Foreign Control Watchdog

PO Box 2258, Christchurch, New Zealand

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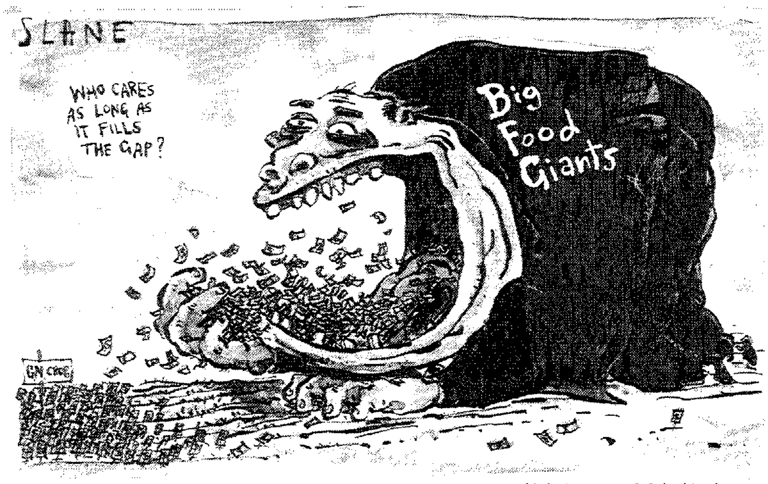
MONSANTO WINS ROGER AWARD

For Worst Transnational Corporation in NZ in 1998
Tranz Rail, Fletcher Challenge, Business Roundtable Also Win

The dubious distinction of the annual Roger Award is made to the transnational corporation (TNC) which the judges assessed, on the evidence before them, had the most negative impact in each or all of the following fields: unemployment; monopoly; profiteering; abuse of workers/conditions; political interference; environmental damage; cultural imperialism; impact on tangata whenua; pursuing an ideological crusade; impact on women, and health and safety of workers and the public.

An excerpt from the judges' report reads: "This US corporate giant (Monsanto) is not only seeking to control and monopolise the production of agricultural produce in the global economy, it is also responsible for promoting research and development on a wide range of genetically engineered products that have the potential to irreversibly alter and damage the ecosystem of the planet and the food supply of future generations. This threat needs to be taken seriously by New Zealanders as Monsanto is already petitioning the Environmental Risk Management Agency (ERMA) to grow genetically modified canola over several hundred hectares on North Canterbury and Southland farms to produce seeds for the Canadian market.



(*Listener*, 29/5/99)

"Perhaps more worrying is the establishment of a Crown Institute/Monsanto quango, Gene Pool, with the backing of the Royal Society (representing the scientific establishment) to campaign for New Zealand to become a site in the development of genetic engineering. Such a strategy is also backed by Federated Farmers of New Zealand.

"In the 1980s New Zealand became the testing ground for a set of radical market economic theories now commonly known as Rogernomics. As we move towards the 21st century, the country is now being pressured to become a laboratory for genetically modified organisms, the effects of which could be devastating for the environment, food supply, and population. The sheer power, impact and global reach of Monsanto point to the fact that its activities in New Zealand are inextricably connected with its worldwide operations".

The judges also gave Fletcher Challenge a Dishonourable Award because of "the negative impact

(Continued on Page 3)

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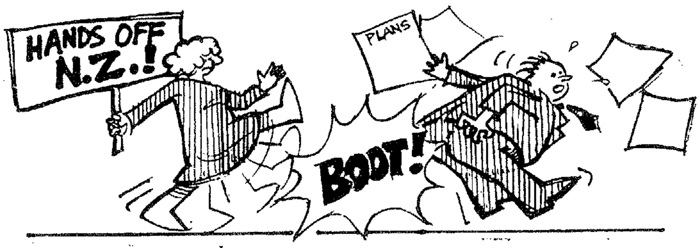
CONTENTS PAGE

MONSANTO WINS ROGER AWARD For Worst Transnational Corporation In NZ In 1998: Tranz Rail, Fletcher Challenge, Business Round Table Also Win 1
PSST! WANT TO BUY AN ISLAND? Very Cheap, 1930's Prices 9
ANOTHER KLEPTO OWNS SOUTH ISLAND REAL ESTATE 10
WASTE MANAGEMENT: Canterbury Rural Communities Fight Back 12
"A BEGINNERS GUIDE TO FOREIGN CONTROL": Murray Horton's Speech Available. 18

Obituary
BRUCE JESSON by Murray Horton 19
THE DEFORMATION: "REFORMS" CONTINUE TO WRECK THE ELECTRICITY INDUSTRY by Bill Rosenberg 21

Reviews
FREE TRADE FANTASIES: "A BRIEF HISTORY OF THE FUTURE" by Mike Moore. Reviewed by Dennis Small 33
"RIO TINTO: BEHIND THE FACADE *1998 STAKEHOLDERS REPORT*" International Federation of Chemical, Energy, Mines and General Workers Unions (ICEM). Reviewed by Reg Duder 43
INFRATIL: PRIVATISER FOR HIRE by Bill Rosenberg 44
OUT OF A JOB Auckland Unemployed Workers Rights Centre Closes by Murray Horton 49
CHEQUES: Please Make Them Out Correctly 51
SIS UPDATE Court Of Appeal Backs Down But The Case Goes On 52

Overseas Investment Commission by Bill Rosenberg
OIC DECISIONS: DECEMBER 1998 TO MARCH 1999 55
TAKING CONTROL LIST SERVER: New Members Welcome 80
LANCE BULLOCK: An Unsung Hero. Send Us Your Local Clippings 80
NORTHLAND SEEDSAVERS' NETWORK & GE FOOD BOYCOTT 80
CAFCA'S 25TH ANNIVERSARY We're Planning A Bit Of A Do 80



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(Monsanto: From Page 1)
of the company's forestry and pulp and paper operations in the Central North Island which have inflicted so much damage on indigenous communities....Despite claims to the contrary, the sale of the former ForestCorp has led to many job losses in communities such as Rotorua, Kaingaroa, and Taupo". Tranz Rail receives a Continuity Award for "the company's persistent failure to address its appalling safety record, for which it received the inaugural 1997 Roger Award". The other finalists were Independent Newspapers Ltd (INL), Carter Holt Harvey, and Telecom.

Leigh Cookson, a spokeswoman for the Roger Award organisers, said: "In the year that the Government hosts APEC (Asia Pacific Economic Cooperation), it is well worth noting that Monsanto actively participates in APEC's Agricultural Technical Cooperation Experts' Group Committee, especially in its biotechnology workshops. APEC is just one of the tools being used to expand the rights of corporations like Monsanto to maximise their profits regardless of the costs to peoples and the environment. The Roger Award is one way to hold Big Business accountable and generate some much needed debate about the role of transnational corporations in New Zealand".

The three organisations behind the Roger Award have also created a new Collaborator's Award for the New Zealand individual or organisation which has collaborated most with transnational corporations. "The inaugural award goes to the the local mouthpiece for the interests of global capital in New Zealand, the Business Round Table, for its ongoing political interference and its advocacy of profit-first, people-last policies at national and local government level," said Ms Cookson.

The panel of judges for the Award was: Sukhi Turner, Mayor of Dunedin, Annette Sykes, Ngati Pikiao lawyer and Treaty activist, Moana Jackson, Director, Nga Kaiwhakamarama I Nga Ture (Maori Legal Service), and Maxine Gay, President, NZ Trade Union Federation. Sukhi Turner announced the Award at a Christchurch function in April 1999. The award ceremony, organised by Corso, GATT Watchdog, and the Campaign Against Foreign Control of Aotearoa (CAFCA), was part of a programme of events opposed to the APEC meetings which took place in Christchurch, in April/May.

Media coverage this year was noticeably less than for the inauguaral 1997 Award. The *Press* gave it two paragraphs and buried that in its weekly farming page. TVNZ filmed Sukhi Turner's particularly hardhitting speech, but broadcast nothing. *Holmes* was going to do a story but cancelled on the day. The *National Business Review* gave it predictably snide coverage (good, we're annoying the bastards). The *Listener* (1/5/99) made the most prescient prediction: "Do not be in the least surprised if this event fails to receive major coverage". Having bit like big fish last year, the corporate PR hacks obviously decided to ignore us this year, in the hope that we'll go away. No such luck.

JUDGES' REPORT

The Award for 1998 has been made to the Monsanto Corporation. After a series of takeovers and mergers in the 1980s and 1990s, Monsanto is now the largest transnational biotechnology corporation in the world. This US corporate giant is not only seeking to control and monopolise the production of agricultural produce in the global economy, it is also responsible for promoting research and development on a wide range of genetically engineered products that have the potential to irreversibly alter and damage the ecosystem of the planet and the food supply of future generations. This threat needs to be taken seriously by New Zealanders as Monsanto is already petitioning the Environmental Risk Management Agency (ERMA) to grow genetically modified canola over several hundred hectares on North Canterbury and Southland farms to produce seeds for the Canadian market (*Press,* 19/4/99). Perhaps more worrying is the establishment of a Crown Institute/Monsanto quango, Gene Pool, with the backing of the Royal Society (representing the scientific establishment) to campaign for New Zealand to become a site in the development of genetic engineering. Such a strategy is also backed by Federated Farmers of New Zealand. It seems that just as the 1980s saw New Zealand become the testing ground for neo-liberalism or Rogernomics, so the country is to become a laboratory for genetically modified organisms (GMOs) in the 21st century, the effects of which could be devastating for the environment, food supply, and population.

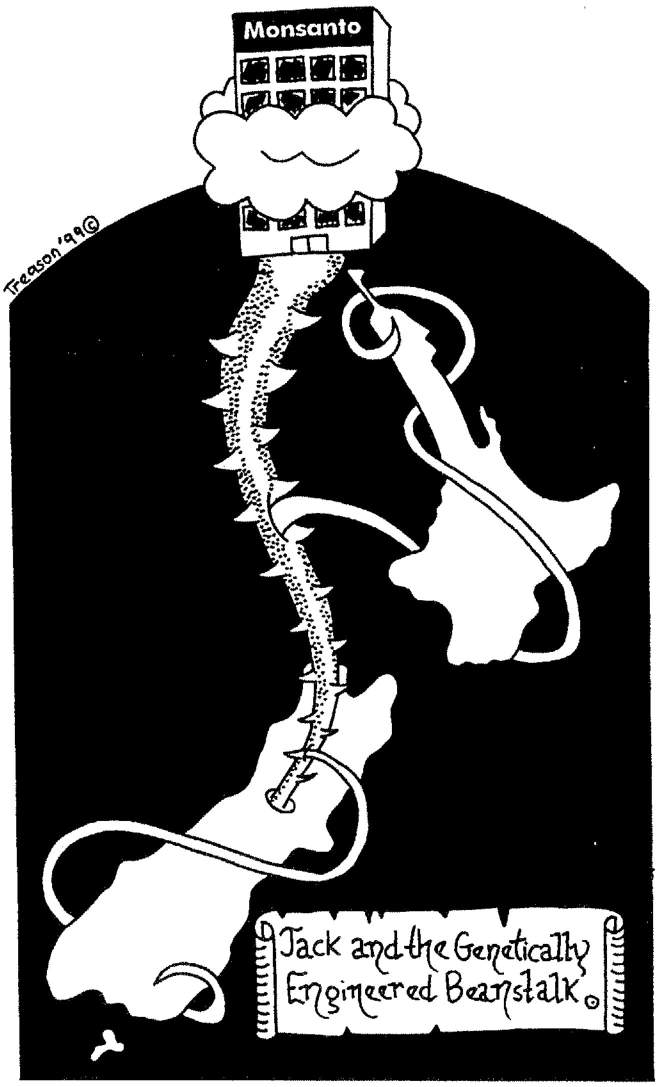
The judgement that Monsanto should receive the Roger Award for 1998 rests on a growing body of evidence from across New Zealand (and worldwide) that clearly shows it to be engaged in a broad range of corporate activities which not only pose a serious threat to democratic processes in this country, but a risk to the health and well-being of the population in its pursuit of profit. This *Report* documents the negative impact of these activities on New Zealanders.

Monopoly

Monsanto is now the world's largest agrochemical corporation and second largest seed company, reputedly controlling over 10% of the global seed market. The corporation's total 1996 revenues were US$9.26 billion. Along with seven other transnational corporations, Monsanto controls world trade of 20 food crops that account for 90% of food consumption. Four of these crops alone account for 50% of food grown in the world (potatoes, rice, wheat and maize).

(Continued on page 4)

(Monsanto: from page 3)
Not satisfied with their virtual monopoly over the production, distribution and exchange of food crops, the same transnationals have increasingly focused their attention on gaining control over the world's seedstocks. Their strategy has been a simple, yet alarmingly ruthless one in its novelty and design. The approach has been for agrochemical and biotech corporations to take over or buy out seed companies. However, their control does not stop there. Once they have taken control over a seed company, these corporations have then begun to systematically "genetically improve" (i.e. alter) the gene line of the seed and, therefore, the crop. This enables companies such as Monsanto to then apply for the patent right over the "improved" seed and the crop that grows from it, effectively removing control over a food source that had been in the public domain for hundreds, if not thousands, of years.



Monsanto has proved itself to be particularly adept at pioneering enforcement strategies for protection of its plant patents. Much of this pioneering work has been centred on its genetically altered soya beans that have the ability to withstand spraying with the company's leading herbicide, Roundup Ready (this kills native plants but not the soya bean). In 1996 the company set a new precedent requiring farmers buying its Roundup Ready soya beans to sign and adhere to the terms of its 1996 Roundup Ready Gene Agreement. As the Canadian Centre for Policy Alternatives has documented, the terms that the Agreement set were as follows:

A $5 per bag 'technology fee' was levied.
Farmers had to give Monsanto the right to inspect, monitor and test his/her fields for up to three years.
Only Monsanto's brand of glyphosate herbicide (Roundup Ready) could be used on the crop.
Farmers' rights to save and replant the patented seeds had to be transferred to Monsanto.
The farmer must agree not to sell or otherwise supply the seed to "any other person or entity".
A final clause stipulated that if the farmer terminated the agreement he/she would be liable to pay Monsanto "100 times the then applicable fee for the Roundup Ready gene, times the number of units of transferred seed, plus reasonable attorney's fees and expenses" (CCPA, 1998).

The company has used a similar licensing agreement for its genetically engineered cotton. Monsanto has also made it known that it intends to apply similar agreements to all of its genetically engineered seedstock that it will bring to the market in the future. Such agreements would no doubt eventually apply to farmers using Roundup Ready canola seeds if ERMA allows Monsanto's trial to proceed in the Canterbury and Southland regions. No doubt other agrochemical corporations, such as Cargill, which has monopoly control over New Zealand's wheat supply, would soon follow the precedent set by Monsanto.

Profiteering

Monsanto is the largest TNC among the newly emerging "life sciences industry". During 1997 the life sciences industry was extremely active in consolidating its power over the world's biological resources. As a direct result of this process of consolidation, in 1996 the top ten life sciences industries accounted for 82% of global agrochemical sales. The top ten seed corporations controlled approximately 40% of the world seed market, with a value of $US15 billion. The world pharmaceutical market is worth an estimated $US251 billion. The top ten corporations control 36% of the global market. By the end of 1997 the top ten veterinary medicine corporations controlled 63% of the world market. In all of these sectors of the life science industry, Monsanto is either the leader or one of the top ten.

In relation to genetically engineered seed, crops and foods, Monsanto claims that the push toward the production of these products is necessary to feed a growing world population to eradicate hunger, starvation, and ultimately famine. The corporation argues that recent biotechnological breakthroughs in this area present a unique opportunity to boost world food production through the introduction of its new pesticide/herbicide technologies (such as Roundup) in combination with GE crops. However, evidence from this country and around the world suggests that this "opportunity" is a purely commercial, not a humanitarian one. On the contrary, this evidence clearly shows that the secret agenda of Monsanto and the other life sciences corporates is aimed at controlling the production of 20 major crops that account for 90% of world consumption. Six of these crops have already been genetically engineered and patented, and are now in commercial production.

Consequently, the real dynamo driving Monsanto's GE research and operations around the globe is the desire to privatise the world's food gene lines through International Patent Rights (IPRs) and the genetic manipulation of agricultural seeds and crops. This accounts for the company's takeovers of seed companies over the last few years. For example, between 1996 and 1997Monsanto invested nearly US$2 billion in seed company acquisitions alone. As a result it now controls 30% of the Brazilian seed market and is positioning itself to capture a large share of the US seed industry through its recent US$1.2 billion take over of Holdens Foundation Seeds which is likely to give the company a 25-30% share of US maize acreage. These and its other corporate activities (e.g. pharmaceuticals) generated US $9.2 billion in revenues in 1996 for the company.

With the reforms that Rogernomics bequeathed to the New Zealand economy coming to fruition in the 1990s it is already evident that Monsanto views this country as a trial site for its GE agrochemical technologies. To further its corporate interests here it has already entered into a partnership with Auckland-based Fernz corporation. No doubt if it receives the go-ahead for its Roundup-canola trials from the Government it might well begin to increase its investments through the same takeover process it has used in other countries.

Political Interference

There is no doubt that Monsanto and the GE industry has attempted to manipulate individual politicians, political institutions, and more broadly, public debate on the introduction of GE products to New Zealand and other countries. Such political manipulation has mostly been indirect and subtle, but nevertheless because of this approach, all the more effective and powerful.

In both Britain and the USA there is clear evidence of a "revolving door" of political interests between government institutions and Monsanto. For example, in the US both the Commissioner of the Food and Drug Administration (FDA) and the US Surgeon General have taken positions at Monsanto after the end of their tenure. In the UK a similar arrangement played out, causing some controversy, where a key adviser to a senior Cabinet Minister ("nuclear" Jack Cunningham) responsible for evaluating genetically modified food took a job with a lobbying firm that advises Monsanto.

A number of recent incidents here in New Zealand have also highlighted the way that American style lobbying has muzzled potential criticism over the introduction of GE foods. Some glaring examples of how this process works within Government was broadcast by a TVNZ *Assignment* programme on the subject of genetically modified food (22/4/99). Interviewed for the programme, former associate Minister of Health, Neil Kirton, claimed that the American Ambassador to New Zealand, Josiah Beeman, brought undue pressure on him and other ministers to ensure that labeling of Monsanto's GE products would not be imposed on imported American agricultural produce or foods. In an interview with the *New Zealand Herald*, Kirton has also claimed that Beeman visited him on at least two occasions after he called for labeling of GE food. At the time of the visits, Kirton remembered that "I was struck dumb by the aggression shown by him ...the bullying tactics he used". So much for US diplomacy. Although the Ambassador refused to comment on this, he did make it clear during his interview for *Assignment* (which was repeated on TV One's 10p.m. *News*) that if the New Zealand government did make labeling a requirement, this would have inevitable consequences for trade relations between the two countries. A tit-for-tat trade war was the implication.

Another example of how the US Ambassador has attempted to muzzle public debate on the proliferation of GE foods in New Zealand can be seen from his ordering an investigation of Susanne Wuerthele, a scientist at the US Environmental Protection Agency (EPA), who dared to raise some awkward questions about the use of Genetically Modified Organisms (GMOs) in food during an interview on National Radio's *Kim Hill Show,* in November 1998. Apparently tipped off by the New Zealand-based representative of Monsanto about the interview, Beeman made a complaint to the EPA via the US State Department. According to the *Listener* (6/03/99), "Beeman accused her of representing herself as the voice of the EPA - which regulates genetically engineered plant pesticides and micro-organisms used to produce chemicals - and also of entering New Zealand without his permission". The transcript from the show reveals quite clearly she did not claim to represent the EPA but had consented to do the interview in a personal capacity. On her return to the EPA, she was told by her supervisor that the State Department had asked for her to be fired. Her position at the EPA is still uncertain until an internal investigation is completed on her interview. Wuerthele's crime was to merely raise some thorny questions about the possible, and as yet unknown, long-term effect of GMOs on the environment and humans. Oh yes, and then there was entering New Zealand without the good ambassador's permission!

Although not immediately apparent but nevertheless working behind the scenes orchestrating this political

(Continued on page 6)

(Monsanto: From page 5)
chicanery is Monsanto. It is clear from the "bullying" tactics of the US Ambassador to the political lobbyists hired by Monsanto in New Zealand and abroad, that the company is bent on concerting a campaign to misinform the public about the very real dangers that GMOs represent to the environment, humans, and other species. Consequently, when Wyatt Creech calls for a "balanced debate" on GMOs in New Zealand (as he did in *Assignment*), he should remember that the scales of the balance have for some time been deliberately tipped in Monsanto's favour. Perhaps this explains why it has been suggested that 60% of the foods on supermarket shelves already contain GMOs?

Environmental Damage

Before its nomination and "success" in the 1998 Roger Award, Monsanto had already established what can only be said to be a truly appalling record of widespread damage and destruction to the environment across the globe. A recent edition of the British magazine, *The Ecologist*, well documents the corporate negligence that Monsanto has displayed toward the environment since its founding in 1901. *The Ecologist's* "Monsanto Files" make grim reading. What the "Files" reveal is that, before its most recent move into the production of GMOs, the company had been responsible for the manufacture and production of a long line of chemical and pharmaceutical agents that have had severe detrimental effects on the environment, the company's workers, and consumers who have used them. The list is too long to reproduce for this report, however, Monsanto's products and their effects have included: styrene/polystyrene (rated fifth by the EPA for the hazardous waste material that is a by-product of their manufacture); PCBs (a highly toxic carcinogen, compromises the human immune system); dioxin (a highly toxic carcinogen, compromises the human immune system, causes birth defects); and the infamous Agent Orange that was used by the American armed forces to defoliate Vietnamese forests. Exposure to Agent Orange, as subsequent court cases against Monsanto have revealed, has left many American - not to mention New Zealand - soldiers exposed to it suffering from a wide range of long term health disorders.

In recent years Monsanto has increasingly focused its operations on agrochemicals and biotechnology products. Several of its products have achieved notoriety in the last decade.They are:

Roundup Ready herbicide
Genetically modified seedstock
"Terminator" seeds

Each of these biotechnologies represent a major threat to the environment. Monsanto advertises Roundup Ready as the world's leading herbicide. It claims that it can be safely used on anything from lawns and gardens, to agricultural crops and even forests. In New Zealand it is regularly used in the Hawkes Bay, Manawatu, Canterbury, and Southland on Monsanto's Roundup canola crops. Spraying these crops with the herbicide kills native weeds without harming the crops which have been genetically modified to be resistant to the effects of the chemical. There is accumulating evidence from around the country and from abroad that the extensive and repeated use of Roundup Ready is already having a serious negative impact on the environment. First, it appears that prolonged use of the chemical (after three years) can render soil sterile by killing off worms and other biota which sustain fertility. Second, there is a growing body of scientific research on Roundup Ready's active compound (glyphosate) which suggests that the chemical can compromise the immune systems of significant numbers of chemical-sensitive individuals and that it should not be used in close proximity to either people or animals. This is of particular concern given that research has shown that Roundup canola has levels of herbicide 200 times above that of canola grown using traditional farming methods. Last, little research has been conducted on the possibility of herbicide resistance, particularly via pollen transferred to the same or related crops. Despite the evidence, Monsanto continues to promote the herbicide widely to urban and rural local authorities, gardeners, and farmers as a safe and effective chemical. In October 1998 the company also signed a supply deal with Auckland-based Fernz Corporation to market glyphosate.

Monsanto has also pioneered the development of genetically engineered seedstock. It is now the world's leading supplier of GE seeds and dominates the US market, where 50% of all commercial crops will be derived from GE processes this year. Genetic engineering of seedstock has been developed by Monsanto to increase the dependence of farmers and growers on its chemical-intensive, industrial approach to agriculture. For example, Monsanto has genetically modified canola, cotton, maize, and soya beans so that its herbicide, Roundup Ready, can be used on these crops. The company has also sponsored more ambitious research in which genes from a bacteria (bacillus thuriengenesis or Bt) are spliced into Monsanto's seed New Leaf Superior potatoes, rendering them toxic to the Colorado potato beetle. As it happens, Bt is regularly used (but sparingly) in a powdered form by organic farmers as a natural pesticide of last resort. Consequently, insects have not developed resistance to Bt. However, the development of Monsanto's New Leaf Superior increases the possibilities of resistance given that Bt is present in the potato and insects are continuously exposed to it. As Peter Montague of the (American) National Writers Union has noted:

"Not every potato beetle will be killed eating Monsanto's pesticidal potatoes. A few hardy beetles will survive. When those few resistant beetles mate with other resistant beetles, a new variety of potato beetle will spring into being ...At that point, the bacteria will have lost its effectiveness as a pesticide. Then Monsanto will start marketing some new 'silver bullet' to control the Colorado potato beetle. But what will the nation's organic farmers do? For private gain, Monsanto will have destroyed a public good - the natural pesticidal properties of Bt. Monsanto scientists acknowledged to the *New York Times* that the Bt-containing potato will create Bt-resistant potato beetles. They know exactly what they are trying to do. They are hoping to make a mint selling Bt-laced potatoes and, in the process, depriving their competitors (organic farmers) of an essential, time honoured tool. The strategy is brilliant, and utterly ruthless".

Such a strategy undermines Monsanto's clarion call that it is developing GE biotechnologies to "feed the world". Quite clearly, in the case of the New Leaf Superior potato, the company is wilfully manipulating the gene pools of two totally unrelated "species" (Bt and a potato) to eradicate competition from organic farmers for purely commercial purposes. The possible development of insect resistance that these technologies pose for the environment in New Zealand must be a negative consideration in their adoption and use here. Despite this obvious concern, in November 1998 ERMA allowed trials of herbicide resistant genetically engineered sugar beet to proceed in Canterbury. Monsanto has also recently made an application to ERMA for trials of Roundup Ready canola to be trialed in Canterbury and Southland. If accepted, planting will commence in the spring of 1999.

Monsanto has also recently added to its arsenal of GE products the so-called "Terminator" seed. The principle of the Terminator biotechnology is quite simple. Genes are inserted within a seed that programme the plant to sterilise any seeds it may produce. This prevents farmers from collecting and saving their own seed while ensuring that they are forced to go back to the seed supplier to purchase a fresh consignment for the following season. The effect of this technology is to transfer control over a food source from the land/farmer to the HQ of Monsanto in St Louis. Aside from the legal and regulatory monopoly that this would give Monsanto over New Zealand farmers and growers, the Terminator also poses a serious threat to the reproduction of other plant species through cross pollination. It is not inconceivable that Terminator genes could be transplanted to other crops through natural processes. If this did occur, the potential damage to the New Zealand environment could be unimaginable.

Impact On Tangata Whenua

Indigenous peoples here in Aotearoa/New Zealand and around the globe perceive genetic engineering as a major assault on the traditional relations that they have established over many thousands of years with the land and ecosystem of the planet. In its attempts to genetically re-engineer the natural environment for commercial purposes, Monsanto and other GE corporates do not only exhibit a profound disrespect for these relations, they also continue a 500 year old process of colonisation that has seen native peoples systematically displaced and/or eradicated from their traditional lands. The similarities between the displacement and/or eradication of native peoples from their traditional lands through the lawmaking powers of colonialists and the regulatory framework that is being constructed to protect the patent rights of Monsanto's GE products today should not be lost on us. Just as the colonial powers transformed the common property rights of native peoples into the private property of settlers and commercial interests, so the international patent rights over seedstock held by Monsanto and other GE corporates will effectively privatise the produce of small farmers and sharecroppers around the globe. The sharing, exchange and distribution of seedstock by these farmers will therefore eventually have to submit to the monopolistic control of Monsanto's headquarters in St Louis. Monsanto's authority to police this monopoly around the globe will be enforced by international trade agreements, such as those currently being negotiated by the World Trade Organisation, on intellectual property rights.

Aside from its extensive interests in genetically engineered agricultural products, Monsanto has also been actively pursuing a substantial stake in the Human Genome Project. For Monsanto this is a double edged investment. First, it has formed alliances with some "advanced genomic" companies (e.g. California-based Incyte) that have developed sophisticated mapping techniques from their work on human genes. Monsanto has applied this biotechnology to identify, map, and gain control over key crop genes. Second, the company has also invested in genetic modification research connected with the Human Genome Project. For this reason, the Fourth World Institute in Colorado has named Monsanto the "worst transnational in the world".

Pursuing An Ideological Crusade

Monsanto is conducting an ideological crusade to hoodwink the public into believing its products are not only harmless but life enhancing. For example, the company's often repeated justification for the development of its GE related products is that it aims to "feed the world". As the company's CEO Robert Shapiro writes in the introduction to Monsanto's 1996 *Environmental Review*, the use of genetically engineered crops "will help immensely in closing the gap between hungry people and adequate food supplies". In other words there is a direct causal link drawn between Monsanto being allowed to develop and market its GE products and the eradication of world hunger, starvation and famine. It is with respect to this philanthropic vision of itself that the company also refers to its research and development activities on GE crops as delivering "genetically improved" food to the market. To reinforce this image, Monsanto and other GE corporates now refer to themselves as the "life sciences industry".

(Continued on page 8)

These and other images of a beneficent corporation battling to expand the world's food supply constitute the central messages of Monsanto's public relations effort to convince public opinion that it is on "their" side. In New Zealand the Monsanto public relations effort has been spearheaded through the co-option of the scientific establishment in the form of the Royal Society. The Gene Pool travelling roadshow which completed a tour of New Zealand in 1997, for instance, prominently featured a Monsanto video extolling the potential of GE. As in other countries around the globe, Monsanto has also been engaged in a systematic media campaign aimed at assuaging public opinion that GE foods are safe. To placate and pacify public anxiety over GE, Monsanto and other GE corporates employ the services of Burson-Marsteller, a multinational public relations agency that specialises in the GE industry. A visit to its global website (www.burson-marsteller) is very revealing of the hidden agenda that Monsanto and other GE corporates seek to promote. As Burson-Marsteller boldly claim, "Perceptions are real. They color what we see . . .what we believe . . .how we behave. They can be managed . . .to motivate behavior . . .to create positive business results". And this is the nub of what is really at stake for Monsanto, quite simply, commercial gain and private profit.

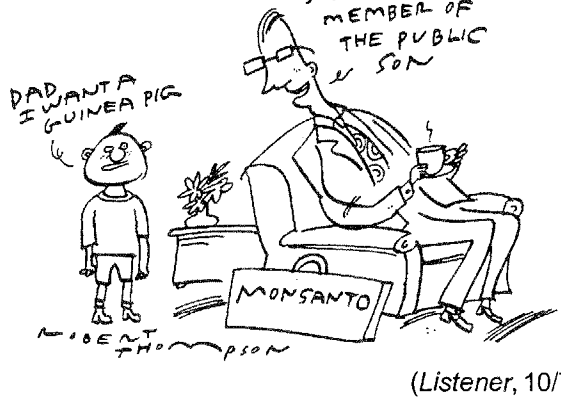
Despite the mask of greenspeak, sustainable development, and wild promises to feed the world, Monsanto is clearly enaged in an ideological crusade to win the hearts and minds of the public over to its view of what the aims and purposes of the GE industry. This explains why, despite the efforts of many ecologists and political activists, public opinion in New Zealand has been relatively quiescent on issues surrounding GE until recently. However, as *Assignment* (TV One, 22/4/99) recently showed, there are signs that ordinary people here are no longer prepared to uncritically accept the placatory messages of Monsanto's public relations campaign, the apparent complicity of either "expert" scientific opinion, or the present Government's deliberate silence on the very real and potential hazards that GE crops and food present to the environment and population in New Zealand.

Impact On Women, Health And Safety Of Workers And The Public

The impact of GE food on New Zealanders' health is still as of yet unknown. Studies on the long term effects of this type of food have, significantly, rarely been conducted by the GE corporates such as Monsanto. One such study, by a UK scientist on rats given genetically modified potatoes found it to stunt their growth and seriously compromise their immune systems. Follow up studies on the experiment found that "there was something in the process of genetic modification that was causing damage" that the scientists little understood (*The Press*, 22/2/99). For his efforts, the scientist who discovered this connection was promptly sacked from his position by the company that employed him (the Rowett Research Institute) - a common response of GE companies to scientists whose research does not support the official line that GE foods are harmless, even beneficial. This study and other formerly suppressed research that is gradually trickling out is adding to a growing body of counter-evidence that strongly suggests that the long term effects of GE foods on public health are not only unknown at present, but are potentially damaging. Such lack of research should give the New Zealand public pause for concern given that an estimated 60% of foods sold here are GE modified.

