1996 Xtra dropped its hourly rate from \$6.95 to \$2.50 (including GST), including on 0800 services in the three main centres. It dropped altogether its monthly connection charges, which went as high as \$49.95. Not surprisingly this price slash of up to 64% stunned the independents. Several of them lodged complaints with the Commerce Commission, particularly over the 0800 access to Xtra at prices unavailable to the independents. The newly created Internet Service Providers Association of New Zealand (ISPANZ) launched an advertising campaign aimed at Telecom's 0800 service subscribers, advising them that they should ask Telecom to provide the lower 0800 pricing to all its customers. And the independents responded by cutting their own prices.

But as the owner of the national phone network, upon which the Internet is entirely dependent, Telecom has the advantage of a natural monopoly. The price war took its toll - at least one North Island independent went bust. Telecom is not averse to using muscle - in October, it blocked communications between Xtra's customers and those of Voyager, one of the independents. There are grave suspicions about Telecom's long term intentions.

"The providers say that Telecom intends to promote the Internet as an advertising medium, perhaps reducing its primary pages to a selected group of sites picked only for their ability to pay the advertising cost. According to the independents, that might throw up Internet pages as bland as TVNZ's programmes, with subscribers getting lots of ads but little substance...More seriously, they fear that if Telecom comes to dominate the market, it will later adjust its customer prices to reflect the service's real cost...If their wider fears about Telecom's intentions turn out to be justified, however, on-line customers eventually will be the poorer" (*Press*, 20/9/96; editorial; "Cheaper Internet access").

### Major Security Glitch

Telecom's Xtra would doubtless pick up more customers if there hadn't been the simultaneous revelation that its e-mail was insecure.

"Telecom had to execute an embarrassing backtrack after at first denying an allegation by the independent providers that Xtra's security had been compromised. The providers turned out to be right. Xtra's mail system was closed, and the passwords of all its 15,000 customers changed, after Telecom discovered that other people could use customers' e-mail accounts without permission. The flaw has now been repaired, but that incident will not give intending users of Xtra much confidence" (*Press*, *ibid*).

To add insult to injury, Xtra only became aware of the problem when told about it by one of the independents, in September 1996. Reaction was scathing. Peter Wiggins, writing the *On Line* column in the *Press* (24/9/96; "Cover-up of an extra large security hole") compared it to leaving the house key under the doormat, the first place that any burglar would look.

"Is this the behaviour of a responsible Internet service company? No, it is not...Simply put, Xtra made a basic but big mistake, and appears to have misled its users and the public as to the significance of this mistake. Because of the nature of the flaw and size of Xtra's customer population, the number of users whose accounts may have been compromised will never be known..."

A subsequent *Opinion* piece in the *Press Computers* section (1/10/96; "Net users show attitude in fight against 'patronising' Telecom"; David Armstrong) accused Telecom of refusing to acknowledge that there was any problem with Xtra's security: "Telecom must do more than slash its prices to what appears to be loss making levels if it is to take over the local Internet access market. It must understand its customers and treat them as partners, as many existing ISPs do...Come on, Telecom. We don't all hate you. We just want you to play the game according to the new Internet rules of openness, partnership, and cooperation".

Telecom's monopoly power over the Internet was graphically demonstrated in September 1996, when Xtra interpreted the law on pornography by banning access to news groups thought to contain offensive matter. About 30 such newsgroups were suspected, but Xtra banned access to an estimated 10,000 on-line newsgroups, drastically affecting innocents interested only in antique clocks or steam trains.

### Cut The Cable - That's The Storey

Telecom is facing all sorts of pressures from its rural customers. It is conducting a national review of all of its 190 free calling areas to address historical anomalies. This has become particularly acute around Christchurch, where anomalies abound - for example it is a free call to or from the remote Banks Peninsula bay of Port Levy, but a toll call to or from the Plains township of Darfield, which many people use as a commuter suburb of Christchurch. It's an issue that has brought rival MPs together in common cause - Labour's Mike Moore presented a several thousand strong petition calling for free dialling between Christchurch and Rangiora. National's David Carter met with Telecom to urge the removal of the historical toll boundary on Banks Peninsula (which means that some bays are free dialling, while neighbouring ones pay tolls). In partial response, Telecom has introduced an extra monthly charge (on top of the line rental) for unlimited free calling from some places to Christchurch. It also reiterated its standard propaganda line that it is losing money on domestic phone services, which it maintains are amongst the cheapest in the world.

But Telecom's dealings with some of its other remote rural customers are downright antagonistic. Robyn Storey, a Great Barrier Island poultry farmer, learned this the hard way. When Telecom installed a phone at her neighbour's place, it trespassed on her property and ploughed up her right of way. This left her unable to get a vehicle through the quagmire for four months. So, in a stunningly simple approach, she cut the cable with garden secateurs to get Telecom to fix the road. When the line was repaired, she cut it again.

Whereupon Telecom complained to the police, who sent their launch and three officers to arrest her. Ironically, when they arrived at her gate they couldn't get their vehicle through the mud and had to walk. She was arrested, convicted of wilful damage and ordered to pay Telecom \$500 reparation. But she appealed (which involved six ferry trips to Auckland), and won on a legal argument based on an 1888 British case. The High Court quashed her conviction, re-funded her the \$500, and awarded her costs. "All I did it for

was to get Telecom's attention so that they would fix my road" (*NZ Herald*, 29/8/96).

This Great Barrier Island chook farmer has, in her good old straightforward Kiwi fashion, showed that Telecom, transnational bully that it is, can be held to account and beaten. There is a lesson in there for the rest of us. What a great Storey.

## SPIRO AGNEW

- Murray Horton

Spiro Agnew died in 1996. Why should we devote space to a former American Vice President who resigned in disgrace in 1973, and wasn't even as funny as Dan Quayle? Agnew was Nixon's Vice President, and thus carries his share of responsibility for the multitude of crimes committed by that Administration against its own people and those of numerous other countries, particularly Indochina (see *Watchdog* 76, "Richard Nixon, Mass Murderer").



Agnew was the arch reactionary in a particularly Neanderthal regime. He was the populariser of the phrase "the silent majority"; it was he who referred to the media as "the nattering nabobs of negativism" and "an effete corps of impudent snobs". Student protesters had "never done a productive thing in their lives. They take their tactics from Fidel Castro and their money from Daddy".

His Vice Presidency ended abruptly when he pleaded no contest to corruption charges arising from his previous tenure as Governor of Maryland. Otherwise it would have been him, and not that old stumblebum Gerry Ford, who succeeded Nixon when the latter resigned in 1974. What a great double act that would have been - a crook replacing a crook.

But Spiro Agnew's significance for us is because he came to New Zealand, in January 1970. He was just one in a long line of high ranking US visitors sent here to pressure the Holyoake National government into contributing more NZ troops to the Vietnam War. His visit was as undistinguished as the rest of them. But what happened during it has guaranteed it a permanent place in the annals of shameful acts committed by the New Zealand State.

It was a time of a very militant and widespread anti war movement here, which the powers that be regarded as the local representatives of the Communists that were being (unsuccessfully) fought in Vietnam. The best source on that whole period is Tim Shadbolt's 1971 classic book, "Bullshit And Jellybeans". Throughout 1969 there had been increasingly frequent clashes between protesters and police, most latterly everywhere PM Holyoake had campaigned during

the general election. So when Agnew came to Auckland, the State went in for massive overkill - over 900 police from all over the country; military personnel; and armed US Secret Servicemen. The Intercontinental Hotel was physically blocked off from the rest of the city. Throughout the three days of his presence, there were constant clashes with the police, and arrests (I was one of them).

Then at 11.45 p.m. on the last day, the police launched an all out attack on the protesters (I was already locked up in Auckland Central by then). They bashed and kicked indiscriminately anybody who got in their way, whether protesters or innocent members of the public. It was the biggest police riot until the 1981 Springbok Tour. The conservative media couldn't suppress it (although they distorted coverage) and the public was deeply shocked by the spectacle of unrestrained State violence against New Zealanders, a violence aimed at protecting a particularly obnoxious mouthpiece of an unpopular and murderous war.

The Vietnam War galvanised a generation of activists worldwide. The Agnew demo was one of the turning points in the New Zealand campaign against the war. It was a turning point in my life - first punch in the face from a cop, first arrest, and first "criminal" conviction - following hard on the heels of first demo, first flat, first TV interview, first love and first motorbike crash. I was then in the Progressive Youth Movement (PYM) which provided a direct link to the birth, several years later of CAFGINZ. We started out in the political maelstrom of that anti war movement.

And we had the last laugh. No more New Zealand soldiers were sent to Vietnam, and within three years they had all been withdrawn. Within five years, Uncle Sam made his famous exit from the rooftop helipad of his Saigon Embassy and Vietnam was liberated. Unlike his old boss, Agnew was not reincarnated as an "elder statesman" but went back to richly deserved obscurity.

So that was Spiro Agnew's legacy to New Zealand. As Shadbolt concluded: "We won't forget Agnew. And we'll never forget 11.45".

# LESS OVERSEAS INVESTMENT APPROVED IN 1995, BUT MORE HECTARES SOLD

## 1995 statistics from the OIC

Bill Rosenberg

A peak appears to have been passed in overseas investment approvals by the Overseas Investment Commission. The 1995 statistics recently released by the OIC follow a downward trend begun in 1994. However land sales continue to increase.

There are probably two different mechanisms at work for land and non-land investment.

For general investment, quite simply, the best has been sold. Non-land investment has been overwhelmingly takeovers. From CAFCA's analysis of OIC decisions, it is obvious that most of the genuine "greenfields" investment in 1995 was relatively minor in dollar terms, in mining or forestry. With about 60% of the New Zealand sharemarket overseas owned and the government having sold almost all the Crown assets there are to sell, there's not much left to buy.

For land though, the attractions are still there and growing. Forestry is the main reason for buying: 72.9% of the area sold (44,941 hectares) in 1995 and 56.3% (135,722 hectares) in the five years 1991-95. Most of the rest is for farming: 19.7% in 1995 and 30.5% over the five years. Land has always been the basis of our principal comparative economic advantage, and land is still attractive for that reason.

It would be easy to say there's still plenty of land left to sell. In the five years 1991 to 1995, just 1.13% of the saleable land area (0.89% of the total land area) of Aotearoa has been sold. But unlike other assets we can't make any more of it, and it is likely to be the most desirable land that goes first.

The number of hectares increased by 5% in 1995, to 61,672 from 58,650 in 1994. The dollar value of the sales increased by much more: 86%, from \$351.0 million to \$653.4 million. However this includes the value of proposed developments on the land, and these can vastly outweigh the value of the land itself. For example the proposed Stratford power station appeared twice in 1995 decisions – both times as a land transaction because it involved 12.6 hectares of land. But the second approval was valued at "approximately \$380 million" because of the cost of building the power station. The OIC does not give us the value of the land involved in its approvals: perhaps it does not know.

This introduces a feature of this year's release of statistics by the OIC. The release is obviously seen as a political exercise as much as a release of information. Less information is available rather than more. The original release from the OIC gave no information as to the dollar value of land transactions. The OIC gave the reason in the above paragraph for

its suppression. We think that the public should be able to make up its own mind on this, rather than have the Commission make it up. If the OIC does want to inform the public, it could extract the actual land values from the total value of the transactions.

We managed to persuade the OIC Secretary to give us a total of land transactions, \$653 million, but that was not officially released. We then requested the information formally, and can now present to you the value of sales by country of origin, though not by the activity for which they were purchased. So the quality of the figures we can pass on to you has fallen. Given the summary they attach, which emphasises the smallness of the land sales relative to other sales and to the total land area of Aotearoa, one suspects that the exercise is aimed as much to sooth the public as to inform it.

An additional loss is that, as with last year, the OIC no longer distinguishes between "new" investment and takeovers in their statistics.

Last year we reported a late revision by the OIC that we took exception to. It revised the 1994 statistics without making comparable revisions to previous years. This year we are using the revised 1994 figures, not because we have since been satisfied with their action, but because we feel we have little choice but to use the official figures.

As always, the OIC statistics must be read with care: they record the *applications* to the Commission. The OIC notes that they include transactions which

- don't proceed;
- are "just in case", to allow a security on a financing arrangement to be claimed in case of default (e.g. claiming an asset should the owner fail to repay a loan);
- are the transfer of assets from one overseas owner to another or a corporate restructuring from one subsidiary of an overseas owned company to another;
- are joint venture arrangements with up to 75% Aotearoa share, but the OIC records the full value of the transaction as being overseas owned;
- involve overseas people who subsequently become residents of Aotearoa.

These increase the totals without necessarily changing the real level of overseas investment in Aotearoa, or changing it to the degree stated. The OIC states that when they removed "some but not all" of the above types of transactions from the 444 transactions in 1995 involving \$4.9 billion, 332 were left, involving \$2.9 billion.

On the other hand, these statistics do not include overseas

investment transactions that result in the investor owning less than a 25% interest, or are less than \$10 million (unless they involved land).

We can also report, without any surprise, that no applications for investment were declined by the OIC in 1995. That makes four applications refused by the OIC out of 7,544 since 1987.

### Land sales

By land usage, the most significant changes compared to 1994 were:

- ❑ **forestry** (37,222 hectares to 44,941 hectares);
- ❑ **tourist-related** (503 hectares to 1,854 hectares; note that in 1993 it involved 14,838 hectares);
- ❑ **orchard** (65 hectares to 3,320 hectares);
- ❑ **residential subdivision** (1,759 hectares down to 430 hectares);

By hectares, the top domiciles of land buyers were:

- ❑ **United States**, 73 applications, 28,574 hectares
- ❑ **Malaysia**, 12 applications, 10,511 hectares
- ❑ **Japan**, 16 applications, 7,523 hectares
- ❑ **Australia**, 11 applications, 3,408 hectares
- ❑ **Taiwan**, 48 applications, 3,375 hectares
- ❑ **United Kingdom**, 20 applications, 2,891 hectares
- ❑ **Hong Kong**, 17 applications, 2,026 hectares
- ❑ **Netherlands**, 4 applications, 1,340 hectares

Although the U.S.A. remains at the top, and Australia gets back into the top six, Asian countries are working their way up the list in a way they are not for general investment. Hong Kong takes the place of China.

By dollar value, the top domiciles of land buyers were dominated by North America:

- ❑ **Canada**, \$390.7 million (from 5 applications, 651 hectares, including the above Stratford power station)
- ❑ **United States**, \$74.6 million
- ❑ **Japan**, \$74.2 million
- ❑ **Australia**, \$34.1 million
- ❑ **United Kingdom**, \$24.2 million
- ❑ **Malaysia**, \$18.0 million

By region, the highest sales by value were:

- ❑ **Gisborne/Hawkes Bay**, 24 applications, 17,406 hectares
- ❑ **Canterbury**, 24 applications, 9,967 hectares
- ❑ **King Country**, 15 applications, 7,572 hectares
- ❑ **Southland**, 8 applications, 7,093 hectares
- ❑ **Otago**, 26 applications, 5,043 hectares

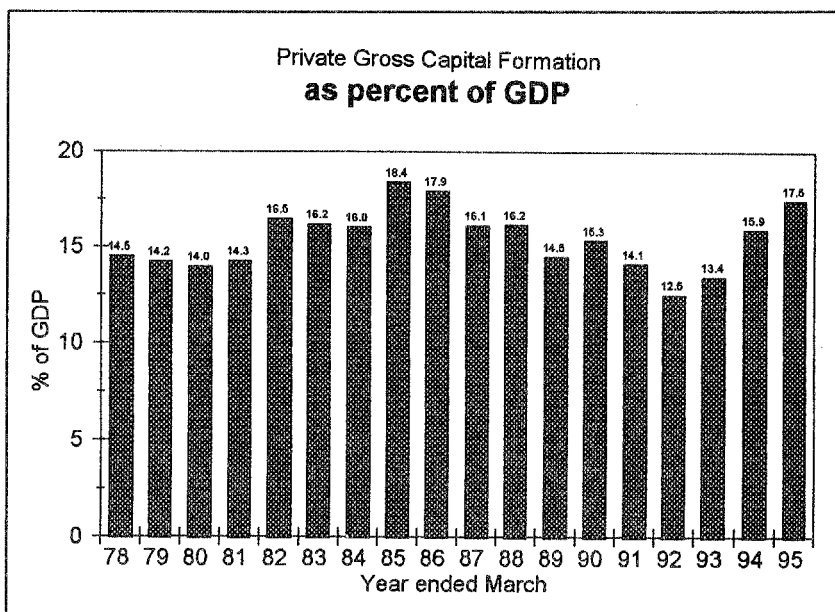
However, this is to some extent an artefact of changes in the way the OIC defines regions. The "King Country" is not defined and has not been used previously and presumably includes some of Waikato, Taranaki, and Wanganui. Those

four regions together accounted for 11,917 hectares in 1995. South Auckland would add only another eight hectares if included.

### General overseas investment

While the amount of foreign investment approved has fallen from \$5.2 billion, at \$4.9 billion it is still enormous. Compare it with the \$15.1 billion private gross fixed capital formation in the year ended March 1995. Although the \$15.1 billion is not absolutely comparable, because it is net of the sale of capital assets (such as occur in a company takeover), it still gives a useful measure of the scale of the overseas investment. Over the five years 1991-1995, the OIC approved \$32.6 billion of foreign investment. Total private gross fixed capital formation in the five years to March 1995 was \$57.3 billion.

The comparison does not mean that foreign investment has made a big difference to private gross capital formation, which is an indicator of "new" investment, the greatest contributor to employment. The following graph shows that private gross capital formation in the last few years, when foreign investment has been at its highest, is if anything lower than the historical level. In 1994, when foreign investment through the OIC fell, private gross capital formation actually rose



(Source: Statistics New Zealand.)

The most significant activities were:

- ❑ **Electricity Supply**, \$765.5 million
- ❑ **Manufacturing**, \$492.7 million
- ❑ **Financial Institutions/Services**, \$483.5 million
- ❑ **Wholesale and Retail Trade**, \$361.7 million
- ❑ **Transport Services**, \$351.7 million
- ❑ **Commercial Property Leasing**, \$340.7 million
- ❑ **Print Media**, \$332.7 million

By activity, the most significant increases over 1994 were:

- ❑ **Electricity Supply** (from \$295.8 million to \$765.5 million, an increase of \$469.7 million)

- ❑ **Print Media** (from nil to \$332.7 million)
- ❑ **Transport Services** (from \$20.2 million to \$351.7 million, an increase of \$331.4 million)
- ❑ **Environmental Services** (from nil to \$185.0 million)
- ❑ **Manufacturing** (from \$384.3 million to \$492.7 million, an increase of \$108.4 million)
- ❑ **Telecommunications** (from \$126.1 million to \$228.2 million, an increase of \$102.1 million)
- ❑ **"Other" Mining** (from \$9,000 to \$98.1 million)

- ❑ **Canada** (\$593.3 million)
- ❑ **Singapore** (\$304.4 million)
- ❑ **Japan** (\$165.3 million)

This is the same top six as 1994 except that Japan has replaced Hong Kong, which was in number two place in 1994. Hong Kong is number seven in 1995 with \$117.1 million, followed by Malaysia with \$107.2 million. The U.K. has taken second place, up from number six in 1994. Otherwise the order is the same.

The most significant decreases over 1994 were:

- ❑ **Commercial Property Leasing** (from \$1,345.8 million down to \$340.7 million a decrease of \$1,005.1 million)
- ❑ **Forestry** (from \$512.2 million down to \$258.2 million, a decrease of \$254.0 million)
- ❑ **Financial Institutions/Services** (from \$687.5 million down to \$483.5 million a decrease of \$203.9 million)
- ❑ **Residential Construction** (from \$214.4 million down to \$18.8 million a decrease of \$195.6 million)
- ❑ **Banks** (from \$198.3 million down to \$53.7 million, a decrease of \$144.7 million)
- ❑ **Gas Supply** (from \$151.3 million down to nil)

Until 1993, the OIC supplied two categories of statistics for all investment: firstly, takeovers of existing companies, and secondly, "asset acquisitions and business commencements" (essentially, new investment). In 1994 it amalgamated the two, but still giving separate statistics for the subset of applications involving land. Readers will notice an apparent sudden drop off in applications between 1989 and 1990. That is not because the government suddenly started to take a hard line on foreign investors: on the contrary, it is simply because the rules were loosened in August 1989. From that date, the threshold at which the permission of the Commission was required (for other than rural land and fishing) was raised from \$2 million to \$10 million.

By origin of investment, the top sources were familiar:

- ❑ **Australia** (\$1,428.4 million)
- ❑ **United Kingdom** (\$1,120.7 million)
- ❑ **United States** (\$719.3 million)

[Note: Some of the totals are inconsistent. They are as supplied by the OIC.]

