

Foreign Control Watchdog

PO Box 2258, Christchurch, New Zealand

WINSTON'S PETERED OUT

- Murray Horton

Who said this? "Here let me first acknowledge the heroic efforts of the Campaign Against Foreign Control of Aotearoa (CAFCA), and a certain few journalists, who have worked against the odds, and against a corrupted regime operating in violation of the spirit and clear intention of our freedom of information laws...Only through arduous research by New Zealand First and by the Campaign Against Foreign Control of Aotearoa - otherwise known as CAFCA, to whom we are indebted for much of this material - are we even able to gauge the extent to which New Zealand no longer belongs to us..."

The answer? Winston Peters, in speeches delivered at Eltham, Opunake, Inglewood, Turangi and Taupo, on May 23 and 25, 1995, in the course of his "New Zealand Is Ours" national speaking tour.

Since Peters picked National as his blushing bride, in December 1996, there have been howls of outrage and much use of the word "betrayal". Do we share that view? Not me personally - I certainly didn't vote for New Zealand First. I have always regarded them as a Tory clone and, frankly, not to be trusted as far as one could throw them. Peters has simply returned to his natural home. He is as much a product of National as Jim Anderton is of Labour. However, plenty of other well meaning souls (presumably including a lot who did vote for them) definitely do feel betrayed and with very good reason. New Zealand First has won some concessions, particularly in the field of health (I personally am pleased that the iniquitous hospital outpatient charges will be dropped) but otherwise the Coalition Agreement is only a slightly watered down National platform. There is nothing unexpected about this, as the Coalition is one between Old and New National. Peters is a Muldoon protege, and represents Old National, which recognises a role for the State whilst being socially conservative (such as work for the dole proposals). Bolger has led New National, which went through a phase of extreme Ruthlessness, and has now decided to put on a slightly



kinder face ("we'll bash you but not to death"). Peters has his eye on the top job, which would be the sweetest revenge on his once and future National colleagues who sacked him in 1991 and became his bitterest enemies. For his part, Bolger, to use the urinary American saying, would rather have Peters inside the tent pissing out rather than outside pissing in (although a growing number of Peters' Parliamentary colleagues, both "friends" and foes, seem to think that he spends too much time pissing up. For my part, Winston, next time you're at close quarters with John Banks, give him one for me. As for Winston's henchmen, starting with Big Tau, in appearance and actions they remind me of nothing so much as the Tonton Macoutes of Haiti's unlamented Duvalier dynasty).

Plenty of media coverage has been given to the breathtaking nature of Peters' backflip, truly the most acrobatic feat seen in 1996, including the Olympics. Jim Anderton released a
(cont'd on p.3)

The material in this issue may be reprinted provided the source is acknowledged. A copy would be appreciated.

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(cont'd from p.1)

handy list of 20 detailed policy betrayals ("Seldom In Our Nation's History Have So Few Sold Out So Many For So Little"; press statement, 11/12/96). They definitely cover the field. For our purposes, I simply want to look at our issue - foreign control. Mention that any substantive policy on it had been abandoned was usually relegated to a footnote in media reports that struggled to itemise all the details of the sellout.

It's worth noting just what was the New Zealand First policy on foreign investment. The party came out very strongly on the issue in 1995, centring on Peters' speaking tour. Just the titles of those two of his speeches quoted above give the tenor of it: "We did not win by giving in"; and "Overseas Investment Commission is Birch's straw man". The collected speeches (there are more of them) are stirring stuff. Write to Winston and ask for copies. If the Treasurer can't seem to locate speeches made when he was simply the Leader of New Zealand First, then write to CAFCA and we'll gladly supply you with a set (enclose \$5 for copying and postage).

Peters' campaign centred on the battle against the Overseas Investment Amendment Bill (now Act; see previous *Watchdogs* for details of the legislation and the campaign against it). His whole "New Zealand Is Ours" speaking tour was in that context. His high profile and extremely outspoken opposition to the Bill and to foreign investment in general - "That contempt must be reserved for the quislings who permit New Zealand to be placed on the auction block and sold to the highest bidder" (speech, 25/5/95) - saw New Zealand First go rocketing up in the opinion polls, overtaking the Alliance (which held true in the 1996 election) and generally having a more detailed and better articulated policy on the issue than the latter. CAFCA hosted a 1995 public meeting in the Christchurch Town Hall on the Bill, featuring both Jim Anderton and Winston Peters. I considered that Peters spoke better and presented a better policy (naturally I consider that I spoke better than either of them). Throughout this time CAFCA was being approached by Peters' office for help, specifically by researcher Deborah Morris (now a Cabinet Minister), speechwriter Rex Widerstrom and researcher Terry Heffernan (both since dumped or resigned in bitter circumstances. We'll come to that). We sold them our complete Overseas Investment Commission database to enable them to write speeches detailing who owned what in each province and town as Peters spoke in those places. Hence the references to "heroic" CAFCA.

New Zealand First's Policy On Foreign Investment - Pre Election

And what was the policy. To quote from one of the speeches:

"...no more than 24.9% of any New Zealand company may be brought by any foreign company or companies, or individual or individuals.

"Existing foreign owners will be permitted to retain their shareholdings in the meantime. If however they choose to

sell, they will sell to a New Zealand company or individual, retaining only a maximum of 24.9% if they so wish.

"Where more than 24.9% of a company is already held offshore, there may be no further sales to overseas interests until the portion of the share register in foreign hands has fallen to less than that limit.

"Where companies under effective foreign control are operating in a sector which is considered critical - such as transport, communications and utilities - they will be subject to regulation designed to better protect the New Zealand consumer.

"There will be no further sales of land to foreign interests, though leaseholds will be permitted.

"Existing foreign land owners will be permitted to retain their holdings, but in the event that they wish to sell, they must sell to New Zealanders.

"Where a foreigner has bought land under existing immigration programmes, the undertakings given at the time of application for residency will be strictly enforced".

The significance of the 24.9% limit is simply that, since 1973, all laws on foreign control have defined as foreign any company more than 24.9% foreign owned. So Peters was simply upholding the law, like any true conservative; at the same time, for reasons that even it couldn't adequately explain, the Alliance was promoting a limit of 50% foreign ownership.

Peters was at pains to explain that New Zealand First was not opposed to foreign investment, but only to foreign control: "For we understand the difference between foreign investment and the corporate raid of New Zealand's assets" (speech, 23/5/95). And that policy was put in the context of the party's overall economic objectives: adding maximum value to exports; establishing a national savings policy to provide investment funds for the development of New Zealand enterprise; using taxation to encourage investment in New Zealand business development; and "above all else, the employment of New Zealanders must be our first economic planning priority" (ibid).

But, as they say, that was then and this is now. In fact, the rot started then. When we asked for a favour in return - access to the party's electorate contacts - we were told "no deal". In election year, both the Alliance and Labour were quite happy to give us full or partial lists of candidates and electorate contacts, so that we could establish direct contact with them. New Zealand First never obliged, agreeing to only forward material sent to Peters' Parliamentary office (in hindsight, the fact that the party had bugged all candidates or organisers until well into election year probably had something to do with it).

The Fundamental Laws of Backflipping

CAFCA and New Zealand First were never so lovey dovey

again after 1995. Come 1996, Peters was off on another populist hobby horse - immigration - and that's where we publicly parted company (see *Watchdog* 81; "Opposition To Foreign Investment Has Got Nothing To Do With Racism"). Interestingly, he seems to have comprehensively backflipped on that issue as well, but that's not our concern.

Warning bells started ringing months before the election when Peters made several speeches on foreign investment. Significantly, they were only made overseas and were clearly aimed at reassuring the skittish "market" (where Peters had replaced Anderton as The Great Satan). In July 1996, Peters delivered speeches in London and Edinburgh to audiences of institutional investors. In them, he relaxed the party's previous firm line and said that the 24.9% restriction would now apply only to "key infrastructural assets" and that would be "relaxed and/or waived when that investment materially adds to technology, employment, or export prospects for New Zealand companies" (*Press*, 8/7/96). Just what these "key assets" might be was left unstated, but the major TNCs were obviously reassured - Jeff Carter, an adviser to chief executive, Rod Deane, said that Telecom had held talks with New Zealand First and was relaxed about the prospect of it becoming the Government (*New Zealand Herald*, 22/6/96). By August, Peters had relaxed the policy further, when he announced that the 24.9% rule would not apply to private companies outside of strategic assets. No strategic asset company would be required to sell down, but when it did, the sale must be to New Zealand interests. He stated that Closer Economic Relations (CER) was a problem for the policy, and the party would accommodate Australian ownership to comply with CER. In a triumph of semantics, the Overseas Investment Commission would be replaced by an International Investment Commission.

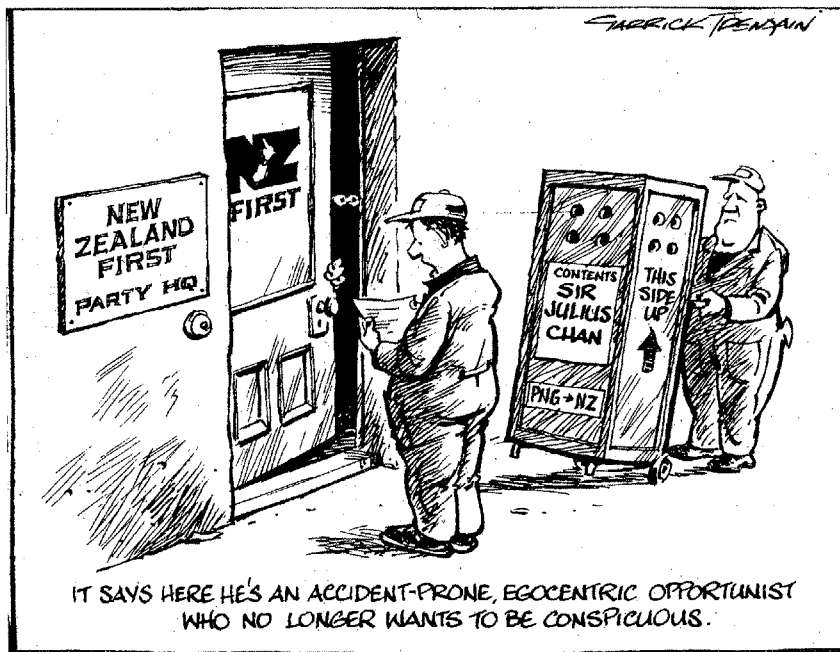
The right people were duly mollified - Labour's Michael Cullen welcomed the "more realistic" stance; Craig Stobo, of TNC Bankers Trust said it showed "sensitivity" (*New Zealand Herald*, 5/7/96). A report of a meeting between New Zealand First deputy leader Tau ("I'll never serve in a National government") Henare and a visiting British junior Minister was headed: "New Zealand First reassures Britain it will encourage foreigners to invest" (*New Zealand Herald*, 12/7/96).

Tory editorialists approved eg *Otago Daily Times*, 10/8/96, "Foreign investment". For his part, Jim Anderton stated that "Alliance Now The Only Party That Will Keep New Zealand For New Zealanders" (press release, 12/7/96) and gleefully distributed 1995 Peters' statements attacking foreign investment.

Those mid 1996 speeches by Peters were crucial in putting the nails in the coffin of his previously strongly stated policy. As far as foreign control was concerned, the plug was pulled several months out from the election. Why? Peters told the Wellington Chamber of Commerce in August 1996 that "the policy has matured through extensive research and commercial contact over the past 16 months" (*New Zealand Herald*, 9/8/96). Critics have identified the reason much more precisely - Michael Laws, former National

MP, resigned New Zealand First MP and general political gadfly. Laws, who claimed personal responsibility for writing or rewriting virtually all of the party's election policies, became the bete noire for many in the party, and was held responsible for a whole rash of pre and post-election resignations and firings, the most high profile of which were of Peters' aide and researcher, party founder Terry Heffernan, and Peters' speechwriter and press aide, Rex Widerstrom. They were very messy, very public and very bitter affairs. The media, specifically the *Listener*, devoted several major feature articles to Laws and his influence in the party. Most of it need not concern us, as it revolves around personality clashes, good juicy gossip, or is about other issues.

But on the subject of New Zealand First's policy on foreign investment, Laws is totally candid. "I joined New Zealand First because of my friendship with Winston. Full stop... There was no organisation! Everything was in draft stage and some of the policy was hopeless. Some of the spokespeople hadn't even read the legislation they were hoping to amend. Like foreign investment. They tried to tackle something really important in a simplistic, stupid way, by saying no company could be more than 24.9% foreign owned. Lunacy!... It was loopy stuff. Obviously, I talked to Winston and watered it down to apply only to strategic assets... Am I meant to feel guilty about that? It was a loopy policy, it needed to be



The Press 27/3/97

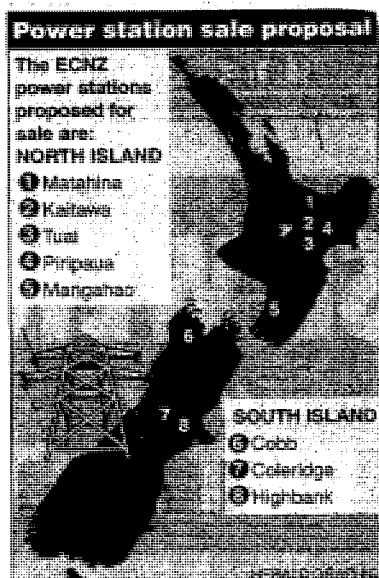
changed! If we'd gone to the election like that, we'd have been a laughing stock. For a long time, when New Zealand First came out with policy, no one took them seriously: like no one. We were 3-4% in the polls, and my great fear was that all that extra vote that came out of nowhere for the party this year (1996) would go back there - we'd be laughed out of our opportunity" (*Listener*; 21/12/96; "Fee, fie, foe: Former MP Michael Laws casts a giant political shadow"; Jane Clifton).

Coalition Government's Policy On Foreign Investment - Post-Election

And so, what was the end result? The Coalition Agreement gives this Statement of General Direction: "While recognising the need for overseas capital and the need to maintain investor confidence and without eroding any existing ownership rights the Coalition agrees that as a statement of general principle it is desirable that the control and ownership of important New Zealand assets and resources be held by New Zealanders".

There aren't many specifics to be found there. The Overseas Investment Amendment Act will be amended again to: reduce the area of foreshore farmland requiring Overseas Investment Commission approval (for sale purposes) from 0.4 hectares to 0.2 ha; change the "national interest" criteria so that "substantial and identifiable benefits to New Zealand" are the primary consideration; require an individual purchaser to hold and continue to hold permanent residence, or the purchase, by an individual or otherwise, will make a "material contribution to the local or New Zealand economy"; require evidence that the property has been offered on the open market or that the sale has been publicly notified and offers invited but no satisfactory offer has been received; greater monitoring of compliance of conditions imposed by requiring the purchaser to file a declaration after two years or end of project that all conditions complied with.

The Agreement stipulated that the following State Owned Enterprises will not be sold: ECNZ, Contact, TransPower, New Zealand Post, TV1, Radio New Zealand - National Programme - Concert FM. As for power and gas utilities, airports and ports owned by local bodies or consumer trusts -



NZ Herald 24/2/97

any sale of over 24.9% would require prior approval of ratepayers or consumers.

And that's it. A pretty minimal result for all the sound and fury of 1995. Peters himself wrote to us: "You will no doubt be aware that certain changes to our foreign investment regime were announced as part of the Coalition Agreement" (letter to CAFCA, 26/2/97). On the issue of land sales to foreigners, which Peters had pledged to stop in their entirety and which was such a popular part of his 1995 barnstorming tour - virtually nothing. Stephen Dawe, secretary of the Overseas Investment Commission (the promise to replace it with another body has vanished into the ether) said that it was waiting for clarification of a number of issues, such as how to define farmland. As for the State assets, there is no proposal to roll back or reverse the sales of any that have already gone. And the most glaring example of that is Forestcorp, sold to a Fletcher's/Brierley's/Chinese consortium in August 1996, just weeks before the election. The Alliance campaigned hard on this, organising a petition calling for a citizens initiated referendum to reverse the sale. Peters rubbished that, saying it was unnecessary as a New Zealand First government would simply return the cheque to the consortium the day after the election. "This is a scandal. New Zealand First lays out its policy here today as clear as daylight: You might sell today but the day after the election, a New Zealand First-led government will be taking that asset back. We will be giving their money back and we will restore the status quo" (Urgent Debate in Parliament, 20/8/96). Well, that was quietly dropped too.

Indeed the definition of the State assets "protected" by the Coalition Agreement turns out to be pretty elastic. In February 1997, the Government announced that it was proceeding with the sale of eight small power stations, first proposed by National in 1995. Peters defended this by saying that they were not part of ECNZ's "core" business. Indeed the Government has hinted that it might sell TransPower spur lines, because they are not part of its core business. And note that the promise on TVNZ only covers TV1 - TV2 is to be run by private sector managers and be committed to financially propping up TV1. If implemented, this will lead to the situation promised in National's 1990 election manifesto - to sell TV2. Peters has the answer: joining the Coalition meant making compromises and putting aside past commitments, in the national interest. "That doesn't mean we resile from them (pre-election promises) as a party but it does mean that you sometimes have to compromise" (*New Zealand Herald*, 26/2/97).

Full Speed Ahead To 1990!

Indeed that 1990 manifesto seems to be central to Peters' thinking. That was the election that saw him come into office as a Minister, after years of being Muldoon's protege and a firebrand Opposition hitman (remember his role in the "Maori Loans Affair" of the 1984-87 Labour government?). He didn't last long as a Minister or much longer as a National MP. But now that he is back in Cabinet, more powerful than ever, he seems determined to implement that 1990 manifesto in all

fields. So dig out your old copies and read it. National Ministers are probably doing the same right now - it was gayly discarded first time round by Bolger, Birch and Richardson, in the afterglow of a landslide victory and the character building inferno of benefit cuts and the 1991 Mother of All Budgets.

Peters is a Muldoonist and thus believes in a State sector (a very different scenario than if National had coalesced with ACT) but it will be nothing like the State sector of "the good old days", nor even that of Piggy's day. In the broader context, the Coalition Government is committed to what Bill Birch has previously identified as his policy "cornerstones" - the Employment Contracts Act and the Reserve Bank Act (although, big deal, the permissible inflation band is now broadened from 0-2% to 0-3%). There's nothing in it for workers (a slight increase in the minimum wage); beneficiaries are stigmatised anew and told to work for their keep; there's all sorts of shortcomings even in the high profile sectors of education and health (for example, Peters has abandoned the promise to restore democratically elected regional health

authorities and has left the CHEs in place). In short, another National government. That in itself is the central irony, as Peters pitched his entire campaign as: "If you want to get rid of National, then vote New Zealand First".

All of which is no surprise to us. But probably is to a great many of those who voted for New Zealand First. As far as CAFCA is concerned, we conclude that the party quite correctly campaigned hard on foreign control, because it was and is, a major issue of broadbased public concern. But that the leadership essentially adopted the issue for opportunistic reasons, as it later did with immigration. With power in its sights, it backflipped and rendered the policy innocuous; once in office, it essentially abandoned the policy and the entire issue.

Courtesy of one of our members, Peters is on our mailing list as a paid up subscriber. So, Winston, I'm sure you're reading this with the utmost interest. I'll conclude by paraphrasing the warning from the old song: Remember that those you abuse on the way up, you might meet up on the way down.

THE INTRIGUING STORY OF ROGER DOUGLAS AND HIS UNPLEASANT FRIENDS AT WHAREKAUHAU LODGE

- Bill Rosenberg

At the beginning of 1996, a run-of-the-mill decision from the Overseas Investment Commission (OIC) was released to CAFCA routinely as part of the Commission's November 1995 decisions.

Wharekauhau Lodge and Farm in Palliser Bay in the Southern Wairarapa was being sold to four residents of the U.S.A. in order to "create one of the best and most exclusive lodges in the world". The lodge included 931 hectares of land. The vendors, W. and A. Shaw, were retaining a 10% interest in the property and would "have an ongoing involvement in the development and management of the property". The new owner was Wharekauhau Holdings Ltd (WHL), described then as being owned 24.9% by J. Davidson, 24.9% by A. Miller, 24.9% by M. Baybak, 15.3% by J. Sevo (all of the U.S.A.) and 10% by the Shaws.

Interesting, but it didn't stand out from other such lodges which come up quite often.

However in June 1996 a further decision was made by the

OIC relating to the Lodge (of which more shortly) which dropped in the fact that a March 1996 approval existed which had not been supplied to us. CAFCA questioned the OIC and in October it revealed that the November 1995 decision had been amended as follows: the shareholding had been changed to include in addition Sir R. Douglas (Aotearoa), Lord R. Mogg (U.K.) and J. Blanchard III (U.S.A.). With that change, the shareholding became 24.6% by J. Davidson, 12.3% by A. Miller, 20.2% by M. Baybak, 12.3% by J. Sevo (all of the U.S.A.), 12% by the Shaws, 13.2% by J. Blanchard III, 4.4% by Lord R. Mogg, and 1% by Sir R. Douglas. According to the New Zealand Companies Office record, all except Mogg, Sevo and W. Shaw are also directors of the company.

Sir Roger Douglas of course needs no introduction, and Lord R. Mogg is Lord Rees-Mogg, a well known member of the British establishment. That such figures should want to band together to own a lodge stimulated our curiosity. Who were the others? It turns out that they are an intriguing, highly political, wealthy - and sometimes unpleasant - bunch. As far as we are aware, they are the

first documented evidence of Roger Douglas consorting (and investing) with the extreme and dangerous far right in the U.S.A.

This might make you feel uneasy – but surely this is just rich men’s games with no real need for worry? Well, no. It becomes somewhat more sinister, with political overtones. The June 1996 OIC decision approved an extension to the original purchase, adding a further 563 hectares to the property. At this time the description of the property was changed. The new developments were said to provide “an exclusive retreat for diplomats and visiting heads of Government”. They would also provide “a corporate retreat/conference centre for the southern North Island; ... a high class tourist facility.” The marriage of highly political shareholders with “an exclusive retreat for diplomats and visiting heads of Government” implies something more is intended than just another country hideaway.

CAFCA wrote away for the full file. What follows comes mainly from the public record, with supporting evidence from the OIC file. What was most interesting about the file was the large number of deletions, particularly as regards one particular shareholder, as will be seen.

So who are the owners?

Rees-Mogg

Lord William Rees-Mogg is the former chief leader writer and editor of *The Financial Times*, city editor and deputy editor of *The Sunday Times*, and editor of *The Times* (1967-81), “by which time he had become an accepted establishment figure, on the boards of several companies”, according to the Cambridge Biographical Encyclopedia (1994, Cambridge University Press, <http://>

www.intbuscom.com/ibc/about.html). A former Vice-Chairman of the BBC, in 1988 he became head of the new, controversial, Broadcasting Standards Council. He is an author, business commentator and “advisor to some of the world’s wealthiest investors”. His business interests include being Chairman of International Business Communications Group PLC (business publishers, conference organisers etc), and Pickering & Chatto (Publishers) Limited, and a Director of The General Electric Company Plc, and St. James Place Capital Plc (<http://www.intbuscom.com/annual/directorreport.html>). As the Encyclopaedia states, he is very much a central establishment figure in the British hierarchy. He is a favourite subject of conspiracy theorists. His government and business connections are likely to have brought him into contact with Douglas.

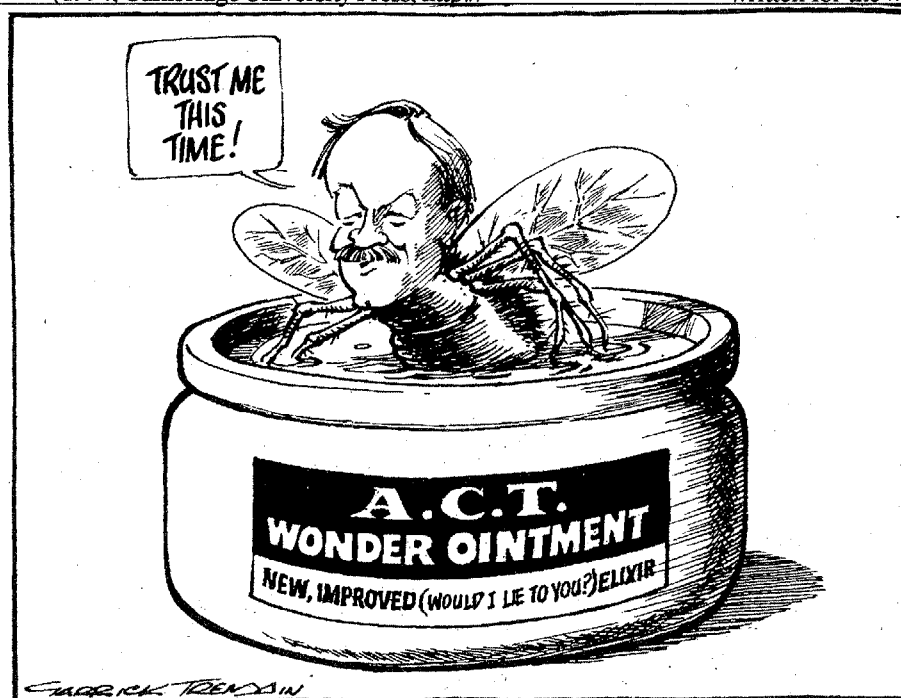
He has co-authored with one James D. Davidson two books on investment: “Blood in the Streets” by James Dale Davidson and Sir William Rees-Mogg, (New York: Warner Books, 1987), and “The Great Reckoning”, revised and updated edition, by James Dale Davidson and Sir William Rees-Mogg, (New York: Simon and Schuster, 1993). The first takes its name from the advice given by Baron Nathan Rothschild in 1815: “the time to buy is when blood is running in the streets”. The second predicts a major depression before the end of the century and advises investors how to prepare for it.

The two also edit and publish *Strategic Investment*, an investment newsletter described by Chapman Tripp Sheffield Young (CTSY, the shareholders’ solicitors) to the OIC as “the largest circulation (135,000 per month Wall Street newsletter”. Significantly, it “has been heavily promoting investment in New Zealand”, so they are no novices where Aotearoa is concerned. Davidson has written for the *Wall Street Journal* and numerous other

U.S. publications, and is a principal of Strategic Advisors Corporation in Baltimore, Maryland.

James Dale Davidson

The New Zealand Companies Office identifies the OIC’s J. Davidson as James D. Davidson of Alexandria, Virginia, U.S.A.. The OIC files confirm this as Rees-Mogg’s associate, James Dale Davidson. Davidson is not simply an investment advisor: he is also a political activist after Roger Douglas’s heart, and as we have seen, with a standing interest in investment in Aotearoa. He is the chairman of the National Taxpayers Union (compare ACT), which he founded in 1969. It claims 250,000 members, with a budget of \$3.5 million, and 20 staff at its headquarters in Washington DC (“Encyclopedia of Associations”, 31st



The Press 2/3/95

Edition, 1996, Part 2, p.2304.) "The National Taxpayers Union [is] a public interest advocacy organization dedicated to eliminating wasteful government spending and working to reduce taxes and balance the federal budget" (<http://www.foe.org/orgs/FOE/scissors95/greenpart31.html>).

One of the more fascinating sites on the Internet is "microstates.com", which has a section, <http://microstate.com/bermuda/intexecs.htm>, devoted to Bermuda. There (presumably to attract others to the country), it lists some of the prominent businessmen who use Bermuda to avoid their taxes. It lists such names as Silvio Berlusconi, former far-right Italian Prime Minister, currently engaged in a drawn-out corruption trial ("an Italian media magnate, he was named in the Forbes Magazine billionaires list as being worth more than \$2 billion. He owns the large, white home known as 'Blue Horizons' in Tucker's Town, St. George's Parish, near the home of former US presidential candidate Ross Perot. Signor Berlusconi regularly flies into Bermuda via a private jet aircraft, with his son Piersilvio and daughter Marina. He was the Italian Prime Minister a few years ago and in 1996 made an unsuccessful political bid to become so again. Like his immediate neighbours, the Perots, he has a passion for privacy."); Jack Carter, son of former US President Jimmy Carter ("his parents visited him in Bermuda for a week in mid October, 1995"); Ross Perot; George Soros; a raft of U.S. and British billionaires and millionaires (and one Australian); and James Dale Davidson:

"James Dale Davidson

"An investment author and consultant to a clutch of leading multinational companies with active Bermuda connections, he is a graduate of Oxford University ...

"In his business dealings around the globe, he has observed financial service opportunities in many countries. Over the last few years in particular, he has increasingly used Bermuda as a primary conduit for the range of his financial dealings – from banking and brokerage accounts to incorporating internationally active, prominent companies."

Evidence for his (and Rees-Mogg's) Bermuda activities comes in the shareholding of Wharekauhau Holdings Ltd: one of its shareholders is New Paradigm Capital Ltd of Hamilton, Bermuda. According to CTSY, this is a "Bermuda merchant bank" owned jointly by Davidson and Rees-Mogg "and a Jersey Island based trust" (Jersey is another tax haven). Presumably such tax avoidance is Davidson's way of putting his anti-tax political views into action.

However Davidson's activities move from just right-wing straight into conspiracy theory in an escapade in 1995. It's a long story, but the apparent suicide of Vince Foster, a bit player in the Clintons' Whitewater scandal, led to marginally credible theories that he was actually an NSA operative and a spy for Israel with million-dollar Swiss bank accounts, and was murdered after the CIA got on to him. Davidson dived in to the controversy by financing an examination of Foster's suicide note by three forensic handwriting experts, which, they said, was a forgery (<http://www.en.com/users/bthomas/cs/foster/forg.txt>): "An Independent Forensic Examination Of a Torn Note Allegedly Written by Vincent W. Foster, Jr.", Prepared for *Strategic Investment*, James Dale Davidson, Editor, 25 October 1995). One suspicion was that Davidson was fanning the flames to help undermine Clinton.

A connection with our next character, James Ulysses Blanchard III, is that a writer for *Strategic Investment* is Jack Wheeler, of whom more below.

James Ulysses Blanchard III

J. Blanchard III is, according to the New Zealand Companies Office record, James Ulysses Blanchard III. James Ulysses Blanchard III (where else but in the U.S.A. would parents call their children such names – and where else would the children use them!) is publisher and Editor-in-Chief of *The Gold Newsletter*, Los Angeles, U.S.A. He writes business commentaries and advice on gold and silver investments – possibly a connection with Mogg (example: "Own a Masterpiece of the Old West in Pure Silver! ... An Exclusive Offer ... ingenious bonus strategy we've developed that will have the U.S. Treasury refund you the entire purchase price of this historic acquisition ...": ref <http://www.shopsite.com/libmint/images/oldwest.html>). However that is not his most interesting side.

The following comes from *Africa News On-Line*, 29/1/96 (<http://www.newsnet.com/libiss/it15.html>) and was originally published in *Mail and Guardian* (Johannesburg), 19/1/96, as "Mozambique: US Millionaire Plans Indian Ocean Dreampark", by Eddie Koch. It is more than a little astounding.

"Johannesburg - "Yo! You and you! Yo!" The big Texan is standing beneath the thudding turbine of a chopper in the middle of the Mozambican bush. He is whooping and yelling and pointing at a group of bewildered peasants who huddle behind a tree to protect themselves from a sandstorm whipped up by the helicopter as it swooped into their settlement.

"Gradually, above the cacophony, the villagers realise the American is telling some of them to "stop fiddle fucking"

(a phrase repeated so often it could be called his company's motto), get into the air and take a look at the natural beauty that surrounds them. This is John Perrott, general manager for flamboyant millionaire James Ulysses Blanchard III, and he is bringing his employer's version of rural development to one of the poorest countries in the world.

"The vision of Blanchard Mozambique Enterprises is to create a massive wildlife and tourism mecca stretching from Inhaca Island off Maputo through the staggeringly beautiful Machangulo Peninsula, across the Maputo Elephant Park, where one of Africa's last free-ranging elephant herds lives, and then down to the South African border in the south.

"The Machangulo Peninsula has the world's highest forested dunes which jut, south of the island, into a subtropical sea abounding with coral reefs, dolphins, rays, sharks, marine turtles and endangered dugongs (strange sea mammal which gave rise to the mermaid legend because it has breasts to suckle its young).

"The \$800-million masterplan, outlined in a book called the Black Bible by Blanchard's men, includes hovercrafts to ferry jetsetting tourists from Maputo to Inhaca; a Mississippi Steamer which will become a floating hotel and casino off the island; a chain of upmarket lodges on the beaches and inland lakes that dot the peninsula; a national park that will be supplied with the big five and other animals in the biggest game restocking exercise ever undertaken in human history; scuba diving schools; game fishing expeditions; an aquarium; and a steam train to ferry tourists through this wonderland of wild game and marine life.

"South African consultants have advised Perrott that his dream to import a group of Bushmen from the Kalahari into the Mozambican theme park is likely to discredit the project. So has he given up the idea? 'Hell no! If I get my way, I'll bring some of them little guys out here. Can you imagine tourists on the steam train looking out of one window and seeing elephants and rhino? Then

they'll look out of the other and see the little bastards running around with their loin clothes and poison-tipped arrows ... The way I see it we'll bring them rhino here and save them from going extinct so why not bring the little guys who are also going extinct?'

"It is unlikely that either the Botswana or Mozambique governments will grant permission for Bushmen to be part of the scheme. But the masterplan is being taken seriously by the government in Maputo.

"The biggest obstacle in Perrott's way is that in 1987, at the height of Renamo's civil war, the Frelimo-led government granted South African timber giant Sappi a concession to plant more than 30,000 hectares of land with a plantation of bluegum trees — in partnership with two Mozambican firms.

"The Maputo government's aim was to bring a big South African business into the area as a bulwark against bands of Renamo rebels, who waged a destructive civil war in the area, with clandestine support from elements in the South African military.

"Little thought was given, at that stage, to the fact that the concession zone is part of an incredibly rich area of plant diversity, known as the Maputaland Centre of Endemism, and that the commercial plantation will destroy botanical species which occur nowhere else on Earth and also one of the last tropical grasslands left in southern Africa.

"An environmental impact study commissioned by Sappi has recognised that the plantation could have serious negative impacts on the biodiversity and water resources of southern Maputo province and has recommended the planted area be reduced from 32,000 to 21,000 hectares so the bluegums can be kept away from rivers and inland lakes in the area. The study points out that the plantation, which could earn Mozambique some R80-million (about \$23-million) a year and create 12,000 new jobs (not all of them full-time), does not prevent other companies from implementing ecotourism programmes in the Elephant

Park and on the Machangulo Peninsula.

“But Perrott will have none of this. The Blanchard proposal, he explains, could bring in an investment of \$800-million and will create 20,000 jobs in the long run. However, it depends on “critical mass”, a realisation of the grand plan, and it cannot have a patch of bluegums in the middle of it.

“So James Ulysses Blanchard III has presented an ultimatum to the Mozambicans. He will not go ahead unless Sappi is out. Perrott’s job is to persuade the local population and the media that his boss is right, which is why he is now in the middle of the bush with a chopper and a convoy of four-by-fours conducting an exercise in what the newspaper contingent on the trip dubbed the Texas School of Community Communication.

“While the local chief, his wife and two other volunteers from the village are taking a flip in the helicopter, the Texan begins dishing out colourful T-shirts with a huge map of southern Mozambique on the front proclaiming that the area is now a national park. The logo on the back says – in English even though the villagers speak only Shangaan or Portuguese – ‘Nix to water guzzling bluegums’.

“Women, men and children scramble for the T-shirts while a group of men gather around Perrott and his Mozambican translator. ‘Tell them they gonna have shares in this project,’ says Perrott. ‘The elephants we bring here are gonna belong to them too. Now you tell them that in your best Shingaan (sic).’

“Perrott insists that a democratic approach is vital for conservation to work and that his company will treat the local communities as equal partners. ‘We’re gonna put a fence up and make this place a national park and they will be able to choose. We gonna come here and say: “Okay, now you’re in a national park. Your village can either get fenced in or you can have them wild animals walking right through your main street”.’

“Early in February the Cabinet will meet in Maputo to decide on the bluegum-

plantation-versus-ecotheme-park row. The debate has become Mozambique’s equivalent of the St Lucia controversy in South Africa and is likely to be the biggest and most complex economic decision the Mozambican government has ever had to make.

“Cabinet members appear divided on the issue. The agriculture ministry favours the plantation because it is ready to proceed and will bring immediate jobs to the depressed area. The environment ministry wants the ecotourism plan because the plantation will cause irreversible damage to Mozambican wildlife while it provides raw materials for the South African paper industry.

“Another source of concern in the Cabinet is that Blanchard – a cold-war warrior from the 1980s with close links to far-right groups in the US – has good friends in Renamo and also the Inkatha Freedom Party in KwaZulu-Natal.

“For the time being though, it appears that opinion in Maputo’s government and intellectual circles is swinging Blanchard’s way. The government will insist on a proper land-use plan and assurances that the ecotourism project will not be used to benefit Renamo during the next elections, or link up with secessionist movements in KwaZulu-Natal. It also plans to set up a group of monitors to ensure that the rhetorical commitment to a partnership with the local landowners is put into practise.

“But it now seems that the man who once bankrolled a rebel army to wage a war of incredible destruction and brutality (the US State Department once described Renamo atrocities as worse than those of the Pol Pot regime in Cambodia) is likely to be rewarded with control over a huge chunk of Mozambique’s richest province.

“It is just one of the many paradoxes that pervade this poor country. ‘To understand it,’ says one of the officials who works with Perrott on the project, ‘you must realise that Mozambique in the past hasn’t had bulldozers that work. Now we have one that does.’”

The New York Times (22/5/88, “Right-Wing U.S. Coalition

Aiding Mozambican Rebels”, p.14) reported that

“James U. Blanchard 3d, a Louisiana businessman, said he started providing assistance to Renamo in 1986 by purchasing medical supplies and radios for the rebel group. He said he contributes \$3,000 a month to advance the guerilla group’s interests. For example, he said, he helps pay for the Washington operations of the Mozambique Research Center and provides cash payments to prominent Mozambican refugees sympathetic to Renamo.

“Mr Blanchard estimated that he had given a total of \$50,000 to \$75,000 to aid Renamo in the last two years.”

The same article reported that the State Department had issued a report the previous month

“asserting that ‘100,000 civilians may have been murdered’ as a result of widespread violence and brutality by the rebel group [Renamo]. Victims were beaten, mutilated, starved, shot, stabbed or burned to death, the report said.”

Renamo was heavily supported by the South African apartheid government. It was a terrorist group in the truest sense of the word.

Also mentioned in the same *New York Times* article is Jack Wheeler, director of the “Freedom Research Foundation” in La Jolla, California, and a writer for Davidson’s *Strategic Investment*. He is said to consider himself one of the fathers of the “Reagan Doctrine” which amounted to supporting anyone who opposed any friend of the Soviet Union. He

“visited the guerillas in Mozambique for two weeks in June 1985. When he got back, he urged Lieutenant Colonel Oliver L. North to use his influence to help Renamo. Colonel North, who was then on the staff of the National Security Council, turned aside the request. ‘Ollie was very sympathetic, but felt he had to concentrate his efforts on Central America,’ said Mr Wheeler, whose foundation studies anti-Soviet insurgents around the world.”

Blanchard is a supporter of the extreme right Libertarians in the U.S.A. He was on the campaign committee of the Libertarian Party’s U.S. Presidential candidate in 1996, Harry Browne (<http://www.harrybrowne96.org/>)

campaign_committee.html). He is also an “advisor” to the Washington-based “Free Africa Foundation” (<http://www.webperfect.com/afrinet/orgs/faf.html>):

“Africa is a continent in crises: famine, civil wars, AIDS, environmental degradation, economic disintegration, political tyranny, social destitution, and state-sponsored terrorism... The situation remains bleak despite noble efforts by multilateral lending institutions (World Bank, IMF, and UNDP) and Western donor governments to reverse Africa’s economic atrophy... [The] solutions entail returning to Africa’s roots and building upon its own indigenous institutions of participatory democracy based upon consensus, open borders (free movement of goods and people), freedom of expression, free trade and free markets.”

Michael Baybak

The New Zealand Companies Office identifies M. Baybak as Michael Baybak of La Canada, California, U.S.A. He appears to own his shares through Star Financial Ltd of Hamilton, Bermuda. There are only two Baybaks in the entire on-line telephone directories of the U.S.A.: Michael Baybak of Clearwater, Florida; and Michael Baybak of La Canada, California. Standard and Poor’s Register of Corporations, Directors and Executives 1995 (Volume 1, p.205) lists a Michael Baybak as Chairman of Athena Gold Corporation of Reno, Nevada (famed for casinos and quick divorces, just across the border from California). This is where things get interesting.

In its issue of 6/5/91, *Time* published a story (p46 of the Pacific edition) entitled: “Mining Money in Vancouver”, by Richard Behar, about a California businessman, Michael Baybak and his unsavoury business practices. “What these guys do is take over companies, hype the stock, sell their shares, and then there’s nothing left”, it quoted a former director in Athena Gold as saying, referring to Baybak and his partner Kenneth Gerbino. *Time* gave several examples, including companies involved in mining, postage stamps, and public relations (“his is a PR firm in need of a PR firm”).

Unsurprisingly, this then led to Baybak suing *Time*. The out of court settlement was scarcely a victory for him. It was resolved when *Time* agreed to publish a brief statement which appeared in its 11/11/96 issue (p8 of the South Pacific edition). Its crucial sentence said: “*Time*’s report on Mr Baybak, a member of the Church, was not intended to suggest that Mr Baybak was a ‘front’ for the Church of Scientology or that his actions were in violation of any law or regulation”. *Time* would not comment as to whether any money changed hands, but said it was “very

happy with the settlement" (ref: http://wpxx02.toxi.uni-wuerzburg.de/~krasel/CoS/ars1/ars1_28.html).

George Cross News Letter, Vancouver, no. 193 (1996), 30/10/95, in reference to Minefinders Corporation Ltd, reports: "Minefinders has engaged National Media Associates (NMA), of Los Angeles, California, to provide investor relations services for an initial term of one year, effective immediately. Under this agreement, NMA, a company controlled by Michael Baybak, will be paid a fee of US\$5,000 per month plus approved disbursements." (<http://www.minefinders.com/profile/gcnloc30.html>).

In its *Insider Trading Report* for the period ending 24/5/96, the British Columbia Securities Commission included trading by a Michael Baybak with regard to International Avino Mines Ltd on 23/5/96 (<http://204.174.18.3/financial/vse/sob/insider/960524i.html>).

A Michael Baybak also appears on the Finance Committee of the Committee for the Nomination of Harry Browne as the Libertarian Party candidate for U.S. President in 1996 (http://www.harrybrowne96.org/finance_committee.html).

Both this and the gold interests (assuming all these Michael Baybaks are the same person) make a connection with Blanchard plausible.

Intriguingly, in the files the OIC released to CAFCA almost all details relating to Wharekauhau shareholder Michael Baybak have been blacked out. He may of course be an entirely different person from the above, but his penchant for secrecy is interesting.