A case in point is Monsanto's BGH or Bovine Growth Hormone, a GE hormone that increases the milk yields of dairy herds. As the *Ecologist's* "Monsanto Files" notes: "Monsanto's 14-year effort to gain approval from the US Food and Drug Administration (FDA) to bring recombinant BGH to market was fraught with controversy, including allegations of a concerted effort to suppress information about the hormone's ill effects. One FDA veterinarian, Richard Burroughs, was fired after he accused both the company and the agency of suppressing and manipulating data to hide the effects of BGH injections on the health of dairy cows". The report goes on to document that after Monsanto gained FDA approval to market the hormone in 1994:

"[the] Wisconsin Farmers Union released a study of Wisconsins farmers' experiences with the drug. [The] findings exceeded the 21 potential health problems that Monsanto was required to list on the warning label for its Posilac brand of BGH. [The research] found widespread reports of spontaneous deaths among BGH-treated cows, high incidences of udder infections, severe metabolic difficulties and calving problems, and in some cases an inability to successfully wean treated cows off the drug. Many experienced farmers who experimented with BGH suddenly need to replace large portions of their herd. Instead of addressing the causes of the farmers' complaints about BGH, Monsanto went on the offensive, threatening to sue small dairy companies that advertised their products as free of the artificial hormone, and participating in a lawsuit by several dairy industry trade associations against the first and only mandatory labeling law for BGH in the United States. Still, evidence for the damaging effects of BGH on the health of both cows and people continued to mount" (*The Ecologist,* October 1998).



(*Listener*, 10/7/99)

The effects of the drug on dairy herds and the reaction of Monsanto to farmers concerns in this case should be a warning to New Zealand dairy producers, particularly as Monsanto has applied to the New Zealand National Animal Welfare Advisory Committee for its Posilac brand of BGH to be approved for general use among dairy farmers here. New Zealand dairy farmers should take note of the high levels of opposition recorded among Canadian farmers and public to the use of BGH in dairy produce. As a direct consequence of this opposition, the Canadian Federal government, in 1998, refused to grant Monsanto a licence to market BGH until further research had been reviewed on its effects on both cows and humans. The New Zealand government should also take note of its own Dairy Board which strongly opposes the use of BGH among herds here.

Public health in New Zealand is also compromised by Mosanto's pharmaceutical products. In particular, its artificial sweetener aspartame which is sold under the brand names of Nutrasweet and Equal have been linked to an alarming range of chronic health conditions. The include: brain cancers, diabetes, epileptic seizures, Alzheimer's disease, multiple sclerosis as well as other neurological conditions that have shown a marked increase since the introduction of aspartame in the early 1980s. Given the widespread use of the chemical in everything from soft drinks (e.g. diet Coke and Pepsi) to processed foods as a sweetener, aspartame represents a serious health threat to all sections of the New Zealand population.

1999 ROGER AWARD

Nominations for the 1999 Roger Award are open until October 31, 1999. A nomination form is included with this *Watchdog*. The winner will be announced in early 2000. You can nominate previous winners, but nominations must be based on the transnational corporation's record in Aotearoa. Its international record will only be considered as background.

Send your completed nomination form to: CAFCA,
Box 2258,
Christchurch.

PSST! WANT TO BUY AN ISLAND? Very Cheap, 1930s Prices

We were reading *Time* (5.7.99), specifically the weekly "Traveller's Advisory" (you never know when their cutesy little tips for Amercian tourists might come in handy), when we came across reference to Hamburg-based Vladi Private Islands, which rents out islands around the world. We thought "that name rings a bell" and sure enough, here is the reference from the April 1992 Overseas Investment Commission decisions (the only one we could find):

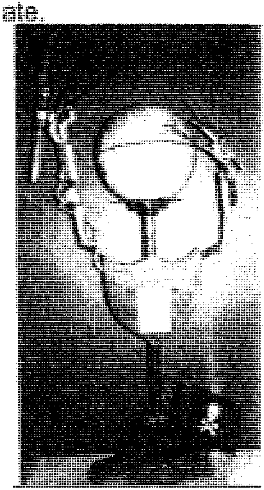
"Another tourist farm is proposed by Euro Confisserie Aktiengesellschaft, a Liechtenstein registered company owned by 'Mr Vladi of Canada'. He will acquire a 706.8846 hectare property known as Forsyth Island in the Pelorous Sound for $1,500,000 and proposes to 'promote the island in Europe as a resort with the resultant benefits to New Zealand'".

Intrigued we checked out the website, to see if Mr Vladi currently has any New Zealand islands to sell or rent. He divides the world into regions. Here's ours:

"Region 8: Australia/New Zealand

"The coast of Queensland and Tasmania belongs to one of the most beautiful island regions in the world. And despite its remoteness, which is ever decreasing, New Zealand is an especial island paradise. Here, the social, political and topographical structures are ideal, the legal situation is clear and this country has one very special advantage - foreign ownership has been permitted in New Zealand since only 3 years. Therefore, the prices are still at what we would consider the level of the 1930's - a special tip for island purchases. We offer islands between US$500,000 and US$2,000,000".

So get in quick, all you island grabbers. What a blow to our freemarketeers who would have us believe that NZ leads the world. 1930s prices! Wasn't that during the Depressions? They sold anything to make a quid then, so maybe it is entirely appropriate.



(The Roger Award)

ANOTHER KLEPTO OWNS SOUTH ISLAND REAL ESTATE

For the past several years, *Watchdog* has exposed and attacked the ownership of Lilybank Lodge (in the Mackenzie Country) by Tommy Klepto. We led the field on this one - the mainstream media only started to take an equally critical stance when Indonesia's ruling Klepto family was overthrown, in 1998. But, in 1999, it has emerged that Tommy is not the only one of the rapacious Klepto offspring to own prime South Island real estate. And, ironically, the revelation has come from Australia. The source, as always, is the indefatigable George Aditjondro, the Indonesian dissident in Australian exile, the world's leading expert on Suharto wealth. He was approached by *Time* to help research its epochal cover story (24/5/99; "Suharto's Billions. Luxury homes, fine art and private jets - our special investigation uncovers the former Indonesian leader's staggering family fortune"). In the course of his ongoing investigation into the Kleptos' plunder, he came across Queenstown property owned by one of Tommy's sisters. New Zealand research was mainly done via the East Timor Independence Committee, in Auckland. CAFCA was able to help with what we could find in our database of Overseas Investment Commission (OIC) approvals.

The story broke in the *Australian Financial Review* (4/6/99; "Indonesian elite scale the Heights of privilege"; Lisa Allen):

"Hidden deep in New Zealand's Southern Alps, far from the political uncertainty of Jakarta, sits an outpost of the Suharto dynasty coupled with a private retreat for an adviser to President B.J. Habibie. Goldfield Heights, an alpine land sub-division overlooking Queenstown's icy Lake Wakatipu, has attracted a clutch of Indonesia's elite to its shores.

"Suharto's middle daughter, Siti Hediyati Haryadi, and her husband, the sacked armed forces commander General Prabowo Subianto, are understood to own two multi-level alpine chalets through an offshore holding company. A neighbour is the former head of Indonesia's national food trade regulator, BULOG, retired general Bustanil Arifin. Mr Arifin is understood to own a single alpine chalet. Not to be outdone, Mr Radius Prawiro, a long-serving minister in various Suharto cabinets and now a special economic adviser to President Habibie, owns twin alpine chalets at Goldfield Heights, a 130-lot sub-division four kilometres east of Queenstown. The properties are registered through his son, Mr Loka Prawiro.

"Used by Suharto to mobilise Christian support for his rule, Radius Prawiro a Dutch-trained economist is a prominent figure in the Indonesian Protestant community. The Radius family rewarded for its services to Suharto owns overlapping shares with many Suharto companies including clove trading in North Sulawesi, timber concessions in East Kalimantan and in an electronic factory in West Java. That factory, PT Humpuss Elektronika, is a joint venture with Tommy Suharto and relatives of President Habibie.

"The Indonesian interest in Goldfield Heights stems from introductions by another Indonesian, Mr Firdaus Siddik. Mr Siddik, who is known to be close to Mr Arifin, owns two alpine chalets, acquired for about $250,000 each, as well as about 50 lots through Mountsnowlake Holdings Pty Ltd. Most of the fully furnished alpine lodges sit vacant all year, although Siti took an active role in planning the design of her lodge. She had required one massive alpine mansion to cater for servants but was stymied and forced to buy two interconnecting lodges. She ended up with a seven bedroom, four bathroom, two kitchen property off Goldfield Heights Road. She has reportedly grown tired of her three level snow country retreat of late.

"At least one local was approached by a broker to buy the modern alpine style property earlier this year. 'She tried to sell it six months ago. She was looking for offers ... no price was mentioned, she just wanted to cash it up quickly,' said the Queenstown local who spoke to *The Australian Financial Review* on condition of anonymity..." Ironically, the name of the offshore holding company is Peacehaven (registered in the tax haven of Jersey, and untraceable from New Zealand).

The Queenstown paper, *Mountain Scene*, took the story a whole lot further with a front page lead (24/6 -30/6/99; "'Seize Suharto Property'"; Philip Chandler). It contacted George Aditjondro, in Australia, who urged the NZ government to seize the property. It also quoted from a letter from Maire Leadbeater, writing on behalf of the East Timor Independence Committee, to the Minister of Foreign Affairs: "We believe that NZ should immediately take control of the two Queenstown units as part of its contribution to a new and democratric government for Indonesia. The units are effectively the proceeds of a crime and NZ should not be colluding with the Suharto family by allowing the family to continue to benefit from their ownership".

Mountain Scene checked real estate records, to establish that Siti bought her two units in 1993. They are currently kept free for the owners' friends. Siti visited in 1996, being described as "just a fairly small, plump woman who was extremely polite". The paper spoke to Firdaus Siddik, who has up to 40 Goldfield Heights sections currently for sale. The poor man has had to spend more time in Jakarta and less in Queenstown since the Asian Crisis knocked the stuffing out of Indonesia in 1997. Siddik is still chairman of the Indonesia-NZ Business Council and led a trade delegation to NZ as recently as June 1999. He pooh poohed George Aditjondro's assertion that Queenstown could be a bolt hole for the Kleptos: "I think that's a bit ridiculous. Why would they buy a small chalet? It's peanuts compared to what these people can own. If you see the type of houses these people buy in London, Los Angeles and all these other places, why would they have chalets which are worth $250,000 at the most?" (ibid).

In case you're wondering why you've never heard of any of this previously from *Watchdog*, there's a simple answer - the OIC does not need to approve foreigners buying individual houses, that is simply a real estate transaction. Secondly, the name Siti Hediyati Haryadi does not appear in our OIC database, which covers a decade. But once George Aditjondro approached us, we checked that database, and sure enough the names Prawiro and Siddik do appear. We just hadn't known who they were. Although it was an educated guess that any rich Indonesian buying foreign real estate during the Klepto dictatorship would have to be connected to the Kleptos. Nor is it a surprise that they should crop up in Queenstown - the resort is very popular with rich foreigners. Tommy Klepto's only publicly known trip to New Zealand was in the early 1990s, when he flew a planeload of mates to Queenstown for a skiing holiday.

And who is Siti? According to the *Time* cover story, she is 40, and her family nickname is "Titiek". Her estimated wealth is $US75 million, in financial services, power, computers, banking and property (she has a home on London's Grosvenor Square). She is described as loving "big chunks of jewellery", which she bought on European shopping expeditions, and having a personal art collection worth $US5 million. She is in Boston, where her son goes to high school; her husband, the sacked General Prabowo Subianto, is in exile in Jordan, where his good friend is the King (when in Jakarta she slept in one room; he, and his dogs, in another).

Tommy Klepto

To conclude the *Australian Financial Review* story:

"Siti is obviously following family real estate trends. Brother, Tommy Suharto, has listed for sale Lilybank Lodge, a luxury hotel built on the banks of Lake Tekapo and framed by snow capped peaks, with a $10 million price tag. Like other business ventures of the family and associates of the former Indonesian president, Lilybank Lodge has gone into the red.

"Developed at a cost of $4million, the lodge comprises eight lavish rooms plus a trophy room boasting sheep, deer and Himalayan goat heads. It has since closed. Tommy reportedly paid about $1.9 million for the property in 1992 and previously ran it as an exclusive game reserve where rich American and European tourists could hunt specially selected wildlife for up to $250,000 a head. 'It's all about producing animals of a particular size for people to shoot. The sort of people that go to Lilybank represent the elite,' said a prominent member of New Zealand's hunting fraternity. The healthy tariff of $1,120 a twin per night included four daily gourmet meals of 'New Zealand cuisine' and non-alcoholic drinks.

"But Lilybank is now reportedly a deer farm producing meat and deer antler velvet, which is sold for traditional Asian herbal remedies. The lodge opened in 1995, but its manager, Mr Gerard Olde-Olthof, says it never turned a profit. The lodge, near Mount Cook at the head of the glacier fed by Lake Tekapo, will be sold replete with furnishings, eight hectares of freehold land and the rights to an additional 9,500 hectares".

In July 1999, the *Press* reported that Lilybank has been sold, subject to approval by the Commissioner of Crown Lands. The buyers were believed to be "Singaporean interests"; the price confidential. Olde-Olthof will stay on at the lodge and the deer farming operation will be expanded (14/7/99)..

Time estimates 36 year old Tommy's wealth at $US800 million. He owns 60% of Humpuss Group, which has 60 subsidiaries ranging from construction to pharmaceuticals. His property, apart from Lilybank (inevitably described as a "ranch") includes an 18 hole golf course in England and a luxury yacht moored at Darwin. He is a big time gambler, "thinking nothing of losing $US1 million in a single sitting. One gaming partner says he used to leave Jakarta on his plane with millions of dollars to wager in European casinos and stop in Singapore on the the way home to deposit what was left. 'Tommy loves money', says a former business partner. 'And he always wanted it up front'" (*Time*, ibid).

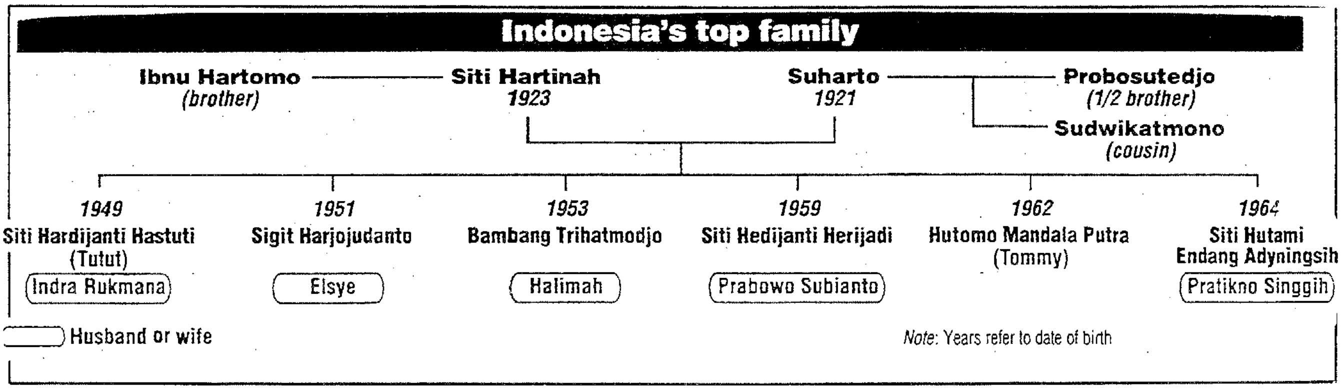
But Tommy has troubles at present. He is the only Klepto to stand trial for graft (thus far). He has been charged with defrauding a State agency of $US11 million in a real estate scam. If convicted, he faces up to 20 years in prison. Whilst on trial, he is prohibited from leaving the country. *Time* provides an insight into Tommy's methods of acquiring wealth - in 1996, one of his companies forced Balinese villagers off their land, to build a 650 hectare resort. It had a permit for only 130 ha, which it illegally expanded. "Residents who refused to sign an agreement to sell their land were intimidated, beaten and sometimes put in a pond up to their necks. Two were brought to court and jailed for six months. Nothing remains of the project now: recession hit just as the bulldozers were

(Continued on page 12)

Another Klepto: From page 11)
moving in..." (*Time*, ibid).

The *Time* investigation concluded that, over the 32 years of dictatorship, the Kleptos' amassed more than $US73 billion. It has shrunk considerably, but is still a breathtaking $US15 billion, including 3.6 million hectares of real estate (an area bigger than Belgium) and hundreds of companies. The richest of the six children is Bambang Trihatmodjo, worth $US3 billion; the "poorest" is Siti Hutami Endang Adiningsih, with a mere $US30 million. For his part, Daddy Klepto has denied all and sued *Time* for defamation. Now that will be an interesting trial.

Of course, the Kleptos are guilty of far worse than grand larceny. Consider East Timor - Klepto interests own nearly 40% of it. They have personally profited from the quarter of a century of genocide there. All New Zealanders should see the film "Punitive Damage", which is about the murder of New Zealander, Kamal Bamadhaj, by the Indonesian military, during the 1991 Dili massacre; and the battle of his mother, Helen Todd, for justice. Her court case targeted an Indonesian general (who has never paid a cent of the multi-million dollar damages awarded to her by a US court) but the real criminals are the Kleptos and their cronies. A family of thieves presiding over a system of mass murder and institutionalised looting - they are the ones who should be in the dock, for crimes against the people of Indonesia, and for crimes against humanity.



WASTE MANAGEMENT
Canterbury Rural Communities Fight Back

Since 1995, *Watchdog* has been chronicling the trundle of Waste Management's increasingly ubiquitous wheelie bins throughout New Zealand. At first, it was largely based in the North Island. That has now changed. In 1998, it was announced that Waste Management is one of two corporate partners (the other being Envirowaste Services) in a joint venture with Canterbury local bodies, headed by the Christchurch City Council, to build, own, and operate (BOO) a regional super dump. This landfill will have a 30-50 year life, and will be Christchurch's last one. The City Council aims to eliminate the need for a landfill by 2020, by policies of waste minimisation and recycling (it launched a weekly kerbside recycling collection service, in 1998).

Lobbying The Council

CAFCA saw this as a major penetration into Christchurch local government assets and services by a transnational corporation (the City Council had already awarded the city's rubbish collection contract to a French TNC, Onyx). And not just any old TNC, but Waste Management - a TNC with an appalling record in the US and elsewhere (*see Watchdogs 79, 80, 84, 86, & 87. Ed.*). 1998 was local body election year. We had organised the highly successful conference Taking Control: The Fightback Against Transnational Corporate Power, at the beginning of 1998, and that conference had identified TNC takeover of local government assets and services as a key campaign for people to work on from one end of the country to the other. We set about lobbying the Christchurch City Council. This is the letter we sent them:

PHOTO: DON SCOTT
The politics of rubbish: Allison Lomax, left, Ian Hamilton, Russell Black, Alec Baxter, Jenny Anderson, and Alex Wyllie are neighbours of land at Omihi that could become a landfill.

(*Press*, 26/5/99)

In May 1998 it was announced that Canterbury local authorities, spearheaded by the Christchurch City Council, are close to forming a joint venture with two companies to operate the proposed new regional landfill.

One of those companies is Waste Management. We have a number of serious concerns about this particular American transnational corporation, and in the recent past, city councillors have not hesitated to be forceful in their views about it. In 1995, Waste Management NZ very clumsily offered to withhold threatened court action if the City Council entered into a joint venture with it. Cr David Close said then it was "inappropriate for a private investor to be 'making the running' over the city's future landfill needs" (*Press*, 16/3/95). Cr Garry Moore said: "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). What has happened since to change councillors' minds?

CAFCA believes that before getting involved with a transnational corporation, local bodies should be aware of its record ie that the public should know the bad along with the good, the reality as well as the PR hype. And the fact is that Waste Management is one of the most controversial transnationals in the world. We hold bulging files of material about its exploits in the US and around the world. Between 1980 and 1992, it paid more than **$US80 million** in fines, penalties and settlements in criminal and civil cases in the US. In a more recent court case (December 1996) a Tennessee federal judge ordered it to pay more than **$US90 million**. He said: "...fraud, misrepresentation and dishonesty apparently became part of the operating culture of the Defendant company".

But don't take our word for it. We enclose a selection of fully sourced American reports on Waste Management, not only from the media but also from law enforcement agencies and court judgements. Some are as recent as 1997. If you wish to read more, we have the transcripts of several US judgements against WM (including the Tennessee one), and the full report from the San Diego District Attorney. We recommend you closely read his conclusions and advice for any local bodies having dealings with WM. One US quote is worth highlighting: Carl Miller, an associate attorney for the city of New Haven, Indiana, remarked that the state "would have to grant a permit to Satan before they could grant a permit to this outfit" (*Indianapolis Star*, 14/6/97; "Company Loses Bid To Expand Landfill"). One enclosed document is an excerpt from the *1997 Peoples Annual Report*, which described it as a "corporate criminal" and named it as one of the first five corporations inducted into the US Hall of Shame.

The Indiana report cited above is worth re-emphasising. That state has a "Good Character" law (sometimes called "Bad Boy" laws in other US states, which have a similar approach). It's very simple - the company's good character, or lack thereof, is considered to be important in deciding whether or not to allow that company to invest in the state. We suggest that it is a worthwhile precedent for Canterbury local bodies, and specifically the Christchurch City Council, to follow.

Earlier in 1998, Waste Management merged with a smaller rival, USA Waste. This involved a major change in ownership and was the culmination of years of bungling and upheaval. A senior investment officer at the (George) Soros Foundation, a major shareholder in Waste Management, described WM as "probably the worst managed company I have ever seen" (*Washington Post*, 12/3/98). But WM's shareholders still own 60% of the combined company, and USA Waste has its own depressing record of violations and court cases.

The enclosed material should not be dismissed as "yes, but that's in the US, Waste Management is different in NZ". Obviously the American parent company has a ruling interest in its global operations. To give just one New Zealand example reflecting our concerns - in May 1995 an Auckland judge fined WMNZ $25,000 in relation to the death of one of its operators, censuring it for sticking with "inadequate" US safety standards (*New Zealand Herald*, 31/5/95). WMNZ is 61% owned by the American parent.

Waste Management is not just any old transnational, but one with a serious record of offences in the US. We urge you to carefully read the enclosed material with regard to the Christchurch City Council's involvement with this company (*the American material we sent the councillors has been previously published in Watchdog. But if you'd like your own set, send CAFCA $5 for copying. Ed.*).

We got a reply from Christchurch's then Mayor, Vicki Buck. She said: "...Your letter was referred to the Solid Waste Engineer and the team who are currently finalising the agreement with Waste Management New Zealand and Envirowaste Services Ltd. They believe that your concerns, and the concerns of many others, have been addressed in this agreement. Under the current agreement Waste Management NZ Ltd will have only a 25% share in any joint venture regional landfill and will never be able to control more than 50% as the remaining 50% will be controlled by the Territorial Local Authorities in Canterbury, thus giving significant opportunity for input

(Continued on page 14)

(Waste Management: From page 13)
by our communities..." (letter to CAFCA, 29/6/98). Such touching naivete from our lame Buck mayor. For a start, it ignores the fact that, since 1973, any company more than 24.9% foreign owned is legally defined as a foreign company. Waste Management's stake in the joint venture meets that definition.

Mayor Moore Is Not Too Sure About It All

We also lobbied virtually all candidates for the City Council, Christchurch's community boards, and some candidates for the Canterbury Regional Council. We sent them a fact sheet on Waste Management (along with fact sheets on Onyx; the impact of the Multilateral Agreement on Investment [MAI] on NZ local government; and our Corporate Code of Responsibility, which we publicly launched in 1998). Vicki Buck did not stand again for Mayor or Council; the new Mayor elected was the very same Councillor Garry Moore who was so critical of Waste Management's heavyhandedness back in 1995. We wrote to him again, essentially the same letter, but with a couple of additions:

"We believe that you, as the newly elected Mayor, need to be fully aware of the dangers involved in contracting out services to, or entering into joint ventures with, transnational corporations. Very briefly, those dangers include: loss of local control; loss of resources (profits) from the region; and the threat to local jobs. Not to mention doing business with some very `interesting' customers indeed. CAFCA believes that before getting involved with a transnational corporation, local bodies should be aware of its record. The public and local bodies should know the bad along with the good, the reality as well as the PR hype.

"...There is another reason why you should be wary about getting involved with transnationals. The global economy is in recession and `cost cutting' and `divesting non-core assets' are the catchcries. This is already happening with other transnationals that have New Zealand subsidiaries (eg International Paper, the huge American company which owns Carter Holt Harvey). NZ is just one tiny expendable speck on a map in a faraway corporate head office. Waste Management itself is already shedding non-core businesses amongst its more than 1,300 subsidiaries worldwide. Be warned that the Council and other local bodies could be left holding the baby if the overseas partner decides to pull the plug..."

(We also sent him our Code. On that subject he replied: "...the code is a very useful statement of the principles all companies, especially transnationals, should follow. It provides a useful checklist to use when agreements are being negotiated"; letter to CAFCA, 26/1/99).

Unlike his longserving predecessor, Mayor Moore gave us a thoughtful and lengthy reply on the Waste Management joint venture. His letter betrayed plenty of misgivings about both the company and the landfill deal:

"...You are right to point out that both Cr Close and I expressed strong opposition to their (Waste Management's) tactics when they attempted to use an objection lodged with the Environment Court to pressure the Council into accepting a joint venture deal for a landfill. **We were aware of Waste Management's bad track record in the United States and saw this threat to the City Council as an example of their local use of strong-arm tactics. We acknowledge the dangers of the loss of local control, loss of profits and sometimes loss of jobs when transnationals take over contracts to supply city services** (*emphasis added. Ed.*). For the most part the City Council has resisted the pressure to move in this direction. You deserve an explanation as to why an exception has been made for the development of the landfill...

"The first decision made was to act in partnership with other local authorities...The second decision - to seek joint venture proposals from the private sector - flowed from the first. **Whereas the Christchurch City Council representatives on the joint committee had a preference for the local authorities themselves to develop the landfill** (*emphasis added. Ed.*), the representatives of the other local authorities had a preference for contracting with a private company to build,

(Darfield opposition: *Press*, 26/6/99)

own and operate the landfill (the Redvale model. *Redvale is Waste Management's giant landfill north of Auckland, the country's biggest. Ed.*). The compromise that emerged was for a joint venture of local authorities with a private sector company.

"The third decision - to have two companies instead of one on the joint venture - arose from the fact that both Waste Management and Envirowaste had carried out a huge amount of investigation of suitable sites in Canterbury and obtained options to purchase a number of sites. In entering a joint venture with both companies the local authorities were obtaining access to some of the best sites in Canterbury. At the same time they were limiting the exercise of corporate muscle by a private sector partner...

"**The form of the joint venture agreed to is not what I originally favoured** (*emphasis added. Ed.*) but I am convinced that the conditions set out in the agreement safeguard the Council's interest. In preparing this reply I have discussed the issues with Cr Close who is a member of the joint committee - he agrees with the views expressed..." (letter to CAFCA, 26/1/99). This letter was deemed sufficiently newsworthy to warrant its own story in the *Press* (9/2/99; "Landfill firm tactics worry Chch mayor").

For our part, CAFCA said: "...it's not too late to pull the plug on this deal... We say to the City Council - if you lie down with this dog, you're going to get up with fleas. Dump Waste Management, and keep transnationals out of our essential publicly owned utilities and services" (9/2/99; press statement).

Site Selection:
The Peasants Are Grizzling - Waipara

Menwhile, far away from Council chambers, Waste Management was getting on with the job of finding somewhere to dump the big city's rubbish. When word leaked out of the shortlist of likely rural Canterbury sites, guess what? The country folk didn't like it at all. In fact, they didn't want a bar of it. (*At this point, CAFCA should state that we claim no expertise on which is the best way to dispose of rubbish. The landfill, and where it should or should not be sited, is not our issue. Ed.*).

The joint venture first enraged the people of Omihi, near Waipara, in north Canterbury, by confirming that their district was on the shortlist of potential landfill sites. Farmers were sent a letter, in December 1998, from Canterbury Waste Services Ltd (the Waste Management/ Envirowaste half of the joint venture). It said: "Several years ago, your neighbours the Crosbies, entered into a sale agreement for their property. The Crosbies were not aware of the identity of the purchasers at that time" (an interesting admission in itself). It transpired that the Crosbies' property, Cattle Peaks, had been bought by Waste Management with a view to developing it as a WM landfill. The advent of the joint venture meant that it was now available for the broader enterprise.

CAFCA's database of Overseas Investment Commission (OIC) approvals, going back to 1990, contained no mention of Waste Management buying Cattle Peaks station. So we asked the OIC about it. Sure enough, the OIC blithely confirmed that, as long ago as February 1995, it had approved Waste Management acquiring an option over Cattle Peaks, and had approved a new option over it, in August 1996. Both these decisions had been suppressed and not released to CAFCA. In response to a further inquiry from CAFCA, the OIC advised that it had not withheld any other approvals for Waste Management to purchase, or have option to purchase, any other land in Canterbury or anywhere else in the country.

It was at this point that the Omihi people contacted us (sent by the Green Party, specifically Rod Donald MP). CAFCA is not the normal constituency of North Canterbury farmers (nor are the Greens, for that matter). Their local MP is National's Doug Kidd; they also approached ACT. But they came to us (as did the Darfield people a few months later) because they'd heard that nobody had a better or more comprehensive collection of material on Waste Management. In both cases, they initially contacted us, not vice versa. In both cases, they sent somebody to see us, and that person spent hours going through our material, did copious photocopying, and viewed our copy of "Titans Of Trash", the excellent 1991 Australian TV documentary on Waste Management (*still available for hire from CAFCA. $10, including postage, for one week*).

The Omihi people had one PR trump card - their frontperson turned out to be none other than Canterbury and All Black rugby legend, Alex "Grizz" Wyllie. He is an Omihi farmer - the proposed landfill would be his neighbour. At this point the mainstream media suddenly got interested. The *Press* splashed Wyllie's photo across half of a front page lead story (8/2/99). Grizz made it plain that the residents were not simply nimbies (not in my backyard) but were also concerned about the involvement of Waste Management, specifically because of its track record in the US, a bit of which was included in the story (no, Alex Wyllie was not our contact person there. We've never met him, nor even spoken to him). TVNZ's *Assignment* came down from Auckland and filmed in Christchurch and Waipara - CAFCA's Murray Horton was briefly interviewed on the programme, and they also used our growing collection of material on Waste Management. That programme ("A Dirty Business"; 27/5/99) was primarily about the pros and cons of landfills, but it also represents the first time that the most powerful medium in New Zealand has presented anything critical about Waste Management. There is a certain delicious irony in watching an American winery and a British deer farmer complain bitterly that an even bigger, and much nastier, American land owner is going

(Continued on page 16)

(Waste Management: From page 15)
to ruin their businesses by building a bloody great rubbish dump in their neighbourhood. The *Press* had, to its discredit, been sitting on a critical story on Waste Management since CAFCA first supplied them with the material, way back in 1998. Spurred on by the imminent *Assignment* programme, the *Press* published one day before TVNZ - ("This place is no dump"; 26/5/99; Mike Bruce). Of the two, the *Press* ran considerably more of our material critical of Waste Management.

In April 1999, the Omihi people organised a public meeting in Waipara. 200 people attended, a huge turnout for that district. The media was there in force and the hapless Hurunui District Council came in for a roasting. Alex Wyllie told them: "If that landfill goes up there, you are going to destroy what could be one of the biggest wine-growing areas in New Zealand. The Council should resign if this landfill goes ahead in the Hurunui" (*Press*, 28/4/99). *Assignment* featured Wyllie advising the Council to put themselves in a large plastic rubbish bag and throw themselves into the tip. That programme also revealed that all the councils in the joint venture had signed away all their rights to object to the proposal. CAFCA said: "... we urge the people of Canterbury to once more rally behind Alex Wyllie - he's facing an even more formidable opponent than the 1985 Auckland Ranfurly Shield challenge..." (9/2/99; press statement. *For the Rugby-illiterate among you - in a legendary 1985 game, Auckland ended the record Ranfurly Shield tenure of the Canterbury team coached by Grizz Wyllie. Ed.*).