### Overseas Investment Approvals 1987-1995

Applications	1987	1988	1989	1990	1991	1992	1993	1994		1995		Total
								Num	\$	Num	\$	Num
<b>Takeovers</b>												
Registered	849	1060	862	219	156	140	163					
Declined	0	0	1	1	0	0	0					
<b>Business commencements</b>												
Registered	891	919	677	201	179	203	219					
Declined	1	0	0	1	0	0	0					
<b>Total registered</b>	<b>1740</b>	<b>1979</b>	<b>1539</b>	<b>420</b>	<b>335</b>	<b>343</b>	<b>382</b>	<b>362</b>	<b>5,226,039,871</b>	<b>444</b>	<b>4,877,216,109</b>	<b>7544</b>
<b>Total declined</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>Total approved</b>	<b>1739</b>	<b>1979</b>	<b>1538</b>	<b>418</b>	<b>335</b>	<b>343</b>	<b>382</b>	<b>362</b>	<b>5,226,039,871</b>	<b>444</b>	<b>4,877,216,109</b>	<b>7540</b>
<b>Final Ownership</b>												
U.K.	234	237	164	65	47	55	44	37	266,228,604	56	1,120,725,896	939
U.S.	146	192	162	43	49	53	85	83	803,858,013	126	719,306,814	939
Australia	960	1006	817	166	74	124	79	52	1,535,480,288	58	1,428,356,058	3336
Japan	52	96	100	57	43	42	27	20	89,619,475	29	165,345,740	466
Hong Kong	57	42	39	22	12	1	29	41	928,382,125	28	117,080,138	271
Singapore	3	25	21	14	19	21	45	28	415,522,771	33	304,463,084	209
Canada	*	*	*	*	5	5	7	16	435,213,272	8	593,282,381	41
Others*	287	381	235	51	86	42	66	85	751,735,323	106	428,655,998	1339
<b>Total</b>	<b>1739</b>	<b>1979</b>	<b>1538</b>	<b>418</b>	<b>335</b>	<b>343</b>	<b>382</b>	<b>362</b>	<b>5,226,039,871</b>	<b>444</b>	<b>4,877,216,109</b>	<b>7540</b>
<b>% Overseas Ownership</b>												
Up to 49.9%	96	90	66	10	33	20	13					
50%	66	82	53	16	7	13	18					
50.1 to 74.9%	87	61	86	10	22	13	32					
75 to 100%	1490	1746	1333	382	273	297	319					
<b>Total</b>	<b>1739</b>	<b>1979</b>	<b>1538</b>	<b>418</b>	<b>335</b>	<b>343</b>	<b>382</b>	<b>362</b>	<b>5,226,039,871</b>	<b>444</b>	<b>4,877,216,109</b>	<b>7540</b>

## OIC Approvals by Country of Origin

Country	1991		1992		1993		1994		1995		1992-1995		1991-1995	
	No	Value (\$)	No	Value (\$)	No	Value (\$)	No	Value (\$)	No	Value (\$)	Value (\$)	%	No	%
Australia	74	N/A	124	3,479,336,322	79	2,250,232,004	52	1,535,480,288	58	1,428,356,058	8,693,404,672	33.1%	387	20.7%
Brunei					4	30,405,100					30,405,100	0.1%	4	0.2%
Canada	5	N/A	5	23,800,000	7	1,462,509,035	16	435,213,272	8	593,282,381	2,514,804,688	9.6%	41	2.2%
China	7	N/A			1		5	176,333,112	3	68,140,132	244,473,244	0.9%	16	0.9%
Denmark			1	1,883,841							1,883,841	0.0%	1	0.1%
Fiji									1	76	76	0.0%	1	0.1%
Finland			2	1,065,576					1		1,065,576	0.0%	3	0.2%
France	8	N/A	2	20,000,000	2	22,100,000	2	141,966,000	1	420,000	184,486,000	0.7%	15	0.8%
Germany	6	N/A	7	21,422,001	9	14,905,100	6	82,038,025	6	20,890,000	139,255,126	0.5%	34	1.8%
Hong Kong	12	N/A	1	150,000,000	29	516,905,100	41	928,382,125	28	117,080,138	1,712,367,363	6.5%	111	5.9%
Indonesia	11	N/A	3	2,614,488	3	3,119,460			1	80,900,000	86,233,948	0.3%	18	1.0%
Ireland					1	1,500,000					1,500,000	0.0%	1	0.1%
Italy					1	1,350,000	1	405,000			1,755,000	0.0%	2	0.1%
Japan	43	N/A	42	439,526,531	27	172,064,707	20	89,619,475	29	163,345,740	866,556,453	3.3%	161	8.6%
Korea	1	N/A					2	190,080	3	1,747,000	1,937,080	0.0%	6	0.3%
Malaysia	5	N/A	3	7,816,000	10	27,925,598	25	102,148,106	18	107,186,833	245,076,537	0.9%	61	3.3%
Netherlands	11	N/A	2	1,325,000	3	11,469,000	3	21,319,000	4	3,466,000	37,579,000	0.1%	23	1.2%
New Caledonia	3	N/A	1	850,000	2	735,000	2	3,040,000	1	150,000	4,775,000	0.0%	9	0.5%
New Zealand	11	N/A	5	170,097,000			13	197,542,000	4	69,083,928	436,722,928	1.7%	33	1.8%
Paraguay					1	300,000					300,000	0.0%	1	0.1%
Qatar					3	5,700,000	2	248,000			5,948,000	0.0%	5	0.3%
Saudi Arabia					1	16,400,000			1	2,050,000	18,450,000	0.1%	2	0.1%
Singapore	19	N/A	21	161,002,507	45	534,819,201	28	415,522,771	33	304,463,084	1,415,807,563	5.4%	146	7.8%
South Africa									1	1,225,000	1,225,000	0.0%	1	0.1%
Switzerland	9	N/A	9	60,040,000	8	43,740,250	6	2,439,500	7	54,575,000	160,794,750	0.6%	39	2.1%
Tahiti	2	N/A			1	300,000	1	385,000			685,000	0.0%	4	0.2%
Taiwan	5	N/A	4	8,850,100	16	74,260,974	15	15,831,500	50	11,696,812	110,639,386	0.4%	90	4.8%
Thailand			1	115,000			1	7,000,000	1	542,500	7,657,500	0.0%	3	0.2%
United Arab Emirates									1	292,500	292,500	0.0%	1	0.1%
United Kingdom	50	N/A	55	1,546,384,129	44	489,283,982	37	266,228,604	56	1,120,725,896	3,422,622,611	13.0%	242	13.0%
United States	49	N/A	54	628,678,519	85	3,728,830,614	83	803,858,013	126	719,306,814	5,880,673,960	22.4%	397	21.3%
Uruguay									2	6,690,217	6,690,217	0.0%	2	0.1%
Vanuatu							1	850,000			850,000	0.0%	1	0.1%
Western Samoa			1	15,000,000							15,000,000	0.1%	1	0.1%
Total	338	6,300,339,134	343	6,739,807,014	382	9,408,855,125	362	5,226,039,871	444	4,877,216,109	26,251,918,119	100.0%	1,866	100.0%
Nth America	54		59	652,478,519	92	5,191,339,649	99	1,239,071,285	134	1,312,589,195	8,395,478,648		438	
% tot	16.1%		17.2%	9.7%	24.1%	55.2%	27.3%	23.7%	30.2%	26.9%	32%		23%	
Europe	87		78	1,652,120,547	68	584,348,332	55	514,396,129	75	1,200,076,896	3,950,941,904		363	
% tot	26.0%		22.7%	24.5%	17.8%	6.2%	15.2%	9.8%	16.9%	24.6%	15%		19%	
Asia	103		75	769,924,626	135	1,359,500,140	137	1,735,027,169	166	856,702,239	4,721,154,174		616	
% tot	30.7%		21.9%	11.4%	35.3%	14.4%	37.8%	33.2%	37.4%	18%		18%		33%
Oceania	79		126	3,495,186,322	82	2,251,267,004	56	1,539,755,288	60	1,428,506,134	8,714,714,748		403	
% tot	23.6%		36.7%	51.9%	21.5%	23.9%	15.5%	29.5%	13.5%	29.3%		33%		22%
Other	12		5	170,097,000	5	22,400,000	15	197,790,000	9	79,341,645	469,628,645		46	0
% tot	3.6%		1.5%	2.5%	1.3%	0.2%	4.1%	3.8%	2.0%	1.6%		2%		2%

OIC Approvals - Activity Classification - All Transactions 1991-1995												
Activity	1991		1992		1993		1994		1995		1991-1995	
	No	Value (\$)	No	Value (\$)	No	Value (\$)	No	Value (\$)	No	Value (\$)	No	%
<b>Accommodations</b>												
Farm Stay			1	1,500,000	7	9,691,400			2	2,625,000	10	0.5%
Hotel/Motel/Lodge	17	286,597,057	9	79,327,308	15	124,018,017	18	259,555,545	16	275,637,903	75	4.0%
<b>Agriculture</b>												
Beef Farming	3	5,090,000	2	1,929,000	3	2,260,000	2	12,237,500	3	3,392,600	15	0.8%
Crop Farming	1	100,000			2	600,000			3	2,466,418	6	0.3%
Dairy Farming	3	2,112,000	9	6,105,000	5	1,050,000	12	65,226,000	3	3,585,000	32	1.7%
Deer Farming	4	927,700	6	5,236,530	4	922,037	3	510,080			17	0.9%
Floriculture/Nurseries	1	445,000	5	3,237,000	9	1,480,200	1	1,280,000	2	248,508	18	1.0%
Goat Farming					2	570,100					2	0.1%
Market Gardening	7	1,662,500	3	1,415,000	8	2,366,574	3	1,126,000	3	877,000	24	1.3%
Mixed Farming	4	1,176,125	4	2,123,625	2	805,000	1	650,000			11	0.6%
Orchard	4	3,332,940	5	1,026,983	3	1,140,000	4	1,840,000	13	32,031,236	29	1.6%
Ostrich Farming							1	165,000	3	700,000	4	0.2%
Pig Farming			1	1,500,000			1	385,000			2	0.1%
Poultry Farming			1	0							1	0.1%
Sheep Farming	16	11,670,936	13	9,099,041	12	17,905,635	16	74,561,500	16	16,781,000	73	3.9%
Viticulture	8	1,910,190	12	2,027,955	8	10,683,250	12	22,385,400	7	11,024,800	47	2.5%
<b>Amusement/ Entertainment</b>	11	4,647,125	12	47,336,700	7	40,115,460	6	86,885,000	10	37,284,020	46	2.5%
<b>Communication and Telecommunications</b>	8	250,056,500	10	61,440,587	15	1,884,977,439	16	126,124,922	23	228,188,399	72	3.9%
<b>Finance</b>												
Banks	11	166,425,000	10	2,860,791,927	3	327,000,000	1	198,333,333	1	53,680,132	26	1.4%
Insurance	12	388,301,595	1	14,159,254	6	34,151,883	5	130,719,000	7	61,000,000	31	1.7%
<b>Fishing</b>												
Commercial Fishing	3	200,000	1	910,000	2	8,000,100					6	0.3%
Fish Farming					1	16,400,000			3	19,578,537	4	0.2%
<b>Forestry</b>	13	396,358,200	22	627,500,324	58	184,362,517	84	512,166,981	130	258,209,130	307	16.5%
<b>Manufacturing</b>	49	1,632,470,721	41	607,575,446	50	3,034,539,990	38	384,333,556	38	492,739,151	216	11.6%
<b>Media</b>												
Print Media			5	75,000,000	2	48,440,000			6	332,741,554	13	0.7%
Television Broadcasting	7	34,681,543							1	84,615,384	8	0.4%
<b>Mining</b>												
Coal	2	1,002,000	1	140,000	2	5,000					5	0.3%
Crude Petrol and Natural Gas	6	69,092,310	5	41,000,000	2	10,000,000	1	11,300,000	9	22,611,596	23	1.2%
Metal Ore	14	42,472,541	1	12,000	12	241,660,895	10	61,930,000	10	92,302,791	47	2.5%
Other	4	1,408,500	3	500,000			1	9,000	6	98,080,001	14	0.8%
<b>Property</b>												
Commercial Construction	4	130,300,001			7	86,250,100	1	28,492,368	5	78,000,000	17	0.9%
Commercial Leasing	27	1,072,145,170	9	240,349,999	56	1,714,540,624	44	1,345,847,295	20	340,734,327	156	8.4%
Lifestyle	10	3,138,400	18	3,311,875	15	3,452,525	11	3,823,126	14	3,820,500	68	3.6%
Residential Construction			3	20,250,000	2	19,800,598	15	214,365,800	11	18,804,936	31	1.7%
<b>Services</b>												
Building							1	53,260,870	2	38,226,984	3	0.2%
Business	6	44,286,288	13	263,958,414	9	36,386,569	5	94,241,236	3	112,590,000	38	2.0%
Educational	1	183,500					1	100,000	2	1,337,000	4	0.2%
Engineering							2	20,000,000			2	0.1%
Environmental									11	185,030,020	11	0.6%
Financial	13	402,597,748	36	440,714,361	9	138,759,678	15	687,452,662	10	483,544,871	83	4.4%
Health							4	19,400,000	2	420,000	6	0.3%
Tourism	1	295,000	5	1,301,488					3	735,000	9	0.5%
Transport	15	500,950,001	7	47,875,891	17	748,270,100	6	20,242,455	7	351,705,217	52	2.8%
<b>Thoroughbred Stud</b>	4	4,120,000	1	6,000,000	5	2,425,076			6	4,623,237	16	0.9%
<b>Utilities</b>												
Electricity Supply	1	0	2	94,640,000	1	74,640,000	5	295,803,020	6	765,504,433	15	0.8%
Gas Supply							2	151,259,374			2	0.1%
<b>Wholesale and Retail Trade</b>	30	813,168,250	40	790,038,615	21	581,184,358	14	340,027,848	25	361,739,424	130	7.0%
<b>Holding Companies</b>	13	27,014,293	26	378,481,591	N/A	N/A	N/A	N/A	N/A	N/A	39	2.1%
<b>Total</b>	335	6,300,339,134	343	6,739,807,014	382	9,408,855,125	362	5,226,039,871	444	4,877,216,109	1,866	100.0%

Since 1993 the classification for holdings companies has been deleted and the applications have been recorded under the activity they directly relate to.

Rural Land

Overseas Investment in Land by Region 1991-1995

Region	1991			1992			1993			1994			1995			1991-1995		
	Num.	Ha.	\$	Num.	Ha.	\$	Num.	Ha.	\$	Num.	Ha.	\$	Num.	Ha.	\$	Num.	Ha.	\$
Northland	5	493	2,740,100	5	181	1,605,875	21	2,036	9,828,141	26	4,865	32,137,500	32	2,967	NA	89	10,541	NA
Auckland	4	1,369	15,395,000	12	1,191	14,041,505	4	72	2,000,000	19	7,968	102,874,205	14	517	NA	53	11,117	NA
South Auckland	13	1,067	16,471,256	10	805	11,278,100	10	1,458	9,588,500	3	273	2,785,000	7	8	NA	38	3,611	NA
Bay of Plenty/Coromandel	7	1,125	5,207,740	10	4,207	7,395,000	4	97	8,908,000	8	2,957	19,194,800	11	1,755	NA	40	10,141	NA
Waikato	2	251	1,348,519	8	644	4,632,000	5	387	2,346,076	6	752	11,423,000	8	850	NA	29	2,584	NA
King Country													15	7,572	NA	15	7,572	NA
Gisborne/Hawkes Bay	2	46	741,600	6	3,151	3,624,514	8	4,778	48,295,000	20	8,466	78,064,000	24	17,406	NA	60	33,847	NA
Taranaki/Wanganui							1	2	710,000	2	2,251	1,739,440	39	3,495	NA	42	5,748	NA
Manawatu	5	20	426,000	1	6	220,000	1	115	460,000	4	2,435	12,095,020	5	570	NA	16	3,146	NA
Wairarapa	2	527	860,000	7	68	924,000						4	2,106	NA	8	2,701	NA	
Wellington							6	338	3,770,000	7	34	350,000	1	108	NA	9	480	NA
Nelson/Marlborough	11	11,155	4,999,964	9	5,760	21,438,483	7	4,685	14,484,516	23	8,999	41,690,892	17	1,634	NA	67	35,224	NA
Canterbury	17	19,666	10,650,000	1	21	140,000	14	14,746	6,170,150	20	7,516	32,079,501	24	9,967	NA	76	51,916	NA
West Coast	3	9	850,000	12	2,348	5,349,428	2	24	7,250	1	82	125,000	7	581	NA	20	3,044	NA
Otago	12	676	7,368,375	16	6,371	10,830,119	20	8,350	24,191,317	16	7,453	14,013,500	26	5,043	NA	90	27,893	NA
Southland	7	2,493	2,099,012	11	5,238	6,202,478	11	11,909	7,533,183	12	4,668	2,754,175	8	7,093	NA	49	31,341	NA
Total	90	41,896	69,157,572	103	29,991	87,681,502	114	48,997	138,492,752	162	58,650	351,326,033	232	61,672	653,389,279	701	241,206	1,300,047,138

Overseas Investment in Land by Country of Origin of Investment 1991-1995

Country	1991			1992			1993			1994			1995			1991-1995			
	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	
Australia	11	2,140	3,576,769	19	3,249	17,955,109	17	2,159	14,709,158	11	2,838	9,392,500	11	3,408	34,123,000	60	13,794	78,756,536	
Canada	1	15	110,000	3	891	3,800,000	2	501	925,000	2	128	382,500	5	651	390,735,400	13	2,176	395,555,900	
China	2	11	170,000	0	0	0	0	0	0	2	1,118	11,705,000				4	1,127	11,875,000	
France	1	76	865,000	0	0	0	0	0	0	0	0	0	1	4	76	1	76	865,000	
Germany	2	1,818	8,859,012	4	76	1,222,000	4	108	1,705,000	3	71	1,807,625	1	3	420,000	7	81	1,085,000	
Hong Kong	3	18,971	6,294,024	0	0	0	6	5,584	15,440,100	13	1,002	5,463,000	17	2,028	6,470,762	39	22,563	33,617,887	
Indonesia	3	1,091	1,308,000	2	2,654	2,441,244	1	14,000	3,000,000	0	0	0	0	0	0	6	17,745	67,495,244	
Ireland	0	0	0	0	0	0	0	0	1	262	1,500,000	0	0	0	0	0	262	1,500,000	
Italy	0	0	0	0	0	0	0	1	1,193	1,350,000	0	6	405,000			2	1,99	1,755,000	
Japan	23	4,143	18,472,152	21	8,265	24,464,658	8	4,806	4,353,082	14	3,753	27,819,475	16	7,523	74,213,381	82	28,290	144,122,778	
Korea	0	0	0	0	0	0	0	0	0	2	242	190,000	3	19	1,747,000	5	261	1,937,000	
Malaysia	0	10	0	0	0	0	0	0	0	0	0	0	12	10,511	17,989,728	43	33,873	79,030,248	
Netherlands	5	293	1,212,500	2	217	1,325,000	2	59	750,000	0	0	0	4	1,340	3,465,000	13	1,909	6,753,500	
New Caledonia	1	4	50,000	0	0	0	0	2	33	735,000	2	247	3,040,000	1	7	150,000	6	291	3,975,000
New Zealand	0	0	0	1	977	4,097,000	0	0	0	0	0	0	1	182	2,100,000	10	8,745	29,989,000	
Poland	0	0	0	0	0	0	0	1	357	300,000	0	0	0	0	0	1	357	300,000	
Russia	0	0	0	0	0	0	0	3	2,378	5,700,000	0	0	0	0	0	3	2,378	5,700,000	
Scandinavia	0	0	0	2	876	1,065,578	0	0	0	0	0	0	0	0	0	2	876	1,065,578	
Saudi Arabia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taiwan	8	390	3,152,840	5	240	2,475,400	9	698	7,160,000	6	2,052	16,490,000	8	163	6,920,720	37	3,653	38,158,960	
South Africa													1	282	1,225,000	1	282	1,225,000	
Switzerland	1	8	175,000	5	373	1,840,000	6	270	1,740,250	6	221	2,439,500	3	136	2,075,000	21	1,008	8,269,750	
USA	2	40	805,000	1	1,515	650,000	1	5	300,000	1	27	385,000	0	0	0	5	1,608	2,340,000	
Uganda	5	1,363	7,540,000	4	563	6,150,100	10	263	3,340,529	13	2,214	15,891,500	48	3,375	7,196,812	80	7,778	40,458,941	
Uganda	0	0	0	1	4	115,000	0	0	0	0	0	0	1	98	292,500	2	9	657,500	
United Arab Emirates													1	393	2,050,000	2	393	2,050,000	
United Kingdom	13	2,134	8,916,370	16	3,425	5,668,500	11	1,146	44,393,985	14	2,370	62,509,000	20	2,891	24,225,860	68	11,964	145,913,715	
United States	8	14,387	12,748,905	19	2,957	10,465,887	22	6,066	26,265,648	43	24,449	116,144,392	73	28,574	74,596,480	165	76,432	240,237,312	
Uruguay	0	0	0	0	0	0	0	0	0	1	4	850,000	0	0	0	1	4	850,000	
Total	90	41,896	69,157,572	103	29,991	87,681,502	114	48,997	138,492,752	162	58,650	351,326,033	232	61,672	653,389,279	701	241,206	1,300,047,138	

Overseas Investment in Land by Activity 1991-1994

Activity	1991			1992			1993			1994			1995			1991-1995		
	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$	Num.	Area (ha.)	\$
Range Farming	14	22,074	11,676,816	8	8,825	8,715,100	0	5,311	15,234,635	7	4,488	5,927,500	10	5,815	NA	50	7,174	15,475
Forest Related	13	555	21,563,928	14	2,154	10,425,344	9	14,938	9,017,855	8	503	22,895,000	14	1,854	NA	58	8,225	22,347
Udryle	10	49	3,136,400	13	207	3,310,675	12	309	3,452,425	10	234	3,738,126	14	169	3,820,500	59	845	17,460,326
Mixed Farming	8	164	1,910,190	6	252	2,027,750	7	224	10,633,300	10	506	15,086,500	6	331	NA	37	5,324	14,484
Range Farming	6	2,607	9,060,000	2	593	1,920,000	3	734	2,260,000	2	1,829	12,237,500	3	1,252	3,382,600	16	2,324	7,055
Industry	5	14,292	5,933,024	18	13,911	31,860,654	22	25,356	42,881,092	67	37,222	136,668,527	116	44,941	NA	236	33,775	135,722
Non-Residential	5	128	1,662,500	3	118	1,415,000	4	62	1,465,000	3	27	611,000	2	12	NA	17	2,424	347
Residential	5	15	1,115,519	0	0	0	0	0	1	36	4,000,000	0	0	0	0	0	55	0.0%
Commercial	4	69	3,332,840	4	27	1,028,985	3	17	1,140,000	3	63	1,840,000	10	3,350	NA	24	3,424	3,498
Manufacturing	4	59	1,065,000	6	70	2,283,741	7	58	41,566,250	14	1,182	62,262,500	7	218	NA	38	5,424	1,507
Highland Stud	4	272	3,470,000	1	175	5,000,000	5	481	2,425,076	0	0	0	4	649	NA	14	2,024	1,577
Mixed Farming	3	496	1,096,125	4	2,254	2,123,625	2	275	805,000	1	201	650,000	0	0	0	10	1,424	3,226
Range Farming	2	361	2,119,000	9	886	6,105,000	4	294	1,050,000	10	8,185	25,228,000	3	534	3,585,000	26	4,024	10,266
Industry	2	63	350,000	2														

# MARCH 1996 TO JUNE 1996

## OVERSEAS INVESTMENT COMMISSION DECISIONS<sup>1</sup>

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.

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## March 1996 decisions

### ***GWR of the UK buys Independent Broadcasting Group from Brierleys***

GWR Group Plc, a listed company of the U.K., and its subsidiary, GWR (West) Ltd, have approval to buy the Independent Broadcasting "Group" (IBC) from Brierley Investments Ltd for "approximately \$25 million" (media reports put the actual price at \$26.5 million). IBC (now known as Prospect) is the main rival of the recently privatised Radio New Zealand commercial radio network. GWR was an unsuccessful bidder (in partnership with the Maori Development Corporation) for the Radio New Zealand commercial network, having bid up to \$85.8 million for 75% according to an announcement it made on the London Stock Exchange. If it had won the bid, the Commerce Commission would have forced it to sell some of its Prospect stations. In the end, a consortium led by Tony O'Neill, his company, Wilson and Horton, and U.S. Clear Channel Com-

munications, won the big prize for \$89 million, but have to wait for a court challenge by Maori groups.