Miller and Sevo

According to the New Zealand Companies Office, A. Miller is Andrew Scott Miller of Denver, Colorado, U.S.A., whose shareholding is via Wharekauhau Ltd of the same Colorado address. Miller is an active participant in this deal. For example, he acted as trustee for the purchasing companies before they were formally formed. The OIC file names Sevo as John Sevo. Judging by the shareholdings, Sevo and Miller jointly own the Colorado company Wharekauhau Ltd. According to the OIC file, the two "own and operate the largest real estate firm in Denver Colorado, Sevo Miller Inc. The business owns and operates 15,000 apartments and 38 shopping centres across America."

This may be only the beginning for the above investors. The OIC file notes that

"the investors or their associates ... are expected to make other investments in New Zealand. [several words deleted] Investment projects in property development, hotel/resort development, forestry, dairy and vineyards are being researched."

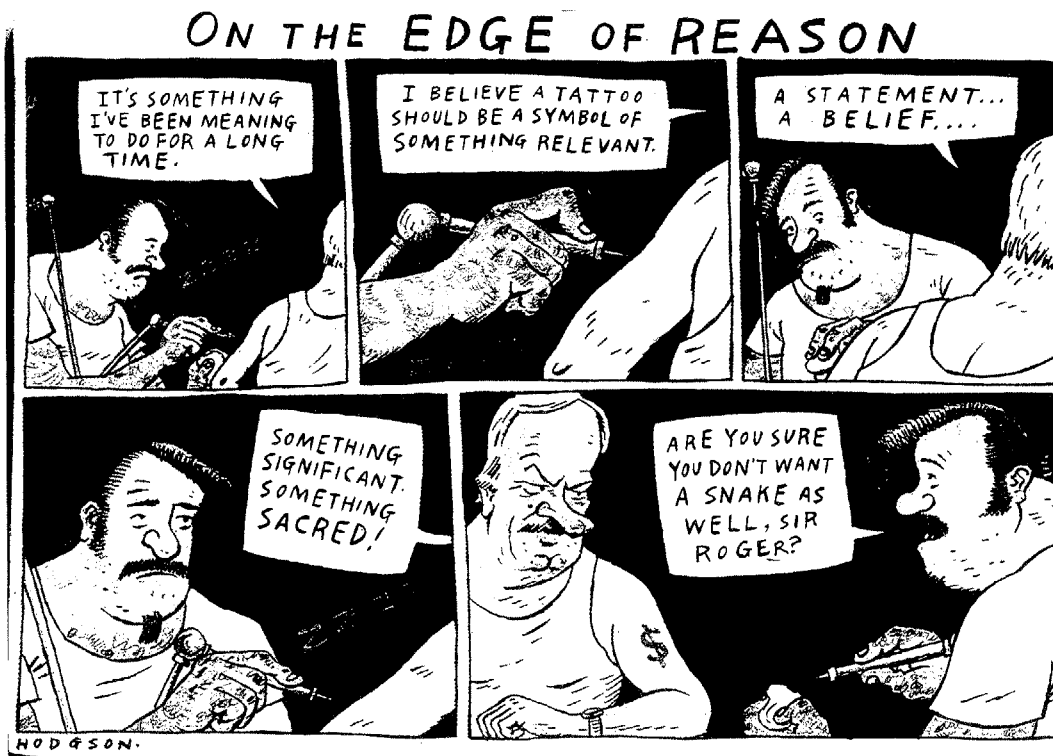
Wharekauhau Lodge

So what is this lodge?

In November 1995, Wharekauhau Holdings Ltd (WHL) bought the property from the company Wharekauhau Station Ltd, owned by the Shaws, for \$4,800,000.

"The Commission is advised that the Wharekauhau lodge is one New Zealand's leading lodges but currently has limited accommodation facilities.

The Commission is advised that WHL propose to implement a development plan that will create one of the best and most exclusive lodges in the world, while



NZ Listener 16/4/94

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.”

In April 1996, 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.)

The June 1996 decision, as mentioned above, permitted the related company, Wharepapa Station Ltd, which is 67% owned by WHL and 16.5% by each of the Shaws, to purchase the 563 hectare Wharepapa Station for “approximately” \$2.7 million. This extended the Wharekauhau project with an “overall concept” of

“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.) According to the OIC file, 72 hectares of bush in Wharepapa Station (sometimes also described in the OIC documents as “Whakepapa Station”) have been protected under a Queen Elizabeth II National Trust open space covenant designating them as a conservation area. In addition Department of Conservation lands, which include a lake, adjoin the property, which also adjoins the foreshore. However the farm business is operated largely as a mixed beef and sheep breeding and fattening farm, run by a farm manager. In the case of both Wharekauhau and

Wharepapa, there are also special conditions attached to the sale relating to continuing to farming the property at the current level of stocking and “in accordance with accepted practices of good husbandry in the district”. The new owners are not to remove any trees, improvements or fixtures (including specifically, telecommunications apparatus).

The expansion continued in August 1996 when the lodge, now called the “Wharekauhau Country Estate” bought further land to enable it to develop a vineyard so that it could have its own brand of wine. Wharekauhau Vineyard Partnership received OIC approval to buy eight hectares of land on Puruatanga Road, Martinborough for \$228,000. The Partnership comprised Wharekauhau Limited Liability Company (20%), Star Financial Ltd (20%), James Davidson (20%) and James Blanchard III (20%) all of the U.S.A., and Annette Shaw (20%).

Fiona Rotherham of the *Independent* (“Who’s Who list of backers for luxury lodge”, 7/3/97) has investigated the project further. Quoting some of the above material (without acknowledgment) she noted an “unusual shareholding structure will fund the new luxury lodge”:

“There are three classes of shares with different voting rights. The Shaws retain control of Wharekauhau Holdings Ltd without being on call if any extra funds are needed for the lodge. So-called general partners, who include the American investors, Sir Roger and Rees-Mogg, are required to front up with the cash for any cost overruns if necessary. A further 18 limited partners have invested \$750,000 each in the company, but they have little say as to the actual running of the lodge or its development. In return, these investors get shares in the company **an a one-acre site in the farm for which they have full title. The investors can build homes on their sites under restrictive design covenants overseen by the Shaws. These, mainly overseas, investors also pay a further \$12,000 lot option on top of the \$750,000. The number of limited partners was originally intended to be 20. It may now be lifted to 30, Shaw says. Resource consents were obtained to subdivide 66 one-acre lots on the farm for residential use. Of these, 40 have been sold to company investors and others.**”

(The above item was in the OIC file, with the bolded items underlined.)

It is clear from the OIC file that the structure of the companies was carefully designed so that no one person

had 25% or more shareholding. The most obvious reason for this care is that section 14A(1)(c) of the Overseas Investment Act (as amended in 1995) states that the Ministers of Lands or Finance may refuse to grant approval for the purchase of land if any individual person who has "not less than a 25% beneficial interest" in the investment is not "of good character" or is "a person of the kind referred to in section 7(1) of the Immigration Act 1987". Equally, the individuals controlling a company with 25% or more interest in the investor must similarly be of good character.

By restricting their shareholdings to 24.9% or less, the shareholders avoid official investigation of their characters. While the OIC and the government has a history of approving anything and everything, support for terrorists or questionable business practices should be sufficient cause for rejecting the application. At the least, embarrassing questions would have had to be answered. In the public interest, they still should be.

IT'S OFFICIAL: BRIERLEY INVESTMENTS IS AN OVERSEAS COMPANY

Bill Rosenberg

It's one of those victories you wish you hadn't won. In December last year, after six months of prodding from CAFCOA, the Overseas Investment Commission (OIC) finally declared that Brierley Investments Ltd (BIL), the sixth biggest company operating in Aotearoa, is overseas controlled. This followed a Malaysian-based company taking a large stake, in an overnight raid early in 1996. However, as we have come to expect, the OIC kindly manufactured BIL a loophole to allow it to continue to own shares in Air New Zealand. Despite accusations that such behaviour constituted treachery during the election campaign, Winston Peters' road to Damascus experience (attaining power) has enabled him to see the benefits of such subterfuge. However, the decision also has major implications for fisheries ownership, and BIL is a significant owner of farm land.

The background: who owns BIL?

BIL has been substantially overseas owned for some time. In March 1996, BIL Chief Executive Paul Collins told the *New Zealand Herald* ("Swoop on Brierley causes no surprise", 16/3/96) that BIL's overseas shareholding was around 50%. The OIC (and presumably BIL) argued that it was nonetheless controlled in Aotearoa because those shareholdings were largely small "portfolio" investments. The three biggest shareholders at December 1995 were the Singapore Minister for Finance Incorporated, through Temasek Holdings (Private) Ltd (5.86%), Franklin Resources Ltd (U.S.A., 6.54%) and The Capital Group Companies Incorporated (U.S.A., 7.06%, since reduced) (New Zealand Stock Exchange Substantial Share Holder Information, 12/12/95). These were all of a size usually considered insufficient to confer control, although Temasek's president, Lum Choong Wah, is a BIL director.

BIL was therefore legally an overseas company (25% or more overseas owned) but had an exemption from the Overseas Investment Regulations because of its local control. That meant, amongst other things, that it could own shares in Air New Zealand that are normally reserved for residents of Aotearoa, and could own 50% of Sealord, the largest fishing quota holder in Aotearoa. More of this below.

However in a share raid that startled investors and business journalists, a consortium of Malaysian, Singaporean and Indonesian interests, Delham Investments Ltd Pte, snatched a 20% shareholding in March 1996. Even on its own, this was huge in contrast to the other shareholdings. It caused speculation that it would lead to the sale of BIL's largest investment, the British hotel chain Thistle Hotels, to CDL Hotels (Singapore-owned, and the biggest hotel chain in Aotearoa) which is a subsidiary of a member of the consortium. In addition Delham was given a director on the board and expected another later in the year. So by itself, we argued to the OIC, the shareholding was likely to lead to effective control.

But further, if Delham and the Singapore Minister for Finance (Temasek) cooperate then together they will unambiguously break the 25% shareholding mark and if the number of directors is maintained at 11 or even if increased to 12, they will have 25% or more of the votes on the Board. Cooperation is likely because Temasek Holdings is the largest shareholder in Sembawang Corporation which in turn is the largest shareholder (with a beneficial 27%) in Delham.

According to the *Singapore Business Times* of 16/3/96, "the shareholders of Delham ... are Sembawang Corporation (15%), Hong Leong Malaysia (15%), Hong Leong Singapore (10%),

the ultimate owner of CDL) and Camerlin Pte Ltd (60%). Camerlin in turn is 40% owned by Quek Leng Chan-controlled First Capital Corporation, with Sembawang Corp, Indonesia's Salim group and Haw Par Brothers International each owning 20%." Sembawang's "Substantial Shareholders" are Temasek Holdings (Pte) Ltd, 38.16%; HSBC (Singapore) Nominees Pte Ltd, 11.63%; DBS Nominees Pte Ltd, 10.59%; and Chase Manhattan (Singapore) Nominees Pte Ltd, 9.89%, according to Sembawang's own World Wide Web site <http://www.sembacorp.com.sg/finshare.html>.

An authority on Indonesian investment, Dr George J. Aditjondro (in an updated version of a paper prepared for the Manila People's Forum on APEC (MPFA), 22-25/11/96, "The 'ASEAN-ization' of Suharto's family business in the Philippines"), states the Salim group is controlled by Indonesian President

"Suharto's closest and oldest business partner, Liem Sioe Liong ... Suharto's half-brother, Sudwikatmono, is also a major shareowner in this group, while two of Suharto's children, Siti Hardiyanti Rukmana and Sigit Harjojudanto, own 32% shares in the group's Bank Central Asia (BCA). Following the track of his older brother and sister, Bambang Trihatmojo, Suharto's second son, has also formed many joint ventures with the Salim Group, especially in the tourism and petrochemical industries. Salim's patriarch Liem Sioe Liong himself is closely connected with other Chinese tycoons in South East Asia and Hong Kong (Soetrisyono, n.d.; Swasembada[Swa], August 1995: 12-55)."

The company, which also has been a source of wealth to prominent members of the Indonesian military, has investments in the Philippines (where it is estimated to be the largest foreign investor), Malaysia, Thailand, Vietnam and Singapore. It has ties to the invasion of East Timor:

"While the food division of the Salim Group began to ASEAN-ize, PT Branta Mulia, another member company was doing a similar thing. This tire cord fabric manufacturing company has as much to do with Indonesia's invasion of East Timor, as with the growth of the Salim empire. Its largest shareholder (22.5%) is Robby Sumampouw, a Sino-Indonesian businessman who made his fortune from supplying the Indonesian troops in East Timor, and in 20 years time achieved a near monopoly over all Indonesian businesses in East Timor, making his family one of the sixty richest families in Indonesia (IEFR, 1994: 228-229; Info-Bisnis, Special Edition 1994: 68)."

For such reasons, Aditjondro calls on people to "boycott all First Pacific banks and all other financial institutions associated with the Salim Group, such as Bank Central Asia and the Lippo Bank".

A couple of asides. Firstly, we were just a little astonished that despite Delham's raid involving over \$800 million¹, almost 10,000 hectares of farm land, 26% of our deepwater fishing quota, and likely effective control of BIL, the investment completely escaped the oversight of the OIC. The Commission told CAFCA that "no consent (of the Commission) was

needed because the purchase was for less than 25% of the BIL securities". It was the first substantial test of the new Overseas Investment Regulations which came into effect on 15 January 1996 as a result of the passage of the contentious Overseas Investment Amendment Act in 1995. The government claimed that that legislation tightened up controls on overseas ownership of land. CAFCA and others disputed that claim. Here we have evidence we were right: a substantial block of valuable farmland became overseas controlled without the OIC even asking a question.

Secondly, the Delham shareholding was later in the year reported to be taken over by Malaysian listed company, Malex Industries Bhd. However, control didn't change. In fact BIL listed amongst its substantial shareholders as of 1/10/96, Delham Investments Pte Limited, Singapore, United Overseas Bank Limited, Singapore, Oversea - Chinese Banking Corporation Limited (sic), Singapore, Fenton Assets Limited, British Virgin Islands, and Malex Industries Berhad, Malaysia all of which had an interest in the same 602,876,715 shares. In his Chairman's address to BIL shareholders on 21/11/96, Bob Matthew said: "As has been publicly announced, it is intended that the Delham 20% stake in BIL will in due course be held by a listed Malaysian company, Malex Industries Berhad. We expect that one or two Malex representatives will join the BIL board once this restructuring is complete."

The OIC considers - and acts

We wrote to the OIC on 27/6/96 providing the above evidence, concluding: "We therefore suggest that you revoke Brierley's exempt status as it is no longer clear that the company is locally controlled."

There was a long silence. We reminded the OIC on a couple of occasions. It is clear now however that something was going on behind the scenes. The time was being taken to allow BIL to get an exemption from the Chief Executive of the Ministry of Fisheries to allow it to maintain its 50% shareholding in Sealords, and to find a way to keep its Air New Zealand shareholding.

On 20/12/96 we received a letter from the secretary of the OIC as follows. The "Notice" he refers to is the Second Schedule to the Overseas Investment Exemption Notice 1995, which lists all overseas companies the OIC has exempted from the Overseas Investment Regulations on the grounds that they are locally controlled.

"We have concluded from our enquiries that it is inappropriate under existing policies to list Brierley Investments Ltd, the parent company for BIL's world-wide operations, on the Notice. However, in discussions with BIL we have also established it is appropriate to list BIL NZ Assets Ltd (BILNZA) on the Schedule. BILNZA is a BIL subsidiary which holds certain BIL New Zealand based assets. The Commission is satisfied this entity is effectively controlled by New Zealanders. Accordingly, it can be listed on the Schedule in line with existing policy."

We replied as follows, having released a press statement to the same effect which was picked up by most dailies:

“We welcome the Commission’s decision to remove BIL from your list of companies exempt from being defined as foreign owned. But we deplore your accepting the creation of the wholly owned BIL subsidiary, BIL NZ Assets Ltd, which will hold all BIL’s New Zealand holdings, and thus allow BIL to avoid the legal and financial consequences of being defined as foreign owned.

“How is this loophole consistent with the 1995 Overseas Investment Amendment Act; the Overseas Investment Regulations; or any other law relating to foreign investment? What is its legal basis?”

“BIL, as a foreign company, has complete ownership and control of BIL NZ Assets Ltd. Therefore the subsidiary company should likewise be classed as a foreign company and removed from the exempt list. How can a ‘company’ with \$29,968 capital control such a huge and vital slice of the New Zealand economy?”

“It sets a precedent for any foreign company, such as Telecom or Carter Holt Harvey, to set up a \$30,000 (or \$5) subsidiary, and be magically transformed into a New Zealand company. What is to stop any of Air New Zealand’s rivals doing the same and becoming ‘New Zealand’ airlines?”

“We call on the Commission to close this loophole and let Brierley’s face the legal and financial consequences of being a foreign company.”

Business journalists were equally puzzled at how this fiction of a subsidiary of an overseas controlled company being a locally controlled company could even be considered. As Kevin Hart of the *New Zealand Herald* put it (11/1/97, “Brierley deal charts smoother waters”):

“The commission maintained this was not a precedent when asked what would prevent other foreign companies from circumventing ownership restrictions by setting up similar ‘New Zealand’ subsidiaries. But its stock response that each application was considered on a case-by-case basis raised considerably more questions than it answered.”

For the record, the OIC’s reply described our letter as “not unexpected” and described our claims as “emotive and extravagant”, saying it would not be productive to debate them. Its explanation was that it had the right to exempt companies and enclosed its criteria (impenetrable). It described the device used as “ring-fencing” but did not explain further.

We then wrote to the Deputy Prime Minister and Treasurer (remember him? – he used to oppose overseas ownership and described CAFCA’s work as “heroic” – see article elsewhere in this *Watchdog*). In particular, during the election campaign, when the limit on overseas ownership of airlines was increased in September 1996, Winston Peters said it was

“yet another asset sale to foreign interests and a nasty and tricky piece of work by the Government” (*New Zealand Herald*, 3/9/96, “Foreigners can buy half of Air NZ”, p.A3). After describing the situation as we had to the OIC, we reminded him:

“As leader of New Zealand First you campaigned very vigorously on the Overseas Investment Amendment Act when it was being promulgated in 1995. You are to be commended on that. But this legal nonsense to enable Brierley’s to avoid the legal and financial consequences of being a foreign company make a travesty of that Act and any other law concerning foreign investment.

“We call on you, both as Treasurer and leader of New Zealand First, to scrap this loophole and let Brierley’s face those consequences.”

We’ll save you from most of the letter: it was obviously written for him by the OIC. But it concluded with an effective public admission that his previous concern about foreign investment was purely posturing:

“Finally, thank you for your interest in foreign investment matters. You will no doubt be aware that certain changes to our foreign investment regime were announced as part of the Coalition Agreement. The policy of the Coalition Government on foreign investment is while recognising the need for overseas capital and the need to maintain investor confidence and without eroding any existing ownership rights, the Coalition agrees that as a statement of general principle, it is desirable that the control and ownership of important New Zealand assets and resources be held by New Zealanders.”

(The “certain changes” he mentions are to do with farm land and are unlikely to have any practical effect given current policies of encouraging foreign investment.)

So why was all this indecent kowtowing to BIL necessary? Because there are two sectors where the rules on ownership of “important New Zealand assets” (to use the Coalition Agreement’s phrasing) potentially could strip BIL of some of its most treasured acquisitions: international air transport, and fishing quota. It should also (but won’t) have an effect on its extensive ownership of land.

Air New Zealand

International air transport is one area relatively untouched by deregulation. The system of licensing air traffic rights, and thereby restricting competition, suits the big powers such as the U.S.A. because it enables them to keep out cheap competition and fly-by-nights. Landing rights are negotiated on a tit-for-tat basis between countries and hence the nationality, ownership and control of an airline are all important. If Air New Zealand became foreign owned it would almost certainly lose its traffic rights across the world and hence its ability to fly internationally. Conventions have been relaxed in recent years, so that 51% ownership by New

Zealanders is now sufficient where previously considerably more was considered necessary. When Air New Zealand was privatised in 1988, 65% of the shares were classed as "A" shares which could be held only by local residents or companies. The other 35% are "B" shares, which can be held by anyone. The original shareholding at privatisation was BIL 65%, Qantas 19.9%, Japan Airlines 7.5% and American Airlines 7.5%. American Airlines later sold out, Japan Airlines reduced its holding, and BIL sold some of its shares.

Late last year, when Air New Zealand was trying to buy into the Australian market, it wanted to issue further shares to raise the money for its 50% share in Ansett Australia. The New Zealand Government (which still owns a "Kiwi" share) 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. The government increased the limit to 49%. Now BIL 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.)

This was spelt out by the Minister of Transport, Maurice Williamson (Address To Aviation Law Association Conference: The Single Aviation Market, 1/10/96):

"An important element of the international aviation system is the trading of traffic rights between Governments. Virtually all bilateral air services agreements include provisions enabling a Government to refuse to issue operating authorisation to an airline if it is not satisfied that the airline is 'substantially owned and effectively controlled' by nationals of the bilateral partner designating the airline. Such provisions are intended to ensure that bilateral requirements are not circumvented by 'flag of convenience' airlines. In practice, this has resulted in restrictions on foreign investment levels in international airlines.

"When the Australian Government sold its remaining 75% share in Qantas in mid-1995, it established a limit of 49% on total foreign investment in the airline. Foreign airlines were restricted to 35% in aggregate with holdings by a single foreign airline limited to 25%. Air New Zealand, fully privatised more than half a decade earlier, had a limit of 35% on foreign investment, reflecting the perceived outer limit of what would be acceptable to New Zealand's bilateral partners at the time. The Kiwi shareholder's decision to align New Zealand's policy with Australia's reflects the evolution of thinking among our bilateral partners, and the need for the airline industry, which is a highly capital-intensive industry, to have wider access to capital markets."

It was this action which Williamson's current colleague, Winston Peters, described as "yet another asset sale to foreign interests and a nasty and tricky piece of work by the Government".

Nonetheless, BIL still cannot own "A" shares in Air New Zealand now that it is considered overseas controlled. It could

theoretically sell them and buy "B" shares, but the "B" shares (which it has been assiduously collecting) are harder to come by and more expensive because of their wider currency. In any case, over half of them are owned by Japan Airlines and Qantas. Without some kind of deal, BIL would have to sell the "A" shares (of which it owned 54.7% in January 1996 according to Datex) and potentially its control of the company.

The fiction that BIL and the OIC created was that a wholly owned subsidiary company of BIL could be independent ("fenced off") from BIL itself. The Air New Zealand shares would be transferred to it and thus be "locally controlled". A BIL subsidiary originally registered in 1989, Siros Investments Ltd, was dusted off, renamed BIL NZ Assets Ltd, and given four directors: Bob Matthew (chairman of BIL and Air New Zealand), Sir Ron Trotter (a director of Air New Zealand among his many other interests), Peter Shirtcliffe (chairman of Telecom, etc), and William Mcleod Wilson, a Wellington partner in the law firm Bell, Gully, Buddle Weir. According to New Zealand Companies Office records, this was done just two days before our letter from the OIC announcing its decision. The subsidiary has a total capital of \$29,968 according to the *Press* (7/1/97, "BIL ring-fences airline stake for safe keeping", p.21), but owns shares worth several hundred million dollars. We presume the fiction of "local control" rests on the fact that three of the company's four directors are resident in Aotearoa but not BIL directors.

As is usual with BIL, nothing is simple. We reproduce the "wiring diagram" of the ownership of BIL NZ Assets below.

To end this section on BIL and Air New Zealand, we quote from BIL's 1990 Annual Report (p.16):

"The deregulation of the domestic airline industry, while initially benefiting consumers in the short-term with competitive pricing, better quality and more frequent services, is clearly to the long-term detriment of the country. The recently announced restructuring of Air New Zealand's domestic services and the unacceptable losses of Ansett New Zealand (1989 - \$52 million pre-tax on \$92 million turnover) will ultimately result in the customer having to pay for the government's foolhardy action of committing a world first by admitting a foreign-owned carrier to the domestic market."

We now have *two* foreign-owned carriers on the domestic market. Perhaps BIL should heed its own words.

Fishing

One of BIL's most treasured possessions is a 50% holding in the Sealord fisheries group, the largest seafood company and largest owner of fishing quota in Aotearoa (including 26% of deepwater quota according to BIL's 1995 Annual Report, pp.22-23). This investment has some unusual features.

Firstly, the other 50% is held by the Treaty of Waitangi Fisheries Commission (TWFC). The TWFC's acquisition of Sealord, and more specifically its fishing quota, was a

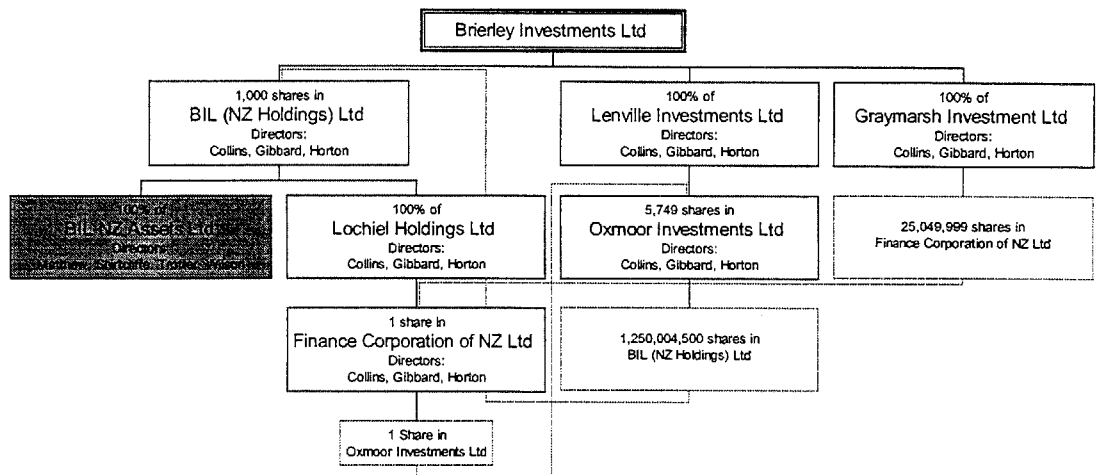
fundamental part of the settlement of Maori fisheries claims under the Treaty of Waitangi. Undoubtedly TWFC would have preferred to have owned it outright but they did not have the money at the time. In fact, as we pointed out publicly, Sealord had to mortgage its assets overseas, including the quota, to raise sufficient funds. It did so in December 1992 for \$150 million to the Hongkong Shanghai Bank, ANZ Bank, and the Bank of New Zealand: all overseas owned.

Secondly, fishing quota is one of the few areas where restrictions on foreign ownership remain. There are at least two relevant pieces of legislation: the 1983 and 1996 Fisheries Acts. The 1996 Act changes the provisions, in some respects tightening them, but this part of it has not yet been brought into effect. Both Acts disallow more than 24.9% of a quota-owning company being overseas owned. If this restriction is breached without permission, under the 1983 Act the quota must be sold within three months of the breach occurring or it is automatically forfeited to the Crown. This forfeiture apparently happened to Sealords under its previous ownership (see side-box). Under the 1996 Act, notice has to be given to the company before forfeiture may occur. However in both Acts there are wide powers given to the Chief Executive of the Ministry of Fisheries to exempt companies from these provisions. The 1996 Act is tighter in that such an exemption cannot be given for more than 40% of shareholder or Board of Directors voting power. Both Acts also allow the Chief Executive to declare that any company listed on the New Zealand Stock Exchange is not an overseas company for the purpose of owning quota. This last power does not appear to have been used and it is questionable if it would help BIL because it is not BIL but Sealord, Te Ika Paewai Ltd (see below) and the TWFC which own the quota.

Sealord Group Ltd is not owned directly by the TWFC and BIL. Instead it is owned (all but one share) by Te Ika Paewai Ltd, which is owned exactly 50/50 by a BIL subsidiary, Basuto Investments Ltd (which also owns the other share in Sealord Group Ltd), and Te Waka Unua Limited, a TWFC company. According to the Ministry of Fisheries (letter to CAFCA, 25/2/97), both Sealord and Te Ika Paewai hold quota. Hence both are subject to the overseas ownership legislation. With BIL's change in ownership status, both require an exemption from the legislation or their quota would be forfeited.

In fact, given BIL's substantial overseas shareholding before this year, it required an exemption when it bought into Sealord in 1992. It was given an exemption by the then Director-General of Fisheries, Russ Ballard in an agreement dated 23/12/92. The terms of this allowed BIL 50% of the shareholding in Te Ika Paewai as long as BIL remained an exempt company under the Overseas Investment Regulations, and required it to appoint only Aotearoa-resident directors to the Te Ika Paewai Board. It also set in place a requirement for all parties to notify each other if the exemption permission was breached, and if nothing was done within six months, forfeiture of quota would occur. It is not clear when this notice was given upon BIL becoming overseas controlled, but on 13/12/96 a new exemption was granted by W.R. Tuck, the Chief Executive of the Ministry of Fisheries, in almost identical terms to the 1992 permission.

Ownership of BIL NZ Assets Ltd



Two issues are worth comment. Firstly, Sealord itself is now an overseas company (because Te Ika Paewai is), and it appears to be in breach of a July 1992 exemption granted by the Ministry when Sealords was owned by Carter Holt Harvey. CAFCA is inquiring as to whether its quota should therefore be forfeited. Secondly, when the 1996 Act is put into force by Order in Council, BIL will have to sell at least 10% of its shareholding to reduce it to 40%. Pressure from BIL and the TWFC is likely to be a principal reason this provision has not yet been activated. TWFC is still trying to sort out the long term division of fishing quota amongst iwi and urban Maori, and if BIL is forced to sell shareholding the buyers could force a defacto but unacceptable settlement. It will be an interesting test of the coalition government to see if activation of the 1996 provisions ever occurs.

Land

BIL is of course a major owner of commercial land and real estate through its many investments and subsidiaries. However, what is less obvious is that it is also a major owner of farm land. The land is owned by Tasman Agriculture Ltd, a corporate farmer owned 53% by BIL at 6/3/97 (ref: http://www.bil.co.nz/7_investments/tasman/7-1_profile.ptml). It owned 61 dairy farms in the South Island totalling 9,877 hectares according to BIL's 1995 annual report (p.23). In future, unless BIL uses its BIL NZ Assets Ltd facade, Tasman and BIL will require OIC approval to buy more farms and land – though that is no great impediment given the OIC's practice of approving all applications.

Other

These sectors with special characteristics should not obscure the fact that BIL is the owner of an impressive list of other major companies in Aotearoa. The control of many of them is now overseas. BIL's World Wide Web site lists the following New Zealand investments (with the BIL ownership) as at 17/10/96:

Aetna Health (N.Z.) Ltd (50%)
Air New Zealand Ltd (42%)
Cedenco Foods Ltd (28%)
FCNZ Forests Partnership (25%) (the privatised Forestry Corporation)
Fletcher Challenge Energy (4%)
Huttons Kiwi Ltd (100%)
LWR Industries Ltd (66%)
Macraes Mining Ltd (7%)
Sealord Products Group (50%)
Sky City Ltd (51%)
Tasman Agriculture Ltd (53%)
Union Shipping Group Ltd (50%)

Notes:

All shareholdings add to 100% of issued shares. The address of all companies is: Level 6, 22-24 Victoria Street, Wellington. Source: New Zealand Companies Office.

Collins = Paul David Collins, Gibbard = Gerald Charles Gibbard, Horton = Mark Bradbury Horton, Matthew = Robert Harry Matthew, Shirtcliffe = George Peter Shirtcliffe, Trotter = Sir Rodney Ramsay Trotter, Wilson = William Mcleod Wilson.

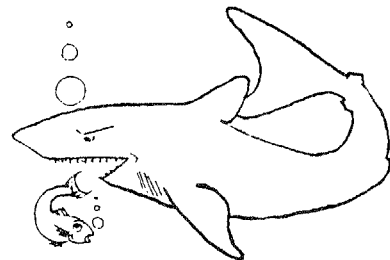
¹ Note that some reports put the purchase at \$680 million. The discrepancy is due to the fact that the shares were bought in more than one purchase. The lightning purchase which became public on 16 March was \$680 million; previous purchases of 3.73% in February and early March make up the total. *Singapore Business Times*, "Capital Group cuts stake in Brierley", 20/3

SEALORD FORFEITED ALL ITS FISHING QUOTA IN 1992

A fascinating sidelight to the accompanying story on BIL was discovered when we were researching the Sealord/BIL subplot. In November 1991, Carter Holt Harvey (CHH), then owner of Sealords, became an overseas company when BIL sold its 32% shareholding in CHH to a joint venture it owned 50/50 with the U.S. International Paper Company, giving the U.S. company a launching pad for its current 51% ownership. This put Sealord in breach of the 1983 Fisheries Act. Ever accommodating, the Director-General of Fisheries, Russ Ballard, eventually gave an exemption allowing 40% of Sealords to be overseas owned. The fishing industry rightly complained bitterly.

However what was not made public was that the Ministry of Agriculture and Fisheries believed that Sealords had actually forfeited its fishing quota to the Crown as a result of going for some time without this exemption. Sealords and CHH of course strenuously denied this, but the covering letter to George O'Brien of CHH from Ballard when conveying the exemption to the company (2/7/92), states: "As you will see I have decided to restore to Sealords its quota holdings and permit it to continue to hold quota subject to conditions." The exemption itself is part of a covenant formally handing back the quota, though carefully worded so that Sealords never had to admit to losing it.

So the government could have forfeited the quota and handed it to Maori at no cost to the Crown whatsoever. Instead it meekly handed it back.



TELECOM

The World - There's Serious Money To Be Made

It's not only in little old New Zealand that the phone transnational corporations (TNCs) stand to make obscene profits. According to John Dinsdale of Dataquest, the world phone network can be correctly described as the biggest machine in the world. He further pointed out that, in 1995, the world's telecommunications market was worth \$NZ1,139.3 billion in sales (*New Zealand Herald*, 14/11/96). Telecommunications is the world's third largest industry by market capitalisation, behind banking and health care. Businesses spend more on it than on oil. Analysts Anne-Marie Roussel and Nigel Deighton, of the Gartner Group, predict more mergers between phone TNCs. "These companies need to operate globally to attack these new markets. We are looking at the death of the national player. We are looking at the globalisation of enterprises generally. German companies will have clients in America, France and Britain. Anyone who has only a national mindset is going to die in the long run and that is why we are looking at globalisation" (ibid). These analysts predict enormous growth, both as a result of the privatisation of State telecommunications systems (as happened here), and in the Third World, although Deighton warns that the latter may

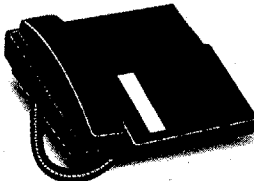
not be as profitable as the First World, because of quaint old laws about profit repatriation (Telecom faces no such restriction here).

The US and the other rich nations led a push for a separate global agreement on telecommunications which, along with financial services, maritime services and movement of people, was left out of the 1994 conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), because it was too hard. The Americans used GATT's successor, the World Trade Organisation (WTO), to try to force open telecommunications markets the world over. In the Asian growth area, nations such as Indonesia and Malaysia have made no effort to open up, while the Americans accused South Korea, Thailand and Hong Kong of dragging their feet. The Asians aren't silly - they foresee that opening themselves to the phone TNCs will be a one way street, benefiting the TNCs only, and doing nothing for the pervasive poverty that is the major problem in the region. The wonderful new technology being mooted - such as a new generation of satellite services allowing communication between handheld terminals anywhere in the world - has little relevance to Filipino peasant farmers whose main tools are still a water buffalo pulling a wooden plough. The Americans were quite desperate to get it resolved before the WTO deadline of February 1997, after which no further bargaining was permitted.

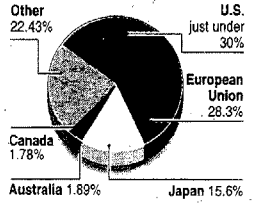
Last minute negotiations enabled 68 nations (93% of the global telecommunications market) to sign the pact, after three years of talks (but, interestingly, neither Japan nor Canada buckled to the American pressure and opened up to higher levels of foreign ownership). Renato Ruggiero, WTO secretary-general, said "We are celebrating a very important victory" (*Press*, 17/2/97). President Bill Clinton was more accurate when he said the pact would "bring clear benefits to American workers, businesses and consumers alike" (ibid). The pact, which brings telecommunications under the umbrella of the WTO and its dispute settlement system, was expected to be followed by another on information technology. Telecom New Zealand said that it would make little difference to New Zealand, as we are already deregulated.

Global telecommunication pact

Sixty-eight countries will be bound by offers they made in World Trade Organisation talks on a global pact concluded this weekend on opening the telecommunications industry to competition



THE GLOBAL TELECOM MARKET

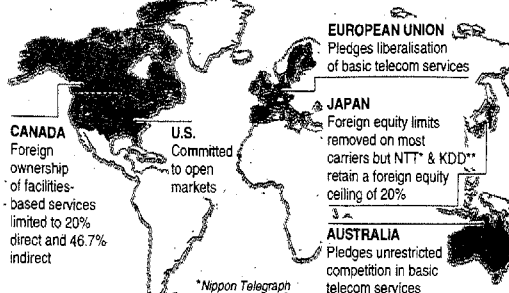


U.S. just under 30%
European Union 28.3%
Canada 1.78%
Australia 1.69%
Japan 15.6%
Other 22.43%

RANKING BY REVENUE	(\$US)	Revenues	Pr
Nippon T&T Japan		\$81,837m	\$2.21
AT&T U.S.		\$79,609m	\$1.11
Deutsche Telekom Germany		\$46,149m	\$3.61
IRI Italy		\$41,903m	\$3.11
BT/MCI Britain/U.S.		\$37,877m	\$3.61
France Telecom France		\$30,060m	\$1.81
GTE U.S.		\$19,957m	\$2.11
Bellsouth U.S.		\$17,886m	\$1.21
L.M. Ericsson Sweden		\$13,961m	\$7.11
Telefonica de Espana Spain		\$13,960m	\$1.01

Year ending December 31,

WHAT THE TELECOM MARKET LEADERS OFFER



CANADA
Foreign ownership of facilities-based services limited to 20% direct and 46.7% indirect

U.S.
Committed to open markets

JAPAN
Foreign equity limits removed on most carriers but NTT & KDD** retain a foreign equity ceiling of 20%

AUSTRALIA
Pledges unrestricted competition in basic telecom services

*Nippon Telegraph and Telephone Corp
**Kokusai Denshin Denwa Co Ltd

Clear's New Concerted Ownership

Mega mergers are the order of the day. There is France Telecom and Deutsche Telekom's Global One venture, in partnership with American phone company, Sprint. Another network is WorldPartners, headed by American behemoth AT&T and whose 16 members include Telecom New Zealand. Swiss PTT, Telia of Sweden, KPN of Holland and Spain's Telefonica make up Unisource, which also has links to AT&T. The biggest merger of 1996 was one which has major implications in this country. British Telecom (BT) and the American MCI Communications, the second biggest phone company in the US, merged to form Concert Communications.

This \$NZ57 billion giant will have 43 million customers in 70 countries, including 800 of the world's top 1,000 corporations. Concert will be the fourth biggest telecommunications company, in terms of revenue, after Japan's NTT, Deutsche Telekom, and AT&T. Its combined profits for 1996 place it ahead of such TNC giants as IBM, Ford and Citicorp. Among other goodies, Concert will be the new owner of the 13.5% stake that MCI previously held in Rupert Murdoch's News Corporation. Murdoch has been leading the convergence between media and phone TNCs in areas such as satellite TV and new technology.

The local significance in the BT/MCI merger (which was the biggest ever buyout by a British company) is that they each own 25% of Clear (the other shareholders, also holding 25% each, are TVNZ and Todd Corporation). Clear's chief executive, Andrew Makin, was positive about the merger and pointed to our advantage of being laboratory rats for the phone TNCs: "If there is new technology available, this is like a little test market. There are three and a half million people in a separate area of the world as it were. The trouble with a test market like Detroit is that it's connected by everything to the next place. In New Zealand, you can try things out in an unregulated market... (Northern Advocate, 5/11/96). Isn't that reassuring?

Deregulation is great for the phone TNCs worldwide - for example, Ameritech, one of the two American owners of Telecom New Zealand, reported a better than expected 10% increase in profit on its American operations for the fourth

quarter of the 1996/97 financial year. But it's lousy for the customers - in California, AT&T's 1995 rate of return was 78% (versus 18% in 1992, the last year of any State regulation). Only large businesses have benefited from California's phone deregulation - residential customers have seen minimal reductions, small businesses' rates have gone up, and AT&T has increased prices on a whole range of services. Directory assistance was put up 86% (which the company justified as "the" market price). By the first anniversary of the 1996 Telecommunications Act, which was supposed to open the floodgates of competition in the US, the verdict was not at all favourable. Jeffrey Chester, director of the Center for Media Education, said: "This thing is a flop. It was supposed to unleash tremendous forces of competition and drive down rates, but it has encouraged the exact opposite of that" (New York Times, 10/2/97). Indeed, in February 1997, Nynex (one of the "Baby Bells") was ordered to repay its customers \$NZ159 million for shoddy service and improper business practices, by the New York State Public Service Commission. Since 1995 the Commission had already fined Nynex \$62.3 million for shoddy service.

Miss Saigon? Telecom Did. The "Advantages" of American Ownership

Mind you, it is not only in the States that American phone companies pull the strings. Despite all its careful attempts to portray itself as a New Zealand company, our very own Telecom is definitely an American company. The most conclusive proof of this, and of how American ownership with American political priorities that are not New Zealand's actually retards the operations of even the biggest of "our" capitalists, came in a fascinating *Listener* profile of entrepreneur Bill Doak ("Good Friday"; 11/1/97; Denis Welch).

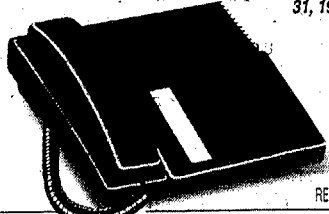
As Telecom's international business manager, in 1992, Doak "had been on the verge of clinching a deal to rebuild Saigon's phone network. He was hosting a 40 strong Vietnamese government delegation at a Thai hotel when a fax came through from New Zealand. At the 11th hour, Telecom wanted out. Doak had devoted two years to sealing this \$15 million deal for the Telecom subsidiary Telenz... The Vietnamese had been courted (all expenses paid) in Switzerland, Singapore, the US and New Zealand. It would have been the first major contract for a New Zealand company in Vietnam. 'What happened at the 11th hour', recalls Doak, 'was that the New Zealand Embassy in Washington, because of the blowout with the Anzus row, instructed the Trade Development Board that they felt it was unwise to proceed with such an arrangement - that it could potentially upset the American Government'. Around this time, the sensitive issue of US soldiers missing in Vietnam had flared up again; under the Trading with the Enemy Act, US companies were not supposed to do business with the Vietnamese; and Telecom New Zealand was very much a US company, with a new American board member disinclined to overlook the Vietnamese connection..."

What happened was that Doak flew home and took on the contract personally - Telecom accepted, on the basis that he, and all of the staff that chose to go with him, left the company

BT-MCI MERGER

Britain's BT and America's MCI Communications announced a merger valued at \$US64 billion on Sunday that creates one of the world's largest telecommunications companies.