Site Selection: The Peasants And The Prime Minister Are Revolting - Darfield

If things were hot in Omihi, they went positively ballistic when the next shortlisted site was revealed - the Malvern Hills, near Darfield, on the Canterbury Plains. Unlike Waipara, Darfield is close enough to Christchurch to be regarded as an outer commuter suburb. It has been hit hard by the decline in rural services - every bank has closed in the town, meaning retailers have to go to Christchurch for banking services. The Malvern Hills site issue split Canterbury's founding family, the Deans (this story prompted a two page *Press* feature; 26/6/99; "Rubbish roulette"; Seth Robson). And the Darfield campaigners can boast a supporter with a higher profile than Grizz Wyllie and holding much higher office (that might be temporary, depending on the general election result). Their local National MP for Selwyn is none other than the Prime Minister, Jenny Shipley, and she has come out against the landfill being sited in the Malvern Hills in an extraordinarily forceful fashion.

She wrote, on Prime Ministerial letterhead, to all six mayors involved in the joint venture, saying that she would oppose the proposal with all her "ability and resources". She said she was "staggered" that Malvern Hills was being considered and that leakages from the landfill into Canterbury aquifers "could have catastrophic consequences" (*Press*, 26/6/99). The mayors told her to stay out of it and proclaimed themselves taken aback by her letter's "aggressive tone and implied threats" (ibid). Shipley was undaunted: "I did not want to offend the mayors but I did want them to be seized with the importance of the issue" (ibid). "I intend to continue to work with my constituents to oppose the site because of the deep concerns I have about health and agricultural risks it will pose to the people of Christchurch, Canterbury and to agricultural production. I am not going to stand by and simply see the aquifer upon which Christchurch city, as well as the people of the Canterbury Plains rely, be polluted by a landfill" (*Press*, 30/6/99). Not only did it thus become a central versus local government constitutional issue, the Prime Minister's partisan involvement made it a matter of national politics. The Leader of the Opposition, Helen Clark, in a kneejerk reaction, said that Shipley went way beyond representing her constituents. Yes, it is election year. But let's give Shipley the benefit of the doubt. She started her political career as a Selwyn councillor, including being on the planning committee. She is familiar with the area, the issue and the implications for the Canterbury aquifer. And, as the local MP, she had sensed more alarm on this issue than any other in the electorate.

The issue has become mainstream in Canterbury now, with regular *Press* coverage in the letters to the editor, news, features, opinion and editorial pages. "Dump The Dump" became the slogan seen everywhere in and around Darfield. Waipara's public meeting attracted hundreds; Darfield's, in July 1999, attracted over 1,000 - several hundred of whom had to stand outside on a frosty, midwinter night. MPs who spoke ranged from the Green's Rod Donald to ACT's Owen Jennings; Shipley couldn't go but sent a National MP to read her speech. Murray Horton and Reg Duder handed out all 500 of CAFCA's leaflet on Waste Management, and could have handed out hundreds more. People queued to take them, while Murray and Reg painfully fumbled with frozen fingers. The only opposition came from a couple of fellows who thought that our brave lads were there on behalf of Waste Management! Once they were put right, their attitude changed completely, and they came back for more leaflets. It was the biggest meeting in Darfield's history and it unanimously voted to "vehemently oppose the dump proposal" (*Press*, 6/7/99). To prove that Darfield people aren't nimbies either, the meeting further resolved to call for a commission of inquiry for a national waste disposal strategy, and for a moratorium on the development of new dumps.

Business As Usual For Waste Management: NZ And US

At the time of writing, the site for the Canterbury regional landfill hasn't been announced. The shortlist is said to contain 25 possible sites. The saddest suggestion came from Buller Mayor, the redoubtable Pat O'Dea, who offered his district for Canterbury's rubbish, carting it over in the coal trains that go back to the West Coast empty after unloading their cargoes of export coal at Canterbury's port of Lyttelton. "We have to look at everything, even taking other people's rubbish" (*Press*, 1/7/99).

Canterbury is not the only NZ focus for Waste Management, of course. In May 1999, it won the three year operational services contract for the Kaipara District Council (Dargaville), after undercutting the imcumbent local contractor. At least 25 jobs were jeopardised. It will maintain the Council's water, wastewater and stormwater supplies. It will also look after parks, reserves, cemeteries and some public buildings. Ironically, neither rubbish collection nor disposal is part of the contract.

In March 1999, Waste Management announced that it was buying its biggest rival in NZ, French-owned Waste Care, for $115 million. But the Commerce Commission departed from the script and refused the application, because of worries about a Waste Management monopoly in the Auckland region. Waste Management is not used to being told "no" and said it would try again, claiming it has lots of competitors: "It's easy to start a rubbish business. All you need is a truck and a few bins" (*Press*, 26/3/99). That sounds like a level playing field, doesn't it? The biggest garbage TNC in the world competing with Bill's Bins Ltd. Within a short period of time, the Commerce Commission had seen things the company's way and approved the takeover, with a confidential agreement. All contributing to Waste Management's profits ($10.8 million in 1998, up from $9.1 million in 1997) and to the pay increase for chief executive, Kim Ellis. In 1998 his annual payments went up astronomically - from $236,000 to $591,000. There's plenty of money in rubbish.

But in the US, the greed of Waste Management executives and directors has sparked allegations of insider share trading. The *New York Times* (10/7/99) reported:

"Executives of Waste Management Inc. sold $US57.6 million of company stock in May, eight weeks before the company said it would miss earnings forecasts, setting off a 37% decline in its share price. Rodney Proto, Waste Management's president and chief operating officer, sold stock worth $US16.6 million, according to the *Washington Service*, which tracks executive buying and selling. 14 other executives, including the chief financial officer, Earl Defrates, also either sold or filed to sell shares in May.

"Executives sold most of their shares at prices between $US54 and $US56. After the market closed on Tuesday, the company said an unexpected $US250 million sales shortfall would cause it to miss earnings expectations for the second quarter and for 1999. The stock sank to $US34 on Wednesday in its biggest one-day drop ever..."

This, in turn, has sparked a securities fraud class action lawsuit, filed in Houston, Texas, on behalf of all purchasers of all Waste Management securities between 31/3/99 and 6/7/99. "This lawsuit alleges that, during the Class Period, certain officers and directors of WMI issued false statements which caused the price of Waste Management common stock to trade at artificially inflated prices...." Further, the lawsuit alleges that senior named officers and/or directors of WMI sold shares of their stock before the revelations of July 6, 1999 occurred and Waste Management stock collapsed.

"After these sales were made, however, WMI issued a press release revealing that sales in the June/99 revenues would be $US250,000,000 below forecast and the growth in future quarters would be much lower than previously forecast. This lawsuit has been filed by lawyers with substantial experience in representing investors in securities fraud class action lawsuits such as this..." (Whittington, von Sternberg, Emerson & Wilsher, press release, *Business Wire*, 8/7/99).

We conclude with a wonderful coals to Newcastle story. In April 1999, out of the blue, CAFCA received an e-mail entitled "Florida mom sees article about fraud - HELP!":

"After placing "fraud and Waste Management" into my search engine, I came across an article you put out on March 31, 1998 titled `City Council Should Use $120 million to Pay for Landfill', in which you described the criminal behavior of the Waste Management Co. (*interestingly, this CAFCA statement, which you can find in Watchdog 87, was never published by any NZ media. But it went into cyberspace and came down to Earth in Florida. Ed.*).

"Well, this same company has built a horrid landfill 1,000 feet from our lovely country home and has been polluting our air with Hydrogen Sulfide gas which creeps down the hill and into our homes at night. Our public officials seem to have their hands tied or something suspicious is going on. I won't bore you with the details of benzene and dioxin in well water, etc. but I do have a point here.

"My husband has written numerous letters of complaint to gov't. officials and has now been subpoenaed by the landfill's lawyers and has to appear for questioning. Perhaps they plan to sue him for libel, I don't know. Can you tell me how to access some of that `bulging file of material' about the US illegal activities referred to in your article? I know it is a lot to ask but perhaps if you are able, you could send me some links? We are desperate as this legal action is coming up... and they have been very menacing towards my husband".

We were only too happy to send her, electronically, great chunks of what we hold on Waste Management in the US, most of which we've never published or used in NZ because of its limited relevance here. Of course, all of it came from US groups and sources in the first place. It was gratifying to learn that it had a galvanising effect on

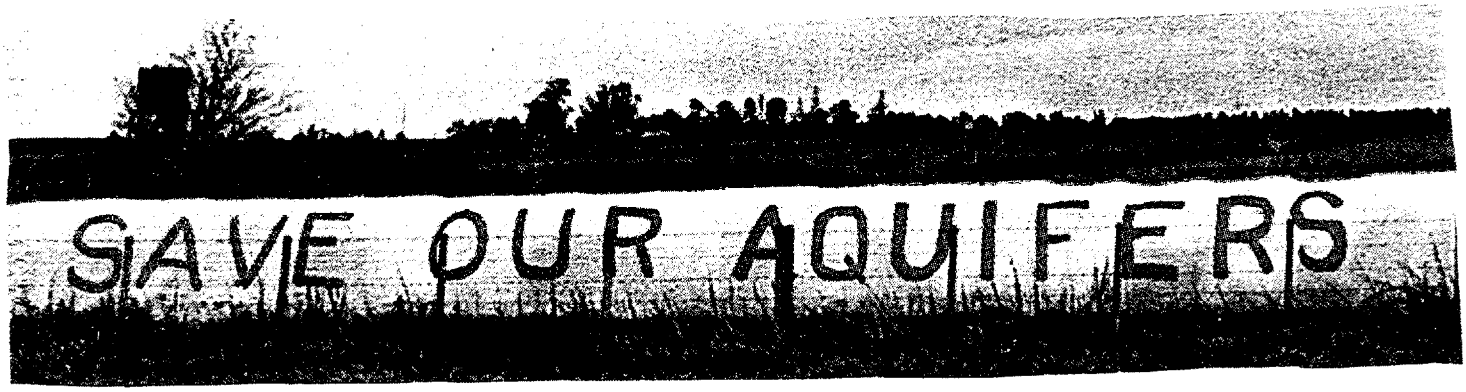
(Continued on page 18)

(Waste Management: From page 17)
local officials:

"I want you to know what a great help the information you sent/linked to me has been. For one thing, I was able to send copies of the WMX criminal record to elected officials and that cooled off their relationship with WMX considerably. They are now in the process of closing down the class III (yard waste) dump according to a new, very stringent, public ordinance that Orange County, Florida has just adopted this month (July 1999). Unfortunately, the construction debris portion of the landfill remains open... At any rate, we feel that they owe you a great debt of gratitude because that info. you got for me probably turned the tide in our battle. After all, what elected official wants to be connected with a known criminal and polluting organization in the press?...". This family was so grateful that they offered to act as guides should we ever visit Florida, with a trip to Disney World thrown in. Whoopee! We bet there's no landfills on display in Tomorrowland.

We are delighted to help people, whether Canterbury farmers or Florida moms, to fight this most rapacious and scandal stained of American transnationals.

The May 1999 TVNZ Assignment programme, "A Dirty Business", about landfills and Waste Management, is available for hire. It costs $10, including postage, for one week. Make cheques to CAFCA.



'A BEGINNERS GUIDE TO FOREIGN CONTROL'
Murray Horton's Paper 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 regularly updated. But at 42 pages it is 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; the MAI; and what we can do about it.

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

OBITUARY
Bruce Jesson

- Murray Horton

Bruce Jesson's tragically early death in 1999 (he was only 54, and had had cancer for four years) has robbed New Zealand, not merely the New Zealand Left, of one of its most incisive analysts, a trenchant and extremely well researched critic of capitalism, and a Marxist who was unburdened by all the usual baggage that comes with that title. Most unusually, Bruce was an intellectual who came from a working class background, and one who didn't choose the comfy life of an academic (thus avoiding the wholesale sellout and bandwagon jumping of most of the nation's so-called "intellectuals").

Unusually also for a Lefty intellectual, his life, death and funeral were given major coverage by the capitalist media, even featuring the 1,000 strong crowd of mourners singing (badly, inevitably) "The Red Flag". It wasn't all po faced - Bruce also made sure his funeral music included Queen's old warhorse, "Bohemian Rhapsody" (at least it wasn't "Another One Bites The Dust"). The best coverage came in the *Listener* (May 1 - how appropriate - 1999; "The Republican"; Camille Guy. All quotes come from her article, unless otherwise stated).

Bruce was the son of a freezing worker and unionist and grew up in working class Christchurch in the 1950s. He went to Christchurch Boys High, where he "loathed cadets and dodged assembly", but became an avid reader. He was a devout Baptist until he was 14, when he read Charles Darwin's "Origin of Species". Like many others of our generation, Bruce was the first member of his family able to go to university (tertiary education was then virtually free). He graduated in law from the University of Canterbury, but never practised it, because he refused to take the oath of allegiance required of lawyers (and other professions). At the "politically inert" Canterbury in the 1960s, Bruce had become a committed and active republican. He was a founder of the Republican Movement - it was a controversial cause. One member was gaoled for an incident involving a flag and the Governor General.

Bruce married Jocelyn and shifted to Auckland, spending most of the 1970s as a househusband in rural Pokeno, bringing up their two daughters, Rebecca and Linley, while Joce taught. It was in the mid 1970s that Bruce founded the *Republican*, which was thus of similar vintage as *Watchdog*. We exchanged publications from the outset - both were triumphs of gestetner printing, and consequently a regular eyesight test for loyal readers. Both built circulations in the same 500-600 range; both had an influence far out of proportion to their actual readership. In the late 1980s/early 90s, well known journalist and writer, David Robie, stepped in to try to impose some much needed journalistic discipline (such as meeting publication deadlines) and the *Republican*

became a much more presentable publication. *Watchdog* has followed the same path. In 1995, the *Republican* merged with Chris Trotter's *Political Review*, with Bruce and Chris as co-editors (Trotter was initially in Dunedin, but has since moved to Auckland).

The Republican Movement didn't fare so well, only lasting a few years. By the early 1970s "I was finding it draining. The republican movement was falling to pieces in madness and frenzy and attracting an oddball fringe". Republicanism has never attracted anything like the popular support in New Zealand as it enjoys in Australia, where it is a central political issue. It's not an issue to which CAFCA has ever devoted any attention, primarily because it seems so bloody obvious. And the versions of republicanism on offer in both Australia and NZ are all so boring and status quo. They offer zero threat to capitalism, simply replacing the Queen with a President.

Bruce was a firm proponent of a people's republic, a radical Leftwing New Zealand republicanism. He was a Marxist, and has been rightly called our greatest Marxist intellectual. He had no time for any of the communist parties, calling them "authoritarian in structure, apologists for mass murder and with no feelings for the New Zealand situation....I was at odds with the rest of the Left because I never believed in the Marxist revolution. I never had any faith in a messianic communist movement and had no sense of dogmatic certainty. I felt no sympathy with Russia and after the Cultural Revolution in China I turned right off (*but his Mao cap was amongst his treasured possessions to be placed in his coffin with him. Ed.*). But Marxism did provide a philosophical, analytical way of looking at the world. It was a model that teased out logical complexities. I believed that the radical movement had to have New Zealand origins as a defining thing. I had the nationalistic view that overseas stuff was frippery. I also saw the New Zealand Left as moralistic, and hopeless on economics - their eyes glaze over".

So Bruce was that great rarity on the New Zealand Left - a nationalist, and a Marxist one to boot. CAFCA shares

(Continued on page 20)

(Bruce Jesson: From page 19)

those sentiments exactly. To quote from my "A Beginner's Guide To Foreign Control": "I personally, and CAFCA as a group, define ourselves as both nationalists and internationalists. We see absolutely no contradiction. We have longstanding excellent working relationships with individuals and groups on several continents. It is vital also that we reclaim the legitimacy of the word `nationalism'. Some equate it with Balkan wars or the orgy of triumphalism that followed `our' America's Cup victory. Crap. We have to start somewhere and the reality is that all of us live in a specific country. Yes, we are workers (or whatever) who have that in common with workers elsewhere. But the first fact is that we are New Zealand workers (or whatever) and we have to deal with the reality of our immediate environment. In countries with considerably more advanced peoples movements than here, nationalism carries no such negative connotations. In the Philippines for example, there is a long and honourable history of a militant and progressive nationalist movement which complements, but is distinct from, the armed communist revolution. But we recognise that there is nationalism and nationalism. We define ourselves as progressive nationalists (as opposed to the all too present reactionary variety). We reject racism utterly. We have no argument with the people of any country".

The Republican Movement may have disappeared into the mists of time, but the *Republican* lasted a couple of decades, as a much loved institution. It was the country's foremost publication of Left wing and nationalist analysis, casting a critical eye on everything from economics to culture. Long before I could bring myself to even read the *Business* pages of the *Press*, Bruce was spending countless hours at the Auckland Companies Office, researching specific companies (user charges have since ruled out that particular research method). His theoretical writings on New Zealand politics set the benchmark for clarity of analysis and insight. He started writing books - "The Fletcher Challenge"; "Behind The Mirror Glass"; "Fragments of Labour". His final book, "Only Their Purpose Is Mad: The Money Men Take Over New Zealand" was published only weeks before his death, and its Auckland launch attracted a huge crowd. The ideological coup d'etat that has seen "capitalism" become synonymous with parasitic and unproductive financial capitalism was Bruce's speciality. The snideness in mainstream reviews by economists and "experts" showed that he was right on target.

The Jessons had moved back into Auckland in the 1980s and Bruce achieved another great rarity for a Lefty - he made a living as a writer. For well over a decade, he was the political columnist for *Metro*, sometimes being startlingly at odds with the rest of that glossy monthly (although in defence of the yuppies' Bible, it should be said that it can surprise. Its 1992 feature on Waste Management remains the best NZ study of that particular transnational; when CAFCA did a 1990 mailout around the media, advertising our database of Overseas Investment Commission material, only *Metro* rang us. The article that resulted won the journalist a prestigious media prize).

But Bruce wasn't just a writer. He had been an active Labour Party member for years, one of the countless many betrayed by the 1984-90 government. He knew Labour leaders from Jim Anderton to Helen Clark, from Michael Cullen to David Lange. The latter said of him: "He is one of the few people who know the Left who doesn't regard me as a traitor, a turncoat or scum. That's why I love him". He followed Jim Anderton into New Labour and on into the Alliance. In 1992 he was elected to the Auckland Regional Council and became chair of the Auckland Regional Services Trust. This was an interesting contradiction - an Alliance team heading a body set up to privatise Auckland's assets, one with a $224 million debt. Under Jesson's leadership, the Trust achieved the great feat of not selling any assets, of wiping out the debt and turning it into a surplus, from which all Aucklanders benefited. It has been suggested, only half jokingly, that any second Auckland Harbour bridge should be named after Bruce. He was praised by unionists and capitalists alike. Fellow regional councillor, Mike Lee, said of Bruce: "He was a steely, determined man. For a while he was Auckland's number one capitalist. The reason that it was such a success is that it was like bringing a neutral referee into the game of capitalism. Bruce had no greed, no self-interest and no business mates to look after. He played it straight... But he also provided an intellectual legacy - a feasible alternative model to New Right economics. He demonstrated it".

Bruce was not a natural politician. He was a much better writer than a speaker. There was one particularly disastrous primetime TV appearance on *Holmes*, during the Auckland water crisis (you know, the one before the Auckland power crisis). His unprepossessing appearance and staccato mumble earned him the cruel nickname of Robert the Frog. Nor did he have much time for his colleagues, describing local body politicians as mainly "pompous, ego-driven fruitcakes". He didn't run again in 1995; the Alliance has never again held such real power in our biggest city. Bruce returned to writing; he withdrew from active involvement in the Alliance. *Political Review* has a monotonous tendency to criticise the Alliance (not that I or CAFCA carry any flag for it. We are not affiliated to any party). I only had to mention the names of Bruce Jesson and Chris Trotter to get a fairly explosive response from Jim Anderton, on one occasion. My major criticism of Bruce would be that of excessive pessimism and negativity. He described New Zealand as a "shallow, inferior, hollow country with no texture of its own", not a view with which I agree. He was an individual, a very influential individual, but an individual nonetheless. He did not build an organisation or movement to continue his work. I suspect that his increasingly trenchant criticism of New Labour and the Alliance was because of his frustration and disappointment that it was not going to be the Leftwing movement for which he hoped, but only a fairly conservative, social democrat Old Labour alternative to the Rogernauts' "New" Labour.

Bruce's greatest legacies are his practical achievements at the Trust and, of course, his writings. He was a long time kindred spirit of CAFCA. We agree with his analysis that New Zealand is "a branch economy completely owned overseas". We didn't know Bruce personally - I only ever met him a few times, most recently during a flying 1997 visit to Auckland to address a handful of people at a single meeting. He and Joce went miles out of their way to drive me to my next destination so that we could talk. For a period of several years, I was a *Republican* columnist; more than once, Bruce praised CAFCA in his *Metro* column (doubtless causing puzzlement among the yuppies. "CAFCA? Is it a new type of coffee? Cafcacino?"). He wrote: "I don't know what it is about Christchurch that it produces groups of people like this. Christchurch is my home town and I remember it as flat, monocultural and colonial. Despite this, or perhaps because of it, Christchurch has an honourable tradition of freethinking and radicalism...Take *Watchdog* as an example. Its contributors have excellent research skills, a hard-case sense of humour, and a relaxed style of writing. Murray Horton is better than most of the Gallery, and should have a political column somewhere. *Watchdog* carries better and more informative articles on its areas of interest than you will find in the mainstream media"...(*Metro*; August 1990; *Politics*; "Going against the grain"). To which I can only say, good on you, Bruce, flattery will get you everywhere. In the interests of balance, I should report that Jesson said, in that same column: "Although CAFCA wins the occasional battle, it has basically lost the war". Less of that sort of talk, thank you!

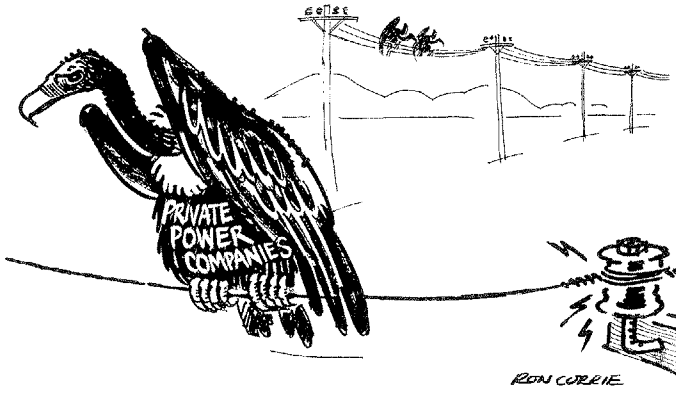
Our closest cooperation was in 1991 when Bruce wrote the excellent TV documentary, "Sale of a Nation" (Bill Rosenberg fronted it for CAFCA). It's worth seeing alone for the quote by leading business journalist, Fran O'Sullivan (now with the *Herald*) that what happened in NZ was "Chile without a gun" (*and it's still available for hire from CAFCA for $10, including postage, for one week. Ed.*).

Bruce's life was cut tragically short by cancer, but he didn't wallow in self pity. He overcame the pain of terminal cancer and produced his best book. We have too few intellectuals, let alone Marxist progressive nationalist ones, to afford to lose one of his stature. Bruce was first and foremost a New Zealander (he hardly ever left the country), and one who cared passionately about his country. Our challenge is to build on the clarity of his incisive analysis and to learn from his example. "Know thy enemy" is as relevant now as it ever was. Bruce fixed them as clearly in our gaze as a possum caught in headlights. The task is to work out the best way to skin them.

THE DEFORMATION: "REFORMS" CONTINUE TO WRECK THE ELECTRICITY INDUSTRY[1]

Bill Rosenberg

In the last *Watchdog* ("Power Frenzy: the takeover of the electricity industry", no. 90, April 1999) I pointed out that the prices that were being paid for electricity assets – especially retail operations – were so inflated that price rises were inevitable. The only surprise has been that it has happened so quickly. The result has been chaos. Not only has the Government been made to look utterly foolish over its failed objectives for the "reforms", but it has been forced to react by regulating, creating a split with its coalition partner, ACT – and in the eyes of most people, regulating the wrong part of the industry.



But while the court jesters perform in Parliament, tragedy continues in the real world, with the continuing sale overseas of much of our electricity sector (see accompanying table). In this case, it really does mean "our" sector quite literally – most of it was central or local government owned, or owned by community trusts. Not only will it mean further unnecessary price rises for consumers, but it is likely to lead to power shortages in

(Continued on page 22)

(The Deformation: From page 21)
future as companies fail to invest in generating capacity due to heightened competition and voracious extraction of profits.

While Edison of the USA, which has gained notoriety in other operations overseas, bought Contact for an extraordinary price, TransAlta of Canada, which failed in its bid, is trying to recover by buying up any generating capacity it can lay its hands on and hiking its retail prices. The third major foreign purchase of our electricity assets, Utilicorp of the USA, is amassing lines operations and charging some of the highest prices in the main centres. And those are only the headlines.

The continuing story...

Edison Buys 40% Of Contact Energy – With Approval For 100%

The Big One of the electricity deformation. In March 1999, **Edison Mission Energy Taupo Ltd**, a **79%** subsidiary of **Edison Mission Energy Company** of the **USA** (the other **21%** is owned by "unknown third party shareholders" of the USA) gained Overseas Investment Commission (OIC) approval to acquire 100% of **Contact Energy Ltd** from the **Crown of New Zealand**. Note that, though it has only been sold **40%** of Contact, as the "cornerstone" shareholder, Edison has OIC approval for a full takeover. It paid **$1,208,000,000** for the 40%. The remainder was sold through a public offering, of which more below.

The sale is controversial for a number of reasons:

- First there is the failure of the electricity deformation, of which it is an integral part, and that includes loss of control of substantial parts of our electricity resources.
- Second, the price that Edison paid was so high that further power price rises seem highly likely. It also raises concerns as to whether there will be sufficient investment in future for required increases in generating capacity.
- Third, the public offering became effectively a handout to some of the wealthiest New Zealanders and overseas investors.
- Fourth, Edison is surrounded by scandal in its operations elsewhere.
- Fifth, the OIC decision highlights a largely overlooked side effect of the sale: it includes **almost nine thousand hectares of land** – most of it rural, and often sensitive either environmentally or in terms of its location.

Before going into these, what did Edison buy? (Unless otherwise stated, the following information comes from Contact's "Investment Statement" or prospectus for the public offering of its shares.)

Edison's Prize: What Is Contact?

Contact was the first splinter from Electricity Corporation of New Zealand (ECNZ). It was broken off in 1996 with the intentions of creating competition, and eventual privatisation. It was given a number of generation plants, plus ECNZ's gas purchase contracts. Since then it has bought further assets in Australia and has been a major competitor in the race to buy retail customers after the split of lines networks and electricity supply in the Electricity Reform Act. It is the largest electricity generator in Aotearoa (following the more recent split of ECNZ), and has the largest number of gas customers of any gas retailer.

In the year ended September 1998, Contact generated approximately 26% of the country's electricity and owned about 25% of its generation capacity. Its stations and their capacities are:

Hydro:

- Clyde (432 megawatts)
- Roxburgh (320MW)

Geothermal:

- Ohaaki (104MW)
- Wairakei (165MW)

Thermal:

- Otahuhu A (85MW, Gas Turbine)
- Otahuhu B (395MW, Combined Cycle Gas Turbine, to be commissioned)
- Te Rapa (44MW, Co-generation at the Te Rapa Dairy Factory, under construction)
- Whirinaki (162MW, Gas Turbine)
- New Plymouth (580MW, Gas)
- Stratford (198MW, Gas)

In Australia it owns 28% of the Southern Hydro partnership, which bought a privatised hydro generator in Victoria. It operates stations at Dartmouth (160MW), Kiewa (193MW), Rubicon (14MW), Eildon (120MW) and Cairn Curran (2MW). However, it may have to divest itself of this interest because Edison also has interests in Victoria that may give rise to "regulatory issues" – presumably lessening competition. In addition, Contact owns 17% of a 282MW distillate and gas-fired power station under construction at Oakey in Queensland. Contact is managing its construction, and when it is completed in November 1999 will operate and maintain the station.

It also has bought up retail customers in a big way. These include the retail operations of (to date):

- Alpine
- Counties Power
- Dunedin Electricity
- Eastland
- Electra
- Electricity Invercargill
- Enerco (gas only)
- Hawkes Bay Power
- Kaiapoi

- Mainpower
- Tasman Energy
- The Power Company
- Top Energy
- United Electricity Ltd

It claims 345,000 retail electricity customers, making it second largest after TransAlta. That is 19% of the retail market and equates to 48% of the power it generated in the year ended September 1998. Added to that is gas retailing, where it bought the retail operations and brand name of Enerco from Christchurch's Southpower (now Orion) to give it a total of 105,000 customers in Auckland, Wellington, Hawkes Bay, Horowhenua and Manawatu.

Excessive Price Paid Means Higher Prices, Further Expansion, Or Cutting Investment

Edison paid $1.2 billion for 40% of this. That compares with the next closest bidder, TransAlta, which reportedly tendered under $1 billion – perhaps as low as $800 million – for the 40% share (*New Zealand Herald*, 24/3/99, "Power of difference between big bids", by Mark Reynolds), though TransAlta puts the difference at $200 million (*Press*, 30/3/99, "TransAlta $200m light", p.22). Edison's bid works out at $5 a share and puts a value of $3 billion on the whole company – double the $1.5 billion the Government was reportedly hoping for. However, Contact's book value as of September 1998 was only $883,766,000, and it expected that to rise only modestly to $895,400,000 by the same date in 1999 and $911,300,000 in 2000. In other words, Edison paid about 3.4 times book value.

Earnings were 13.3 cents a share in 1998, projected to fall to 10.8 cents in 1999 and 13.0 cents in 2000. Dividends are expected to be 7.9 cents, 8.7 cents and 10.3 cents respectively per share. So Edison is looking at earning less than 2% (tax considerations aside) on its investment unless it can radically cut costs (including investment - see below), raise prices, or find some efficiencies by grabbing more of the market. It is unlikely to be satisfied with that rate of profit for long, but none of those remedies seem likely to be sufficient – particularly if the New Zealand dollar falls.

An extraordinary light was put on this scenario when, less than a month after the public share issue, Contact announced that its profit had nearly trebled to $54.4 million for the six months to the end of March 1999 – well above the estimates in the prospectus. All of the increase will go to the new owners, despite them having not owned the company when the profit was earned, because the Government was paid a dividend before sale based on an estimate of the half year's profit of about $36 million. The increase was due to high wholesale market prices, and a $23 million damages payment because the new Otahuhu B plant was not ready in time (last November). One explanation of the high price that Edison paid is that it was aware that profits would be higher than the prospectus estimated. However, the higher rate may well not be sustained, being inflated by the damages payments.

According to Mark Reynolds, "Edison paid about 17 times the value of Contact's earnings before interest, tax, depreciation and amortisation (ebitda) for the holding... Internationally, a company could be expected to pay 12-13 times ebitda for a company such as Contact Energy – but that would usually be to secure full control, not just a 40 per cent holding" (*NZ Herald*, ibid).

There is little surprise then that Contact will plough very little of its profits back into investment: it has announced a dividend policy of paying out an avaricious 80% of its profits in dividends, putting it almost down in the Telecom league for reinvestment. A major concern here interacts with another significant long term problem with the deformation. If electricity generators compete as the Government hopes, prices may be cut to the extent that there are insufficient funds or incentive to build new generating capacity in time for when it is needed. That will continue until a supply crisis forces up prices – but that may well hit consumers very hard and suddenly, and bring insecurity of electricity supply while the market waits for new capacity to be built. Contact's policy of minimal reinvestment of profits adds to the risk of this occurring.