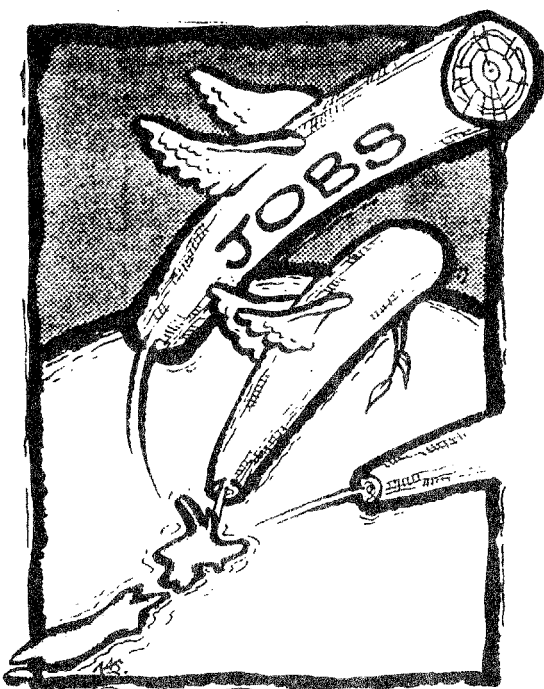
Prospect owns three companies that supply other broadcasters, including the Independent Radio News and sports service, and five further companies including Primedia Auckland which runs seven radio stations in that area including Hauraki, 198 and The Breeze. It owns a total of twelve stations.

GWR is on an aggressive expansion path, having recently bought East Anglian Radio, which owns five licences north-east of London, for £24.3 million. GWR, "one of Britain's leading commercial radio groups" had 28 licences before the purchase with "a listenership just under the total population of New Zealand". It has recently acquired Chilton Radio, 31% of London News Radio Ltd (other shareholders being Reuters and Independent Television News), and minority holdings in western and eastern Europe including 48% of FM Plus in Sofia, Bulgaria. It is working with the BBC World Service and four Polish media groups to establish Inforadio in Warsaw to supply news and information to other Polish radio stations.

(Ref: *Press*, 22/2/96, "British stations tipped to buy BIL radio stake", p.32; 24/2/96, "RNZ bid clear", p.27; 5/3/96, "Brierley sells radio company", p.37; 6/3/96, "More time for GWR radio bid", p.30; *Listener*, 9/3/96, "Going once, going twice ...", p.24-25; *Press*, 22/3/96, "GWR cleared for radio takeover", p.5; 25/3/96, "British company bidding for Radio NZ", p.36; 26/3/96, "Maori group, GWR linked in RNZ bid", p.32; *Listener*, 27/4/96, "Maori fight radio sale", Gordon Campbell, p.20.)

### ***Unilever buys Helene Curtis; may close Christchurch plant***

The giant U.K./Dutch firm, Unilever has bought out the Chicago-based shampoo and cosmetics manufacturer, Helene Curtis Industries Inc for \$US770 million (\$NZ1.14 billion) from the Gidwitz family. Helene Curtis has a factory in Christchurch which employs about 80 people and which may close as result. The purchase of the Aotearoa



operation, **Helene Curtis (New Zealand) Ltd**, cost Unilever \$9,000,000 according to the OIC. However Unilever subsidiary, Lever Rexona, has a factory in Lower Hutt, which is "looking at how to absorb the Christchurch factory". According to Lever Rexona's technical director, it was possible the Christchurch factory would close because most of the products made at Christchurch were destined for Australia and Lever Rexona had factories in both Sydney and Petone with spare capacity. "Because the majority of the production of the Christchurch plant is, in fact, destined for the Australian market it would seem logical that the Australian factory manufacture the products required for Helene Curtis." The Christchurch factory was founded by Spencer Ayrey who began making Helene Curtis products under licence at another Christchurch location. It moved to the current Main North Road site in 1971 and was bought out by Helene Curtis in 1985. Products include Finesse, Salon Selectives, soaps and cosmetics. Unilever's cosmetic products include Elizabeth Arden, Ponds, and Calvin Klein Cosmetics. (*Press*, 16/2/96, "Helen Curtis sale to Unilever given approval", p.18; 31/5/96, "Take-over may shut Chch plant", p.2.)

#### **Sovereign Assurance buys FAI Metropolitan Life**

**Sovereign Assurance Company Ltd**, a New Zealand public company which is owned "approximately 37.5% by various overseas individuals", has approval to buy **FAI Holdings New Zealand Ltd**, a subsidiary of **FAI Insurances Ltd** of Australia. The price is given as \$110,000,000, although news reports put it at \$123,000,000. Some redundancies would occur due to combining their administration at Takapuna. FAI owns Metropolitan Life (though the OIC doesn't mention it), and Sovereign and FAI/Metropolitan were ranked 10th and 11th among life insurance companies (by annual premiums in force) at the end of 1994 (*Independent*, 8/3/96, "Life Insurance Top 20", p.26). Combined, they are reported to be among the top three based on volume of "new individual regular premium business" but about 6th in the 1994 ranking.

Metropolitan, which has over \$220 million in funds under management and 3.6% of the Aotearoa life insurance market, also owns 38% of listed property investor Newmarket Property Trust. Its 29% owned rest home operator Metropolitan Lifecare has been in trouble with the Securities Commission which found shortcomings in a prospectus issued by it in 1994. It referred to "the inexperience of directors, their delay in warning investors of the likely prospectus shortfall, and the inadequacy of the company's management and management information systems. Company advisers were also criticised." The June 1994 prospectus had forecast an after-tax profit of \$4.95 million for the year to December 1994 and \$5.45 million for 1995, but only \$2.18 million and \$531,000 eventuated. The Stock Exchange was also criticised for accepting below standard documentation from MetLife. The prospectus was however not false or misleading.

FAI also launched Aotearoa's first public "master trust" (a sort of unit trust of unit trusts), the Myriad Master Trust, unsuccessfully, perhaps due to its Australian orientation and

having "no less than six separate fees to inflict on its members".

(*Press*, "Sovereign to buy Met Life", 16/3/96, p.27; 27/4/96, "MetLife will look into commission's findings", p.28; 29/4/96, "Master trusts yet to take hold in New Zealand", p.34.)

#### **Blue Star buys U-Bix**

**Blue Star Group Ltd**, which is 51% owned by **US Office Products Ltd** of the U.S.A., has approval to buy **U-Bix Business Machines Ltd** for \$27,933,050. U-Bix was 41.5% owned by **Transmark Corporation Ltd**, which in turn was owned 66.6% by **Shriro Pacific Ltd** of Hong Kong. For further details of Blue Star's rampage through the office products market, see our commentary on February 1996 decisions.

Transmark had taken over U-Bix as recently as July 1995. It was then owned 35% by Global Asset Management Inc of the U.S.A. and the price was said to be "\$15,000,000 for 40%". Both Transmark and U-Bix imported and distributed 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% was owned by Maori interests (*Independent*, 8/4/93, "The Renaissance of Maori Commerce?", Rebecca MacFie).

In August 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 would 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. U-Bix was in some trouble after a fraud investigation and a loss of \$7.6 million for the six months ended December 1995. It has 14 business centres around Aotearoa. (*Press*, 3/6/95, "Transmark stake", p.28, *Press*, 15/8/95, "Transmark takes control of U-Bix", p.32.)

#### **Leading computer software retailer, Essentially, sold to Spectrum of U.S.A.**

**Essentially Group Ltd**, an innovative group which grabbed a large share of the computer software (and more recently, hardware) market in Aotearoa, has been bought out by **Software Spectrum Inc** of the U.S.A. through its subsidiary **Software Spectrum (NZ) Ltd**. The price given by the OIC is \$11,000,000, but news reports put it at \$US14 million. Essentially undercut competitors through retailing at wholesale, and sometimes below wholesale, prices through phone and mail order channels. It has an annual turnover of \$70 million and seven offices in Australasia. Software Spectrum

was "one of the world's largest software licensors, with annual revenues of \$US400 million" before this purchase according to the *Press*. Direct marketing and retailing operation, Essentially Direct, will continue as a subsidiary, but Essentially Solutions which specialises in the corporate and government markets, has been renamed Software Spectrum New Zealand. The U.S. company sees the takeover as giving it "a foothold in the Asia-Pacific region... The new regional hub will be in Sydney, where Essentially has a branch." Microsoft told Software Spectrum that Essentially were their strongest reseller in Aotearoa. (*Press*, 9/4/96, "Essentially bought", p.33; 16/4/96, "Essentially bought as Asia foothold", p.28.)

This leaves the majority of the most successful of Aotearoa's independent national computer hardware and software retailers in overseas hands. Competing with them are the local subsidiaries of the transnational manufacturing giants such as Microsoft, IBM, and Digital Equipment Corporation. There remain a myriad of (often short-lived) local one-shop operations struggling in this cut-throat market. The following national or near-national businesses were all originally locally owned, although Computerland was a franchise from the U.S.A.

Brimaur/Renaissance:	Singapore
Computerland:	Singapore
Essentially:	U.S.A.
Noel Leemings:	Singapore
Southmark (North Island):	Japan/U.K.

In addition, the closely related office products market is now dominated by two overseas companies, US Office Products (see above) and Corporate Express (see our February 1996 commentary) along with Whitcoulls.

#### ***Trans Tasman Properties buys Auckland Finance and Trade Centre***

Orion Properties Ltd, an "indirect" subsidiary of Trans Tasman Properties Ltd, has approval to acquire Auckland Finance and Trade Centre Ltd from Shinwa Real Estate Company of Japan for \$80 million. The company owns the Finance Centre in Queen Street, Auckland, including 0.6965 hectares of land. Given that land was involved and was valued at more than \$10 million, national interest criteria should apply but do not appear to have been considered by the OIC. Trans Tasman is 46.33% owned by SEA Holdings Ltd of Hong Kong and 15% owned by "various other overseas persons". See our commentary on the OIC's August 1995 decisions for further details.

#### ***Aluminium business sold by Comalco and AHI to Fletchers, retaining land***

Comalco New Zealand Ltd (ultimately owned in the U.K.) and AHI Group Ltd, owned by Carter Holt Harvey Ltd, itself owned 51% by International Paper Products of the U.S.A., are selling a 50/50 joint venture aluminium powder-coating, extrusion and distribution business, Comalco-Carter Holt Harvey Aluminium, to Fletcher Challenge Ltd. Renamed to Fletcher Aluminium, it has a franchised sales and distribution network of 160 outlets. Its products are mainly windows and door frames, branded Fisher, Rylock, Vistalite

and Nebulite, which have about 47% of the market. The price reported in the news was \$69 million. Comalco had put its extrusion and distribution businesses up for sale throughout Australasia last year in order to concentrate on aluminium smelting. (*Press*, 23/3/96, "Fletcher buys CHH Comalco venture", p.30.) Fletchers, though well over 25% overseas owned, has an exemption from requiring consents from the OIC, so the \$69 million transaction did not need the OIC's approval. The reason for the OIC's involvement is that AHI is retaining four hectares of land used by the operation (which is adjacent to five hectares of land it also owns), because "Fletchers do not wish to make the capital expenditure involved in purchasing and continuing to own the land". AHI has bought it back from Fletchers for a suppressed amount, and will lease it to Fletchers.

#### ***Tranz Rail buys land from New Zealand Post for Southdown Freight Terminal***

Tranz Rail Ltd, predominantly owned in the U.S.A., has approval to buy seven hectares of land at 345 Neilson Street, Onehunga, Auckland, from New Zealand Post Ltd for a suppressed price. "The land being acquired adjoins land currently leased by Tranz Rail which comprises the Southdown Freight Terminal. The Commission is advised that the current operation is working to near capacity and the acquisition will enable much needed expansion of the facility."

#### ***Geothermal power station at Rotokawa for Power New Zealand***

Rotokawa Generation Ltd, a subsidiary of Power New Zealand Ltd, which in turn is 27% owned by Utilicorp United of the U.S.A. has approval to construct and operate a geothermal power station at Rotokawa near Taupo. The station will use "less than five hectares" of land which will be leased from Tauhara North Number Two Trust "as part of a joint venture" for a suppressed amount. The construction of the station will be by Ormat Industries Ltd of Israel.

#### ***More land for mining at Waihi and Waitekauri Valley***

As happened last month, more land is being acquired for the Waihi Gold Mine in and around Waihi. The purchase of a further three blocks of residential land has been approved: 0.0506 hectares at 91 Seddon Street (the "old miner's cottage" backing onto Martha Hill) for \$100,000 from the Puhiti Trust; 0.1799 hectares in Morgan Street for \$150,000; and 0.0569 hectares in Seddon St for \$15,000. 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."

In a separate decision, **Coeur Gold New Zealand Ltd**, a subsidiary of **Coeur d'Alene Corporation** of the U.S.A., has approval to buy **89 hectares** in **Waitekauri Valley** for **\$275,000**. "Coeur Gold undertakes a mining operation in the Waitekauri Valley in a joint venture with **Viking Mining Company Ltd** of New Zealand. Coeur Gold state that the property is being acquired to enable the joint venture to further its mining activities."

#### Land for forestry

- **Deborah Miller** of Brookfields, Auckland has organised nine more sales of blocks of land for forestry development. The first is **60 hectares** of land in **Humphries Road, Kohukohu, Northland** (Far North District), which is being acquired by **Asian Power International (NZ) Ltd** for **\$285,000**. Asian Power is owned by two **Hong Kong** residents and they are acquiring the land by buying **Penzance Developments Ltd**. The other eight are at **Paparangi Station, Wanganui**, all being sold to **Taiwan** residents, all of whom have been granted permanent residency status except for the first of the sales listed below. In each case the land is being acquired from **New Zealand Forestry Group Ltd** "who have been appointed as general manager of the forestry operations". The land sold totals **192.1 hectares** for **\$753,100**.

Sold to	Hectares	Consideration
Chia San Yu and Dick Yu ( <b>Fancy World International Ltd</b> )	17.5	\$68,250
Wu Tsung-Hsun and Huang Chia-Li	30	\$117,000
Lin Wu-Chou, Wu Li-Chine, Lin Han-Yin, Lin Kuan-Chen and Lin Tui-Chen	25.1	\$97,890
Huang Meng-Jen, Yu Lu-Chen, Huang Tzu-Hsien, and Huang Yu-Hsien	21.6	\$84,240
Shih Fang Yu	19.2	\$75,840
Lai Chen-Hsiang and Dr Lai Yang Wen-Chu ( <b>Wen Chu Forestry Company Ltd</b> )	28	\$110,600
Yuan Lo Ming and Sun Bee-Huei	31	\$122,450
Lee Rong-Tar, Tsou Mei-Hsiu and Lee Kui-Chang	19.7	\$76,830
<b>Total</b>	<b>192.1</b>	<b>\$753,100</b>

- **New Zealand Managed Forest No. 1 Ltd**, which owns a forest right over **403 hectares** east of **New Plymouth, Taranaki**, known as **Bellamy Forest Estate**, is being offered for sale overseas for **\$1,535,430**. Approval is given to "individual persons residing in **Germany, Holland and other neighbouring European countries**", the "country of predominant ownership to be advised". Too bad if they all turn out to be of bad character: the OIC has given its approval.
- **Carter Holt Harvey Ltd** has approval to buy **620 hectares** of land in the **Waimiha area, King Country, south Auckland** for **\$646,000** for forestry planting. There appears to be an unhappy change of circumstances behind the sale: "the vendors entered into a long term sale and

purchase agreement in July 1994 to acquire the property on 29 March 1996 for the purpose of forestry development. However due to a change in financial circumstances they are unable to proceed with the proposal and have decided to onsell it to Carter Holt." The vendors are described only as **Waimiha Forests Ltd**.

- **Tiong Family** subsidiary, **Ernslaw One Ltd** of **Malaysia** has approval to buy **18 hectares** of land on **Pretoria Road, Shannon, Manawatu**, for **\$66,000** for forestry planting and access. The land is being purchased via **Emerald Hills Forest Ltd**. 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... the land ... is being acquired primarily to provide access to Ernslaw's adjacent forests... This access will provide a direct route two kilometres into the forest rather than upgrading a ten kilometre winding district council road."
- **Carter Holt Harvey** also has approval to buy **410 hectares** of land at **Waikoau, Hawkes Bay** for **\$745,000** for forestry planting.
- **Ernslaw One Ltd** of **Malaysia** also has approval to buy **2,009 hectares** of land in **West Road, Hunterville, Hawkes Bay**, for **\$1,780,000** for forestry planting. The land is being purchased via **Sophie Investments Ltd**. The purchase is part of the strategy described in the

Manawatu purchase above. "The property is marginal for arable farming."

- **Seneca South Pacific Ltd**, owned by three residents of the U.S.A., has approval to purchase **305 hectares** of land, part of **Moka Moka Station in Hawkes Bay**. The land will be used for forestry planting and cost **\$818,720**.
- **Carter Holt Harvey Ltd** has approval to buy **eight hectares** of land at **Wakefield, Nelson** for **\$4,000** for a fire break. It is part of a 25 hectare property adjacent to existing Carter Holt forest land "and has been used by the company as a fire break for many years ... the vendors have now required Carter Holt to purchase the land." It is also taking **1.3964 hectares** in exchange for **0.3322 hectares** belonging to neighbours in the Nelson region.

"The boundary is located on a midslope which creates problems for harvest and maintenance of the common boundary line. The exchange will result in a practical boundary."

- Six U.S.A. residents who "intend to apply for New Zealand permanent residency and will reside semi-permanently on the property" have approval to buy a total of 64 hectares of land at Taieri Mouth, Taieri, Otago through buying the companies Vanderspar Holdings Ltd (16.7 hectares for US\$60,000), Alsayed Holdings Ltd (13.6 hectares, US\$60,000), and Taieri Mouth Timber Holding Company Ltd (15.8 hectares and 18.2 hectares, \$150,000). They "propose to graze sheep and cattle on the property and also establish a forestry block."

#### Other rural land

- Universal Homes Ltd, which is owned by HIP Holdings Ltd, a Singapore listed public company 27% owned "by" The Peoples Republic of China, has approval to buy nine hectares of land at Weymouth, Manurewa, Auckland for \$3,320,000 from Kenneth Williams and Company Ltd. "It is proposed to develop the property over a 24 month period into 100 residential lots on which dwellings will be constructed by Universal in the mid cost bracket."
- More transnational religious activities (see June 1995) – this time of a more traditional nature. The Benedictine Sisters, "a Order of Catholic Nuns historically located in London" has approval to buy 14 hectares of land in Chamberlain Road, Bombay, Auckland, for \$365,000 to establish a monastery. This is the first time "Religious Devotions" has been stated as the "primary business activity" of an applicant.
- A U.S.A. resident, H.B. Schreiber, has approval to buy 0.0895 hectares of residential land at 8 Crescent Road East, Ostend, Waiheke Island for \$23,500. The land is "at present unsuitable for building purposes given its contours. Mr Schreiber proposes to improve the prop-

erty by effecting substantial engineering works which will enable a residential dwelling to be erected on the property."

- Diversified Business Services Ltd, owned by two U.S.A. residents, has approval to buy 40 hectares of arable land at Ohauti, Tauranga, Bay of Plenty for \$300,000. "It is proposed to establish research facilities on the land to develop and grow consumable health products including 'Barleygreen' a barley based health supplement". The land is being sold by Eptan Holdings Ltd.
- Marlborough Ridge Ltd, owned by two Australians and a New Zealander resident in Australia, has approval to buy 107 hectares of land in New Renwick Road, Fairhall, near Blenheim, for a suppressed price. They are proposing to build "a resort hotel and village type accommodation" plus a "residential subdivision of up to 200 sections".
- A Taiwan resident who has been granted permanent residency and is moving to Aotearoa has approval to buy 12 hectares of land at Waikari, North Canterbury for \$150,000 for truffle farming.

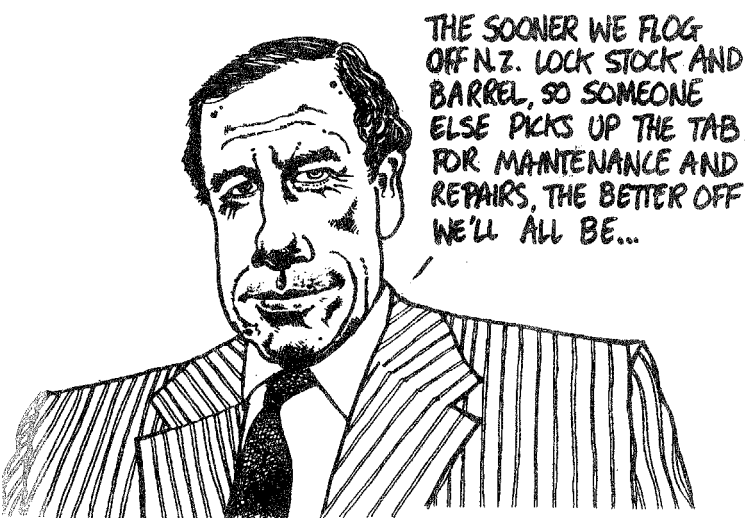
#### Internal restructuring

- Serco Group Plc of the U.K. is acquiring the last 2% it doesn't own of Serco Group New Zealand Ltd through its subsidiary Serco Asian Pacific Pty Ltd which previously owned 98% of the company. It is being paid for by the issue of 22,400 shares in Serco Group Plc.
- Innox International Ltd, a subsidiary of Glopec Holdings Ltd of the U.K., has approval to acquire another subsidiary, Glopec New Zealand Ltd for a "nominal" consideration.

#### April 1996 decisions

##### Radio New Zealand commercial network sold to O'Reilly

The commercial stations of Radio New Zealand, which were set up for privatisation as the company Radio Company Ltd, have been sold to three companies closely associated with Irish magnate, Tony O'Reilly, for \$89 million. The purchaser is New Zealand Radio Network Ltd, which is owned 33.3% each by Wilson and Horton Ltd, Australian Provincial Newspapers Holdings Ltd, and Clear Channel Communications Inc. Wilson and Horton is 45% owned by O'Reilly interests; APN is more than 50% owned by Independent Newspapers Plc of Ireland which is 30% owned by the O'Reilly family (*Press*, 4/4/96, "RNZ stations sold for \$89 million", p.3); and CCC (no relation of Clear Communications, the phone company) is a San Antonio, Texas based broadcasting company which is on the acquisition path in the U.S.A. Its O'Reilly connection is that it and APN each owns 50% of the eight station Australian Radio Network. For more on the O'Reilly empire, see our commentary on his takeover of Wilson and Horton in June 1995. According to a 14/6/96 prospectus lodged by CCC (ref. World Wide Web <http://www.sec.gov/Archives/edgar/data/739708/0000950134-96-002916.txt>) with the U.S. Securities and Exchange Commission, Clear Channel Communications began operations in 1972 and currently owns or op-



THE SOONER WE FLOG OFF N.Z. LOCK STOCK AND BARREL, SO SOMEONE ELSE PICKS UP THE TAB FOR MAINTENANCE AND REPAIRS, THE BETTER OFF WE'LL ALL BE...

erates 72 radio stations and 16 television stations in 27 domestic [U.S.] markets. In addition, to its interest in the Australian Radio Network, it has a 21.3% interest in Hefstel Broadcasting Corporation, a U.S. Spanish-language broadcaster which CCC is currently fully taking over. CCC has acquisitions pending for 33 radio stations, including nine stations which the company already operates, and one television station in 14 domestic markets. After the acquisitions and the divestiture of one station, CCC will own or operate 44 AM and 68 FM radio stations and 17 television stations in 37 U.S. markets. It has assets of \$US980 million and has had phenomenal growth in the last few years. According to the prospectus,

“Since 1991, the Company has achieved compounded annual growth rates of approximately 39% in net broadcasting revenue, approximately 55% in broadcast cash flow ... and approximately 66% in after-tax cash flow ...