	BT	MCI
Profit	\$US3,227.4 million †	\$US548 million *
Earnings per share	\$US0.51	\$US0.80
Revenue	\$US23.5 billion	\$US15.3 billion
Dividend	\$US0.35	\$US0.05
Market Capitalisation	\$US36.0 billion	\$US28.0 billion
Employees	130,000	50,367
	†Year ending June 30, 1996	*Year ended December 31, 1995



REUTERS

and their offices by 5 p.m. the same day. They did - Doak got bank funding; fulfilled the Saigon contract (the business centre of Ho Chi Minh City is still called Saigon); did the rest of the city; then won a \$155 million contract to do Vietnam's whole rural phone system, beating TNCs Ericsson and NEC. Most recently he tendered for the Hanoi contract. Not only did Telecom miss out on all that income and work, it lost a top company loyalist. Doak told the *Listener*: "I didn't want to leave Telecom...I expected to be there at least 20 years. I was aiming for the top job in Telecom" (ibid).

The Field Is Getting Crowded And Lawyers Are Getting Richer

Telecommunications generally, and New Zealand telecommunications in particular, are a very attractive proposition at present. Rival phone TNCs are prepared to spend big money to get established, and wait to make any profit. For example, BellSouth has spent \$500 million on its cellphone infrastructure and has yet to make any money. As of August 1996, it had 50,000 cellular customers or 12% of the market. Rod Deane, Telecom's chief executive officer, said that his company had lagged behind in connections because of what he called BellSouth's offers of "free phones, free calls and free everything" (*Press*, 2/1/97; "Rival companies pour money into telephone wars"; Richard Braddell, NZPA). BellSouth won't disclose a target figure, but it is believed that a customer base of 125,000 is needed for efficient operation. BellSouth is signing up about 30% of new customers coming into the market.

Clear is Telecom's largest and longest established rival. It now has 900 staff, made a \$23.4 million profit in the 1995/96 financial year (paying tax for the first time); and has set up an Internet service to rival that of Telecom's Xtra. Its clout has been greatly strengthened by the BT/MCI merger (see above). Clear has established itself in the long distance and international sectors, but has been slow in the local service one.

The reason for this is a handicap common to all new entrants - Telecom owns the network and there is currently no number portability. Meaning, that if you change network (from Telecom to Clear, for instance), you cannot take your phone number with you. This is a major drawback for businesses (and an inconvenience for householders). It is another advantage enjoyed by Telecom as a natural monopoly. In late 1996, Telecom proposed a one off flat fee of \$30 to compensate it for number portability, plus a fee of 0.7c per minute to cover the re-routing each time the number is used. BellSouth retorted that Telecom's proposals were "not in the appropriate ballpark" (*New Zealand Herald*, 17/1/97). Maurice Williamson, Minister of Communications, champions the Government's "lightheaded" (read "non-existent") regulation of Telecom, but he told a March 1997 telecommunications users conference that it was growing tired of threatening the major players "over and over again ... If you can't fix this (ie interconnection and portability) and if you can't negotiate through this in a commercially sensible

manner, then you will give me no option (but to regulate)" (*Press*, 6/3/97). In March 1997, Telecom dropped its proposed per minute fee for re-routing to 0.5c - it wasn't enough to produce an agreement.

But Clear certainly doesn't have a clear field. Telstra, the Australian State owned phone company, arrived in New Zealand in 1996. It has described its growth here as "phenomenal" (*Press*, 30/10/96), with over 200 big business customers and annual revenue of over \$30 million. It has set up in local services, with switching equipment in Auckland and Wellington capable of handling 700,000 calls an hour, and has a licence to offer cellular services. Telstra's target market is the major transnationals - such as American computer company EDS, which has signed to have all its traffic carried on Telstra's network. To attract customers, Telstra dropped charges and announced it was setting up a trans-Tasman integrated services digital network (ISDN - which enables businesses to transmit high speed data down conventional phone lines without the need for a special line); a Visa card; and an Internet service. By the beginning of 1997, it was looking at buying 15 New Zealand companies. Telstra pronounced itself distinctly unimpressed by Telecom's proposed fees for number portability, pointing out that there are no such fees in Australia, because the Australian Government won't permit any. Managing director Peter Williamson said: "Everyone knows these commercial terms are completely unreasonable" (*Press*, 28/1/97). Ironically, in its Australian homebase, Telstra has lost tens of thousands of customers to rival TNC Optus, and its 1996 first half profit was 38% down on the corresponding half in the previous year. As with Telecom, it is slashing staff, with 20,000 jobs to go within two years (out of 74,000).

There are now four phone TNCs set up in New Zealand - the others being Global One (an offshoot of the American Sprint, Germany's Deutsch Telekom and France Telecom) and WorldXChange, from the US. Even newer players are entering niche markets. Iowa based Telegroup announced it would introduce cutprice direct dialling from New Zealand from April 1997. Since 1994, Telegroup has offered a callback service ie the New Zealand caller rings an American number, and is then rung back and connected at American domestic rates. The new service will eradicate the callback, replacing it with true direct dialling.

Nor are Telecom's rivals only tackling it in its core phone business - American owned Saturn Communications is spending \$120 million running fibre optic cable past homes in the Wellington region (at \$1,000 per house), and expects to reach 600,000 New Zealand homes within five years. Saturn offers 21 channels, with plans for a further 15 pay channels. Its network can also be used for Internet access and phone service. Fibre optic cable offers much faster speed of service than conventional phone lines. Saturn announced that it would offer a full phone service from late 1997, becoming Telecom's first competitor in the local calling market. Telecom is pressing ahead, with its subsidiary First Media laying cable to 70,000 homes in Wellington and Auckland. It carries 11 channels, with capacity for 50. Clear has thus far balked at

the cost and stayed away from cable TV (and the alternatives that such a network allows). This battle is being fought over what is called "convergence" - the use of phone and cable networks to offer each other's services, plus allowing for future uses such as interactive banking and shopping.

Telecom doesn't take kindly to all this, of course. It has fought long and hard to preserve its monopoly position. The most famous example thus far was its refusal to allow Clear to connect into Telecom's network - between 1991 and April 1994, Clear spent \$7 million in litigation, 300 days in negotiation, 56 days in mediation and 65 days in arbitration. Eventually the two TNCs signed an interconnection agreement - but only after Telecom had invoked absurdities such as the Baumol-Willig rule (namely, that Clear should compensate Telecom for all earnings lost by allowing Clear a slice of the action). That rule was upheld by the Privy Council, but the Government declared it unacceptable, overriding Treasury advice in the process. Be that as it may, Baumol-Willig remains the law of the land.

In October 1996, Todd Corporation's John Hunn launched a stinging attack on Telecom, saying that it had abused its monopoly position (Todd is a major shareholder in both Clear and Sky TV). He said that the Commerce Commission had accepted Telecom as the "de facto industry regulator" (*Press*, 24/10/96). In January 1997, BellSouth lodged High Court proceedings against Telecom under the Commerce Act, charging anti-competitiveness and misuse of confidential information (by using its network monopoly to identify BellSouth customers, and then trying to win them back). It specifically charged that Telecom was tying businesses into exclusive contracts, by bundling discounts which prevented them considering other service options. "This enables Telecom to delay the full impact of competition on the market and its own profits. Customers and competition are the losers" (*Press*, 1/2/97). BellSouth also alleged that Telecom has threatened firms which supply it with services that they will lose Telecom's business if they become BellSouth customers. Naturally, Telecom denied all, pointing out that the Commerce Commission had not acted on bundling complaints made against it by Clear in 1992/93. Dr Alan Bollard, the Commission's chairman, told a March 1997 telecommunications users conference that the Commission "remains open minded on this issue should further information come to hand" (*Press*, 6/3/97).

Limits To Sky

Another court case brought by rivals does offer a fascinating glimpse into the way Telecom does business. Sky TV is 51.1% owned by HKP Partners of the US, which is itself owned by Time Warner, TeleCommunications Inc, Bell Atlantic and Ameritech. The latter two, of course, are the American owners of Telecom. In 1995 they decided that they wanted to sell their 25% Sky stake to Telecom. This was stopped by court action by Clear, TV3 and Saturn, who feared that it would give Telecom market dominance in the field of pay TV (see previous *Watchdogs* for coverage of the case).

Although the interim injunction decided Telecom to abandon its attempt to buy into Sky, Clear still took the case to the Auckland High Court in late 1996, to try and formalise its position. Clear accused Telecom of conspiring to deceive the Commerce Commission, the High Court and its competitors. The case revealed an agreement between Telecom and Sky (since aborted) for Telecom to undertake and pay for an extension of Sky's geographical reach. It limited Telecom to accepting only Sky programmes, and committed Sky to ensuring that any additional channels it acquired would be available to Telecom. It even extended as far as Telecom agreeing to include Sky promotional material in its monthly residential customers' phone bills and to provide Sky with a list of its new residential customers each month. Clear sought an injunction restraining Telecom from entering the pay TV business or from making any arrangement with a broadcaster or Internet service provider which would enable it to bundle broadcasting or Internet services with telecommunications services. Telecom said the claim was pointless, because it had abandoned its plan to buy into Sky and the associated content deal.

Clear produced a powerful expert witness, Josephine Grierson, economist and former Commerce Commission member, who provided an affidavit in support of its bid for a final injunction. She concluded that the proposed Telecom/Sky relationship would have been an economically or de facto exclusive one. "It is not reasonable to expect any other pay TV operator would be in a position to provide anything other than a small proportion of the consideration able to be provided by Telecom precisely because the latter is the dominant firm in the telecommunications market...the agreement substantially lessens competition in the market for telecommunications services by reason of the fact that it effectively eliminates the threat that Sky's television and programming products could be deployed by Sky, either alone or in combination with a telecommunications competitor of Telecom, for the purpose of winning customers from Telecom. Likewise, it effectively removes Telecom as a potential competitor to Sky..." (*New Zealand Herald*, 11/12/96). The Court reserved its decision.

Pay TV is a highly lucrative field. Sky has 30% penetration of the national market, over 250,000 subscribers and, in February 1997, announced a \$650 million multi-channel digital satellite transmission system that could connect every home in New Zealand to its own individual satellite dish. TVNZ has hinted that it might sell its 25% stake in Clear to increase its current 16.3% holding in Sky to 20-25% - obviously it sees more money to be made in the monopoly pay TV supplier than in the Number Two phone company.

Cyberprofits: The Internet War

The Internet is where the growth is occurring and the big money is to be made. International analyst Anne-Marie Roussel, of the Gartner Group, said: "Definitely what is happening now is the Internet. Those who are late on picking up on this are going to be squashed" (*New Zealand Herald*, 14/11/96). Well, Telecom is an expert when it comes to

squashing. In October 1996, its chief financial officer, Jeffrey White, told a group of investors at a New York conference that Telecom plans to focus on cable TV, Internet development and speciality phone services - at the expense of the company's local and long distance business. "We expect to lose money in the first years on our Internet investments but hope to become profitable by 1999" (*Press*, 9/10/96). He said the company would increase investment by \$100 million, to \$700 million, in 1997 to expand services. For example, 1997 sees the introduction of personal communications services (PCS), which allows for wireless office service for business customers, and research on Asynchronous Digital Subscriber Loop technology, which aims to deliver video over traditional copper phone lines.

Among Telecom's Internet investments are: buying into a planned fibre optic submarine cable between Australia and the rest of the world, which will greatly increase global capacity; and trialling the use of the Internet for international toll calls, a service which will undercut its existing phone network (it allows computer to computer phone calls or between a phone and a computer).

Watchdog 83 detailed the nasty 1996 moves by Telecom's Internet retail subsidiary, Xtra, to undercut its rivals by slashing its rates, pinching their customers, and blocking their access to the national phone network, the Internet lifeblood, which Telecom owns. It also detailed the massive security blunder within Xtra, which shut the company down for four days, and necessitated the issue of new login numbers and passwords to its 10,000+ e-mail customers. Xtra was unaware of the glitch until notified by the independent Internet providers (ie its business rivals). The biggest of these, Voyager, then pushed its luck by accessing the addresses of Xtra's 10,000 customers and e-mailing them an offer of a special deal to lure them away from Xtra. This "spamming" (electronic junkmail) is definitely not cricket, and Telecom cut off e-mail communications between customers of the two services and refused access from Xtra to Voyager's home page. Even worse, an Xtra employee started sending threats, by phone and e-mail, to Voyager managing director, John O'Hara and his family. The perpetrator was identified and was lucky to escape criminal prosecution. "In security terms it is hard to escape the conclusion that Xtra has put great big locks on all the doors - and left the windows open" (*Listener*, 12/10/96; *Computers*; "Xtra, read all about it: A security glitch left Telecom Xtra accounts, and e-mail, wide open for Net abuse"; Russell Brown). This whole episode was a public relations nightmare for Telecom.

Xtra and Voyager came to an uneasy truce and restored contact. Voyager announced that it would compete with Telecom's plan to route long distance and international phone calls over the Internet, but its scheme wouldn't need a computer, just a tone dial phone and a personal identification number. Voyager also established a method of faxing over the Internet ie enabling customers with only a fax machine to receive e-mail.

And Telecom's announcement that it would happily lose

money on its Internet services for several years drew the attention of the Commerce Commission, to see if it constituted anti-competitive behaviour in breach of the Commerce Act. The Commission received 15 complaints from rival Internet service providers about Telecom - by the end of 1996 it had dismissed two of them, but was pressing on with investigating the others.

The *Listener*'s Russell Brown summed up 1996 for Telecom's Internet foray (18/1/97; *Computers*; "Market forces: In 1996 the Internet underwent radical change"): "Telecom and its Netway subsidiary did not have a happy time supplying Internet service providers, who were frankly suspicious of a telephone company that treated them as customers but also as competitors to its own retail Internet business, Xtra. First, the good news: Xtra's sustained marketing drive and cut throat pricing brought an extraordinary number of New Zealanders to the Internet - more than 20,000 ... The bad news? Xtra pursued a business strategy that set it against every other company in the market.... To deliver on its professed business strategy, Xtra needed to expand its customer base very quickly. The cost of that proved to be access troubles, double billing and permanently congested helplines. The final irony was that a planning blunder in another division of Telecom meant that Xtra could not provide enough new dial-in capacity to serve the thousands of customers it was signing up every month... Telstra, the Aussie invader, ended the year with 55% of the wholesale market in international Internet bandwidth... Telecom is not regarded by Internet companies as a good firm with which to do business - witness its loss of share to Telstra... If discussions of our Internet market often fall to Telecom bashing, that is because Telecom is impossible to avoid and its decisions, good or bad, affect everybody in the market..."

By the end of 1996, Xtra had 34,000 customers, and 1997 has seen a high powered advertising campaign to sell Xtra to the public, along the same lines as cellphones when they were first foisted onto us. Most recently, it included sending unsolicited CD ROMs to customers enabling them to connect to Xtra. The legal battles are far from over - the Internet Service Providers Association of New Zealand (ISPANZ) has lodged a complaint with the Commerce Commission, alleging predatory pricing by Xtra; and Voyager is taking legal action in the Auckland High Court, also over Xtra's pricing.

Pass The Hat. Profits Are Not As Big As Expected

Telecom is a huge company, by any measure. The British *Financial Times* annual global FT500 survey ranked it the 380th biggest company in the world in 1996, the only "New Zealand" company on the list (in a survey of Asia/Pacific companies, Telecom came in at 32nd; American-owned Carter Holt Harvey at 74th). The survey ranks companies by size, measured by market capitalisation. The *Financial Times* put Telecom's market value at \$12.6 billion. And, post election, the international investment house, Salomon Brothers, rated Telecom as a "buy". "The New Zealand elections will probably have only a minor effect on New Zealand Telecom or on the regulatory environment in which it operates" (*Press*, 14/11/



declared that the campaign against MMP, headed by Shirtcliffe, had persuaded him personally to switch to Clear. "I know it's a foreign multinational but it's not a multinational that's trying to interfere with constitutional issues in New Zealand!" (*Listener*, 31/7/93; "Party's On, Dude"; Gordon Campbell).

Meantime, the money keeps piling up, but not at the same warp speed. Profit for the February 1997 quarter was a mere \$167.2 million, down 8.2% on the comparable quarter the previous year. High start up costs for Xtra and First Media, the cable TV subsidiary, were cited as factors. There is one big

96). Salomon Brothers was particularly pleased with the drop in the Alliance vote (from 18% in 1993 to 10% in 1996) and predicted that, at worst, there might be some mild industry specific regulator or watchdog, similar to Australia.

Of course, before the 1996 election, Telecom chairman Peter Shirtcliffe had made his triennial predictions of doom and gloom should the "wrong" parties come to power (one has, the sky hasn't fallen, and Shirtcliffe has been quiet ever since). Telecom "was not helped by (Shirtcliffe) talking of capital flight if a leftish government gained power. Mr Shirtcliffe surely cannot have been suggesting that Telecom's American shareholders would bail out if a centre-left coalition took over - Telecom is too much of a cash cow for that - and only served inadvertently to strengthen the hand of those who argue that foreign investment in New Zealand is exploitative and opportunistic" (*New Zealand Herald*, 21/10/96; *Indices Watch*; Michael Coote).

The Coalition Agreement, announced in December 1996, has a telecommunications policy that says that competition issues should be addressed by the Ministry of Commerce and the Commerce Commission. But if they can't ensure competition, then the Coalition Government undertakes to produce policy guidelines on "interconnection, transparency and number portability and, if necessary, by amending the Telecommunications Act" (*New Zealand Herald*, 17/12/96). The policy also allows for the Commerce Act to be amended to allow for penalties when actions are brought by parties other than the Commerce Commission. The Telecommunications Users Association of New Zealand (TUANZ) welcomed the shift towards a more proactive Government involvement. But, all in all, the new Government (which looks strikingly like the old Government) holds no terrors for Telecom. Although the opposition might have a powerful new friend. Before the 1993 election, Winston Peters

money loser. Its 51% owned Australian subsidiary, Pacific Star (a joint venture with Bell Atlantic), ran up an \$NZ39.8 million loss, with further losses predicted of up to \$55 million - in previous years, it had been described as one of Telecom's great hopes. The blame was laid on aggressive pricing by its main competitor, Telstra. Telecom decided to wind down its Australian operations and started the process in January 1997 by selling PacStar Mobile, followed by laying off 122 staff immediately from Pacific Star Communications. Not only is Telecom quitting Australia, it announced that the rest of the world was of no further interest to it - after investigating opportunities in China, Vietnam and Thailand, in recent years. The world is no longer Telecom's oyster; it will have to be content with little old New Zealand. This was the poorest quarterly profit in nearly two years. Rod Deane, Telecom's chief executive officer, said: "Cost reduction will be a big issue for us this year" (*New Zealand Herald*, 19/2/97).

Nor was that all. In December 1996, Macquarie Equities Ltd, a Sydney based sharebroker, advised Telecom shareholders to reduce their holdings, saying the company lacked a coherent strategic direction and was protected only by a lack of competition in local calls (where Telecom holds 80% of the market). Macquarie said that competition in other sectors was taking its toll; for example, cellular revenue was down by 5%. It concluded that capital expenditure, at 19% of revenue, was 15% to 20% below that of "mature" telecommunications companies worldwide, proving that Telecom was not upgrading its network to the necessary global standard. Macquarie described this as "short sighted" (*New Zealand Herald*, 28/12/96). To rub salt in the wound, Standard and Poor's, the transnational credit rating agency, dropped Telecom's ranking from AA+ to AA, in February 1997.

And profit forecasts are down. Back in 1996, the 1996/97 profit was predicted to move inexorably up to \$800 million.

Now some analysts pegged that back to "just" \$730 million. Even Inland Revenue started paying attention to Telecom, announcing that it would investigate a 31.3 million share trade on the New Zealand stockmarket, in December 1996. A tax expert declared that it looked like "warehousing" (whereby overseas shareholders, who cannot obtain full benefit from tax imputation credits, sell stock to a local, who collects the tax benefit, and then returns it to the overseas shareholder, with dividends and some payments for tax credits). To put this into perspective, Telecom has 1.89 billion shares on issue.

Another major looming cost is the so-called "millennium bomb" ie the need to re-programme computers so that they can handle dates from 2000 onwards. Telecom is completely computer dependent and has the largest customer base in the country - 1.4 million lines, and around 400,000 cellular customers - so it is the most exposed of all major corporates. It has announced that it hopes to have the problem fixed by the end of 1998. The bill is expected to run into tens of millions. And in a landmark Auckland High Court ruling, in March 1997, Auckland City is legally entitled to charge Telecom business rates on its phone lines and phone boxes. Telecom had refused to pay since 1991 and now owes about \$3 million in rates. This has national implications for other councils seeking to charge Telecom rates on its 4,000 phone boxes and thousands of kilometres of phone lines.

The new feature in Telecom's nonstop collection and exporting of money is its announced buyback of up to 80 million of its own shares. Starting from February 1997, and spread out over a year, the company is spending up to \$1 billion to buy the shares, at the market price, doing so in conjunction with its quarterly profit announcements (February, May, August and November). Buying back your own shares used to be illegal, before the 1993 Companies Act which allows companies, which have re-registered in terms of its provisions, to engage in buybacks. Telecom will either cancel the purchased shares or hold them as what is called treasury stock. Financially, it is not a big deal. Warren Head's weekly *Business Insight* column in the *Christchurch Star* (20/11/96) accurately headlined it as "Buying back loose change". Telecom took pains to ensure that the buyback, the first major one in New Zealand, will not distort or manipulate the market.

But the November 1996 announcement of the buyback led to a drop in Telecom's share price. It fell 8% in eight weeks, meaning that the February 1997 price was back at the same level as that of August 1996. \$470 million of Telecom's capitalisation was wiped out in one February day alone (because Telecom so dominates the sharemarket, the fall in its share price dragged down the Stock Exchange's TeNZ fund, which tracks the top ten stocks. This emphasised again the shallowness and fragility of the New Zealand sharemarket). Indeed overseas institutions, which are major shareholders, are expected to use the buyback to exit Telecom and invest in other phone companies, such as Telstra, which will be partially floated later in 1997. The American Capital Group led the way by reducing its \$1 billion plus shareholding by one percentage point. This will lead to a further share

price fall. Why? Because the market had been expecting Telecom to spend up to \$1.5 billion, not a "mere" \$1 billion; because the buyback is spread over a year; and because for every share that it buys on-market, it will buy one off-market from its major American shareholders, Bell Atlantic and Ameritech. This latter move is necessitated by the need to keep their combined stake at no more than 49.9%, which was the limit set by the (Labour) Government when it sold Telecom in 1990. The American TNCs will collect a cool \$500 million without losing one fraction of their controlling stake.

Business analysts were particularly interested in this latter aspect. Kevin Hart in his *Keeping Account* column in the *New Zealand Herald* (16/11/96) was spot on with his headline: "Telecom careful to mind political toes". Hart asked: "Is Telecom using this as a device for the Americans to extract funds without diluting their shareholdings?... And why was there not an off-market, pro rata offer to all shareholders as was an option under the new Companies Act? The answer to that perhaps lies in Telecom having decided - for political expediency - on the \$1 billion scheme, finding this fell below 10% of the company's market capitalisation... This way, with the buyback being mainly on-market and answering Telecom's wish to lower its average cost of capital, it will be tax free to shareholders... And the company will remain within its target ratio of net debt to net debt plus equity in a 40 to 45% range. It is now at the bottom end of the range. There is also, of course, the not inconsiderable benefit - at least from the political perception viewpoint - of the resulting higher debt servicing costs reducing earnings. Profit will drop but diluted earnings a share will continue to move ahead because of the fewer shares on issue..."

So it's a carefully planned move. The American owners reap more windfall profits, without reducing their ownership or control one jot; the acquisition of higher debt means those politically contentious profits will drop a bit or, at least, appear to. But the greedy market does not want Telecom profits to drop at all, so the buyback scheme precipitated a fall in its share price, a fall which continued unabated for several months. Don't weep for Telecom just yet - it is still racking up super profits, at the rate of \$2 million per day. Just not the super-super profits predicted.

Service? Telecom Shafts Everyone - The Public, Its Workers, Even Santa

"If consumers had to give Telecom an end of year report card, many would probably have given the telecommunications giant a D for service during 1996. Not only did Telecom fail miserably this year to reduce the time it took to fix faults - it set new records for periods that customers went without service after repairing faults" (*New Zealand Herald*, 21/12/96; "Finding fault with the phone service"; Leanne Moore). Telecom offered two excuses - unusually wet Auckland weather and ongoing industrial action. "But the Ministry of Consumer Affairs, which keeps an eye on Telecom's post-privatisation performance, reckons these are pretty poor excuses for slipping from bad to worse in the fault fixing department" (ibid). The Ministry established that

the number of customers without service for more than 96 hours had more than doubled. The week before Christmas 1996, thousands of Auckland businesses were cut off for days because a digger cut a cable at the city's biggest exchange. Telecom's only suggestion was that it is a good thing that so many people have cellphones! In February 1997, tens of thousands of central city Christchurch customers were cut off three times, for hours on end, in the space of ten days. Telecom could offer no explanation - spokesman Peter Brittenden admitted, of the system: "It is a learning process" (*Press*, 27/2/97). So there you have it - the public pays Telecom while it learns how to operate its own business.

Telecom is adept at cutting and breaking things. In Wellington, contractors installing cable TV and phone wires for it have wrought havoc with the capital's water, sewer and stormwater pipes. Andy Foster, chairman of the Wellington City Council's works and environment committee said: "They are smashing the hell out of these (pipes). It's just hit and miss. They've had 180 strikes since October and another 20 so far this year" (*New Zealand Herald*, 5/2/97). The Council is looking at taking legal action against both Telecom and the contractors to try and recover the thousands of dollars in damages - homeowners are individually out of pocket and, in some cases, out of water, because of damage to the pipes connecting their houses to the mains.

So what is the real reason that Telecom's service continues to deteriorate? Ross Lambourn, a former Telecom faults department supervisor, says it's because they've laid off too many experienced staff and not invested in replacing cables (*New Zealand Herald*, 21/12/96). Larry Carter, BellSouth's managing director, says it's simply because Telecom is paying out too much in dividends and investing too little in technology. He echoed Macquarie Equities in concluding that Telecom's capital investment is way too low, while it chooses to pay out up to 95% of profit as dividends (with 80% of that going offshore). Carter specified the sort of technology that he meant: "Caller ID capability is not tomorrow's technology, it is not even today's technology, it is yesterday's technology in the world marketplace. ...The fact is that in this market the telecommunications customer does not have access to technology that is becoming fairly basic in other markets and others that they do have access to they pay an outrageously high price for, like ISDN right down to simple things like basic access line" (*New Zealand Herald*, 11/12/96; "New BellSouth chief slams Telecom reinvestment"). Actually, as of February 1997, Telecom does offer caller ID to all users - the principal beneficiaries are those accursed telemarketers, but that's another story (ironically, Telecom could not supply Christchurch customers who wanted to be fitted with caller ID, because it couldn't match demand).

Meantime, Telecom goes on happily shafting the public. In November 1996, it announced a new 50c flat rate for local calls, instead of 20c per minute. Sound good? It's a 150% increase, and will impact on callers like kids who simply want to ring Mum and Dad and tell them they're on their way home. Alliance MP Rod Donald accused Telecom of

profiteering; Telecom spokesperson Peter Brittenden responded: "The Alliance thinks we're making too much money, but we are running a business" (*Press*, 4/11/96). That same month Telecom nearly doubled the cost of its wiring maintenance charge (from 51c per month to 98c), saying that reflected the true cost. Andrew Bates wrote to the *Press* (21/11/96): "How many instances of socket-wiring malfunction could suddenly justify this? Yet the sudden injection of funds into the Telecom coffers is amazing. Suppose there are just 500,000 recipients of this service. Over 12 months Telecom would suddenly receive an extra \$2,820,000 in revenue to add to its hefty profits". Jocelyn Ching wrote to the *Press* (16/11/96): "As parents whose children attend Shirley Playcentre up to five mornings a week, we are appalled that Telecom is unable to offer us a telephone for safety reasons at the residential rate, rather than the business rate which few cooperatives like Playcentre can afford long term...If Telecom is so sincere in its commitment to education, and with its large profits, why can it not allow a residential rate phone line to centres like ours? We are not a business in the sense of generating profits..." Telecom is sensitive to criticisms in fora such as Letters to the Editor. Clive Litt, media communications manager, wrote to the *Herald* (4/2/97) defending Telecom from criticism of its line rental charges, pointing out that the beneficent TNC supplies us all with free phone books, free directory assistance and free local calling. Tug those forelocks, peasants! And free directory assistance might soon be a thing of the past. In March 1997, Telecom broadly hinted that it might start charging - but only those "who use it too much".

The list of customers shafted by Telecom transcends the merely real world into the mythological. Murray Hunter wrote to the *Herald* (4/1/97): "Telecom cancelled its Santa line because it was not economic. Then Clear set the standard and opened a Santa line. Surprise, surprise, Telecom decided in Christmas spirit to reintroduce the Santa line. Give praise where it is due and credit Clear for the joy given to two million child callers this year. Then it will be clear to all readers why we had the Santa line in 1996 and will beyond..."

But does Telecom care about any of this? As Alliance MP Laila Harre, the party's consumer affairs spokesperson, said: "It's no use the Minister (of Consumer Affairs) calling Telecom in for a cosy chat - the company just doesn't care because it doesn't have to care" (*New Zealand Herald*, 21/12/96).

One sector in a position to hurt Telecom and its all important profits is its own staff (still being made redundant at the rate of several hundred per year, as part of the five year 40% "downsizing" programme). 1996 saw several months of industrial action over contract negotiations. The previous contract expired in July 1996 and a new one was proving very difficult to settle, given Telecom's desire to extensively claw back conditions and millions of dollars in wages. The union was seeking an across the board 5% pay rise; Telecom was offering 2%, to some staff only. An uneasy peace held for four months, but then, just before Christmas, 1,600 maintenance and construction workers resumed industrial

action. In Christchurch, faults staff banned overtime and callouts. This came to a head in February 1997, when Telecom indefinitely suspended ten Christchurch workers from its design, build and maintenance business unit. This immediately led to nearly 1,000 staff, in the South Island, Palmerston North and Auckland, striking for 24 hours in support of the ten. The Christchurch workers, including the ten suspended, returned to normal duties after the 24 hours. Immediately, 20 Auckland workers were suspended for working to rule, leading to a further 80 walking out in support. Within 24 hours all striking or suspended workers had returned to work. In March, the Engineers Union announced that it was resuming its campaign of industrial action, which would include going slow, working to rule, disruption to normal work and lightning strikes.

In light of the poor quarterly profit announced in February 1997, Telecom called on its American owners to help in a cost cutting drive. Experts from Bell Atlantic and Ameritech will help a crack team headed by chief financial officer, Jeff White. Workers immediately feared, with good reason, that Telecom will try to cut their wages and/or further attack their conditions. Engineers Union advocate, Suze Wilson, said: "With the contract proposed for the design, build and maintenance unit, they are trying to take \$4 million directly from staff pockets. ..Telecom's position that its profitability was irrelevant to employment conditions was a view that most New Zealanders would regard as greedy and arrogant... They have made greed into a high art form... The staff are the people that make Telecom profitable and they deserve better treatment than this from their management..." (*Press*, 13/2/97; *Herald*, 19/2/97). The fact is that all of us deserve better treatment from Telecom.

Cellphone Towers. Stuff The Little Children

As of the end of 1996, New Zealand has 410,300 cellphones. For several years, Telecom (and, to a lesser extent, the other phone TNCs) has been involved in messy and angry confrontations with communities all over the country over plans to build an urban network of cellphone transmission towers, invariably in close proximity to where people live, work, shop, or go to school. The jury is still out on the scientific basis for public apprehension about the towers - the Environment Court has consistently upheld the companies' case - but a growing number of local and national politicians are backing the "precautionary principle". Christchurch has been in the forefront of these battles (see previous *Watchdogs*). Telecom has settled out of court with Templeton residents who opposed the visual impact of a proposed tower. A Bishopdale resident withdrew his appeal to the Planning Tribunal over a tower there, because he felt it would have ruined him financially: "The New Zealand justice system favours those people or firms with very big bank accounts" (*Christchurch Star*, 5/2/97). But another resident took up the cudgel and has asked the Ombudsman to review the Christchurch City Council's June 1996 approval of the tower.

None of these towers have been built yet, and political opposition to them is mounting. Dr Neil Cherry, the Canterbury

Regional Council's resource planning committee chairman, and a longtime expert on the cellphone tower issue, wants the Council to take a role in the issue, treating it as an air quality issue. He attacked the fact that New Zealand has adopted Australian standards for electromagnetic radiation, and that these were set by a committee dominated by industry and user representatives. "Can you imagine the safety of drugs being regulated by drug companies or the health effects of smoking being decided by the tobacco companies?" (*Christchurch Star*, 20/11/96). Neil Cherry says people should not have to prove that the towers cause them harm, and cited the "prudent avoidance" aspect of the Resource Management Act. Currently, only city and district councils deal with tower consent applications; regional councils are not involved.

Cherry's research has earned him a high profile in Australia, and led to an extraordinary attack on him by the Australian Communications Minister, Richard Alston, who called him: "a rabid populist...a shameless charlatan... a snake oil merchant" (*Press*, 7/3/97). This outburst led to the unusual decision to give Cherry the right of reply in the Australian Parliamentary Hansard. "If there was no problem, why is the Australian Government allocating \$A4.5 million to researching the health risks of the towers?" (*ibid*).

Nowhere has the battle been more bitter than at schools. Firstly, Telecom offered money to individual schools to be allowed to erect towers in playgrounds. Nationally, six accepted. There was controversy and the Ministry of Education adopted a policy banning any more. Then Telecom started acquiring sites very near school boundaries and the fight got very dirty. Both Green Bay Primary, in West Auckland, and Shirley Primary, in Christchurch, threatened to close down (affecting 100 kids in each case) if Telecom's proposed towers were built near their boundaries. Toby Easton, chairperson of the Green Bay board of trustees said: "They're radiating kids who can't put on sunscreen to protect themselves from microwaves" (*Listener*, 14/12/96; "Out, damned Spot: Locals take on Telecom over plans to site cellphone towers in their communities"; Bruce Ansley). Telecom wrote saying that the Green Bay objectors could be personally liable for costs; undaunted by this threat, the parents formed an incorporated society to fight on.

Watchdog 82 detailed the battle between Shirley Primary and Telecom in the first few months of 1996. It flared up again towards the end of the year. Telecom had bought a site from the Masonic Lodge, only 15 metres from the school boundary, and neither it nor the Masons was prepared to reconsider, despite the opposition. The school's board of trustees wanted to appeal the Christchurch City Council's consent, in the Environment Court, but the Ministry of Education declined to fund it (estimated cost - \$50,000). So, in November 1996, the principal announced that the school would close if the tower is built next door. This would affect 100 kids - 30 families had already enrolled their children elsewhere. Despite providing the school with \$12,000 a year from its (\$20 million per year) school connection programme, Telecom's name stinks at Shirley. Board chairperson Jeanette Lawrence said: "Here Spot is a rottweiler" (*Listener*, *ibid*).

Now, closing a school is a drastic step and all sorts of worthies stepped in to try and sort out the problem. A meeting was set up but Telecom pulled out when it discovered the participation of Neil Cherry and Alliance leader Jim Anderton. However, it agreed to attend a closed meeting with the board, minus the politicians (although Mayor Vicki Buck did chair a public meeting on the issue). The outcome was that both parties agreed to ask the Environment Court for a six month deferral of its hearing, to allow Telecom to look at up to eight possible alternative sites. However if no alternative could be found, Telecom would offer to reduce the level of emissions from its Masonic Lodge site. The board said that it didn't want any tower anywhere near the school, but as the whole thing had been effectively deferred until 1998, the 30 families would re-enrol their kids at Shirley for 1997 and the school would not close.

The board thanked politicians who had taken their side (Anderton, the Mayor and Labour's Tim Barnett, MP for Christchurch Central). Buck pronounced herself unconvinced by Telecom's assurances: "I'm not satisfied the towers have no detrimental effects...I'd rather we didn't experiment and find out in ten years time that we should have put the cellphone

towers further away from people" (*Listener*, *ibid*). The Christchurch City Council is changing its rules to make it much harder to put a tower within 300 metres of a living zone.

Appropriately, University of Canterbury research may alleviate the problem. CES Communications of Christchurch, based on the research, has patented a digital communications device that only requires about a quarter of the electromagnetic power of existing technologies, and hence emits much less electromagnetic radiation. (There could be another, more drastic solution - a University of Toronto study found that cellphone users are four to five times more likely to get into traffic accidents than non-users. The study concluded that cellphone use in cars is as dangerous as drink driving).

What is needed now, for all of us, not just involuntary neighbours of cellphone towers, is a drastic reduction in the arrogance and bullying by the root cause of the problem - Telecom. Plus a drastic reduction in the frantic export of super profits. Accompanied by a dramatic increase in basic service and accountability by Telecom, backed by much greater regulation by Government. That would do for starters.

AMERICAN TNC TO ABANDON RUNAWAY TOXIC MINE

And Tries To Bankrupt Coromandel Watchdog

North Islanders jealous of the South Island's galloping glaciers can breathe again - you've got an unnatural wonder all of your own (and you can keep it). Since the end of 1995, the tailings dam at the Golden Cross gold mine at Waitekauri, on the Coromandel Peninsula, has been on the move. The American owner, Coeur d'Alene, was first warned not to purchase the mine back in 1993 because of major structural flaws in the tailings dam. The warning came from Peninsula Watchdog (now Coromandel Watchdog of Hauraki).

By mid 1996, the leaky tailings dam was in danger of spilling huge quantities of toxic waste, including cyanide regularly 50% over the legal limit set by the Waikato Regional Council. Coeur Gold New Zealand admitted that the ground beneath the dam is unstable; that the ground was moving when it purchased the mine; that movement accelerates after heavy rain; and that the integrity of the dam cannot be guaranteed. According to Coeur's own engineers, the ground has moved down slope by 300 mm in four years. By then, the top of the dam had slumped by nearly a metre, leaving the cyanide laden contents only 300 mm from spilling out.

All this affected the mine's output and profit. For the quarter ended September 1996, gold production dropped significantly (down 29% on the corresponding quarter the previous year), while costs soared, and gold prices dropped. The company was losing \$50,000 per day while it tried to fix the dam. While the New Zealand subsidiary was making "she'll be right"

noises, the American parent was stating the obvious, saying the mine "is not expected to continue after the end of 1997" (*New Zealand Herald*, 13/11/96).

The company then started to speculate on when, not if, the mine will close. Latest word is that it will be no later than April 1998, because the dam will then be full and it would take too long to get the necessary resource consents, from the Planning Tribunal, to increase its capacity. Coeur has already spent \$21 million on remedial work on the dam, with no end in sight. In 1996, it raised the lip of the dam by one metre under emergency procedures (with retrospective consent), and was given approval to raise the dam by a total of five metres to contain the growing lake of toxic waste. The company started laying on sob stories about how closure would cost the jobs of 165 staff and 65 contractors. By early 1997, Coeur was saying: "We have recently reduced exploration expenditure and we are not doing any further prospecting in the valley this year" (*New Zealand Herald*, 20/2/97). In March, the company called for voluntary severance applications from staff and followed that by making 39 workers immediately redundant. For its part, Coromandel Watchdog pointed out that the company could save jobs by committing its workers to the task of shifting the tailings dam.

The company committed itself to sealing and rehabilitating the dam site following closure, a process that could take five years and cost tens of millions of dollars. Coromandel

Watchdog filed a case in the Environment Court, with a hearing set down for March 1997, but then sought an interim order in the High Court to have work on the dam stopped immediately until that hearing. But, in December 1996, the High Court dismissed Watchdog's application and awarded \$5,000 costs against it. Watchdog was then left to decide whether there was any point proceeding with the costlier Environment Court hearing.

Watchdog has consistently warned of the dangers posed by this unstable tailings dam (globally, the mining industry is littered with dam disasters. The most recent example was the Marcopper mine in the Philippines, in 1996). Watchdog pointed out that the cost of shifting the tailings to a new and safer site would exceed \$100 million, but the company's performance bonds posted with local councils only total \$12 million. Watchdog spokesperson, Mark Tugendhaft, said:

"If the dam breaches, there will be catastrophic damage to the environment and property when thousands of tonnes of toxic sludge pour down the Waitekauri valley. It is outrageous that the authorities have allowed Coeur to continue to dump more waste into an unstable dam. Coeur have written off the mine as an asset and declared it unprofitable. If they walk away from their responsibilities to clean up their mess, the New Zealand taxpayer will have to pay" (press statement, 11/9/96). The US Federal Government has introduced a new law requiring mining companies to be responsible for 100% of the cost of restoring land disturbed by their activities (there are 500,000 abandoned mine sites in the States; 2,000 of them in national parks). Mark Tugendhaft said: "If it's good enough for Coeur d'Alene Mines Corp to have to provide bonds in the US, the New Zealand government and Waikato Regional Council must insist on the same protection for our environment" (*Waihi Leader*, 11/3/97).

The usual story is for mining transnationals to walk away and leave the lucky host community with a hole in the ground. In Waitekauri's case, they will get the lasting legacy of a dangerously unstable toxic lake as well. Coeur was repeatedly warned not to buy this pig in a poke; now it must clean up the resultant mess.



Mark Tugendhaft

Coeur may be going but not before lashing out. In March 1996 it sought over \$85,000 costs from Coromandel Watchdog because of a legal challenge from the latter to the Golden Cross mine. The Planning Tribunal awarded Coeur \$20,000 because Watchdog's case "lacked substance". Watchdog immediately appealed. But, 11 months after the case, Coeur suddenly served Watchdog with papers demanding payment of the \$20,000 within seven days, saying that failure to do so would result in the winding up of Coromandel Watchdog (an incorporated society) and legal action against individual office holders. Watchdog applied for a stay of judgement until its appeal is heard. Paying the \$20,000 would financially ruin Watchdog. Mark Tugendhaft said: "This is bully boy intimidation, and totally at odds with the New Zealand concept of voluntary organisations acting in good faith to protect the environment" (*New Zealand Herald*, 14/3/97).

Coromandel Watchdog of Hauraki can be contacted at 35 Albert Street, Whitianga; ph (07) 8664077; fax (07) 8662900. Donations are sought for its legal battle with Coeur d'Alene.



THANKS, MARTY

Since 1993, *Watchdog* has been laid out by Marty Braithwaite. He worked on it in his own time and for minimal reward. It's thanks to him that it has become such a professional looking newsletter. Unfortunately, the pressure of being a fulltime union official, plus time consuming university work (studying law), has meant that Marty can no longer do it.

Not only has Marty laid out *Watchdog* for us for several years, but the three books we've published - Murray Horton's "In Deep Water?" and "Clearcut", and Dennis Small's "The Cost Of Free Trade" - plus innumerable flyers and leaflets for ourselves and related groups. In that time he also became the layout artist for the Anti Bases Campaign's *Peace Researcher* and the Philippines Solidarity Network of Aotearoa's *Kapatiran (Solidarity)*. So he is a great loss, not only to CAFCA, but to the broader movement. We offer heartfelt thanks for years of a job done extremely well. All that we ask is that you don't forget us when you're Mr Justice Braithwaite.