A Government Handout To Wealthy New Zealanders And Overseas Investors

Edison must sit on its current shareholding for six months before either selling or (as is expected) buying more shares on the market to increase its holding past 50%. That will presumably hold the price of shares higher than they would otherwise be. On the other hand, to the extent that the prices remain considerably under the $5 that Edison paid, purchasing more shares gives it an opportunity to dilute the price it has paid per share, lowering the pressure for higher profits.

The high price Edison paid put the Government in a dilemma. It had indicated a public issue price of $2.40-$3 for the remaining 60% of the company. At $2.40 it would be giving away the opportunity for literally doubling the price it would receive for the 60%: that works out at $936 million less available for debt repayment. At $3 the loss would be "only" $720 million. In the end it offered the shares at $3.10. The issue was heavily oversubscribed, implying a higher price could easily have been obtained. Effectively the Government robbed the rest of the country – those who could not buy shares – of $680 million it could have obtained by selling the whole company at Edison's $5 per share.

Those who did buy shares had a handy windfall – 12.9% or 40 cents a share after the first four days of trading, by which time the share price had risen to $3.50. The *Press* (15/5/99, "Contact holders realise 13% gain", by Gerald
(Continued on page 24)

The Deformation: From page 23)
Raymond, p.21) valued the paper gain at about $36 million in the first week. Though shares fell below issue price a month later, these shareholders may well have a greater windfall when Edison enters the market.

According to Brian Gaynor (*New Zealand Herald*, 15/5/99, "Govt. should encourage local investing", p.E2), overseas institutions bought 18% of the company, and "New Zealand/Australian institutions" a further 14.4%. Assuming 25% of the latter's allocation went to Australia, Gaynor estimates that Contact was nearly 62% overseas owned on the day after the float. He estimates that half, or 65 million, of those overseas owned shares were sold to make a quick profit in the first three days. A further 39 million were also traded. The overseas investors' windfall would have been $21 million – and some were sold before the institutions had even paid for them.

The price was defended in terms of allowing thousands of New Zealanders to buy shares in what was formerly their – and everyone else's – company. Those who responded did so with huge enthusiasm: Contact ended up with 227,346 shareholders according to its web site. Of these 99.87% or 227,040 had less than 5,000 shares,

and were therefore likely to be individuals rather than institutions. They owned just 27% of the company. Yet this 6% minority of the population is likely to come from the well off to wealthiest sections of our community. Why should they be favoured with a handout worth about $300 – the windfall profit on most share parcels after the first week's trading – at a time when we are told cuts in government spending – which inevitably hit the poorer parts of our community hardest – are essential to reduce debt? That does not seem a sensible or equitable reason to reduce the selling price of the shares. It is money that should be benefiting the public purse.

Neither will the lower price prevent the power price rises that are heralded by the share price that Edison paid: Edison still wants a good return on its high price investment, and is in the driving seat. The small shareholders may well benefit from its desperation to raise the return on its $5 shares. As Gaynor says rather obtusely, "the high price/earnings ratio and low yield will become a concern only if the company fails to outperform its prospectus forecasts". In other words, the company has to do considerably better than it has predicted if it is to keep its shareholders happy.

Trying to mix a "cornerstone" shareholder with a public offering brings the worst of both worlds: high incentives to price gouge and skimp on investment, but a lower price to the country for the company than would otherwise be obtainable. As Gaynor points out, the public issue didn't even maximise the local shareholding, as it gave preference to overseas institutions for a large percentage of the publicly offered shares. Even what local shareholding did come about may well disappear if Edison launches a full takeover.

What the success of this share offering – and others like Auckland Airport – does show is that there is plenty of local money available for sound, productive investment. It is a pity it is being wasted on takeovers of existing assets at hugely inflated prices.

The Unpleasant Reality Of Edison

So what is Edison Mission Energy that controls Contact, and may well end up owning all of it? Contact's prospectus (p.27) describes it as follows:

"Edison Mission Energy was formed in 1986 and currently owns interests in 55 projects, including 48 operating projects, five projects in construction and two projects in advanced development. In total these projects represent more than 13,400MW of capacity comprising 11,273 MW thermal plant fuelled by gas, oil and coal, 2,174 MW hydroelectric consisting of limited storage, run of the river and pumped storage and 1MW geothermal plant... Edison Mission Energy is a wholly owned subsidiary of Edison International Inc., a corporation with approximately US$25 billion in assets, which is also the parent holding company of Southern California Edison, one of the largest electric utilities in the United States. As of 31 December 1998, Edison Mission Energy had consolidated assets of approximately US$5 billion, total liabilities of approximately US$4 billion, and total shareholders' equity of approximately US$958 million".

Edison Mission is therefore highly indebted itself – creating further pressure for profit taking.

The company is highly active in the growing number of privatised electricity markets around the world. It has investments in the UK, Spain, Indonesia and Australia, with a total 3,724MW outside the USA. It is involved in constructing new projects in Indonesia, Italy, Puerto Rico, Thailand and the Philippines.

Its involvement in Indonesia has led to investigation and criticism even by the *Wall Street Journal* (23/12/98, "Wasted Energy: How US Companies And Suharto's Circle Electrified Indonesia. Power Deals That Cut in First Family And Friends Are Now Under Attack. Mission-GE Sets The Tone", by Peter Waldman and Jay Solomon, p. A1).

The Indonesian venture was the construction of the country's first private power station. A joint venture between Edison Mission Energy and General Electric (GE) eventually won the deal after securing crucial contacts within the then ruling Suharto family and their close associates to get the project approved. Deals with the Suharto family and associated senior government figures included commitments to purchasing excessively priced coal supplies and boilers from companies associated with them, and giving some an essentially free share in the project. The company got President Suharto to personally approve its high prices. His successor, B.J. Habibie, then Research and Technology Minister, personally intervened to rescue the deal at one stage.

There was no competitive bidding, and there is evidence that Edison overruled its partner, GE, to waive a requirement that its Indonesian partners sign a "no corruption" clause in the contract.

The result was that the project, Paiton One, is one of the most expensive power deals of the decade, anywhere in the world. Adjusted for local purchasing power, Indonesia's privately supplied electricity is 20 times the price of the USA, 60% higher than the Philippines, and 30% dearer than Indonesia's only competitively bid private power project. PLN, the State-owned electricity company, says that it doesn't want to buy any electricity at all from the Edison-GE plant in 1999. The US government, whose agencies provided loans for it, has been pressuring PLN to buy the power at the high contracted price.

Though many Indonesian government advisers, both local and foreign, argued the power wasn't needed and was too expensive, Edison applied heavy political pressure to get the deal. Current and former US politicians lobbied for it, including former Vice President, Dan Quayle, Clinton's Treasury Secretary, Robert Rubin, and former Secretaries of State, Warren Christopher and Henry Kissinger, the last two as Edison-GE lobbyists.

The deal was consummated during the 1994 APEC Leaders' Summit, in Indonesia, personally overseen by President Clinton.

And then there is Edison's carefully nurtured environment-friendly image. Its Chief Executive, John Bryson helped start a law firm that lobbied US corporations to adopt clean air and water laws, and co-authored a book criticising the way in which US nuclear power plants handled their nuclear waste. He joined Edison in 1990. But the Sierra Club describes the company's San Onofre nuclear power plant as "the worst, most destructive marine industrial facility ever constructed... It's killed 20% of all the fish in the Southern California Bight – more than all the commercial fishermen in southern California". Sierra Club's Coastal Campaign Coordinator told the *New Zealand Herald*, **"if I was New Zealand I wouldn't let this company anywhere near my country"** (*emphasis added. Ed.*). A coal-fired power plant in the Mojave Desert of Nevada has also been attacked for its pollution of the air around the Grand Canyon, and the company had to write off US$18 million in Mexico after pollution from a power plant in Chihuahua caused problems (*New Zealand Herald*, 6/4/99, "Image of power greenie queried", by Peter Huck, p.A11).

Huck also quotes consumer groups in the US describing sister company, Southern California Edison, as being "overly aggressive in hunting market share", and "defending their desire to milk as much money from consumers as possible". Its "modus operandi has always been to use its resources, its size and its political influence to beat up anyone who gets in the way." The companies have benefited to the tune of several billion US dollars through handouts given by the State government in a deregulation process in California.

Almost Nine Thousand Hectares Of Land Sold

Finally there is the issue of the several thousand hectares of land sold as part of the privatisation. There are **8,631 hectares** of freehold land handed over as part of the sale. These include areas surrounding major rivers, such as the Clutha, and lakes, such as Hawea, which are treasured for recreational and environmental reasons. The long term issues of access and environmental effects have not been addressed in the sale:

- **7,247 hectares** in **Central Otago**, at **Lake Hawea, Clutha, Luggate, Lake Dunstan, Cromwell, Clyde, Alexandra, Roxburgh, Queensbury** and **Tuapeka**;
- **1,264 hectares** near **Taupo**, at **Forest road, Mokai**; **Ohaaki Road, Broadlands, Reporoa**; and **State Highway 1, Wairakei**;
- **82 hectares in Taranaki** at **Breakwater Road, New Plymouth** and **East Road, Stratford**;
- **33 hectares** in **Auckland** at **68A Bairds Road, Otara**; and
- **five hectares in Hawkes Bay** at **State Highway 2, Bay View**.

(Continued on page 26)

(The Deformation: From page 25)
In addition, there are **785 hectares** of **leasehold land** at **Ohaaki Road Broadlands, Reporoa, Taupo**; **State Highway 1, Wairakei**; and **Te Rapa Dairy Factory, State Highway 1, Te Rapa, Hamilton, Waikato**. Finally, **189 hectares** of easements and licences at **Aokautere, Manawatu** are included.

Meanwhile TransAlta Tries To Consolidate Its Position With Generator Grabs And Price Hikes

Under the 1998 electricity industry deformation, TransAlta (67% owned by TransAlta Energy Corporation of Canada) chose to sell its lines operations and concentrate on power generation and retailing. In doing so, it was counting on being the successful bidder for the "cornerstone" shareholding in Contact Energy in order to have a guaranteed electricity supply and price. It lost out to Edison's extraordinary bid (see above), so it is trying to amass generation capacity by other means. By December 1998, it claimed it had 12% of generation capacity, including Power New Zealand's stake in the 24MW Rotokawa power station, Stratford (see below), and 47.5% of the 122 megawatt gas-fired Southdown plant in Auckland, which it operates. These give it 500 megawatts of generating capacity, and it also has two small generating plants at Silverstream Landfill and the Upper Hutt Leisure Centre. Since then it has purchased the small (32MW) and old (Second World War) Cobb hydro power station in Golden Bay, Nelson, for $84.1 million from Meridian Energy, the predominantly South Island slice of ECNZ (TransAlta media release, 27/5/99, "TransAlta buys Cobb Power Station").

In March, the OIC gave approval to TransAlta's subsidiary, TransAlta Generation Ltd, to acquire Stratford Power Ltd from MEL Stratford/Fletcher Challenge Gas Power Ltd. Stratford Power Ltd owns the Stratford combined cycle power station at Stratford, Taranaki. MEL Stratford/ Fletcher Challenge Gas Power Ltd is owned equally by the Auckland Energy Consumer Trust (the owners of Mercury Energy's lines operation, now called Vector) and Fletcher Challenge Ltd. NZ Press Association (NZPA) reported that TransAlta paid $80.3 million: $37.4 million to Fletcher Challenge and $42.9 million to Mercury (*Press*, 10/3/99, "TransAlta buys partners", p.25).

The consortium of TransAlta Energy Corporation, Fletcher Challenge Ltd, and Mercury Energy Ltd were given approval to build the power station by the OIC in August 1995. They replaced an approval the previous month, which gave the station to National Power Plc, of the UK. The gas-fired power station was the brainchild of Electricity Corporation, which put the station up for tender. It saw the sale of the project as a "major step in the creation of a competitive electricity generation market". The station was expected to cost "approximately $380 million".

The station attracted controversy: it was the centre of protests by Greenpeace in August 1995, who objected to the annual 1.5 million tonnes of carbon dioxide emissions that would come from the station. The protests were aimed at disrupting the construction of the station.

TransAlta had pre-emptive rights to the purchase of the two other partners' shares (as with Mercury's share of the Southdown station). It grabbed the opportunity in its bid to become a significant electricity generator:

> "From TransAlta Group's perspective the proposal assists in the formation of a national base of generation assets for the TransAlta Group. The acquisition will augment TransAlta's acquisition of Capital Power and Energy Direct's investment in two electricity facilities as well as TransAlta's existing generation assets".

However, even with these purchases, TransAlta's operations are still out of balance with its status as the largest electricity retailer, where it claims

> "approximately 555,000 electricity and gas customers. The electricity load of TransAlta's customer base is approximately 8,000 gigawatt hours (GWh) per year, equivalent to approximately 29% of energy sales and 32% of customers in the retail electricity market." (http://www.transalta.co.nz/about/default.htm)

Of these customers, 530,000 buy electricity in Auckland, Wellington and Canterbury, and 25,000 buy gas in Wellington (http://www.transalta.co.nz/industry/services.htm). (Also in March, it sold its Wellington gas network to the Australian Gas Light Company of Australia for $112,000,000. Australian Gas Light at the time owned one third of Natural Gas Corporation Holdings Ltd and has since announced it will buy another third from Fletcher Challenge. See the OIC decisions for March, elsewhere in this issue, for more detail).

The degree of imbalance is seen in the fact that while the company's customers use 8,000 GWh per year, it generates only 4,200 GWh annually. It therefore must buy around half its electricity on the spot market or by contracting with competitors. This means that it will be putting the pressure onto the Government for further privatisation of the electricity generating capacity present in the three splinters of the still State-owned ECNZ.

Adding these factors to the enormous prices TransAlta paid for its customers outside Wellington must mean the company cannot survive in its present form without forcing up prices.

And force up prices it did. In April it announced increases of 3 to 10% in Auckland, 5 to 10% in Wellington, and 13% in Christchurch (*Press*, 7/4/99, "Govt. queries power charges", p.1). It also introduced substantial new charges for previously free services, including reconnection, disconnection, and final reading fees. It also transpired that Southpower, under TransAlta's ownership, had been switching off hot water cylinders over summer and autumn, not for the well-accepted reason of managing peak network loads in winter, but simply to save itself money.

Particularly in Christchurch the news of the price rises received universal condemnation from all parts of the political spectrum, editorial writers, letters to newspapers, and community groups. The price rise even spawned new protest groups – though at least one in Christchurch, People Power, had dubious credentials. It used its public support to join TransAlta in criticising Orion (the CityCouncil-owned lines company which was retained from the sale of Southpower), and to castigate the Council for not handing out the profits from the Southpower sale to reduce rates or power charges. It effectively wanted the Council to subsidise TransAlta's prices.

TransAlta initially blamed its price rise in Christchurch on Orion's pricing. Spokesman Nigel Morris said the company had no choice but to increase power prices because of Orion's "unfair and unreasonable" line charges. He did not explain why, if Orion was to blame, TransAlta had also increased its prices in Wellington and Auckland. He did promise that if Southpower changed its peak/off-peak pricing formula it would abandon its price increases.

Orion had changed its formula to raise prices at times of peak electricity use and lower them at off-peak times. It insisted that its average prices had dropped by 1%, and produced Ministry of Commerce data to show its prices were below the national average, and in particular below Wellington and Auckland. It pointed out that TransAlta knew the score when it bought Southpower from it; indeed Orion's managing director asserted that at the time of sale "Orion had consulted TransAlta over pricing to ensure prices would have no effect on residential customers".

Orion offered to abandon its peak/off-peak pricing scheme. TransAlta changed its line to blaming Orion for not dropping prices when it no longer had the cost of maintaining and reading the meters, which had been bought by TransAlta. Lines companies in other centres pointed out the same was true elsewhere. Orion responded by pointing out TransAlta knew all about the meters and Orion's proposed charges when it bought Southpower. It launched an aggressive campaign to encourage consumers to switch from TransAlta to other, cheaper suppliers. These include the state owned Meridian, and First Electric which offered power 15% below Southpower's pre-increase prices – and then raised prices 9%, following TransAlta's lead. Retailer TrustPower (15.6% owned by Australian Gas Light, and 43.74% jointly owned by Infratil and Alliant International of the USA according to a company announcement on 12/4/99) also raised its prices saying:

> "A less fortunate feature of the purchases we made is that they were from local trust owned power companies with very low rates of return on their assets.
>
> In a number of cases this left unsustainably low energy margins which did not cover the cost of servicing the customer. TrustPower has moved quickly to correct this position in an open manner. Price rises, however even if from a low base, are not what the Government has promised ..."

(Company preliminary result announcement, 14/6/99. For more on TrustPower, Alliant and Infratil, see the article on Infratil elsewhere in this *Watchdog*.)

The only public figures taking pressure off TransAlta were Government spokespeople. The Minister of Energy, Max Bradford, who had predicted in December 1998 that wholesale prices should fall 10% by April, remained sublimely confident that if consumers waited long enough, prices would begin to fall. He implicitly backed TransAlta by focusing his criticism on the lines companies, and particularly on Orion – happily ignoring the price rises by retailers throughout the country. He even was "prepared to wager a small bet" that prices would come down within a year. He didn't say whether they would come down below their pre-deformation levels.

Confronted with responsibility for what was rapidly becoming a major re-election killer, instead of attacking TransAlta, he desperately tried to divert the debate by attacking Orion for profiteering, even though its target rate of return at 7% was lower than the Government's target for its transmission company, Transpower. He diverted further by complaining that the profits from the sale of Southpower should be used to reduce power charges or put aside for future Council debt rather than used, as the Council was proposing, for investment in new ventures. None of this was consistent with his pleas (in another context) for more investment rather than consumption. He was not helped by fellow senior Cabinet member, John Luxton, Minister of foot in mouth diseases, blurting out that "it was not promised that householders would necessarily get cheaper power". Luxton said "Christchurch residents should never have expected to get cheaper power bills from electricity reforms".

As I have already modestly pointed out, we predicted price rises in our commentary on the OIC's October 1998 decision to allow TransAlta to buy Southpower – though

(Continued on page 28)

(The Deformation: From page 27)
hadn't expected support from John Luxton. Our only surprise is how quickly retail electricity prices have risen. We expected a decent interval to elapse to allow the Government to claim success and allow TransAlta to consolidate its position before it raised its prices. It is interesting to speculate why it has happened so quickly.

While TransAlta was in a bad position managerially, it was not in immediate trouble financially. Organisationally it was in strife: from the start of 1999, seven of its eight top managers resigned, and given that another left had earlier in 1998, it had a completely new senior management team (*Press*, 26/5/99, "High turnover among TransAlta managers", p.26). However, in cash terms the dealing due to the electricity deformation actually enabled it to pay off debt. It received considerably more from the sale of its electricity lines and gas network assets in Wellington (see below) than it paid out for Southpower and Power New Zealand's retail operations, its increased generating capacity, and the costs of restructuring. It was able to repay debt of $237 million. Nonetheless, while it maintained its dividend, its return on total assets fell a third to 8.3% in the year to March 1999 compared to 12.8% the previous year, and the adjusted return on shareholders' funds fell a quarter to 12.1% from 15.4%. The falls were primarily due the company's increased shareholders' funds and asset base according to its chairman, Derek Johnston (TransAlta media release, 27/5/1999, "TransAlta reports adjusted net earnings of $33.3 million for the year to 31 March 1999").

A more Machiavellian explanation is that TransAlta wanted to force the Government to regulate the lines companies, leaving the retailers and generators a freer hand to take profits. This is consistent with TransAlta's unbelievable public explanation for its price increases: that it was the fault of the lines companies for not lowering their prices. It was in the knowledge that the Government had already announced that it recognised the monopoly position of the lines companies and stood ready to regulate. And TransAlta explicitly challenged the Government to regulate when defending its price rises. If that was TransAlta's tactic, then it certainly has succeeded. Max Bradford introduced legislation into Parliament in May 1999, giving such powers to the Commerce Commission. He immediately ran into further trouble with his erstwhile brethren in pursuing privatisation and free markets, ACT, showing all the flexibility of their usual doctrinaire stance, in opposing the legislation on principle. But TransAlta would have been doubly happy: the legislation is unlikely to have any affect on retail prices (most line companies have declared price freezes anyway), and it leaves TransAlta with its price rises intact and other retailers following its lead. (*In July, Labour declared its opposition to Bradford's bill, effectively killing it. Because of ACT's already declared position, the Government depended on the Opposition to get it passed. Bradford accused Labour of "an unbelievable act of treachery against New Zealand consumers" [Press, 14/7/99]. In a wonderful Freudian slip, he initially said "an unbelievable act of Treasury". Same thing, really. Ed.*).

(References: *Press*, 5/4/99, "Power prices to rise 13%"; 7/5/99, "Caution on power fund urged"; 6/4/99, "Storm over power", p.1; 9/4/99, "Heat put on TransAlta to cut price", p.1; 10/4/99, "Orion plans price war", p.1; 14/4/99, "Southpower switches off hot water", p.1; 17/4/99, "Power price plea spurned", p.4; 20/4/99, "Chch in for power bill rise", p.3; 21/4/99, "Power gaffe upsets Nats", p.1; 1/5/99, "More hit by SI power price rises", p.4; 4/5/99, "Orion consults lawyers over claims", p.6; 15/5/99, "First Electric raises prices", p.1.).

Utilicorp Expands Its Lines Operations – At A Cost To Consumers

Although the only substantial privately owned lines company, Utilicorp-owned United Networks (formerly Power New Zealand), claims to have lowered its prices, it stands out as having the highest prices in the five main centres. In the continuing battle of words with Bradford, Orion quoted Netherlands-owned bank, ABN Amro, to show that, once the transmission charges of national grid operator, Transpower, were excluded, for a typical domestic consumer using 8,000 kWh a year, United Networks in Auckland had the most expensive line charges at 4.70c per kWh. It was followed by WEL Energy (94% owned by the WEL Energy Trust) at 4.65c, United Networks in Wellington (where it bought TransAlta's network) at 4.41c, Vector (majority owned by the Auckland Energy Consumer Trust) in Auckland at 3.82c, and Orion at 3.71c. By far the cheapest was Dunedin City Council owned Delta Utilities Services (formerly Dunedin Electricity) at 2.39c.

As mentioned above, in December 1998, Power New Zealand, then 78.65% owned by Utilicorp, bought TransAlta's lines operations in Wellington. It paid TransAlta $590 million and borrowed $1.05 billion from a syndicate of banks to pay for this and the TrustPower purchase (see below). The TransAlta business was valued at $340 million in its 1998 annual report (*Press*, 14/11/98, "TransAlta NZ powers ahead", p.23; 9/12/98, "Power NZ earnings may double", p.28).

Shortly after this acquisition, it paid $485 million (twice book value) for Tauranga-based TrustPower's network. That made it the largest network operator in the country with 470,000 customers or about 30% of the market (*Press*, 21/11/98, "Energy companies scramble for position", p.26; *New Zealand Herald*, 27/11/98, "Where to now for rationalised new-look electricity companies?", by Mark Reynolds, p. C2).

Both Power New Zealand and Utilicorp required OIC approval for the takeover of TrustPower's lines operation because TrustPower didn't trust Power New Zealand's shareholders to approve of the deal:

"TrustPower required UCU (Utilicorp United Inc) to enter into a backup agreement with TrustPower on the same terms as that entered into with Power New Zealand, except that the UCU agreement is not conditional upon UCU shareholder approval. That agreement will only come into effect in the event that Power New Zealand fails to satisfy the shareholder approval condition on its agreement".

TransAlta's sale was opposed by the Hutt Mana Energy Trust, which represents 83,000 people in the Hutt Mana region and has 12% ownership of TransAlta New Zealand. It had been "pushed by TransAlta into bidding for the lines business with a partner suggested by them", but had been unsuccessful. The Trust sought a High Court injunction to stop TransAlta from holding a shareholders' meeting to vote on the sale, including full page advertisements in Wellington newspapers saying the power would be delivered by Canadians over lines owned by Americans. It wanted to force TransAlta to negotiate a new deal with Power New Zealand that would give the Trust a 26% stake in a company owning lines in the Hutt and Wellington, to give it some influence to protect consumers. It said the sale of the lines business was contrary to the terms of a shareholders' agreement with TransAlta which required TransAlta Canada to consult with the trust – and this had not happened. Power New Zealand said the nationalities of the companies' owners were irrelevant. It made a commitment to hold line charges for consumers for three years (*Press*, 10/12/98, "Energy trust seeks help to block sale", p.28; *Dominion*, 11/12/98, "TransAlta vows to fight trust", p.11).

The original sale of local body owned power companies to TransAlta roused bitter local opposition and a series of broken promises from the local authorities. The Trust was a last remnant of local influence, but one that seems to have been outmanoeuvred once more.

And The Sale Of Smaller Operations Continues:

Pacific Hydro And Todd Energy Buy Bay Of Plenty Electricity...

In March 1999, Pacific Hydro Ltd of Australia and the USA, and Todd Energy of Aotearoa, gained OIC approval to acquire the electricity retail business and generating assets of Bay of Plenty Electricity Ltd for $100,000,000. This price was less than the book value of the assets. This is extraordinary: most electricity assets have been changing hands at several times book value. The remaining lines company, which remains with Bay of Plenty Electricity's holding company, Horizon Energy Distribution Ltd, reported a loss of $5.93 million following the sale. This was because the assets were sold at $11.59 million below book value – though the chairman, Colin Holmes, described the price as a "very good result in the current market" (Pacific Hydro announcement, 18/12/98; *Press*, 12/6/99, "Horizon waits for $100m payout OK", p.24).

The OIC says that Bay of Plenty Electricity is owned 32.28% by Utilicorp United Inc of the USA, 25% by the Bay of Plenty Electricity Consumer Trust of Aotearoa, and 42.72% in other shareholdings. However, the *Press* (*ibid.*) puts Utilicorp's holding at 52%. Effectively, the transfer is from one overseas owner to another – but out of the hands of the local consumer trust. The purchase includes 420 hectares at Galatea Road, Black Road, Kopuriki Road and Pokairoa Road, Bay of Plenty.

According to Pacific Hydro, its new acquisition, which kept the name of Bay of Plenty Electricity, has a total generating capacity of 41MW, plus a 50% interest in the 25MW Kapuni co-generation joint venture. These include the 25MW Aniwhenua hydro electric station, the 9.8MW Edgecumbe co-generation plant, and 6.5MW in two geothermal plants. It also has approximately 22,400 retail customers in the Bay of Plenty region (company announcements 18/12/98, and 31/3/99).

Pacific Hydro is a relatively young company, listing on the Australian Stock Exchange in 1993. Its assets include the Ord River Dam hydro in Australia (completed in November 1997), which has a capacity of 40MW. It also has built three small hydro schemes in Victoria, under incentives provided by the Victorian government. It is involved in two hydro projects in the Philippines: the 70MW Bakun A/C, and the 68MW Tagaloan II. In each case, Pacific Hydro is in a consortium with Aboitiz of the Philippines and Pacific Corp of the USA (in the case of Bakun the consortium is the Luzon Hydro Corporation). Both schemes are still under construction, Bakun due for completion in 2000, and Tagaloan II in 2004. They are "Build, Operate, Transfer" projects, in which the private companies operate them for 25 years under preferential conditions and then return them to the Philippines government's National Power Corporation. The preferential conditions are "take or pay": the National Power Corporation has to pay for all the electricity generated, even if it cannot use it (from Pacific Hydro's web site, http://www.pacifichydro.com.au).

Pacific Hydro's largest shareholders are AMP Nominees (34.08%) and American Electric Power (AEP) of the USA (19.79%) (ref: Pacific Hydro web site: 20 largest shareholders as at 26/3/99, http://www.pacifichydro.com.au/shareholders.htm and company overview, http://www.pacifichydro.com.au/overview.htm). It describes AEP as

"a major US power utility with total annual operating revenues of more than $US1.7 billion from a total generating capacity of approximately 24,000MW at 38 power plants, that produce more than 120 billion kWh per annum providing

(Continued on page 30)

(The Deformation: From page 29)

energy to 2.9 million customers. Of these 16 are hydro electric plants with a combined capacity of 834 MW including 552MW of pumped storage... AEP has investments in the United States, the United Kingdom and China. Wholly owned subsidiaries provide engineering, consulting and management services around the world with offices in Columbus; Ohio; Beijing; China; Toronto; Canada; London; England; Singapore and Sydney, Australia" (company announcement, 6/2/98).

...And Natural Gas Corporation Buys Waikato Electricity's Retailing Business

In December 1998, the Natural Gas Corporation of New Zealand Ltd gained OIC approval to acquire the WEL Energy Group Ltd's electricity retailing business for a suppressed amount. WEL Energy Group is owned (94.17%) by the WEL Energy Trust, and the remainder in public shareholdings.

The OIC suppressed the amount paid, even though it was made public before the OIC released its censored decision on 29/1/99: $89.9 million (*Press*, 20/1/99, "NGC pays $89m for supply firm", p.27).

The Trust has fought desperately to maintain local control of its electricity resources, first to get rid of Utilicorp's "cornerstone shareholding" (one of the first overseas investments in electricity in the country), then to disentangle itself from the battle between Mercury, Power New Zealand, and Utilicorp for control over electric power distribution in the northern North Island. Having finally achieved those aims, it has found itself with a pyrrhic victory – undermined by the Electricity Reform Act, which forced the sale of part of its assets.

The purchase includes WEL's customer base, meters and metering equipment, billing system, debtors, call centre, staff, meter reading contracts, and "certain existing electricity hedge contracts". It also includes a licence over the WEL brand.

Natural Gas Corporation has not been a large contender in the scramble to control electricity assets, though it was clearly relishing the concept. In a sense it was forced to enter the market by Contact Energy, at time of writing one of the big three in electricity retailing. Contact purchased the Enerco gas retail operation from Southpower shortly before Southpower's electricity retail operation was itself sold to TransAlta. Contact is therefore competing head on with Natural Gas Corporation, but with a much larger number of customers. (Natural Gas Corporation had 42,000 customers in 1996; Contact 430,000 at the end of 1998). Paradoxically, Enerco is Natural Gas Corporation's largest wholesale customer. The Corporation is the biggest wholesale gas supplier in the North Island.

Nonetheless, Natural Gas Corporation is no stranger to electricity. It jointly owns a 25MW co-generation plant at Kapuni with Bay of Plenty Electricity. Its controlling shareholder, Australian Gas Light (AGL), which has managed the company's gas retailing operations since 1993 and bought TransAlta's Wellington gas network (see above), has significant electricity interests in Australia, where it is Australia's largest publicly listed utility. Indeed AGL sought Commerce Commission clearance to buy 40% of Contact Energy, and in February 1999, took 15.6% of TrustPower with a view to forming a "strategic alliance".

Natural Gas Corporation is also working quickly to accumulate more of the gas retail market, including those operations of Powerco (New Plymouth), and BP's share of Liquigas. In a move that paralleled the electricity deformation, the company planned to split its operations into three: gas processing and co-generation (tentatively called Taranaki Production Services), gas transmission (TransGas), and energy marketing and distribution (NZ Gas Light). However this was discarded as too complex and expensive when Australian Gas Light bought out Fletcher Challenge's share.

(*Press*, 20/8/98, "Lower interest charges key to sharp profit increase by NGC", p.21; 16/10/98, "NGC seeks business", p.31; 12/11/98, "Electricity attracts interest from NGC", p.32; 7/12/98, "AGL looking for efficiency", p.13; 30/1/99, "TrustPower issue to AGL", p.23; 24/6/99, "AGL buys Fletcher stake in Nat Gas", p.33; 25/6/99, "Infratil answers TrustPower", p.31; *New Zealand Investment Yearbook 1998*, Datex, p.75; *The New Zealand Company Register*, Vol 35, 1996-97, p.74).

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[1] The *Concise Oxford Dictionary's* definition of "reform" is "make better by removal or abandonment of imperfections, faults, or errors". This is so obviously inappropriate in the present context that I hesitate to use the term. Under "deformation", the dictionary notes that it has a meaning of "change for the worse", and was used as an opponent's name for the Reformation. Without entering into a debate into that particular historical era, it seems entirely appropriate here.