On February 8, 1996, the [U.S.] Telecommunications Act of 1996 was signed into law. The 1996 Act represents the most sweeping overhaul of the country’s telecommunications laws since the Communications Act of 1934. The 1996 Act relaxes the broadcast ownership rules and simplifies the process for renewal of broadcast station licenses. Accordingly, the Company has acted to capitalize on the opportunities provided by the 1996 Act. Since the 1996 Act became effective, the Company has closed or entered into agreements to acquire approximately \$580,970,000 of broadcast properties.”

CCC is the fifth biggest radio group in the U.S.A. by number of stations (*R&R*, 9/2/96, World Wide Web <http://www.rronline.com/telec4.htm>) and second only to CBS by revenues (World Wide Web <http://www.idsonline.com/biahome>, 28/6/96).

The sale of the network in Aotearoa included three pieces of land: **six hectares at Taupo, 11 hectares at Christchurch, and 0.5 hectares at Timaru.** Accordingly the consent of the OIC should have been subject to national interest criteria. They claim those benefits “include”: “The supply of technical and management expertise to the New Zealand broadcasting industry; the introduction into New Zealand of additional investment for the development of RCL’s business; the depth of the consortium’s expertise will ensure the efficiency and competitiveness of RCL with resultant benefits for advertisers and listeners.”

Not mentioned are effects on employment and the growing power in the hands of O’Reilly through his ownership of both the country’s biggest newspaper and its biggest radio network (41 stations plus the Radio Bureau – an advertising production studio – and Radio New Zealand Sport).

Even though the new owners says they “plan no significant involuntary redundancies before 1997”, job losses are clearly on the cards. In the year to June 1995, the network made a \$2.8 million profit. On the \$89 million price he paid, O’Reilly

will want to triple that profit. This is a reflection of the fact that the price expected was between \$20 and \$40 million.

The Commerce Commission cleared the takeover, but its terms of reference guard against only the most extreme: dominance by one group. Clearly O’Reilly’s Wilson and Horton and associates now take a much stronger position in setting the news, advertising and entertainment agenda. As the head of the University of Canterbury journalism school, Jim Tully, said:

“If a news organisation owned both a newspaper and radio station in the same area there was a potential for it to rationalise its news services, and reduce the news choice available to newspaper readers and radio listeners. There’s a potential to be able to quite effectively create a uniform newsroom which is serving both (the newspaper and radio station) ... From a commercial point of view it would be crazy for a news organisation in this position not to rationalise ... But in principle the fewer the owners the more concerns we should have. A concentration of media ownership also made it more difficult for other organisations to set up in competition to existing news services.” (*Press*, 19/2/96, “Radio bid raises warning on cross-media issue”, p.4.)

It is difficult to imagine such a group allowing an open discussion of the disadvantages of foreign control of our news media for example! The majority of our main newspapers and radio stations, and one out of our three national free-to-air TV channels are now overseas owned. This is a situation that is unique in the world, for good reason: no other country wants to allow its news sources, and one of the most important means to nurture its language and culture, to be outside its control. Even the U.S.A. has very tight restrictions as CCC’s Prospectus outlined:

“The Communications Act restricts the ability of foreign entities or individuals to own or hold certain interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-U.S. citizens, representatives of non-U.S. citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-U.S. citizens, collectively, may directly or indirectly own or vote up to twenty percent of the capital stock of a licensee. In addition, a broadcast license may not be granted to or held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by non-U.S. citizens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations, if the FCC finds that the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such corporation, and the FCC has made such an affirmative finding only in limited circumstances.”

Neither did the OIC consider the effect on Maori language and culture. A number of leading Maori organisations including the Maori Council, Maori Congress, Maori Women's Welfare League and Wellington Maori Language Board tried to take out an injunction to stop the sale, on the grounds that the Crown had failed to meet its Treaty of Waitangi obligations to promote and protect the Maori language through broadcasting. The challenge failed, though not before one High Court judge, Justice McGechan, agreed that there was a "strong case" that the Crown had indeed failed. He said that Maori radio, the only medium carrying Maori language to any appreciable degree, had been left in serious financial crisis. Given the improved economy, the Crown could no longer cry poor (*Listener*, 27/4/96, "Maori fight radio sale", p.20). In June, the Court of Appeal accepted the Crown's arguments that the language could be protected without stopping the sale. If regulation was required, it should apply to all radio stations as it would lead to loss of audiences, advertising revenue, profitability and company value. If funding or subsidisation was favoured, it should be freely available, or on a favourable basis to private radio (*Press*, 14/6/96, "Radio sale appeal dismissed", p.2).

Whether the consortium's "depth of expertise" will "ensure resultant benefits for advertisers and listeners" is also open to doubt. Perhaps advertisers; but listeners are unlikely to hear much new. Some small community radio stations may be sold. The eight stations of Australian Radio Network are largely automated all-music broadcasters: very cheap, but hardly a thrill for listeners. CCC's stations (as listed in its prospectus) sound very similar to what we already have here, with the obvious omission of National Radio and the Concert Program:

Station or network format	Number	Station or network format	Number
Adult Contemporary	6	News/Sports/Oldies	1
Adult Urban	8	News/Talk	8
Album Oriented Rock	4	News/Talk/Sports	9
Classic Hits	1	Nostalgia	3
Classic Rock	4	Oldies	4
College Sports Networks	1	Religious	2
Contemporary Hits	7	Rock	1
Country	14	Soft Adult	1
Gospel	1	Sports/Talk	2
Jazz	6	Sports/Talk/News	1
Modern Rock	3	Traditional Country	1
News/Adult Contemporary	1	Urban Contemporary	8
News/Agriculture	4	<b>Total</b>	<b>101</b>

Other concerns included the *Listener's* ("Comment: Radio Silence", 9/3/96, p.7) of excessive secrecy in the bidding process and the Labour Party's, that "the Government had actively shut out New Zealand bidders from the sale process". There was also concern that former Radio New Zealand Chief Executive, Nigel Milan, who now runs ARN, gave the successful consortium insider knowledge.

O'Reilly was not the hot tip to be the successful bidder. The other bidders were reported by the *Listener* to have included a Paul Holmes-Lester Levy-Austereo Ltd consortium (eliminated early on); Great Western Radio (GWR, which bought Brierley's Prospect Radio instead – see March 1996 decisions); CanWest, the owner of TV3 though with little experience in radio; and Jacor, another major U.S.A. network also on the expansion trail (*Listener*, 9/3/96, "Going once, going twice ...", pp.24-25).

### **IES International of the U.S.A. sets up shop**

Approval is given for IES New Zealand Ltd, a subsidiary of IES International Inc of the U.S.A., to set up shop in Aotearoa with "establishment costs of approximately \$10 million". IES "wishes to extend its activity of equity investment to various New Zealand companies". Beyond that, the application does not make clear who IES is. However the following information indicates that IES is probably looking at being another TransAlta or UtiliCorp, planning to buy some electricity generation or supply assets in Aotearoa. It could even be planning to build its third nuclear power station. On 11/11/95,

"IES Industries Inc., Interstate Power Company and WPL Holdings, Inc. ... announced the signing of a merger agreement providing for the combination of the three companies. The resulting holding company will be known as Interstate Energy Corporation.

The strategic combination has been approved by the respective companies' boards of directors and will result in a corporation with a market capitalization of approximately \$US2 billion and assets of nearly \$US4 billion. Interstate Energy Corporation will rank 34th in the nation among utility holding companies, based on 1994 revenues...

After the combination, Wisconsin Power and Light Company, IES Utilities, and Interstate Power Company will continue to operate under those names as the principal subsidiaries of Interstate Energy Corporation. WPL Holdings will change its name to Interstate Energy Corporation.

IES Diversified and Heartland Development Corporation will be combined under one entity to manage the diversified operations at Interstate Energy Corporation ...

The combination of these three quality utilities with similar service territory characteristics will provide substantial competitive and operational advantages within the region in the face of utility deregulation ...

The new, combined organization will serve more than

850,000 electric and 360,000 natural gas customers in Iowa, Illinois, Minnesota and Wisconsin. In addition WPL Holdings, through its Heartland Development Corporation subsidiaries, has offices in 25 states and two foreign countries. IES Diversified has non-regulated energy businesses with eight offices in six states and interests in a utility in New Zealand. The new holding company will consist of utility and non-utility operations."

(ref: <http://www.wpl.com/wplh/news/nov11.html>)

The group's company profiles boast:

"IES Industries Inc. was created in July, 1991 by the merger of two utility holding companies - I.E. Industries Inc. and Iowa Southern Inc. The subsidiary utility of IES Industries Inc. - IES Utility - was created following the December 31, 1993, merger of Iowa Electric Light and Power Co. and Iowa Southern Utilities Co. IES Industries is a diversified holding company with two wholly-owned subsidiaries, IES Utilities and IES Diversified. IES Utilities serves 330,000 electric customers and 173,000 natural gas customers in more than 500 communities across 23,000 square miles of Iowa. It also provides wholesale electrical service to 30 municipal utilities. IES Diversified has interests in energy, telecommunications and transportation businesses.

IES Utilities has a peak generating capacity of 1,875 megawatts. Fifty percent comes from fossil fuel, 26% from the nuclear powered Duane Arnold Energy Center and 24% from purchased power. The company's combined operating revenues for 1994 were \$785,864,000 with net income of \$66,818,000 and assets of more than \$1.8 billion. IES Industries is headquartered in Cedar Rapids.

Interstate Power Company

Interstate Power Company is a combined gas and electric utility which serves approximately 10,000 square miles of territory in northwest Illinois, northeast Iowa and southern Minnesota. It has 162,000 retail electric and 48,600 natural gas customers in 242 communities. The company also serves 19 wholesale municipal utilities throughout the region and is headquartered in Dubuque, Iowa.

Interstate Power has a peak generating capability of approximately 1,300 megawatts. Sixty-two percent of its energy comes from fossil fuels, with the remainder coming from purchased sources. The company's 1994 operating revenues were \$307,650,612 with net income of \$20,666,612 and assets of more than \$600 million.

WPL Holdings, Inc.

WPL Holdings, Inc., with headquarters in Madison is the parent company of Wisconsin Power and Light and Heartland Development Corporation. Under its utility

subsidiary, the company serves 370,000 electric retail and 140,000 natural gas customers in more than 600 communities over 16,000 square miles of territory in south central Wisconsin. It also serves 30 municipal and cooperative utilities with wholesale power. Wisconsin Power and Light has a generating capacity of 2,200 megawatts. Approximately 65% of its energy comes from fossil fuel sources, 14% from the Kewaunee Energy Center nuclear facility, 2% from hydro and about 19% from purchased sources.

The company's non-regulated subsidiary, Heartland Development Corporation has investments in energy, affordable housing and environmental businesses, with offices in 25 states and in two foreign countries.

WPL Holdings' combined operating revenues for 1994 was \$816,159,000 with net income of \$65,250,000 The company had combined assets of \$1.6 billion."

(ref: <http://www.wpl.com/wplh/news/profiles.html>)

### **Macquarie Gilt Edge starts up**

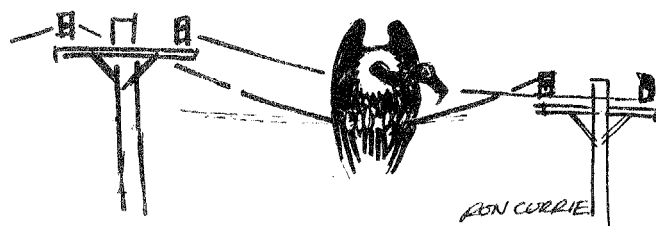
Macquarie Investment Services Ltd of Australia is establishing its Macquarie Gilt Edge Access Account Trust which it will manage, the Trustee being National Mutual Trustees Ltd. The Trust will "offer units to the public primarily in New Zealand. The applicants state that the aim of the Trust is to provide investors with competitive returns from investments in the professional money markets in New Zealand."

### **Waste Management buys 29 hectares of Redvale land for extending landfill**

Waste Management New Zealand Ltd, which is "approximately 62%" owned by WMX Technologies of the U.S.A. is buying 29 hectares of land in Richards Road, Redvale, North Auckland, adjoining its existing landfill site. It "will be used as a site for the temporary storage of cleanfill" which "it is claimed ... will lessen the damage which might otherwise occur to Highway One and secondary roads within the Rodney District Council who fully support the proposal."

### **Power New Zealand and Tauhara geothermal power station joint venture**

In March we reported: Rotokawa Generation Ltd, a subsidiary of Power New Zealand Ltd, which in turn is 27% owned by Utilicorp United of the U.S.A. has approval to construct and operate a geothermal power station at Rotokawa near Taupo. The station will use "less than five hectares" of land



which will be leased from Tauhara North Number Two Trust "as part of a joint venture" for a suppressed amount. The construction of the station will be by Ormat Industries Ltd of Israel.

Plans appear to have changed somewhat. **Rotokawa Joint Venture Ltd**, owned 50% by **Power New Zealand Ltd** and 50% by **Tauhara Development Ltd** which is owned by a statutory Maori Trust, is leasing 15 hectares of land at **Rotokawa** for "development of a geothermal steamfield facility". The lease is for "an initial term of 30 years" at \$9,500 per annum subject to five yearly review.

#### ***Tiongs sell 23 hectares of Albany land to St Lukes for shopping centre***

Fletchers property spin-off, the publicly listed **St Lukes Group Ltd**, which is now "approximately 50.4%" owned by **BT Funds Management Ltd** of Australia, but predominantly owned in the U.S.A., has approval to buy approximately 23 hectares of commercial land in **Albany, Auckland** for a suppressed amount. The land is being bought from **Neil International Ltd** which is owned by the **Tiong Group of Malaysia**. Hence one of "benefits" is listed as moving the land from a wholly overseas owned entity to a company "with New Zealand shareholder interests". St Lukes propose developing a shopping centre on the land.

#### ***Land for forestry***

- **Deborah Miller of Brookfields, Auckland** is on to the second round of selling land for forestry development. In August 1993 her company, **Far North Afforestation (NZ) Ltd** sold 20 hectares of land at **Broadwood, Far North District** to **Newpark Properties Ltd** owned by **Te-Hsing Tasi, Li-Ching Shih, Yun-Ying Tsai and Yun-Chen Tsai** of Taiwan for \$74,250. It was just one of many blocks of land in the area that have since been sold to Taiwan and Hong Kong residents by Ms Miller and her company. All were sold for forestry development managed by the vendor. In this case the OIC was told that the Tsai family were applying for New Zealand permanent residency. This month, the Tsai family's **New Park Properties (sic)** are (re)selling 20 hectares at **Mangamuka, Northland** for \$95,000 to **Penzance Developments Ltd**. We presume this is the same block of land as we have no record of other approvals to the Tsais by the OIC. **Penzance** was set up for **L.S.T. Chan and W.T.K. Chan** of **Hong Kong**, who bought 60 hectares of land in **Humphries Road, Northland**, last month under the name **Asian Power International (NZ) Ltd**.
- **Ballacurn Ltd** which is owned by a U.K. resident, has approval to buy 104 hectares of land at **Whangarei, Northland** for \$244,000 from **Forestry Consultants Ltd** for forestry development.
- **Carter Holt Harvey Ltd**, 51% owned by **International Papers** of the U.S.A., has approval to buy 555 hectares of land from **Izard Pastoral Ltd** for \$1,250,000 for forestry planting. The land is at **Wellsford, Northland** and "is part of Carter Holt's purchasing programme to enable it to establish new forest areas to expand its renewable resource and raw materials for the wood processing industry in the future." "Approximately 125 hectares of the river flats" will be resold, being "more suitable for agricultural purposes".
- **Rayonier New Zealand Ltd** of the U.S.A. is buying forestry rights over a number of blocks of land. In each case, it "is acquiring the forestry right for the purpose of protecting its rights to the timber it has agreed to buy" and in each case the price is suppressed. The forest rights purchased by Rayonier, which is already a substantial owner of Aotearoa land, are as follows:
  - over 18 hectares at **Waitetuna, Waikato**;
  - over 26 hectares for 11 years, at **Tikitiki, Gisborne**;
  - and over 150.4 hectares for 8 years, in **Marlborough**.
- **Blakely Pacific Ltd** of the U.S.A. has approval to purchase a further 108 hectares of land near **Te Puke, Bay of Plenty** for forestry. The price has been suppressed. **Blakely Pacific** has previously been given consent to buy 4,673 hectares of land for forestry, including 1,981 hectares as the partner used by **Matakana Island Maori** to buy back control of the island's forestry resources from **ITT Rayonier (U.S.A.)** and **Ernslaw One (Malaysia)** after their long blockade and court battle (see March 1994). In 1994, **Blakely Pacific** also bought a 341 hectare "unprofitable sheep and cattle station" at **Rotoehu, Bay of Plenty**, and 342 hectares near **Te Puke**. In May 1995 it bought the 2,009 hectare **Pentland Hills Station Ltd** at **Waimate**.
- **Yaquina Forestry Corporation** which is owned by a U.S.A. resident, has approval to buy 319 hectares of land at **Otamarakau, in the Bay of Plenty**, for \$1,200,000 for forestry planting.
- A U.S.A. family, which in June 1995 bought "approximately" 500 hectares of land in **Kotare Road, Marumaru**, northwest of **Wairoa, Gisborne**, for \$800,000, for forestry development, are exchanging 27 hectares of it for 16 hectares of adjacent land (at an agreed value of \$20,000) to formalise the formerly "give and take" boundary with the adjoining owner.
- **Rii Marlborough Ltd**, "predominantly owned by pension funds and on-profitable, charitable and educational institutions from the U.S.A." is buying further land for forestry development in **Marlborough**. This time it is 94 hectares at **Quayle Creek** owned through **Quayle Creek Forest Ltd**. The price has been suppressed.
- **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 234 hectares of land at **Mossburn, Southland** for \$368,425 for forestry. As usual with its purchases, all forestry activities will be conducted under contract by **South Wood Export Ltd**, which is owned 66.6% by **MK Hunt Foundation Ltd** of Aotearoa and 33.3% by **C Itoh and Company** of Japan.
- A resident of the U.S.A. has approval to acquire 129 hectares of land at **Taylor's George Road, Southland** for \$288,000 for forestry.

#### ***Other rural land***

- A U.S.A. resident has approval to acquire 0.0809 hectares of land at **28 Miami Avenue, Surfdale, Waiheke**

Island for \$140,000. He proposes to effect "substantial repairs" to bring the house to a "tenantable standard".

- **Clearwood Developments Ltd** which is 66.6% owned by E.J. Cleary and family of Ireland and 33.3% owned by the **RB and KB Lockwood Family Trusts** of Aotearoa, has approval to buy 7 hectares of land at **Tamahere, Hamilton** for \$900,000. "It is proposed to develop the property into a number of 0.8 hectare residential sites with a rural flavour." Mr Cleary has permanent residency and "proposes to move to New Zealand in the near future".
- **Malbeth Developments Ltd**, owned by five residents of **Singapore** and one of **Malaysia**, has approval to buy 145 hectares in the **Rakaia Gorge, Canterbury**, for \$1,115,000 from the **Adrian Gerard Family Trust**. They say that "the productive farm land is only approximately 62 hectares" and they intend to convert that land to a deer farm. A further 42 hectares is terraced and will be planted for forestry.
- A couple currently resident in **Japan** but who "intend to take up residency in New Zealand and are buying the property with the intention of erecting a dwelling on the land and using it as a lifestyle block" have approval to buy 49 hectares of land at **Closeburn, near Queenstown, Otago**, for \$400,000. The land is said to be "of limited use for farming due to its steep nature and has been left vacant for some time." No indication is given of how the national interest criteria might have been satisfied.

#### May 1996 decisions

##### **Westpac takes over Trust Bank**

The biggest story this month is the take-over of **Trust Bank New Zealand Ltd** by **Westpac Banking Corporation** of Australia for \$1,255,627,034.44 (sic) through **Westpac Holdings-NZ-Ltd**. This creates the biggest bank in Aotearoa and puts the entire banking industry, apart from a few regional banks, in overseas hands. The application released by the OIC is in fact a replacement one. Initially Westpac insisted that no land was involved (even though Trust Bank owns substantial amounts of land and \$5 billion worth of mortgages) and the OIC approved the purchase on that basis. The insistence is due to a narrow interpretation of the Overseas Investment Act which specifies that only land sales over five hectares need "national interest" approval. Both Westpac and the OIC interpret that to mean "any individual block of land" rather than the total land involved, which would be considerably more than five hectares. Westpac was repeatedly asked to go back and check that no land over five hectares was involved, and finally discovered the subject of this application: a 50% interest in 17 hectares at **Tauranga, the Greenwood Park Retirement Village**. (Ironically, in **Winston Peters'** heartland, and likely housing some of his most ardent supporters, the elderly.) When this was found, the OIC withdrew its original consent and within days had the present consent before the Ministers for their signature.

The significance of "finding" this block of land is that if any land is involved, the "national interest" criteria must be considered by the OIC and the Ministers of Environment and Finance. 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. For further details, see *Watchdog* 82.

##### **Rockgas takes over LPG supply business of BP Oil New Zealand**

**Rockgas Ltd**, which is ultimately 50% owned by the **Boral "Group"** of Australia and 50% by **Caltex Petroleum Corporation** of the U.S.A. has approval to "acquire property comprising part of the commercial LPG supply business and assets of **BP Oil New Zealand Ltd**". The price paid has been suppressed. According to the *Press* (1/6/96, "Rockgas purchase", p.28) Rockgas was one of several bidders for BP's LPG assets.

##### **Electronic Mail International increases shareholding in Triumph Industries**

**Electronic Mail International Ltd** which owns 50.97% of **Triumph Industries Ltd** has approval to acquire a further 8.17% (approximately) for \$3,139,010. Triumph had announced a 1 for 5 rights issue which Electronic Mail was underwriting. Triumph owns the head Apple Computer distributor in Aotearoa, **CED Distributors**, and the Apple resellers **Epsom MGC Systems** (which trades as the Apple Education Centre) and **Computer Distributors Ltd** both of which it amalgamated into the **CED Group** in August. It also owns computer product distributors **Brimaur Technologies**, **Renaissance Software** and **Origo**. (*Press*, 20/8/96, "CED, resellers combine", p.31; 4/7/96, "Triumph purchase", p.31; 7/8/96, "Triumph Ind lifts profit, picks better second half", p.27.) Electronic Mail is "ultimately" owned 51% by **Acma Ltd** of Singapore, and 39% by **M. R. Thompson** and 10% by **T.A. Grey**, both of Aotearoa.