COMALCO

New Zealand

Comalco New Zealand has finished its \$465 million Tiwai Point (Bluff) smelter expansion (slightly under budget). The whole project took 30 months, and put \$139 million into the Southland economy (CAFCA and others have never denied that Comalco's presence has benefited Southland; unfortunately, it's bad for the rest of the country). The expanded smelter will reach its production capacity of 313,000 tonnes of aluminium by mid 1997, compared to the previous 270,000 tonnes per year. Now that the job is over, Comalco is looking at cutting staff numbers, specifically in support and services work. The company wants to cut costs, with job losses being the traditional tool of choice.

(Upgrades are all the fashion - Tiwai Point gets its electricity from the Manapouri power station. ECNZ has announced a four year, \$200 million upgrade of Manapouri, to increase its peak capacity from 585 megawatts to 760MW. In December 1996, ECNZ secured resource consents for water, coastal and discharge permits for the next 35 years of Manapouri hydro power generation).

Some Tiwai Point workers have put Comalco in the public spotlight for all the wrong reasons. Worldwide, aluminium smelter workers are prone to potline asthma. This came to a head in October 1996 when Don Chalmers, a former Tiwai worker, threatened New Zealand Aluminium Smelters Ltd (the Comalco subsidiary which operates Tiwai Point) with a \$4 million suit after he contracted potline asthma. Chalmers worked at the smelter for five years from 1990, spending eight months in the pot room. When diagnosed with potline asthma, he was transferred to the company's transport services group. This is the practice for all potline asthma sufferers at Tiwai Point - 24 former smelter staff now work in transport services (previously called the rehabilitation centre), operating a courier and passenger service between Invercargill and Tiwai Point. All in all, about 50 workers have suffered potline asthma in the smelter's 25 years of operation. Dr Chris Walls, an Occupational Health and Safety occupational physician, said: "My personal experience is that Australian, New Zealand and Scandinavian smelters are probably more proactive in trying to control potline asthma than most other countries...Tiwai recognises the problem, carries out surveillance to identify it and tries to control the problem by engineering means as well as medical treatment" (*Press*, 30/10/96).

Chalmers was sacked by NZAS in October 1996 - he had last worked 12 months previously, and had continued to be paid a salary. The company claims that it sacked him because he had been declared medically fit to return to work, but refused to do so. The Chalmers case, and the plight of other sufferers from potline asthma, attracted considerable media coverage, particularly from TV.

Tiwai Point was in the news for all the wrong reasons again in January 1997. A computer programme, written by Comalco staff, failed to recognise that 1996 contained 366 days, and automatically shut down the smelter's process control systems on January 1. Aluminium smelters require continuous production, which is why they want uninterrupted electricity supply; shutdowns cause expensive problems. Five of Tiwai Point's smelter cells overheated and had to be replaced, at a cost of around \$1 million. The same programme was used at Comalco's Bell bay smelter in Tasmania, with the same result - but the Australian smelter had a two hour warning built in, which prevented any damage. Comalco downplayed the whole embarrassing mess, saying costs and disruption were minimal.

Rendering workers asthmatic and failing to know what year it is has not stopped the meteoric rise of Kerry McDonald, Comalco New Zealand's managing director. In November 1996, he became the new chairman of the Australian-owned Bank of New Zealand, having been a director since 1991.

And Comalco is still fighting old battles. In September 1993, TVNZ's then *Frontline* programme took a look at Comalco. It was much tamer than a 1989 TVNZ documentary, but it still got up the company's nose (it got up ours too for its extensive but unattributed use of our material). Comalco has been waging an unpublicised court battle with TVNZ for several years, with important implications for current affairs investigative filmmaking. Comalco appealed to the Broadcasting Standards Authority and lost. So then it appealed to the High Court, alleging that TVNZ had been unfairly selective and that the programme lacked balance and objectivity. Comalco went to the Court of Appeal to force TVNZ to release background material compiled in preparing the programme; then asked the High Court to rule that it could include that material in its appeal. The High Court ruled, in November 1996, that some of the background material could be included in Comalco's appeal. TVNZ complained that Comalco had now secured four volumes of documents and 13 videotapes from it. Comalco also tried, unsuccessfully, to include affidavits from four "experts" in media communications, to support the company's case against the Authority's decision.

All of which goes to show that Comalco is one very thinskinny transnational.

If you want to see what upset Comalco so much, we have the 1993 Frontline programme. Indeed we also have the longer, better and tougher 1989 TVNZ documentary. You can hire either of them for \$10, including postage, for one week. Make cheques to CAFCA, Box 2258, Christchurch. Ed.

Australia

1996 was not a great year for Comalco, (the parent of Comalco New Zealand and major owner of New Zealand Aluminium Smelters). In February 1997, it announced a 1996 annual loss of \$NZ19.3 million. This was a much worse result than expected. For the first six months of 1996, Comalco had recorded a net profit of \$NZ49.3 million and had forecast an annual net profit of maybe \$NZ37 million. It is even worse when compared to 1995's profit of over \$230 million.

There were several reasons for this major loss. One was its November 1996 decision to end kaolin production. Comalco was Asia's biggest supplier of kaolin clay, used in paper manufacturing. Another was higher smelting costs, particularly at Tiwai Point. A Melbourne-based analyst said: "They have seriously screwed up their costs" (*Press*, 22/2/97). Globally, weak aluminium prices contributed - they fell by 16%, on average, in 1996.

The new buzz word is consolidation, not growth. This will affect Comalco's plans to build a new \$A3 billion alumina refinery. As per usual it was playing off countries against each other - Queensland and Malaysia, in this case. It had set June 1997 as the deadline for the site decision. But the big annual loss put a damper on those plans. A January 1997 memo to Australasian smelter employees said that a six month review of operations had led to a "very significant change in direction for Comalco smelting. Put simply, we are no longer following a growth strategy. The business units must now concentrate all attention on operating smelters efficiently and at lower cost" (*New Zealand Herald*, 19/2/97). This had already led to some layoffs at Tiwai Point and at Tasmania's Bell Bay smelter.

But Terry Palmer, the chief executive, denied that Comalco has any plans to sell its smelting division. Indeed, Comalco has pursued a strategy in recent years of selling off its downstream operations, to concentrate on core production and smelting. In 1995, it sold Commonwealth Aluminium, its American subsidiary; followed by its Australian extrusion and distribution interests, plus its New South Wales rolling and recycling mill.

PNG Explodes Over Bougainville

The biggest headache for Comalco's parent, the merged Rio Tinto Zinc/Conzinc Rio Tinto (RTZ/CRA) has been the forcible closure of the Panguna mine by the Bougainville Revolutionary Army (BRA) for the past decade. BRA has resisted all attempts by the Papua New Guinean military to force its reopening. Despite a murderous war and blockade which have killed thousands, the mine remains shut. But PNG Prime Minister, Sir Julius Chan, also tried another approach - his Government offered to buy out RTZ/CRA's 53.9% holding of Bougainville Copper Ltd for an undisclosed amount. Should that proceed, it would allow PNG to regain control of the mine and settle the landowner disputes over royalties that triggered the war of independence in 1988. That is the theory. The reality, after nine years of a very bitter war,



might be very different.

PNG's latest desperate manoeuvre was to recruit foreign mercenaries, from a South African company (hang your head in shame, Nelson Mandela) to try to do the job. And it cast doubts on the real motives for PNG's offer to buy out RTZ/CRA. "Financial analysts think that it would make sense for the PNG Government to buy the mine only if it already had a buyer ready and waiting. Is Executive Outcomes, the company organising the mercenaries, involved at this point? Elsewhere it has taken mining concessions as part of its payment for the supply of mercenaries. Is there corruption in the mine deal, if there is a deal?..." (*Press*, editorial, 14/3/97; "Dangerous games"). Dangerous games indeed - in March 1997 Port Moresby exploded with a military demand that the Prime Minister resign, backed by rioting in the streets. The company, recognising the danger, denied that it had anything to do with the half baked mercenary scheme. But it was too late and the dogs of war were ignominiously booted out of the country (very much richer, nonetheless). The PM was forced to resign, as well.

And the root cause - RTZ/CRA and its Bougainville mine. Francis Ona, the leader of the independence struggle and President of the Bougainville Interim Government (and prime target of PNG's hired assassins) said: "Without independence, PNG will enforce mining on Bougainville. We truly believe that all of Bougainville is under threat of destruction by these foreign companies of mining... We believe that people's lives, social life, political or whatever, and the environment, will be disturbed by all these mines... We

are standing for independence because only through independence all these mines will be under control..." (*Time*, 10/3/97: "Resolute Rebel"; interview with Wayne Coles-Janess). "...Everybody in the outside world must understand that we are not just fighting a war with Papua New Guinea - we are fighting a war with CRA as well..." (*Press*, 27/3/97; "'Bougainville - the Vietnam in NZ's own Pacific neighbourhood"; interview with Kevin Ricketts).

Latin America

One immediate result of Comalco's emphasis on consolidation, not growth, was its December 1996 decision to withdraw from the joint venture with Canada's Noranda that was looking at building an integrated hydro-electric powered aluminium smelter in southern Chile (Comalco has been toying with Chilean projects for several years). However, Comalco is not wholly abandoning Latin America, saying that it remains interested in the \$NZ3.5 billion privatisation of the Venezuelan aluminium industry.

But Comalco's parent company, RTZ/CRA, is certainly not pulling back from Latin America. The British transnational, which is now the world's biggest mining company, has been active in that continent for many years. A spokesman said: "We have quite a large acreage under exploration and it is growing" (*MMLA*, Spring Supplement, 1996). In December 1995 it bought the Oreganal thermal coal mine in Colombia.

And, as per usual, RTZ/CRA features in one of the worst environmental horror stories in Latin America. It is a 32% shareholder in the appropriately named El Porco zinc mine, high in the Bolivian Andes (62% is owned by Bolivian President, Gonzalo Sanchez de Lozada; the remaining 5% by the World Bank). The 1996 collapse of a dam at the mine released 400,000 tonnes of toxic sludge which polluted 300 kilometres of rivers. The sludge contained iron sulphide, lead, zinc, cadmium, copper and arsenic. Alain Schollaert, a European Union scientist, said: "The rivers are totally dead. They are completely polluted and have a strange silvery sheen" (*New Scientist*, 23/11/96; "Toxic sludge flows through the Andes"; Rob Edwards). El Porco mine has been closed since the disaster.

The World

Globally, things are not going so well either. The aluminium transnationals are not big fans of market forces. In the early 1990s the "peace bonus" of Russian aluminium production being switched to civilian use rather than military was most unwelcome news for the TNCs, which saw the world market being flooded with Russian aluminium. Did they leave it to the market to sort out? Hell, no - they got their governments to lean on Russia and sign a 1994 Memorandum of Understanding reducing annual production by 10%. It also committed the Western signatories - Canada, the US, Australia, and European countries - to cut their production by 10%. The MOU, a target of an antitrust investigation by the US Justice Department, expired in March 1996, with a global total of 1.8 million tonnes of production capacity idled,

and is unlikely to be repeated.

So that means the global aluminium industry started 1997 with a ten week stockpile, (seven weeks is considered the maximum). This will inevitably mean a drop in the price for aluminium. Vahid Fahti, an American analyst said: "It will take a lot of economic activity to chew through aluminium supplies...Another Memorandum of Understanding would be perfect. In the absence of that, forget about aluminium prices this year" (*New Zealand Herald*, 29/1/97).

The industry fears that the restarting of the idled production capacity, over the next two years, plus the entry into the market of new producers, will lead to a major oversupply of aluminium and a plummet in the price. Jim Southwood, of Commodity Metals Management, told the Australian Bureau of Agricultural and Resource Economics annual commodities conference: "With nearly a million tonnes of capacity still idle and a similar amount under construction, smelter output increases could easily overwhelm expected demand growth" (*Press*, 5/2/97).

New producers continue to come on stream. For example, Nigeria is opening a \$US1.5 billion smelter in 1997, adding 193,000 tonnes per year to global production. And new alliances are being forged - in August 1996, two Russian smelters (both amongst the largest in the world), a Kazakhstan refinery, a Russian commercial bank, and a British metals trading organisation, came together as Siberian Aluminium. This link between huge Russian producers and Western interests will further boost global output.

In short, things are not looking so rosy for the aluminium transnationals and specifically for our old bete noire, Comalco. They'll be crying all the way to the bank. But the parent company is concerned with weightier matters. It is changing its name from RTZ/CRA to Rio Tinto. We think a combination of the initials to spell CRAZY would be more appropriate.



FORESTRY

Forestcorp Sale: The Winners

Watchdog 83 detailed the scandalous sale of Forestcorp, just before the 1996 election. The reverberations continue from that. Geoff Fischer, a lecturer in Rotorua's Forest Education Centre, wrote a lengthy *Dialogue* article in the *New Zealand Herald* (16/10/96) entitled: "Forest sale could have done better: Benefits claimed are merely assertions unsupported by any real evidence". For his *Key Points*, see the accompanying box.

Less than three months after the August 1996 sale, Brierley's (one of the three partners in the transnational consortium which bought it) was bragging that Forestcorp was worth significantly more than what it had paid. Chief executive, Paul Collins, said the company's \$160 million investment was worth 30% more than what Brierley's had paid for it. Alliance leader Jim Anderton said this was proof that Forestcorp should not have been sold: "The sale of our forests was a grossly incompetent raid on public coffers by the National Party" (*Press*, 23/11/96).



KEY POINTS

- Very little investment in processing has resulted from state forest sales.
- By privatising forests the Crown might reduce its exposure to the market but the economy is no less exposed.
- The economic risk may even be greater if private owners do not care for the forests as well as the state has.
- Properly calculated, the investment costs saved by the Crown would be less than the \$200 million the Government has received annually from the Forestry Corporation over the past five years.
- The Crown could have sold the forest in smaller lots over many years to create a stronger forest industry with higher employment and lower economic risk.

Never mind. Our old mates, the consultants, did very nicely out of the sale - to the tune of \$2.8 million - with the bulk of that going to merchant bankers SBC Warburg (just part of the \$24.1 million that the Crown spent on consultants' fees in 1996). Two Maori groups received \$300,000 between them; law firm Buddle Findlay got \$118,000 and the Crown Law Office \$163,000.

Alliance Petition Rejected

The Alliance campaigned hard on the Forestcorp sale, indeed the party made this its highest profile issue during the election campaign. The Alliance circulated a petition calling for a citizens initiated referendum to reverse the sale - such a petition requires 10% of registered voters to sign (or 240,000 voters). The petition was widely circulated (we sent it out with *Watchdog* 82) and prior to the election, the Alliance presented 240,000 signatures to the Clerk of the House. It was an impressive achievement, a triumph in fact.

But in December 1996, the Clerk announced that 43,000 signatures had been rejected as invalid, for a variety of reasons, and that if the Alliance wished to proceed, it would have to get that number of signatures back to the Clerk by the beginning of February 1997. Jim Anderton initially pledged an all out effort to get those signatures but then thought better of it. Instead, the Alliance announced that it would introduce a Bill into Parliament to buy back Forestcorp. Anderton put the blame squarely on New Zealand First for welching on its extravagant pre-election promises to stop the sale, and said that the Bill would force New Zealand First to vote for or against its introduction. "The proper place to debate those issues is in Parliament, where New Zealand First can be held accountable for its betrayal over the forests" (press release, 30/1/97; "Alliance To Move Forestry Buy-Back Bill In Parliament"; Jim Anderton). Anderton committed the Alliance to keep campaigning to return Forestcorp to New Zealand ownership, and thoughtfully provided an accompanying sheet entitled "What Winston Peters Said About The Sale of Forestry Corp - Before He Became Treasurer". One such quote will suffice: "The day after the election those assets are coming back to the New Zealand people; they are coming back to those who really own them - the hard working taxpayers of this country". Ah, Winston, but that was then. This is now.

Hikoi

But the Alliance and the Parliamentary/petition/referendum road is not the only manifestation of opposition to the Forestcorp sale. Following the annual protest activities at

Waitangi, in February 1997, Maori activists set off on a hiko (protest march) from Waitangi to Rotorua, to confront Fletcher Challenge Forests (the major partner in the consortium which bought Forestcorp) at its headquarters and demand that the forests, including Kaingaroa, the jewel in the Forestcorp crown, be turned over to Maori as the basis for their own development. After seven days on the road, the 500 strong hiko performed a "ferocious haka" outside Fletcher Forests office. Spokesperson Annette Sykes said: "Fletcher's has managed to achieve in the last year what we have been struggling to do for a long time. The just owners of the forests are right here today and we are demanding the immediate return of our land" (*New Zealand Herald*, 13/2/97). For its part, Fletcher Forests general manager, Russell Dale, told the crowd that the company supported the resolution of land claims, and did not seek ownership of land covered by Crown forest licences.

The Big Boys Sack Staff But Don't Plant Trees

For its part, Fletcher Challenge has been rearranging its affairs to more comfortably digest Forestcorp. For starters, Fletcher Challenge Forests sold its Hikurangi Forest, on the North Island's east coast, to Glenealy Plantation, of Malaysia, for \$210 million (see the *December 1996 Overseas Investment Commission decisions* - "Fletcher's sells Hikurangi Forest to Glenealy of Malaysia to pay for Forestcorp" - for full details, particularly of the new Malaysian owners. Ed). And, in the time honoured tradition beloved by transnationals, it decided to make redundant 120 management and administration staff in Auckland and Rotorua. Fletcher Forests said that it expected the full integration of itself and Forestcorp to take up to three years, but to save the company at least \$18 million annually.

Nor is Fletcher the only forestry giant to be sacking staff. In December 1996, its American-owned rival, Carter Holt Harvey, announced a modernisation of the huge Kinleith Pulp and Paper Mill. The closure of one of the paper machines will cost 150 jobs, with another 150 to go over the next two years through staff restructuring. Labour's Taupo MP, Mark Burton, urged the company to employ Tokoroa locals on the modernisation rather than letting contractors import their own workers.

Of course, the Forestcorp purchase enabled Fletcher to leapfrog Carters and become the single biggest plantation forest owner in New Zealand - it holds 380,000 hectares (25.7% of the total), to Carter's 325,000 ha (or 22%). Hold is the key word in describing the philosophy of the forestry transnationals - it's not them that are doing the new plantings. In 1996, according to a Ministry of Forestry survey, 81,500 ha of new forests were planted. The Big Boys contributed 23% of that; but non-corporate investors planted a whopping 77%. And this optimism by the new small players is despite a

consistent record of projected returns being too optimistic (according to a study of forestry investment from 1990-95, carried out by Forest Research Institute economist, Dr Gerard Horgan, on behalf of promoter Greenplan Forestry).

Malaysians

Asia is presented as the principal market for all of New Zealand's forestry output (plus all that of Australia, Chile and Brazil). And increasingly, the new owners of New Zealand's plantation forests are Asian, with Malaysians becoming well represented. As already stated, Glenealy (of Sarawak) has bought the Hikurangi Forest. The biggest and most controversial of them all, Rimbunan Hijau, has been represented in New Zealand by Ernslaw One since 1990. The conglomerate is owned by the Tiong family, of Sarawak and Singapore, which is Malaysia's richest family, and is worth an estimated \$4.9 billion worldwide (according to the *National Business Review's Rich List*, 19/7/96). By means of diversification, the Tiongs have bought two radio stations - Talk Radio Bay of Plenty AM1521 in Tauranga and Talk Radio Bay of Plenty 99.1FM in Rotorua (they're fond of media ownership, having established their own paper, *The National*, in Papua New Guinea).



And it is in Papua New Guinea that Rimbunan Hijau shows its true colours. *The Independent* (23/11/96) reported that the former director of the PNG National Forest Authority, had said: "There are enough violations (at a Rimbunan Hijau project in Western Province) to permit for the issuance of a show cause letter to be drafted for my signature. But I was advised that if I take the show cause option, I will end up having to suspend the project. The country cannot afford suspending projects during this difficult financial situation the PNG Government faces" (in other words, the loggers have the Government over a barrel). A *Post-Courier* headline (8/1/97) declared: "Loggers told: Get real or ship out". One specific gripe was that, in 1993, Rimbunan Hijau had publicly promised to set up a 150 million kina downstream processing plant outside the National Capital District. Nothing has been done.

The Minister of Commerce and Industry put it in a nutshell: "The main problem is that 90% of large timber companies' operations revolve around exporting large volumes of unprocessed logs to overseas markets at the expense of establishing downstream facilities and feeding logs to them" (*ibid*). Sounds depressingly familiar to New Zealanders.

And this is the calibre of those who are taking over more and more of our forests. We will need to fight back with all the means at our disposal, from hiko to petitions, if we are to preserve local ownership of one of the biggest sectors of our economy.

WASTE MANAGEMENT

Watchdog 79 and 80 (1995) detailed the highly controversial global and New Zealand record of Waste Management (WM), the aggressive American company that is the world's biggest garbage transnational. Since then it has continued its expansion throughout the country, where it has a bigger presence in the North Island. It operates the country's biggest landfill, at Dairy Flat, north of Auckland. WM does 60% of the waste management for Auckland City (one of three Auckland cities); collects rubbish and does recycling for North Shore City; and has a new five year contract to manage Hamilton's rubbish transfer station and haul rubbish to landfill areas. Plus it has a five year contract to collect Hutt Valley Council rubbish. It does contract work for Wellington, Wanganui and New Plymouth. But WM is much smaller in the South Island, doing contract work for the Waimakariri District Council, a part of Selwyn and outlying districts of Timaru. It does a lot of kerbside recycling work for local bodies, but frankly admits that there is no money in it, saying recycling is driven by political priorities and only survives on council subsidies. WM's only collection method - the omniverous wheelie bin - is the mortal enemy of recycling, because it encourages people to chuck out anything and everything.

WM is diversifying away from its core business of rubbish collection and disposal. WM and a partner are building a \$16.4 million compost plant for the Wellington City Council (probably the most aggressive privatiser of all local bodies in the country). The scheme, which is due to start in 1999, involves converting solid "residual" from sewage treatment into compost. So there really is money in shit. And when the Papakura District Council won its place in infamy, in March 1997, by becoming the first local body to franchise out all its water services (for 50 years), WM was one of the four bidders. For the record it dipped out, to United Water, a joint venture between French TNC, Generale des Eaux and Britain's Thames Water.

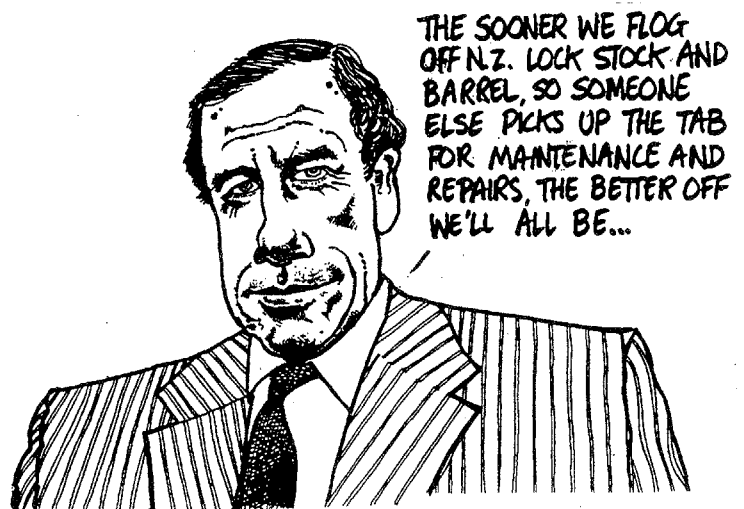
There's definitely money and kudos in garbage. For the 1996 year, WM's profit rose 16.7% to \$7.5 million. Its profit has risen every year since 1986, with a 400% gross return to shareholders (share price change plus dividends) from 1991-96. It won the Deloitte/Management Top 200 Company of the Year award for 1996.

And now the big push is on in the South Island, into Christchurch, the country's second biggest city. In February 1997, the Canterbury waste joint standing committee (representing ten territorial local authorities) called for public submissions (closing in March) on the proposal for a joint venture landfill between councils and private operators. The *Public Consultation* document (*Working Together To Find A New Landfill For Canterbury*) stated: "Several private operators are very keen to be involved in landfilling in

Canterbury and two claim to have identified landfill sites already". Inquiries to the Christchurch City Council (CCC) revealed that WM was one of those two. CCC officials are definitely pushing the line that as, within five years, all but one of Canterbury's landfills would have closed (because they will be full or no longer meet stricter environmental standards), a joint venture is the only answer.

This collaborationist line from the CCC is a far cry from 1995 when WM threatened court action unless Canterbury local bodies entered into a joint venture with it. Labour leader, Councillor David Close, said it was "inappropriate for a private investor to be 'making the running' over the city's future landfill needs. The company's needs and those of the Council are different" (*Press*, 16/3/95). Labour Councillor Garry Moore was more succinct: "I believe that we are being subjected to the threat of litigation to get a commercial advantage. Anyone who threatens a city council with that should be told to go to hell" (*Christchurch Star*, 22/3/95). To which we can only add, "And so say all of us".

But it's not all gloom and doom on the local body front. The Banks Peninsula District Council, which has been fought to a standstill by its ratepayers over issues such as selling its shares in the Lyttelton Port Company and hocking off assets to pay to upgrade its archaic infrastructure, has dropped plans to franchise out its sewage treatment plant. In March 1997 the Council turned away from Papakura's bad precedent and decided to keep the plant in Council hands. It justified the decision as being in the ratepayers' interests. What funny old fashioned language. How ironic that, as Christchurch's nearest neighbour comes to its senses, Christchurch should be contemplating going private. It's not only the rubbish that stinks!



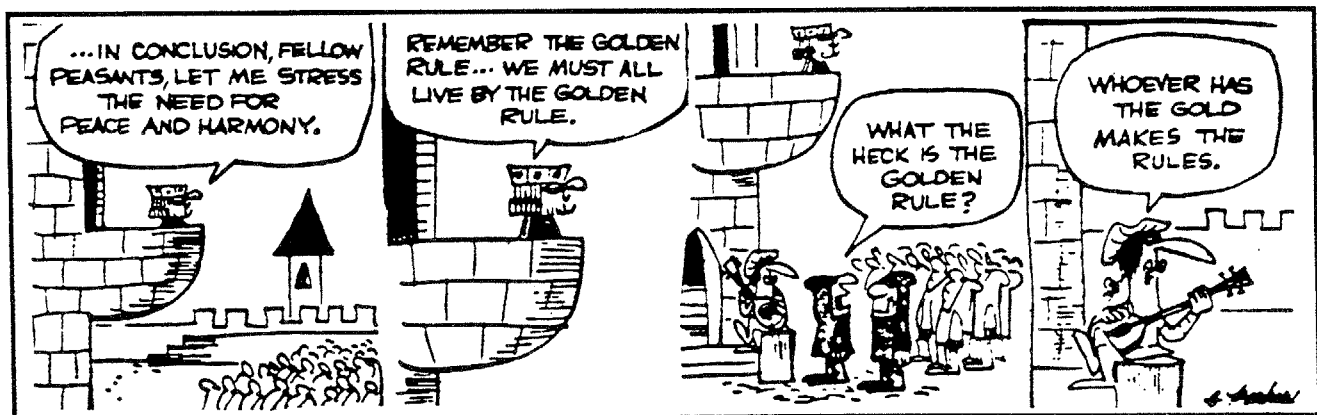
JULY TO DECEMBER 1996 OVERSEAS INVESTMENT COMMISSION DECISIONS¹

Bill Rosenberg

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July 1996 decisions

Blue Star takes Whitcoulls

In an otherwise quiet month, by far the biggest news is the purchase by **Blue Star Group Ltd** of **Whitcoulls Group Ltd**, one of its main competitors in the office supplies business. Blue Star, a subsidiary of **US Office Products Company Inc (USOP)** of the U.S.A., is on an aggressive acquisition binge: see our commentaries on the February, March and June OIC

decisions. It paid **US\$220 million** for Whitcoulls (approximately \$320 million).

The purchase 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. The Commerce Commission would closely monitor the relevant markets. Its chairman, Alan Bollard said:

“If the Commission’s continued monitoring suggests dominance may be a concern then the Commission has two years within which to ask a court to order divestment of assets or shares. It has three years within which to ask a court to impose other penalties.”

Taking the typically weak approach of the Commission, Bollard said that “Blue Star’s market share is high, but it appears that existing competition and the possibility of new entrants will constrain it”. (*Press*, 2/8/96, “Yellow card for Blue Star”, p.33). In defence, Blue Star financial director Maurice Kidd said that only 25% of Blue Star’s turnover came from stationery and office supplies (*Press*, 31/7/96, “Probe into Whitcoulls sale”, p.25).

Eric Watson, Blue Star’s owner until he sold it to USOP, leaving him its biggest shareholder and its international business manager, got his first job at the Peterborough Street office products store of Whitcoulls. He bought Whitcoulls from Graeme Hart who had just completed its privatisation, valuing it at \$282 million. Hart bought a controlling interest in it from Brierleys in 1991 as part of the rapidly growing empire he built from his bargain basement purchase of the Government Printing Office at its inept privatisation.

Whitcoulls had revenue of \$610 million and profits before interest and tax of \$31.5 million in the year to 30/6/96. It has 338 outlets, 180 of them in Australia including the Angus and Robertson chain, and employs 2,500 staff. Blue Star says it will allow Whitcoulls to trade as a separate entity. With the purchase, the Blue Star Group within USOP will reach sales of \$1 billion a year.

However, Blue Star and USOP are not stopping there. Watson says that USOP is expanding in Australia as well as New Zealand, and is looking at purchases in Britain. He sees the company as a “formidable launching pad” for Pacific Rim expansion. (Ref: *Press*, 25/7/96, “From Whitcoulls salesman to boss”, p.29.)

An interesting sidelight to the OIC approval is that Whitcoulls owned at least two pieces of land that make the transaction subject to the national interest provisions of the Overseas Investment Act. These are **six hectares** of freehold land at **43-45 Ngamutawa Road, Masterton** (qualifies because it is greater than 5 hectares), and **three hectares** of freehold land in **Queen Street in Auckland’s** central business district and worth **\$19 million** (which qualifies because it is worth over \$10 million). **Two hectares** of leased land is also mentioned, at **460 Rosebank Road, Avondale, Auckland**. It is not clear why only these are mentioned as Whitcoulls almost certainly owns or leases more land throughout Aotearoa. The OIC makes only a minimal attempt to justify its approval in terms of the national interest criteria. Its rationale states only that:

“It is stated that the acquisition will provide greater efficiency in the

support structure and access to the latest technology and business skills available to USOP. Furthermore, purchasing power will be enhanced and Whitcoulls will have access to significant cash and other resources from the acquisition.”

Power New Zealand takes controlling interest in BOP Electricity

Power New Zealand Ltd, which the OIC records as being 27.68% owned by **UtiliCorp NZ Inc**, has approval to acquire **Bay of Plenty Electricity Ltd** for “approximately” \$83,900,000. The sale includes seven parcels of land either over five hectares and/or over 0.4 hectares and adjacent to a lake, totalling 110 hectares.

The takeover is part of the battle taking place for control of the North Island’s electricity distribution. Both Auckland electricity distributor Mercury Energy and UtiliCorp New Zealand (owned by UtiliCorp of the U.S.A. and Todd Corporation) are offering ever-rising stakes to take control of Power New Zealand. This has included High Court findings that UtiliCorp had broken the Securities Amendment Act by failing to disclose deals it had done with the Thames-Coromandel, Hauraki, Matamata-Piako and South Waikato district councils. They had promised to get UtiliCorp’s permission before selling their Power New Zealand shares. The judge “found it hard to believe” that Power New Zealand had no knowledge of the deals, leading to a Stock Exchange investigation. A subsequent disclosure showed UtiliCorp had done a similar deal with Hamilton-based WEL Energy (of which it owns a third). UtiliCorp then accused Mercury of paying higher prices for large parcels of shares than its public offers. These district council agreements resulted in UtiliCorp NZ having a “relevant interest” in Power New Zealand of 45.03% by the end of November 1996. (*Press*, 10/9/96, “Mercury battles UtiliCorp in court”, p.16; 18/9/96, “UtiliCorp discloses new verbal agreement for Power NZ shares”, p.40; 24/9/96, “UtiliCorp bid backed despite no appraisal”, p.32; 8/10/96, “Mercury back to court”, p.40; 20/11/96, “Power New Zealand releases hold on councils”, p.37; 30/11/96, “Power New Zealand holding”, p.27.)

In response to the Power New Zealand offer for BOP Electricity, Fletcher Challenge, a 37.5% shareholder, made a full takeover bid. However Power New Zealand made a shareholder agreement with the Bay of Plenty Electricity Trust which owns 25% of BOP Electricity. Another agreement between Fletchers and the Trust prevented Fletchers increasing its shareholding without the Trust’s permission and gave the Trust first refusal on its shares. In the end, Power New Zealand obtained 52.5% of BOP Electricity, including Fletcher’s 37.5% (on which it made a \$32 million profit), at a price between 800 and 820 cents a share – costing about \$90 million. Yet another bid, an attempted merger by neighbouring TrustPower, based in Tauranga, was pushed aside by the deal between the Trust and Power New Zealand. Power New Zealand says it does not expect a merger between

the two companies. (*Press*, 13/7/96, "Power NZ sets its sights on BOP Electricity", p.33; 16/7/96, "BOP Electricity premium", p.23; 19/7/96, "Power New Zealand buy 'kills' merger", p.16.)

This decision was initially suppressed almost in its entirety. It was released on appeal only in February 1997. Given the high level of publicity surrounding the sale, that seems absurd.

Rockgas takes over Liquigas from BP

In May we reported:

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.

This month, Rockgas is given approval to acquire up to 28% of the specified securities and/or control the board of directors of **Liquigas Ltd**, from BP.

Universal Homes of Singapore buys SBSA Mortgages for \$100

Universal Homes Ltd, owned by **HTP Holdings Ltd** of **Singapore**, is acquiring **SBSA Mortgage Investments Ltd**, which is engaged in mortgage financing, for \$100. The decision was originally almost completely suppressed and released only after appeal to the OIC, in February 1997.

In September 1996, Universal Homes bought three hectares of land in Guys Road, East Tamaki, South Auckland for residential subdivision and construction. The land adjoined 15 hectares the company already owned. It was described as "a predominant player in the Auckland housing market and is continually searching for land for residential development". In March 1996, the same company was given approval to buy nine hectares of land at Weymouth, Manurewa, Auckland, creating 100 sections. HTP was then described as "HIP Holdings Ltd, a Singapore public listed company which is 27% owned by The Peoples Republic of China".

British Telecom sets up shop

In a decision initially almost completely suppressed and released on appeal only in February 1997, **British Telecommunications Plc** and its subsidiary, **BT Netley Ltd** have approval "to establish a telecommunications business in New Zealand, including but not limited to the construction and operation of a land earth station in New Zealand and the provision of related telecommunication services." The value is still suppressed. In February 1996, a British Telecommunications Plc subsidiary, **Newgate (NZ) Holdings**

Ltd, gained approval to acquire the 25% of **Clear Communications Ltd** previously owned by **Bell Canada International Inc.**

Wanganui District Council sells leasehold land to U.S. NDG Pine for timber mill

The **Wanganui District Council** is selling 14 hectares of leasehold land known as "**Westbourne Industrial Estate**" in **Wanganui** to **NDG Pine Ltd** on which it intends to establish a timber mill. The price is a total of \$872,690 comprising \$351,680 lease payments and \$521,010 ultimate purchase price. **NDG Pine** is owned by **J.S. and C.R. Crane**. The decision was initially almost completely suppressed, but was released on appeal to the OIC in February 1997.

MRGC restructures its ownership

MRGC of the U.S.A., a general partnership which owns 2,738 hectares of forest in **Marlborough**, and 153 hectares of forestry cutting rights in **Marlborough**, **Wairarapa** and **Manawatu**, is reorganising its own ownership. Partners **M & R Trust Company Ltd**, **RDMCo International**, and **Ring Management Company Inc** of the U.S.A. are being bought out by other partner **Green Crow Corporation**. The original decision was almost completely suppressed (difficult to understand given it was only an "internal reorganisation") until released on appeal in February 1997; even then the consideration was still suppressed.

Our records of OIC decisions show **MRGC's** first land purchase being in May 1993 when **Scollay Forests Ltd** and **Scollay Forests (Blenheim) Ltd** sold a half share of 2,901 hectares of forestry land in **Marlborough** to **MRGC**. This half share has either since been sold, or has been overlooked in the present decision. Many of **MRGC's** subsequent acquisitions were subject to suppression by the OIC, either temporarily or (in the case of details of price and hectares) permanently, so this decision gives some idea of **MRGC's** full forest ownership in **Aotearoa** – albeit possibly an inaccurate one.

A decision in February 1994 gave the greatest detail of **MRGC's** ownership. "MRGC and Associated parties" were described as: **Judy Trust** for **David S. Quinn** (1.54%), for **John V. Quinn** (3.07%), and for **Rebecca B. Quinn** (3.07%); **J.D. Children's Trust** for **William C. Crow**, **John T. Crow**, **Michael T. Crow** and **Colin C. Crow** (each 3.07%); **David Quinn Trust** (1.54%), **Yakovich Corporation** (2.5%), **Johnson Family Northwest Investment Corporation** (21.5%), **Reid Inc** (1.0%), **Green Crow Pacific Ltd** (3.5%), **Ring Management Company Incorporated** (25.0%) and **RDMCO International Incorporated** (25.0%). Previously we had been told the **MRGC** was a 50/50 joint venture between **Merrill** and **Ring Inc**, and **Green Crow Corporation**.

Other land for forestry

Carter Holt Harvey Ltd, 51% owned by **International Papers** of the U.S.A. has approval to acquire a further 553 hectares of land in **Kaitieke Road, Taumarunui, King**

Country for an initially suppressed price. That price was revealed in February 1997, after appeal, as \$620,000. "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."

Two **Australians** have approval to acquire **178 hectares** of land for forestry in **Onga Road, Hunterville, Wanganui/Taranaki**, for **\$265,000**.

Deborah Miller of Brookfields, Auckland is hard at work again, selling off blocks of land for forestry development in Wanganui. All are being sold by **New Zealand Forestry Group Ltd** which will manage the development of the land. All are to residents of **Taiwan**.

Four are part of **Mahuri Forest, Mangamahu, Wanganui**. They are of **20 hectares** being sold for **\$82,000**, **seven hectares** for **\$28,700**, **14 hectares** for **\$54,600**, and **19 hectares** for **\$77,900**.

Two are part of **Paparangi Station, Wanganui**. A **16 hectare** block is being sold for **\$62,400** and a **32 hectare** block for **\$124,800**.

The details of one application which appears to be another Miller special has been withheld because it did not proceed.

Other rural land sales

Two residents of the **U.S.A.** have approval to buy approximately **six hectares** of land at **Tokerau Beach Road, Doubtless Bay, Kerikeri, Northland** for **\$315,000** from **Foster Olives Ltd**. They intend to develop an olive orchard "for which a consultancy agreement, for a period of ten years has been entered into." The decision was initially almost completely suppressed and released only in February 1997 after appeal.

A resident of **Brunei** has approval to acquire **72 hectares** of land in **Wayby Valley Road, Wellsford, Auckland** for **\$790,000** for "various farm development activities" including the set up of a farm resort, production of organic fruits and meats, and an eel farm. "The applicant also wishes to set up a trading firm for export and import using her offshore connections".

Two residents of **Taiwan** who have been granted New Zealand permanent residency, have approval to buy a **ten hectare kiwifruit orchard** at **Coatsville and Riverhead Highway, Riverhead, Auckland** for **\$1,280,000**. The land is currently managed on contract by **Manukau Horticulture Ltd** and this will continue.

Neal Kunimura and/or the **Neal Lane Trust** of **U.S.A.** have approval to acquire **five hectares** of land in **Donald Bruce Road, Waiheke Island** for **\$582,500**. "The applicant wishes to establish grapevines for wine-making, to construct a home on the property and to establish a 'home stay' - 'bed and breakfast' from a house to be constructed on the property." The land is currently used for grazing sheep.

In a second **Waiheke Island** land sale this month, a resident

of **Germany** has approval to acquire **four hectares** of land at **28 Seaview Rd** for **\$390,720**. She intends to reside in Aotearoa permanently and sees this as a South Seas paradise:

"The applicant wishes to set up a farmlet to lead to a niche cottage industry on a minor scale. The applicant wishes to lead a productive farming lifestyle on a scale she can manage and afford. The principle [sic] activity is to be bee keeping, in conjunction with other activities including the production of fruit, pottery, organic vegetables, wool for spinning, etc. The applicant will be producing fresh produce for sale daily."

Very nice, but where does the national interest come in?

Winthrop Holdings Ltd or nominee of **Germany** has approval to acquire **Puka Park Lodge Ltd** which includes **seven hectares** of land near **Pauanui, Coromandel**, for **\$2,025,000**. The land, which is "adjacent to land held for conservation purposes", will be used for "tourist related ventures". **Puka Park Holdings Ltd** of **Germany** also has approval to acquire **0.7 hectares** of land at **Pauanui** from **Crestmore Holdings Ltd**, for **\$315,000**, as a "reorganisation of land ownership for financial reasons and to simplify the ownership structure of Puka Park Lodge."

Further land adjacent to a reserve is being sold, this time **four hectares** in **Te Waerenga Rd, Hamurana, Rotorua, Bay of Plenty**, for **\$260,500**. It is being sold to **Hamurana Gardens Ltd** of **Taiwan** for "proposed development of a tourism complex and upgrading and enhancement of the reserve". The reserve is managed by the Department of Conservation.

The ownership of **20 hectares** of land in **Blanket Bay** on **Lake Wakatipu, Queenstown, Glenorchy District, Otago**, is being transferred for **\$200,000** from its current owner to a family trust whose beneficiaries are in the **U.S.A.** The current owner is **T.W. Tusher** who is an "advisory trustee" to the **Blanket Bay Trust**. The trust, incorporated in Aotearoa, has trustees **Charter Hall Trustees Ltd** and discretionary beneficiaries **W.T., P.B., G.M. and M.S. Tusher** of the **U.S.A.** The transfer is "with the intention of building a fishing lodge on the land in question, with visitor accommodation for in excess of ten people."

August 1996 decisions

Drug company mergers and residential subdivisions are favourites this month. But first ...

Works Corp privatised to Paul Y-ITC (Hong Kong) and Kinta Kellas (Malaysia)

The **Works and Development Services Corporation (NZ) Ltd** has sold two of its subsidiaries as part of its privatisation.

Downer Construction (New Zealand) Ltd which is owned by **Paul Y-ITC Group** of **Hong Kong** has approval to buy **Works**

Geothermal Ltd from the Crown for an initially suppressed amount. The price was released only on appeal, in February 1997, and it was not surprising it was hidden from public view: \$100 for the purchase of shares, plus \$4,604,000 in repayment of shareholder advances (i.e. loans from the Government). Effectively, the Government got nothing from the sale.