(*Waikato Times*, 12/5/99)

Electricity company ownership changes

'Old' Name	Type of Business	Changes in ownership or *name*	Ultimate ownership
Alpine Energy	Lines	*Timaru Electricity*	
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Bay of Plenty Electricity	Lines	*Horizon Energy Distribution*	52% Utilicorp (U.S.A.)
	Retail	Sold to Todd Energy & Pacific Hydro	50% Pacific Hydro (Australia), 50% Todd Energy
Buller Electricity	Lines		
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)
Central Electric	Lines	Sold to Delta Utilities Services	Dunedin City Council
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)
	Generation		
CentralPower	Lines		52% local authorities/trusts, 30% Alliant, Infratil
	Retail	Sold to Genesis Power	State owned enterprise
Chatham Islands Electricity	Lines		
	Retail		
CHB Power	Lines		
	Retail	Sold to Mighty River Power	State owned enterprise
Citipower	Lines		
	Retail	Leased to TransAlta	
Contact	Generation		40% Edison, approx 20% further overseas owned
	Retail		
	has bought:		
	* Alpine		
	* Counties Power		
	* Dunedin Electricity		
	* Eastland		
	* Electra		
	* Electricity Invercargill		
	* Enerco (gas only)		
	* Hawke's Bay		
	* Kaiapoi		
	* Mainpower		
	* Tasman Energy		
	* The Power Company		
	* Top Energy		
	* United Electricity		
Counties Power	Lines		Consumer Trust
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Dunedin Electricity	Lines	*Delta Utilities Services*	Dunedin City Council
	has bought		
	* Central Electric		
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Eastland Energy	Lines		
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
ECNZ – Huntly	Generation	*Genesis Power Limited*	State owned enterprise
	Retail		
	has bought:		
	* CentralPower		
	* Powerco		
	* Wairarapa		
ECNZ – South Island	Generation	*Meridan Energy*	State owned enterprise
	Retail		
	has bought:		
	* CHB Power		
	* Northpower		
	* ScanPower		
	* Waitaki Electricity		
	* any other SI purchases		
ECNZ – Waikato	Generation	*Mighty River Power Ltd*	State owned enterprise
	Waikato		
	Taupo		
	Retail		
	has bought or started		
	* Mercury Energy		
	* First Electric		
Electra	Lines	*Electralines*	
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Electricity Ashburton	Lines		
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)
Electricity Invercargill	Lines	Merged with The Power Company - *Powernet*	
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Electricity Market Company (EMCO)	Wholesale Market Operator	*The Marketplace Company (M-co)*	100% Rand Merchant Bank (South Africa)
First Electric	Retail		100% Mighty River Power
Genesis Power	See ECNZ - Huntly		
Hawke's Bay Power	Lines		
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Kaiapoi Electricity	Lines	Part of Mainpower	
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
King Country Energy	Lines	Sold to Waitomo Energy	
	Retail	bought Waitomo Energy	20% Todd Energy, 18% trusts
	Generation		
MainPower	Lines		
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Marlborough Electric	Lines		
	Retail	Sold to Trustpower	Alliant/Infratil/AGL/TECT (see note)
Mercury Energy	Lines	*Vector*	Majority Auckland Energy Consumer Trust
	Retail	Sold to Mighty River Power	State owned enterprise

Electricity company ownership changes

'Old' Name	Type of Business	Changes in ownership or *name*	Ultimate ownership
Meridian Energy	See ECNZ - South Island		
Mighty River Power	See ECNZ - Waikato		
Northpower	Lines		
	Retail	Sold to Meridian Energy	State owned enterprise
Otago Power	Lines		
	Retail	sold to Trustpower	Alliant/Infratil/AGL/TECT (see note)
	Generation	sold to Trustpower	Alliant/Infratil/AGL/TECT (see note)
Power NZ	Lines	United Networks	80% Utilicorp (U.S.A.)
	has bought:		
	* TrustPower lines		
	* TransAlta lines		
	Retail	Sold to TransAlta	67% TransAlta (Canada)
Powerco	Lines		Majority local authorities/trusts; 12% Alliant, Infratil
	has bought:		
	* Wairarapa Electricity		
	Retail	Sold to Genesis Power	State owned enterprise
ScanPower	Lines		Locally owned
	Retail	Sold to Meridian Energy	State owned enterprise
Southpower	Lines	*Orion*	Local councils (88% Christchurch City)
	Retail	Sold to TransAlta	67% TransAlta (Canada)
Tasman Energy	Lines	*Network Tasman*	100% Tasman Electric Power Trust
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
The Power Company	Lines	Merged with Electricity Invercargill - *Powernet*	
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Top Energy	Lines		
	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
TransAlta	Lines	Sold to Power NZ	80% Utilicorp (U.S.A.)
	Retail	TransAlta	67% TransAlta (Canada)
	has bought:		
	* Power NZ		
	* Southpower		
	* Wellington/Hutt region		
	Generation		
Transpower	Distribution		State owned enterprise
Trustpower	Lines	Sold to Power NZ	80% Utilicorp (U.S.A.)
	Retail	Trustpower	Alliant/Infratil/AGL/TECT (see note)
	has bought:		
	* Ashburton		
	* Buller Electricity		
	* CentralElectric		
	* Marlborough Electric		
	* Otago Power		
	* Rotorua Electricity		
	* Taupo Electricity		
	* Tauranga Electricity		
	* Waipa		
	* Wairoa Power		
	* Westpower		
	Generation	Trustpower	Alliant/Infratil/AGL/TECT (see note)
	Has bought:		
	* Coleridge hydro station		
	* Kamai Hydropower		
	* Matahina power station		
	* Montalto and Highbank hydro		
	* Taranaki power stations (five)		
	* Tararua Windpower project		
	* Waipori, Dunedin		
United Electricity	Retail	Sold to Contact	40% Edison, approx 20% further overseas owned
Waipa Power	Lines		
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)
Wairarapa Electricity	Lines	Sold to Powerco	Majority owned by local authorities or trusts
	Retail	Sold to Genesis Power	State owned enterprise
	Generation	Sold to Genesis Power	State owned enterprise
Wairoa Power	Lines	Selling	
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)
Waitaki Power	Lines		
	Retail	Sold to Mighty River Power	State owned enterprise
Waitomo Energy	Lines	Bought King Country Energy	
	Retail	Sold to King Country Energy	
WEL Energy	Lines		94% WEL Energy Trust
	Retail	Sold to Natural Gas Corporation	66% Australian Gas Light (Australia)
Westpower	Lines		Community Trust
	Retail	Sold to TrustPower	Alliant/Infratil/AGL/TECT (see note)

Much of this information, other than ownership, comes from The Marketplace Company's Web site, at http://www.m-co.co.nz/C1changes.htm. Ownership where not stated was not readily available to me; in most cases it is a mixture of local bodies and consumer trusts, with some public shareholding.
The position is continually changing; the information in the table is as of 30 June 1999.

Note: The ownership of TrustPower is complex and changing. Alliant (U.S.A.) and Infratil have a joint beneficial interest in 43.7%; Australian Gas Light (Australia) has 15.6%; and the Tauranga Energy Consumer Trust owns 29.9%. A further 10.0% owned by the Tauranga District Council is in dispute between Alliant and AGL.

FREE TRADE FANTASIES

"A Brief History of the Future: Citizenship of the Millennium" by Mike Moore, Shoal Bay Press, 1998 (ISBN 0-908704-77-1)

- Dennis Small

"The world is full of contradictions, and they change from day to day" - Mike Moore (p.67).
"Power doesn't corrupt: it's what politicians do to get power that corrupts" - Mike Moore (p.107).

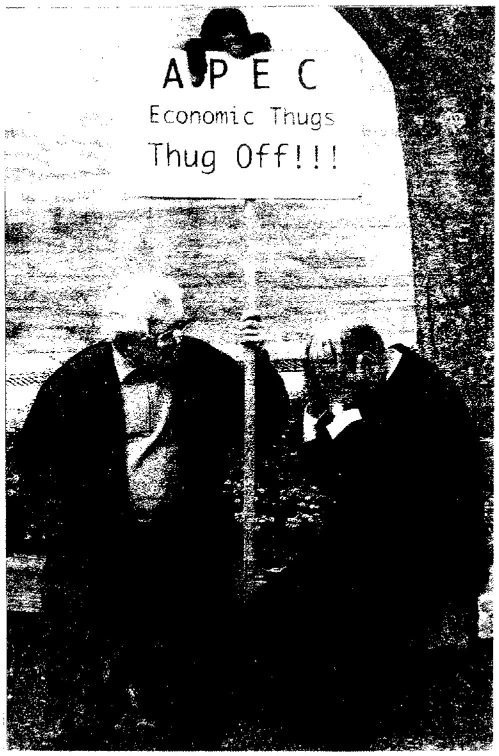
Career politician Mike Moore obviously used his latest book as part of his self-promotion to be the new Director General of the World Trade Organisation (WTO). Moore was backed by the US in a bitterly fought campaign for the position, which resulted in a compromise jobsharing deal, with Moore to be the WTO DG from 1999-2002.

CAFCA and GATT Watchdog have also supported Moore's bid to be the WTO Director General because we are confident that he will bring free trade (and the free market generally) into disrepute. Given the huge disruption caused already to the WTO by his campaign for the leadership, our prediction that the NZ government had unwittingly launched a cruise missile against the trade organisation has certainly been graphically confirmed. Moreover, the whole episode has once again demonstrated just how much the NZ government operates as a US lackey, even while the US kicks us in the teeth. As the Clinton Administration punishes NZ lamb exports to the US and moves to boost subsidies to its own dairy exporters, Moore continues to burn up NZ taxpayer money (at least $1 million by July 1999) to fulfil his ambition to be ruler of the world. We fervently hope that all the damage so far done to the free trade cause will activate more people to counter the corporate agenda and seek viable alternatives.

According to the future as envisaged by "Mad" Mike Moore, once clearly the leading intellectual and seer of the NZ Labour Party, the dawn of the new millennium heralds a marvellous new age of capitalist achievement, a "brave new world" (one of his favourite phrases) that would even make Aldous Huxley smile. If only we could/would recognise it, damn it!

Mystical Musings Of Mad Mike

Mike's latest book, "A Brief History of the Future", with its coyly unassuming title modelled on Stephen Hawking's famous depiction of Time and the Universe, sets out to rally the recently somewhat rattled ranks of the free trade/foreign investment brigade. As usual, Mike is self deprecatingly modest about his achievements: he has "contributed" to New Zealand and to his party by being the person ***"to lead the charge for this kind of economic internationalism"*** over the last decade or so (p.46). Indeed, there is no doubt that he would like to



(See no evil, hear no evil? Mike Moore, with head in hands, with protester outside APEC meeting. *NZ Herald*, 1/7/99)

be remembered as one of the great heroes of world globalisation and in this sense the book is a sort of *self*-obituary, Mike's personal dedication to his anticipated future glory in the advancing annals of capitalist civilisation. He warmly celebrates what he believes is the triumph of Western capitalism over its enemies, and the safety of "strategic resources" like Middle Eastern oil upon which his own affluent, globe trotting lifestyle depends (p.117).

Since "free trade" is often misleadingly interpreted in a very narrow sense, especially by the corporate media, it is worth reminding ourselves of its wider, deeper meaning: "At its purest, capitalism minimises the role of the State in economic policy, encouraging FREE TRADE" ("Reader's Digest Family Encyclopedia of World History", 1996, p.111). Thus free trade means unfettered capitalism and Moore's role as ideologue has to be put in this context.

Mike's book is written with all the grace and unction that one would expect of him at his greasy, ingratiating best. There are plenty of obsequious, crawling quotes for his powerful American mates to appreciate. How about this one, quoting US Secretary of State, Madeleine Albright: "If we choose to hide behind walls rather than tear them down, our products will face higher tariffs . . . we will

(Continued on page 34)

(Mike Moore: From page 33)
have no success at all in promoting higher environmental and labour standards" (p.46). Or this, again dutifully citing Madeleine, with regard to supposedly benefiting poorer countries: "Protectionism is an economic poison pill . . . Nations that have embraced economic reform are more likely to move ahead with political reform" (p.52). Or his own considered, thoughtful judgement that:"President Bush's New World Order held out a promise that this would be the century of persuasion, unlike the last century which was one of imperialist coercion" (p.130).

It does not matter in all of this about US hypocrisy and cynical posturing - after all Moore is very well versed in this sort of stuff himself. To quote from my own study of free trade on the matter of alleged benefits for poorer countries: "While Moore was later pitching a message that the 'prices of tropical products would rise faster than the temperate zone products which are imported by many developing countries' *("Protectionism and the Uruguay Round")*, his Government was opposing international commodity agreements precisely because such agreements could mean higher than acceptable prices - the very kind of prices he was offering as bait to poorer countries" ("The Cost of Free Trade: Aotearoa/New Zealand at Risk", CAFCA, 1996, p.6).

Mike still has the gall to say that he wanted, and wants, developing countries to benefit from higher agricultural prices (p.55). In fact, Moore has been very pleased that the General Agreement on Tariffs and Trade (GATT)-sponsored International Dairy Agreement continued to prop up prices for NZ. While coffee, cocoa, etc. producers were free to suffer market forces, such protectionism was of course essential for the civilised peoples of "developed" countries like us. The centrepiece of the Labour government's policy was a Cabinet paper on opposition to commodity agreements which included a revealing input from Treasury. It took years to get this particular paper from Moore despite repeated polite requests (I was working then for a very middle class non-government organisation [NGO]) and in the end I had to resort to use of the Official Information Act (OIA). So much for his continual proclamation about the need to safeguard and extend democratic debate. More humbug!

As for the US's dedication to open markets, we need look no further than the tariffs that the Clinton Administration slapped on NZ dairy products - tariffs of around 130% on butter, for example, let alone the latest moves. As former agricultural trade envoy, Brian Chamberlin, has indicated, the GATT Uruguay Round was disappointing in its "modest" outcome for NZ" and has been spoiled because a number of countries have not honoured the spirit of it" (see editorial quoting him in *The Independent* - "Fact and Fantasy on the path to Free Trade", 9/12/98). Most prominent among these countries is the US. In fact, the hypocrisy of the US on these issues is notorious but then Moore is an inveterate power junkie, or at least "groupie". Since globalisation in so many ways means primarily the spread of American values throughout the world, Mike is a dedicated and fawning agent of this process whatever the exact style in which he chooses to portray it (see e.g., p.43).

When Moore was Trade Minister the then Labour government, arm in arm with the corporate media, was assiduous in systematically suppressing open discussion on the Uruguay Round GATT negotiations, something that National did its best to emulate. There was continual, cargo cult hype orchestrated by the Government and a pervasive, conspiratorial blanket of silence over any dissent. In the late 1980s, so far as I am aware, I was the only individual in the country researching GATT from an explicitly critical perspective. I challenged Moore's position in the press. On the rare occasion, the prevailing censorship relaxed as a token gesture. Later, at a Labour Party fundraising fair in Christchurch, where the organisation for which I was working had a stall, Moore came seeking me out to contest my criticisms. He was obviously keen to try and stamp out any such dissidence. We had a brief exchange. When I pointed out the dominance in the NZ Business Round Table of transnational corporations (TNCs), he walked away and that was the end of what face-to-face debate I have ever had with Mike.

Moore's general approach aptly reflects his acknowledgement and acceptance of the "realities" of power (p.73), an attitude that indeed permeates his book(s) and his own political career. Ultimately, Moore is the extreme conformist, desperately eager to conform to the market forces which dominate what he sees as the shape of the future. For Mike, our living standards "are frequently beyond our control" (p.50). Indeed, "even what we believe" is also "frequently beyond our control". He frankly declares: "Like it or not, the world economy will always drive us; we will never drive it" (p.49). The great visionary leader of *free* trade, riding one of the "great waves of changes in world history" (p.13), is most certainly a driven man. He wants to present a new, updated *determinist* philosophy of "freedom" for the planet's people. As an ideologue of the new global capitalism, Mike has a Calvinist-style gospel to impart, a new Protestant ethic; and as a representative of the "world economy", he ardently desires to damn his critics and any awkward unbelievers.

Moore believes in the divine and benign hand of the Market weaving its magic in the creation of a glorious new Information Age, yet another advance in the progress of civilisation following the Industrial Age. It is always inevitably on and upward for Mad Mike as we are blindly swept forward to our rampant eternal consumerist destiny by economic/technological determinism. There is clearly a kind of Business Round Table mysticism about all this. Well, almost always inevitably on and upward. . . The nasty recurring problem is that there are doubters and heretics like the reviewer who stir people up even against the great visionary and helmsman himself. And this in turn causes problems for the Inevitable.

On the one hand for Mike, such stirrers are swimming hopelessly against the inexorable tides of History/The Future; on the other, they still somehow might succeed in upsetting the whole applecart. He repeatedly inveighs against resistance to his version of evolutionary progress - "There's no going back on the changes that are upon us" (p.12). Quoting TNC guru, Peter Drucker, he declares that change is "irreversible", and affirms Drucker's message that "it is the world economy in control" (p.49). The supposed alternative model is North Korea or Albania - has Mike been to the new globalising Albania?! Instead of fruitlessly gnashing our teeth, we must instead make the transition to Alvin Toffler's "Third Wave" society as best we can.

Yet, as indicated, it could all come unstuck because, "History is never a straight line" (p.36). If only we would all gratefully accept the inspired leadership of people like Mike himself . . . As well, despite his predominantly (confused!) determinist version of History/The Future, he persists in offering the parody of free choice: "A new solution is required. That solution lies in economic internationalism, based on rules decided upon by sovereign governments" (p.14). Ministers, governments and taxpayers will "have to take more control . . . as the impact of globalisation reaches into every facet of domestic life" (p.68).

Democratic Demolition

It might seem a long road from Moore's seeking me out for personal reprimand at a Labour Party fair to the 1996 SIS break-in at Aziz Choudry's Christchurch home under the auspices of the current National Government but there is a constant, overall pattern of censorious, official concern (*see elsewhere in this issue on the latest on Aziz and the SIS. Ed.*). Opposition to free trade/foreign investment is deeply disturbing to the emerging corporatised State and the interests it represents, and as our movement has grown the more threatening such dissidence has become to those in power.

In the "Acknowledgements and Preface" to his book, Moore says of free trade that "the powerful elite of business people, politicians and intellectuals are out of touch with the general population, the people who can see the pain of these policies but not the gain" (p.9). He goes on to observe that the "elite throughout the world have more in common with each other than with their constituents. . ." Furthermore, this is not new but was "also true of the princes and merchants of earlier times". Consequently, his book is in part an attempt to overcome the lack of understanding by us plebeians - to "overcome this democratic deficit" as he puts it. He will graciously explain to us *why* what is happening to us is for our own good. There are several things here that typify Moore's grossly superficial and simplistic style: the bombastic, egotistical arrogance; the fundamentalist elitism; and his potted, and potty, garbled understanding of both history and contemporary times.

Perhaps what shines through most of all is the persistent, pretentious hogwash. Journalist Ian Wishart was once a Cabinet press secretary to Mike Moore and he has admitted to having:

"taken part in a cynical but highly effective manipulation of the news media. We might be getting too much heat on an issue, so we contrive to release something else to distract attention. Everytime we did that, the media fell for it . . . The agenda of much that you see in the news has been set by corporate and Government PR people" (*Watchdog* 83, December 1996, p.3).

If Moore is long versed in efforts at fashioning his own corporate image, nothing is sillier than his self-portrait as the great democrat. Moore shares with Sir Roger Douglas, Richard Prebble and some others the notoriety of those Labour/National politicians who have done most damage to NZ democracy over the past 15 or so years. The odium of Labour's notorious "fish and chip" gang that ushered in "Rogernomics" has implanted a deeply distorting imprint on his mindset. Mike facilitates TNC-takeover of Aotearoa/NZ even as he postures about a constitution to safeguard liberties and cynically calls for more transparency on the international treatymaking process (p. 83).

He holds that democracy has a "competitive advantage" - it now has a "dollar value" (p.75); and yet at the same time he declares that: "governments everywhere are incapable of controlling the changes that are being thrust upon us" (p.107). Nevertheless, again, says Mike: "We need not lose our faith in a democratic purpose. It's the type of response that must change" (p.107). So he is striving hard as usual to point the way ahead for us all, to chart a response tailored to the demands of the TNCs to which he is so subservient.

These days Mike is pretty testy about his rather tattered image. As he says, "A decade ago I saw myself as a patriot in my campaign for freer trade and a more open global economy" - but now he has been "caught in a backlash. We are seen by some to be selling out our country and even accused of trying to abolish the nation State. The opposite is the truth" (p.9). More modest than Mike, I would like however to lay a claim for a key role in helping reduce him from rooster to feather duster. Ever since my first public attack on his policies, I have documented and analysed them in various publications over the years starting with numbers 327 and 328 of the (now defunct) *New Zealand Monthly Review* around the turn of the decade. So Mike's ten years of decline and fall in public opinion would be a fair time estimate. From small beginnings . . .

Mike is still trying to marginalise his critics. For instance, he is careful not to cite any publications critical of his position - he has not the integrity to do this. Whenever he refers to his critics, or his Leftist opponents in general,

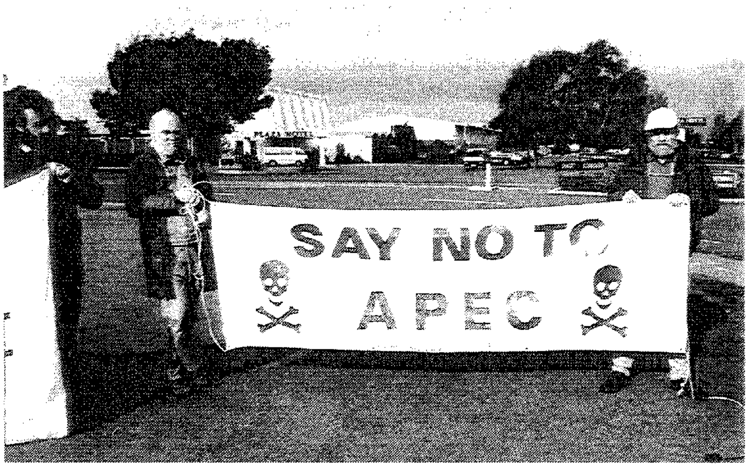
(Continued on Page 36)

(Mike Moore: From page 35)
he simply resorts to abuse, e.g. critics of the World Bank and International Monetary Fund (IMF) are "deranged misfits . . . people who tuck their shirts into their underpants . . ." (p.71). Opponents of the Multilateral Agreement on Investment (MAI) are "deranged nationalists". Moore really starts to slobber at the mouth on these occasions and should be treated as he so richly deserves. Originally, he says of his book that he was going to call it, "No Shins Unkicked" (*Press*, 3/9/98). When Moore kicks you in the shins the idea is to kick back twice as hard and aim higher. His general style is aggressively ad hominem - indeed, he is a self-avowed "shin kicker". He enjoys political brawling. It is then most amusing that he continually shoots, or rather kicks himself in the foot, throughout his book!

Corporate Captive

It is an indication of the present parlous state of the NZ Labour Party, and more generally of democratic socialism in Aotearoa/NZ today, that the foremost ideologue of this party has been a partisan capitalist parroting the corporate propaganda of the New Right. Mike has clearly been prime material for cultivation by this globalist ideology, and although he may occasionally preen and plume about its "intellectual extreme" (e.g., p.92), he has been in practice one of its most active agents, all the more so since he *acts* under the Labour banner. Moore's performance, in fact, is an eloquent testimony to Labour's co-optation by the processes of TNC takeover, by globalisation. Labour is now very much a committedly bourgeois party. Like National, it depends on the largesse of Big Business and more than ever this means TNC business.

The sources that Moore quotes in his book are often vague, often uncited with regard to actual publication, and he scarcely ever gives page references. However, one has only got to look over his page and a half of "Bibliography and Further Reading" at the end to see his heavy dependence on conservative (especially American) literature. Mike is clearly proud to display this. Well known Right-wingers like Peter Drucker (three citations), Patrick Moynihan (two), Samuel Huntingdon, Stephan Schmidheiny, Adam Smith (two), Julian Simon, AlvinToffler (three), and naturally enough, Mike Moore himself (five!) dominate the sources of his inspiration.



Moore draws a lot on popular trendy social projections as in Toffler ("the profound and prolific American futurist", p.12) and John Naisbitt (author of "Megatrends"). Overall, the influence of the US corporate line is very evident and certainly informs the text of his book. He is strongly influenced by "megatrends" like "the triumph of the individual"; "free-market socialism" (whatever that could possibly mean); and "the privatisation of the Welfare State" (pp.26,27).

Undoubtedly, the oddest and most revealing source that Mike uses is a book by James D. Davidson and Lord William Rees-Mogg called "The Sovereign Individual"(1997). This is a socially obscene publication exulting in the creation through globalisation of the ruling 10% of the world's population that will enjoy freedom and wealth at the expense of the rest, i.e. it predicts the coming power of the ***sovereign individual*** and how to thrive as one in the new Information Age. It is all unashamed Social Darwinist stuff and could quite justly be described as the expression of an *evil* political philosophy.

Although CAFCA is diametrically opposed to the philosophy expounded in "The Sovereign Individual", there is yet an interesting confirmatory crossover in that here we have some ultra-Rightists who openly point to, indeed embrace, the sort of outcome about which we continually warn and fight against. However, Moore is happy to draw on this book to support his own views on the positive benefits of globalisation! Davidson and Rees-Mogg specialise in financial/investment advice to the super-rich and unlike Moore can take a very apocalyptic view of the future (see also their earlier book, "The Great Reckoning", 1992). Their main concern is all about how to make maximum profits in those wild, tumultuous times when blood runs in the streets.

Sovereign states are reduced to sovereign individuals maximising their interests as members of an international elite; disintegrating societies are the playground of those enterprising few effectively employing competitive computerised systems for personal gain. Capitalist competition/greed and barbarism go hand in hand in a rather more realistic portrayal of the new Information Age than Moore's fond fancies.

Mike cites "The Sovereign Individual" in the course of his text on several occasions. A particularly ironic quote is a reference that Moore uses in connection with his grievance of being catapulted from "hero to traitor in a decade" when - so sadly maligned - he "was working for jobs in New Zealand" as well as to "help transfer wealth to poorer countries in the Pacific" (p.89). In saying he was driven "in part" to write his own book because of that most unkind and undeserved perception, Mike appeals to a prediction in "The Sovereign Individual" that "reactionary losers" and "demagogues" will respond in this sort of resentful manner against the heroic leaders of globalisation. According to Moore's quote, Davidson and Rees-Mogg go on to say that such people will torment "countries that have been at the forefront of reform and stand to benefit disproportionately from 'market-friendly globalism' like New Zealand" (p.89). Mike certainly prefers the company of winners like his financier friend "Winebox" Sir Michael Fay than these ingrates.

Rees-Mogg and Davidson are two very unpleasant characters who seek to profit from the sufferings, misery, hunger and poverty of most of humankind. How then can they possibly be Moore's soul mates and fellow spirits? Of course, one might take a charitable view and consider Mike to be a political clown, a buffoon who does not even understand some of the publications he quotes. Either way - ***be warned!***

It is worth noting here that the Davidson/Rees-Mogg connection to NZ's experience of the free market runs significantly deeper than so far indicated. In November 1995, Davidson and Rees-Mogg were listed as among the owners, along with various other unprepossessing types, of the exclusive Wharekauhau Lodge in the Wairarapa, a resort venue touted by the Ministry of Foreign Affairs and Trade for jet-setting overseas investors (see *Watchdog* 84, May 1997, for the original story). One of the owners has even apparently had close links with overseas terrorists, although not the sort of terrorists that our SIS or the Overseas Investment Commission (OIC) worries about. ACT's founder, Sir Roger Douglas, is also listed as an owner of the Lodge (*see elsewhere in this issue for the latest ownership details of Wharekauhau. Ed.*). This revelatory finding by Bill Rosenberg neatly confirmed our anticipations of the growing links between the international far Right and the privatisation of government in NZ. Moore's keen appreciation of "The Sovereign Individual" seems to reflect then this quite sinister connection, whatever might be his own understanding of it all.

Hustling Hunger

One of the most glaring contradictions in the book, given the author's record, is Moore's explicit premise that his approach can encompass benefits for poor countries and NZ. A puffpiece in December 1998 by Helen Tunnah, of the NZ Press Association, on Moore's application to be the Director General of the WTO actually claimed that Moore fits the requirement for the job to go "to a person from a ***developing*** nation" (*Press*, 8/12/98; my italics & emphasis. DS.). The NZPA article observed at the time that: "The WTO has essentially agreed the job should ***not*** go to a candidate from a developed country . . ." (*Press*, 8/12/98; my italics & emphasis again) Hence, of course, much of the resistance by a number of Third World countries to Moore's candidature as they firmly rejected the US/NZ line for the gross garbage that it was(is).

According to NZ official propaganda then, "NZ fits the mould" of a developing country, "not being a world economic super power but considered mature enough now to be respected in its own right by Europe and America, and to be independent in its views"(*Press*, 8/12/98). Moore, in fact, was seen by certain Western interests as a compromise candidate for the "two powerhouse camps of Europe and the US" which really run the WTO. Whatever the exact nature of Moore's own motivations, he has effectively run then as an agent for these interests, especially the US, in order to help them keep control of the TNC-driven liberalisation agenda, and, in particular, force agricultural "reform" and other demands on developing countries. However, as it has turned out, even some very influential developed countries like Britain and Japan have proved unsupportive of Moore's bid as his candidacy sharpened capitalist rivalries and particularist agendas. Near neighbour, Australia, has backed the Thai candidate. Perhaps it knows Moore's potential only too well!

Mike, whatever the flannel he tries to put across in his book - e.g. supposedly promoting better prices for Third World agricultural exports (p.55 - refer also to start of this review) - can in truth boast of impeccable credentials in the US plan to use food more systematically as a weapon against the world's poor. He has been a member of the so-called Eminent Persons' Group which was closely linked with the US Multilateral Trade Negotiations Coalition, a TNC grouping that pushed the American agenda in the GATT Uruguay Round. Moore has boasted of his friendship with leading American strategists of the time like Clayton Yeutter and Bill Brock. As Minister of External Relations and Trade, Mike proclaimed inspiration for the NZ government from the Multilateral Trade Negotiations Coalition. Among Mike's other TNC-connected links have been those with the London-based Trade Policy Research Centre.

For his work in the Labour government on GATT issues, Moore was regarded as "one of America's best allies" by the US special trade negotiators in agricultural matters (*Christchurch Star*, 3/10/1988). Indeed, a former US Ambassador to NZ, Paul Cleveland, congratulated the NZ government on its influence in ***pushing*** Third World nations to "economic reform" (*Christchurch Star*, 3/10/1988; my emphasis & italics).

Another of Mike's mates has been John Block who, when he was US Agriculture Secretary, blatantly called on "developing countries" to yield sovereignty to US food imports as part of their Uruguay Round obligations (see editorial in *The Ecologist*, vol. 23, no. 6, Nov/Dec, 1993, pp.219-222). An earlier US Agriculture Secretary, Earl Butz, once bluntly and brutally signalled the reality of

(Continued on page 38)

(Mike Moore: From page 37)
American intentions (and practice) when he declared that food was a "weapon" - it was "a powerful tool in our negotiating kit" ("How the Other Half Dies: The Real Reasons for World Hunger", Susan George, Penguin, 1976, p.16). Moore has been an eager operative in helping foster this capacity and so undermine Third World food security.

In August 1990, Moore, in his role as Minister of External Relations and Trade, advocated a deal whereby the northern economies got "changes governing international investment, services such as shipping, intellectual property and copyright. But NZ has determined the cost will be an agricultural agreement" (*Press*, 11/8/90). This, as we have noted, was right in line with US objectives too. To be sure, Moore was effusive in his praise for the original US free trade proposal for agriculture, even saying that the US had claimed the "moral high ground" (*Press*, 2/9/88). Mike really specialises in giving an Orwellian gloss to neo-imperialism.