##### **Probo Pacific (Sweden) takes 50% of Raffles (Singapore) for \$2**

**Probo Pacific Ltd**, of Singapore but wholly owned by **AB Catena** of Sweden, is exercising an option to take a 50% shareholding in both **Raffles South Island Ltd** and **Raffles New Zealand Ltd** for \$2 each. The two Raffles companies were both wholly owned by **Royal Worldwide Pte Ltd** of Singapore which is owned by the brothers, **R. and A. Kumar**. **Raffles South Island** bought a 60% interest in the **Holiday Inn Hotel** in Queenstown in 1994 and 100% of **Novotel Hotel** in Auckland in 1993. On both occasions, "the purchase was partially financed by Probo Pacific, who at that time entered into an option agreement to acquire 50% of the shares in Raffles." In 1994, the other 40% of the Queenstown hotel was owned by **BLE Capital Ltd**, 44.44% owned by Westpac, 44.44% by AMP, and 11.12% by **3I International Holdings Ltd** of the U.K.

##### **Taiwanese buy 1 Queen St, Virgin Islands company buys 125 Queen St**

**Harbour Edge Auckland Ltd** which is majority owned by Taiwan residents has approval to buy 1 Queen Street, Auckland from **Australian Mutual Provident Society** sub-

sidiary, **Number 1 Queen Street Ltd** for a suppressed amount.

**Milverton International Investments Ltd** which is "owned" in the tax haven, the **British Virgin Islands**, is buying **0.2020 hectares** at **125 Queen St Auckland** from **Compass Enterprises Ltd** for a suppressed amount. Other information concerning Milverton and Compass also appears to have been withheld.

#### ***UK drug firm buys farm to breed transgenic ewes with human protein in milk***

**PPL Therapeutics (New Zealand) Ltd** which is a subsidiary of **PPL Therapeutics Plc** of the U.K. has approval to acquire a **58 hectare farm** at **Whakamaru** in the **Waikato** for **\$1,050,000**. "PPL propose to use the farm to breed a production flock of transgenic ewes producing a human protein in their milk. Such an activity is subject to government approval to the importing of semen from transgenic rams into New Zealand. The flock will be farmed to provide milk which will be processed for the valuable therapeutic protein. The Commission is advised that if such approval is not forthcoming, the farm will be used to breed high health status animals for export to the United Kingdom." PPL, which is based in Edinburgh, specialises in producing "therapeutic proteins (or food proteins etc) in the milk of transgenic animals (mostly sheep)", and exports to Western Europe, Australasia, the U.S. and Japan (ref: <http://www.webscot.com/sba/ppl.htm>). On 29/9/95 the Minister for the Environment Simon Upton announced that an application to field test genetically modified sheep had been declined. It appears that PPL is not taking "no" for an answer.

#### ***Japanese-owned Kinloch Station expands for tourist development***

The owner of **Kinloch Station**, on **Lake Taupo**, is buying further land. The station is owned by **Kinloch Holdings Ltd** which in turn is owned by **Saburo Okakura and his family**, resident in **Japan**. They are adding to **255 hectares** of **Kinloch Station** a further **39 hectares** from **W.A.D. and R.J. Bremner** for **\$1,525,000**, and **100 hectares** from **Whangamata Station Partnership and Kinloch Services Ltd** for **\$4,620,000**, a total expenditure of **\$6,145,000**. Proposed tourist developments on the 394 hectares include a conference centre to cater for 200 people with appropriate accommodation, two 18-hole golf courses (one public, one private) and "in the longer term and abutting Lake Taupo" an international hotel. In February 1991 we reported that "the 885 hectare Kinloch Station has been sold to a company owned by a Japanese resident, Barwon Ltd, for \$2,560,000 to be 'extensively redeveloped' and run by local contractors and a New Zealand manager".

#### ***Singaporean owners of Gulf Harbour project at Whangaparaoa reorganise***

Three **Singapore** residents are reorganising their interests in the **Gulf Harbour Project and Marina** at **Whangaparaoa**. The development is owned by **Gulf Harbour Holdings Ltd** and owns **333 hectares** of land at **Whangaparaoa**. **Goh Cheng Liang** will acquire **55%** of **Gulf Harbour Holdings**, and **Sim Lai Hee** and **Tay Kwang Thiam**

will acquire **20%** each. Who owns the remaining **5%** is not stated. Mr Tay previously previously only had an indirect interest in the project. In June 1992 we reported:

An unusual case for the OIC involves a Singaporean, **Goh Cheng Liang**, who is acquiring "all the assets, including freehold land, leasehold and seabed licence interests in a marina and associated service land, all plant and equipment of **Gulf Harbour Ltd**, **Gulf Harbour Marina Ltd**, **Gulf Harbour Investments Ltd**, and **Gulf Harbour Estates Ltd**." **Gulf Harbour** is on the **Whangaparaoa Peninsula**, **Auckland**. The **Gulf** companies have been in receivership since December 1989. "Mr Goh has agreed to recognise the interests of the existing marina berth licence holders." What makes it unusual is that the OIC has made approval subject to the following conditions: "The consent is conditional on Mr Goh furnishing the Commission with an appropriate development plan and schedule within two years and that the proposed golf course be open to international and domestic golfers alike." The golf course conditions have been pretty well standard since the controversy over the **Wairakei Golf Course** in 1990. But the development plan requirement is unique.

The area is undergoing major development, as reflected in this description from *New Zealand Fishing News*, October 1995:

"The **Whangaparaoa Peninsula** lies about 30 minutes north of **Auckland city**, jutting out east into some of the best fishing waters in **New Zealand**. The peninsula, at the heart of the **Hibiscus Coast**, used to be home to holidaymakers, but over the years most of the baches have slowly disappeared, replaced with permanent dwellings. With better roads and amenities people have chosen to commute between **Auckland** and **Whangaparaoa**, and with the amount of development going on in the area, especially down by **Gulf Harbour Marina**, a lot more plan to in the future. **Gulf Harbour** is being developed into a real paradise, including a canal-frontage housing development. A golf course is also planned, which is not a bad idea for those people who don't know how to fish!

The **Gulf Harbour Marina** complex has all the facilities boaters require. Petrol and diesel are available 24 hours a day, seven days a week via pumps which work on a card system (either **Shell cards** or **Gulf Harbour cards** available at the office). Other services offered are a travel lift, boat washing and a large hardstand area for extended onshore maintenance. Boat painters, builders, engineers, electricians, refrigeration engineers and riggers are all on site. Several charter companies also have boats based at the marina, both for bareboat charter and skippered. There are shops nearby selling all supplies needed for a day or extended fishing trip... Behind the plaza is the main shopping area, which is currently being extended..."

#### ***Land for forestry***

- **Carter Holt Harvey Ltd**, 51% owned by **International Papers** of the U.S.A. is buying

- two blocks of land for forestry planting at **Ongarue, King Country, Auckland**. One, of "approximately 401 hectares", is for \$1,350,000, the other of "approximately 855 hectares" is for \$1,841,250 from **Foxley Station Ltd**. With the first, it proposes "to sub-divide out a dwelling and approximately ten hectares and to sell or exchange that property". With the second, it proposes "to sub-divide out the deer farm and homestead with approximately 100 hectares and offer the same for sale". In both cases, it is also intended to sub-divide out further areas of land and sell or exchange them with a neighbouring farmer to "rationalise" the boundary between the properties.
- 15 hectares of land at **Clifton Bay, Marlborough** from another U.S. forestry transnational, **Rayonier New Zealand Ltd**. The land is to be developed as a seed orchard for the company's afforestation program and is changing hands for \$149,000.
- **Deborah Miller** of Brookfields, Auckland, is at it again. In a new scheme, she is selling blocks of land which are part of the **Mahuri Forest, Mangamahu, near Wanganui** and whose forestry development will be managed by the company selling the land, **New Zealand Forestry Group**. There are nine blocks of land being sold, to seventeen Taiwan residents. The sizes of the blocks are 42, 22, 21, 53, 39, 23, 19, 17, and 37 hectares, for \$184,800, \$85,800, \$206,700, \$86,100, \$159,900, \$101,200, \$77,900, \$69,700, and \$151,700, respectively.
- **Juken Nissho Ltd**, which is owned by two Japanese companies, **Juken Sangyo Co. Ltd (85%)** and **Nissho Iwai Corporation**, is acquiring ten hectares of land in **Norfolk Road, Masterton** for \$180,000. It is buying the land from **Norfolk Beef Ltd** "as a land-bank for future development by way of extension of the existing Masterton mill operation which is currently operating at near full capacity". **Juken Nissho** will make the land available to the Masterton Business Enterprise Council "for utilising as a beef processing plant for a two year period".
- **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 560 hectares of land at **Waiarikiki, Southland** for \$700,000 for forestry. As usual with its purchases, all forestry activities will be conducted under contract by **South Wood Export Ltd**, which is owned 66.6% by **MK Hunt Foundation Ltd** of Aotearoa and 33.3% by **C Itoh and Company of Japan**.
- **Rayonier New Zealand Ltd**, which is owned by **Rayonier Inc** of the U.S.A., is buying 578 hectares of afforested land at **Adams Flat, Milton**, for a suppressed amount. It is being purchased from **Temby Holdings Ltd**, from which **Fulton Hogan** bought 449 hectares of afforested Adams Flat land in March 1995.

#### **Other rural land**

- Two residents of the U.S.A. have approval to buy 0.4122 hectares at **Tokerau Beach, Northland** for \$85,000 for "lifestyle purposes". "The land is being acquired to enable the applicants to erect a residential dwelling on the

land for their own use during their frequent visits to New Zealand." Despite their being absentee owners, because they are paying to build the house and develop the bare section they are deemed to be "introducing off-shore capital" and "creating job opportunities" and because they are buying, they are "providing" the sellers "an opportunity for further investment activities". The criteria for accepting the investment are therefore deemed satisfied. On that basis, any sale of land to an overseas person will be accepted as long as they are spending some money on its improvement.

- **McDonald Lime Ltd**, which is 52% owned by **Milburn New Zealand Ltd** which in turn is "approximately 72%" owned by **Holderbank Financiers Glaris Ltd** of Switzerland is doing a land swap to continue its lime mining operation. It is acquiring 14 hectares of land at **Pakeho near Te Kuiti, Auckland**, in exchange for 14.5 hectares of adjoining land belonging to the **Grainger Family Trust** of Te Kuiti. The land McDonalds is acquiring is said to be of poor quality and the land it is giving is "better quality farm land". McDonald's will return the land to pasture land when it has completed its mining activities on it, and the Trust has first right of purchase.
- **Milburn** also has an interest at **Amberley, Canterbury**. **Amberley Sand (1966) Ltd** is 50% owned by **Allied Milburn Ltd**, which in turn is 50% owned by **Milburn New Zealand Ltd**. It is leasing 12 hectares of land at Amberley for up to 15 years three months for mining sand, gravel, and shingle. It had been previously mined by the other 50% shareholder in Amberley Sand, **Mr R. Harper** of Aotearoa. Payment is "\$1.00 per cubic metre of sand taken at the gate or 5% of the F.O.B. gate price whichever is the higher".

#### **June 1996 decisions**

##### ***TransAlta of Canada completes takeover of Wellington's electricity supply***

**TransAlta Energy Corporation (TEC)**, a subsidiary of **TransAlta Corporation of Canada** has approval to acquire up to 100% of **Capital Energy Ltd** from the **Wellington City Council (WCC)** for \$90 million.

In September 1995 we reported that TEC, through its subsidiary, **TEC Utilities Ltd**, had gained approval to take a further 21% shareholding in **Hutt Valley** electricity and gas supply company, **EnergyDirect Corporation Ltd** for \$69,004,433. TEC at the time had "approximately 20%" of **EnergyDirect** and ended up with a 41% controlling interest after a considerable battle trying to persuade the local community. **TransAlta** also had management control of the neighbouring **Wellington city power company, Capital Power**, through a 49% shareholding. The **WCC** owned the other 51%. **TransAlta** was working towards merging the two companies and this now appears inevitable (*Press*, 26/6/96, "Cap Power move", p.29).

The **WCC** began a process of "consultation" with its citizens to see whether they wanted to sell the remaining 51% of **Capital Power** or merge it with **EnergyDirect**. The con-

sultation was shown to be a sham. A "citizen's jury" set up by the WCC to hear the case for and against the sale came down unanimously against it and 12-2 against the merger. In addition to a public meeting in protest, 12 Wellington ratepayers tried to block the sale in the High Court as an illegal decision by the WCC, but failed. *Consumer* finds that the WCC rates as one of the least popular local bodies in Aotearoa, and the Christchurch City Council, which has kept ownership of its utilities including its electricity supply company, rates the most popular. (*Listener*, 7/9/96, "A tale of two cities", by Brian Easton, p.50; *Press*, 1/8/96, "Power sale not stopped", p.36; *Press*, 20/3/96, "Cap power sale opposed", p.28.)

TransAlta also is one third of a consortium (with Fletcher Challenge and Auckland power company, Mercury Energy) which took over the construction of the controversial Stratford power station when Todd Petroleum and U.K. company National Power were forced to withdraw (see commentary on July 1995 OIC decisions). Capital Power also runs Nelson Electricity's network.

### **News Corporation gets approval to buy Ansett New Zealand**

The News Corporation Ltd, described as an Australian public company, though controlled by Rupert Murdoch who is a U.S. citizen, has been given approval to acquire all of Ansett New Zealand Ltd. It already is 50% owned by News Corporation, the other 50% being owned by transport firm TNT Ltd of Australia. The price is suppressed and it is claimed that no land is involved.

The purchase was part of the deal worked out to allow Air New Zealand to buy Ansett's Australian parent company to get into the Australian domestic airline market. The Commerce Commission unsurprisingly saw that as dominance of the Aotearoa market. So News Corporation agreed to buy the Aotearoa arm of Ansett to allow Air New Zealand to buy the rest of its competitor. Several months of haggling were completed only in September (subject to Australian Foreign Investment Review Board approval) when it was announced that Air New Zealand would buy TNT's 50% of Ansett Holdings of Australia for \$A475 million (\$NZ540 million). The \$A475 million is made up of cash and loans, including increasing Ansett's capital. News Corporation, which originally was going to sell to Air New Zealand, still may want to get out of Ansett, which has not been doing well, and some reports say it will sell its shareholding to a consortium of Australian institutional investors.

The New Zealand Government allowed an increase in Air New Zealand's foreign ownership for the deal in order to allow it to make a rights issue to shareholders to raise the required money. Air New Zealand has two classes of shares: class A can be held only by Aotearoa residents but class B can be held by anyone. When it was privatised in 1988, class B shares were limited to 35%. The government has increased that to 49%. Brierley Investments owns 42% of the shares, Qantas (Australia) 19.9%, and Japan Airlines (Japan) 5%. (*Press*, 3/9/96, "Air New Zealand to buy stake in Ansett

Holdings of Australia", p.3, "Air NZ, BIL may take Qantas stake", 22/9/92.)

It is interesting to speculate what this means for domestic travel in Aotearoa. Ansett New Zealand has only recently stopped making substantial annual losses. Can it now survive competition from an enlarged Air New Zealand without its parent's purse being open to it? On the other hand, if News Corporation keeps its Ansett Holdings shareholding in partnership with Air New Zealand, will Air New Zealand really want to bankrupt News Corporation's Aotearoa airline? Will Air New Zealand take advantage of a weakened Ansett New Zealand to allow prices to rise? How real will the domestic competition be?

The deal is sure to get a good press: News Corporation also owns Independent Newspapers Ltd which owns newspapers covering nearly half the daily newspaper circulation in New Zealand and a large number of magazines (*Press*, 7/9/93, "Evening Mail' sale cleared").

### **Noel Leeming merges with Bond and Bond**

Murray International (NZ) Ltd of Scotland, U.K. has approval to buy up to 41% of Noel Leeming Ltd, the national whitegoods, brown goods and electronic consumer goods retailer. Murray International is exchanging its shares in Bond and Bond for 17,581,000 Noel Leeming shares valued at 97.257 cents per share, putting the value of the transaction at \$17,098,753.

In June 1995, we reported that Noel Leeming became Singapore controlled by the purchase of about 38% of its shares by Lion City Holdings Pte Ltd, a private company controlled by the Jumabhoy family. Lion City had approval to buy 100%.

Murray International will own 39% of the merged company combining Bond and Bond and Noel Leemings. The firm will be headquartered in Christchurch and have annual sales of about \$350 million with about 750 staff. Plans by Lion City for Noel Leemings to expand into Singapore and Malaysia have been put on hold. The two chains will still retain their own identities. Fisher and Paykel withdrew its franchised white ware other than cooking products from Noel Leeming because Bond and Bond sells other brands, so the new company will sell mainly overseas owned Simpson and Westinghouse white ware. (Ref: *Press*, 15/6/96, "Chch base for appliance giant", p.23; *Press*, 24/8/96, "Thumbs-up for Leeming's deal", p.21.)

### **Susan sells herself: National Media Corp. (U.S.A.) buys Prestige Marketing**

National Media Corporation of the U.S.A. has approval to buy Prestige Marketing Ltd and Prestige Marketing International Ltd for US\$4,234,574 cash and US\$15,708,059 worth of National Media shares. The two companies belonged to the "queen" of infomercials in Aotearoa, Susan Barnes (also known as Suzanne Paul), and her business partner, Paul Meier. Barnes came from Wolverhampton four years ago and fronted her own TV commercials for Natural Glow make up and Suzanne Clips. According to NZPA they

sold the business for NZ\$39 million. The OIC's information puts the value at closer to NZ\$30 million (US\$19,942,633). (*Press*, 10/6/96, "Infomercial queen sells out for \$40 million", p.32.)

According to National Media's own publicity, National Media Corporation and its international subsidiary, Quantum International Ltd, represent the world's largest publicly held infomercial company, and has sold over \$900 million in products through "transactional television" in its ten year history. National Media claims its share of the world's \$1.5 billion infomercial business as approximately 20%. Due to rapid expansion in Asia (including a partnership with Mitsui in Japan), international revenues for the nine month period ended 31/12/95 were \$113 million, up 133% from the prior period. National Media controls 2,800 half hour segments per week for infomercial viewing. More than 257 million global households in 60 countries have access to NM/Quantum infomercials available in 14 languages. It has 225 employees worldwide and "a product development organisation capable of screening 300 ideas per month generated by manufacturers and inventors. NM markets consumer products in a variety of categories including: automotive, fitness, kitchen, personal care, sports, self-improvement, and music. Some of our recent successes include: AB Roller Plus, Flying Lures, Royal Diamond™ Cookware, Touchless™ Car Care System, hyG® Ionic Toothbrush." (No, I'm not making this up: see <http://wiredinvestor.com/NM396.htm>.)

In announcing the purchase of Prestige, National Media said that it had acquired Prestige Marketing (doing business in New Zealand and throughout Asia) and Suzanne Paul Pty Ltd (doing business in Australia). They had been formerly joint venture partners in New Zealand and Australia with Quantum International, a National Media subsidiary. It said the two companies are the two largest "direct response television" companies in Australia and New Zealand and were the two largest independent, direct response companies operating in the Pacific Rim. Together, the companies market more than 60 products directly, and in concert with their licensee (TV Media, an independent company not part of the transaction). Prestige Marketing and Suzanne Paul direct response television programming appears on 30 different networks in Australia, New Zealand, Hong Kong, Singapore, Malaysia, Indonesia, Thailand, the Philippines, South Africa, Fiji, Taiwan, Japan and Russia. (Ref: <http://www.pnnewswire.com/cgi-bin/readstory?PPTH002^May-30-1996-7:31:00:000AM^604644^1>)

What National Media weren't quite so forthcoming about was some recent embarrassing incidents. On 26/3/96, the U.S. government Consumer Product Safety Commission announced:

"In cooperation with the U.S. Consumer Product Safety Commission (CPSC), National Media Corporation, of Philadelphia, Pa., is announcing an inspection and parts replacement program for 77,000 JUICE TIGER electric juicers. The plastic cover and wire mesh grater/filter basket may crack or shatter if the basket is not placed in the juicer properly, possibly injuring people

nearby. CPSC and National Media Corporation are aware of 14 incidents resulting in at least eight lacerations to the hands, face, arms, and chest and one permanent eye injury.

The consumer safety program involves JUICE TIGER juicers with model numbers 204-SP and JE-1000 marked on the underside of the base. These juicers were sold directly through television infomercials from November 1991 through October 1993 at prices ranging from \$100 to \$150. ..." (ref: [http://www.medaccess.com/prod\\_alert/P3\\_26.htm](http://www.medaccess.com/prod_alert/P3_26.htm).)

Note when the juicers were sold: up to five years ago. According to National Media's statutory quarterly report filed with the U.S. Securities and Exchange Commission for the period ended 31/12/95 (<http://www.sec.gov/Archives/edgar/data/70412/0000950116-96-000080.txt>), the CPSC notified the company in February 1994 that it had made a preliminary determination that the product presented a 'substantial product hazard' under the Consumer Product Safety Act. The CPSC staff requested the company to take voluntary corrective action but the Company disputed that the model in question presented a substantial product hazard. So it appears to have taken over two years for the company to agree to corrective action despite the injuries being caused.

It also exposed its customers to credit card fraud when it sold or rented lists of its customers to other marketers, including credit card information without the customers' knowledge or consent. On 2/4/96, the U.S. Federal Trade Commission announced:

#### "2,682 VICTIMS OF CREDIT-CARD NUMBER TRAFFICKING SCHEME TO GET PARTIAL REFUNDS, FOLLOWING FTC LAW-ENFORCEMENT ACTION

The Federal Trade Commission announced today that it has distributed funds out of a \$292,500 redress account to 2,682 consumers across the nation who were victimized as part of a telemarketing scheme in which the defendants allegedly were trafficking in consumers' credit card numbers. According to the FTC, the victims had agreed only to use a 3D camera on a free-trial basis, but the defendants already knew the consumers' credit card numbers and each of the consumers' accounts was charged without their knowledge or authorization. The FTC obtained a settlement in the case against 10 corporations and four individuals. The settlement required the \$292,500 redress payment and these funds have been used to send checks for \$93.34 each to the consumers who suffered the largest losses at the hands of the defendants.

The FTC first announced the case in December 1994, when it filed both a complaint detailing alleged law violations and a settlement of those charges in federal district court. The FTC's complaint names Capital Club of North America, Inc.; Philip A. Herman Marketing Consultants, Inc.; List Marketing Management, Inc.;

Subscription Services, Inc.; **National Media Corporation**; Media Arts Publications, Ltd.; Business Publications, Inc.; GLS Direct, Inc.; NIS of South Jersey, Inc. (both the New Jersey and Florida corporations); Philip A. Herman; Michael Salaman; Ross Housley and Rocco Petrucelli. The defendants do business primarily out of New Jersey and Pennsylvania.