The sale includes 15 hectares of land at **Wairakei**. Works Geothermal was owned by Works Civil Construction, which itself was sold in August to Downers, although the approval by the OIC does not appear this month. According to news reports, the Geothermal sale took place in June – two months before the OIC's approval.

Kinta Kellas Public Limited Company is buying **Works Consultancy Services Ltd** for \$45,838,000 plus "approximately \$4,200,000" in "repayment of shareholders' advances" (in other words repaying a government loan). Kinta Kellas is a U.K. public listed company which is 62% owned by **United Engineers (Malaysia) Berhad**, itself in turn 33% owned by **Renong Berhad**, both of Malaysia.

Works and Development Services Corporation was the corporatised remnant of the former Ministry of Works and Development. After the announcement of the sale, the former Auckland district commissioner of works, A.W. Aitken, in a letter to the *New Zealand Herald* ("Passing of the MoW", 6/9/96), wrote that the Ministry of Works was

"... an organisation that was instrumental in building an infrastructure second to none for a country of this size, and the envy of overseas agencies...No more will we have an agency able to respond immediately to natural disasters with the technical resources to cover anywhere in the country; provide apolitical advice to Government ministers free from any vested interests; provide the standards and technical advice for other departments (including the Department of Conservation), local authorities and the private sector; provide a first-rate training ground for technical personnel; and maintain a workforce in all rural areas that are part of the overall national scene."

Bids for the Corporation, which closed in the middle of August, were expected from Fulton Hogan (Shell controlled), Fletcher Challenge, Bitumix (B.P. owned), Beca Carter Hollings and Ferner, Graeme Hart and Bruce Hancox, Green and McCahill, the Technic Group and a number of overseas companies including Bechtel, though not all eventuated. Bids could be made either for the whole corporation, or for its parts which included Works Civil Construction, one of only two nationwide road building and maintenance companies, and Works Consultancy, the largest design and engineering

consultancy company in the country. In the year ended June 1995, Works Corporation had revenue of \$280 million, an after-tax profit of \$12 million, and assets of \$157 million. It employs 2,635 people (*New Zealand Herald*, 15/8/96, "Big players shy away from Works Corp sale").

Media reports put the sale price of the Corporation at \$108 million. It had shareholders' funds at the time of the sale of \$83 million. Works Civil Construction was sold for \$44 million to Downers, including a \$14 million repayment of advances. A few months after the sale, the Corporation announced a net profit of \$16.6 million, paying a dividend of \$16 million to the Crown. That is a rate of return of 15% on shareholders' funds – considerably better than the return on paying off debt, if indeed the proceeds are used for that.

Both Downers and Kinta Kellas have links to Brierley Investments. Downer was a BIL subsidiary until BIL swapped it for a 10.8% shareholding in Paul Y-ITC in June 1994 (see our commentary for that month). BIL now owns 23% of Paul Y-ITC. Renong Berhad, which eventually controls Kinta Kellas (see above), also owns 12% of Malex Industries which is a 20% shareholder in BIL, replacing Delham Investments.

The Government at the announcement of the sale claimed it would be the end of its asset sales programme, but it was condemned by New Zealand First and the Alliance.

(Ref: *Press*, 28/8/96, "Asian firms buy Works", p.25; *New Zealand Herald*, 28/8/96, "Brierley linked to successful Works bidders"; *Press*, 19/10/96, "Works lifts final profit, Landcorp slips to \$19m", p.28.)

More of Gourmet Direct, Ernest Adams' 47% owner, to Mega First of Malaysia

In a decision originally almost completely suppressed and released only on appeal in February 1997, **Mega First Industries Sdn Bhd**, a subsidiary of **Mega First Corporation Berhad** of Malaysia has approval to acquire a further 10% of **Gourmet Direct Investments Ltd** for \$650,000. It already owns 20%. Gourmet Direct is the controlling shareholder in major baker and food distributor, **Ernest Adams Ltd**, owning 46.58% of its shares.

According to the *Press* (5/2/97, "E Adams Stake", p.29), Mega First had increased its effective shareholding in Ernest Adams to 18.67% from 11.4%. Its shareholding in Gourmet Direct gave it 16.4% (indicating a 35.2% share in Gourmet Direct, exceeding the OIC approval), and a direct shareholding in Ernest Adams of 2.27%. Mega First also has a mortgage security over other Gourmet Direct shares.

Gourmet Direct is therefore legally an overseas company now, since Mega First owns 25% or more of it. And since Gourmet Direct owns 25% or more of Ernest Adams, that now too is an overseas company. Gourmet Direct was originally owned by New Zealand Dairy Board.

Ciba-Geigy and Sandoz merge

In another example of the shakedown in the international pharmaceutical industry, two large drug transnationals, **Ciba-Geigy Ltd** and **Sandoz Ltd**, both of **Switzerland**, are merging to form **Novartis Ltd**. It is said to be the "largest merger ever". The new company will have a market value in excess of US\$60 billion. The merger creates the second-largest pharmaceuticals company in the world, with a market share of 4.4% (behind Glaxo Wellcome on 4.7%), and sales of 14 billion Swiss francs, and in its own words, "number one worldwide position in life sciences". As part of the merger, Novartis is buying **Ciba-Geigy (New Zealand) Ltd** from Ciba-Geigy. The price is "yet to be determined".

Total sales of the two companies in 1995 were 36 billion Swiss francs. The new company had a combined market capitalisation of 75 billion Swiss francs at 1/3/96.

The merger will result in worldwide job losses. Both Ciba and Sandoz currently employ a total of 130,000 workers worldwide. The new company intends to shed around 10% of its workers, with a third of the job losses in Switzerland.

Ciba, with 1995 sales of 20.7 billion Swiss francs, is a biological and chemicals group, involved in healthcare, agriculture and industry.

Sandoz is involved in pharmaceuticals, food, biotechnology, crop protection, seeds and construction technologies. It has more than 200 affiliated companies and employs over 50,000 people in 60 countries. In 1995, its sales exceeded 15.2 billion Swiss francs.

The merged company will be a major agribusiness as well as drug manufacturer. It will be the largest worldwide marketer of agricultural chemicals, and will become the second-largest company in seeds and animal health. Total consolidated agribusiness sales of the two companies in 1995 were nearly seven billion Swiss francs. "In crop protection, Novartis will have a leadership position in four key areas: weed control, especially in corn, soybeans and cereals; disease control in cereals, vegetables, vineyards and orchards; insect control in a variety of crops, and seed treatment. Novartis will have the world's largest research and development investment in the crop protection business. In seeds, Novartis will produce varieties for growers of corn, oilseeds, sugarbeets, vegetables and flowers. The company will have one of the largest biotechnology research programs in the industry, focusing on enhancing disease and insect resistance while improving yields."

Some parts of the merged company will be sold. The Specialty Chemicals division of Ciba, comprising Textile Dyes, Chemicals, Additives, Pigments and Polymers will be "demerged" and listed on the Swiss stock exchange. Construction Chemicals (MBT, Master Builders Technologies) of Sandoz will be demerged or sold. The "healthcare" sector will then represent 59% of Novartis' business mix, agribusiness 27% and nutrition 14%.

(Refs: <http://orchard.uvm.edu/glfgn/cibasandoz.html>, <http://www.sandoz.com/SANDOZ/News/DetailsMarch7.html>, <http://www.sandoz.com/SANDOZ/AboutSandoz/AboutSandoz.html>, <http://www.swissnews.com/BASELCHEMICAL>.)

Warner-Lambert buys assets from Glaxo Wellcome in global agreement

Glaxo Wellcome New Zealand Ltd is selling some of its assets to **Warner-Lambert Company** of the U.S.A. for **US\$16 million** and its **49% share in Parke-Davies Wellcome Consumer Healthcare Pty Ltd** (PD-W Healthcare) for **US\$2 million**. The assets are

"trade marks, copyright, designs and certain other intellectual property currently licensed to PD-W Healthcare by Glaxo Wellcome NZ Limited; and know-how, regulatory approvals and regulatory documentation relating to products contributed by Glaxo Wellcome NZ Limited to PD-W Healthcare".

PD-W Healthcare had been 49% owned by Glaxo Wellcome and 51% owned by **Warner Lambert New Zealand Ltd**, a subsidiary of Warner-Lambert U.S.A.

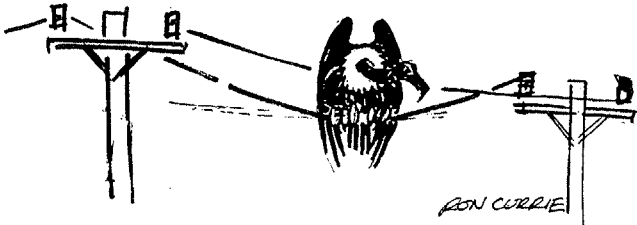
Glaxo Wellcome put its Palmerston North drug manufacturing complex up for sale in April 1996, having announced in 1995 its cessation of manufacturing in Aotearoa by the end of 1996 (*Press*, 16/4/96, "Glaxo complex on market", p.30). Glaxo had taken over Wellcome in 1995 to make the world's biggest drug manufacturer. In July, Glaxo Wellcome agreed to sell Warner-Lambert its businesses in Aotearoa, Australia, Canada, and Mexico, and their joint venture Warner Wellcome, for over \$US1 billion (*Press*, 6/7/96, "Glaxo Wellcome purchase", p.24). In 1993, *Time* (9/8/96, "Pill Power", p.44) had reported that

"Warner-Lambert, the \$5.6 billion U.S. drug company that specialises in over-the-counter, or nonprescription, products, announced a joint venture with two British giants, Glaxo and Wellcome. Under the agreement, Warner-Lambert plans to sell over-the-counter versions of products like Glaxo's antiulcer medication Zantac, the world's best-selling prescription drug, and Zovirax, Wellcome's antiviral drug. Last year sales of the two products totaled \$4.2 billion."

Palmerston North Plaza, the Majestic Centre, Wellington and Northland Shopping Centre, Christchurch.”

TransAlta merges Capital Power and EnergyDirect

In two approvals given in principle on 27/12/95 and confirmed on 13/8/96, TransAlta Energy Corporation of Canada is setting up a 62.7% owned local subsidiary, TransAlta New Zealand Ltd in order to merge Wellington electricity and gas companies Capital Power Ltd and EnergyDirect Corporation



Ltd, valued at \$553,874,419. The pressure tactics used in the actual purchase of these companies by the Canadian transnational from the local authorities and community trusts was described in our commentaries on the June 1996 and September 1995 decisions. The completion of their privatisation is the merger approved here. TransAlta New Zealand Ltd is 24.7% owned by the public and 12.6% owned by the EnergyDirect Community Trust. Capital Power Ltd is 100% owned by TransAlta Energy Corporation. EnergyDirect Corporation Ltd is “approximately 40.9%” owned by TransAlta Energy Corporation.

Kiwi Income Property Trust buys half share of “The Palms” mall, Christchurch

In a decision originally almost completely suppressed and released only in February 1997 on appeal, Kiwi Income Property Trust has approval to buy 50% of “The Palms” shopping mall, which covers 5.5 hectares of land in Shirley, Christchurch. The price (“yet to be determined”) has not been released. The half share is via a 50% shareholding in Woodvale Ltd. The vendors are G.T., D.J.M. and J.E. Percasky. Kiwi Income Property Trust is a unit trust which at that time was approximately 15% owned by “various overseas persons”, and is managed by Kiwi Income Properties Ltd which is 50% owned by FCMI, a public company of Canada, and 50% by residents of Aotearoa.

According to the OIC:

“Kiwi Income [Property] Trust was established in 1992, since that time the company has acquired a number of properties throughout New Zealand, being a mix of commercial, industrial, retail and rental properties. The Trust has been granted previous consent by the Commission to acquire a 50% shareholding in similar ventures, including North City Plaza, Porirua,

Land for forestry

Ernslaw One Limited, owned by the Tiong family of Malaysia, has approval to acquire two substantial blocks of land around Gisborne for forestry attracting government subsidies through the the East Coast Forestry Project Grant Scheme. The first is 1,721 hectares in Takapau-Waitahaia Road for \$2,250,000. The second is the 1,003 hectare Te Para Station in Tuakau Road for \$800,000.

“Ernslaw propose to establish a forest (primarily pinus radiata) in the Gisborne region over the next five years. It is intended that the land purchased will generally be agricultural land that has reverted to scrub or has been seriously scarred by erosion. The applicant states that the land purchased will be situated in the Gisborne Registration District and eligible as part of the East Coast Forestry Project Grant Scheme.”

Other rural land sales

A resident of Germany who is seeking permanent residency in Aotearoa has approval to buy 39 hectares of land in Lanes Road, Russell for \$925,000 for “tourist related ventures” including a tourist lodge and sheepskin export business. The purchase is through the company Lanes Road Fishing Lodge Ltd.

Howick Parklands Ltd, owned by the Lambie Trust whose beneficiaries are the Jamieson family “originally from Australia”, has approval to buy ten hectares of land on Settlement Road, Papakura from the Redhill Partnership for \$1,200,000 for residential subdivision.

“The Commission is advised that a scenic reserve exceeding 0.4 hectares adjoins the southern boundary of the property and another large planted reserve, known as ‘children’s forest’ adjoins the north western boundary. Both reserves adjoining the property have been vested in the Papakura District Council as part of the vendors subdivisional activities.”

Eleven hectares of land at Flagstaff, Hamilton are being purchased for \$1,500,000 for residential subdivision by three applicants for permanent residency in Aotearoa, from Taiwan.

CDL Land New Zealand Ltd of Singapore has approval to buy 69 hectares of land in Cate Road, Rototuna, Hamilton for \$4,000,000 for residential subdivision. CDL Land is a subsidiary of CDL Investments New Zealand Ltd, which in turn is 57.36% owned by CDL Hotels New Zealand Ltd. CDL Hotels New Zealand is 69% owned by CDL Hotels International Ltd which is 51% “controlled” by the Hong Leong Group of Singapore.

Baron Van Rijssen, a New Zealand citizen resident in **Australia**, is selling a half share of **five hectares** of land at **20C Ocean Beach Road, Tairua, Coromandel**, for **\$110,000** to an **Australian** citizen, **Janine Wendy Green**, who bailed him out when he split up with his wife.

"The property is presently owned solely by Mr Van Rijssen. The Commission is advised that Mr Van Rijssen and his former wife purchased the property in 1983. Following their separation Mr Van Rijssen purchased the property outright. The purchase was financed by Ms Green on the understanding that a half share in the property would be transferred to her. It is intended that Mr Rijssen and Ms Green will own the property as tenants in common in equal shares. The Commission is further advised it is the applicants' intention to take up residency in New Zealand in January 1997, at which time they will construct their home on the land and develop a home stay for backpackers on the property. In addition, as a supplementary to the proposal the property is to be further developed and enhanced by establishing a nursery for native plants and trees."

The **Wharekauhau Country Estate** elite tourist development in south **Wairarapa** is developing its own vineyard so that it can have its own brand of wine. **Wharekauhau Vineyard Partnership** of the U.S.A. has approval to buy **eight hectares** of land on **Puruatanga Road, Martinborough** for **\$228,000**. The Partnership comprises **Annette Shaw** of **Aotearoa** (former owner of the Wharekauhau Station, 20%), and **Wharekauhau Limited Liability Company** (20%), **Star Financial Ltd** (20%), **James Davidson** (part owner of Wharekauhau Holdings Ltd, 20%) and **James Blanchard III** (20%), all of the U.S.A. See our commentary on the June 1996 decisions.

Quail Point Syndicate of Indonesia and **Hong Kong** has approval to buy **17 hectares** of land at **Tuckers Beach Road** near **Queenstown, Otago**, for residential subdivision, for **\$480,000** from **D.B. and E.H. Broomfield**. The Syndicate is comprised of **B. E. Washer** of **Aotearoa**, **The Broomfield Trust**, a family trust of **Aotearoa**, **The Kwan Trust**, the beneficiaries of which are **Mr Clough** a New Zealand citizen, **Mrs Clough** of **Hong Kong** and her immediate family who are all overseas persons, **Mr D. Salman** of **Indonesia** and **Mr W. J. Frost** a citizen of the U.S.A. residing in **Indonesia**. Several of the parties are involved in **Woodlot Farm Ltd**, which is a **Singapore/Indonesia** owned company involved in a golf course and housing development near **Queenstown**. It is owned by **Shotover Golf Estate Ltd** which is owned 35% by **P. Fong** of **Singapore**, 35% by **D. Salman** of **Indonesia**, 15% by **D. and E. Broomfield** of **Aotearoa**, and 15% by **B. Washer** of **Aotearoa**. **Shotover** owns approximately **81 hectares** of land near **Queenstown** (see our commentary on the

September 1993 decisions).

September 1996 decisions

First refusal for six years: "lifestyle" land acquisition declined

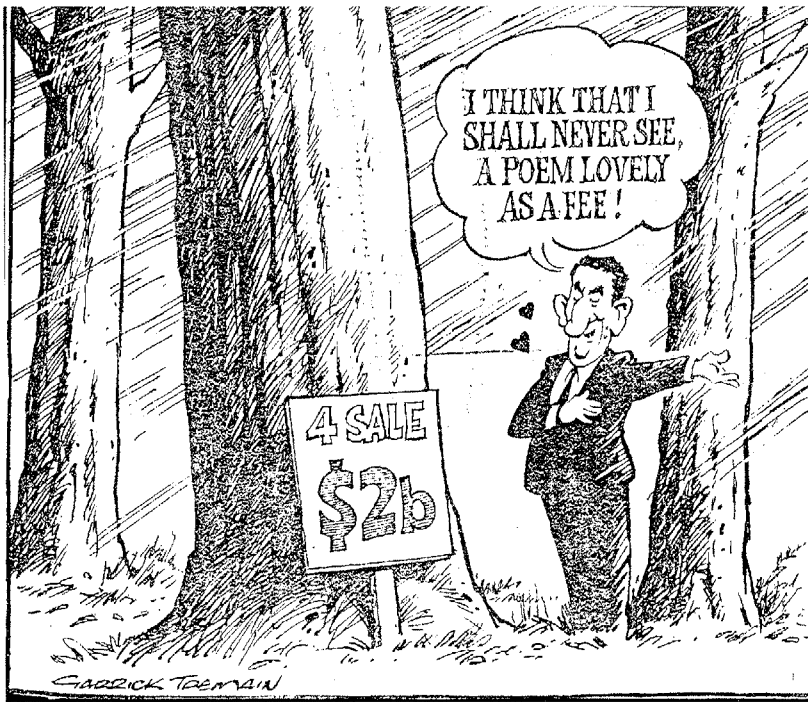
This month we see the first application to the OIC that has been refused since 1990. Most of details are suppressed, but it involved the **Richard D. Collison Revocable Trust**, a personal trust of **Mr R. D. Collison** of the U.S.A. He wanted "to acquire land exceeding five hectares" in **Marlborough** for "lifestyle purposes". Though the OIC explains that "the application for consent has been refused as it was not considered to be in the national interest test" (whatever that means!), we understand his application was not noticeably different from all the other questionable ones that are regularly approved. His lawyer simply cocked it up. Don't be surprised if he tries again and succeeds.

Forestry Corporation privatised to Chinese government/Fletchers/Brierley's

The largest remaining block of forests in government ownership was sold by the National government prior to the October election amidst considerable controversy and exaggerated or inaccurate claims of benefits. **Forestry Corporation** was set up by the Labour government to hold and run Crown forests. Its board, dominated by the New Right saw its job as privatisation (its Chair, **Rosanne Meo**, is an associate member of the Business Round Table and a prominent New Right warrior; its CEO, **Tim Cullinane**, salary between \$410,000 and \$419,000, is a full and outspoken member of the BRT). Accordingly, it was a leader amongst forestry companies in maximising its financial returns by exporting raw logs rather than in their further processing.

It was sold to a consortium consisting of **Citifor Inc.** (37.5%), **Fletcher Challenge Ltd** (through its forestry division, **Fletcher Challenge Forests Ltd**, which will manage the business, 37.5%), and **Brierley Investments Ltd** (25%).

Citifor, which according to the OIC paid **US\$409,458,333** for its share (but see below), is a subsidiary of **CITIC USA Holding Inc.**, in turn a subsidiary of **China International Trust and Investment Corporation (CITIC)**, ironically a Chinese state-owned corporation. **CITIC** "has in the space of 17 years emerged as a major international conglomerate with assets of **US\$1,700 billion** [actually 17 billion yuan net assets at the end of 1995 - "CITIC Success Story Continues", by Wang Xiaoying, <http://china-window.com/edu/books/bjreview/april/96-16-19.html>], 60,000 staff and 36 subsidiaries scattered around the globe. The **CITIC** investment in **Forestry Corporation** will be managed through the U.S. subsidiary **CITIFOR**, which has extensive experience in timber and associated wood based industries. **CITIC** expects to make an active contribution to the management of the New Zealand asset, and will bring to the consortium access to the Chinese and regional markets for timber based products." (*The Sino-*



File, New Zealand Embassy, Beijing, August/September 1996, "China invests in New Zealand trees", p. 1.) CITIC is China's biggest investment company overseas, and is growing rapidly: its assets grew 5.6 times between 1990 and 1995 (Wang Xiaoying, *op. cit.*). Its investments include an industrial bank, part ownership of Cathay Pacific, Dragon Air and other airlines, and satellite communications, and it is something of a world of its own. One affiliate, Poly Technologies Inc, engages in arms trading. It is very influential in Hong Kong, and is the playground of a number of offspring of top Chinese leaders who are subject to criticism for their opulent life styles. The head of one of its major subsidiaries, CITIC Pacific, Larry Yung, is the son of former CITIC head and current Vice President of China, Rong Yiren. "Yung gave new meaning to the word princeling in 1993 when he purchased a 335-hectare country estate and a 14-bedroom mansion in England that were once owned by the late British Prime Minister Harold Macmillan. Yung's devotion to conspicuous consumption – he reportedly owns three Mercedes-Benzes and a Porsche – has set a benchmark for taiziis." He has lived in Hong Kong for 18 years. On Hong Kong's future he is quoted as saying: "I wish Hong Kong had someone like Lee Kuan Yew. Hong Kong needs a guy like him. He should be strong and have really contributed to Hong Kong as Lee Kuan Yew has contributed to Singapore." (Far East Trade Press Ltd and Times Information System Pte Ltd, <http://web3.asia1.com.sg/timesnet/data/ab/docs/ab0951.html>). The son of late Vice President Wang Zhen, Wang Jun, is executive director and general manager of CITIC and president of Poly Technologies (*Asia, Inc.*, January 1995, "Revolution's Children", By Angelina Malhotra and Joe Studwell, <http://198.111.253.144/articles/taizi.html>).

The sale was condemned by three former director-generals of the New Zealand Forest Service, saying the Forest Service,

which established the plantations being sold "was recognised internationally as having the leading edge in forest management" and that New Zealand taxpayers would be best served by the forest remaining a public asset earning good income for the people of New Zealand (*PSA Journal*, July 1996, "Forest sale condemned", p. 1-2). Their claims were borne out in the announcement shortly after the sale that the Corporation had returned record profits of \$168 million and a return on equity of 12.8% and on assets of 10.3% – considerably more than will be gained by repaying debt from the proceeds of the sale (*NZ Herald*, 28/8/96, "\$168m profit by Forestry Corporation"). As if to confirm this, Brierley CEO Paul Collins claimed in November that its \$160 million investment in Forestry Corporation was worth 30% more than what Brierley's had paid for it just three months before (*Press*, 23/11/96, "Claims 'vindicate' forest-sale stance", p.14).

Even the claims for debt repayment were grossly exaggerated. The net proceeds from the sale were \$1.6 billion (\$2.026 billion less \$426 million repayment of the corporation's debt) which repaid only the barely relevant net foreign currency public debt, not the \$22 billion full public overseas debt (most of which is now owed in New Zealand dollars) as many news sources claimed.

Another side effect is likely to be less publicly funded research – and hence probably less research – into forestry in Aotearoa. Fletcher was reviewing all its co-operative research, with possibly devastating effects on the Logging Industry Research Organisation and the Forest Research Institute. (*NZ Herald*, 19/8/96, "Research fears over forest sale", p. 1.) With Carter Holt Harvey under U.S. control, it too is more likely to do its research in the U.S.A., leading to a steadily declining research effort in Aotearoa.

Claims for increased processing in Aotearoa have yet to be confirmed in practice, talk at Fletcher's Annual Meeting being of "rationalisation" of its sawmills. If increased processing occurs (which is by no means certain) it is more likely to be by expansion or maintenance of existing facilities, or developments that would have occurred anyway. Any benefits to job numbers must have counted against them the 120 redundancies in Rotorua and Auckland announced in December by Fletcher Challenge Forests because of its merging the management of the new acquisition with its own operations (*Press*, 2/11/96, "Fletcher Forests to cut staff", p.27; 14/12/96, "Fletcher's makes start on integrating forest operations", p.29). Fletchers promised \$260 million in value-added processing – only half of what the government said would be required if it retained the Corporation – and 700 new jobs over the next eight years and this included plans it had made before the purchase (*NZ Herald*, 21/8/96, "Net gain raises questions on new jobs").

The price achieved for the Corporation was about book value, but a better price had been widely expected (*ibid.*). Further, the complex mechanism for payment spoke more of tax advantages than an honest price:

“Mr Fletcher said that Fletcher Forests had, after being the official buyer of Forestry Corporation for \$2.03 billion, onsold 25% to Brierley and 37.5% to Citifor. This meant the tax value of the trees to the investment partners would be stepped up to the sale price, from their \$630 million value in the Forestry Corporation accounts bought by Fletcher

Forests. In effect, the division assumed a tax liability on about \$1.5 billion of assets and was being paid \$236 million for that by the consortium. The Forests division and Citifor each contribute equity of \$240 million and Brierley \$160 million to the consortium. The Forests division provides subordinated debt of \$316 million and Brierley \$30 million. Bank debt is to provide \$1.2 billion. After receiving its \$236 million, the Forests division outlay is \$320 million.”

Brierley’s has been given an option to sell its 25% stake after three years to Fletcher Forests for the market value of 93.3 million Fletcher Forests shares, to be paid in cash or shares. Fletcher Forests may in turn force Citifor to buy half Brierley’s holding for cash. Fletcher Forests also sold off its 24,800 hectare Hikurangi Forest Farms forest on the North Island East Coast to Glenealy Plantation of Malaysia for \$210 million to help finance the purchase (*NZ Herald*, 22/8/96, “BIL able to quit forestry holding in three years”; *Press*, 21/12/96, “Fletcher’s sells East Coast forest to Malaysian company”, p.21).

The forests involved are 12% of the total plantation forests in Aotearoa. They are in the Bay of Plenty area – mainly the huge 188,000 hectare Kaingaroa forest, one of the biggest plantation forest in the world. They include:

- 1,219 hectares of freehold land;
- 1,456 hectares of leasehold land;
- 187,048 hectares of Crown forestry licences; and

534 hectares of “cutting rights etc other land than Crown forest licences”.

Given that Fletcher Challenge is an overseas company (although arguably New Zealand controlled: FCL Forests is overseas owned; FCL Energy 40.5%, FCL Building 42.1%,

Company	Overseas company?	Hectares	Percentage of total
Fletcher Challenge Forests ³	X	380,000	25.7
Carter Holt Harvey	X	325,000	22.0
Rayonier New Zealand	X	97,000	6.6
Juken Nissho	X	52,000	3.5
Crown leases ⁴		51,000	3.5
Hawkes Bay Forests ⁵	X	33,000	2.2
Wenita Forest Products	X	25,000	1.7
Ernslaw One	X	25,000	1.7
Timberlands West Coast		25,000	1.7
Crown Forestry Management ⁶		24,000	1.6
Private Sector ⁷		441,000	29.8
Total		1,478,000	100.0
Total overseas (at least)	X	937,000	63.4

Forest ownership in New Zealand as at 1 October 1996²

and FCL Paper 47.7%/54.2%, according to FCL’s 1996 Financial and Operating Report, p.61) and so is Brierley Investments (BIL’s Chief Executive, Paul Collins, was quoted in the *NZ Herald* [“Swoop on Brierley causes no surprise”, 16/3/96] as estimating overseas ownership of the company at “around 50%”), the sale represents a large increase in the overseas ownership of forestry in Aotearoa. The table below, using Ministry of Forestry data, illustrates this. Note that it uses hectares of forest calculated in 1995, but redistributes them according to October 1996 ownership. Fletcher’s forests now cover well over 400,000 hectares.

(For more detail on the Forestry Corporation privatisation, see *Foreign Control Watchdog*, number 83, December 1996.)

Works Civil Construction privatised to Paul Y ITC Construction of Hong Kong

Downer and Company Ltd, a subsidiary of Downer Group Ltd, in turn owned by Paul Y ITC Construction Holdings Ltd of Hong Kong is the buyer in another privatisation: that of Works Civil Construction Ltd, part of Works and Development Services Corporation New Zealand Ltd, which is now left little more than a shell. The purchase price was \$44 million, of which \$14 million was repayment of shareholder’s (i.e. government) advances. The purchase includes 30 hectares of freehold land, 42 hectares of leasehold land, and 221 hectares of other interest (primarily

profit à prendre).

Ironically, Downers used to be a major locally owned construction company, until it was sold by Brierley Investments to Paul Y in June 1994 in exchange for Paul Y shares. The OIC says:

“It is advised that Downers see the proposal as a way to extend its business activities in New Zealand which in turn will create one of the largest contracting companies in New Zealand, whilst at the same time allowing Downer to become a nation-wide New Zealand construction company.”

Which adds further to the irony because the reason given by Brierley to the OIC for the sale of Downer in 1994 was that:

“Both Paul Y-ITC and Downer carry on business in the project management, civil engineering and building construction field. The Commission is advised that approximately 50% of Downer’s work is now Hong Kong based and with the increasing importance of Hong Kong sourced work Downer is more likely to flourish if merged with and becomes a subsidiary of a well recognised Asian construction company.”

Who’s kidding whom?

Downers also got Works Geothermal Ltd in the same sell-off. See our commentary on the August 1996 OIC decisions for further details of the Works privatisation.

Skellerup sells its share of salt monopoly to Ridley of Australia

Skellerup Group Ltd has sold its 50% share in the only salt producer in Aotearoa, **Dominion Salt Ltd**, to one of its suppliers, **Ridley Corporation Ltd** of Australia for **\$36 million**. (Note that this price was suppressed by the OIC, but was widely published in the news media. Only \$6 million was paid immediately, the balance due by the end of 1996.) Skellerup was itself sold in February 1996 to Maine Investments Ltd, 84% owned by Goldman Sachs (U.S.A.) and 16% by members of the senior management of Skellerup Group Ltd. Dominion Salt, originally founded by George Skellerup in a joint venture with the government, eventually became a joint venture between Skellerups and **Cerebos Greggs** (owned by Suntory, Japan). Brierley Investments, formerly 30% owner of Skellerups, said in its 1993 Annual Report (p.35) that Dominion Salt was “the sole producer and refiner of industrial, food, rural and pharmaceutical salt products in New Zealand... The company operates solar salt fields at Lake Grassmere, Marlborough and an import facility at Mt Maunganui.” Thus the sale includes **1,583 hectares** of land at **Lake Grassmere**,

Marlborough, and **four hectares** of land at **Mt Maunganui, Bay of Plenty**.

Dominion Salt is believed to have more than 90% of the domestic salt market, importing half of its annual sales of 120,000 tonnes from Ridley’s **Cheetham Salt Ltd** in Australia and producing the rest itself. Cerebos retains its share of Dominion, and not coincidentally has a joint venture (called **Salpack Pty Ltd**), with a Ridley subsidiary in Australia, **Cheetham Salt Ltd**.

The formality of this takeover is that **CSL No.3 (Pty) Ltd**, a subsidiary of Ridley Corporation Ltd, is acquiring **50%** of Dominion Salt Ltd; **50%** of **Dominion Salt (NI) Ltd**; and **49%** of **Cerebos Skellerup Ltd**. Effectively this is an expansion of the Ridley/Cerebos “Salpack” business into Aotearoa. (Ref: *Canterbury Business Monthly*, September 1996, “Skellerup passes salt for \$36m”, by Chris Hutching; *Press*, “Ridley into NZ salt business”, 24/8/96, p.25.)

Since its own sale to Maine Investments of the U.S.A., a Goldman Sachs subsidiary, (which we reported in February) Skellerup’s main activity appears to have been selling subsidiaries. The “rationale” for the sale of Skellerup to Maine was that “the operation of the various business units within the Skellerup Group has been constrained by public ownership. It is claimed that a return to private ownership will provide a more appropriate basis for the efficient management and allocation of capital between the Group’s businesses with resultant benefits.” The constraints appear to have constraints on selling the “business units”. In May Skellerup sold CablePrice Ltd to Hitachi of Japan.

Georgie Pie dies; cadaver sold to MacDonald’s

Progressive Enterprises Ltd, 57% owned by Foodland Associated of Australia, is selling off its fast foods **Georgie Pie** chain. Seventeen outlets (five freehold and 12 leasehold, four of which were franchises), the **intellectual property** and various assets are being sold to **McDonald’s Corporation** of the U.S.A., through its subsidiary, **McDonald’s System of New Zealand Ltd** for “approximately **\$15 - \$25 million**”. The purchase of the intellectual property is more likely a spoiler action than any intention to continue the Georgie Pie concept. McDonald’s announced intention is to “open restaurants on 11 of the sites and close the others.” McDonald’s claims that “all persons employed in the restaurants will be offered employment with McDonald’s” (*Press*, 8/11/96, “Prog Ent sales down for quarter”, p.32) but with six sites to be closed it seems unlikely that all the 700 jobs that are at risk will be replaced.

The demise of Georgie Pie was the cause of much heartbreak. The modest hope was that it “would be New Zealand’s own homegrown alternative to the global fast-food industry giants such as McDonald’s, Pizza Hut and Burger King” although it was in many ways a copy-cat of McDonald’s. The first restaurant opened in Auckland in 1977, but Progressive expanded it rapidly only in the 1990s, announcing plans in

late 1994 to open 25 new outlets a year, reaching 114 by 1998. By the time Progressive decided to close it, there were 32 outlets, employing about 1,300 people, 80% under 20 years old. It paid its staff even less than McDonald's: it had hourly youth rates starting at around \$5 for 15 year olds, compared to a base \$8.41 at McDonald's, regardless of age. As Graham Kelly, head of Progressive, conceded in acknowledging their facilities were too expensive for the meals they were selling, "Georgie Pie did not apply the same rigour to its real estate as it did to keeping down its labour costs and menu prices". The 15 outlets not going to McDonald's, plus the \$18 million, three million pies per week factory at Wiri, are either being closed (four outlets) or offered for sale, and "there was no shortage of potential buyers, as several overseas fast food chains were looking to enter the New Zealand market" (*Press*, 3/10/96, "Progressive profit plunge breaches bank loans", p.24).

Graham Kelly considered the expansion "was a decision taken without much logic. No one researched the pie, no one analysed how the pie was perceived. No one really thought through whether the pie suited the family restaurants image that Georgie Pie was trying to foster." He says the trend is away from hot fast foods, from red meat to white, and from stodgy to light, bland, foods.

On the other hand, Brian Popham, general manager of Georgie Pie until 1995, who describes himself as "one of the original creators of Georgie Pie", has a quite different view. In a letter to the *Listener* (5/10/96, "Georgie Porgy ran away") he described the decision to "axe" it as "unnecessary". He wrote:

"Progressive shareholders should question why – if the concept was inherently and historically unsound to the extent portrayed by the current CEO – the 'guardians of shareholder wealth' (the Progressive board) approved some \$40 million in new investment over the last five years, as well as supporting the strategy to develop it as a major player locally and internationally. The facts are that ongoing investment approval was driven primarily by performance. In 1994, 26 restaurants were serving 600,000 pies a week, up 100% on the previous year. Pre-tax profit was \$2.1 million.

"The reason Georgie Pie failed is that, with a structure geared for growth momentum, it could not sustain the massive 66% decline in customers over the last 12 months. The decline was caused by retail price increases that destroyed the value proposition and competitiveness. The curtailing of new development and the reduction in advertising compounded the downward spiral. No, not one-dollar

pies or the pie itself, that's all nonsense. Chain fast food is an art and a science. They lost it. McDonald's got a 'Happy Meal' too cheap."

In other words, Progressive panicked and increased prices too much. The background to this is Progressive's own financial problems, which it blamed partly on Georgie Pie. In the year ended 28/7/96, Progressive's after-tax profit crashed 81.3% to \$3.55 million, forcing it to skip paying dividends for the year (contributing to a 10.1% fall in its controlling shareholder's profits) and, most notably, left it in breach of the conditions of its bank loans. Georgie Pie was said to be to blame for \$8.5 million of the profit fall. However there were other problems in the group, indicated by static or falling sales, which led, among other changes, to the management of Progressive's three supermarket chains – Countdown, Foodtown, and 3 Guys – being reorganised into one group, causing 60 redundancies at a cost of \$2 million. (Ref: *Press*, 1/10/96, "Georgie Pie cools Progressive Ent", p.39; 3/10/96, "Progressive profit plunge breaches bank loans", p.24; 10/10/96, "Foodland profit down", p.29; 8/11/96, "Prog Ent sales down for quarter", p.32; 30/11/96, "Progressive starts year strongly", p.28.)

Singatronics of Singapore buys Auckland Airport Travelodge for \$28.2 million

The Auckland Airport Travelodge, has been sold by the Tower Corporation (one of the few remaining New Zealand-owned insurance companies) to Glopeak NZ Hotels Pte Ltd, a subsidiary of Singatronics Ltd of Singapore, for \$28,200,000. Singatronics "is experienced in acquiring hotel properties and improving operating results ... it is seeking to take advantage of the synergies that can be extracted from the combined operation of various hotels throughout Australasia." It is its first major hotel purchase in Aotearoa, though it owns hotels in Australia. The three-and-a-half star Auckland Airport Travelodge was built in 1982, has 243 rooms and is the largest freehold hotel in the Auckland Airport area (*NZ Herald*, 11/9/96, "Airport Travelodge changes hands").

Malaysian company buys Duncan and Davies' Taranaki plant nursery business

Crystal Accord Sdn Bhd, a private Malaysian company, has approval to take over Duncan and Davies Contracting Ltd for "\$3,366,224 for 76%". Duncan and Davies have a "domestic and international ornamental shrub and plant nursery business" which Crystal says it will expand and operate in conjunction with "a similar operation to be established in Malaysia". Sounds like buying Kiwi expertise. The operation includes 44 hectares of freehold land and 38 hectares of leasehold land in Waitara, Taranaki.

Richina consortium increases shareholding in Mainzeal Group

A U.S.A./China consortium which currently owns 50.95% of Mainzeal Group Ltd has approval to increase its shareholding by another 5.32% for "approximately" \$15.41

million. "The increased shareholding is a result of a private placement and the underwriting of a rights issue by Mainzeal which will assist in financing the construction and operation of an aquarium in Beijing." The consortium comprises **Richina Enterprise Holdings Ltd**, which is ultimately owned by **Richina Equity Trust I of China**, **Anaconda Partners, L.P.**, which is ultimately owned by **Junction Advisors Incorporated** of the U.S.A., **Chemical Asian Equity Associates L.P.**, which is a limited partnership of which **Chemical Banking Corporation** of the U.S.A. is a partner, **R.E. Rainwater** of the U.S.A., **Ziff Investors Partnership L.P. II** of the U.S.A., **T.F. Frist II** of the U.S.A., **W.R. Frist** of the U.S.A., **P.C. Frist** of the U.S.A., **E. Metz** of the U.S.A., **J.M.R. Syme** of Aotearoa, **W.A. Caughey** of Aotearoa, and **T.J. O'Boyle** of Aotearoa. The consent to acquire the original 50.95% was given in April 1995, when P.F. and C.A. Elcan of the U.S.A. and T.F. Frist of the U.S.A. were also owners. Mainzeal is also trying to get full control of its partly owned subsidiary, **Mair Astley Holdings Ltd** (see the November 1995 decisions).

Queenstown's Millbrook Country Club of Japan rearranges its ownership

Three parties from Japan are swapping debt for shares in the **Millbrook Country Club Ltd**. In the past the **Too Corporation**, **Tatemono Co. Ltd** and **Millbrook Partners Japan** have "substantially financed" the Millbrook Resort "by way of interest free loans and subscription for preference shares" (an example of direct investment by loans rather than equity). They are now converting those to ordinary shares in Millbrook Country Club Ltd, in the ratio 76%, 13.4% and 10.5% respectively, valued at \$21,780,024. "It will assist in encouraging the Japanese shareholders to provide the further funding that is needed to complete further resort facilities including a 200 plus room hotel of international standard." The company owns 190 hectares freehold and 14 hectares leasehold land at Lake Hayes near Queenstown. Last time we heard about Millbrook through the OIC was in 1992 when the Millbrook Country Club was being described as a golf club. At that time it was acquiring further land for a second 18 hole golf course to enable club members and visitors to play when the principal course was closed for tournaments. Millbrook then had 205 hectares of land and was owned in Japan, Hong Kong and Aotearoa.

Aral Property of Singapore and Hong Kong buys Pacific Plaza, Whangaparaoa

Aral Property Holdings Ltd, registered in the **British Virgin Islands** (presumably for tax purposes) but owned in **Singapore and Hong Kong**, is buying a 50% interest in the **Pacific Plaza Shopping Centre** in **Whangaparaoa, Auckland** for "\$29.5-30.5 million" from **Churchill Group Holdings Ltd**. The shopping centre includes over two hectares of land. In case you worried that the British Virgin Islands registration of Aral Property Holdings cast doubt on its owners' characters, be reassured: "The Commission is advised the persons exercising control over the company are all of good character and not the kind referred to in section 7(1) of the Immigration Act 1987." We are sure it has checked as well as it did for German con-man Ralf Simon. Aral "has considerable

involvement in property ownership and management including various properties in New Zealand".

Milburn buys more land for quarry in Hawkes Bay

Milburn New Zealand Ltd, "approximately" 73% owned by **Holderbank Financiers Glaris Ltd** of Switzerland, has approval to buy four hectares of freehold land at **Mere Farm, Mere Road, Hawkes Bay** for \$62,000 to add to associated land of 160 hectares it already owns on Mere Farm for the purpose of stock-piling quarry products.

Sealed Air Corporation of the U.S.A. buys four ha on Waitemata foreshore

Danco (NZ) Ltd, a subsidiary of **Sealed Air Corporation** of the U.S.A., has approval to buy four hectares of land at **24 Bancroft Crescent, Glendene, Auckland** "which adjoins the foreshore being an estuary comprising part of the Waitemata Harbour" from **Donaghys Holdings Ltd** for \$4,200,000. It will be used for "the establishment of new premises allowing the business to grow, resulting in additional job opportunities in the area and also ensuring that the protective packaging product range will continue to be manufactured in New Zealand, rather than imported from Australia". The company also claims that it will result in "the introduction of specialised technology from Sealed Air Corporation into the existing operations". In December 1994, we reported that

"The giant U.S. packaging manufacturer, Sealed Air Corporation, is buying out Aotearoa manufacturer **Trigon Industries Ltd** for an undisclosed sum through its subsidiary **Sealed Air Holdings (NZ) Ltd**. Sealed Air invented bubble packaging and is the largest producer of the material in the world. **Trigon** was founded by its majority shareholders, chairman **Bill Foreman** and chief executive **Diane Foreman**, 25 years ago in **Hamilton**. It is one of the biggest suppliers of plastic packaging in Aotearoa. It manufactures plastic packaging and employs 730 people in Aotearoa, Australia, the U.S.A. and Europe. The Foremans will be employed as consultants for **Trigon** for the next five years. This appears to be a clear case of takeover of a successful firm, rather than investment."