In 1987 Moore was to the fore in accusing Brazil and India, which were leading the Third World opposition to the GATT Uruguay Round, of giving NZ its problems in international trade negotiations. However, Mike could be openly cynical while at the same time claiming the moral high ground himself. Among all his flowery rhetoric he could come out with the ready admission that the NZ government would use any argument "it could to achieve its perceived self-interest". But, mind you, this self interest was the world's too . . .(see *NZ Listener*, 21 March 1987, pp.22-25). The same old stuff is paraded again in 1998 without a hint of embarrassment (e.g. see p.56 of his book).

The Muddled Mind Of Mike Moore

Moore constantly strives in his book for the deep generalisation or even profound paradox resonant in incisive insight but instead only winds up deeper in his capitalist contradictions, which reflects a truth of a different sort. Confusions are rife throughout, along with misleading generalisations. Some of his errors are "howlers": e.g., once when supposedly quoting the "World Health Organisation Report 1998", Mike refers to a prediction that by the year 2000: "The global population about 5.8 billion now, will increase to about 8 billion"! (p.61).

Early on in the book Moore claims, citing the WTO Director General, that:"Over one and a half billion people's living standards have doubled in the past decade and a half" (p.9). What is not mentioned is what is happening to the rest. Mike's whole perspective can be pertinently contrasted with that expressed in another book by a recent visitor to Aotearoa/NZ - Professor Michel Chossudovsky of the University of Ottawa, and Research Fellow at the Centre of Developing Area Studies, McGill University, Montreal. He is presumably one of the "few deranged misfits on the edges of obscure universities" (allegedly too with shirt tucked into his underpants) that we saw earlier included by Moore among his opponents of the World Bank/IMF (p.71).

Chossudovsky has taught as Visiting Professor at academic institutions in Western Europe, Latin America and Southeast Asia, has acted as economic adviser to governments of developing countries, and has worked as a consultant for several international organisations. His latest book is titled "The Globalisation of Poverty: Impacts of IMF and World Bank Reforms" (Zed Books, 1997) and he charts the effects of international capitalist "reform" across the globe with an array of country case studies. The title of his book speaks for itself. A quote can give the flavour: "In the developing world the burden of the external debt has reached two trillion US dollars: entire countries have been destabilised as a consequence of the collapse of national currencies, often resulting in the outbreak of social strife, ethnic conflicts and civil war" (p. 15). Meantime, some 750 global corporations dominate the world economy and continue to force fundamental changes in the patterns of production and distribution. As can easily be anticipated, Mike never comes to grips with his critics at this level of analysis.

At one point, Moore does actually recite some familiar facts about TNCs, including that TNCs "have almost twice the economic power of the poorest 80% of the world's people", and that they control more than 25% of the world's economic activity, with a third of all international trade taking place within TNCs, i.e. between branches of the same TNC (p.47). But he is quite incapable of drawing some of the obvious implications about the nature and likely use of such economic power. Having totally rejected any Marxist/socialist analysis, Moore has no ability to interpret the workings of economic structures into forms of political power, other than in inconsistent ways or in the most mundane of observations. Anyway, as we have already seen, he openly identifies with the world's "powerful elite" and now as a great global leader, refers to his distant unionist/ social work origins in a very furtive, cute fashion - *psst, "Let me now admit a secret . . ."* (p.54). It is all so very conveniently self-serving stuff. Apparently, too, he has been drawing on his brief union background, wherever it might appeal, in the fight for the WTO job. Moore is ever the practised political poseur.

When Mike does make a really pertinent observation, he usually misapplies it. For instance, he declaims that: "Vested interests will always conspire against the rest of us to protect themselves. It's when they combine to control both the market and the politicians that we have to fear" (p.41). What is he talking about here? - the GATT/ WTO?; the Business Round Table?; the Rogernomics cabal? No, none of these: he is still attacking old style protectionism, not the free market elite. He is very critical of "cosy, crony capitalism and the moral hazard created by laws from which the powerful can benefit" (p.56). Yet Rogernomics implemented crony capitalism of the most blatant, banana republic sort with a few, well known beneficiaries. On the very same page Moore actually gives a quote from the Round Table about how NZ sovereignty has purportedly been enhanced by the opening up of the economy through trade agreements like the GATT/WTO and Asia Pacific Economic Cooperation (APEC). Interestingly enough, he repeats here National Party propaganda about how the Government is shedding debt when of course the country's actual debt burden is greater than ever. Mike never misses an opportunity!

In his torturous conflicts with the challenges of globalisation, Moore tries early on for the deeply profound paradox:

"At first glance these twin movements of globalisation and localisation, even tribalism, look like a clash of contradictions. Not so: they are opposite sides of the same coin. As people experience globalisation, they will want more and more to assert their individuality, independence and cultures" (p.15).

This is a good thing says Mike. However, he is worried too: "The world today is therefore less certain, more unstable" because of such activities (p.118);and, in fact: "The nation state is everywhere under siege by tribal impulses" (p.142). Oh dear, what then can the matter be? Well, Mike tells us that "a powerful worldwide movement is gathering political momentum" with lots of unsettling bids for "indigenous" independence (p.143). He draws no distinction here between the struggles of "first nation" peoples and other ethnic conflicts although his emphasis is on the former. In early 1999 it was the causes of ethnic groups like the Kosovo Albanians and the Kurds (long repressed with Western collaboration) which caught the world's attention. Most ominous of all are conflicts with a potential nuclear dimension as in the India-Pakistan confrontation over Kashmir. Mike's coin seems to be almost near the point of spinning dangerously out of control.

While he says that the indigenous worldwide movement is a good thing, Moore goes on to warn that "the situation is fraught with problems as the most mischievous and extreme among these groups argue that self-determination and sovereignty mean separate governments, a separate state" (p.143) - *cynical Nato allies with regard to the Kosovo Albanians perhaps?!* Instead, contends Moore, cultural sovereignty should be distinguished from political sovereignty (p.151). Fortunately, "international trade" will somehow "provide the security and economic growth" needed for the future (p.10). If Mike certainly addresses big, urgent questions here, his failure to recognise the disintegrative/competitive impact of globalisation both within and between societies leaves him with fundamentally flawed understanding. "Indigenous" peoples, especially first nation peoples, are so often responding to further exploitative inroads upon their lands and values.

Contradictions Galore

Moore's contradictions mirror his fall from grace. He embraces "international cooperation" yet promotes greater competition worldwide. He calls for efforts to overcome the "democratic deficit" while pushing programmes for corporate/plutocratic rule. All through his book glaring contradictions stand out. Moore is elitist in the grossest and most simplistic manner, e.g. his statement that "the powerful elite of business people, politicians and intellectuals are out of touch with the general population" as if all these people have our best interests at heart (p.9). You can hardly get more Orwellian than that. "Orwellian", moreover, is a term that Mike picks up and misuses in his book. Ironically enough, however, he can even warn about Orwellianism and politicians in the context of describing how democracy thrives on information and the competition of ideas (p.44). Apparently, he stands by his own record!

Privatisation and the free market are geared to suppress public rights to information and so eliminate collective participation in policy decision making, whether under the pretence of commercial secrecy, or because of the prohibitive cost of actually getting access to information; and, without the free flow of information any democratic participation is cut off at the windpipe. Mike's basic guru is Alvin Toffler and the supposed transition to a New Age civilisation where the world's population, or at least some of them, can supposedly thrive on the exchange of commercialised information and more or less ignore mounting problems over poverty, socio-economic inequalities, environmental damage, and pressures on resources like food, land, water and minerals (pp.46 & 170). Try eating information!

Yet even Mike's interpretation of Toffler's thesis is revealingly selective. For instance, in his bibliography he does not cite Toffler's "Powershift: Knowledge, Wealth and Violence at the Edge of the 21st Century" (Bantam, 1990). In this particular book, Toffler points to what he sees as deepening division between the information "fast" and the information "slow", and to "a significant shift of power from individual or groups of nation-States to the Global Gladiators. This amounts to nothing less than the next global revolution in political forms" (p.465). "Global Gladiators" for Toffler are a diverse grab-bag of movements and entities: religions, drug cartels, TNCs, regional organisations like the European Union (EU), private armies and other groups/groupings with international influence and deployment. But Mike still tries to cling to much of the traditional notion of the nation State even while demolishing it in the changes that he himself outlines for the new world order.

Moore asserts that his book "argues that the interests and independence of sovereign States are safeguarded and promoted through international agreements, treaties and institutions" (p.16). Whereas he does actually acknowledge (abuse aside) that some analysts have

(Continued on page 40)

(Mike Moore: From page 39)
suggested the Information Age will spell the end of the nation State, Mike's counter-arguments only wrap him further into the contorted trap of his own making. Power is supposedly going to devolve according to "the principle of subsidiarity" - i.e. "decision-making power should be devolved to the lowest level of power consistent with the nature of the problem" (p.15). Meantime, in Aotearoa/NZ, we witness the gathering assault on local government: the corporate-led campaign against citizen participation in democratic decision making on the use of local facilities and resources with the threat of privatisation of everything from waste to water; and we can only marvel whether Mike actually lives here or is totally zapped into his free market fantasy world. And this follows his career as a Rogergnome in the fourth Labour government. Commercialised totalitarianism seemingly eludes Moore's perception, even though implicit in his very own premises.

Instead, Mike indulges in empty, pious homilies, e.g.: "An open market without a conscience or compassion is like a truck without a driver. It can accelerate the trend for the rich to become even richer and the poor to become ever more desperate" (pp.60, 61). But the fact that a deepening divide between rich and poor is precisely what is happening, both worldwide and within Aotearoa/NZ, does not faze Mike at all - he simply denies fact. He unashamedly asserts that, "Increased equality and improved human rights will also flow from the liberalising of markets" (p.59). Statistics NZ has recently released figures reinforcing the already existing documentation of this deepening gap in Aotearoa/NZ, and also the emerging erosion of the middle class. When he is not just denying reality, Moore's whole approach - as indicated above - to regulating the free market is a clip on method: to somehow add "social insurance, environmental rules and measures to promote the disadvantaged" (p.60). Thus he badly misunderstands the logic of unfettered capitalism, which is hardly suprising.

There *are* enormous forces of globalisation, especially in communications and transport, that are impacting on us, and will impact on us. But given that all this is "manmade" we can yet assert the values of social justice, freedom, democracy, human rights and other vital values over these forces. If we do not then most assuredly we are resigning ourselves to a grim fate indeed. And in the end, according to the current conception of what globalisation is, and should be, only a small minority of humankind are really set to prosper - hence all the anguish from them when you work to expose this, especially their absurd accusations of conspiracy theory, if the clearly undemocratic consequences are spelt out. Mike, of course, is one of those eager to portray his critics as cranky conspiracy theorists (see e.g., p.86).

This is deliciously ironic when various New Right ideologues, including Cabinet Ministers, Simon Upton and John Luxton, along with the Business Round Table, have made clear that the grand ultimate design is a country where pretty well the only remaining function for government is the openly coercive function, i.e. the operation of the police and army to keep the masses in line. Indeed, it is democracy which the New Right wishes to destroy above all else, whatever may be their protestations to the contrary. Mike's big problem is that he is allied with such ideologues on free trade/investment as progress but wants to try and redefine the predictable outcomes to accommodate his own contradictory illusions about the survival of the nation State, democracy and citizenship.

Paradoxical Pirouettes

Despite any denial of wanting to dismantle the democratic State, Moore cannot elude the coils with which he has caught himself. Time and time again he pulls the rope ever tighter. He even refers at one stage to an assumed publication of Karl Marx that he calls "Withering of the State" (p.22). Apparently, hilariously enough, Mike has got himself confused with Upton's book and really means Engels' "Anti-Duhring" *(see p.385 of this book for the famous quote).*

But Moore persists in firmly rejecting the proposition that the State is in decline and will suicide. Instead, he agrees with one of his gurus, TNC pundit Peter Drucker, who is quoted as saying that probably "the nation State will survive the globalisation of the economy and the information revolution that accompanies it. But, it will be a greatly changed nation State, especially in domestic fiscal and monetary policies, foreign economic policies, control of international business, and perhaps in its conduct of war" (p.22). Incredibly enough then, Mike cites this particular quote in support of his own contention that in fact the State "will ultimately be strengthened by that (sic) changes that await us" (p.22).

It is worth noting at this point that Moore still bases his free trade case on the outdated (and badly flawed) theory of comparative advantage (p.31). Yet Drucker and others have boasted how they have turned this particular theory on its head. Today, they claim it is not so much complementary differences between countries that fuel trade as similarities! In fact, modern trade theory is confused and opportunistic, reflecting the deeper contradictions at work in capitalism today.

Back in the early '70s Drucker's slogan was ". . .we need to defang the nationalist monster" and replace it with TNC rule ("Global Reach: The Power of the Multinational Corporations", Richard Barnet & Ronald Muller, p.55). Mike got the term the "global shopping centre" from Drucker ("Global Reach", p.14). Indeed, Mike willingly flags away "economic sovereignty" (p.164) and rejects governmental "control" over economic "outcomes" (p.171). At the same time, he still blithely burbles on about how: "Market forces, *controlled* and encouraged, can work" (p.170; my italics).

This basic contradiction runs through so many of his arguments. He asserts that his "book advances the doctrine of independence through interdependence" (p.16). Likewise: "The true nationalist and patriot is also an internationalist. This is not a contradiction" (p.38). In this regard, his favourite sleight of hand trick is to simply identify "internationalism" with what he understands as "globalisation" (or "globalism"). Naturally, neither of these terms are defined by Moore. Internationalism can refer to a vision of cooperation and sustainability very different to the version that he promotes.

Occasionally, Mike comes up with a few really humorous lines. For instance, he wants to "try democracy"; to "see the bigger picture" (he should read GATT Watchdog's quarterly publication, *The Big Picture*); and to abjure "sweet dreams and fairytales" which "are easier to sell to anxious voters" [hark to the GATT propagandist!] (pp.10,11). There are even some outstanding "Mooreisms", e.g. "We all treasure ancient and new literature. Shakespeare and Mickey Mouse . . ." (p.38).

Struggling in his coils, Mike continually falls into some big holes. Probably the deepest one is his praise for the Internet as the expression of a vibrant new form of democracy. "The new Information Age means that electronic-based grassroots pressure groups and the media have more power than most politicians" (pp.12, 13). He is certainly truthful to some extent about the possible power of the Internet although the threatened powerful "vested interests" to which he refers in this particular context are now seeking ways to try and control this democratic medium too. The biggest irony is that it was the unprecedented international mobilisation of NGO resistance on the Internet that blew apart the Organisation for Economic Cooperation and Development (OECD)-orchestrated campaign to foist Mike's beloved MAI on to the globe. My, my, Mike, real internationalism at work! "God bless the Internet", says Mike (p.82). Amen!

An article in *The Independent on Sunday* (UK, 10/1/99) was aptly titled, "How the Web Saved the World", and explained how "the world's most clandestine treaty has been exposed" on the Internet; and how this "most secret treaty turned out to be a political Dracula which simply could not survive the light of day . . .". So the MAI was a vehicle of globalisation that was derailed by concerted international democratic action - at least for the moment. A great triumph of people power.

For Moore, however, MAI is the fulfilment of all his dreams (pp.50-52). Fact, as usual, is certainly not allowed to get in the way. He gives the same old, worn cliches about the benefits of foreign investment that were exposed in *Watchdog* 88 (September 1998) - along with all CAFCA's publications! - e.g. his claim that only 10% of profits are remitted offshore (see p.50 of his book). Incidentally, the Treasurer, Bill English, has admitted to 80-90% of profits being repatriated by foreign companies (TV1, *One Network News*, 30/6/99), completely contradicting the claims by Trade Minister, Lockwood Smith. Mike touts the MAI as completely harmless and asserts that it would not change any domestic legislation here in Aotearoa/NZ. Both the Overseas Investment Commission (OIC) and the Treaty of Waitangi would serve as protections anyway. Given the TNC threat to Maori values and CAFCA's ongoing exposure of the farcical, open-door OIC, Moore's words are as silly as ever, aside from all the other damning revelations about the meaning of the MAI.

It is very important to monitor what happens to the MAI proposals and keep a close watch on the activities of politicians like Moore. In December 1998 the life of the WTO's trade and investment working party was extended indefinitely, enabling it to incorporate some of the MAI provisions in the new upcoming Millennium Round of negotiations (starting in Seattle, USA, in November 1999). It was the Clinton Administration, "whose civil servants dreamt up" the MAI, with lots of inducements and help from the TNC brigade, and the US will be determined to achieve its goals wherever the opportunity arises (*Independent on Sunday*, 10/1/99).

Mad Mike maintains that: "Far from weakening the integrity of a nation's State and allowing the great multinationals to ravage the world, I believe the GATT and the WTO do the opposite" (p.72). As usual Mike merely states his fond belief with little evidence and with his case already undermined by many of his own statements. His strongest point is the alleged success in a couple of instances by small countries against larger countries in the WTO disputes system (p.73). But there are many other factors - from overall context to particular trade-offs - involved in these trade/investment relations about which Moore is silent.

In *Focus on Trade* (no. 33, January 1999), Aileen Kwa, of the Focus on the Global South, emphasises that "the WTO's brand of free trade has expanded the freedom and powers of TNCs but has severely curtailed the interests of developing countries". This is due to a set of causes with deep roots in colonial/imperial history. So far as the disputes institution is concerned: "Developing countries have discovered that finding recourse in the dispute settlement system is costly and requires a level of legal expertise which they may not have". Moreover, the principles informing the system - "whether a country is violating free trade rules" - are not oriented to their development needs. The odd relative success counts for little. Nelson Mandela has pointed out that in the GATT Uruguay Round: "The developing countries were not able to ensure that the rules accommodated their realities . . . it was mainly the pre-occupations and problems of the advanced industrial economies that shaped the agreement" (ibid). Does Nelson wear his underpants tucked into his shirt?

Yet sometimes Mike can accidentally give an insight into the operations of global control. For example, in the course of an argument as to the benefits of free trade,

(Continued on page 42)

he describes how the IMF rescue package for Mexico helped maintain jobs in the US by propping up the demand for American exports (p.54). Indeed, says Mike, "all the money the US has given to the IMF since the fund's inception has been paid back not only in full but with interest" (p.58). This US/IMF intervention is seen as part of the free trade system. Compounding problems temporarily plastered over do not really worry Moore if they benefit the big boys (and their hangers on). The global contortions/contradictions of free trade may multiply but Mike soldiers on, his faith unshaken.

Weird And Wacky

On the very exceptional occasion, Mike can make an unusually profound observation like the rather sudden declaration at the end of his chapter on "Future-proofing New Zealand" - *"We are in deep trouble"* (p.109). Whereas he welcomes international competition as the creator of jobs (p.54), he still ironically elsewhere acknowledges that: "Productivity has become uncoupled from employment . . . New technologies and the international competitive drive mean downsizing to seize and maintain a competitive cost advantage" (p.104). Gosh, is there a momentary inkling there of the competitive race to the bottom and the erosion of standards, protections and safeguards? What of his beloved MAI?

But Moore dismisses the lowering of standards through the constant, predatory search by TNCs for cheap labour as an economic "fallacy" which particularly ignores the question of "labour productivity" (p.53). His dismissal also applies to other aspects of the TNC search to reduce costs. Again, he dutifully cites Madeleine Albright who has claimed: "The evidence is clear that globalisation is not lowering standards around the world, it is raising them" (p.52). However, later on, Mike ponders the vexed issue of wage rates in developing countries: "Wealthy companies often appear keen to take advantage of lower environmental and labour standards in developing countries in order to increase profits which could be seen as exploitative" (p.74). Furthermore, he draws attention to the fact that: "Part-time jobs have burgeoned in all Western countries . . . Working conditions are eroded" (p.104) - gee, Mike! Next, in light of such considerations, he calls for "new forms of public works" even though his free market policies would eventually either disallow or subvert these (p.105).

Along with all this stuff, Moore has an interesting gallery of minor heroes of globalisation for NZ. For instance, there is the "old Marxist", Ken Douglas, who recently joined the honours list. Ken can certainly now "see beyond the battle cry of the last class war" as Mike so delicately puts it (p.102). Then, too, one of his favourite "New Zealanders" is: "A brewer who has opened plants in Australia and China . . . and is bold enough to form a global brewing power and merge with a Japanese producer" (p.108). Mike sure knows how to grease up to the rich and powerful! This brewer, Douglas Myers, NZ's wealthiest man and a pillar of the Business Round Table, gained handsomely on the merger deal. Yet Myers is also one of those operatives of globalisation about which Mike has expressed concern - at least indirectly with regard to the lowering of standards. After all, Mike was earlier critical of the attacks of the Round Table on "workers' conditions" (p. 100). Globalisation is sure confusing, ain't it, Mike?!

Moore is incapable of distinguishing between the autarchy model and self-reliant alternatives. He even gives examples of colonisation by the spread of European diseases in the Americas and also Aotearoa as arguments against self-reliance. In his view, this all goes to show that the "self-sufficient" State is doomed to fail (p.33). Accept our exports - and accept our diseases too!

He says that the "march of civilisation has been a story of vibrant, often violent, internationalism . . ." (p.30). Mike, of course, is a strong supporter of the US war on Iraq and securing the Western supply of oil and other strategic resources. However, for him the "argument that the rich are consuming too much of the world's resources" is wrong (p.180). Why? Basically because Mike says so. We all can get rich and consume as much as we want - it is called "sustainable development", or rather the sustainable free market (p.166). Somehow the market and consumption can *both grow and not grow* with increased affluence all round (compare pp.161 & 166). And despite the well documented decimation of NZ's fisheries he points to them as a "world first", a model of "sustainable fishing" (p.180).

Most tellingly, Moore constantly draws attention to growing problems of globalisation for which on his own premises he can offer no solutions. For instance, he quotes Drucker about the remarkable mobility of money in the "financial cybermarketplace" - of "virtual money" which serves "no economic function": in other words, the unprecedented potential for the sort of financial speculation that has rocked the world of late and threatens even greater instability in the future (pp.22, 23). But Mike has no answer to this. Indeed, he goes on to quote Drucker to the effect that since business will live in a borderless world the "tax base will shrink dramatically" (p.23). So much for the survival of good government. Meanwhile, the New Right keeps up its attack on taxes to run down, indeed eliminate, the Welfare State and thus increase inequality - something that Mike buys into as well (p.93).

He is gung ho about the new biotechnology, criticising the "Luddites" who want to try and control it. While he recognises on the one hand that it might be outstripping "our capacity to deal with the ethical issues involved", we will just have to learn somehow to cope with it (p.27). Of the very real question as to whether democracy can survive biotechnology Mike is silent yet once more. Despite the mounting corporate charge against

(Mike Moore: From page 41)
environmental legislation, both on the domestic level here and on the international scene, he can pose as a defender of environmental protection through greater commercialisation . . .(p.171). As a typical Rightist, Moore blames the bulk of environmental damage on population growth and poor people (p.162). On the other hand, he does recognise that the wealthiest nations "consume the most resources, release the most pollution, and have the greatest capacity to make the necessary changes" (p.166). Mike is positively brimming with inconsistent platitudes.

Finale

The book is composed then of the rambling thoughts of Chairman Mike on this and that, liberally interspersed with plenty of quotations from his favourite writers, and riddled with repeated moralistic exhortations to trust him and his corporate mates, and everything will turn out okay. His mind can skip from point to unrelated point like a grasshopper which in turn reflects his magpie-like, ill-digested gathering of information. Disorganisation rules!

As emphasised in this review, Mike repeatedly points to certain trends while demonstrating his inane incompetence to comprehend obvious meanings and implications. One very significant trend that he warns about is the likelihood of increased violence; and he says that, in response to threats like terrorism, "security will soon be the fastest-growing industry outside technology and entertainment" (p. 28). Goodness, Mike, this looks suspiciously like the Marxist theory of class warfare on a massive scale, somehow smuggled back into your wonderful new Millennium.

In sum, Moore's book is much more than just the confused views of one man - its significance lies in its expression of the mounting contradictions/problems at the heart of free trade and globalisation in general. At the end, Mike appeals for "trust and faith" to be learned by the masses (p.184). It is "the greatest challenge for today's leaders". Sorry, Mike, you flunk the test along with your free market mates.

"RIO TINTO: BEHIND THE FACADE *1998 STAKEHOLDERS REPORT*"

International Federation of Chemical, Energy, Mines and General Workers Unions (ICEM). ISBN 0 9585647-9-5

- Reg Duder

This annual *Report* - while being solely about Rio Tinto's worldwide reach from its London HQ - I have to wonder who could do so thorough a report on such a titan of a transnational as this. The inside cover lists addresses and websites of ten further sources for information but I must confine myself to reviewing this *Report*. The first thing one notices when reading this is the compactness and nicely rounded style of the writing, offering neither too much nor too little for most readers' taste. I feel they have got it about right. This *Report*, of only 30 pages from cover to cover, is simply full of facts and well researched information.

Two subjects immediately come to mind to illustrate this. The first is that Rio Tinto's company earnings fell by 43% in 1998. The company's directors seemed to snap their fingers at that; their response to the news was to hike up their own incomes by 27%, whilst Rio Tinto's aggressive campaign continues against collective bargaining by employees.

The second is that the authors claim that Rio Tinto itself, by its very corporate behaviour and drastic decline in earnings, has joined the list of its own victims. There is plenty more, of course: Rio Tinto's leadership in wrecking international laws; total disregard for International Labour Organisation and United Nations treaties; illegal talc mining in Austria (which led to the sudden subsidence of that mine, in 1998, killing ten men, and the decision by the Austrian government to prosecute the RioTinto subsidiary which operated the mine).

This report is well worth reading, whether mining is your interest or not. This is a good publication of its type - get it if you can.

Rio Tinto is the owner of Comalco, hence this *Report* is directly relevant to New Zealanders. It analyses the following areas: economic performance; principles, policies and public relations; health, safety and the rights of workers; indigenous people: their land rights; and the environment.

The *Report* can be obtained from the Mining and Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU), 3rd Floor, 361 Kent Street, Sydney, NSW 2000, Australia; ph (61 2) 92621011; fax (61 2) 92621928. Or you can download it directly from the Internet at: **www.icem.org** You can learn about the international union campaign against Rio Tinto at: www.icem.org or www.cfmeu.asn.au/mining-energy

INFRATIL: Privatiser For Hire

- Bill Rosenberg

If you have been following the still trotting (if not galloping) privatisation of our assets, you will have noticed the name of Infratil from time to time. It was set up with the purpose of taking shareholdings in "infrastucture and utilities" (to give it its full name). Since most of these in Aotearoa have historically been Government created and owned, that means it is making most of its money out of privatisation.

Infratil is a somewhat unusual company. For one thing, it was, until quite recently, substantially New Zealand owned and controlled. For another, it is operated in an unusual way: it is managed and largely controlled by HRL Morrison & Co. Group Ltd, founded and run by Lloyd Morrison, the man behind Infratil.

The company has most recently been brought to our attention by its increasing overseas control. Lend Lease, an Australian giant with at least one skeleton in its cupboard – involvement in the 1998 Sydney water supply scandal – is starting to take over Morrison & Co. We have also noticed its role in the current electricity buying frenzy. But those are only the latest signs of its activities.

Who Is Infratil?

The Infratil group of companies consists of

- Infratil Australia, which operates in Australia;
- Infrastructure & Utilities NZ, which invests in utilities in Aotearoa; and
- Infratil International, which invests in international utilities.

All are all listed on the New Zealand Stock Exchange although Infratil Australia is also listed in Australia.

Through its focus on utilities, Infratil, through Morrison, has, in effect, specialised in privatisations. Though Morrison claims expertise in a wide range of utilities, the skills it details are largely in takeover advice and financial management of these companies: valuations, pricing, and the like. It describes itself on Infratil's web site (http://www.infratil.co.nz/index.html) as follows:

> "Morrison & Co is a specialist infrastructure advisory house established in August 1988. The firm operates from key offices in Brisbane, London and Wellington with additional staff based in Melbourne and Sydney.
>
> "Morrison & Co is a specialist advisor to major infrastructure industries including electricity, airports, ports, gas, railroads, water and wastewater. The firm has developed substantial technical expertise in the areas of restructuring and industry reform, utility-based corporatisation and privatisation, utility regulation and competition pricing policy, wholesale electricity market design and electricity contracting, utility pricing theory and project structuring and finance".

For example, the company boasts of advising unsuccessful companies in the privatisations of Papakura's water supply and New Zealand Rail, negotiating an agreement between Infratil NZ and the Rodney District Council to jointly investigate and assess the viability of a toll bridge/road project at Weiti River, north of Auckland ("if completed the project would be the first privately owned and operated road project in New Zealand"); and working with New Zealand Post on a tender for managing the privatised Argentine postal service.

In Aotearoa

Infratil is a growing power in the transport and utilities sector in Aotearoa: Datex lists the following holdings for Infrastructure & Utilities NZ (April 1999):

- TrustPower (Rotorua energy supplier, 25.8% interest, but see below);
- CentralPower (Palmerston North/ New Plymouth energy supplier, 21.5%);
- Port of Tauranga (24.7%); and
- Wellington International Airport (66%)

It also has 10% of Pukeariki Holdings (New Plymouth City Council owns the other 90%), which owns 50.4% of PowerCo and 9% of CentralPower (*New Zealand Herald*, "Shareholders denied details on power bids", 18/5/99, p.C1). It recently sold shareholdings in Auckland International Airport, Ports of Auckland, Lyttelton Port Company and Enerco (company announcement 17/5/99, "Infrastructure & Utilities Preliminary Result").

In TrustPower, Infratil is playing a "Trojan horse" role. It and Alliant of the US (which directly owns 10.1% of Infratil, according to an Infratil announcement on 17/5/99) have formed an alliance. Between them they now have 43.74% of TrustPower, effectively giving Alliant control of the fourth largest electricity retailer after TransAlta of Canada, Contact of the USA, and ECNZ fragment, Mighty River. TrustPower has 218,000 customers (as of March 1999, according to a company announcement on 14/6/99), and 409 megawatts (MW) of generating capacity, producing 1,900 gigawatt hours (GWh) of electricity from 37 hydro stations and a wind farm (according to Datex, Infratil and the above company announcement). Infratil and Alliant are continuing to increase their shareholding in TrustPower: in early June 1999, Infratil announced it was increasing its shareholding to give the two companies about half of TrustPower, and Alliant was trying to buy 14.98 million convertible notes from the Tauranga District Council. Infratil was willing to pay up to $6 a share, compared to the price at the time of $4.03 and an issue to Australia Gas Light (AGL) at $2.80. However, AGL also claimed the District Council's shares, and Alliant and AGL are having it out in court (*Press*, 9/6/99, "Infratil seeks TrustPower", p.29; 25/6/99, "Infratil answers TrustPower", p.31).

The statement announcing the joint venture with Alliant described the U.S. company as follows:

> "Alliant Energy Corporation was formed last year through the merger of three neighbouring US energy companies – IES Utilities serving Iowa, Interstate Power Company serving northern Iowa, southern Minnesota and Illinois, and Wisconsin Power & Light Company, serving Wisconsin and parts of Illinois.
>
> "Alliant Corporation manufactures and markets electric energy from 18 generating facilities with a total output of nearly 5,000 megawatts, enough to light 1.5 million homes. It has more than 850,000 electricity customers and 360,000 natural gas customers and approximately 6,000 employees. Assets to year-end 1997 exceed $US5 billion" (18/2/99, "Infratil signs JV agreement with Alliant").

We described IES, when it first received OIC approval to enter Aotearoa in April 1996, as "probably looking at being another TransAlta or UtiliCorp, planning to buy some electricity generation or supply assets in Aotearoa. It could even be planning to build its third nuclear power station". We weren't too far wrong.

Infratil's stake in Wellington International Airport is through the holding company, NZ Airports Ltd, which owns 66% of Wellington International Airport. NZ Airports was originally owned 40% by Alliance Life Common Fund Ltd of the UK, 20% by Foreign and Colonial Special Utilities Investment Trust Plc of the UK, and 40% by Infrastructure and Utilities NZ Ltd. The NZ Airports consortium was put together to satisfy New Zealand First demands that the airport be majority New Zealand owned. With the Wellington City Council owning the other 33%, that was briefly achieved, assuming Infratil remained a New Zealand company.