The FTC charged in the case that **National Media** and **Media Arts**, both infomercial producers, sold or rented their customer lists to third-party "service companies." The lists contained not only the customers' names, addresses and telephone numbers, but also their credit card types, account numbers and expiration dates, and this credit information was provided to the service companies without the consumers' knowledge or consent. The roles of the other defendants included maintaining the lists, marketing them to service companies, and conducting telemarketing calls on behalf of the service companies, the FTC alleged.

In addition to the redress payment, the settlements in the case permanently bar the defendants from providing confidential credit-card account information to third parties, and require them to take steps to ensure that future clients for other credit-related lists are not engaged in deceptive or unfair practices.

Consumers receiving pro rata refunds were called on the phone and offered a 3D camera with the brand names Nishika, National Consumers Alliance or 3D Marketing, on a free-trial basis. Consumers do not have to return the camera in order to get their refund, although consumers who already have received refunds from other sources will not receive refund checks from the FTC." (ref: <http://www.ftc.gov/opa/9604/capclub2.htm>: CAFCA's emphases.)

National Media has been undergoing rapid expansion judging by recent press releases which announce: the acquisition of a number of companies; formation of a "pan-Asian company" with Mitsui and Company; beginning broadcasting in Indonesia (adding a claimed 11 million television households), the Philippines (3.1 million), Finland, Ecuador (one million), Malaysia (3 million), and Colombia (5 million); expanding its broadcasting in Holland, Germany, Japan (both broadcast and cable), French Canada, the Middle East and the Pacific; and extending its interests into the Internet (ref: <http://www.prnewswire.com/cgi-bin/liststory?604644^1>, news releases dated 11/9/95 to 13/8/96).

#### **US Office Products can buy remaining 49% of Blue Star Group**

In February 1996 we reported that **US Office Products Company Inc** had taken a 51% controlling interest in office products wholesaler and retailer, **Blue Star Group Ltd**. It now has the OIC's approval to buy the remaining 49% from Blue Star's founder, **Eric John Watson** of Aotearoa. As in February, the price has been suppressed.

In March, Blue Star acquired U-Bix Business Machines. Since then it has continued on its path of acquisitions. It has steadily increased its shareholding in Wang New Zealand to 83% (*Press*, 3/8/96, "Blue Star lifts Wang stake to 83%", p.24) and is still buying. In July it bought Wallace Computer Supplies which has 40 staff and offices in Auckland, Wellington and Christchurch, and exports computer supplies to Australia (*Press*, 11/7/96, "Blue Star to buy Wallace Group", p.28). Also in July, US Office Products itself bought Broucker Investments, the owner of information and technology company Sealcorp Computer Products and other investments in Australia and Aotearoa (*Press*, 6/7/96, "Blue Star owner bids for Broucker", p.35). In August it bought the Australian office supplies company WC Penfold and the assets of Australian wholesaler, Office Warehouse. As with Wallace, no price has been made public (*Press*, 8/8/96, "Blue Star buys", p.28).

However by far the most significant purchase by Blue Star was its main competitor, Whitcoulls, which it bought for \$320 million. This brought a warning from the Commerce Commission that although it would not take any action in the Whitcoulls takeover, Blue Star should carefully consider the provisions of the Commerce Act before any future acquisitions. More of this in the July decisions (*Press*, 2/8/96, "Yellow card for Blue Star", p.33).

Meanwhile its competition has been trying to match the anti-competitive activity. In July, Blue Star's other main competitor, U.S. owned Corporate Express Australia, bought Comdec, an Auckland-based computer supplies company, which would be merged with its Auckland business (*Press*, 5/7/96, "Comdec to Corp Express", p.27). And in August, the Office Products Depot group announced a "strategic alliance" with two Australian chains, Office Products Promotions Co-operative and Office Network. The Aotearoa group is an owner-operated chain of 39 shops with a combined yearly turnover of \$60 million. The new chain would unite 165 stores. The Blue Star takeover of Whitcoulls was cited as the reason for the move (*Press*, 2/8/96, "Stationery chains unite", p.33).

#### ***Emerald Capital of Canada controls ChCh Gondola and Rainbows End***

**Emerald Capital Ltd**, which is owned 87.5% by **G. R. Gardiner of Canada** and 12.5% by **G. Cumming** of Aotearoa, has approval to acquire 49% of **New Zealand Experience Ltd** for \$2,700,000. New Zealand Experience owns the **Mt Cavendish Gondola** in Christchurch and **Rainbows End** adventure park in Auckland.

As the OIC's rationale states: "New Zealand Experience Ltd has had a troubled financial history particularly in respect of the Mt Cavendish Gondola." In May it forecast a loss of \$8.48 million for the year ended 30/6/96. This was mainly because of a huge write-down in the value of the Gondola from its development cost of \$11.5 million to \$2.89 million.

The Gondola was a controversial project from the time it was first proposed in 1991 because of the intrusion it makes on the Summit Road reserve on Christchurch's Port Hills,

its threat to rare plant species in the area, and the continuous noise it makes in the Heathcote Valley. Predictions by the founding company as to how many tourists and locals it would attract were almost double what has been achieved (300,000 per year compared to 165,000 achieved), and high winds have affected its operation. In March 1996 its management staff were reduced from 11 to three. Rainbow's End is more successful. The Gondola company was taken over from its founders by Christchurch businessman Malcolm North, who organised the merger with Rainbow's End and then the buy-in by Emerald.

According to the *Press*, after the present purchase of shares, Emerald will own 45% of the ordinary shares in the company, and Malcolm North 31.89%. Between them they will invest "just over \$3 million" in the company which, with whatever is raised from subscriptions for new shares by minority shareholders, will be used to reduce its high debt level and fund development.

The company owns **four hectares** of freehold land and **0.1 hectares** of leasehold land in Canterbury, and **8 hectares** of leasehold land in Auckland.

(Ref: *Press*, 8/3/96, "NZ Experience writes down Chch Gondola", p.16; 24/5/96, "Canadian group holds most of gondola owner", p.16.)

### **Wharepapa Station sold to U.S. owners of Wharekauhau Station and Lodge**

**Wharepapa Station** which covers **563 hectares** in **Palliser Bay, Southern Wairarapa**, is being sold to the owners of the Wharekauhau Station and Lodge for "approximately" **\$2.7 million**. Wharekauhau is owned by **Wharekauhau Holdings Ltd (WHL)** which owns **67%** of **Wharepapa Station Ltd**, the other **33%** being owned equally by **William and Annette Shaw**, the **10%** owners of **WHL** and former owners of Wharekauhau Station.

Wharekauhau Lodge and Farm was sold to four residents of the U.S.A. in order to "create one of the best and most exclusive lodges in the world" in November 1995 (see our commentary for that month). The lodge includes 931 hectares of land. The Shaws retained a 10% interest in the property and "have an ongoing involvement in the development and management of the property". **WHL** is owned 24.9% by **J. Davidson**, 24.9% by **A. Miller**, 24.9% by **M. Maybak**, 15.3% by **J. Sevo** (all of the U.S.A.) and 10% by the Shaws. They paid \$4,800,000 for the property through the company **Wharekauhau Station Ltd**.

In November 1995, the OIC was "advised" that

"WHL propose to implement a development plan that will create one of the best and most exclusive lodges in the world, while also enhancing the current scenic splendour of Wharekauhau. The Commission also is advised that the development plan envisages building new villas and estate homes and extending or replacing the existing lodge house. It is also intended that the farm business will be maintained as a Romney

sheep stud. This will be developed into a model farm with some hill facings being planted in trees and fencing and fertility being improved."

This month's approval extends this proposal whose "overall concept" is

"the promotion of tourism and preserving and enhancing special conservation areas of the property. In this regard the applicants state that an active programme of creating new wetlands areas and the planting of native flora and fauna is to be undertaken without delay."

We hope they will not be too forceful in "planting" the fauna.

The new developments are said to provide "an exclusive retreat for diplomats and visiting heads of Government; ... a corporate retreat/conference centre for the Southern North Island; ... a high class tourist facility."

In April, NZPA reported that

"construction of a high-quality \$24 million tourist village at Wharekauhau Lodge in South Wairarapa is expected to begin before the end of the year... A new lodge, ten villas and up to ten estate homes will be built in the development at Bill and Annette Shaw's sheep station, near Featherston. ... New stables, tennis courts, and indoor swimming pool, gymnasium, shooting field, and driving range will also be built. Details of the remaining stages have yet to be made public." (*Press*, 13/4/96, "\$24m tourist village planned", p.25.)

### **Land for forestry**

- A further block of land has been sold to residents of **Taiwan** for forestry development in **Broadwood, Northland**. This sale is of **24 hectares** in **Humphries Rd, Kohukohu** by **Far North Afforestation (NZ) Ltd** for **\$49,000** to two Taiwanese. This company has made a large number of such sales.
- **Carter Holt Harvey Ltd**, **51%** owned by **International Papers** of the U.S.A. has approval to acquire
  - **805 hectares** of land in **Kaitieke Road, King Country** for **\$560,000**. "The acquisition is part of Carter Holt's purchasing programme to enable it to establish new forest areas to expand its renewable resource and raw materials for the wood processing industry in the future... the land being acquired is the steeper and hilly part of a larger farm property which is only marginal for agricultural purposes."
  - **253 hectares** of land in **Pungapunga Road, Taumarunui, King Country** for **\$1,000,000**. The same rationale is given regarding Carter Holt's purchasing programme, but in addition "the property contains commercial quantities of metal" which "it is intended to use for the construction of forestry roads within the King Country forest that is established."
- The energetic **Deborah Miller** of **Brookfield Auckland** is busy again. This time three blocks of land, each of **20 hectares** have been sold to one, four and one residents

of **Taiwan**, respectively, each for \$82,000. She has also organised the sale of a **40 hectare** block to two other **Taiwan** residents for \$176,000 (no bulk discounts). They are all part of the **Mahuri Forest, Mangamahu, Wanganui**, and are being sold by **New Zealand Forestry Group Ltd** which will manage the development of forestry on the land.

- Two residents of **Canada** who "propose to retire in approximately ten years at which stage it is their intention to reside permanently in New Zealand" have approval to acquire **32 hectares** of land at **Manawahe, Whakatane, Bay of Plenty** for \$165,000 to "develop a commercial forestry operation" as part of their investment retirement plan.
- **Rayonier New Zealand Ltd**, a subsidiary of **Rayonier Inc** of the U.S.A., has approval to buy **142 hectares** of land at **Opua Bay, Queen Charlotte Sound, Marlborough** for \$525,000 as part its "ongoing investment programme in New Zealand forestry".
- **Blakely Pacific Ltd** of the U.S.A., as trustee of the **South Blakely Trust**, have approval to acquire **1,813 hectares** of land known as "**Topbank**", west of **Palmerston, Otago** for \$1,400,000 for afforestation with Douglas Fir. Blakely has previously been given consent to acquire approximately 4,781 hectares of land for forestry, the last previous approval being in April 1996.
- **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 **193 hectares** of land at **Grassy Creek, Southland** for \$265,000 for forestry. As usual with its purchases, all forestry activities will be conducted under contract by **South Wood Export Ltd**, which is owned 66.6% by **MK Hunt Foundation Ltd** of Aotearoa and 33.3% by **C Itoh and Company** of Japan.

#### **Other rural land sales**

- A resident of **Germany** has approval to buy **29 hectares** in **Purerua Road, Kerikeri, Northland** for \$675,000 to "develop the property as a lifestyle block" which will include demolishing the "existing dwelling and the construction of a substantial new residence".
- **BHP New Zealand Steel Ltd** of **Australia** has approval to acquire **seven hectares** of land in **Glenbrook Beach Road, Waiuku, Glenbrook**, for \$215,000 from **Revona Enterprises Ltd**. It is being purchased to help develop a shelter belt and buffer zone around the **Glenbrook Steel Mill** and will continue to be farmed as a stock operation in conjunction with other farmland BHP already owns.
- Two companies, **Pacific Palisades Ltd** and **Bay of Islands Pacific Ltd**, owned by **Mr B. Wilson**, a resident of the U.S.A. and his family, have approval to buy, respectively, **nine hectares** of land at **Matapouri Road, Tutukaka, Northland**, for \$1,350,000 for "lifestyle purposes" and **52 hectares** of land at **Tapcka Road, Russell, Northland** for \$1,300,000, for forestry. The first property is currently bare land and will be used for a house "which will become the principle residence of the Wilson family following them taking up New Zealand permanent residency." The land would also be used for grazing and "other agricultural activities." The second prop-

erty, also bare land, "is not economically viable for farming" and **Wilson** proposes to "investigate the best use of the property which will result in the optimum utilisation of the land", which "could involved a forestry development".

- Three **Italian** citizens who reside in **South Africa** but have been granted permanent residency in Aotearoa have approval to acquire **13 hectares** of land at **Pukekawa, South Auckland**, for \$415,000 from the **Morrison Road Partnership**. It is currently a horticultural unit and the purchasers "propose to develop a 'greenfield' automated mushroom growing operation which will be operated in conjunction with the existing horticultural operation on the property." The mind boggles.
- **R. G. Hunt and S.M. Hunt** of the U.S.A. have approval to buy **344 hectares** of land in **Waiwhero Road, Motueka, Nelson** for a sum "to be confirmed". The Hunts "wish to purchase the farm property to establish a high quality farm stay lodge". It is slightly unusual in that "it is proposed to link the lodge to the 'homestay' chain that presently operates in New Zealand including such enterprises as **Huka Lodge**." **Huka Lodge** is owned by **Tranz Rail** shareholder and one of our more unusual imported businessmen, **Alex van Heeren**. The Hunts "also propose to retain the existing farm largely in its present state and to upgrade and improve the grazing productivity of the land". The farming operation will be run by a full time manager.
- A **German** citizen resident in the U.S.A. has approval to buy **11 hectares** of land in **Selmes Road, Rapaura, Marlborough**, for \$340,169 for a vineyard development.
- **Pahau Farm Ltd**, owned 50% by four related residents of the U.K. and 25% each by two Aotearoa resident couples, has approval to buy "a high production dairy unit which is currently run as two dairy units" at **Culverden, North Canterbury**, for \$3,613,800 from the **Australia Mutual Provident Society**. The land consists of **388 hectares** known as the **Pahau Reserve** and a further **189 hectares** to give a total of **577 hectares**. The farming will be carried out by **Pahau Farm Partnership** which is not described further. In November 1994, **New Zealand Rural Properties** was given approval to sell off seven farms to a creation of its own, **Rural Investment Trust**, in which it wished to sell units to overseas companies or individuals. All but the first of the seven farms were being bought from subsidiaries of **NZRP**. This first farm was 576 hectare farm at **Culverden, North Canterbury**, the **Pahau Dairy Farm**, for \$3,415,000 from the **AMP Society**. It therefore appears this 1994 sale of the farm never went ahead. It also appears that the value of the farm has not changed much in two years.
- A **Hong Kong** owned company, **Wharfdale Farming Co. Ltd** has approval to acquire a pastoral lease over **8,167 hectares** of land at **Mt Pember Station, Lees Valley, Oxford, Canterbury** for \$1,125,000. "It is proposed to farm **Mt Pember** in conjunction with a property in the same area which is already owned by **Wharfdale**." **Wharfdale** is owned by **Blue Point Products Ltd**, which is owned by **Stenhouse Investments Ltd**, itself ultimately owned by **Mr A. Chu** of **Hong Kong**. In June 1995 we reported that **Gerard Holdings Pty Ltd**, a subsidiary of

private Australian company, Gerard Industries Pty Ltd, is buying an electrical distribution business, Blue Point Products Ltd, and a 2,271 hectare sheep and deer farm at Oxford, Canterbury for \$7,000,000 from a consortium of Hong Kong residents. The farm is owned through the company Wharfedale Farming Company Ltd. "The proposal will enable Gerard through Blue Point's electrical distribution business to control the distribution of their own products in New Zealand. The Commission is also advised that Gerard has expertise in the area of farming through its existing Australian operations."

From this, it appears that the June 1995 sale did not go through.

### **Shell and BP form joint venture for fuel storage terminal in Wellington**

Shell New Zealand Ltd, ultimately owned by The "Shell" Transport and Trading Company Plc of the U.K. has approval to acquire a share of land "ranging between 30.8% and 48.2% (which may vary from time to time)" from BP Oil New Zealand Ltd for a suppressed amount. The land is seven hectares of leasehold land and 0.2 hectares of freehold land at Seaview in Hutt City, Wellington. "The proposal results from a decision by Shell and BP Oil New Zealand Ltd (who currently have a 100% interest in the land) to form an unincorporated joint venture to handle their terminalling activities in Wellington." In case you naively thought this might reduce competition, "this joint venture will entail greater efficiency of operations and will thereby enhance the competitiveness of both companies compared to other oil marketers".

### **Released on appeal**

#### **September 1995**

### **Wattyl takes over Taubmans' architectural and decorative paint business**

In a decision initially almost completely suppressed, Wattyl (NZ) Ltd, a subsidiary of Wattyl Ltd of Australia, has approval to "acquire the architectural and decorative paint business of the Taubmans 'group' in New Zealand" for \$9,500,000. Taubmans is owned by Courtalds Plc of the U.K. "The acquisition will result in the rationalisation of the manufacture process of both the Taubmans and Wattyl brands. It is claimed that this will have the ability of containing costs and should result in increased competition on price amongst manufacturers and wholesalers". Interesting grammar. Strange how reduced competition leads to increased competition in these companies' minds.

### **Janz gets approval to buy Meat Board's shares in ANZCO**

In another decision initially almost wholly suppressed, Janz Investments Ltd of Japan has approval to take over the 64.9% interest in ANZCO (Asian New Zealand Meat Company Ltd) owned by the New Zealand Meat Producers Board for a still suppressed amount. "The New Zealand Meat Producers Board has been seeking an opportunity for some time to divest itself of its commercial interest in ANZCO." Janz is owned 53.25% by Itoham Foods, 17.75% by

Nippon Suisan Kaisha of Japan, 17.75% by Romney No 19 of Aotearoa, and 11.25% by various employees of ANZCO. The other shares in ANZCO are owned 23.5% by Huttons Kiwi Ltd and 11.6% by ANZCO management.

#### **October 1995**

### **Asian New Zealand Meat Company takes remaining 50% of Five Star Beef**

Asian New Zealand Meat Company Ltd, which is owned 13% by Itoham Foods Inc of Japan, 20.45% by Huttons Kiwi Ltd, 10.09% by various employees of Asian New Zealand Meat Company Ltd and 56.46% by Janz Investments Ltd, has approval to acquire the 50% of Five Star Beef Holdings Ltd that it does not own. That 50% is owned by Itoham and it is paying for the shares by issuing 931,162 ordinary \$1 shares to Itoham. Janz is owned 53.25% by Itoham Foods, 17.75% by Nippon Suisan Kaisha of Japan, 17.75% by Romney No 19 of Aotearoa, and 11.25% by various employees of ANZCO. These two decisions were initially almost completely suppressed. How the shareholding in ANZCO squares with the September decision is a mystery.

### **Macraes Mining amalgamates with subsidiaries**

Macraes Mining Corporation Ltd, which is "approximately 39%" owned by Union Gold Mining NL of Australia, is amalgamating with its subsidiaries Karamea Resources Ltd, Blackwater Hold (Waiuta) Ltd, Sam's Creek Gold Ltd, and Globe Progress Gold Ltd. The decision was initially almost completely suppressed. It is not clear why Macraes felt the need to suppress this information, other than it has a record of secrecy.

#### **November 1995**

### **Kenmare of U.S.A. takes over APV Moffat**

In a decision initially almost completely suppressed, Moffat Ltd, controlled by the Sullivan family of the U.S.A., gained approval to acquire APV Moffat Ltd of Wellington, which was owned by APV Plc of the U.K. for "\$10 to \$15 million". "The acquisition is part of a worldwide acquisition by Kenmare of APV Plc's retail bakery and catering equipment business." It is not clear how Kenmare is involved, but APV activities are the "design, manufacture and sale of specialised process plant and equipment, principally for the food and beverage industries", according to *UK Equities Direct* (World Wide Web <http://www.worldserver.pipex.com/hemscott/equities/company/cd00051.htm>). It is represented in Aotearoa by APV Baker NZ Limited (Auckland) and APV Moffat Ltd (Christchurch).

### **PHII Inc of the U.S.A. buys land at Karikari, Northland for residential subdivision**

In two decisions initially almost completely suppressed, the Woodhead Family, all of whom except one are resident in Australia, are selling two blocks of land at Karikari, Northland to companies owned by PHII Inc of the U.S.A. In one, "approximately" 50 hectares is being sold for \$617,400 for residential subdivision to a PHII subsidiary, Montanari Holdings Ltd. In the other, "approximately"

1,061 hectares of arable land used for beef farming is being sold to **Wintree Properties Ltd** which is owned by **Nasella Holdings Ltd** (not a well chosen name!) as trustee for "members of" PHII. In both cases it is stated that the Woodhead family "have been endeavouring to sell the property since the mid 1970's ... [the] land is clearly rundown and for the last ten years it has not been maintained or used in a productive manner." PHII "has considerable expertise and experience in the property development field and this will be used to determine and subsequently develop the [50 hectare] subdivision." PHII also proposes to "undertake a comprehensive programme to return the [1,061 hectare block of] land to optimum condition." This includes improving 200 hectares of existing pasture, converting a further 200 hectares from scrub to pasture, and establishing forestry on the steeper land. "It is also in the longer term proposed to investigate developing part of the property into a tourist related venture."

#### **Countrywide Bank restructures its ownership of Victoria Park Market for on-sale**

In a decision initially almost completely suppressed, **Countrywide Banking Corporation Ltd** of the U.K. is moving the ownership of **Victoria Park Market, Auckland** from one subsidiary, **Victoria Park Market Ltd** to another, **Newco** at a \$0 valuation. "The restructuring is being undertaken to enable the on-sale of the property to a third party being **REIT Management Ltd**."

#### **December 1995**

#### **Gulf Resources in joint venture to subdivide 135 hectares on Waiheke Island**

In two decisions initially almost completely suppressed, **Gulf Resources Pacific Ltd** was given approval to set up a joint venture with an Aotearoa property developer, **Mr Burmester**, to acquire and then subdivide 135 hectares of land on **Waiheke Island** into "a minimum of 38 rural/residential lots". The land, which was bought for \$5 million, is "currently largely unimproved bare land" and the development "will result in improved utilisation" of it. It is being bought from **Matiatia Estate Ltd** and **Owhanake Estate Ltd**. Mr Burmester "has undertaken a number of similar developments on the Coromandel and in the Tasman Bay." Gulf Resources at the time of the decision was 91% owned by **Gulf United States of America Corporation** of the U.S.A.