Other land for forestry

Atadair Forests Ltd, owned by **Carter Holt Harvey Ltd** (78%, U.S.A.), **South Wood Exports Ltd** (19.9%, Japan) and **Itochu New Zealand Ltd** (2.1%, Japan), is taking over the lease of 813.28 hectares of land from **Parengarenga A Incorporation** for a "nominal amount". It is "part of the Parengarenga B3C Block created by partition order of the

Maori Land Court on 5 May 1977". The transaction is another result of the bankruptcy of **Northern Pulp Ltd** which had established a Triboard mill in Kaitaia, **Northland**, with associated forestry rights. The acquisition of the mill by Juken Nissho of Japan was highly controversial because the Muriwhenua Corporation had wanted to buy it as a development project for its people. Muriwhenua unsuccessfully challenged the OIC's decision to approve Juken Nissho's purchase. The current transfer of the lease is a takeover of "the interest of Northern Pulp". Atadair "intend to continue to maintain the forest they established in pinus radiata back in 1979/80". South Wood Exports (which is heavily involved in forestry development in Southland and Otago in association with Southland Plantation Forest Company of New Zealand Ltd, owned by New Oji Paper Company Ltd and Itochu: see another decision involving them below) is said here to be owned 51% by **Itochu Ltd** of Japan and 49% by **M.K. Hunt Foundation Ltd** of Aotearoa, although in the past it has been described as owned 66.6% by MK Hunt Foundation and 33.3% by C Itoh and Company of Japan (another name for Itochu). Itochu New Zealand is a wholly owned subsidiary of Itochu Ltd.

Ernslaw One Ltd, owned by the **Tiong family** of **Malaysia**, is buying further land in the **Manawatu** for forestry. This time it is **1,449 hectares** 20 kilometres north of **Hunterville**, for **\$1,500,000**. Ernslaw

"aims to establish a Pinus Radiata forest in the Horowhenua/Manawatu and Southern Hawkes Bay/Dannevirke regions over the next five years. ... The new planted area in conjunction with Ernslaw's existing forest interests in the region will provide Ernslaw with the resource base required to establish a major wood processing plant in a 15 to 20 year time frame."

Carter Holt Harvey Ltd, approximately 51% owned by **International Papers** of the U.S.A., has approval to acquire "approximately" **11.6 hectares** of land at **Oio No. 2 Road, Owango, King Country, Wellington** for \$20,068 for forestry from "Mr and Mrs Eames". "In September 1995, CHH received consent to acquire 455 hectares of land at Oio Road, Owango, from R. and B. G. Barnett. The western boundary of that property adjoins land owned by Mr and Mrs Eames by a boundary of convenience. This application legalises that boundary of convenience." The Eames got a better price for waiting too: \$1,730 per hectare, as against \$1,209 per hectare to the Barnetts.

Three residents of **Belgium** have approval to buy a half share in **555 hectares** of land in **Ihungia Road, Te Puia Springs, East Cape, Gisborne** for **\$515,000**. They "have been granted New Zealand permanent residency status and intend to immigrate to New Zealand, to establish a residential base in New Zealand." Their company, **Belman Holdings Ltd**, is buying the half share from **Trustwood Forests (Kiteroa) Ltd** which is owned by two New Zealand residents, and the land forms part of a 870 hectare property

owned by Trustwood. Approximately 500 hectares has been planted in pinus radiata and Trustwood is selling the share to reduce its indebtedness.

Carter Holt Harvey Ltd also has approval to acquire **231 hectares** of land at **Tuki Tuki Road, Belmont, Hawkes Bay** for \$347,082 for forestry purposes. It is "part of a larger farm property which is only marginal for agricultural purposes". Tuki Tuki Road must be an attractive place: in February 1995, two Netherlands residents who had been granted permanent residency in Aotearoa, received approval to buy a 13 hectare "lifestyle block" on Tuki Tuki Road, and a Finnish owner of the 553 hectare Tirimoana Station and an adjacent 323 hectares of land in Tuki Tuki Road, "restructured" these forestry investments.

Carter Holt Harvey Ltd is also buying former Crown land on the long closed **Nelson Glenhope railway line** from **Landcorp Investments Ltd**. The land is **0.6 hectares** near **State Highway 6, Brightwater, Nelson** which lies between two existing CHH properties. It will be used for forestry and is being purchased for **\$7,500**.

Blakely Pacific Ltd, as trustee for the **South Blakely Trust** of the U.S.A., has consent to acquire **1,849 hectares** of land in **Otago** for a suppressed amount. Blakely Pacific "have previously been granted consent to acquire approximately **6,594 hectares** of land for forestry operations". This will have included 1,981 hectares on Matakana Island, Tauranga which they bought from Te Kotukutuku Corporation Ltd and Matakana Island Trust Incorporated in March 1994 after Matakana islanders' won their battle to take control of the island's forestry resources from ITT Rayonier (U.S.A.) and Ernslaw One (Malaysia), including several months blockading the road to prevent continued logging, and a successful, precedent setting, appeal to the courts against the OIC's decision to give approval to ITT and Ernslaw. Ironically, having won, the islanders had insufficient resources to develop the forestry on their own and sold half of the island to Blakely Pacific. In the present case, "Blakely Pacific propose to establish a Douglas Fir and Pinus Radiata commercial forest on the property."

Southland Plantation Forest Company of New Zealand Ltd, ultimately owned by **New Oji Paper Company Ltd** and **Itochu Ltd** of Japan, has approval to acquire "approximately" **79 hectares** of "rougier" land at **Lillburn Valley, Southland**, for forestry, in exchange for 40 hectares of "usable farm land", plus **\$135,000**. As usual with its purchases, all forestry activities will be conducted under contract by **South Wood Export Ltd** (see decision above).

Other rural land sales

A resident of the Netherlands "who intends to take up New Zealand permanent residence early in 1997" has approval to purchase **68 hectares** of land in the **Mangamuka Survey District** for **\$350,000**. He

"proposes to use the dwelling on the land as a guest house with facilities for horse-trekking, fishing, tramping, sailing and other outdoor pursuits. ...

approximately 5.7 hectares of river flats will be used to grow fruit and vegetables to supply the guest house, the surplus being for sale to local retailers. ... the balance of the land will continue to be used for grazing stock."

Tiong Family company, Neil Construction Ltd, of Malaysia, is buying more land in **Albany, Auckland,** for residential subdivision. It is **four hectares** at **258 Schnapper Rock Road** for **\$1,150,000.**

Universal Homes Ltd, which is owned by **HTP Holdings Ltd** of **Singapore** has approval to acquire just under **three hectares** of land in **Guys Road, East Tamaki, South Auckland** for **\$1,030,000** for residential subdivision and construction. The land adjoins **15 hectares** the company already owns, and **six hectares** designated for reserve purposes which is being acquired by the Manukau City Council. The company is "a predominant player in the Auckland housing market and is continually searching for land for residential development". The land will be developed into 35 sections over the next 18 months to two years, building houses in the "mid-cost market bracket". In March 1996, the same company was given approval to buy nine hectares of land at Weymouth, Manurewa, Auckland for \$3,320,000 for the same purpose, creating 100 sections. HTP was then described as "HIP Holdings Ltd, a Singapore public listed company which is 27% owned by The Peoples Republic of China".

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 **seven hectares** of land currently used as a "residential lifestyle block" on **Whatawhata Road,** **Hamilton,** for **\$1,400,000,** for residential subdivision. The same company was given approval to buy seven hectares at **Tamahere, Hamilton** for **\$900,000** in April 1996, also for subdivision. At that time it was stated that "Mr Cleary has been granted permanent residency and proposes to move to New Zealand in the near future". Clearly the future wasn't that near.

Two **U.K. residents, M. and C. M. Barker,** have approval to buy **92 hectares** of land at **Bulls, Wellington** for **\$497,500.** They are "close friends" of the present owners, **R. V. and L.G. Bishop** "who are to be the other tenants in common of the land". The Bishops operate a horse stable and training centre from the property and need the money to develop the property. The Barkers intend to emigrate to Aotearoa when Mr Barker retires.

October 1996 decisions

Rand Merchant Bank of South Africa wants to deal in electricity

In an approval which indicates, firstly, the likelihood of speculation in the newly established New Zealand Electricity Market, and secondly, the flimsiness of the already vestigial requirements of foreign investors, **RMB Australia Ltd,** a subsidiary of **Rand Merchant Bank Ltd** of **South Africa,** has approval to "acquire property (electricity) in New Zealand

and commence business". It expects that the amount payable will **exceed \$10,000,000.** One of the criteria for non-land investments is that the applicant should demonstrate "financial commitment to the proposal". The OIC has accepted in fulfilment of this criterion an

"undertaking to lodge collateral in the form of bank guarantees or letters of credit with the Clearing Manager of the New Zealand Electricity Market to comply with the prudential requirements of said Market. The existence of a Deed of Guarantee providing for the obligations of the applicant to be guaranteed by Rand Merchant Bank Ltd is further evidence of the applicant's financial commitment to the project."

In this, Rand Merchant Bank is getting off considerably more lightly than the actual energy supply companies who provide services to consumers. According to the *New Zealand Herald* (17/6/96, "Power companies asked for deposit", by James Gardiner),

"Electricity supply companies face paying cash bonds totalling more than \$100 million before they can take part in the new wholesale market. The companies also risk being put in receivership or having their electricity cut off if they default on their bills. Some of the former power boards have taken exception to the proposed market rules and are trying to get receivership provisions rewritten. But the Electricity Corporation and Contact Energy are believed to be insisting on the prudential and default provisions. ...

"Companies buying through the market will have to put up cash security equivalent to the value of their peak demand plus a margin. This will range from \$300,000 for the smallest buyers to \$30 million for the largest. Those amounts will have to be topped up if power prices rise dramatically at any time.

"If the power companies do not want to pay cash, they will need a bank-grade credit rating (A minus or better), which most are unlikely to get, or a letter of credit from a bank. However they do it, the companies will face higher costs, which, if not offset by greater efficiencies in the market, will be passed on to the consumers."

These rules would obviously put a bank like Rank at a significant advantage to the supply companies in bidding for wholesale electricity. Some may in fact be forced to use the bank's services rather than trade directly, adding to the costs of electricity.

RMB Australia, listed as Australian Gilt Securities (RMB Australia was formerly AGS, which was taken over in 1988 by RMB), is the only member of the "Trader Class" amongst the "Market Participants" in the New Zealand Electricity Market (NZEM) as at 1 October 1996. "Market Participants" are defined as "companies who have applied to become Members of NZEM". The others comprise the "Generator, Purchaser and Trader Class" (Contact Energy, ECNZ, Mercury Energy, Otago Power Limited, and Pacific Energy), the "Purchaser and Trader Class" (Central Electric, Counties Power, Electro Power, Energy Brokers, MainPower New Zealand, NorthPower, PowerBuy Group, Southpower Energy Purchases, Tasman Energy, and Trans Alta), the "Generator and Trader Class" (Stratford Power), and the "Purchaser Class" (BHP New Zealand Steel Ltd, King Country Energy, and TrustPower) (ref: Electricity Marketing Company Ltd's Web site <http://www.emco.co.nz/nzem/index.htm>).

Clearly the merchant bank sees this trading and hedging on the electricity market as a source of profit. RMB Australia appears to specialise in derivatives and similar financial risk instruments and includes amongst its "services"

"Energy

"RMBA is pioneering the application of risk management techniques in the deregulated electricity industry with a particular focus on energy risk management, the development of structured product and hedging. In New Zealand, RMBA provides full electricity trading outsourcing services in partnership with Energy Group Limited." (From <http://www.rmb.co.za/ags.html> on Rand Merchant Bank Holdings Ltd's Web pages.)

The parent company, Rank Merchant Bank, in South Africa, performs similar functions in regard to mining products: "Trading and hedging, by using innovative techniques, of all kinds of commodities – from precious metals to units of electricity – in all appropriate international markets." (<http://www.rmb.co.za/resources/areas.html>)

Rand Merchant Bank is a subsidiary of RMB Holdings, through its life insurance company, Momentum Life Assurers Ltd. The main activity of the holding company is life assurance, although it also has subsidiaries in asset management, health insurance and short term insurance. Its subsidiaries include Rand Merchant Bank, RMB Asset Management, Momentum Health, RMB Properties and RMB Securities Trading. It jointly holds short-term insurer Aegis with NBS Holdings (MBendi Information Services, [\[mbendi.co.za/ca94.htm\]\(http://mbendi.co.za/ca94.htm\)\).](http://</p></div><div data-bbox=)

The bank has taken a close and public interest in the privatisations being promised by the South African government, and

"Towards the end of 1995 RMB secured a contract for the bank to advise on the sale of Mossgas [the apartheid-era gas-to-oil conversion plant, considered to be a white (!) elephant]. Recent developments for the bank include the financing of the first stage of a \$925 million hydroelectric dam at Sonda Gorge in the Congo, with \$15 million being contributed by the bank. The balance will come from the Congolese governments and European institutions." (MBendi Information Services, <http://mbendi.co.za/corm.htm>.)

Publicly, it has taken much care to appear "socially responsible". As its "Social Responsibility" Web page boasts "We don't just give – we enable: Rand Merchant Bank's approach to social upliftment goes beyond mere corporate donations and involves the application of its banking expertise to pressing development problems" and describes examples.

However things aren't quite that simple. The *Financial Mail* of South Africa reports ("Umgeni water: Exposure or cover-up?", 19/1/96, <http://www.atd.co.za/fm/issues/190196/LA.2.html>):

"The outcome of the fund-raising of the Umgeni Water Board, a public-sector storage and reticulation utility which has been the subject of a ministerial inquiry, is that the shareholders of Rand Merchant Bank have been enriched to an unquantifiable extent at the expense of consumers and taxpayers...

"The investigation by auditor Fisher Hoffman Sithole poses questions in a number of vital areas.

"The first is how Rand Merchant Bank is able to initiate a borrowing programme through a public-sector entity which results in trade totalling R86bn on which losses of R162m are sustained and is then able to avoid disclosing its profits to the investigators.

"You can bet your bottom dollar that bank MD Paul Harris knows precisely

how much the bank made. This is because of the bank's 'marking to market' procedures – an arcane phrase which means the bank's positions are marked against prevailing prices at the daily close of business.

"Moreover, the bank is audited twice a year by two accounting firms. The results – to the last cent – must be open for inspection.

"RMB employs clever executives, some of whom are given incentives based on the bank's profits. They, too, are going to know to the last cent how well the bank has done.

"Fisher Hoffman says that, because of complex cross-hedging with other stocks carrying different default risk profiles, it cannot quantify the extent of RMB's profits on its Umgeni transactions. The only reason it cannot do so is that the bank won't tell.

"Over two vital years of trading – the years in which Umgeni sustained the bulk of its losses – RMB was Umgeni's sole market maker. Of course, it is possible that Umgeni's loss of R162m – a large part of it avoidable – did not accrue to RMB as a profit but, in the absence of a convincing alternative explanation, reaching a different conclusion stretches credulity."

So not only is it questionable whether financial commitment is being made in this investment, but questions over the character of the controlling shareholders have been raised.

Shriro of Hong Kong takes fuller control of Transmark Corporation

Shriro Pacific Ltd of Hong Kong now has a 92.55% interest in electronics distributor **Transmark Corporation**. It is doing this through **Gandava Investments Ltd** which is acquiring 100% of Transmark. Gandava is 92.55% owned by Shriro and 7.45% by **Ocin Holdings Ltd** of Aotearoa. The price was \$25,119,829, based on a price of \$1.60 per share. The OIC states: "Shriro Pacific was previously granted consent to acquire up to 100% of Transmark." This approval was in June 1993, when Shriro was registered in the Cayman Islands. Its shareholding in Transmark has risen steadily since it first gained approval to take a 50% shareholding in August 1991. "Shriro have now advised that the acquisition is to be undertaken by Gandava and this will result in New Zealand parties retaining an interest in Transmark." Gandava secured 92.3% of Transmark in November and declared the offer unconditional, having increased its price to \$1.95 a share (equivalent to a total of \$30,614,792) in October.

The increase in price and extension of its acceptance deadline came after cries of "unfair" by minority shareholders and a challenge by an independent director. One of the company's top 20 shareholders, James Cornell, called it "insulting", and largest minority shareholder, Toronto Unit Trusts, also indicated its unhappiness. A valuation by Ernst and Young indicated a fair price of \$2.00 to \$2.15.

Gandava owned 74.07% of Transmark before the buyout, with 7.55% of Gandava being owned by Transmark managing director, Nico Wamsteker (*Press*, 16/9/96, "Transmark bid 'insulting'", p.38; 27/9/96, "Report values Transmark higher", p.16; 26/10/96, "Transmark bid raised", p.28; 22/11/96, "Transmark unconditional", p.29). Shriro is owned by Mark Shriro who lives in Monaco. Transmark's chairman, David Wilson, lives in Hong Kong. In March 1996, Transmark sold its 1995 acquisition, U-Bix Business Machines Ltd, to Blue Star.

Harvey Norman Group prepares to set up shop

Harvey Norman Holdings Ltd, an Australian public listed company, and any wholly subsidiary of the **Harvey Norman "Group"**, are given approval to commence business in Aotearoa. The amount they propose spending is "in excess of \$10,000,000".

Press reports indicate aggressive plans by the Australian retailer, which stocks "furniture to whiteware", including computers. It hopes to open 16 to 20 stores in Aotearoa during the next five years, two stores opening in Auckland during the second quarter of 1997, and a third later that year. Ten per cent of the floor space would be devoted to computers. The company has 56 stores in Australia. (*Press*, 18/9/96, "Harvey Norman plans 16 to 20 stores in NZ chain", p.32.)

One U.S. company to another: Borden packaging sells to AEP

Borden Inc of the U.S.A. is selling its subsidiary, **Borden (NZ) Ltd** to **AEP Industries Inc** of the U.S.A. for US\$21,576,000 (about \$30,823,000). The operation manufactures flexible packaging and AEP "which has business experience relevant to the Borden's business activities, intends to develop and expand that business".

According to press reports, the name will be changed to AEP Industries (NZ), and the operation had previously been part of AHI, UEB, Whitcoulls and Printpac (*Press*, 14/11/96, "Packaging name change", p.36). Indeed, the OIC last heard from Borden in March 1990, when we reported that

Borden Inc (U.S.) is taking over Printpac-UEB's flexible packaging operation. The application says this is "in recognition of the need for the flexible packaging business to become part of a global international packaging

operation. It is felt that only through such an international and global operation would the business be capable of keeping abreast with the rapid technological development in the industry. Borden sees the acquisition of the flexible packaging group from Printpac-UEB as an opportunity to expand its packaging operations throughout Australasia.”

In fact the situation is somewhat less benign than either news or OIC reports suggest. AEP Industries Inc has taken over Borden Inc’s entire “Global Packaging” business. On 11/10/96 AEP announced that:

“it has completed the acquisition of Borden, Inc.’s Global Packaging business. The acquisition more than triples AEP’s annual sales and establishes AEP as a world-class industry competitor with leading market share positions in several key product segments in the U.S. and Europe, a broader geographic presence and a wider range of product offerings.”

The takeover also included a new AEP board made up of four directors from Borden, five from AEP board, and one jointly chosen (“AEP Industries Inc. completes acquisition of Borden global packaging”, press release by AEP, 11/10/96, <http://www.aepind.com/newsletters/oct-11-1996.html>).

The Italian magazine, *Italia Imballaggio* (“The Voice of Italian Packaging”), went as far as saying that the takeover “created the largest supplier of plastic packaging pallet stretch films in the world and one of the largest plastic packaging manufacturers for the food industry at European level” (http://www.webcity.it/italiaimballaggio/news_e.html).

The takeover was followed rapidly by job losses:

“AEP Industries Inc. announced today that it has ceased manufacturing operations at a plant in North Andover, Mass., that had been part of the Global Packaging division of Borden, Inc. AEP acquired Borden’s Global Packaging business on October 11, 1996. The North Andover plant manufactured pallet wrap and polyvinyl chloride (PVC) film products.

“Approximately 320 employee positions will be phased out over the next four months as a result of the North Andover plant closing. ... Additionally, AEP plans to eliminate approximately 40 administrative and sales positions, most of which are based in North

Andover. The Company stated that it does not anticipate any further significant plant consolidations in North America.” (“AEP Industries Inc. closing facility acquired from Borden Global Packaging”, press release by AEP, 24/10/96, <http://www.aepind.com/newsletters/oct-24-1996.html>.)

AEP paid a total of approximately US\$360 million (about NZ\$514 million) for the Borden packaging business, US\$280 million (\$400 million) in cash, and “at least” US\$80 million (\$114 million) worth of newly issued AEP shares, giving Borden approximately 34% of AEP.

On 13/9/96, AEP had announced falling sales and net income for the previous year, due largely to borrowing for the Borden takeover (“AEP Industries Inc. announces record third quarter earnings per share”, press release by AEP, 13/9/96, <http://www.aepind.com/newsletters/sep-13-1996.html>).

The two companies were described in the takeover announcement as follows:

“Headquartered in South Hackensack, New Jersey, and employing about 1,100 people, AEP Industries manufactures, markets and distributes nationally an extensive range of polyethylene film products for stretch pallet wrap, industrial packaging, agricultural and can/box liner applications. It achieved record sales and net income of US\$242.9 million and US\$13.5 million, respectively, in its fiscal year ended October 31, 1995, double its annual sales just five years earlier in 1990 and 3 ½ times that year’s net income.

“AEP markets its specialty and standard polyethylene film products to the packaging, beverage, food, pharmaceuticals, agricultural and textile industries. It operates five highly efficient manufacturing plants in the United States. A now complete capacity expansion and manufacturing efficiency program included new facilities started up in Wright Township, PA, in early 1996 and Alsip, IL, in mid 1995. Other facilities are located at Waxahachie, TX, Matthews, NC, and Chino, CA.

“Borden Global Packaging had calendar 1995 sales of approximately US\$625 million, primarily flexible film for stretch wrap and other packaging uses, and rigid plastic packaging. Nearly US\$250 million of the total is in North America,

slightly over US\$300 million in Europe and US\$75 million in the Asia/Pacific region.

"The Borden packaging business employs about 3,500 people and operates 27 plants in 12 countries. Its film products are made from polyvinyl chloride, polypropylene and polyethylene resins and marketed under several brand names including Resinite, Sealwrap, Loadmaster, Proponite and OPPtimum. Not included in the sale are Borden packaging businesses in South America, which continue to be integrated within the Borden Chemical, Inc. operating unit.

"Borden, Inc., with sales of approximately US\$5.9 billion in 1995, is a diversified producer of dairy, pasta, snacks and other packaged grocery products; consumer adhesives and dairy, pasta, snacks and other packaged grocery products; consumer adhesives and wallcoverings; and adhesives, resins and plastic products for packaging and industrial uses. Headquartered in Columbus, OH, and privately owned since March 1995 by partnerships affiliated with the investment firm Kohlberg Kravis Roberts & Co. (KKR), Borden employs about 27,500 people and operates 180 plants worldwide." ("AEP Industries/Borden packaging combination announced", press release by AEP, 20/6/96, <http://www.aepind.com/newsletters/jun-20-1996.html>.)

AEP is not above looking for government assistance when it is available. On 12/7/95 it applied for "Transitional Adjustment Assistance" (TAA) under NAFTA. This assistance is available if (note the euphemism) "workers separated from employment after December 8, 1993 (date of enactment of Pub. L. 103-182) are eligible to apply for NAFTA-TAA under Subchapter D of the Trade Act because of increased imports from or the shift in production to Mexico or Canada" (ref: <http://www.ici.coled.umn.edu/register/labor/10-16-95lab/lab9.html>). One such application was turned down (<http://www.ici.coled.umn.edu/register/labor/9-4-95lab/LAB19.html>), but another approved for Worker Adjustment Assistance for "worker separations" in South Hackensack, NJ and Moonachie, NJ on 12/6/94 (<http://www.ici.coled.umn.edu/register/labor/9-25-95lab/lab2.html>).

P&O has lease on Otahuhu land belonging to James Kirkpatrick Ltd

NZL Industrial Park Ltd (NZLIP), which is owned by Peninsula and Oriental Steam Navigation Company of the

U.K., has approval to acquire a lease of up to six years over ten hectares of land in **Manu Street, Otahuhu, Auckland**, owned by **James Kirkpatrick Ltd**. It already has a lease over this land and a further three adjoining hectares, and this is a "rearrangement" of its interest. It will pay \$100,000 a year for the lease of the land, on which it runs its business, and will redevelop an unused part of it.

Bridgestone Japan (Firestone) takes 100% of Bridgestone Tyres (NZ) Ltd

Bridgestone Corporation of Japan (BSJ), which is the parent company of **Bridgestone/Firestone Inc.** of the United States of America, which in turn owns approximately 80% of the capital of **Firestone NZ Limited**, has approval to acquire 100% of the shares in **Bridgestone Tyres (NZ) Ltd (BSNZ)** for a suppressed amount.

"BSNZ for many years has been the independent and exclusive distributor in New Zealand of Bridgestone tyres. These are imported from various members of the BSJ Group throughout the world. The current distribution agreement between BSJ and BSNZ is due to terminate in December of this year."

Walter Bau-AG of Germany readies for Britomart construction

A company hoping to construct the controversial **Britomart Transport Centre** in **Auckland** has approval to commence its construction and civil engineering business. **Walter Bau-AG of Germany**, which owns 75% of **Concrete Constructions Group Ltd** of Australia, is setting up **Walter-Concrete Constructions (Britomart) Ltd**, of which it will own 30% and its Australian subsidiary will own 70%. The company "has entered into a contract for the construction of an underground carpark, bus and rail interchange facility in central Auckland, to be known as "The Britomart Transport Centre". Aucklanders may be surprised at this, because the Auckland City Council was not due to make a decision on the project until November. Their proposal was for the project to be developed by NatWest Markets Australia, a subsidiary of the National Westminster Bank. The Council says:

"Council established basic principles in December 1995. After reviewing competitive submissions from developers it signed a Heads of Agreement with NatWest Markets Australia in May this year. NatWest Markets in turn has put together finance packages and obtained a fixed price construction contract conditional upon the Council signing the final contract ... NatWest Markets, is employing the contractor, and taking the major financial, construction and development risks." (Ref: Auckland

City Council Web server, <http://www.akcity.govt.nz/CityScene/199611/041196/britomart/consider.htm>)

It describes the development process as follows:

“Step One

“Auckland City Council sells the Britomart site to NatWest for a fixed price of \$56 million.

“Step Two

“NatWest Markets hires construction companies Walter Bau ag and Concrete Construction of Australia [sic] to build the first stage of the development on a fixed price basis. This includes excavating the site and building the transport centre to the Council’s specification together with underground carparking and other services for the above ground sites owned by the developer. The builders will also underground a section of Quay Street adjoining the Britomart, and carry out essential work under Customs Street for the Council at the same time.

“The builders strengthen and secure the ten historic buildings being preserved and run services - water, electricity and sewerage - to each of the new building sites created on the roof of the transport centre, at ground level. These sites will be landscaped until development starts.

“Step Three

“Council buys the finished transport centre for a fixed price from the developer on completion, and also pays a fixed price for the Quay Street undergrounding, the work under Customs Street, the public open spaces and some Heritage protection. This will happen in 1999, or when the works are complete and not before. The Council makes no progress payments during construction.

“Step Four

“Meanwhile the developer has been busy offering the new ground level sites for sale to

developers internationally. Development of any of the sites can commence as soon as work begins on site.

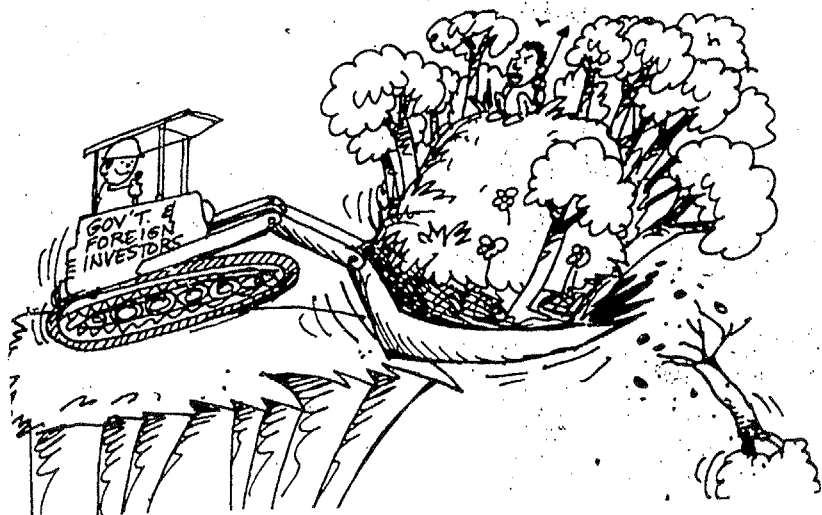
“It is intended that all of the above ground development will be completed within 10 years.

“The developer is able to offer any unsold sites back to the Council in 10 years time, but on terms so [sic] advantageous to the Council.” (Ref: <http://www.akcity.govt.nz/CityScene/199611/041196/britomart/borrow.htm>.)

The many critics of the scheme, which include a cross-section of the Auckland population, point to the encouragement it gives to use of the private car over public transport in an already congested city centre, destruction of historic sites, the cost of the development (reminiscent of the Birch/Muldoon Think Big projects), the secrecy and lack of genuine consultation, and the crassness of yet more mirror-glass in the area.

Waihi gold mining companies buy three more blocks of land in Waihi

As in February and March, more land is being acquired for the Waihi Gold Mine in and around Waihi. The purchase of three blocks of residential land has been approved from five private individuals: 0.0940 hectares (no address given) for \$230,000; 0.3667 hectares (no address given) for \$130,000; and 0.0625 hectares at 11 Hazienda St for \$60,000. 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."

Housing development of 200 dwellings at Gulf Harbour, Whangaparaoa

In May 1996 we reported on new developments with the Gulf Harbour Marina. **Gulf Harbour** is at **Whangaparaoa** on the Hibiscus Coast. This month, **Hibiscus Hills Ltd**, owned by **Investors Realty Group Properties Pte Ltd (IRG)** which is incorporated in **Singapore** but has owners from **Singapore** and **Malaysia**, has approval to buy **ten hectares** of land from **Gulf Harbour Ltd** for **\$10,000,000**. **Gulf Harbour Ltd** is **95%** owned by "Messrs **Goh, Sim and Tay of Singapore**". These are presumably the **Goh Cheng Liang (55%)**, **Sim Lai Hee** and **Tay Kwang Thiam (20% each)** named in May.

"IRG is an experienced developer of integrated residential housing estates overseas ... the land is surrounded by holes 2-9 of the international class Robert Trent II designed golf course at Gulf Harbour. It is the applicant's [IRG's] intention to develop and sell a high quality housing estate (approximately 200 lots), which will incorporate community club facilities with a business centre and recreational areas."

Land for forestry

Deborah Miller of **Brookfields**, **Auckland** is hard at work again. This month she has organised The sale of another block of land in **Paponga Road, Broadwood, Far North District, Northland** to **Jadebrook Developments Ltd**, owned by four **Taiwan** residents. It is of **40 hectares** for **\$201,000**. It is being sold by the by now familiar **Far North Afforestation (NZ) Ltd**. The last such sale was in June 1996.

The sale of three further blocks of the **Mahuri Forest, Mangamahu, Wanganui** to residents of **Taiwan**, all of whom have been granted permanent residency in **Aotearoa**. The blocks are **21 hectares** for **\$86,018**, **27 hectares** for **\$105,554.50**, and **22 hectares** for **\$85,885**. In each case the land is being sold by the **New Zealand Forestry Group Ltd** which, in the first two cases, will develop the land for forestry. In the third, the purchasers, the **Lu Family Partnership**, have "employed a **New Zealand** based manager to establish and run the forest

on their behalf" but the manager's identity is not stated. Miller's last such sale was in July 1996.

The sale of **86 hectares** of arable land at **Galatea, Bay of Plenty**. See "other rural land sales" below.

Blakely Pacific Ltd, as trustee for the **South Blakely Trust** of the **U.S.A.**, has consent to acquire **45 hectares** of land "known as the **Waterfall property**" in **Crawford Road, Tauranga, Bay of Plenty**, for a suppressed amount. **Blakely Pacific** "have previously been granted consent to acquire in excess of **6,594 hectares** of land for forestry operations". See the September 1996 decisions for the last such one. The **6,594 hectares** does not include that one: they claimed they only had **6,594** then, and acquired an additional **1,849 hectares** (in **Otago**) by that decision. **Carter Holt Harvey Ltd**, owned "approximately **51%**" by **International Papers** of the **U.S.A.**, has approval to buy **24 hectares** of land at **Managhopai (sic), Hawkes Bay**, for **\$12,500** for forestry.

Other rural land sales

North Star Racing Ltd, which is owned **50%** by a **Swedish national** residing in **Singapore**, and **50%** by a **New Zealander**, has approval to buy **eight hectares** of land in **Tamure Place, Ruakaka, Whangarei, Northland** for **\$155,000** from the **Whangarei District Council** for development as a racehorse breeding, training and grazing operation.

A resident of **Malaysia** who has "the ultimate intention of residing on the property and personally managing the farming operation" has approval to buy **144 hectares** of arable land at **Clevedon, Waikato** for **\$3,425,000**. A lease over the land will continue until it expires in June 1997. "In the longer term the applicant proposes to establish a forestry operation on the less productive and steeper areas of the property. It is further proposed to undertake beef production including experimentation and development of breeds of cattle (particularly **Limousin** cattle) for beef export purposes." No evidence is given that the applicant has such expertise.

The **Tainui Maori Trust Board's** subsidiary, **Tainui Development Ltd**, is selling **four hectares** of land in **Sylvesters Road, Hamilton**, to **CDL Land New Zealand Ltd** for a suppressed amount, for residential subdivision. **CDL Land** is a wholly owned subsidiary of **CDL Investments New Zealand Ltd**, which is **57.36%** owned by **CDL Hotels New Zealand Ltd**, which in turn is **69%** owned by **CDL Hotels International Ltd**, which itself is **51%** controlled by the **Hong Leong Group** of **Singapore**.

As noted above, **Deborah Miller** of **Brookfields**, **Auckland**, has organised the sale of **86 hectares** of arable land at **Galatea, Bay of Plenty** to **Agnes Developments Ltd**, owned by a resident of **Taiwan** and his family "who have made application for permanent residency and intend residing permanently in **New Zealand**", for **\$960,000**. "They propose converting the property which it is claimed is an uneconomic beef and wool operation to a dairy farming unit." They propose engaging a **New Zealand** expert to carry this out.

A resident of Taiwan who, "together with his supporting family, will all take up New Zealand permanent residency by mid 1997" has approval to acquire 127 hectares of land in Sunnex Road, Rotorua, Bay of Plenty for \$2,800,000. The land is currently used as a "riding establishment" and has been "partially developed as a farm stay destination". The new owner proposes to "develop the operation as a destination for overseas tourists using connections that they have both in Taiwan and Mainland China." They propose spending "in excess of a further \$500,000 to enhance the accommodation and catering facilities on the property in a bid to entice overseas tourists."

In a decision largely suppressed, a party "predominantly owned" in Aotearoa, has approval to buy 150 hectares of land from the Ben Ohau Station Ltd, adjacent to and surrounding the Pukaki Airport, three km north of Twizel, Otago for an amount "yet to be determined". Why an application to the OIC was required is not explained, and even some details of the "benefits" of the investment have been suppressed.

November 1996 decisions

O'Reilly buys another radio network: NZ Radio Network buys Prospect

We reported in April 1996 that the privatised Radio New Zealand commercial network had been sold as **The Radio Company Ltd** to three companies closely associated with Irish magnate, Tony O'Reilly, for \$89 million. The purchaser was **New Zealand Radio Network Ltd**. That company, through subsidiary **The Radio Network of New Zealand Ltd**, now has approval to buy a further radio network, **Prospect**, which (as the Independent Broadcasting "Group") was sold only in March 1996 to the **GWR Group Plc** of the U.K. GWR are making a tidy profit: they bought it for \$26.5 million and sold it for "approximately \$40 million". The Prospect companies comprise: **Primedia Auckland Limited, Primedia Hamilton Limited, Look Outdoor Limited, Median Limited, Arrow Limited, Ran Limited, IRN Limited, Studio Time Limited, Graphic Outdoor Limited, Primedia Limited, and Prospect Limited**. Particularly significant is IRN (Independent Radio News) which means O'Reilly can now more easily cut himself loose from Radio New Zealand News (which remained with publicly owned radio) when the contract with it ends. That must put the viability of that service into some doubt, and opens up the possible scenario of O'Reilly's broadcasting and print news services cooperating or merging.

The deal adds 12 radio stations to its existing 41. (That total of 53 stations is large even in international terms. In a deregulatory move in January 1997, the U.S. Government agreed to let Westinghouse Electric Corporation and Infinity Broadcasting merge into the largest radio group in the U.S.A. It operates just 82 stations, admittedly with much larger audiences: *Press*, 9/1/97, "US radio merger nod", p.23.) Seven of Prospect's stations are in Auckland and five in Hamilton, including The Breeze, i98FM, Hauraki FM and i97. Fifty-six stations were involved in the deal, but the remaining three



McKale USA

have to be sold under a Commerce Commission ruling (*New Zealand Herald*, 18/11/96, "Radio Network buys Breeze, Hauraki"). Nonetheless, the Commerce Commission's acceptance of the purchase is odd because it would reportedly have forced GWR to sell Prospect if bidding had gone the other way and GWR had won Radio New Zealand's stations. Once again the Commerce Commission has shown itself to be a cardboard policeman. The purchase was criticised by the Labour Party for its cramping of competition and the absence of rules on cross-media ownership, and additionally by the Alliance for the growing foreign ownership of broadcasting (*New Zealand Herald*, 19/11/96, "O'Reilly says drop in dollar is vital").

The ownership of New Zealand Radio Network Ltd appears to have changed. In April it was owned 33.3% each by **Wilson and Horton Ltd, Australian Provincial Newspapers Holdings Ltd (APN), and Clear Channel Communications Inc (CCC)**. According to the OIC, 14.3% of APN's share is now owned by **Stephen Walker of Aotearoa**, leaving it with 19%. Wilson and Horton is now over 85% owned by O'Reilly's Independent Newspapers Plc, after a takeover bid failed to reach its target of 100% (*New Zealand Herald*, 16/11/96, "Irish finish bid with 85pc of W&H"). APN is more than 50% owned by Independent Newspapers Plc (*Press*, 4/4/96, "RNZ stations sold for \$89 million", p.3); and CCC is a San Antonio, Texas based broadcasting company which owns 50% of the eight station Australian Radio Network, the other 50% being owned by APN.

Skellerup of U.S.A. sells Levene Paint Manufacturing to ICI

Skellerup, now owned by **Maine Investments Ltd** of the U.S.A., is selling off another subsidiary. This time it is the paint manufacturing assets and business of **Levene Paint Manufacturing Ltd**, which it is selling to **ICI New Zealand Ltd**, a subsidiary of **ICI Australia Ltd**. The price is suppressed.

ICI will presumably merge the operation with its own paint manufacturing business because "the proposal is seen by ICINZ as a key step in both building volume for its Gracefield manufacturing plant and underscoring the viability of its operations at that site".

According to the New Zealand Press Association, quoting ICI, "the Levene manufacturing plant in Auckland, which is not being sold, will continue to contract manufacture paint for ICI until production is moved to ICI's Lower Hutt plant." It says "Levene makes decorative industrial, and roadmarking paints and protective coatings worth more than \$20 million a year." (*Press*, 26/11/96, "ICI NZ buys paint", p.36.)

Since its management buyout and sale to Maine Investments in March 1996, Skellerup has sold CablePrice Ltd to Hitachi of Japan, its half share in Dominion Salt to Ridleys of Australia, and the North Wiri Quarry (owned by subsidiary DML Resources) to Milburn of Switzerland (see below).

Broadway Industries sell Chemstock Animal Health to IAMA, Australia

IAMA Ltd of Australia has approval to buy **Chemstock Animal Health Ltd** of Christchurch from **Broadway Industries Ltd**, a New Zealand listed company, for \$11,500,000. IAMA "is Australia's largest rural merchandise distributor and the proposal represents an opportunity for IAMA Limited to diversify into the New Zealand veterinary product market" according to the OIC. Chemstock deals in veterinary pharmaceuticals and Broadway made a profit of between \$8.5 million and \$9.25 million on the sale (*Press*, 8/11/96, "\$8m gain for Broadway on Chemstock", p.32).

Bakery materials division of Abels sold to Swiss/Liechtenstein firm

N.Z. Bakels Ltd which is owned by **EMU AG** of Switzerland, in turn ultimately owned by the **EMU Foundation**, a **Liechtenstein Charitable Trust**, has approval to acquire the bakery raw materials division of margarine maker, **Abels (1995) Ltd** for a suppressed amount. Abels is owned by **Aspak Foods Ltd**, which is itself owned 33.3% each by **Goodman Fielder Ltd**, the **Dairy Board**, and "a group of New Zealand dairy companies". N.Z. Bakels Ltd is "involved in the manufacture of various bakery raw materials".

Abels was bought by the triumvirate only a year previously: in September 1995. Then we reported:

Unilever Plc of the U.K. is selling its Abels division in Aotearoa to **Aspak Foods Ltd**... As the OIC points out, "the acquisition will result in the Abels business reverting to majority New Zealand ownership", though in fact **Aspak** is by law an overseas company, being more than 25% overseas owned. The price has been suppressed. Abels was owned by **Unilever New Zealand Ltd**, a subsidiary of the U.K. parent.

The "reversion to majority New Zealand ownership" was short-lived.

According to the New Zealand Press Association, "the 2.4 hectare Abels margarine factory site in Newmarket, one of Auckland's last large industrial sites, was sold last month for redevelopment. Production of margarine is being transferred to a new factory in East Tamaki. Abels had been on the site since the early 1920s." (*Press*, 25/11/96 "Swiss firm buys margarine maker", p. 30.) N.Z.P.A.'s report had the whole of Abels being sold to EMU; however the OIC approval is only for "the business assets and undertakings comprising the bakery raw materials division" of Abels.