Infratil has now bought out its two partners in NZ Airports, exchanging their consortium interests for convertible bonds and warrants in Infratil (statement by Infratil Chairman to Special Meeting, 19/3/99). Infratil is now controlled by an overseas company, and has entered commitments making it likely that the overseas ownership and influence will increase. So even New Zealand First's modest gains – over which it broke up the coalition government and, in short order, itself – have been reversed.

(*Listener*, 15/5/99)

In Australia

Infratil Australia's main assets according to its web site are

- Perth International Airport (49.5% owned);
- Southern Hydro (50.2%: 480MW hydro in Victoria);
- Northern Territory Airports (51%: Darwin, Alice Springs and Tennant Creek airports)
- Port of Portland (100%: bulk port in Southern Victoria);
- StateWest (50%: supplies gas and diesel fueled generators to the mining industry in Western Australia).

International

Infratil International has been less successful. The company's web site lists Infratil International's holdings as

- Airport Group International (11.8%): US headquartered international airport owner and operator; and
- Sea-Land (Australia) Terminals Services (50%): joint venture to establish a new container terminal at the

(Continued on page 46)

(Infratil: From page 45)
Port of Brisbane.

However, both of these are in trouble. In May 1999 it announced that it would have to sell out of the Airport Group – thwarting its aim of having investments in airports worldwide – because the Los Angeles-based company had agreed to sell its assets to British property and airports company, TBI. It would make a small loss on the sale. In addition, its Sea-Land project in Brisbane "was continuing to incur start up losses" (*Press*, 24/5/99, "Infratil Int rethinks future after AGI sale", p.35).

Lend Lease Taking Control

In March 1999, the Overseas Investment Commission gave Lend Lease Corporation Ltd of Australia approval to acquire 100% of HRL Morrison and Co. Group Ltd for a suppressed amount. In fact, according to an announcement to the Stock Exchange, Lend Lease is buying only 25%, but has a right to increase its shareholding to 100% over a five year period (4/3/99, "Lend Lease invests in Infratil manager").

Lend Lease Corporation is owned 74.72% in public shareholdings in Australia, 13% by LL (Lend Lease) Employee Holdings Custodian Pty Ltd, 7.56% by The Capital Group, Inc, of the USA, and 4.72% by Merrill Lynch Asset Management of the USA. Until this purchase, HRL Morrison and Company Group Ltd was owned 73.3% by the HRL Morrison Family Trust (whose beneficiaries are members of Lloyd Morrison's family) and 26.7% by JML Trust (whose beneficiaries are members of Liberato Patanga's family).

The purchase is not simply a passive investment for Lend Lease. The announcement says that

> "As a result of the purchase, Morrison & Co and the Infratil companies will become the focus of Lend Lease's Australasian infrastructure activities. The Infratil companies will have preferred investment rights to any infrastructure development to be undertaken by Lend Lease in Australasia".

Lend Lease is described on Infratil's web site as

> "an Australian based international real estate and financial services group operating in Australia, New Zealand, North America, Europe, Asia and South America. Established in 1958, Lend Lease Corporation is listed on the Australian and New Zealand Stock Exchanges and is one of Australia's top twenty listed companies. It has a current market capitalisation of approximately A$11.1 billion... Funds under management total A$71.3 billion, with A$46.2 billion in property assets under management on five continents (as at 31 December 1998). Lend Lease's global real estate investment management ranks as one of the largest in the world".

Lloyd Morrison, Executive Chairman of Morrison & Co, described the advantages Lend Lease would bring as

> "Lend Lease will enable Morrison & Co and the Infratil companies to become involved in the water and waste water sector, in rail and in greenfield infrastructure developments. Lend Lease was a successful co-developer of the Ord River Hydro scheme and the Tower & Appin coal seam methane power project. It is currently co-developing the BP co-generation project in Brisbane and is the preferred co-developer of the extension of Sydney's Eastern Suburbs rail link to Bondi beach.
>
> "Lend Lease also has several joint ventures with Suez Lyonnaise des Eaux in the water and waste water sectors. These include the development, ownership and operation of the Prospect Water Filtration Plant – one of the largest plants in the world – which supplies 80% of Sydney's drinking water. Lend Lease is also co-constructor and will be co-operator of the Manukau waste water plant in Auckland".

Lend Lease, Giardia, Cryptosporidium, Suez Lyonnaise, & The Sydney Water Scandal

What Morrison does not mention is the controversy surrounding the Prospect Water Filtration Plant in Sydney. In August and September 1998, Sydney was hit by giardia and cryptosporidium infestations in its water supply. For several weeks, all Sydney residents were advised by public health authorities to boil their water before use. The situation unsurprisingly caused a public uproar, with views expressed not unlike those during the blackouts in Auckland earlier that year. The commercialisation of Sydney's water supply, creating the Sydney Water Corporation (with subsequent profit grabs by the State government), and privatisation of the operation of the filtration plants, were important elements of the controversy. The *Sydney Morning Herald*, for example commented (7/8/98, "The cash has already been spent", by Murray Hogarth, Environment Editor, http://www.smh.com.au/news/9808/07/text/pageone5.html):

> "The story behind the crisis presently surrounding the biggest treatment plant of all, the $A200 million Prospect facility owned and operated by Australian Water Services (AWS), is a cautionary tale.
>
> "The old Water Board signed a secret contract late in 1993 for AWS to build the plant, which is being paid off over 25 years at a cost of more than $A2 billion to water consumers. Despite expectations that the plant would stop 99.9% of giardia cysts and cryptosporidium oocysts, any duty to target the bugs was specifically excluded from the contract.
>
> "Confidential papers reveal that early in 1993 the old board was being warned that it faced rising costs, legal action for damages and severe embarrassment for itself and the Fahey (State) government if the controversial private water deals were delayed. At that time the board held the powerful position of being both the proponent for the plants and the determining authority for its own environmental impact statements.
>
> "There also was obsessive secrecy based on claims of commercial confidentiality. The board later refused to give a Parliamentary inquiry access to all information about the contracts and top secret government guarantees to the private bidders.
>
> "The latest inquiry is likely to be told that AWS, a joint venture between the multinational private water company Suez Lyonnaise and the powerful Australian group Lend Lease, originally wanted to build a bigger and better plant. But that would have cost more, and insiders say Treasury was already upset.
>
> "'Treasury kept saying `we do not want to build the treatment plants", says Bob Wilson, the board's managing director from December 1987 to April 1993. 'Treasury thought that being a shareholder only meant dividends. It did not understand that you have to grow the company.'
>
> "As a compromise, Wilson says, Prospect and the other plants were designed to be easily upgraded. However, despite dramatically increased knowledge of the threats from cryptosporidium, in particular since 1993, there has been no upgrading.
>
> "Now a microscopic pre-millennium bug in the city's water has plunged the Carr (State) government, its Coalition predecessors, Sydney Water, Suez

(Continued on page 48)

> Lyonnaise and Lend Lease into bitter conflict, deep embarrassment and real losses. At stake are political and corporate reputations, the jobs of highly paid executives and a long running marketing campaign that hyped Sydney's tapwater as among the world's best – good enough to bottle, too good to waste. So how could one of the biggest and newest water filtration plants in the world, built for one of the biggest water utilities in the world, by one of the biggest private water companies in the world, fail to insure against a water scare of the size Sydney has just experienced?"

Hogarth shows that the risks of contamination were well known, and that evidence for the problems had been around since at least 1993. He reports:

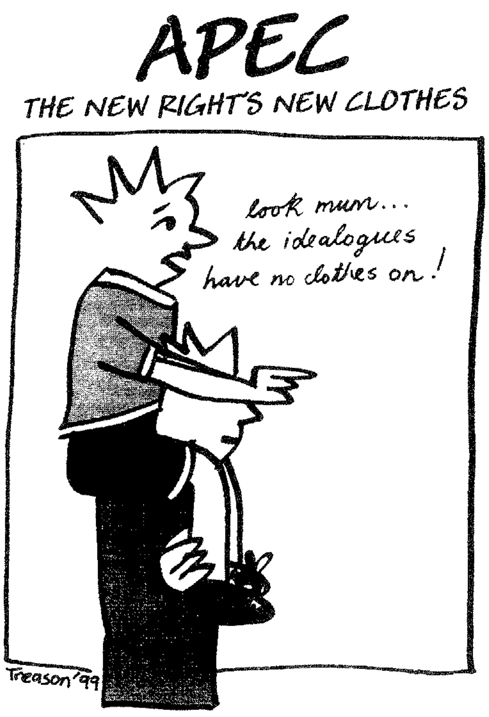
> "The old board's project manager for Prospect, Bill Johnson, recalls that giardia and cryptosporidium were always on the agenda with the water treatment plant design team. They even designed a simple, inexpensive particle-size monitoring system to give an early warning if filtration was failing.
>
> "'This stuff was thoroughly researched,' Johnson says. But he says that when it became a commercial deal 'it all became very secret after that'. So secret that the early warning system disappeared altogether and has resurfaced only this week as one of the possible urgent improvements to make Prospect safe in the future."

While a subsequent Royal Commission of Inquiry into the Sydney water debacle found that the selection of AWS as the successful tenderer for Prospect "was done with honesty and without influence from any inappropriate source", it made clear that cost cutting led to low water standards:

> "As it happened, AWS offered the lowest price for the Prospect plant. When analysed appropriately, it offered a price which, over the 25 year term of the contract, had a net present value that was $A40 million less than the nearest tender price, which was offered by the Wyuna consortium. At the time AWS was selected as the preferred tenderer, it had not proved its treatment process to the satisfaction of the Board's technical assessment team. This problem was dealt with by AWS offering a guarantee to provide an alternative filter medium if its proposed sand medium could not meet the Board's specified filter run times. In adopting this approach, the Board took a significant risk but, as it happens, no problems emerged. AWS was ultimately able to prove its technology. However, the process of selection was concerned more with obtaining the lowest price rather than ensuring the highest quality technology".

AWS insisted that, in terms of its contract, it did not have to treat for giardia and cryptosporidium to the intended standards of removing 99.9% of pathogens. The inquiry found that "there are indications that on occasions the plant will not achieve this level" (from fourth report of the Commission of Inquiry, http://www.premiers.nsw.gov.au/publications/pubs_dload/sydwater/rep4/chap1.htm).

Suez Lyonnaise des Eaux of France is one of the two largest water transnationals in the world, and owner of Waste Care in Aotearoa (*see our commentary on the OIC's March 1998 decisions. Waste Care is in the process of being bought by our old mate, Waste Management, of the US. Ed.*). It claims its expertise as the reason that central and local governments should privatise their water supplies. Clearly, Lend Lease's partner is unwilling to apply that expertise if costs get in the way. And Lend Lease is happy to play along.



OUT OF A JOB
Auckland Unemployed Workers Rights Centre Closes

- Murray Horton

Not only have we lost Bruce Jesson, one Auckland icon of the New Zealand Left (*see his obituary elsewhere in this issue. Ed.*), but now we've also lost the Auckland Unemployed Workers Rights Centre (AUWRC). The contrast couldn't be greater - Bruce was a writer, intellectual, theoretician, but one who had also been chairman of the Auckland Regional Services Trust, in charge of a billion dollars worth of assets. AUWRC was always into action, of the most direct kind - it built a well earned reputation for being at the cutting edge of the radical Left. It was also heavily into practicality, being an integral part of the superb central city Auckland People's Centre, offering a huge range of services for the unemployed and working poor. AUWRC also had its own publication, the much appreciated *Mean Times*, which went free to the several thousand members of the People's Centre, and on an exchange basis with publications such as *Watchdog*. It might have lacked the sophisticated political analysis of a Jesson, but it got straight to the point - my favourite regular section was its "Maggot of the Month".

Sue Bradford

Sadly, AUWRC hasn't closed because its work is done. When it opened, in 1983, unemployment stood at 100,000. Now it has doubled. AUWRC closed because of dwindling financial and human resources, an all too common problem in the Left. The rest of us should be thankful that it lasted 16 actionpacked years. The People's Centres (there are three of them in greater Auckland) are continuing, and AUWRC's key people, including Sue Bradford, have certainly not been lost to the movement (*Holmes* Show obituaries notwithstanding, reports of Sue's retirement are greatly exaggerated). They are key organisers in the campaign opposing the APEC Leaders Summit (this September, in Auckland); Sue herself is the Green candidate for Rodney this election (the Bradfords live near Wellsford).

AUWRC were the militants, who took a very in your face approach to their targets, banging their heads figuratively and literally against the palaces of the mighty (in Sue's case, all too often having her head banged against any nearby solid object by the hired knucklemen of the mighty). You name it, AUWRC had a full on demo against it - the unemployment bureaucracy, Governments both Labour and National, the Business Round Table, Jenny Shipley, the Asian Development Bank, the Commonwealth Heads of Government Meeting, the Beyond Dependency conference, conferences to attract foreign investors. Their demos were always accompanied by wonderful songs and street theatre (in 1997 they toured the country with "proper" theatre and very good it was too). They paid a fearsome price for this militancy - police bashings (leading to serious injury in some cases), innumerable arrests, court cases and imprisonment. They never gave up - on *Holmes*, Sue couldn't remember how many times she'd been arrested and/or roughed up by the cops. The media always personified AUWRC as Sue, but she was far from alone - there was her husband Bill, their kids (so, no, not all children of radicals grow up to be bank managers), Caroline Hatt, Karen Davis, Ivan Sowry, and many, many others too numerous to mention.

CAFCA was proud to be their comrade in arms. They never took the soup kitchen approach to unemployment; they resolutely condemned the charity model and welfarism in general. Both AUWRC and the Peoples Centres demonstrated how the poor and unemployed could proudly stand on their own two feet (Shipley and co want them to do that too, but only so that they can sell off the chair from under them). AUWRC always said that the root cause of the problem is our old mate - capitalism - and set about sticking it up the capitalists with gusto.

I never met Sue nor visited the downtown People's Centre until 1992. Since then I've made up for lost time, making it my home away from home when in Auckland and AUWRC has been CAFCA's key contact in Auckland, as recently as my March 1999 North Island speaking

(Continued on page 50)

(AUWRC: From page 49)
tour (when I spoke at two of the Centres in one day). I've spoken at AUWRC several times; CAFCA committee member, Dennis Small, was flown up there to speak also (AUWRC was a key Auckland contact for any number of other groups too. For example, when the Philippines Solidarity Network of Aotearoa brought Leonor Briones to NZ in 1995, AUWRC was the Auckland host and organiser, despite being in the whirlwind of protest that accompanied the Asian Development Bank meeting). I have vivid memories of my 1994 talk there - before I'd uttered a word, an old bloke in the audience keeled over with a heart attack. He was saved by Caroline Hatt and the People's Centre doctor, and rushed to hospital in an ambulance (during a wild storm). As I was about to speak to my 1999 meeting there, Sue must have read my mind and rushed me a note saying "Be careful what you say, as he's just walked in the door". He and I had a laugh about it all afterwards - as he'd never got to hear what I had to say in 1994, he turned up (uneventfully, thank God) to do so in 1999.

The Rights Centre and all it stood for will be sadly missed. But thanks for everything you've done, thanks for having the guts that so few others exhibited, thanks for all the fun, and thanks for the great memories.

MAKING NEW ZEALAND "ATTRACTIVE" Some Of The Indirect Effects Of Foreign Investment

But there's still plenty of scope for the work of AUWRC or a similar body, as this extract from my "A Beginner's Guide To Foreign Control" amply demonstrates.

"Making New Zealand 'attractive' to foreign investment has involved bulldozing the fabled playing field, with the result that a 1996 study concluded that 20% of the country's population fell below the poverty line. The 1996 Census established that 60% of Christchurch's people, aged over 15, earn less than $20,000 gross (and I'm certainly one of them). There is a rapidly growing economic divide between rich and poor. A 1998 Massey University study found that the top 5% have increased their share of the national wealth by 25%; the next 15% barely held their ground; and the bottom 80% are worse off. A 1998 report from the Catholic Bishops concluded: 'Our economic policies have redistributed income upwards from the poor to the already economically advantaged' (*Press*, 30/3/98). Inequality is rising faster here than in virtually any other counry in the Organisation of Economic Cooperation and Development (OECD), the 'rich countries' club', to which NZ belongs. Bill Birch has proclaimed himself in favour of such accelerating inequality.

"It has led directly to atrocities like the Employment Contracts Act which returns workers to the 19th century in terms of wages, conditions and union rights. Employment safety conditions are now as bad as 100 years ago. 56 workers were killed on the job in 1998, a 43% increase since 1993. Making us 'attractive' has led deliberately to massive institutionalised unemployment. I speak as one of the more than 80% of Railways staff declared surplus to requirement since the mid 80s. Unemployment is growing again, currently sitting at 7+%. More than 13,000 workers were made redundant in 1997/98 alone.

"It has led to moves to put the burden of unemployment on the unemployed by cutting the dole and suggestions of a time limit on how long you can be on it. New Zealand First's big idea for the former Coalition Government was to introduce the American scheme called workfare ie to make beneficiaries, not just the unemployed, work for their benefits. The 1997 Budget took it further, instituting a 'code of social responsibility' for beneficiaries, namely to impose conditions for them to continue to receive benefits. The 1998 Budget (Winston Peters' swansong) institutionalised this beneficiary bashing, requiring them all, even the chronically sick and disabled, to be work tested, and was accompanied by the 'dob in a bludger' TV ads encouraging people to anonymously inform on beneficiaries. Workfare started in 1998, complete with benefit cuts for those who are 15 minutes late for an interview or cancellation of the benefit for 13 weeks for 'persistent non-cooperation'. Already, this punitive campaign has led to individual horror stories. A Tory Christchurch City Councillor has described workfare and its ilk as 'neo-Nazi, purist, Aryan theories that this Government is pushing' (*Press*, 11/5/99). The Government has stopped collecting welfare data, because it doesn't want the devastating impact of its "reforms" to be officially tabulated.

"Employers are campaigning against both ACC and the judicial system, claiming the Employment Court is 'pro-worker'! The Government attacked the Holidays Act, seeking to allow employers to buy off workers' public holidays and one of their three weeks annual leave. Public opposition forced a temporary halt to that.

"Previously unheard of foodbanks now play a vital role in every city - Christchurch alone has nearly 50 of them and the number of people needing their services is growing steeply. Not just beneficiaries either, lowpaid workers are increasingly to be found at foodbanks. New Zealand has the worst figures in the developed world for diseases of poverty, such as rheumatic fever, which is impairing the learning ability of up to one third of children in the Porirua area. Cerebral meningitis, a fearsome and deadly disease of poverty, is present in epidemic proportions and no end is in sight to its spread. TB is back and despite Government attempts to blame it on Pacific immigrants, doctors firmly point the finger at poverty as the cause (I personally have been exposed to it and had to be tested. The exposure took place in Wellington Hospital. Fortunately I was not infected). A Ministry of Health report concluded that life expectancy in New Zealand has fallen, in relation to other OECD countries and said: `There is a strong correlation between the incidence of ill health and low income, high unemployment, inadequate housing, and low educational achievement' (*Press*, 7/1/97). A UN Committee on the Rights of the Child review of New Zealand concluded that the `reforms' had seriously impacted on the resources available to support children. The Commissioner for Children, the late Laurie O'Reilly, called it a `critical and damning report' (*Press*, 27/1/97). The cult of restructuring for restructuring's sake costs lives - the Department of Conservation has been restructured several times in a decade. Outcome - tragedies such as the 1995 Cave Creek disaster, which cost 14 young lives.

"It has led directly to the dismantling of the Welfare State and the creation of a user pays substitute. The aim is to get the State out of Business. John Luxton, the Government's leading ideologue, is very keen to get rid of the State per se. The catch phrase is `regulatory creep' ie more laws. Conor English (Bill's brother) and Janet Shirtcliffe (Peter's daughter) work for Luxton. In 1998 they wrote "Reversing Regulatory Creep", which they say poses a threat to `liberty, democracy and prosperity. It smothers creativity and investment, alienates individuals from government and inhibits social progress' (*Listener*, 13/6/98; "Creepbuster"; Gordon Campbell). Their solution - any new clause in an act or regulation must specify five existing clauses in other legislation to be repealed. Lindsay Perigo would be proud of them. But this is not to be confused with the old utopian goal of the withering away of the State. Oh no. The aim this time is for Big Business, both local and transnational, to become the State (but undertaking none of the responsibilities of the Welfare State). That is the logical end goal of transnational capitalism - to redefine the State and transform it into the corporate State, which is a new version of feudalism, with the robber barons agreeing among themselves on how to carve up the spoils. It is a form of social organisation with which the Mafia is very familiar. And it has nothing to do with democracy"...

CHEQUES
Please Make Them Out Correctly

Please ensure that your cheques, for membership, 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 cheques out to the CAFCA/ABC Organiser Account (which is a separate account)

SIS UPDATE

Court of Appeal Backs Down; But The Case Goes On

The story so far. In July 1996 Security Intelligence Service (SIS) agents were caught breaking into the Christchurch home of GATT Watchdog's Aziz Choudry, during activities to counter the APEC Trade Minister's Meeting. Aziz sued the Crown for $300,000 and the first preliminary legal questions came before the Christchurch High Court, in 1998. It was at that point that the SIS admitted that it was their agents, but claimed that the break-in was legal, as they were authorised by an interception warrant.

In August 1998, Justice Panckhurst ruled that he was not prepared to accept a blanket defence of "national security" as good enough reason to withhold from Aziz a large number of documents (including the interception warrant) needed to pursue his civil damages claim against the Crown. Panckhurst had specifically rejected a certificate signed by Jenny Shipley, Minister in Charge of the SIS (it's always the PM) asserting immunity from producing the documents. Panckhurst ruled that he wanted to inspect the documents for himself, at the SIS's Christchurch office, before ruling on their release. The Crown appealed. In December 1998, the Court of Appeal ruled that Shipley be given until February 1999 to produce an amended certificate with more details on why the documents should be withheld; then it would rule on whether or not they should be released. The judges were quite scathing in their opinion of the Crown case. Justice Thomas said: "The Courts today are not prepared to be awestruck by the `mantra' of national security". The amended certificate was duly produced, along with 20 of the disputed 70 SIS documents (released in full or part) and was the subject of a further Court of Appeal hearing, in April 1999. Once again, decision was reserved.

That decision was delivered in July 1999 and it was a major climbdown by the Court. By a four to one majority, it ruled that judges have no place in matters of "national security", and that Shipley's certificate stating the documents needed to be withheld for unspecified reasons of "national security" must be respected, and Shipley herself trusted. The Court accepted that there is an unspecified "ongoing operation" that would be jeopardised (now, isn't that intriguing?) and that allowing inspection of the documents would endanger the SIS's operational relationship with the Police and other State agencies, such as the Land Transport Safety Authority. The minority decision, by Justice Thomas, was scathing:

"Like any citizen, Mr Choudry is entitled to access to the Courts. He has a right to bring a claim based on an alleged infringement of the law on the part of the defendant. In exercising that right he has the same expectation of receiving justice in a court of law as any other litigant. But to the extent that he is not able to achieve full and proper discovery he is disadvantaged and his right of access to the Courts is correspondingly impaired. He will not be able to obtain the justice to which he is entitled and which other litigants rou tinely receive. The public interest in the fair and effective administration of justice is not, therefore, an empty slogan. It reflects the rights of every citizen, including Mr Choudry...

(Aziz Choudry. *Evening Post*, 20/7/99)

"The Prime Minister is the Minister in charge of, and responsible for, the Service. She is not independent of the Service in the sense that Parliament and the Courts are independent of it. Further, as I have previously observed, it is to be realistically appreciated that the certificate is initially prepared by senior officers of the Service who, by virtue of the very nature of their work and their own conscientious performance of their task, may be over-zealous in their perception of the secrecy which is required. Nor, by virtue of the secrecy which attaches to the Service's advice, can the Minister in charge look elsewhere for assistance or verification. The Minister is very much dependent on the Service.

"It should not be overlooked that the Service is a covert intelligence agency. It is by definition not an open organisation accustomed to outside scrutiny. It will not welcome that scrutiny. Its officers are by virtue of their occupation practised in the art of deception. The Service, as with any covert intelligence agency, will strive under the cloak of secrecy to protect this country from perceived subversive interests and hostile forces. There is no reason to suspect that its officers will not believe, perhaps passionately, in the importance of their task or that they will be anything other than assiduous in carrying it out. Once it is accepted that the trust necessary to accept the certificate on its face is in reality a trust reposed in or embracing the covert intelligence agency itself, the manifestation of such abiding judicial trust seems strangely out of place...

"There is an apparent inconsistency between the majority's deprecation of the competence of Judges to assess the sensitivity of the documents and the trust placed in the Minister in charge of the Service to do the same. Apparently, the nuances and intuitive deductions which form part of the specialist capability required for covert intelligence operations are beyond Judges but will be quickly assimilated by the Minister in charge of the Service. Certainly, the Minister working with the senior officers of the Service may seek and obtain more advice and information relating to particular documents, but it is advice and information emanating from within the Service itself. It is not difficult to perceive that in reality the Minister in charge will be close to and heavily dependent on the Service, and that this closeness and dependency will necessarily impair the objectivity which he or she can bring to bear in assessing the sensitivity of particular documents...

"The casualty will be the administration of justice and public confidence in the legal system to ensure that public interest immunity is constrained by law. Judicial inspection may be an imperfect process but having regard to the nature of a covert security service, it is the only system available to hold the service accountable. If the courts are not prepared to perform this supervisory function, the decisions of the service to claim immunity will go unchecked..."

The implications of this decision are alarming. The APEC Monitoring Group, which is organising the activities to counter all the APEC meetings being held in New Zealand throughout 1999, said:

"This judgement is particularly disturbing coming as it does in the year New Zealand hosts the APEC forum. The Government has already shown its willingness to break the law when it comes to opponents of APEC and its free trade agenda. Given the extreme measures the Government has been willing to employ to avoid explaining the activities of the SIS during the 1996 APEC Trade Ministers' Meeting, any assurance given that opponents of APEC in 1999 will have their right to dissent protected and respected can only be treated with suspicion and contempt... If, as this judgement seems

"A DELEGATION OF UNEMPLOYED WANT US TO CHECK OUT THE GOVERNMENT'S USE OF WORLD BANK AND IMF POLICIES WHICH THEY SAY IS KEEPING THOUSANDS OF KIWIS ON THE DOLE."

(*NZ Herald*, 18/3/99)

to suggest, Jenny Shipley and the SIS are totally unaccountable to Parliament, the judiciary and the New Zealand public, then we should be afraid, be very afraid" (press release, 6/7/99).

Even the *New Zealand Herald* editorially attacked the Court's decision: "Times and circumstances are changing, and with them the demand for greater accountability of elected representatives. We look to the courts to help to ensure that the Executive knows it is not immune from independent scrutiny. In deciding to accept at face value - its own words - the Prime Minister's latest security certificate, the Court of Appeal has disappointed those expectations" (8/7/99; "Court in awe again"). The *Independent* also attacked it editorially: "Suppose this case had been heard in Washington, not Wellington and the burglars had been ex-CIA men, not SIS men, and the break-in had occurred at the Watergate complex, not Choudry's house. What would our judges have done with the Nixon tapes? Who ordered the illegal break-in? Might this information be contained in the documents Shipley wants to keep secret? Anyone valuing our civil liberties would sleep a lot better if Justice Thomas's dissenting view had prevailed" (14/7/99; "Appeal Court abdicates its role as democratic watchdog"; Warren Berryman).

But Aziz's case goes on. This is only a preliminary matter, not the substantive affair. This decision makes his case harder but far from impossible. As he told the *Herald*: "I won't back down" (7/7/99).

Government Does A Number Two On Us

The question of access to documents was one of two preliminary legal matters argued before Justice Panckhurst, in 1998. The other one was whether the SIS had any legal right to break into Aziz's house. Panckhurst ruled that they did have such a right; Aziz appealed. In December 1998 the Court of Appeal ruled that the break-in was illegal, and this really set the cat among the pigeons. The Court accepted the argument by Rodney Harrison QC, Aziz's lawyer, that New Zealand law is explicit, not implicit ie if something is not specifically permitted by law, then it is illegal. The judges could find nothing in the 1969 SIS Act and subsequent amendments that permitted break-ins. Justice Thomas, in his July 1999 Court of Appeal dissenting opinion, said:

"I consider that it should not be overlooked that the entry and search of MrChoudry's home which the Service undertook on 13 July 1996, and which is central to his claim, was illegal. This is the effect of the Court's previous judgment. Consequently, the Service has every reason to be concerned that it will be held liable for damages and that its image will be seriously damaged".

The Government, with the full connivance of Labour, decided not to appeal this, and instead introduced the SIS Amendment Bill, retrospectively legalising all such

(Continued on page 54)

(SIS Update: From page 53)
SIS break-ins (except Aziz's, which remains before the courts). *For extensive coverage of that Bill, public opposition to it, and CAFCA's submission on it, see Watchdog 90. Ed.*

The SIS Amendment Bill was duly rushed into law, in March 1999. Labour's Michael Cullen said it was always Parliament's understanding that SIS officers had the right of entry. "It's hard to understand how any intelligence agency anywhere in the world could operate without some limited form of entry right. It's in the nature of the work they do" (*Press*, 26/3/99). But substantial doubt was cast on that retrospective assumption by David Small, the man who had caught the SIS agents at Aziz's house, back in 1996. David wrote to the Crown Law Office asking for the earliest dated legal opinion that an interception warrant empowered agents to break into private homes. Back came the answer - September 18, 1996 ie after the Choudry break in, and nearly 20 years after the 1977 SIS Amendment Act cited throughout as the legal justification for SIS break-ins.

The Government obviously had misgivings about the whole thing, too. In March 1999, it introduced the SIS Amendment Bill (No.2), once again with Labour's full support. Submissions were heard in May, with No. 2 to come into effect in midyear (only a limited number of submissions were actually heard; CAFCA's was not amongst them). It changes a number of things - for instance, the PM can no longer solely authorise interception warrants against New Zealanders in the domestic context. These warrants have to be co-authorised by the newly created Commissioner of Security Warrants, who must be a retired High Court judge (just what the country needs, more warrant officers. The Inspector General of Intelligence and Security is or was a High Court judge - his performance in the Choudry case fills us with no confidence that yet another one will make any difference). But, in a huge loophole, the PM can solely authorise warrants against New Zealanders with "foreign" connection, whose activities "endanger New Zealand's international or economic wellbeing". The new Bill tightens up the definition of "thing" used throughout the original Bill and claims to bring in safeguards to warrant procedures. Aziz Choudry accurately described it as weasel words and "window dressing". Shipley assured protesters against APEC that they would have nothing to fear from the SIS. To which, Aziz replied: "Why would anyone expect me to believe them?" (*Press*, 17/3/99).

Christchurch people produced a wonderful little booklet entitled "The Whoppa Book of SIS Fairy Tales: The Gospel According to Jenny and Helen". It was read aloud by David Small (good practice, as he's recently become a father) at a March protest outside the Christchurch office of the SIS. The demo also featured the delivery to the SIS of a large bag of house keys, to save them the trouble of breaking in. The book of fairy tales concluded about the No. 2 Bill that:

* The SIS will still be given the power to break into people's homes.

* This power will still be backdated to legitimise the SIS's history of illegal activities, even before 1977.

* The inadequate complaints procedures remain untouched.

* The definition of security to include the country's "international or economic well-being" remains.

* As long as the SIS alleges foreign influence, the Prime Minister alone can still sign interception warrants.

* Individual New Zealanders can still be placed under SIS surveillance at the discretion of the Director of the SIS.

* Devices and equipment other than listening devices can still be planted in people's houses (press release, 23/3/99).

The No. 2 Bill came back into the House, in July 1999, with some changes eg the SIS will have to produce a more detailed annual report to Parliament (for the past several decades, its annual reports have been textbook models of brevity). But the obnoxious features remained.