#### **Wilson and Horton and Australian Consolidated Press form magazine joint venture**

Two decisions originally suppressed show **Wilson and Horton Ltd** ("approximately 45% owned by interests associated with **Independent Press Plc**) and **Australian Consolidated Press Ltd** (a wholly owned subsidiary of **Kerry Packer's Publications and Broadcasting Ltd** of Australia) setting up a 20/80 joint venture, **New Zealand Consolidated Magazines Ltd**, for a still suppressed amount. The intention was for the new company to own and run a number of the magazines published by the two parent companies: *Metro*, *North and South*, *Women's Day New Zealand*, *More*, *Australian Women's Weekly*, *Fashion Quarterly*, *Next*,

*New Zealand Home and Building*, *Your Home*, *Cleo*, and *Pacific Way*, from ACP, and *New Zealand Women's Weekly* and *The Listener* from Wilson and Horton. In December ACP received Commerce Commission clearance for the purchase of the two Wilson and Horton magazines on the grounds that the two "make up no more than 8% of the advertising market and advertisers would have options available to them if ACP refused them access or increased its prices". It would "lead to considerable aggregation in the weekly women's magazine market segment and some of the lifestyle magazine segment, but would not lead to ACP acquiring or strengthening a dominant position" (*Press*, 23/12/95, "Commission clears ACP magazine buy", p.45). However, neither the outright purchase nor the joint venture appear to have proceeded.

#### **Inghams extend Waitoa poultry processing plant**

In its initial release, the OIC showed that **Inghams Enterprises New Zealand Pty Ltd** of Australia had approval to acquire 59 hectares of land for manufacturing at **Waitoa, Waikato**. The price has now been released (\$2,300,000) and the reason for the purchase: "Inghams wish to extend their present processing plant at Waitoa. Inghams view the expansion as a necessary part of its investment in the poultry industry in New Zealand in which they have expertise. Inghams estimate that the expansion of the plant will provide for employment of a further 30 people."

#### **November 1992 decisions allowing TransAlta to operate a power station released**

In December 1995, **Mercury Energy Ltd**, the aggressive Auckland electricity supply company, gained 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. In approving the lease, the OIC revealed 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 have now been released 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.

### **January 1996: Hansol of Korea forms East Cape joint venture with Ngati Porou**

**Hansol Forem Company Ltd**, part of the Hansol Group founded in 1991 by the Samsung "Multinational Group of Companies" in Korea, is forming a joint venture with **Ngati Porou Iwi/hapu interests** to develop Ngati Porou lands on the **East Coast of the North Island**. Hansol's joint venture is with **Ngati Porou Whanui Forests Ltd**, which will "develop, manage and harvest ... a forestry estate of **10,000 hectares** more or less on Ngati Porou lands on the East Coast-East Cape region." Development expenditure of "approximately **\$80 million**" is expected. Legal ownership of the land will remain with Ngati Porou "but forestry rights for one full crop rotation will be made available to the joint venture". The joint venture will be managed by a management company representing both parties. "Hansol has significant forestry expertise and plantation forestry both in Korea and Western Australia... Hansol can provide the capital to enable the Ngati Porou people to efficiently develop land identified as suitable for forestry while retaining the legal ownership and Tino Rangiratanga over the land."

So far, so good. The land is between Tokomaru Bay and Hicks Bay. Ngati Porou leaders see the arrangement as providing employment and income to people "so poor that many cannot even afford to pay rates" and many of whom "are now into their third generation of unemployment". The public launch of the scheme (in February, well before this decision

was suppressed by the OIC from the March release of its other January decisions) was a full ceremony including Forestry Minister, John Falloon and members of the Korea/New Zealand Business Council, took place at Rahui marae in Tikitiki, 150 km north of Gisborne. Gifts were exchanged between Ngati Porou and Hansol President Nah. Hansol is also pushing similar programs in Vietnam and Chile. (*Press*, 19/2/96, "East coast iwi, Korean group join in forest deal", p.32.)

However the project has aroused heated exchanges with the conservation movement. The Royal Forest and Bird Protection Society says that some of the "scrub" that will be replaced with pine trees is actually kanuka forest. There is an extreme risk of restarting erosion. The scheme also uses a foreign company to circumvent the New Zealand Forest Accord under which local forest companies have agreed not to log native forests. Further, the government's East Coast forestry project subsidises the cutting of the kanuka.

Ngati Porou reject these claims, seeing kanuka as simply another form of manuka and "just a transition crop". The income would not only provide a living for their people, but also allow them to enhance their extensive forest reserves. (*Listener*, 20/4/96, "The kanuka cut", p.24.)

The deal is said to have been organised by Michael Park, son of a former South Korean ambassador to Aotearoa who now is based in Wellington. He was said to be looking at putting together a Korean consortium, possibly including Hansol, to bid for the controversial privatisation of Forestry Corporation (*Press*, 11/5/96, "Koreans look at Forestry Corp", p.28).

## **MINING TNCs FIGHT OVER COROMANDEL TOXIC WASTE DUMP**

*Watchdog* 81 carried a detailed report by Mark Tugendhaft on the Golden Cross Mine's highly mobile toxic waste dump, which threatens to leak, or even burst, flooding the Waitekauri Valley and surrounds with vast quantities of cyanide laden waste. Fears of just such an overflow were voiced in August 1996 by the Waikato Regional Council, Environment Waikato, when exceptionally heavy winter rain posed a threat. Greenies and bureaucrats are not the only ones concerned about it. In July 1996, the mine's owner, Idaho based Coeur d'Alene Mines Corporation, filed an \$NZ80 million lawsuit in the US against previous owner (fellow American mining TNC, Cyprus Amax Minerals and its NZ affiliates) alleging that it did not disclose geological problems with the huge toxic waste dam.

Coeur d'Alene announced that it would take legal action after discovering that fixing the dam will cost at least double the \$9.3 million already spent (real repairs will cost even more). Indeed the company has written off the mine's value from its balance sheet. Coeur d'Alene wants refunded the \$77 million cost of buying Golden Cross and is seeking a further \$300,000 for alleged securities breaches under Idaho and Colorado state laws. It reserves the right to seek further punitive damages. The company's New Zealand executives have refused to give a guarantee that it won't just walk away from the dam. To see a very small example of an abandoned toxic waste dam, you only have to go over the hill from Waitekauri to the Tui Mine site above Te Aroha. It's a dangerous disgrace, dating back decades, and a silent warning of what could very well happen on a gigantic scale at Golden Cross. It must never be allowed to happen - the mining TNCs must clean up their own mess, at their own expense.

*Coromandel Watchdog of Hauraki can be contacted at 35 Albert Street, Whitianga. Ph (07) 8664077; fax (07) 8662900.*

# HONG KONG INVESTMENT IN NEW ZEALAND

As mid 1997 sees China reclaim what is rightfully hers after a century of British colonisation, it seems appropriate to make a case study of Hong Kong investment in New Zealand. Post 1997, the Overseas Investment Commission (OIC) will categorise Hong Kong investment as Chinese.

Hong Kong investment here has been substantial in the 1990s, always in the top seven countries, sometimes in the top three, one of two main Asian investors (the other being Singapore), and far outranking the Japanese. The latest OIC statistics we have are for 1995 (which didn't arrive until well into the second half of 1996, they get tardier and tardier). From 1992-95, Hong Kong investment approvals totalled \$1.7 billion, accounting for 6.5% of the total by value, and placing it fourth overall in that period. Its single biggest year was 1994, with \$928 million; by comparison, other years were modest - 1995 being \$117 million.

Hong Kong has always been held up as the epitome of the perfect laissez faire capitalist economy (the 1996 *Global Competitiveness Report* ranked the world's "most free" economies as: Hong Kong, Singapore and New Zealand. Aren't we pleased to be in such illustrious company?). It has been said that the business of Hong Kong is business, and that is certainly true of its investment in New Zealand.

## Commercial Property

Commercial takeovers and purchase of commercial property are the main features. Most recently Hong Kong buyers profited from one of the last privatisations by the 1993-96 National government. Whilst attention was firmly focused on the much bigger sale of Forestcorp, **Works Civil Construction**, was sold for \$44 million, in August 1996, to **Downer and Company** (the other part, Works Consultancy, was sold to Malaysians). This marked the end of the former Ministry of Works and Development, a process of deregulation and privatisation started by Labour in 1990. But hang on, isn't Downer's a New Zealand company? Used to be, until June 1994 when the OIC approved Brierley Investments Ltd (BIL) selling it to **Paul Y-ITC Construction**. That is owned 45% by **International Tak Cheung Holdings** of Bermuda; 20% by **Cheung Hong (Holdings) Ltd of Hong Kong**; 23% by Brierley's; and there is some Chinese shareholding. Downer's is a major regional construction company, and already has a strong presence in Hong Kong eg it is a key player in the multibillion dollar new airport being built there. At the time of the sale, fully 50% of Downer's work was Hong Kong based.

Far and away the biggest single Hong Kong corporate takeover was that of **SEABIL**, a joint venture between **SEA Holdings Ltd of Hong Kong** (60%) and BIL (40%). This joint venture started back in 1991, with OIC approval to buy Telecom House in Wellington, for a suppressed amount. In

April 1993, BIL sold 62 properties, for \$290 million, to **Verisopht Investments Ltd**, a 60/40 joint venture between SEA and BIL. Brierley's retained management of the properties, and expressed hopes of expanding in both Hong Kong and China. Verisopht had been formed in 1990 to hold Telecom House and Hong Kong properties. The **Hong Kong and Shanghai Banking Corporation Ltd** (which is ultimately British owned) held a \$65 million mortgage over the 62 properties. In March 1994, **SEABIL NZ Holdings Ltd** was set up, and became the biggest listed property owner in the country with the \$218 million acquisition of "the cream of Fletcher Challenge's remaining property portfolio, five commercial properties in Auckland and Wellington" (*Independent*, 15/4/94). It already had 34 other properties and \$450 million in shareholders' equity. SEABIL's parent company, SEABIL Pacific, is focusing on investing in China's Chengdu and Sichuan provinces. SEABIL mounted a \$119 million public float in 1994, accompanied by massive newspaper advertising featuring Jesse Lu, SEA's managing director (the ads were pulled after the Securities Commission complained that they were advertising for funds without a prospectus). After the float, SEABIL (NZ) Ltd was owned 40% by the public and 60% by SEABIL NZ (Holdings) Ltd. BIL had increased its ownership in that latter joint venture to 48.9%, which increased its interest in SEABIL Pacific's Chinese property developments and cash.

In late 1994 SEA bought a controlling interest in **Tasman Properties Ltd**, the one time flagship of Sir Robert Jones' commercial property empire. An SEA holding company, **Trans Tasman Properties**, was set up, and it owned Tasman Properties in a joint venture with **Grantham Mayo Van Otterloo and Co (US)**. Once again the Hong Kong and Shanghai Bank held the mortgages, over both Trans Tasman and SEABIL (NZ) Ltd. Tasman Properties was valued at about \$1 billion in Australia and NZ, with 30% of its assets in Wellington, 28% in Auckland, 20% in Sydney, 6% each in Christchurch and Brisbane, and the rest in Waikato.

The whole complicated SEABIL saga represents the single biggest Hong Kong investment in New Zealand (by a country mile) and is the reason why 1994 was the biggest year for Hong Kong investment here (also by a country mile, or should that be, by a mirrorglass tower?).

But it's certainly not the only Hong Kong commercial foray here. In August 1991, **Shriro Pacific Ltd of Hong Kong** was given OIC approval to buy up to 50% of **Transmark Corporation**, for \$11.1 million. By late 1996, Shriro's stake in Transmark had increased to 66% and it made a full takeover bid. Its owner, Mark Shriro, lives in Monaco; David Wilson, Transmark's chairman, lives in Hong Kong. In July 1995 the OIC approved Transmark buying 40% of **U-Bix Business Machines Ltd**, for \$15 million. U-Bix is wellknown for photocopiers and phone equipment.

Transmark imports and distributes consumer products such as toasters, TVs, home security systems, watches and cameras. Transmark/Shriro, in turn, sold U-Bix to Blue Star Group of the US, in March 1996, for \$27 million.

There have been other Hong Kong commercial takeovers of note. Some examples - in 1989, **Harbinger Investments**, paid up to \$5 million to take over the 49.9% of **Miles Duty Free Shopping Ltd** that it did not already own. The Chan Family (whose companies were registered in the British Virgin Islands tax haven) bought the **BNZ Tower** and **Kensington Swan Building** in Auckland that same year. In 1990, **Islington Corporation** bought the **West Plaza Building** in Auckland, and **Nan Fung** bought **290 Queen Street** for \$22 million. In 1991, **Mirassou Holdings** bought **Rural Bank House** in Christchurch's Cathedral Square for \$10 million. In 1995, **Sharrow Ltd**, a private company owned by **TrustNet** of Hong Kong, took over **Restech International Ltd**, a mining company based in Sydney but listed on the NZ Stock Exchange.

### Hotels

Hotels constitute a major investment target for Hong Kong buyers. When Labour privatised the **Tourist Hotel Corporation**, in June 1990, for \$73 million, it was bought by the **Southern Pacific Hotel Corporation**, owned by **Hale Corporation** of Hong Kong (but ultimately by the Pritzker family of the US). In October 1993, the OIC approved **Tropical Resorts** of Singapore buying Queenstown's **Lakeland Hotel** for \$14 million. Between them, the **Chang-Fung Company Ltd** and **Asian Strategic Capital Ltd**, both of Hong Kong, own 22% of Tropical Resorts. In November 1994 **Carlton Hotels**, owned by **Dr Li Dak Sum** and family, bought Auckland's **Pan Pacific Hotel**, for \$71 million. The Li family own hotels in Singapore and Australia, and announced plans to open others in Wellington, Queenstown and Christchurch. And the **Togen Group** (owned by **Eastern Prime Line Ltd**, a shipping company owned by the **Liu family** of Hong Kong) owned Auckland's **Regent Hotel**, selling it to Singaporeans in January 1996, for \$80 million.

### Rural Land

Hong Kong is one of the major buyers of rural land. From 1991-95, it bought 22,000 hectares (for a total of \$33 million). That constituted 9% of the total land sold to foreigners (by area) in that period - it ranked fourth behind the US, Malaysia and Japan (by area but not value), reflecting the fact that Hong Kong interests are not heavily represented in the booming and land intensive forestry industry.

The same **Togen Group** that owned the Regent Hotel owns 45% of **Wenita Holdings (NZ) Ltd**, which is the biggest exotic plantation forest owner in Otago and Southland (another 45% is owned by a Chinese State corporation and the final 10% by **Chen Wen Dong** of Hong Kong). **Wenita** got started by buying State forests when the dying Labour government embarked on the process of massive privatisation of cutting rights (for full details of **Wenita**, one of the most controversial of the foreign forestry companies, see *Watch-*

*dog 77*; "Chinese Investment"; *Watchdog 79*; "Wenita On The Taieri", by Trevor Reeves; and "Clearcut").

That represents the biggest corporate Hong Kong presence in forestry. For the past several years, Taiwanese and Hong Kong individuals have been the special targets of New Zealand companies selling small blocks of land for forestry in **Broadwood, Far North District** (this was the region featured on the April 1996 TVNZ *Assignment* documentary on foreign control). Some of it has been done through companies, such as **Asian Power International (NZ) Ltd** of Hong Kong; some of it straight to individuals. The prices have ranged from less than \$100,000 to the high hundreds of thousands. A similar scheme is running in the Wanganui district, where **Spruce Forest Company Ltd** is the Hong Kong presence.

Other Hong Kong land purchases include: oyster farms in Kaipara Harbour; a flower nursery at Newstead; orchards at Kerikeri; a sheep and cattle farm in the Horowhenua; and Motueka land for a "marketing and consultancy business". Some land purchases have been major ones, by any reckoning. In February 1991 the **Morningside Asia Group** (via Portmore Enterprises Ltd, of the British Virgin Islands tax haven) bought the 13,000 hectare **Cecil Peak Station** (one of the country's biggest sheep stations, overlooking Lake Wakatipu) for \$2 million. In July 1995 seven Hong Kong residents bought 45% of **Bridgethorne Holdings Ltd** for \$1.5 million. It owns 103 hectares in Kerikeri, which will be subdivided into 12 orchards, 12 lifestyle blocks, a main farmhouse, and a new golf course. And in June 1996 **Wharfdale Farming Co. Ltd** got OIC approval to acquire a pastoral lease over 8,000 hectares at **Mt Pember Station**, in Canterbury's Lees Valley, for \$1.1 million. The ultimate owner is **Mr A. Chu**, of Hong Kong. **Wharfdale** also owns a 2,200 hectare sheep and deer farm in neighbouring Oxford.

Hong Kong may be about to become a Special Administrative Region of China, but the impact of its extensive investment in New Zealand has already been felt and will be for a long time to come. Whether it is from Hong Kong, China (or indeed, subsidiaries of the old colonial power, Britain) it needs to be very carefully monitored and opposed.

## DEATH IN THE FAMILY

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

To **Stan Hemsley**, whose sister **Florrie Gilmore** died in Lyttelton, aged 95.

# SECRET POWER

## NEW ZEALAND'S ROLE IN THE INTERNATIONAL SPY NETWORK

*Nicky Hager. Craig Potton Publishing. 299 pages. Illustrated. \$34.95.*

- Murray Horton

The July 1996 bungled break in at the Christchurch home of GATT Watchdog activist Aziz Choudry, and the series of well publicised events stemming from that, has again focused attention on the Security Intelligence Service. The SIS is doubtless the best known, not to mention the clumsiest, New Zealand intelligence agency.

But the biggest agency, the Government Communications Security Bureau (GCSB), has remained veiled in secrecy. Until now, that is. "Secret Power", by veteran Wellington peace activist and researcher, Nicky Hager, is a tour de force. The level of detail presented about this most secret of intelligence agencies is simply incredible (right down to floor plans and staff lists. I learned that the brother of a friend is a very high ranking GCSB official). I have been involved in campaigns on all things to do with intelligence for decades, and specifically on the GCSB's Waihopai satellite interception spybase for nearly ten years, but I still learned an enormous amount from this book. For lay readers, the impact will be nothing short of revelatory. It should be compulsory reading for all MPs, as the foreword by David Lange, former PM, makes clear that he learned more about the GCSB from this book than he ever did when he was nominally in charge of it.

The details are fascinating - the fact that the intelligence relationship continued unabated despite the US saying it was cutting NZ off during the ANZUS Row; the role of New Zealand intelligence in spying, for Australia, on the Bougainville peace talks whilst the Government was officially providing a neutral venue (a frigate); the amount of spying on Japanese targets; the complete uselessness of the GCSB during the 1987 Fiji coups; and, much more seriously, the abject failure of New Zealand or "Allied" intelligence to provide anything on the covert French operation here which bombed the *Rainbow Warrior*. It is not all serious - the only time David Lange's "secure" phone rang, it was a wrong number for a drycleaner's. Checking revealed that it had been mistakenly fitted with a tollbar!

So what does the GCSB do? Very little, for New Zealand. Governed by the super secret UKUSA intelligence agreement (signed in 1948, between the US, UK, Canada, Australia and NZ) it is very much a junior subcontractor, collecting electronic and signals intelligence for its Big Brothers. The Americans' obsession with all things Russian means that the Kiwi spooks painstakingly intercept all messages to and from Russian fishing boats and Antarctic research stations. British interests mean that Argentinian Navy messages are intercepted from here, to monitor any repeat of the 1982 Falklands War. The GCSB's two spybases, at Tangimoana and Waihopai, serve as New Zealand listening posts for our former and our current colonial masters, all paid for by the New Zealand taxpayer. The culture of obsessive secrecy

means that only a handful of New Zealanders are "indoctrinated" ie have any idea what goes on. The GCSB sees its loyalty as being firmly towards other members of the international intelligence alliance, not their its own country, government or people.

Hager's conclusion is:

"The partly foolish, partly irrelevant but also, often, highly sinister intelligence activities documented in this book could not have continued had they not been so secret. The bureaucrats judged, accurately, that the intelligence organisations needed to be protected from the public and Parliament. That is what a GCSB officer was talking about when he said, during our first interview, 'The secrecy is not for the Russians, it is for the general public. If they knew what the bureau does, it would not be allowed to continue'. The purpose of this book has been to lift the secrecy which has protected these organisations from change. Fifty years after the signature of a British officer took New Zealand into UKUSA, it is time to leave an outmoded and unnecessary alliance. What is needed now is a government with the courage to take that step".

New Zealanders, including former Prime Ministers, owe Nicky Hager a heartfelt vote of thanks for telling us what is done in our name, with our money, but very definitely not in our interests. This book is a powerful weapon in the campaign to pull the plug on our colonial dependence on the last vestiges of the Cold War. Memo to GCSB: The war is over, get a life.

*New Zealanders have responded overwhelmingly to the book - by election time it had sold 5,000 copies, was in its second print run, and featuring in the Ten Best Bestsellers list.*

*It is good to see the mainstream media start taking an interest in the GCSB and Waihopai, which it has studiously ignored for years. TV3's 20/20 (7/10/96) took a particularly hardhitting look at the subject, including sending Nicky Hager and the camera toting reporter to covertly film inside Waihopai for the first time ever.*

*The Anti Bases Campaign has a copy of the 20/20 programme for hire. It costs \$10, including postage, for one week. Send cheques and orders to: ABC, Box 2258, Christchurch.*

# COMALCO

## New Zealand

October 1996 saw the beginning of the wholesale energy market, which had been a dream of the Rogernauts for years - to create a market in yet another sector. Interestingly, Comalco NZ withdrew from the market in September, just weeks before its inauguration. Kerry McDonald, managing director, said that the market's rules favour generators at the expense of consumers. This was a largely symbolic action, because Comalco's own cosy (and very secret) power supply contracts (for one sixth of the country's entire electricity) fall outside the market arrangements. But Comalco is a leading member of the Major Electricity Users Group, which has long complained that the new market will favour generators over consumers. It is one of the greater ironies of recent times that Comalco was elected to represent small consumers in the process of developing policy for the new market.

McDonald said that the market favoured "gaming" by the two generators (ECNZ and the new Contact Energy) ie when a generator uses its knowledge of its competitors' likely behaviour to profitably withhold supply, forcing prices up. He said that the rules were only carried narrowly by the bigger voting power of the larger supply companies, such as Mercury Energy and Power New Zealand, which have, or plan to have, generation interests. McDonald said that these companies, which currently rely on line charges for most of their profits, saw this as a new area for profitmaking. McDonald's complaint about gaming was surely tongue in cheek - for the past several decades, both he and Comalco have been unsurpassed masters at gamesmanship.

The Alliance put Comalco's resignation in perspective.

"Consumers will be at the mercy of both suppliers and distributors and will howl loudly when the new prices come into force. Because of this bias in the market and the market's extreme and costly complexity, Comalco has decided against becoming part of it. Had the market been sensible and simple, Comalco would have joined it and bought and sold small amounts of electricity on top of its long term contract entitlements.