Kiwi Income Property Trust buys four CBD properties from General Accident

Kiwi Income Property Trust (KIPT), an Aotearoa listed unit trust "with approximately 15% of the units held by various overseas persons" and managed by **Kiwi Income Properties Ltd** which is 50% owned by **FCMI**, a public company of **Canada**, and 50% by Aotearoa residents, is buying four central city buildings. All four buildings are being sold by **Sentry Investments Ltd** which is a subsidiary of **General Accident Plc** of the U.K., the owner of New Zealand Insurance. The total price is "approximately \$93,000,000". They are:

the **National Bank Centre** in **Queen Street, Auckland**, with **0.3764 hectares** of land;
the **Huttons Kiwi Building** in **Symonds Street, Auckland**, with **0.1527 hectares**;
the **Price Waterhouse Centre** in **Armagh Street, Christchurch**, with **0.3026 hectares**;
and **Cigna House** in **Willis, Mercer and Victoria Streets, Wellington**, with **0.1169 hectares**.

Sentry is selling off properties worth a total of \$180 million according to Fiona Rotherham (*Independent*, 7/6/96, "Sentry to sell Fay Richwhite's Big Pinky", p.1) in order to help fund its Chancery Square hotel and office development in Auckland and the company's Willis/Boulcott Street site in Wellington. Some of the properties listed in this decision are only partly owned by Sentry. Several companies bid for the properties.

Sentry bought the National Bank Centre for approximately \$85 million in July 1990 according to OIC decisions of that month. Similarly it acquired Cigna House in September 1991

jointly with the Mainzeal Group Ltd for \$19.25 million. KIPT is half owner of the Northlands and Palms (Shirley) shopping malls and the Hong Kong Bank building in Christchurch and is keen to buy or develop more malls (*Press*, 1/6/96, "Call for more Chch malls", p.42). In June 1996 it bought the Bellsouth Centre at 21 Pitt Street, Auckland from the Auckland Regional Services Trust for \$31,500,000. At that time KIPT had "approximately 20%" of its units held overseas, and the ownership of Kiwi Income Properties Ltd was detailed as "50% by FCMI Financial Corporation of Canada and 50% by R. Didsbury and R. Green of New Zealand." In February 1994 it bought the Majestic Centre, Wellington for \$48,550,000 in a 50/50 deal with FCMI. At that stage it already owned the Plaza, Palmerston North, and KMart, Porirua, and commercial buildings in Auckland and Christchurch.

It originally planned to buy the Fay Richwhite Tower at 151 Queen Street, Auckland, as part of the deal, which would have cost it a total of \$130 million. However Sentry's 50% partner in the building, Queen and Wyndham Management (owned by Fay Richwhite), exercised a pre-emptive right to buy out Sentry's interest, presumably because the price KIPT offered (reportedly \$38.5 million) was too low. It funded the remaining deal by issues of convertible notes and a one-for-five renounceable rights issue. The purchase of the National Bank Centre and the Huttons Kiwi building was through KIPT's purchase of 96% of the units in Prime Property Trust which owns 50% of each. It paid \$28 million for the Price Waterhouse Centre (*Press*, 31/10/96, "Kiwi Prop loses Auckland building from Sentry deal", p.32). Interestingly, press reports put the total paid by KIPT for the four properties at \$91.5 million, not the \$93 million reported by the OIC (e.g. *Press*, 7/11/96, "Kiwi purchase", p.30).

For further information, see the August 1996 decisions.

St Lukes buys cnr Customs/Albert St, Auckland, from Auckland City Council

St Lukes Group, the shopping mall property spin-off from Fletcher Challenge which is listed on both the Australian and New Zealand stock exchanges but 51% owned by **BT Funds Management Ltd of Australia** (which is owned in the U.S.A.) has approval to buy a 0.6496 hectare property on the corner of **Customs and Albert Streets, Auckland** from the **Auckland City Council**. The price is suppressed, but the land value is over \$10 million. **Fletcher-Mainline Downtown Ltd**, a wholly-owned subsidiary of St Lukes, holds a lease of the land which expires in 2086. The site is occupied by a shopping centre and offices. "The property is situated in the immediate vicinity of the Auckland waterfront area that is targeted for development and hence any further development of the property will see an increase in employment and business opportunities which are likely to flow from any such development."

Though St Lukes told the OIC that "the purchase of the freehold land will enable the company to protect the value of its investment; ... a greater efficiency will be made with the streamlining of ownership and management of the centre; ...

the acquisition will provide the certainty of ownership that the St Lukes 'group' view as a prerequisite for any further development", according to news reports St Lukes is putting the Downtown Shopping Centre in Queen Street up for sale. It "leases the Downtown site (as distinct from the building, which it owns) from the Auckland City Council. It has bought the freehold to the land, with settlement due by March 1998" (*Press*, 19/10/96, "Shop rents upset third retailer", p.29). This casts doubt over whether it will "further develop" this Customs/Albert Streets property as promised.

Also despite what it told the OIC, in September BT told the Stock Exchange it had increased its shareholding in St Lukes to 54.15% (*Press*, 12/9/96, "BT denies plans for changes at St Lukes", p.38). This steady increase in shareholding is something of a turn-around: BT started with 6% when St Lukes was formed in December 1993 and quickly increased its holding to 21%. It then tried to sell its entire holding to an interesting character called Clive Currie who "at the beginning of 1990 had no car and owed NZI bank nearly \$3 million" and managed to get himself into trouble with a number of the authorities. True to form, he didn't actually show up with the money for BT's St Lukes shares and the deal fell through. BT responded by taking control of St Lukes, and some rumours circulated in 1996 that it wanted to throw out St Lukes' management and replace it with its own, possibly at the expense of minority shareholders. "BT is one of Australia's largest fund managers, controlling more than \$A80 billion. Unlike most institutions, which tend to be passive investors, BT is very aggressive. So aggressive, in fact, that it has launched three public takeovers since 1984." (*Independent*, 19/4/96, "What's Bankers Trust doing to St Lukes?", p.32).

BT is aggressive in other ways. The head of BT New Zealand, Gavin Walker (a BT director of St Lukes despite his lack of experience in retail property), is also head of the Government's Foreign Direct Investment Advisory Group, which coordinates programmes to attract foreign investors to Aotearoa. He is very vocal publicly in telling us how good foreign investment is for us. Bankers Trust has been used as a consultant by the Government for some of its privatisation program (for example, it conducted the tendering process for the sale of New Zealand Rail).

In 1994, Bankers Trust was in the news for fraudulent activities in the U.S.A. Major corporations, Procter and Gamble, and Gibson Greeting Cards, lost millions of dollars on financial derivatives sold to them by BT, and have sued it, charging that it misled them about the risks of the contracts. Gibson settled for \$US10 million, having made losses of \$US23 million on its derivatives portfolio. The U.S. Securities and Exchange Commission (SEC) enforcement chief said: "This case, simply put, involves fraud by a broker-dealer." From October 1992 to March 1994, BT Securities "misled Gibson by giving the company values that significantly understated the magnitude of Gibson's losses". This led to BT being forced to sign an agreement with the U.S. Federal Reserve (the equivalent of our Reserve Bank) "to ensure the prudent operation of its leveraged derivatives transactions". It has put aside \$US72

million to cover "non-performing derivatives transactions" (read: "losses").

Following from that, international ratings agency, Standard and Poor's, put BT Australia and its subsidiaries in Australia (BT Australia) and Aotearoa (BT New Zealand and Bankers Trust NZ) on credit watch along with the parent company, saying derivatives were a fundamental part of BT's business. Spokespeople for the subsidiaries in Australia and Aotearoa were quick to discount the connection with their U.S. parent, saying "the lowering has nothing to do with the financial credibility of Bankers Trust Australia" (managing director Rob Ferguson). Of course the opposite is claimed when trying to attract clients. (See CAFCA's commentary on July 1994 OIC decisions.)

It was a U.S. Bankers Trust dealer, Andrew Krieger, who claimed that in late 1987 he "played" (bet) several hundred million – possibly as much as a billion – New Zealand dollars against New Zealand's currency, leading to a crash by 10% of the value of the New Zealand dollar ("The Money Bazaar - inside the Trillion-dollar world of Currency Trading", Andrew J. Krieger with Edward Clafin, Times Books N.Y., 1992, p.93ff).

St Lukes has been berated by retailers, including Underground Fashions, Michael Hill Jewellers, and Hallenstein Glassons, for its rent increases and its turnover-based rents. "Michael Hill's joint managing director, Howard Bretherton, called St Lukes a carnivore which did not care about its tenants." Some accused St Lukes of trying to bring Sydney-scale rents to Aotearoa. Rents were being raised from \$1,300 a square metre to between \$1,500 and \$1,700 (*Press*, 19/10/96, "Shop rents upset third retailer", p.29).

Housing subdivision of 67 ha. at Kelly's Cove, Auckland

Lion Holdings Ltd, owned 55% by John Gerald Darby, a company director of Queenstown, and 45% by Manukau Properties Ltd, owned by Brian Chang, a resident of Singapore, has approval to buy 67 hectares of residential zoned land at Kelly's Cove, Auckland for \$17 million. The land is being purchased through the ownership of Drinkrow Holdings Limited and Kingswood Park Limited.

"Mr Chang is a Chairman of Directors of a number of companies with investments in New Zealand and world-wide and is an experienced property developer ... [The land] is one of the very few significant blocks of undeveloped waterfront residential land in the greater Auckland region. The land has a suggested potential for 345 residential lots of an average size of 1200 metres squared."

Industrial subdivision by Tiongs in North Harbour, Auckland

Neil Construction Ltd, owned by the Tiong family of Malaysia, has approval to buy two hectares of land zoned industrial at Paul Mathews Road, North Harbour, Auckland, for \$880,000.

"Neil Construction Limited carries on business developing subdivisional land primarily in the Auckland region... The land is adjacent to that already owned by Neil Construction, which is currently in the process of subdivisional construction and will enable additional access to Paul Mathews Road. It is advised to date Neil Construction has developed and sold a substantial part of the 29.3 hectares of adjoining land which was purchased in March 1994 and the purchase of this further parcel of land will facilitate the further development of the industrial subdivision."

The land purchased in March 1994 cost Neil Construction \$6.42 million.

New Zealand Land of Singapore buys rest of Greenstone Lodge, Queenstown

New Zealand Land Ltd, which is owned by the Pacific Development Trust, "the beneficiaries of which are associated with Messrs Tan, Sy, Tang and Pang of Singapore and Mr Horsburgh of New Zealand" has approval to purchase the remaining blocks of Greenstone Lodge, Fernhill, Queenstown for a sum "to be advised". The seller is Symphony Group Ltd of Aotearoa and Pacific Resorts (Queenstown) Ltd owned by the people named above.

"In March 1995 New Zealand Land Limited and Symphony Group Limited received consent to establish a joint venture to construct an apartment/hotel complex, to be known as Greenstone Lodge at Fernhill, Queenstown. As part of the joint venture arrangement, New Zealand Land Limited undertook to purchase two blocks in the complex following construction for which a consent was also granted in March 1995. New Zealand Land Limited now propose to acquire the remaining blocks in the complex."

"Mr Tan" is presumably Stanley or Freddie Tan who have been associated with George Horsburgh in a number of property companies, including the Pacific Group Ltd, The Habitat Group, Firle Holdings Ltd, and New Zealand Land Ltd. "Mr Tang" is probably one of the family which controls

the Singaporean hotel operator, Dynasty Hotels International, and who is associated, along with the Pacific Group, with Pacific Hotel Management (*Press*, "Pacific Hotel Management targets Asian tourists", 22/3/95, p.36).

The Symphony Group Ltd is controlled by Colin Reynolds and family. Reynolds ran the Chase group, one of the most spectacular failures in the 1987 sharemarket crash. It developed a number of apartment projects in Auckland and in January 1995 took over the Greenstone Lodge suite and apartment complex development in Queenstown from the part Taiwanese-owned Woodland Group (*Press*, "Queenstown apartment development", 14/1/95, p.29). The same parties were involved in the hotel/apartment "Heritage" development of the old Government Building and Carucca House in Cathedral Square, Christchurch.

North Wiri Quarry, containing Waahi Tapu land, bought by Milburn

Milburn New Zealand Limited, which is 72% owned by Holderbank Financiers Glaris Ltd of Switzerland, has approval to buy the North Wiri Quarry from DML Resources Limited. The quarry is on 49 hectares of leasehold land at Wiri, Auckland, and "contains an area designated Waahi Tapu". Milburn is paying \$4,500,000 for the quarry, which will replace its East Tamaki quarry "which has almost completely run out of rock and is due to close in early 1997." DML Resources is a Skellerup subsidiary and is therefore U.S.-owned.

Wilbow Corporation buys more land for subdivision

The Wilbow Corporation (NZ) Ltd, which is owned by the Bowness Family Investment Trust of Australia, has approval to buy further land for residential subdivision in Henderson, Auckland, and in Tauranga. The Henderson land is two hectares at 192 Sturges Road, which is zoned residential. It "adjoins land already owned by Wilbow called Palm Heights" and will be developed in conjunction with that project. The Tauranga land is in two blocks being bought from Willow Park Motor Hotel Ltd and The Waipukurau Wine and Spirit Company Ltd. Both are of five hectares in Cambridge Road, one being identified as being at 217 Cambridge Road. In both decisions, the amount paid has been suppressed. "Wilbow has extensive experience in the residential property development sector (which to date involves a number of properties in the Auckland area)."

Land for forestry

Ernslaw One Ltd, owned by the Tiong family of Malaysia, has approval to buy four further blocks of land for forestry: "approximately 530 hectares" in Turakina Valley Road, Hunterville, Wanganui, for \$874,500;
315 hectares in Franklin Road, Ti Tree Point, Dannevirke, Hawkes Bay, for \$445,000;
1,252 hectares four kilometres southwest of Beaumont, Otago, for a suppressed amount;
451 hectares on the Pomahaka Rankleburn Road, 15km

south of Tapanui, Otago, for an amount "to be advised". This land is part of a 1,155 ha. property, the remainder of which the vendor of this land will keep and continue to farm.

The two blocks in Otago will be planted with Douglas Fir. The Hunterville and Dannevirke blocks are part of Ernslaw's plans "to establish a Pinus Radiata forest in the Horowhenua/Manawatu and Southern Hawkes Bay/Dannevirke regions over the next five years... [which] will provide Ernslaw with the resource base required to establish a major wood processing plant in a 15 to 20 year time frame."

Juken Nissho Ltd, owned by Juken Sangyo Ltd (85%) and Nissho Iwai Corporation (15%), both of Japan, has approval to buy 371 hectares of land south of Gisborne at the end of Kent Road, for \$600,000, to be planted in Pinus Radiata. "The acquisition of this land will assist in the consolidation of land for exotic forestry held by the applicant company within the region and will ensure a secure supply of wood to its existing Gisborne processing mill." The Mill currently employs 280 people, says the company, and its projected export turnover for the 1996/97 financial year is \$48.5 million.

Deborah Miller of Brookfields has organised more sales of small blocks of land for forestry planting, including one of 18 hectares on the Papanangi Station, Rangitatau East Road, Wanganui for \$71,370 to two residents of Taiwan, and four in the Mahuri Forest, Mangamahu, Wanganui:

34 hectares for \$125,155 to four residents of Taiwan;

21 hectares for \$78,546 to four further residents of Taiwan;

28 hectares for \$107,463 to eight residents of Taiwan; and

36 hectares for \$145,714 to two residents of Taiwan.

All but the first and last two purchasers have New Zealand permanent residency status. In each case, the sale is by the New Zealand Forestry Group Ltd which will continue to manage the forestry operation.

Other rural land sales

Telecom New Zealand Ltd, a subsidiary of Telecom Corporation of New Zealand, is buying 0.00136 hectares of leasehold land at Oneroa, Waiheke Island to expand its cell phone network on the island. The price is suppressed. Although the area is below the legal limit of 0.4 hectares, it has to be notified because Telecom has other land on Waiheke which, together with this, adds up to more than 0.4 hectares. The land is being purchased from Dalamay Holdings Ltd. Telcom is owned 28.82% each by Ameritech Holdings Ltd and Bell Atlantic Holdings Ltd, both of the U.S.A.

A couple from the U.S.A. have approval to buy 107 hectares of land at Carey Road, Port Charles, Coromandel, for \$540,000. They state that they "will take up permanent residency within 12 months of the settlement of the purchase" and will build "a substantial dwelling on the property for their own use." "The applicants are conservationists and will assiduously protect the natural

beauty of the land ... the arable land of the property will be leased for grazing to a neighbouring farmer."

A U.K. resident "who is applying for New Zealand permanent residency status" has approval to buy 12 hectares of land in **Te Ranga Road, RD 4, Hastings, Hawkes Bay**, for \$180,000. She "intends to develop the property as a sports horse stud and a dairy sheep stud operation."

December 1996 decisions

This month is notable for the volume of deleted information. Twenty-eight of the 39 decisions had deletions, mostly the consideration for the acquisition. Both numbers are heavily dominated by 18 land sales for gold mining at Earnsclough, Central Otago.

Fletchers sell Hikurangi Forests to Glenealy of Malaysia to pay for ForestCorp

Glenealy Plantations (Malaya) Berhad, a Malaysian listed company, has approval to buy **Hikurangi Forests Farms Ltd** from **Fletcher Challenge Forests Ltd** for \$210 million. The "East Coast Forest Estate" owned by Hikurangi consists of "approximately 33,259 hectares", made up of 29,974 hectares of freehold land, 2,226 hectares of forestry/cutting rights, and 1,060 hectares of leasehold land. Its wish to sell was announced by Fletcher Forests when it purchased the privatised Forestry Corporation, and the price it got for Hikurangi is not far from the equity it put into Forestry Corporation (\$240 million) and its promises of new investment (\$260 million), although it was significantly lower than what it had been expected to get (about \$300 million). The OIC's information shows the East Coast forests as being considerably larger than press reports which put them at 24,800 hectares or less.

The area, which is mainly *pinus radiata* with an average age of 14 years, is over 2% of Aotearoa's plantation forests. It is Glenealy's first forest purchase in Aotearoa, and the company, which has agreed to abide by the Forest Accord, says it is planning to build a processing plant on the East Coast, although it would be six to seven years before it started cutting trees and decided what to process them into. It has two plywood factories elsewhere. Glenealy is 52% owned by the Samling Group. (Refs: *New Zealand Herald*, 22/8/96, "BIL able to quit forestry holding in three years"; 6/11/96, "FCL Forests close to Hikurangi sale"; *Press*, 21/12/96, "Fletcher's sells East Coast forest to Malaysian company", p.21.)

So much for the approved version of Glenealy and Samling. The background is tropical timber logging in Sarawak. The following comes from "Malaysian loggers come out of the woodwork: timber boom drives Malaysian companies onto the Stock Exchange", by Marcus Colchester, World Rainforest Movement, England, 26/9/94 (ref: <http://bioc02.uthscsa.edu/natnet/archive/nl/9410/0008.html>). Colchester first explains that:

"Sarawak's foremost logging companies are going global on a massive scale. As prices for tropical

timber have skyrocketed Sarawak's privately owned timber companies are eagerly seeking to take over companies listed on the stock exchange in order to attract shareholder investment into their expanding business empires. One result is that previously low-profile family-run companies, which have shunned exposure in the press, have had to publish more information about their ownership, assets and profits. It also means that these companies are now open to direct investment from northern capital enterprises active on the Kuala Lumpur Stock Exchange.

"Most of Sarawak's biggest logging companies gained their concessions through political connections to Sarawak's ruling families from the Malay-Melanau elite. The typical scam was for senior politicians to grant concessions to themselves, their families and cronies, who then went into business with Malaysian-Chinese families with the capital and business know-how to actually exploit the areas. Today, however, these so-called 'ali baba' arrangements are going out of fashion – the reason being that all the loggable areas of Sarawak have already been given out.

"As timber prices started to rise in the late 1980s, Sarawakian companies began to look overseas to expand their operations. Timber giant Samling Timbers acquired a 1.69 million hectare concession in Guyana, in partnership with South Korea's trading house Sung Kyong. The company, probably Sarawak's largest, now has interest in Japan, Taiwan, South Korea, US and Canada. The Rimbunan Hijau group flooded into Papua New Guinea, where it now controls some 80% of the timber trade, and on into other parts of the South Pacific. The WTK group expanded into Indonesia, Papua New Guinea, Cambodia and Burma. China is now being looked at by a number of the companies for further business opportunities."

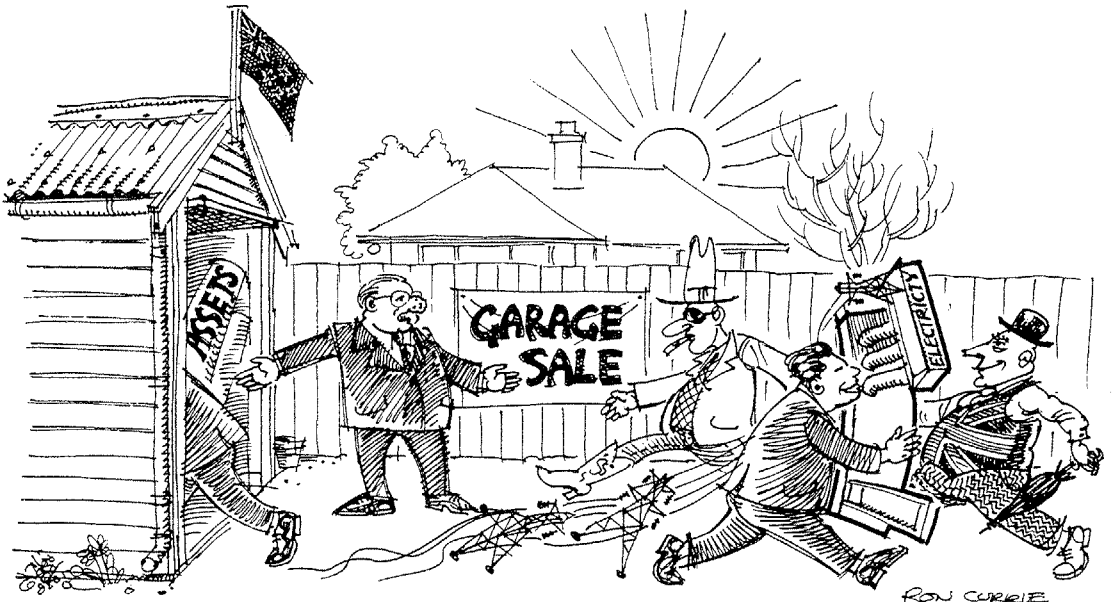
Colchester first details the escapades of the "front runner in this game", the Rimbunan Hijau group, owned by Sarawakian, Tiong Hiew King and Ahmad Rithauddeen, a Malay ex-Minister of Defense. The Tiongs are of course big investors in forestry, radio, property development and cinemas in Aotearoa.

He then goes on to Samling and Glenealy:

“The Samling Group, owned by Yaw Teck Seng, is following suit [in seeking listing on the Kuala Lumpur Stock Exchange (KLSE)]. The company which controls about 1.5 million hectares in Sarawak until 2013 is seeking listing through three companies, Mun Boong, Glenealy Plantations and Lingui Developments Bhd. By transferring its two main plywood operations – Samling Plywood (Baramas) and Samling Plywood (Lawas) – to Glenealy, Samling now has a 52% controlling stake in the listed company. Samling has also transferred its third main asset, 40%-owned Samling Plywood (Bintulu), to Lingui Developments Bhd. in which the holding company Samling Corporation already holds 32% of the shares. By also transferring to Lingui its 70%-owned logging contractor company Tamex Timber, which logs the Samling Plywood (Bintulu) concession and four other concessions, Samling has acquired a 41% stake in Lingui. In September this year, Lingui bought a 58% majority stake in Glenealy taking it into the top league of corporate giants with massive cash assets.”

According to the KLSE, Glenealy and its subsidiaries’

The Bargain Hunters Arrive Early



principal activities and products are logging, processing and marketing of logs, veneer and plywood; extracting and selling of timber; cultivation of oil palm and cocoa. It has 625 employees and its three largest shareholders are the Samling companies Lingui Developments Bhd (36.81%) and Samling

Strategic Corporation Sdn Bhd (15.53%), and Perkapalan Damai Timor Sdn Bhd (9.25%) (ref: <http://www.klse.com.my/plc/glenealy.html>). Glenealy just makes it into the billion-ringggit league for market capitalisation on the KLSE, being number 149 (*Business Times*, 29/6/96, “Record number of billionaire firms”, by Yong Kwai Meng and Leela Barrok, p. 1, 19, <http://www.cmsb.com.my/news/finance/100.htm>).

See also our commentary on the August decision on the Forestry Corporation sale.

St Lukes buys Riccarton Mall

St Lukes Group Ltd, a listed company which is 51% owned by **BT Funds Management Ltd** of Australia (but predominantly owned in the U.S.A.), has approval to buy **Riccarton Mall, Christchurch** for a suppressed amount. However news reports put the price at **\$113 million** (*Press*, 15/1/97, “Riccarton Mall sells for \$113 million”, p.25). The sellers are **Riccarton Mall Shopping Centre Ltd** and **Prudential No. 5 Fund Nominees Ltd**, which are both ultimately owned by **Prudential Assurance Company** of the U.K. The mall will be St Lukes’ third biggest, and its first in the South Island. It is also the biggest mall in the South Island (*ibid.* and *Press*, 15/2/97, “Riccarton joins buoyant St Lukes”, p.27). For more detail on St Lukes (which has been vociferously criticised by retailers for its high rents) and its parent, Bankers Trust, see our commentary on the November 1996 decisions.

As well as the price being suppressed, details of some of the land being acquired (“certain development land”) has also been deleted from the OIC decision released.

U.S.A./Europe consortium buys Mainguard Packaging of Christchurch

RIFGAC 47 Ltd, a Rudd Watts and Stone shelf company owned by **Asia Pacific Fund II**, an investment fund “whose

investors are primarily large U.S. and European Institutional Investors" (sic) has approval to acquire **Mainguard Packaging Ltd** of **Christchurch** for a suppressed sum. However, according to the *Press* ("Mainguard changes hands", 1/2/97, p.28), the buyers are International Packaging Corporation of Hong Kong and Schroder Capital Partners (Asia), part of the listed British banking group, Schroders Plc. It reports that Mainguard is the fourth largest packaging company in Aotearoa and the biggest in the South Island. It had been owned by the Hawkins family for 30 years and Michael Hawkins would stay on as chief executive retaining all 150 staff. It produces flexible packaging, especially polyethylene and laminated products, including bread bags.

McCains of Canada buys Grower Foods Ltd in Hawkes Bay

McCain Foods (NZ) Ltd, which is owned by the McCain family of New Brunswick, Canada, and is a major food transnational with another vegetable processing plant near Timaru, is buying out **Grower Foods Ltd** for a suppressed amount. "Growers Foods Limited is not currently making any profits. By purchasing Grower Foods Limited's business McCain Foods (NZ) Limited will be ensuring the survival and growth of one of only two vegetable processors in the Hawkes Bay area." Presumably the other one is Heinz-Watties, so all vegetable processing in the area will be by transnationals.

The co-founder of McCain, Harrison McCain, came to the Hawkes Bay to celebrate the acquisition. He said the company planned to expand the Grower Foods operation. "We are a large volume operator. We cannot fool around." Production had to be scaled up and costs brought down. McCain was particularly interested in corn production and he expected the Hastings factory to double production to 40,000 tonne annually within five years. Pea production would increase 50% and bean production triple or quadruple. Other possibilities included broccoli, peppers, spinach, broad beans and beetroot (*Press*, 15/1/97, "McCain plans expansion in Hastings", p.27).

The deal includes 15 hectares of land at **Omahu Road, Hastings**.

Triangle Refrigeration of Australia merges with McAlpine Refrigeration

Triangle Refrigeration (Australia) Pty Ltd, a privately owned Australian company, has approval to acquire "up to 50%" of the longstanding locally and privately owned refrigeration manufacturer, Auckland-based **McAlpine Refrigeration Ltd**. The purchase is actually a merger: the payment is a share swap for 50% of Triangle, valued at "approximately A\$6 million".

"Triangle and McAlpine specialise in the design, manufacture, installation and maintenance of commercial refrigeration and air-conditioning. It is stated the merger is an expansion of

their respective product basis in order to obtain economies of scale and to develop their brand in the Asia Pacific region."

According to the *Press* (6/11/96, "McAlpine, Triangle merge", p.27), the new company will have "a staff of 450 and revenue of more than \$120 million a year." Triangle is Australia's largest refrigeration contracting company and has branches in China and Dubai. It had been installing McAlpine and Hussman cabinets for five years. McAlpine holds the Australian distribution rights for Hussman. Chair of McAlpine is former National cabinet minister, Barry Brill. The company has a cabinet making plant at Tauranga. Holding company, McAlpine Triangle Australasia Pty, will have equal numbers of directors from each company.

Land purchases totalling 408 ha. at Earnsclough, Central Otago, for gold mine

Earnsclough Joint Venture, owned 82.35% by **Mintago Investments Ltd**, itself a wholly owned subsidiary of **Perilya Mines NL** of **Australia**, and 17.65% by **March Mining (Central) Ltd** of **Aotearoa**, has approval to buy 18 blocks of land at **Earnsclough, Central Otago**. "Mintago and March have entered into a joint venture agreement (being the Earnsclough Project) to establish a substantial gold mining operation in Central Otago." The blocks of land are as follows:

In every case, the price paid has been deleted. Of particular interest is the land being bought from an unnamed Crown Research Institute.

Other land for forestry

Carter Holt Harvey, 51% owned by **International Paper Products** of the U.S.A., is doing two more deals involving land and forestry cutting rights. In the **King Country**, it is acquiring seven hectares of land for \$13,140 plus ten hectares as a "land swap" in order to "create the most practicable boundary" between Carter Holt's property and that of the vendors which adjoins it. The deal is through subsidiary **Carter Holt Harvey Forests Ltd**. Carter Holt is also acquiring forestry cutting rights to 117 hectares of land at **South Head, Kaipara Head, Waimauku, Auckland** for "\$18,788.86 plus GST per annum". The deal is with **Omana Farms Ltd** and "represents a formalisation of an arrangement between Carter Holt and Omana Farms which has been in existence for a number of years." The area of the forestry right is adjacent to existing forests owned by Carter Holt.

Trustwood Forests (Kiteroa) Ltd, which owns a 1,450 hectare pinus radiata forest in **Mata Survey District, East Cape, Gisborne**, is selling a half interest in 249 hectares of it to **Galt Holdings Ltd** for \$292,500. Galt is owned by **Joseph Arthur Schudt** who is a resident of the U.S.A. with New Zealand permanent residency "and intends to reside permanently in New Zealand ... The proposal essentially represents New Zealand interests introducing an offshore partner, who has the financial capacity to assist in the



HUGGERS

development of the afforestation project, the cost of which is beyond the financial capabilities of the New Zealand parties." In September, we reported a similar deal: three residents of Belgium gained approval to buy a half share in 555 hectares of land in Ihungia Road, Te Puia Springs, East Cape, for \$515,000. They were buying the half share from Trustwood, and the land formed part of a 870 hectare property owned by Trustwood. Approximately 500 hectares had been planted in pinus radiata and Trustwood was selling the share to reduce its indebtedness. It showed that one of the local owners of Trustwood was **George Bogiatto** who is named this month only as the lawyer who is contact for the application.

Evergreen Forests Ltd, which is a listed company 62% owned by **Xylem Fund L L P.** of the U.S.A., has approval to acquire **1,144 hectares** of land which is part of the **Te Marunga Forest, Gisborne**. The price is suppressed. Xylem "operates as an investment vehicle for the **Public Employees Retirement Systems of Ohio**". The land is being purchased from **Te Marunga Forest Partnership**, "the ownership of which is vested in **Burford Nominees Limited** the beneficiaries of which are **Mr A. R. Burford** and **Mr A. P. L. Everist**". "Evergreen state that they will immediately undertake a silviculture programme to restore the property to optimum productivity. Evergreen view the acquisition as a natural extension to its existing forestry operations within the Gisborne region."

Yeatman Forests Ltd, owned by the **Yeatman Family Trust** whose beneficiaries are two residents of the U.S.A., has approval to acquire **568 hectares** of land at **832 Huiarangi Road, Napier, Hawkes Bay**, for \$900,000. The land is currently used for sheep and cattle farming and will be converted to commercial forestry.

Other rural land sales

Cell phones are coming to **Great Barrier Island** with a vengeance. **Telecom New Zealand Ltd**, a subsidiary of **Telecom Corporation of New Zealand Ltd** of the U.S.A., has approval to lease three blocks of land to expand its cell-phone network on the Island. The price is suppressed in all three cases. The first is of **1.0803 hectares** at **Fitzroy** and is being sold by **Orama Christian Fellowship** and trustees of the **L.A. Bouzaid and M.K. Bouzaid Family Trusts**. The second is of **0.0616 hectares** at **Tryphena**, from **Mariner Cove Developments Ltd**. The third is of **0.0040 hectares** at **Okupu**, being sold by **Ben and Jean Sanderson**. Telecom Corporation is owned **24.82%** each by **Ameritech Holdings Ltd** and **Bell Atlantic Holdings Ltd**.

In a deal apparently brokered by the **New Zealand Dairy Board** to smooth trade with Venezuela, **Mr Alberto Finol** of **Caracas, Venezuela** has approval to buy **109 hectares** of land near **Whakatane, Bay of Plenty** for \$2.3 million. "Mr Finol is involved in a joint venture business with the **New Zealand Dairy Board** which imports substantial quantities of dairy produce from New Zealand to Venezuela and the United States. The **New Zealand Dairy Board** is anxious to expand the existing business arrangement and views the acquisition as assisting in achieving that goal. It is stated that the proposal is a result of recommendation by the **New Zealand Dairy Board** that he expand his involvement and association with the **New Zealand dairy industry**."

Corbans Wines Ltd has approval to buy **31 hectares** of land in the **Turanganui Survey District, Gisborne**, for \$2,520,000 from "Mr and Mrs **Lawry**", and **14 hectares** in the **Cloudy Bay Survey District, Marlborough**, for \$980,000 from **Farnham Estates Ltd**, both "to secure a supply of grapes". **Corbans** is a wholly owned subsidiary of **DB Group Limited**, which is "approximately **58.39%**" owned by **Asia Pacific Breweries Limited**, of Singapore, which in turn is owned **80%** by **Heineken NV** of Holland, and **Fraser, Neave Limited** of Singapore.

Morton Estate Wines Ltd as trustee for the **Morton Estate Wines Trust** has approval to buy **73 hectares** of land at **No. 50 State Highway, Hastings, Hawkes Bay** for \$1,265,000 "with a view to it being developed as a vineyard". "Morton Estate is one of New Zealand's leading wine producers with an established winery in **Katikati** and various vineyards throughout the **Hawkes Bay** and **Marlborough** regions." The principal beneficiaries of the Trust are **John Mark Coney** and members of his family of **Canada**.

Two residents of **Singapore** have approval to buy **Henley Downs Holdings Ltd** which owns **707 hectares** of land approximately **12 kilometres south-east of Queenstown, Otago**, on **State Highway 6**. The land adjoins **Lake Wakatipu** and **Crown land** with reserve status. It is being purchased for \$2,920,000 for "residential development".

Siemens and GEC rearrange ownership of GPT Finance (NZ) Ltd

GPT Finance (NZ) Ltd, which is owned 60% by the General Electric Company Plc (GEC) of the U.K. and 40% by Siemens Aktiengesellschaft of Germany, is being sold to Siemens GEC Communications Systems Ltd which is owned 50.01% by Siemens and 49.99% by GEC. The price is suppressed. The "primary business activity" is described as telecommunications.

Released on appeal

The following are the more significant decisions released on appeal to either the OIC or the Ombudsman. There are many others, mostly releasing just the "consideration" (value) of the transaction. Write to CAFCA if you want details.

April 1996

Australian Pratt Group subsidiary buys seven hectares of land for factory

In a decision released by the OIC only on appeal, **Visy Board (NZ) Ltd**, owned by the Pratt "Group" of Companies of Australia, has approval to acquire seven hectares of land at 234 Roscommon Road, Wiri, Auckland for \$1,670,000 to build a "green field corrugated packaging operation in Auckland". The company claims the plant would employ "approximately 40 permanent staff" plus temporary employment. The land is being purchased from **Jomac Construction Ltd**.

Rayonier buys forest rights to 281 hectares of land in Rai Valley, Nelson

Rayonier New Zealand Ltd of the U.S.A. has approval to buy a forest right for five years and two months over 281 hectares of land in the Rai Valley, Nelson for a suppressed amount. The right is to protect "its rights to the timber it has agreed to buy".

May 1996

Skellerup of the U.S.A., sells CablePrice to Hitachi of Japan

In a decision originally completely suppressed concerning a takeover which does not appear to have been generally reported, **Skellerup Group Ltd**, owned by **Maine Investments** of the U.S.A., is selling its subsidiary, **CablePrice Ltd**, to **Hitachi Construction Machinery Co. Ltd**, a member of the **Hitachi Group** of Japan, for "approximately \$12 million". Skellerup formerly belonged 30% to Brierley Investments Ltd, as we reported in February 1996:

— "Skellerup Group Ltd, formerly a public company 30% owned by Brierley

Investments but subject to a management buy-out last December, is now owned by **Maine Investments Ltd** which is 84% owned by **GS Affiliated Funds** associated with **GS Capital Partners II** of the U.S.A. and 16% by members of the senior management of **Skellerup Group Ltd**, all of whom are Aotearoa residents. The price paid was "approximately" \$407,129,262. According to press reports, 'GS' stands for **Goldman Sachs**, the U.S. finance house which financed Skellerup chief executive **Murray Bolton** in the buy-out.

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

Since its sale, Skellerup's main activity appears to have been selling subsidiaries. The "rationale" for the sale to Maine was that "the operation of the various business units within the Skellerup Group has been constrained by public ownership. It is claimed that a return to private ownership will provide a more appropriate basis for the efficient management and allocation of capital between the Group's businesses with resultant benefits." The constraints appear to have constraints on selling the "business units". In September we reported Skellerup selling its share of salt monopoly **Dominion Salt Ltd** to **Ridley of Australia**.

Cable Price is a major supplier of engineering and heavy equipment, including a Hitachi dealership.

Sovereign Financial Services buys S.H. Lock (NZ) Ltd of the U.K.

In another decision originally completely suppressed, **Sovereign Financial Services Ltd**, a subsidiary of **Sovereign Assurance Holdings Ltd** which is "approximately 47.2% owned by offshore investors" has approval to buy up to 100% of **S.H. Lock (NZ) Ltd** which is a subsidiary of **S.H. Lock Consolidated Ltd** of the U.K., for \$1,700,000. In March 1996 we reported that Sovereign Assurance Company Ltd, which was then owned "approximately 37.5% by various overseas individuals", had approval to buy FAI Holdings New Zealand Ltd, a subsidiary of FAI Insurances Ltd of Australia, including Metropolitan Life.

June 1996

Murdoch gets approval to buy up to 32% of Sky TV

In a decision which is a matter of considerable controversy, and which was originally completely suppressed, **Independent Newspapers Ltd (INL)** which is owned 49.53% by **News Ltd** of Australia, has approval to acquire "32.16% of the securities of and/or having the right to exercise or control the exercise of the voting power of and/or appoint or control the appointment of the board of directors of **Sky Network Television Ltd**". The price is still suppressed.

The desire by INL (which had been reported having an interest in buying TV2 if it were sold: *Press*, 17/8/96, "INL keen on TVNZ sale", p.25) to buy into Sky led to a Commerce Commission investigation. This was on the grounds, not of cross-media ownership, but of other channels' access to programming. Head of News Ltd, Rupert Murdoch has used the enormous buying power and size of News Ltd to corner major sports events, including rugby in Aotearoa, Australia, South Africa, England, Ireland, Scotland and Wales, Premier League Soccer in England, the Super League rugby league contest, the U.S. National Football League, and an interest in the baseball league. He has stated his intention to use these as a "battering ram" to achieve dominance in pay TV markets around the world. Predictably, the Commerce Commission limply decided not to interfere on the grounds that the links with News Ltd would not prevent other providers obtaining programming and the TV market in Aotearoa would remain competitive. This was on the basis that pay TV and free-to-air TV are the same market – a questionable assumption, certainly for those viewers who cannot afford pay TV. This is also despite the fact the News Ltd subsidiaries such as the Fox TV network in the U.S.A. also control other programming including movies and TV programmes. However other grounds for Commission intervention have not been ruled out and competitors such as U.S.-owned Saturn Communications cable TV operator may mount such a challenge, though it wants to distribute Sky programmes itself. – Saturn's owner, United International, also owns an Australian

TV and programming company jointly with Murdoch's Foxtel, and Australian telephone company, Telstra. (*Press*, 7/12/96, "Sky TV looms over Saturn's future", p.31; *NZ Herald*, 23/11/96, "Watchdog nod for INL buy into Sky"). Labour, the Alliance, and reportedly New Zealand First are calling for an inquiry into cross-media ownership.

Regardless of the OIC approval, media reports before Christmas had INL with 80% of Sky TV already sewn up. Only TVNZ would remain as a shareholder, with 20%. 51.13% of the shares of Sky are owned by the so-called HKP Partnership of New Zealand. This partnership consists of the largest cable TV operator in the world, TeleCommunications Inc of the U.S.A. (through subsidiary TCI New Zealand Ltd), Time Warner of the U.S.A. (through subsidiary Time Warner New Zealand Ltd), and Bell Atlantic and Ameritech (controlling owners of Telecom). The other shareholders in Sky are Tappenden Construction (headed by Alan Gibbs and Trevor Farmer) 7.51%, Todd Communications (subsidiary of the Todd Corporation) 8.8%, U.S. sports TV network ESPN 0.41%, Craig Heatley and Terry Jarvis 15.85% between them, and TVNZ 16.3%. TVNZ was the only one refusing to sell (*New Zealand Herald*, 30/11/96, "Sky deal all but done"; *Press*, 4/1/97, "INL confident of sealing Sky deal this month", p.49). The 32.16% approved by the OIC is the sum of the Aotearoa-resident shareholders other than TVNZ: Tappenden, Todd, Heatley and Jarvis.

In March 1997 however, INL announced it had given up and the deal was off (*Press*, 1/3/97, "INL scraps bid to own Sky; investors left pondering", p.25).

Internatio Muller of the Netherlands buys Swift New Zealand from Burns Philp

In an originally completely suppressed decision, **I-M Australia/New Zealand Pty Ltd**, ultimately owned by **Internatio Muller N.V.** of the Netherlands, has approval to buy **Swift New Zealand**, a division of **New Zealand Food Industries Ltd**, owned by **Burns Philp and Co. Ltd** of Australia. The price is still suppressed. In March 1995, ICI bought Chemical Cleaning Ltd from Burns Philp.

DEC International of the U.S.A. buys InterAg from Carter Holt Harvey

In an originally completely suppressed decision, **DEC International Inc**, a "privately owned multinational corporation based in the U.S.A." has approval to purchase the assets of InterAg, a division of **Carter Holt Harvey Ltd** of the U.S.A. based in Hamilton. The price for the sale is still withheld.

InterAg manufactures and sells a range of milking machines marketed under the brand Waikato Milking Systems. The Animal Health division of InterAg is involved in the manufacture and distribution of products with the brand name EAZI-BREED CIDR that control and stimulate the breeding cycle in production animals (InterAg home page, <http://www.wave.co.nz/pages/interag/cidr.htm>).