"Comalco is in a privileged position. It has a cast iron contract of supply for the next 20 years. Large manufacturing companies and power distribution companies have nothing even remotely resembling the Comalco contract. They will be at the mercy of the volatile wholesale market.

"Comalco's agreed price path rises only very slowly in the next ten years from an amazingly low price of 2.5c KW/hour at the moment. They will move up only slowly from early next century. The average retail price to consumers throughout New Zealand for 1994/95 was 10.22c per KW/hour and for industry 7.75c. **Comalco is therefore receiving its power for less than a quarter of what household consumers pay.**

"Effectively, all other domestic and business consumers will be paying a high price for the greatly discounted Comalco contract because the Government requires ECNZ to achieve a commercial rate of return on its overall sales. Comalco's privileged price will show a far wider difference from the prices other consumers pay after the wholesale market price begins to rise... The new wholesale market will produce very much more volatile electricity prices because of New Zealand's dependence on hydro power..." (press statement; 26/9/96; "Why Comalco pulled out of wholesale power market"; Jim Anderton).

Wholesale market or not, Comalco has its own alumina to fry. In July 1996 it switched on the power at the new potline at the Tiwai Point smelter, which was scheduled for full production by September. This one potline alone uses enough electricity to power a small city, and will lift the smelter's production by 16%, to 313,000 tonnes per year.

And our Kerry is a man of many hats. For instance, he is the chairman of the Australia-New Zealand Business Council. In that capacity he has picked that the new Liberal government in Australia will have a more "constructive" attitude to the trans-Tasman economic relationship. He said that the long serving Labor government had run out of enthusiasm for Closer Economic Relations (CER). He was particularly keen for a trans-Tasman agreement on investment, and just before New Zealand's election, the New Zealand and Australian governments exchanged letters towards such an agreement.

## Australia

Comalco (the parent of Comalco NZ) is also increasing production in Australia. When a third potline is completed in 1998, the Boyne Island smelter in Queensland will run at full capacity (ie 490,000 tonnes annually as compared to the present 260,000 tonnes). On the other hand, Comalco is running its oldest Australian smelter, Tasmania's Bell Bay, at 30% below capacity. The future of that smelter has hung in the balance for several years as the result of a power price dispute between Comalco and the State government.

Profits have fallen in Australia (pass the hankies please), with the first half result for 1996 being \$A44 million, well below the predicted \$A60 million. This led to investors dumping over \$A200 million worth of Comalco shares. The company blamed it on softer aluminium and alumina prices - every \$US1c fall in aluminium prices costs Comalco \$A9 million in net profit.

Comalco's parent, the merged Rio Tinto Zinc (RTZ) and Conzinc Riotinto Australia (CRA), has been waging war on Aborigines and its own workers in several different parts of Australia. In August 1996 workers returned to work at CRA's Vickery coal mine in New South Wales. They had been on strike for 50 weeks, the longest strike in Australia since 1914. At Comalco's Weipa bauxite mine in north Queensland (the

source of Tiwai Point's alumina), there has been a bitter dispute with workers endeavouring to hold onto award pay and conditions. This erupted into a national industrial battle in late 1995. Workers struck again in March 1996, returning to work in April.

RTZ/CRA plans to build the world's largest zinc mine of its type in north Queensland, with a long pipeline to carry slurry out into the Gulf of Carpentaria (rejecting a less polluting, but costlier, scheme to rail the waste to Townsville and ship it from there). But the Century Zinc Mine proposal

is strenuously opposed by those living in the region, including numerous Aborigine communities. They fear massive pollution on the scale of Bougainville, Ok Tedi, Grasberg or other neighbouring Third World mines (some of which are run by the very same RTZ/CRA). Both the Queensland State government and the Federal government have gone to great lengths to remove any obstacles that might exist as a result of Native Title rights. However, in July 1996, RTZ/CRA agreed to respect Native Title - for now. That has put the project on hold.

But behind the scenes, both the company and the State government are putting intense pressure on Aboriginal communities to agree with the project, by March 1997. And RTZ/CRA has used the old familiar divide and rule tactic. As Marandoo Yanner, chairperson of the Carpentaria Land Council, said: "When CRA and the Government paid people to support it, given them a wage, given them a vehicle in trying to split the community up, of course you're going to hear people saying they like the mine" (*Mining Monitor*, September 1996).

## 'Tribute to miners at Weipa and elsewhere'

*Tribute to workers at British giant CRA's mining operations at Weipa on Cape York and miners at other places. (And to all fighting multinational plunder of themselves, their country and their culture).*

We're digging up the bauxite, we're scraping kaolin;  
We're building up the stockpiles, fill Fitzroy River\* to the brim. And  
the labour power we sell, me boys, for a hard earned weekly pay  
Produces mighty profits for the greedy CRA.

**Chorus:**  
So keep your powder dry — hold your head up high,  
It's class to class and face to face our limit is the sky, We've got a fighting  
history — we never will be cowed  
A miner is a name, me boys, to make a man feel proud.

We work in remote places, Argyle and Weipa we do, Hammersley and  
Vickery and Bell Bay in Tassie too.  
We work o'er all this country for that greedy CRA  
Who try to smash our unions and deny us equal pay.

**Chorus:**  
They string out negotiations, try on all their dirty tricks,  
They try to "con" the IRC, treat all of us like "hicks"; They want to  
"optimise the mine", make dollars by the tonne  
Control what's deemed to be "fair play" then kick us in the bum.

**Chorus:**  
The foreign board gets millions of dollars in their pay, Yet they don't  
work hardly at all; no 12 hour shift a day.  
Their work is quite involuntary — sometimes they sneeze or fart —  
But working men they sure are not, they wouldn't know where to start.

**Chorus:**  
For \$20 billion, they force through Century Zinc.  
With devious manipulation, CRA has an awful stink!  
And they care not for Black values; nor for the environment, Nor Aussie  
jobs on the railway line. For profit they're hell bent.

**Chorus:**  
Twenty billion dollars profit planned, the "compensation" their way,  
Black folk get only point three per cent; and just a token say,  
Black heritage would be finished but for the likes of Murrandoo  
And his people's will to fight so hard for values they hold true.

**Chorus:**  
We saw CRA in Bougainville negotiate their way  
With gunship helicopters "let the locals have a say".  
But what they did in Bougainville showed up to one and all  
How CRA "negotiate", how they "run with the ball!"

**Chorus:**  
So whether we were born here, or born in Italy,  
The Philippines or Bougainville or England or Fiji  
We all of us are workers and united we must stand,  
Till bludging multinationals have been driven from our land.

**Chorus:**  
\*Fitzroy River is an ore carrier crewed by MUA members who support  
the Weipa miners.

### West Papua

RTZ is a junior (12%) partner, with Freeport McMoran of the US, in the Grasberg gold/copper mine in Indonesian occupied West Papua (which the Indonesians refer to as the province of Irian Jaya). It is worth an estimated \$US60 billion. *Watchdog* has detailed the brutal military oppression of any form of resistance to this single biggest investment in Indonesia, the same oppression that characterises all Indonesian dealings with West Papuans (and indeed with the rest of the peoples of that unfortunate archipelago. The democracy movement headed by Megawati Sukarnoputri offers the biggest hope in years that the end may be nigh for the murderous Suharto kleptocracy. Tommy Klepto might have to move into Lilybank). Needless to say, the mining TNCs behave with the arrogance they display throughout the Third World and cause massive pollution, daily dumping 120,000 tonnes of tailings directly into local rivers and out into the sea. Freeport McMoran's chief executive officer, Jim Bob Moffett, says this is "the equivalent of me pissing into the Arafura Sea" (*Australian Financial Review*, 8/9/95; "Business as usual after massacre"; Geoffrey Barker). Their presence is backed by a breathtaking history of human rights abuses, including murders.

In March 1996, the West Papuans had had enough of Grasberg and rioted for several days, causing massive damage at the mine. President Suharto assigns a very high priority to keeping this mine operating - 1,000 troops were flown in and "order" (Indonesian style) was restored. But the West Papuans had more cards up their sleeves - in April 1996, Tom Beanal, a leader of the Amungme tribe, filed a \$US6 billion class action suit against Freeport McMoran (in the US). The suit claims that the company and government forcibly removed the Amungme and other tribes from their ancestral land, with no compensation. Beanal toured the US, familiarising Americans with the catastrophe inflicted on his country by the mine, and calling for specific reforms, such as including two indigenous people on the board. The company described the suit as "frivolous and opportunistic" (*Clementine*; Spring/Summer 1996; "Culture Clash"; Robert Bryce and Susan A. Brackett).

Freeport McMoran has a history of not taking reverses lying down. Jim Bob Moffett, has said that mining is "not just a job for us, it's a religion" (ibid). In October 1995 the US Overseas Private Investment Corporation cancelled a \$US100 million political risk insur-

Vanguard 7/8/96

ance policy it held on the mine, stating that it had a statutory duty to do so as the mine "has created and continues to pose unreasonable or major environmental, health, or safety hazards..." (ibid). Freeport McMoran hit back, swinging into intensive lobbying (it hired James Woolsey, former CIA Director, as its legal representative), spent \$US200,000 on three fullpage ads in the *New York Times*, blaming it all on "foreign interests" and succeeded in getting the insurance reinstated in April 1996. In exchange Freeport McMoran agreed to create a \$US100 million trust fund to rehabilitate the minesite after the mine closes.

The RTZ Annual General Meeting in London is always attended by shareholders who are members of People Against Rio Tinto Zinc and its Subsidiaries (PARTIZANS). CAFCA's Murray Horton owns a couple of shares, which PARTIZANS represents at the AGMs. At the 1996 Meeting several other groups joined, such as Minewatch, Survival International, and Friends of the Earth. About 30 indigenous people from around the world attended, many of them delegates to the Mining and Indigenous Peoples Consultation. West Papua featured highly on their agenda. An Amungme representative was able to speak, but RTZ chairman, Sir Derek Birkin, tried to close the Meeting early, leading to a mass walkout by the indigenous people.

The racial sensitivity of the company was well illustrated by CRA chairman, John Uhrig, who, in December 1995, said: "The war on Bougainville has nothing to do with the Panguna copper mine. It is an intertribal, intervillage problem. Some of the natives have darker skin and fuzzier hair, while the others have less fuzzy hair and brown skin" (*The Ecologist*; March/April 1996; "Mining the World: The Global Reach of Rio Tinto Zinc"; Roger Moody). So there you have it. Simple really.

### The World; The Future

Roger Moody's article in *The Ecologist* gives a very concise overview of the world's biggest mining company.

"With more than 200 subsidiaries in over 40 countries, RTZ is the epitome of the global mining corporation. Although 79% of its assets are in North America, Australia and New Zealand, there is no continent (with the possible exception of Antarctica) where RTZ has not established its presence - whether it be selling iron ore to the Chinese State steel corporation; gouging out copper from the world's biggest manmade hole in Utah; running gold mines and nickel matte and ferrochrome plants in Zimbabwe; earning rich pickings from its Palabora copper and uranium mine in the South African Transvaal; or dredging the titanium rich sands along the coast of Natal.

"...RTZ - which has never recorded an annual loss - is the world's largest private producer of uranium and one of the global top ten miners of bauxite, iron ore and copper. It delivers more than a third of the world's gem and industrial diamonds from just one Australian mine.

"Today, RTZ/CRA is not only the biggest mining conglom-

erate in the world; it is also the most globally extended...Its global reach owes as much to its political contacts and its ability to overcome opposition as it does to its commercial acumen. From its birth in 1873 as the Rio Tinto Zinc Company to its rebirth as RTZ/CRA, the company has long recognised that the key to being successful on a global scale lies in having influence at national and local levels. The history of RTZ is thus the history of a worldwide political infrastructure consisting of alliances between RTZ and its potential competitors; between the company and national governments; and between the company and power brokers within the local communities where it operates..." (all of which is very familiar to New Zealanders).

But Moody's conclusions are not gloomy. He writes of the "massive internal contradictions" within giants such as RTZ. Traditional metals are a totally boom and bust industry, and RTZ has proved itself ill suited to diversification outside of mining. It has retreated from some parts of the world, eg by May 1996, it had virtually pulled out of Russia. And the new deposits that it covets are all in "frontier" territories, populated by indigenous peoples who understand all too well the threat posed by mining TNCs. Already one of its key mines - Bougainville's Panguna one - has been closed for years by the armed struggle of people who want to be independent of both the company and the Papua New Guinean government which imposed it on them.

Even in the aluminium sector, things aren't looking too bright for RTZ and its ilk. The 1996 alumina market was largely dependent on Chinese buying, and prices fell. Leading analyst, Anthony Bird Associates, of the UK, predicted that there will be an aluminium capacity shortage by 1998/99, driving up prices, making aluminium "dangerously uncompetitive" by 2000/01 (*Metal Bulletin*, 11/4/96). Interestingly, in light of Comalco's withdrawal from the NZ wholesale energy market, Bird concluded that free markets for electricity are "basically unfavourable to the aluminium industry" (ibid).

Rip, shit and bust has always been the underlying credo of miners, and the bigger they are, the more shit they create. RTZ is the biggest example of that, globally, regionally and locally. It's high time it did the world a favour and gave us all a rest from its plunder and pillage.

*PARTIZANS can be contacted at 218 Liverpool Road, London N1 1LE, UK. Ph (0044171) 6091852; fax (0044171) 7006189.*

# AUSSIE MARITIME UNIONS BREAK RANKS

Since 1931 the maritime unions of New Zealand and Australia have preserved jobs on trans-Tasman shipping for their members. The union accord, which had no legal standing, was formalised in 1974. But no more. In September 1996 the Australian unions broke ranks with their NZ counterparts and signed an agreement allowing Australian transnational giant BHP to use foreign crews on nine of its ships operating between Australia, New Zealand and the US. This is the most significant change in trans-Tasman shipping for decades and has major implications for the New Zealand industry. Of the 21 ships dedicated to the trans-Tasman trade, 17 are New Zealand owned and operated. Dave Morgan, the president of the NZ Seafarers Union, said that up to 700 New Zealand jobs are at risk (300 seafarers, plus 400 officers, engineers, and shore based staff). Understandably the Seafarers are furious about this action by the Australians. Morgan said, of future trans-Tasman union relations: "What form it takes in the future...we will have to wait and see. We don't think they have done the right thing" (*Press*, 27/9/96). The NZ Merchant Service Guild, which represents officers, was less circumspect, saying all three Australian maritime unions had betrayed their Kiwi counterparts.

Captain Ross Fast, managing director of Christchurch-based South Pacific Shipping (New Zealand's largest line) said: "There is a fair possibility this will destroy all New Zealand shipping" (*Press*, 2/10/96). That industry has an annual revenue of about \$700 million. Captain Fast, who heads a company which employs 300, said it wouldn't replace New Zealanders with "Asians or Poles" so that it could compete. "We're a New Zealand company. You could get rid of the public service and substitute cheaper labour. How far do you want to go?" (*ibid*). Rod Grout, president of the Shipping Federation, thought the move would benefit Australian manufacturers more than their NZ counterparts.

We can only guess as to why the Aussie unions took this drastic step, but a desire to stave off an all out offensive on trade unions by the Liberal government could very well be the pragmatic rationale. John Howard's government had targeted the maritime unions as an early candidate for an assault.

All this came when the NZ Seafarers were already in a campaign against foreign cut price cross-traders plying the New Zealand coastline. The Maritime Transport Act, which came into effect in 1995, allows foreign ships to carry cargoes between New Zealand ports, undercutting local shippers and costing jobs. A July 1996 Ministry of Transport study found that foreign ships have picked up 10% of the NZ inter-island container trade, and 90% of those are being carried north to south. So Auckland manufacturers have gained far more than South Island ones. The NZ Seafarers condemned the Australian unions' sellout and called on its members to step up the campaign against all trans-Tasman cross-traders.

## Stranded Russians

The plight of foreign seafarers already working in New Zealand waters has commanded much sympathetic media attention throughout 1996. *Watchdog* 82 detailed the situation of Russian crews of various joint venture fishing vessels stranded in several ports. Things have got worse. In August 1996, a Russian company abandoned four of its crews, including that of the *Novonikolsk*, in Lyttelton. There were another four ships stranded in Dunedin. Crews were abandoned with no pay and had to beg for money and food. Several died whilst stuck in New Zealand ports with no hope of either getting paid or going home. One *Novonikolsk* crewman ended up convicted of assaulting his captain, when tensions over pay boiled over into violence.

The brutality of life aboard international fishing vessels was graphically illustrated by the August 1996 mutiny aboard a South Korean ship in the North Pacific. 11 were killed, including the skipper, by crew members in an uprising against harsh working conditions.

It was precisely to protect New Zealand and Australian seafarers against this sort of shameful exploitation that the trans-Tasman maritime unions for so long cooperated to keep out the ships of shame. The tragedy now is that the Australians have let down the side. It makes the battle of New Zealand seafarers that much harder, and will cost New Zealand workers their jobs.

## "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. He makes sure that it is continuously 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.*

# CAMPAIGN FOR PEOPLES SOVEREIGNTY

## Fronts Up To Southpower Over Price Rises

Campaign for Peoples Sovereignty (CPS) members and supporters were well represented at Southpower's August 1996 Annual Meeting, the only opportunity for the energy supplier's owners (the people of Christchurch and surrounds) to actually have any direct contact with the board and executives. CPS distributed the following leaflet:

### **SOUTHPOWER BELONGS TO THE PEOPLE**

#### **SO IT'S TIME WE RECEIVED A DIVIDEND A SUBSTANTIAL DOMESTIC PRICE CUT**

Campaign for Peoples Sovereignty congratulates both Southpower and the Christchurch City Council on their commitment to keeping our city's power company in public ownership. As such, it is an endangered species in the jungle of today's energy supply market.

**We are definitely not on the side of those who demand that Southpower be privatised or that customers be issued with shares. We want Southpower to remain in public ownership indefinitely. But we want the City Council to exercise a much more hands on approach to Southpower.**

We, the people of Christchurch and surrounds, own Southpower, and the City Council simply administers that ownership on our behalf. Therefore we want both Southpower and the City Council to make domestic customers the top priority. We constitute the greatest number of Southpower's customers, and we are captives of a monopoly. We can't shop around in the energy market.

#### **RECORD PROFITS; BUT PRICES GO UP**

Southpower's profits have gone up by impressive amounts every year since it became an energy company. For 1995/96, it was over \$19 million; with \$23 million forecast for the current (1996/97) year. Profit has increased by over 100% since the early 90s, and more is forecast.

What do we, the domestic customers, get to show for that? Our power bills have gone up by more than 30% since 1992 (while business rates have been cut). More rises are forecast. We get no say in Southpower decisions, which are all made behind closed doors. There is no public accountability.

Southpower owns 69% of Enerco, a North Island gas company, and is making a bigger and bigger percentage of its profits from that, primarily in the Auckland gas market. But what benefit is that to Christchurch electricity users? We can neither get access to that gas nor do we get anything to show for those profits. We are in a lose/lose situation. But the manager is paid over \$300,000 per year, considerably more than the Prime Minister.

**We demand that Southpower substantially cut domestic power prices, and reduce its profit accordingly. We demand that the City Council get a reduced annual dividend from its biggest cash cow, Southpower, and that we, the real owners, get a dividend instead. As Southpower boasts that it has one of the lowest residential line rentals in the country, we demand that it be abolished altogether. We want a publicly owned company run for the public.**

The wholesale energy market came into existence in October 1996, which brought the immediate prospect of more domestic price rises. Alliance leader Jim Anderton forecast an 8% increase as soon as the election was over. Southpower denied it, but didn't deny that customers would pay more, due to the combined effects of the wholesale energy market and Transpower's proposal to reallocate the costs of the Cook Strait cable, meaning that South Island customers will pay more for electricity (the latter will cost Southpower up to \$6 million extra per year, which the company says it cannot absorb).

CPS is fully aware that we need to keep things in perspective. The Christchurch situation is very politically incorrect from the prevailing ideological viewpoint, namely that local bodies should not own or operate any utilities or business enterprises. Indeed, Christchurch stands in shining contrast to Auckland which is flogging off its Council housing, and Wellington, which (despite the country's first ever citizens' jury telling the Council not to) flogged off Capital Power to TransAlta of Canada. Brian Easton devoted one of his regular *Economy* columns in the *Listener* to just this (7/9/96; "A tale of two cities. Christchurch's economic success is associated with a tradition of civic community. Wellington, take note"). Coincidentally or not, a recent *Consumer* survey found the Christchurch City Council to be the most popular of local authorities and Wellington to be the least popular.

CPS has no desire to drive the Christchurch City Council into the arms of the privatisers. But we want our power company to work in the interests of the people of Christchurch, and its prices and all commercial policies to reflect that one key fact.

# THE COST OF FREE TRADE

## Aotearoa/New Zealand At Risk

by Dennis Small

What are GATT and the World Trade Organisation all about?  
How has the Government been trading off national sovereignty in services and intellectual property?  
What is free trade's impact on food standards and consumer protection?

How has the Ministry of Agriculture been putting NZ at risk from Mad Cow Disease and other imported threats to our health and environment?

What are SPS and TBT and what do they mean for your future?  
How much are transnational corporations controlling your life?  
What do democracy and freedom mean in the "global economy"? Who is really going to benefit?  
What is the Government doing to help make NZ and the world safe for international Big Business?

How is the propaganda of the New Information Age being peddled?

These are some of the questions addressed in this new 152 page book, published by CAFCA, in 1996. In a wideranging review of the effects and implications of free trade for Aotearoa/New Zealand, the author examines many of the issues affecting our country as we move closer to the 21st century. The trends are clear: what is being called "corporate feudalism" or "commercial totalitarianism" is rapidly taking shape, both here and worldwide. But people are fighting back and seeking alternatives. This book is intended as a contribution to the cause.

**PRICE: CAFCA MEMBERS & BOOKSHOPS - \$15, PUBLIC - \$20**

I enclose \$ for copy/copies of "The Cost of Free Trade"

I wish to order copy/copies of "The Cost of Free Trade".  
Please invoice me.

Name .....

Address .....



*Send orders and cheques to: CAFCA, Box 2258, Christchurch, NZ*

### CAFCA GOES ON E-MAIL

CAFCA now has an e-mail address. And no, we didn't sign up with Telecom, but with one of the independent providers (*see the article on Telecom elsewhere in this issue for the full grubby details on Telecom's move to undercut and drive out of business the independent providers*).

It took several weeks before we could get the connection to connect, defying the best efforts of computer professional, Bill Rosenberg. So we did what we should have done at the outset and called in a teenager, namely Bob Leonard's son, Graham. He had it up and running within minutes.

We are connected to e-mail only, not to the Internet. We will review later whether we want to join that.

Our e-mail address is:

**cafca@chch.planet.org.nz**