DEC (not to be confused with computer multinational, Digital Equipment Corporation) is based in Madison, Wisconsin. Incorporated in 1947 as Dairy Equipment Company, DEC currently contains 15 operating units located in six countries manufacturing 43 different product lines (<http://www.thermastor.com>). It manufactures the Therma-Stor range of heating and ventilation equipment under several brands including the Rosenberg in-line tube ventilator (<http://www.oikos.com/companies/DEC.htm>) and also manufactures milking systems in its Boumatic division (<http://www.emarkets.com/fpd/boumatic.htm>).

KIPT buys Bellsouth Centre from Auckland Regional Services Trust

Kiwi Income Property Trust (KIPT) has approval to acquire the Bellsouth Centre at 21 Pitt Street, Auckland for \$31,500,000 from the Auckland Regional Services Trust in a decision originally completely suppressed. KIPT is a "a New Zealand listed unit trust (with approximately 20% of the units held by various overseas persons) which is managed by Kiwi Income Properties Ltd which is owned 50% by FCMI Financial Corporation of Canada and 50% by R.

Didsbury and R. Green of New Zealand."

Macraes Mining buys 2,260 hectares more land at Macraes Flat, Otago

This decision was originally almost completely suppressed. Macraes Mining Company Ltd, which is "approximately 39%" owned by Union Gold Mining NL of Australia, and has a record for demanding the suppression of OIC decisions concerning it, gained approval to acquire 2,260 hectares of land at Macraes Flat, Otago for \$3,500,000 as "part of the ongoing identification of gold resources at the Macraes Gold Project."

Ernslaw One, Malaysia, buys 4,878 ha. Dunrobin Station, Mossburn, Southland

In an almost completely suppressed decision, Ernslaw One Ltd, ultimately owned by the Tjong Family of Malaysia, has approval to buy 4,878 hectares of land known as "Dunrobin Station" in Dunrobin Valley, Mossburn, Southland, for a still suppressed amount. All but approximately 1,800 hectares, which will be on-sold, will be planted in Douglas Fir within the next three years.

Footnotes

1. All spelling of geographic and company names is as supplied by the OIC unless otherwise it is clear from the context that the source is from elsewhere. Errors are those of the OIC. Areas are rounded to the nearest whole number. Information quoted, unless otherwise noted, comes from the "decision sheets" of the Commission.

2. "Quick Forestry Facts", October 1996, Ministry of Forestry. The areas are as at 1 April 1995, reallocated by ownership as at 1 October 1996.

3. This includes the forests from the privatised Forestry corporation (170,000 hectares). This is owned by Fletcher Challenge Forests (37.5%), China International Trust and Investment Corporation

(China, 37.5%), and Brierley Investments (25%).

4. Administered by Ministry of Forestry.

5. This is the "PanPac" joint venture also known as Oji Kokusaku Pan Pacific Ltd, owned by Oji Paper Company Ltd and Sanyo Kokusaku Pan Pacific Ltd, both of Japan.

6. This consists of the residual management from Timberlands and Forestry Corporation which could not be sold for various reasons, including Treaty of Waitangi claims. It includes forests such as Waimate and Geraldine and is by Treasury.

7. Other owners, including other corporates (including some overseas companies), syndicates, partnerships, farm forestry, etc.

"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, most recently to take the Coalition Government into account. But at nearly 25 pages it's far too long for us to consider publishing.

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

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

CHEQUES

Please Make Them Out Correctly

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

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).

"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 March 1997 it had sold a phenomenal 3,500 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 was funding its own series on the period, namely the heavyweight propaganda series with the ridiculous title of *Revolution*. "Coup" would have been more accurate). And it has sold despite not having widespread cinematic release. Most video sales came via talkback radio. And the Alliance and New Zealand First plugged it extensively to their members (we wonder if Winston's Warriors are pushing it so hard now). Some media outlets, have given it extensive, favourable coverage. The *Listener* plugged it continuously and voted it one of the best movies of 1996. In short it has become an underground classic.

"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.

"GLOBAL DREAMS: IMPERIAL CORPORATIONS AND THE NEW WORLD ORDER"

Richard J. Barnet and John Cavanagh. Simon & Schuster,
New York, 1995

- Wolfgang Rosenberg

This is an important book dealing with aspects of "globalism" (ie international trends in foreign investment) and the destruction it causes. The book is written from an American point of view. For even in the USA the repercussions of foreign investment are disastrous.

The authors distinguish between "globalism" and "transnational business". Globalism ("global dreams") they describe as an attempt to create a world market for identical commodities. Transnational enterprise, on the other hand, in their definition, adapts its products to the national market in which it wishes to market them.

The authors deal predominantly with five global giants: in the communications field they deal with Sony from Japan and Bertelsmann from Germany. Sony took over American Columbia Pictures, Bertelsmann bought RCA recording labels, Doubleday, Random House and Bantam publishers. In the

food and tobacco field the book deals with Philip Morris (Marlboro cigarettes) which bought Kraft and General Foods and now controls about 10% of American food trade; in the automobile field they deal with Ford; in the banking field with Citibank, which seems to have been one of the inventors of credit cards which increasingly replace old fashioned money.

Because the entertainment industry is largely based on cultural value distribution, and since values in America are largely reflecting what the authors call "the American Dream", the book is called "Global Dreams" - films, TV, radio, music and books now are large marketers of the American Dream. Incidentally, the book is remarkably good in showing the rather different and disturbing American reality of a society dominated by global business, as opposed to the dream.

In passing, the authors mention the names (with some

interesting detail) of other globals who believe that their product can - by advertising and public relations marketing - be sold unchanged anywhere in the world.

However, global totalitarianism is aimed only at income rich consumers. There is a vast number of human beings who must look to their own national resources to supply their needs. Barnet and Cavanagh enumerate some commodities subject to global totalitarianism and the limitations of even those markets:

“For Philip Morris, R.J. Reynolds-Nabisco, British American Tobacco and other tobacco transnationals, almost everybody is a potential customer...Coca Cola and PepsiCo can expect to sell their drinks to large numbers except in the bottom 30%...Nestle and other purveyors of infant formula can count on numbers above the bottom 30 or 40% of the female population. Philip Morris’ Kraft-General Foods division, Procter & Gamble, Unilever and other producers of food and personal care products (soap, shampoo, toothpaste, detergent, beauty products) target the top 50% of the income ladder; Johnson & Johnson, Merck, Hoffman LaRoche, Bayer and other pharmaceutical firms... can expect to reach less than half of the population; brewers Guinness and Heineken can reach only about the top fifth (in poor countries). Producers in cheap household appliances and consumer electronics can reach up to 10% in developing countries” (p182).

The Two Worlds Created By Globalism

The automobile is perhaps the most typical of the global products. Its marketing and producing firms are concentrated in USA, Japan, France, Germany and Italy. Petrol, essential for the automobile and global aircraft industries, is also globally marketed by a few firms. All these firms are immensely powerful, and their image making has led many politicians (and others) to preach “globalism” as the future. However, “Global Dreams” usefully emphasises:

“About two thirds of the people on Earth cannot connect most of the glamorous products they see on billboards and on television with their own lives of poverty and struggle. The expanding cornucopia of globally distributed goods is largely irrelevant to the basic needs of most people in the world” (p183).

Thus if we speak of foreign investment and globalism we always speak of two worlds: the world of the affluent and the world of the poor. Globalism is a system which is built on that split world - and the book under review warns of the consequences.

How the world is split by the global giant corporations into two can be illustrated by the example of the cost of a packet of Kellogg’s Cornflakes. Barnet and Cavanagh quote the following analysis (*NB: all prices quoted in this review are in \$US. Ed*):

1 packet of Kellogg’s Cornflakes. 1991 - USA

To farmer	\$ 0.10
millers	0.04
Kellogg labour, freight, processing	0.52
advertising & “marketing”	0.52
surpluses paid out on depreciation, taxes, overhead (including directors fees, etc, etc)	0.55
retailers’ margin	<u>0.52</u>
	\$2.25

None of the processes are labour intensive. Consequently it is unlikely that more than 20% of the end price accrues as income to farmers and industrial workers. The remaining 80% is channelled into the pockets of advertising agents, consultants, company directors and shareholders, company reserves and taxes, mainly situated in USA, Japan and Western Europe. This then is characteristic for a world where producers become poorer and poorer, when the direct exploiters of labour (called “human resources”) and their direct assistants in the organising and marketing fields enjoy the fruits of mankind’s ever increasing ability to produce huge amounts of luxury products with more and more elaborate machinery and less and less use of human hands.

Another example of the world of globalism is the production of Nike shoes. Virtually all production is in Asia by contracted labour - perhaps 75,000 workers. Nike directly employs over 8,000 in management, sales promotion and advertising. Nike’s Indonesian made shoes cost \$5.60 to produce and were sold in the US and Europe for between \$73 and \$135. The average daily wage of an Indonesian woman worker is given in “Global Dreams” as \$0.82! Overtime is often mandatory and an 11 hour day lasts from 7.30 a.m. to 9.15 p.m. Such a day may earn the woman worker up to \$2, if she is lucky (p326). The repercussions of this system in the capitalist heart countries, such as the USA in this instance, are the maintenance of a small but immensely rich class of company directors, managers, shareholders, designers and legal and accountancy consultants - and the replacement of the indigenous work force by more easily exploitable overseas (or Mexican) labour resources.

Thus, although the official US unemployment rate in 1992 stood at 7.8%, if discouraged jobseekers and part time workers looking for work with a living wage were included, the American unemployment rate stood closer to 14%, equal to about 20 million people (p291). By 1988 Detroit had lost 19% of its people, St Louis 27% and Buffalo 23%. Ex autoworkers from the destroyed Detroit, if they found another job were, on average, earning 43% less than before. Of 674,000 workers displaced in New England by closing textile mills, shoe factories and the like, most - if not remaining unemployed - worked in casual low payment employment. Thus the real wages of American workers are dropping in line with globalisation. By 1992 it was reported that real wages of “high school dropouts” had fallen by up to 20% between 1979 and 1992. Between 1980 and 1987 about half of all the new jobs in the USA went to temporary workers, the majority of whom were women earning, on the average, 69% of what males

earnings. Consequently, average real wages in 1992 were roughly 9% below 1973 (p293).

The Social Cost Of Globalisation

The new division of labour connected with the globalisation of production is destroying opportunities for productive work and replaces production work by service work for the ever richer owning and directing classes.

Barnet and Cavanagh give an interesting relationship between the growth of unemployment and growing crime, suicide, and sickness in the USA:

“Dr Harvey Brenner of Johns Hopkins University statistically correlated a 1% increase in the aggregate unemployment rate (in USA) with

37,000 deaths

920 suicides

650 homicides

4,000 admissions to mental hospitals

3,300 admissions to state prisons

over a six year period” (p292).

Thus globalisation of the economies of the world and internationalisation of ownership of resources by relatively few giant corporations have created a situation where the “full employment” ideals of the post war era, 1945-75, have become “outdated”. But poverty, which is the concomitant of the wealth creating power of global organisation of production based on high tech and computer assisted organisation of managements, is not only the result of people being thrown out of work altogether. Depression of wages and part time instead of full time working as a way to increase profits (which is the real meaning of the term “productivity” in this world) is recreating the class of working poor which characterised the 19th century.

Barnet and Cavanagh report that, according to a 1989 Government Accounting Office report, over half of the 7,000 apparel factories in New York, which employ an estimated 50,000 workers, are “sweatshops”. There are 400 garment shops paying barely half the union wage. A quarter of the garment workers in California work under dangerous and unhygienic conditions for less than the minimum wage. Official investigations of 39 sewing factories ascertained that in 20 of them wage payments were in arrears to their workers. In Washington DC 62% of those fed by charitable soup kitchens were working poor. In 1993 18% of the American workforce was working for wages that put them below the poverty line, as defined by Federal Government, although they worked 40 hours or more per week (pp330/31).

“Globalisation”, together with internationalisation of domestic industries by “foreign investment”, thus creates poverty both in the heartlands of technical progress and the peripheral world. For “foreign investment” growth goes hand in hand with the growth of international free trade (under the control of the World Trade Organisation - WTO - heir to GATT).

Barnet and Cavanagh describe the effects of free trade on Mexico and the Philippines:

“Since the mid 1980s Mexico has liberalised its trade and investment laws...Government investment in support of domestic agriculture declined by 70%. By 1990 per capita consumption of beans fell 28%. Fresh milk consumption fell by 21% and meat by over 30%. Mexicans’ buying power in the 1980s declined almost 60%. According to a report of the National Chamber of Hospitals, almost half of all children in rural Mexico suffer from malnutrition (p253).

“In the Philippines, according to a study of subcontracting in the garment industry, 1,447 children are employed in sewing, stitching or packing baby dresses. The typical work week is 77 hours, seven days a week. Four to six year olds receive five pesos a day; an 11 year old can earn as much as ten (pesos per day). The legal minimum wage in the area is 69 pesos (per day)” (p333).

Barnet and Cavanagh are good when dealing with the political situation under which the polarisation of the world proceeds - into super rich countries and classes and abysmally poor countries and classes, in the name of “globalisation”.

The Power Of The Finance Markets

They are assisted in this analysis by the inclusion in their description of the “globalisation” process of the financial sector. Deregulation of banking transactions is in the interests of the owners and managers of commercial and merchant banks. Speculation in foreign exchange leads to fluctuations in the price of foreign exchange. This has to be countered by “forward” transactions. This leads to a further multiplication of transactions, more fluctuations and further “need” to hedge against these fluctuations, by genuine international traders. The result of this vicious cycle of instability, brought about by speculation leading to “hedging” and more speculation, is a **daily** foreign exchange market turnover (according to the International Monetary Fund’s *Finance and Development*, December 1996) of \$US1,200 billion. (To give an idea of the size of that figure: the lifetime of the universe since the Big Bang is now often mentioned as 20 billion years. The London Stock Exchange considers that the “Big Bang” started with its own computerisation of October 27th, 1986).

The deregulation of finance is, of course, one of the most important, if not the most important, aspects of globalisation. It is not analysed in the United Nations publications on transnationals - which, for that reason, give always an incomplete picture of present world government. But it is treated by Barnet and Cavanagh.

In addition “securitised” bank loans and government liabilities have become the daily playthings of the billionaire speculators called “financial institutions”. Barnet and Cavanagh mention that every **day** an estimated \$150 billion in US government bonds changes hands across a globalised, computerised trading network. By 1992 the US Federal Government owed \$2.7 trillion (a trillion is 1,000 billion and an

ever more common figure in financial language) in Treasury obligations to private investors - 17% outside the USA.

This astronomic turnover of domestic and foreign "monies" is based on no physical asset or, in most instances, even financial assets. Formerly, international transactions were merely the counterpart of the movement of goods and services across borders. The supply and demand for foreign currency - and the implied value of national currencies - was merely a reflection of a country's trading position. By influencing the country's trade by, for instance, encouraging export industries and discouraging importing propensities and industries, Government controlled exchange rates. Thus exchange rates were, in the last resort, the steering wheel of national economic policies. Now exchange rates are determined by what speculators see as the most profitable and capitalist friendly of national money markets. When, due to inability to export enough to earn foreign exchange for imports, government economic policies use high interest rates to discourage imports, floods of money roll into the country, raising the value of the currency when it should be devalued. When capitalists complain about "unfriendly" government, money leaves. The system is out of control. Democracy has become no more than a PR term referring to elections to be held to elect powerless governments. The real powers that determine the conditions on which governments must act are international capitalists - industrial, commercial and

financial.

Barnet and Cavanagh quote Robert Hormats, vice chairman of Goldman Sachs International: "The global bond market can be a very tough disciplinarian" (p408). Disciplinarian to whom? Disciplinarian to "elected" governments! The Global Dreams of governments, not representing the interests of their people but those of private business tycoons of colossal wealth and power, are usually justified in terms of an economic theory which is based on the nature and origin of the wealth of nations. Barnet and Cavanagh's correct conclusion is that: "No world authority exists to define global welfare, much less to promote it" (p419).

Barnet and Cavanagh can see that even as far as their American environment goes there is growing contradiction between the theory of unregulated private business and their neglect of the national interest - in terms of national welfare.

I do not believe that the solution lies in accepting the globalism of irresponsible multi billionaires but to aim at an inter-national order based on the health of national communities, with governments implementing the welfare of their own peoples by regulating imports, exports and the distribution of wealth on democratic principles.

OBITUARY

MONTHLY REVIEW

- Murray Horton

One of the saddest meetings I've ever had to chair was the November 1996 Special General Meeting of the New Zealand Monthly Review Society. It voted unanimously to wind up the Society; to refund those who had so requested in a postal ballot of all subscribers; to transfer to the Dunedin based *Political Review* those who had opted for that; and to disburse the \$20,000+ remaining funds to those groups voted worthy of support at the SGM. I'm pleased to report that amongst the worthy recipients of this much appreciated largesse were CAFCA; the Anti Bases Campaign (ABC); the CAFCA/ABC Organiser Account (which exists to provide my income); GATT Watchdog; and the Philippines Solidarity Network of Aotearoa (PSNA). The Monthly Review committee, of which I had been a member since 1994, remained in operation to oversee all the myriad of tasks involved in taking an organisation and publication out of existence.

Why did it close down? Unlike so many closures of this nature, money was not the problem. The answer can be summarised in one sentence - both the Society and the *Monthly Review* itself had run out of steam. Only one issue appeared in 1996 (there wasn't even a farewell one to announce its own demise), and it had been a long, long time since the *Review* had been anything like *Monthly*. The

committee had not met for months, everything had ground to a halt. The fact that the wind up was achieved at all, let alone in such an amicable and orderly fashion, was attributable to the perseverance and energy of Gerry Cotterell, who came back from resignation to resume duties as temporary secretary and get things done properly.

Monthly Review was a Christchurch institution, and a landmark of the New Zealand Left, for fully 36 years (by comparison *Watchdog* is a mere 20 something). It was the successor to other Left publications such as *Tomorrow* and *Here and Now*. Founded in 1960 it was always Christchurch based, and for more than quarter of a century featured our very own Wolfgang Rosenberg as the Hon. Sec. (he wrote innumerable articles for it too, both under his own name, and as the columnist "Criticus"). The Society published several of his books and pamphlets - his prescient works warning against NZ joining the International Monetary Fund were bestsellers. The last book the Society published was Wolfgang's 1992 "New Zealand Can Be Different And Better: Why Deregulation Does Not Work"). Wolfgang was greatly saddened by the closure and declined nomination to the committee overseeing the winding up and disbursement. "It was my baby, I did not want to be at its funeral".

Contrary to what a lot of people seem to think, Wolfgang was never editor. Well into the 1970s the founder editor was the late Professor Winston Rhodes, of the University of Canterbury's English Department. A number of other wellknown figures (all men) have been editor - Brian Easton, Patrick Neary, Eric Beardsley, Des King, John Stewart, and Harry Evison among them. Throughout the 1960s *Monthly Review* was in the thick of the struggle against the Vietnam War, and New Zealand's participation in it. It published several books opposing the war, by the likes of Harry Slingsby and Freda Cook. *MR* provided one of the first outlets for veteran peace activist Larry Ross, so it is entirely appropriate that his New Zealand Nuclear Free Peacemaking Association should be amongst the recipients of the funds disbursement. Wolfgang still has the list of subscribers from the 1960s - it reads like a Who's Who of the Left, with several Labour MPs included. The late Bill Rowling, who went on to be Finance Minister, Prime Minister and a knight, was a great fan who regularly quoted it in Parliament. On the other side of the House, Tory MPs attacked it as "communist" and the usual other labels. From the start it had a close association with the Canterbury trade union movement, with leading lights from the District Trades Council of the then Federation of Labour being on the committee. Prominent local unionists John Roberts and Gordon Walker were both chairmen of the Society.

MR's hallmark was that it was a journal of the independent Left, it was never the "property" of any particular party or group. There were takeover attempts by various sectarian groups but none were successful. Nor did it confine itself to politics. It played a great role in fostering New Zealand writing (no mean feat when the phrase "New Zealand culture" was deemed by the cognoscenti to be an oxymoron. I know, because that is what I was brought up to believe in my schooling). Writers and poets of the international stature of Janet Frame and Hone Tuwhare wrote for it. All in all it was a very successful publication. Started with no capital, it rapidly built up over 2,000 subscribers and the magazine paid for itself out of those subs.

It also showcased investigative writing by some of the country's very best investigators - such as the work by Owen Wilkes on the mistitled "Maori Loans Affair" and the very mysterious "Soviet submarine" in Cook Islands waters (both in the 1980s). It was a consistent outlet for the very best of David Robie's meticulously researched and crafted articles, whether on the Pacific, the Philippines or closer to home. For years Professor Keith Buchanan provided insightful political analysis.

But by the mid 1980s it was in trouble. Subscribers were dropping (the final tally was less than 500), it was in debt, and it was very much a flagship of the Old Left (with emphasis on the Old). Harry Evison once explained to me his philosophy on illustrations: "If people want to see pictures, they can stick their heads out the window". Financially *MR* was rescued by the massive injection of over \$60,000, the proceeds of the winding up of Co-op Books, another Christchurch landmark and Ark of the Old Left. This meant that for the first time ever it could pay the editor something, plus discretionary

payments to some writers. Steven Cowan was appointed the new (and final) editor in 1987, and things changed markedly. In his very first editorial, he attacked the previous regime and announced that there would be no place for the regular poetry under his editorship. Old subscribers and supporters started leaving; Owen Wilkes never took up his post as Wellington-based co-editor, in protest. The magazine adopted a much more Trotskyist tone (reflecting the leanings of the new committee); it fired sectarian broadsides. One such was a cover story attacking none other than CAFCA (from the standard Trotskyist position of internationalism versus nationalism). What made this more interesting was that, at the time, Steven was our tenant. So I was being lambasted in print from within my own home!

Steven's term did bring a number of necessary changes - the magazine looked like it belonged in the second, rather than the first, half of the century. It covered sectors, such as films, drama and TV, that had not been touched before. But it never delivered on the promise of appealing to young people (to tap into that market, Steven simultaneously founded the apolitical glossy freebie, *Presto*, which was paid for by advertising, and which could be found in any chic bar, coffee shop, or hairdressing salon in central Christchurch). But it continued to lose subscribers, it lost a number of key regular writers, and finally, it lost vital committee members. It came out less and less frequently, and finally just died (but wouldn't lie down until Gerry Cotterell did the funerary honours).

My own association with *MR* goes back to my 1960s high school days, when I submitted a mawkish poem on the Vietnam War (it was rejected and I was cured of poetry writing). Throughout my life as a political activist (ie from 1969), I have written reviews and articles for it. On several occasions Wolfgang has doggedly pursued me to become the editor - most memorably, by telegram when I was living in London two decades ago. I always declined for the simple pragmatic reason that to put in the work would take time that I didn't have as a Railways labourer (which I then was), and I couldn't afford to do it for no pay. When most of my friends and colleagues disassociated themselves from the new post-1987 editorial regime, I stayed and continued writing for it (without approving of its politics). I literally provided it with a home for several years. In its last few years, I was paid to write substantial articles on subjects for which I would otherwise have no outlet - subjects such as health, housing, police malpractices, the New Right. I enjoyed writing for *MR*, and consider that I did some of my best writing for it. Feedback that I got indicated that others shared that opinion. In the last couple of years, I found myself elected to the committee (I was actually in the North Island at the time). Whilst not enchanted at being on yet another bloody committee, it was actually pretty painless, and I saw the responsibility to ensure that the winding up and disbursements were done properly.

The tragedy is that, in terms of content, *MR* was definitely improving in its final few issues (although proofreading was assuredly not Steven's strong suit). The need is as great as ever for a regular journal of the independent Left (*Political Review* is a much more mainstream publication). Whether

magazines or the written word generally are the way to attract young people is a very different question however. Be that as it may, some sort of new magazine is needed - but the killer condition is that it needs a stable and committed core group to produce and administer it. That lack, in the final analysis, is what finished *MR*. But rest assured that that old fleabag *Watchdog* will continue barking all night and crapping on the front lawns of the mighty. We're not so easily got rid of.

DONATIONS FROM MONTHLY REVIEW

CAFCA gratefully acknowledges the donation of \$3,750 from the New Zealand Monthly Review Society, which we received as a result of the November 1996 winding up of the Society and disbursement of its funds. This money will be used for CAFCA's publications and campaigns.

The CAFCA/ABC Organiser Account, which exists to provide Murray Horton's income, also gratefully acknowledges the donation of \$1,200 from the Monthly Review Society. This will go towards enabling Murray to continue working as a fulltime political activist.

OBITUARY JACK LOCKE

- Murray Horton

Jack Locke died in October 1996, aged 88. The last 2 1/2 years of his life were spent being battered by a whole series of strokes until one, mercifully, killed him. Jack was one of our longest serving members, having joined in 1975. CAFCA, of course, was not his primary political focus - he was a member of the Communist Party of New Zealand (now the Socialist Workers Organisation) continuously since 1936; he was its Christchurch Branch chairman for many years; and when it was adopting parliamentary tactics (in the 1950s and 60s) he was its first and only candidate for Avon (now Christchurch Central) at several general elections. For decades, Jack and Ralph Blacklock personified the Communist Party in Christchurch (I'm afraid I always irreverently referred to them as "Jacklocke and Blacklock, the singing, dancing Marxist Leninist team"). Jack weathered all the tortuous ins and outs of the Party (literal outs, in the case of the various expulsions and splits); and the changing external allegiances, from the Soviet Union to China to Albania (he visited the latter two) to none at all.

It's only fair to report that CAFCA and the CPNZ, and its successor, have political differences. This is not the appropriate place to detail or debate them, but, summarised, the Party holds that the problem is capitalism per se, not simply foreign capital. We beg to differ, but only from a tactical perspective. These differences have never seriously affected our working relationship with Jack, or other Party activists.



John Gibson Locke was actually a Pom (thus fitting exactly Piggy's stereotype of the communist trade union leader). He successfully worked hard to get rid of his English accent after arrival here. He was born in 1908, the son of an Admiralty clerk and educated at a day public school. Although only a boy, he was inspired by the 1917 Russian Revolution. He migrated to New Zealand, aged 18, wanting to get away from England and the civil service future mapped out for him. He came out on a scheme that obliged him to work as a farm labourer for two years. He spent it working on a Taranaki dairy farm for ten shillings a week and board, then moved on to a similar job in Waikato. He experienced the misery of the 1930s Depression - "the thing that woke everybody up was the wholesale dumping of food...The world was in a ferment, and I examined everything, even religion, for an explanation as to why things should be as they were. Marx and Lenin contained explanations, solutions and the answer to problems, and I joined the Communist Party" (*Press*, 19/11/69). He tried to organise a dairy farm workers union, but it was refused registration.

Jack left the country and moved to Auckland, in 1936, to work as a part time CPNZ organiser. They were turbulent years for the Party, but also the era of the Party's greatest membership and influence. Being a communist was a risky business, but Jack was never gaoled - although he was arrested twice for handing out "illegal" literature. In 1939, he

was sent to Christchurch to work for the Party. Elsie, then a leading figure in the Party, followed him south (they were married for 55 years). When Hitler invaded the Soviet Union in 1941, the Party changed its opposition to WW11, and urged its members to fight Naziism. Jack served in RNZAF ground staff at various bases around the country. He resumed working for the Party, after the war.

In 1951 he became a freezing worker at Borthwicks meatworks in Belfast (later merged with Canterbury Frozen Meat Ltd), and stayed there until his retirement in 1976. He was the labourers delegate, had two years as branch secretary, was the secretary of the Sick Benefit Fund, and was president of the Meat Workers Union sub-branch there right up until his retirement. He was truly a stalwart of the Canterbury trade union movement, not only within the (then very militant) Meat Workers, but also the broader movement. He was a long time delegate to the Canterbury Trades Council of the former Federation of Labour, and then to the Canterbury District Council of the NZ Council of Trade Unions (NZCTU). Right up until he was stricken by the strokes, he attended monthly meetings as an honorary member, selling the Party paper, acting as doorman. The District Council passed a special motion describing him as "an object lesson in commitment from which we can all learn" (the *Press*, which must have gagged at running an obituary for a communist, managed to print that as an "abject lesson"). Trade union leaders were much in evidence at his funeral, although many of them would have to look up "socialism" in a dictionary ("an archaic belief system, to be mentioned annually, preferably on May Day").

Jack used his 20 years of retirement very well. He was a great historical archivist on unions and the Left. He had an enormous personal collection of material (a lot of which was held in the former Army hut in which he worked, at the back of the tiny Oxford Terrace cottage that he and Elsie lived in for over 50 years). Canterbury libraries benefited greatly from his generosity; the University of Canterbury held a special function to mark his contribution to historical research. The university's *Chronicle* stated: "Thanks to his efforts, Canterbury University has one of the finest collections of local labour movement archives in the country, an outstanding collection of the works of Rewi Alley and an impressive sweep of material relating to the Communist Party" (27/9/90). He would stop at nothing to get material - he successfully approached the spooks to get missing issues of the Party paper, seized when it had been banned during the early days of WW11. He was active in Co-op Books in New Regent Street, for several decades one of the country's leading Leftwing bookshops. A quote from Chairman Mao, pinned on his hut wall, summed up his approach: "Work meticulously, meticulous care is necessary. To be crude and careless will not do, for this often leads to error".

"I have looked upon it as a duty for many years to keep all the records of the early labour movement, the movement today, the trade unions and the Communist Party because I consider that history is of value to students today. I think the history of the labour movement is important because I hope

in the next century the ideas will come into their own and we will have a future free from the present system of unplanned greed" (*Chronicle*, *ibid*).

Jack's life was more than just political activities, however. He was immensely proud of his family. Elsie left the Party in 1956, like so many others, but, as she told his funeral, they remained happily married because they agreed to disagree, and because of "good old fashioned love". She has achieved national fame as a peace activist and writer. Of their four children, Keith and Maire (Leadbeater) are nationally prominent in the Alliance and the peace and East Timor solidarity movements. The kids didn't follow the Party line - Keith was a leading figure in the (Trotskyist) Socialist Action League in the 1970s; Alison was also a member. The SAL was firmly opposed to the "Stalinist" CPNZ. It didn't affect family relationships. Piggy called the Lockes "New Zealand's leading communist family".



Jack Locke in Albania

Jack loved kids: his four, his 12 grandkids (who decorated his coffin into a psychedelic work of art); and he was for years a surrogate granddad at the Avon Loop Playgroup. Unusually for an 88 year old, there were a large number of (unrelated) young people and children at his funeral. Elsie and he were deeply involved in the Avon Loop community in their half century there. They were among the founders of the Avon Loop Planning Association, and Jack ran its recycling scheme for years (also cleaning up the river). He was a keen sportsman, who jogged long before it was fashionable, and who was a competitive runner well into his retirement (ironically one of his clubmates was Gideon Tait,

Christchurch's ultra reactionary police commander of the early 1970s). His French was good enough to sustain a political discussion with a member of the French Communist Party during a post-retirement visit to France. Maire told the funeral how her Dad taught her ballroom dancing.

I first met Jack in 1969; he was probably the first CP member I'd ever met. Commos were depicted as the devil incarnate by the media; "we" were fighting to stop the Asian variety sweeping down from Vietnam and murdering us in our beds (no doubt aided by their local agents). Jack was in his 60s then; I was a brash, 18 year old know it all, an anarchist who carried a huge black flag to every demo, a recent recruit to the Progressive Youth Movement (PYM). We ran free speech political rallies on the riverbank on Sundays - Jack always spoke on behalf of the Party, and always attended the neverending series of demos on Vietnam, South Africa, and all the other big issues of the time. In the early 1970s I was researching a (never to be written) thesis on the CPNZ and the Left in Christchurch between the wars. Jack very generously made all his material available, including confidential papers that had been hidden elsewhere. I became

a frequent guest in Jack and Elsie's home. On one memorable visit, Jack granted me an audience from the bath.

I'm no longer an anarchist and I never joined the Party (or any other party, for that matter). Over the succeeding decades Jack was always part of the Christchurch political scene, in so many ways - I saw him on demos and rallies; at meetings at the Trade Union Centre; at home when I wanted historical material; as the money collector at the scrumptious Party fundraising dinners. In his final years, I occasionally pushed him in his wheelchair or followed him with it as he walked with his frame. Over that quarter of a century, I came to know the Locke family very well, in a multitude of different ways.

Jack Locke lived and breathed communism for most of his long life, which spanned nearly the entire 20th century. He never abandoned his beliefs, which he summarised as: "People are natural socialists. Human beings will always compete, but cooperation will always achieve more and faster". He is a great loss to his family, his innumerable friends, the trade union movement, and the Left.

OBITUARY

FATHER MARK MOESBERGEN

- Murray Horton

Father Mark Kraushaar-Moesbergen was killed instantly in a car crash in November 1996 (it happened at a main intersection next to Paparua Prison. Mark was coming down the highway from his Darfield parish to attend a meeting in Christchurch of the Young Christian Workers [YCW]. As per usual, he was running late. The other driver pleaded guilty to charges including careless driving causing death and, in March 1997, was sentenced to a \$2,200 fine, 150 hours of community service and lost his licence for 18 months). Mark was only 47, and brimming with life. I've only ever met a handful of people who were so alive. He had been a CAFCA member since 1993. But my main connection with him was through the Philippines Solidarity Network of Aotearoa (PSNA). At one stroke it lost one quarter of its committee; its secretary (I've got the job now); the only link back to Philippines Solidarity's heyday in the early 1980s; a regular writer for its newsletter *Kapatiran (Solidarity)*, which I edit; its key contact in the vital church sector, both here and in the Philippines; and its link man to a myriad of groups and individuals in the Philippines, mainly in the southernmost island of Mindanao. More importantly all of us lost a bloody good friend. Mark's untimely death has dealt us a body blow. Life without him will not be the same.

The double barrelled mouthfull of a surname was because he and his identical twin, Kevin, were the product of their mother's second marriage. They were the Kraushaars; the older four brothers were the Moesbergens. Mark was born in Upper Hutt and attended schools in Lower Hutt and

Christchurch. After leaving Xavier College, he studied for the priesthood at Holy Name Seminary in Christchurch and Holy Cross College in Mosgiel. He was ordained in 1976 and served in the parishes of Woolston (as deacon), Rangiora, Cathedral, the Chatham Islands, Burnside and, finally, Darfield. He took various papers at the University of Canterbury, until well into his mid 40s.

Those are only the bald facts of his life. Mark was one of that significant minority in the Catholic clergy, a radical priest. Christchurch has produced several of them. He was a great friend and keen co-worker of the late Father John Curnow, and was active in the Memorial Trust set up to further John's work after his death in 1991 (see *Watchdog* 68, October 1991, for John's obituary). Mark was active in the Catholic Commission for Justice Peace and Development, which was shut down by the hierarchy in 1994 (see *Watchdog* 77, December 1994, for its obituary). During the turmoil of the 1981 Springbok Tour he was often in the media, and attracted flak for it, both within and without the Church. He was active in various networks promoting racial justice; he was a leading light in a mens' group; he had a long association with YCW; and a whole raft of other issues. As well as CAFCA he supported the work of the ABC (Anti Bases Campaign). His quite dizzying cross networking and immense popularity were clearly evident at his funeral, which ran for several days at several different locations - his brother's home, an inner city marae, the Darfield church, and concluded with a magnificent High Mass attended by a standing room only crowd in the



Cathedral (I estimate the attendance to be have been anything up to 2,000). His heathen mates in the various networks saw him off in the appropriate fashion, with a separate memorial meeting at Corso/Philippines Resource Centre. It was well attended, funny, and extremely moving.

Freethinking is not highly regarded in the Catholic Church and Mark paid for his. He was packed off to the Chathams to get him out of the way, and then several years later the Bishop had to bring him back to Christchurch because he was more trouble over there. Whilst in offshore exile he plunged into community affairs on the Chathams, holding office in the local ratepayers association and various other bodies, including the racing club. He plunged into the minefield that constitutes the Maori/Moriori relationship there (let alone the Maori/pakeha one). So he was brought back to Christchurch where the Bishop could keep an eye on him. After 20 years as a priest he should have had his own city parish, by rights. But no, he was packed off to Darfield. It's fair to say that he wasn't ecstatic at the start, but his irrepressible good humour and love of humanity meant that he very soon regarded Darfield as home. Nonetheless he was forever having to do the 80 kms return journey to attend city meetings, and it was in the course of one of those that he was killed. However, although Mark had plenty of differences with the hierarchy, he loved his vocation - there was no suggestion that he was planning on becoming an ex-priest.

The Philippines is overwhelmingly Catholic, of the devoutly Spanish variety. So there is a natural link there for Catholic clergy from all round the world. The religious sector is a vital part of Filipino society, and has always been well represented in the progressive movement. John Curnow started going there in the dark and dangerous days of the early 1970s, during the Marcos dictatorship. Mark was inspired by John,

and his active solidarity with the Filipino people began in the next decade. He first visited in 1983; he attracted media attention when he and another priest, who had both served as chaplains in Antarctica, declined to receive US Navy awards in protest at the American military presence in the Philippines. When I sorted through Mark's Philippines files I found a 1983 *Watchdog* - before there was any Philippines Solidarity movement, CAFCINZ (as we then were) was exposing New Zealand military ties to both Marcos and the American bases in the Philippines.

John Curnow organised the groundbreaking New Zealand Solidarity Conference on the Philippines, held in Wellington in 1984. Mark was a founder of PSNA and was actively involved in what was then the Otautahi (Christchurch) Philippines Solidarity Group. By 1993, that national network had shrunk to comprise only the Christchurch committee, so PSNA was relocated to Christchurch and Mark became its secretary. *Kapatiran* was born that same year and Mark wrote for virtually every issue, specialising in Mindanao, particularly the plight of the various tribal peoples, and human rights abuses throughout the Philippines. He was a central figure at every PSNA function of recent years - he chauffeured around Filipino visitors, such as Leonor Briones, then president of the Freedom from Debt Coalition; he was very good at collecting money at our various fundraisers (priests are well versed at collections); most recently, in winter 1996, he opened the relocated Philippines Resource Centre (in Corso's Christchurch building).

If the Philippines was his great passion, then Mindanao was his particular love. He travelled there on several occasions, most recently in 1993 and 1994. He built up an invaluable network of personal contacts; the best one being his great friend for 20 years, New Zealand nun Sister Maureen McBride, who has been stationed in Cotabato City for the past several years (it is the cruellest of ironies that she was scheduled to arrive in Christchurch for a long scheduled visit, starting just days after his death. She got back in time for his funeral, devastated by the loss. It was the first time that Mark had not met her on arrival here).

The information he regularly received directly from Maureen enabled him to keep his finger very much on the pulse of that most volatile and troubled of Filipino islands; the one where Islam and Catholicism rub up against each other; the one most heavily affected by the long running wars between both the Communist Party's New Peoples Army and various Muslim Moro armies, and the military, backed by various vigilante death squads. And Mark was in no doubt where he stood in the maelstrom of Filipino politics. He supported the militant struggle of the Filipino people, and understood what pressures drove them to resort to guerilla warfare to achieve any sort of peace and justice. He saw absolutely no contradiction between that and being a priest. (Nor was the Philippines the only Spanish Catholic country to attract his interest - he and Maureen spent a month in Colombia in 1987, on exposure to a country with a human rights record every bit as appalling as that of the Philippines). There was a lot more to Mark Moesbergen than the

priesthood, politics and the Philippines. He was, or had been, a keen trumper, skier, abseiler and distance runner. He was a great person, and a whole lot of fun to boot. With his beard, briefcase, woolly hat, and lambie (swapped for a jersey in the warmer months), he didn't look anything like a priest. Indeed the only time we saw him in his work clothes was in his coffin. With his magnificent roar of laughter, repeated frequently throughout every meeting, he certainly didn't sound like a priest (he didn't fit the priestly stereotype here and definitely not in the Philippines). He was the sort of person who made good friends wherever he went, as evidenced by the huge turnout at his funeral. He was particularly close to his twin brother Kevin, keeping in daily e-mail contact (a bungle in the American immigration bureaucracy prevented him from getting to the funeral. Fortunately they had spent a month together in Texas not long before Mark's death). He loved kids and young people - at St Joseph's in Darfield, his coffin sported several touching drawings and messages from young parishioners. If PSNA's committee members' kids were present at meetings, they always got included in the minutes.

I'd only known Mark since 1991, when I first got involved in Philippines Solidarity, but in that time he'd become a good friend to both myself and Becky, and one of the funniest buggers I'd ever met. He was a most irreverent reverend. We

had a lot of fun on the subject of religion and the Church. Once he knew that I'd been an adolescent Presbyterian, and even worse that I'd accompanied Leonor Briones to a couple of Presbyterian services during her 1995 New Zealand tour, he forever after referred to me as "you Presbyterians". The very first message we received once CAFCA's e-mail was connected was a classic piece of silliness from him, making the comparisons between Jesus and Elvis. Once, I told him that a close relative had never been baptised and asked what was his theological assessment of said relative's future in the hereafter (always assuming that there is one). His verdict was delivered in a loud voice, for all the street to hear, and accompanied by that unforgettable roar of laughter: "Oh well, he's bugged". We'll miss Mark for so many things, such as his childlike delight in new technology. When I first met him, faxes were all the rage. Then it became e-mail. His minutes of our monthly meetings were collectors' items, because of their splendid misspellings and quirky idiosyncrasies. Not to mention his constant lateness, which did include his own funeral.

Mark, I only knew you for too brief a time, but it was an intensely memorable, enjoyable, and uproarious time. It's people like you who give Christians a good name. If there is a Heaven, I look forward to seeing you there. You'd be a lot more fun than the Presbyterians.

PUBLIC ASSET SOLD TO HONG KONG FOR \$100!

Sold For The Price Of Tuku's Underpants

Public outrage has recently been focused on the Government's determination to sell off eight publicly owned power stations.

CAFCA has uncovered another appalling revelation about a recent asset sale. In mid 1996, and overshadowed by the sale of Forestcorp, the Government sold Works Corp to Asian owners.

Downer Construction (New Zealand) Ltd, which is owned by Paul Y-ITC, of Hong Kong, bought one subsidiary, **Works Geothermal Ltd**, including 15 hectares of land at Wairakei. At the time of sale, the purchase price was suppressed.

And no wonder. Following our appeal to the Overseas Investment Commission, the price has now been revealed to be - \$100! (for the purchase of shares).

The buyer also repaid \$4.6 million in loans from the Government. But this still means that the Government got nothing net from this sale. Effectively, this public asset was given away, a truly shocking revelation. And who benefits from this giveaway? Obviously the new Hong Kong owner, and our old friend Brierley's (which owns 23% of Paul Y-ITC). Brierley's has itself been reclassified as a foreign company, by the Overseas Investment Commission.

This scandalous giveaway took place before Winston Peters became Treasurer. What does he have to say about it and, more importantly, what is he going to do about it?

The public has always been told that asset sales are to clear the national debt. Well, this little number added exactly \$100 to the Consolidated Account. That being the case, Winston might as well hock off Tuku's underpants and donate the proceeds to debt reduction. Does Mr Peters think that is how is how much public assets are worth - the price of a pair of boxer shorts?

A CAFCA press statement, released in February, that got little or no coverage. We're still waiting to hear from Winston.