The Crown has never revealed the target of the 1996 SIS break-in, its legal strategy has been to "keep everybody guessing". As Aziz told the *Herald* (7/7/99): "We still don't know if it was me, my cat or anybody else". But chinks are starting to appear in the wall of official secrecy. Helen Clark, Leader of the Opposition, told *North and South* (April 1999) that the SIS broke into Aziz's house not to spy on him but "foreign visitors". The only foreigner he had staying with him at the time was Dr Alejandro Villamar Calderon, a Mexican speaker at the 1996 Trading With Our Lives conference. One problem with Clark's story - the warrant used to authorise the break-in was dated September 1995; Aziz didn't meet Alejandro until November, and it wasn't until December 1995 that GATT Watchdog invited him to NZ. The *New Zealand Herald* ran a front page headline: "Secrecy slip by Clark has SIS fuming" (18/3/99). We're sure there are plenty more juicy revelations to come in this most fascinating of stories.

Copies of our submission on the SIS Amendment Bill No.2 can be obtained from CAFCA, P O Box 2258, Christchurch

DECEMBER 1998 TO MARCH 1999 OVERSEAS INVESTMENT COMMISSION DECISIONS[1]

Bill Rosenberg

Contents **Page**

December 1998 decisions

More electricity assets sold: 56
Power New Zealand (Utilicorp) buys electricity lines business from TransAlta ... 56
... and from Trustpower... 56
...and Natural Gas Corporation buys Waikato Electricity's retailing business 56
Natural Gas Corporation buys BP out of Liquigas 57
St Lukes manager, Westfield of Australia, buys out Bankers Trust 57
Brambles leases Wellington warehouse from Building Solutions Ltd 57
Westpac buys more mortgages from Housing Corporation 57
Tip Top Ice Cream of Australia completing 1996 purchase of New American 58
SEA Holdings gets approval to increase shareholding in Trans Tasman to 60% 58
Sovereign buys land in Takapuna for headquarters for $11m 58
South Waikato District Council sells closed road to Carter Holt Harvey 59
Wairarapa's Dunolly Station sold for forestry with Craigie Lea Station 59
Other land for forestry 59
Kenepuru Sound, Marlborough, farm sold to USA for dude ranch 59
Gourmet Paprika buys land at Woodhill, Northland for hydroponic peppers 60
Hauraki District Council sells three ha. of legal road in Waihi to expand Martha Mine 60
Other rural land sales 60

January 1999 decisions 61

US venture capital companies take 41% of Peace Software 61
Tyco of the USA takes over Rhino Security 62
Most of Wharepapa Station to be sold and leased back 63
Ownership restructuring of WorldxChange Ltd, telecommunications company 64
Belgian owner for Dutch horse meat company in Gore 64
Lighthouse Hills farm near Moeraki, Otago, sold to US company for $1.4m 65
Macraes takes interest in 101 hectare gold licence for $1 65
Kenyan and Swiss missionaries take $6.4m position in seven Southland farms 65
Equity for debt swap for undercapitalised Canterbury farm 66
Terako Downs, Waiau, Canterbury, sold to US for $420,000 66
Carter Holt buys land to remove house in Maungataniwha forest 66

February 1999 decisions

Philippines businessman buys Lyttelton Marina land 67
Farmers Deka gets approval to buy Pacific Retail Group – but loses bid 68
Swiss Lodge buys further lake front land in Rotorua 70
Abel Real Estate of Japan buys Mangapapa Lodge, Havelock North 70
New Zealand Forestry Group sells further land in Hawera to Taiwan residents 70
Cleary's of Ireland buy 626 ha. more land in Southland and 106 ha. in Waikato 70
Waihi Gold buys land to "buffer" extended Martha Mine 71
US couple buy Canterbury land for racing stud 72

March 1999 decisions

Edison buys 40% of Contact Energy – with approval for 100% 72
TransAlta buys out partners in Stratford power station 72
Australian Gas Light Company buys TransAlta's Wellington gas network 72
Pacific Hydro, Todd Energy buy Bay of Plenty Electricity's generators, retail 73
Lend Lease of Australia takes 25% of Morrison & Co, manager of Infratil 73
Sandhurst of Australia buys Eastgate Shopping Centre, Christchurch 73
Argent of the UK buys remaining 18% of New Zealand Light Leathers 73
Weatherford of the USA buys business of Austoil Technology 73
Westech Energy buys Wairoa land for gas discovery appraisal 74

Davidson buys out two shareholders in Wharekauhau Station 74
Inghams of Australia extends Waikato poultry farm 74
GMO, Rayonier buy 5,537 ha forestry rights, Te Awahohonu Forest, Napier 75
Waihi Gold buys further land to "buffer" extended Martha Mine 76
Trevone of the USA buys Takanini land from Carter Holt 76
Reorganisation of ownership of Queenstown residential development 76
Land for forestry 77
US resident with "fetish" for new breeds buys third block of Taihape land 77
Australian owners of Waikato duck farm restructure 78
Netherlands company buys land to grow capsicum for export 78
Other rural land sales 78

December 1998 Decisions

More electricity assets sold:

Power New Zealand (Utilicorp) buys electricity lines business from TransAlta ...

Power New Zealand Ltd, **78.65%** owned by **Utilicorp United Inc** of the **USA**, and **10.84%** by **Waitemata** Electricity Region local authorities, has approval to acquire the **electricity lines business** of **TransAlta New Zealand Ltd**, **67%** owned by **TransAlta Energy Corporation** of **Canada**, for a suppressed amount. The purchase includes **1.6 hectares** of land at **26 Bouverie Street, Petone**.

Although the OIC suppressed the price paid, the day it gave its approval (9/12/98), NZ Press Association (NZPA) reported that Power New Zealand paid TransAlta $590 million and was borrowing $1.05 billion from a syndicate of banks to pay for this and the Trustpower purchase (see below). The TransAlta business was valued at $340 million in its 1998 annual report (*Press*, 14/11/98, "TransAlta NZ powers ahead", p.23; 9/12/98, "Power NZ earnings may double", p.28).

The purchase is a result of the Electricity Industry Reform Act 1998 which forces companies to choose between electricity supply (power generation or retail sale) and lines networks. TransAlta was one of the few companies that chose to acquire retail sales businesses and generation facilities. Power New Zealand is one of the few that has been aggressively acquiring lines networks outside its home area.

We have covered this extensively in relation to OIC decisions in October and November 1998 where TransAlta acquired the retail businesses of Southpower (Christchurch) and Power New Zealand.

See the detailed article elsewhere in this issue on the electricity deforms. Ed.

... and from TrustPower...

Power New Zealand Ltd and its **78.65%** shareholder **Utilicorp United Inc** (through subsidiary **Utilicorp NZ Ltd**) of the **USA**, have approval to acquire the **electricity lines business** of **Bay of Plenty** based **TrustPower Ltd** including **Power Construction Ltd**, and **1.2 hectares** of land at **40 Alach Street, Tauranga,** and **Te Ngae Road, Rotorua**. The price is **$485,000,000** – twice book value.

The purchase covers

> "all the core assets used in Trustpower's electricity lines business. Those assets include 17 zone substations, two 33 kV switchyards and approximately 8,000 distribution substations, and all lines and cables and all existing customer connections. In addition, fixed assets comprising plant and equipment, motor vehicles and stock used in the lines business will also be acquired."

See the detailed article on electricity elsewhere in this issue. Ed.

...and Natural Gas Corporation buys Waikato Electricity's retailing business

The **Natural Gas Corporation of New Zealand Ltd** has approval to acquire the **WEL Energy Group Ltd's** electricity retailing business for a suppressed amount. WEL Energy Group is owned (**94.17%**) by the **WEL Energy Trust**, and the remainder in public shareholdings.

Though the OIC suppressed the amount paid, it was made public before the OIC released its censored decision on 29/1/99: **$89.9 million** (*Press*, 20/1/99, "NGC pays $89m for supply firm", p.27).

See detailed article on electricity deforms elsewhere in this issue. Ed.

Natural Gas Corporation buys BP out of Liquigas

Natural Gas Corporation of New Zealand Ltd has approval to acquire up to **35.25%** of **Liquigas Ltd** from **BP Oil New Zealand Ltd**, and BP's **wholesale LPG business**. It is paying **$24,000,000** for the acquisition. BP Oil New Zealand is owned by **British Petroleum Company Plc** of the **UK**. The approval includes "**five hectares** of leasehold situated at the comer of Breakwater Road and Pioneer Road, New Plymouth and the Otago Harbour" [sic].

The purchase gives Natural Gas Corporation **60%** of Liquigas (it already owned 25%), and buys it the rights to supply LPG to BP's stations in Aotearoa (*Press*, 5/12/98, "Nat Gas in Liquigas", p.25).

St Lukes manager, Westfield of Australia, buys out Bankers Trust

Westfield Trust, manager of **St Lukes Group Ltd**, the major owner of shopping malls, has approval to buy out St Lukes' controlling shareholder, **BT Funds Management Ltd**. **BT (Bankers Trust)** is owned in the **USA**, though its parent company is currently going through a very messy US$10.1 billion forced marriage with Deutsche Bank of Germany – messy because, before the takeover can be completed, Deutsche Bank is having to settle up for its financing of concentration camps and profiting from their victims' slave labour and expropriation of their assets during WW11. A takeover was reportedly more or less forced on Bankers Trust because of its losses in speculation during the Asian financial crisis – it has a reputation for being one of the more aggressive and risk-taking of the large US banks. See our commentary in November 1996 for its exploits in this country.

Westfield managed St Lukes' ten malls (nine in the North Island and Riccarton Mall in Christchurch, covering a total of **53 hectares**) until the takeover of the company and paid **$326,342,729** for the purchase of **47%** of the shares. In 1997, when Westfield took over management of St Lukes, Bankers Trust had a 16% stake in Westfield, which belongs to the wealthy Lowy family. Westfield owned shopping centres in Australia with sales of A$6.2 billion and American centres with sales of $US4.8 billion.

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. In 1996, "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).

Westfield continued that pattern when it took over as manager from May 1997 for a ten year contract. It was expected to lift occupancy costs to about 15% of turnover from under 10%, given that it was being paid a management fee of 5% of gross revenues. Bretherton again expressed his concerns, saying Michael Hill was paying similar rents in Auckland as in Australia, and that Westfield was "a very, very aggressive and extremely demanding landlord. Their objective will be to crank up rental prices... Westfield is difficult to deal with and I would say to small retailers to go to arbitration and to join with other retailers to find someone as tough as Westfield to do their negotiating". Hallensteins commented in March 1997 that St Lukes and other landlords were seeking "unrealistic" rent increases (*Press*, 11/4/97, "Mall tenants could face rent increases", p.13).

Indeed in 1998, a coffee bar owner filed an action in the Auckland High Court demanding $1.5 million in compensation from St Lukes as compensation for allegedly negligent advice and breaches of the Fair Trading Act. Ivan Heys, Robert Harris franchisee in Auckland, claimed St Lukes misled him about their redevelopment around his café, Cuchina's, in WestCity Centre, Henderson. The café was placed in liquidation shortly before the action in August 1998. The major doorway that he says St Lukes promised by the café was downgraded, losing him more than two thirds of the pedestrian traffic he had expected. He said "at [St Lukes] you were just a tenant... you get treated like a nobody" (*National Business Review*, 21/8/98, "David v Goliath as coffee bar takes aim at St Lukes", p.13).

Brambles leases Wellington warehouse from Building Solutions Ltd

Brambles New Zealand Ltd, a subsidiary of **Brambles Industries Ltd** of **Australia**, has approval to acquire a lease over **five hectares** at **Jamaica Drive, Grenada North, Wellington** from **Building Solutions Ltd** for **$14,968,125**. Building Solutions will buy the land from its current owner, **Turners and Growers Ltd** of the **UK** (with whom it has a conditional agreement to purchase), and build a warehouse, office and amenities block on it, and form and seal the yard.

Brambles, a major transport company, has a division it calls "Recall Total Information Management", which manages and stores documents and information. It requires "good secure high stud warehousing for physical records". Brambles will lease the purpose built facility from Building Solutions for its Wellington operations, consolidating four warehouses on to one site.

Westpac buys more mortgages from Housing Corporation

(Continued on page 58)

(OIC Decisions: From page 57)

The Home Mortgage Co Ltd, a subsidiary of **Westpac Banking Corporation Ltd** of **Australia**, has approval to acquire more mortgages from the **Housing Corporation of New Zealand** for a suppressed amount. It has previously bought mortgages from the Housing Corporation, for example in September 1998, and gained retrospective approval for purchases in October 1998. In all cases, the price paid has been suppressed.

Tip Top Ice Cream of Australia completing 1996 purchase of New American

Tip Top Ice Cream Company Ltd of **Australia** has approval to acquire **two hectares** of leasehold land at **50 Luke Street, Otahuhu, Auckland** for **$1** from **Country Foods New Zealand Ltd**, a subsidiary of **New Zealand Co-operative Dairy Company Ltd**. The land includes or adjoins a reserve or public park, and the foreshore.

> "On 5 November 1996, Tip Top entered into an agreement (the Assets Agreement) with **United Dairy Foods Ltd** (UDF, a subsidiary of New Zealand Co-operative Dairy Company Ltd) to purchase the assets of UDF relating to its existing business of manufacturing a range of frozen novelty and scoop ice-cream products. Consent was subsequently sought and granted by the Commission on 7 March 1997.
>
> "The transfer of the leases is the second stage to the transactions outlined in the applicants' initial application for consent to the Commission in 1997.
>
> "A provision of the Assets Agreement required Tip Top to obtain consent of the Commerce Commission to the purchase of certain assets of UDF's business of manufacturing take home ice-cream products sold under the brand "**New American**". If Commerce Commission approval was obtained, then UDF could require Tip Top to purchase the assets of the "Take Home Business". The leasehold land, the subject of this application, forms one of those assets of the "Take Home Business". The consent of the Commerce Commission has now been obtained to the sale to the applicant of the assets of the "Take Home Business".

In March 1997, Peters and Brownes Foods Ltd of Australia received OIC approval to acquire Tip Top Ice Cream Company Ltd and Tip Top Investments Ltd from their owner, the Heinz Group of the USA. Tip Top is the Aotearoa brand leader in ice cream and ice cream products. Heinz decided that it no longer fitted with its line of business, having acquired it as part of its takeover of Watties in 1993.

Heinz put Tip Top up for sale (along with Tegel Foods) in November 1996. Tip Top then held about 80% of the national ice cream market (*New Zealand Herald*, 14/11/96, "Tip Top, Tegel go up for sale", by Geoff Senescall). This followed an attempt by Tip Top to take over competitor New American Ice Cream which was quashed by the Commerce Commission saying that it would give it a dominant market position. It left open the possibility of taking over only the "take home" products: the frozen novelty, dairy desserts and scoop ice cream operations (*Press*, 25/10/96, "Tip Top trims bid for New American", p.19).

SEA Holdings gets approval to increase shareholding in Trans Tasman to 60%

SEABIL (NZ) Holdings Ltd, owned by **SEA Holdings Ltd** of **Hong Kong** (but registered in Bermuda) has approval to acquire up to **60%** of **Trans Tasman Properties Ltd**, and **retrospective approval** to acquire the **48.4%** it actually has. It had approval only for **45%**, and increased from 44.94% to 48.39% in May 1998 due to it taking up 8,000,000 shares in a shortfall from a 1:5 share issue ("Trans Tasman Rights Issue Results" notice to the New Zealand Stock Exchange 14/5/98, and "Trans Tasman Change in Substantial Shareholding" notice 27/5/98). To increase from 45% to 60% (due to a notes conversion) would cost SEA **approximately $137 million** for 109.3 million mandatory convertible notes and 56.9 million ordinary shares acquired during the 1995 Trans Tasman rights issue. Trans Tasman is currently **54.78%** overseas owned (including approximately **8%** in the **USA**), and the change approved would take it to **66.9%**.

Trans Tasman's properties include the **Fletcher Challenge complex** at **Great South Road, Auckland**, the **Finance Centre at the corners of Queen, Albert, Durham and Victoria Streets, Auckland**, and a property of **six hectares** at **196-208 Middleton Road, Johnsonville, Wellington**.

Kinki of Japan buys more land for car sales in Auckland

Kinki Company Ltd of **Japan** has approval to acquire a **one hectare** car sales yard at **1120 Great South Road, Mt Wellington, Auckland** for **$2,295,000** from **The Melanesian Mission Trust Board**. It adjoins reserve land.

> "KCL is able to source good quality low cost vehicles in Japan which in turn will become available to consumers in the car retail market

of New Zealand... the proposed acquisition is a continuation of the expansion of KCL and **Japan Auto** in the New Zealand motor industry. The land is currently a car sales yard comprising a yard, grooming area, and administration offices. KCL state they intend to retain the land as car sales yard. As with the existing properties owned by KCL, the land will be purchased by KCL and leased to Japan Auto... once Japan Auto starts operating from the property, it is anticipated that approximately 30 to 40 motor vehicles will be sold per month from the premises".

Sovereign buys land in Takapuna for headquarters for $11m

Westside Properties Ltd, a subsidiary of **Sovereign Ltd**, in turn now owned by **ASB Life Assurance Ltd**, part of the **ASB Bank**, has approval to acquire **Hurstmere on Strand Ltd** which owns a **0.6 hectare** property at **Hurstmere Road and Channel View Road, Takapuna, North Shore City, Auckland**, for **$11,100,000**. The vendors are **J.A. and B.A. Wiltshire** and **D.H. Rishworth** of Aotearoa. ASB is **75%** owned by the Commonwealth Bank of Australia (CBA) and 25% by the ASB Bank Community Trust. Approval for its takeover of Sovereign was given by the OIC in November 1998.

Sovereign intends to build a new corporate headquarters on the site, including car parking, retail space, restaurants, commercial and office space.

South Waikato District Council sells closed road to Carter Holt Harvey

NZ Forest Products Ltd has approval to acquire a closed road from the **South Waikato District Council** for **$26,000**. It is **six hectares** at **Kokako Road, Lichfield, South Waikato** which is "a long narrow strip of closed road that protrudes into adjoining forests owned by the Company. For security of the forest the land needs to be acquired". NZ Forest Products is a subsidiary of **Carter Holt Harvey Ltd**, itself **51%** owned by **International Paper Company Ltd** of the **USA**.

Wairarapa's Dunolly Station sold for forestry with Craigie Lea Station

Four residents of the **Netherlands** have approval to acquire the **634 hectare Dunolly Station**, on **Craigie Lea** and **Douglas Roads, Carterton District, Wairarapa** for **$1,012,000**. They are all members of the **Van Bergen** family. The vendors are **Warren and Judy Tocker**.

> "**Mr Renatus Van Bergen** has been the co-ordinator of the development of the **Craigie Lea** property neighbouring Dunolly Station on behalf of his parents [who own Craigie Lea] and has therefore developed firsthand knowledge of the development of afforestation projects including co-ordinating **PF Olsen and Co Ltd's** direct management".

They intend to convert Dunolly into a forestry operation in conjunction with Craigie Lea.

In July 1997, we reported that Mr Johannes Christian Van Bergen, a resident of the Netherlands, had approval to acquire the 1,831 hectare Craigie Lea Station for $1,300,000.

> '... the land is currently uneconomic farmland requiring development and capital to re-establish it as a viable option. The applicant intends to develop the property for afforestation purposes utilising the services/expertise of New Zealand forestry consultants'".

The applicants in the present purchase are **R.W.N. Van Bergen, A.H.M. Bunnen-Van Bergen, E.F.M. Van Bergen,** and **J.W.M. Van Bergen.**

Other land for forestry

* **Fleetwood Forest Partnership**, which is **35%** owned in the **USA**, **18.5%** owned in **Germany**, and **46.5%** owned in Aotearoa, has approval to acquire **373 hectares** of land on **Tiniroto Road, State Highway 36, Waerenga-o-kuri,** near **Gisborne** for **$566,242**. The contact for the applicant is forest manager, **Roger Dickie (NZ) Ltd** and the proposal "can be viewed as a joint venture with necessary development capital required to develop the property into a viable commercial forestry operation being provided from both onshore and offshore investors and the necessary expertise/management being sourced from an established New Zealand forestry management company". The forestry management company is presumably Roger Dickie. The land was planted in radiata pine cuttings and seedlings in 1997. A total of **$2,759,256** will be paid by the investors over a 27 year period.
* Members of the **Doust family** of the **USA** have approval to acquire **three hectares** of **forestry rights**, and **269 hectares** of freehold land at **State Highway 2, approximately 30 km north of Napier, Hawkes**

(Continued on page 60)

Bay, for **$518,300**. Their company, **Tutira Forest LLC**, is paying **Guthrie Smith Trust Board** (a charitable trust board of Aotearoa) **$518,300** for the land and forestry rights, and is employing **Geoff Redington Ltd** to develop the land for radiata pine forest. The land includes or adjoins land that is held for conservation purposes and is a heritage or historic area. The family members are **Carey Doust Cimino, Liam Charles Doust, Dr Matthew Webb Doust, Richard Webb Doust** and **Joan Stewart Doust**, all of whom own 25% of Tutira Forest, except for Richard and Joan who own 25% jointly.

* **USNZ Forest Group Ltd**, which is **66%** owned by residents of the **USA**, has approval to acquire **107 hectares** of land at **Waikanae Downs, Waikanae, Wellington**, for **$325,000** from **Biroc Holdings Ltd** of Aotearoa. Two of the shareholders and directors of Biroc, **Stuart Edward Pritchard** and **David Kennedy Pritchard**, are each retaining a **17%** shareholding in the purchaser. The US shareholders are **David K. Hedreen (32%), Lee C. Winter (17%)**, and **Edmund Tayloe** [sic] **Buckman Jr (17%)**.
* In two similar decisions, the applicant's identity, including nationality, has been suppressed, along with the price and other details. Both are at **Clinton, Southland**, involving conversion of land to forestry. In both cases the applicant claims they will invest some **$1.4 million** developing the forest, and "has identified New Zealand as a good place to make forestry investments. The purchase of this farm and its conversion into a forest is part of the applicant's growing commitment to forestry investment in New Zealand". The two farms are:
    - **1,081 hectares** at **Davidson Road East**, and
    - **1,135 hectares** at **Slopedown Hill Road**.

Kenepuru Sound, Marlborough, farm sold to USA for dude ranch

Equusloco, owned by **Mr J.E. Loudermilk** and **Ms G.W.I. Doll** of the **USA** (and who are "seeking New Zealand permanent residency"), has approval to acquire **220 hectares** at the head of **Waitaria Bay** on the northern shores of **Kenepuru Sound, Marlborough Sounds**, for **$630,000**. They say the property, which they intend to be their place of residence, has been allowed to degenerate over the last five or more years. They will continue grazing but also carry out remedial and development work to increase stocking rates and develop the forestry operation on the property. They

> "also wish to build a new house for themselves on the property and renovate the existing building to provide accommodation for up to eight guests, which then will operate as a dude ranch. It is also intended to operate a horse riding and training school on the property as Ms Doll has particular qualifications in that field. Ms Doll would also use the property as a base in which she would hope to generate a consultancy business in respect of horse training throughout the country".

Gourmet Paprika buys land at Woodhill, Northland for hydroponic peppers

Gourmet Paprika Ltd, 25% owned each by **A. Botman** and **T. Zweltslot** of the **Netherlands**, has approval to acquire **11 hectares** of land at **29 James Mackie Road**, on the corner of **State Highway 16, Woodhill,** near **Helensville, Northland** for **$600,000** from **Aad Johannes Bloom** of Aotearoa. The other 50% of Gournet Paprika is owned by **P. Martin (33.4%)** and **C.M. Martin (16.6%)**, both of Aotearoa.

Gourmet Paprika is "in the business of growing peppers hydroponically for export, particularly to Japan". It acquired land in 1994 and 1995 near Helensville to establish the operation, which has now grown substantially and needs to expand. The land in this application is "in close proximity" and is at present "bare, grassed land with a farm building on it". Gourmet Paprika intends to "conduct earthworks on the land and create a level building platform, to enable the construction of a seven hectare glass house for the production of peppers hydroponically".

The establishment of the business, including a lease of Helensville land, was first approved in June 1994. The company then had 1,000 shares owned by Paul Martin of Aotearoa (334), and Adri Botman and Ton Zwetsloof of the Netherlands (333 each), with a total capital of $600,000. By December 1995, the current shareholding was in place, though C. M. Martin was then resident in the USA. At that date it gained approval to buy six hectares of market gardening land at Woodhill for $400,000 from Paul Martin. The company proposed to erect a three hectare greenhouse and packing shed on the land.

Hauraki District Council sells 3 ha. of legal road in Waihi to expand Martha Mine

Waihi Gold Company Nominees Ltd, which is **67.06%** owned by **Normandy Mining Ltd** and **32.94%** by **AUAG Resources Limited**, both of **Australia**, has approval to acquire **3.4 hectares** of land at **Waihi** to expand its **Martha Mine**. The land is a legal road and is owned by the **Hauraki District Council**, "but it is anticipated that the roads will be stopped and the land sold by the Council". The price is "to be advised".

The extension to the mine

> "involves gaining access to ore below the level of the currently licensed pit. To reach this ore, it is necessary to bench back (or extend) the perimeter of the existing pit, and

the additional land is required for this, and to provide sufficient buffer between the extended mine and the surrounding residential uses. If the extension proceeds, the life of the mine will be extended for about an additional seven years beyond the current estimated life of the mine of 1999".

In February 1999, a 15m by 40m hole opened up over old workings near the mine. The company has regularly bought up neighbouring properties for mine expansion or because the owners got sick of the vibrations, noise and dust and wanted to move out (*New Zealand Herald*, 13/2/99, "Waihi, lake resort or just the pits", by Melissa Moxon, p.A10).

In another decision this month, it does just that. The company gained approval to acquire **two hectares** at **2 Savage Road, Waihi**, for **$240,000** from **R.T. Motion** and **L.E. Holmes** "which is directly adjacent to the extended Martha Hill mine licence area". See September 1998 for the previous purchases by the company.

Other rural land sales

* **Corbans Wines Ltd**, owned by the **DB Group Ltd**, has approval to acquire **45 hectares** of land on **State Highway 50, Ngatarawa, Hastings, Hawkes Bay** for **$1,220,000** from the **Donnelly Family Trust** of Aotearoa. The land is currently used for growing asparagus but will be converted to a commercial vineyard. "Corbans intend to employ 3.5 full time persons together with casual employees responsible for the day-to-day management/operation of the property". DB Group is owned **23.36%** each by **Heineken NV** of the **Netherlands**, and **Fraser, Neave Ltd** of **Singapore**, and **11.68%** by other **Singapore** residents. The remaining **41.61%** is held in Aotearoa. Corbans bought 11 hectares and half share in another 0.5 hectares nearby in Ngatarawa in November 1998, and has been purchasing other blocks of land for expansion all year.
* **Craggy Range Vineyards Ltd**, owned by **Mr Terry Peabody** of **Australia**, has approval to acquire three blocks of land for developing vineyards "capable of producing top quality premium wines available for domestic and international markets". Mr Peabody is involved in developing a chain of restaurants in British Columbia "through which he intends offering New Zealand wines". The land involved is:
    - **ten hectares** at **Waimarama Road, Hawkes Bay**, for **$350,000** from **Mrs Maling Eve Dillon**, on which he proposes planting five hectares of grapes and developing a restaurant and retail outlet,;
    - **42 hectares** at **Kereru Road, Hawkes Bay** for **$530,000** from **S. Tankersley, P.A. Stuck, J.M. Green,** and **M.R. Hook**; and
    - **167 hectares** at **Te Muna Road, Martinborough, Wairarapa**, for **$2,850,000** from the **Trustees of the Dryland Trust**.
* **Stephen Cameron Church** and **Pat Ann Church**, residents of the **USA** who are seeking New Zealand permanent residency, have approval to acquire **nine hectares** at **Awhea Road, Martinborough, Wairarapa** for **$245,000** to develop as a vineyard. The Churches are "experienced business people" who "wish to make a lifestyle change and have chosen New Zealand as a relocation choice, as they wish to become involved in the New Zealand wine industry". They also propose "involvement in an existing Martinborough winery operation". The land is being sold by **B. Philip, J.M. Colton**, and **W.N. Avery** of Aotearoa.

A resident of the **USA**, **Eunice Elizabeth Millikin Loving**, has approval to acquire a block of **Closeburn Station** on the **Glenorchy-Queenstown Road, Queenstown, Otago**. The station is owned by **J. F. Investments Ltd**, which is **70%** owned by **David Salman** of **Indonesia** and **30%** by **D. Broomfield** of **Aotearoa**. They are subdividing nine hectares of the station as "lifestyle properties", each of which will have a share of the remaining 926 hectares which will still be farmed (see our commentary on the July 1998 decisions for details). This sale is of **0.4671 hectares** plus a **share** of the remaining station, for **$550,000**. The land adjoins Lake Wakatipu and conservation land. Mrs Loving is buying the property to give to her son, **Phillip Anderson Loving**, over a period of time to avoid US gift duty. He and his family "intend to apply for and take up New Zealand permanent residency once his children (currently aged 11 and 12) complete their schooling".

January 1999 Decisions

US venture capital companies take 41% of Peace Software

Two venture capital companies based in the **USA** have approval to acquire **41%** of **Peace Computers International Ltd** and appoint directors to its board. Peace Computers was set up 12 years ago by Brian Peace, a former programmer and University of Auckland lecturer as a private company. Until this purchase, he was still the major shareholder, although the OIC reports the sellers of the shares as "the trustees of the **Mercury Trust of New Zealand**". Its major business is through **Peace Software**, which has developed market leading software to enable deregulated electricity, water and gas utilities to manage and charge their customers. It claims "more than a 25% market share" in Aotearoa for the software, which uses web browsers to access systems "that operate on open hardware and relational databases". The US companies see great potential for this for the increasingly deregulated US utilities

The purchasers are **Insight Capital Partners II LP** with **Arete Ventures LLC** through its subsidiary, **Utility Competitive Advantage LLC**. Both companies target

(Continued on page 62)

(OIC Decisions: From page 61)
the "telecommunications, information technology and customer service sectors". Their ownership is **75%** by **J. L. Horing, J. Murdoch, R. Raghavendran**, and **P. Sobiloff** of the **USA**, **22%** by the **US public**, and **3%** by the public of **Finland**, but the OIC does not make clear which of these owners refer to which company. The price they are paying has been suppressed, but Peace's web site (and widespread media reports) put it at $20 million.

They also get board representation. In a news media statement (untastefully titled "$20 Million Venture Capital Gives Peace A Chance", http://www.peace.co.nz/public/news.htm), Peace announced "appointments to its Board

of Directors, including Jeffrey Horing, partner, InSight Capital Partners; Jake Tarr, managing director, Arete Ventures; and John W. Blend III, former president of worldwide sales and marketing and director for Indus International, and a special partner with Insight Capital Partners".

The same statement roped in the support of Max Bradford, Minister of Enterprise and Commerce. "It's deals like this that start to raise New Zealand's profile in international venture capital markets", he is quoted as saying. "The Government is committed to actively promoting the success of internationally competitive products and building a culture which is supportive of innovation and enterprise".

Research and development will remain in Aotearoa according to Peace. It currently employs over 100 people and hopes to expand this considerably as it gains markets in Australia and the US as a result of this share sale.

Insight is acting through two other associated companies, presumably for tax- and risk-avoidance purposes: **Insight Venture Associates II LLC**, and **Insight Capital Partners (Cayman) II LP**. The first is the general partner and manager of the other two Insight companies. Insight "invests in companies in the software-based segments of the information technology industry". It has other investments in North America, Western and Eastern Europe, and Asia – in which it includes Aotearoa (see http://www.insightva.com). Peace's web site says "InSight Capital Partners has raised more than $200 million since its founding in 1995 and has rapidly become one of the largest global investors in software and software-related businesses" which can only be true if software firms are disregarded. It says Insight's advisory board includes "prominent industry leaders such as Gartner Group CEO Manny Fernandez and Ray Lane, president and Chief Operating Officer of Oracle Corporation", and Insight's advisory board "will act in an advisory capacity to Peace Software".

Arete "invests in entrepreneurial companies that are expected to grow rapidly as a result of the deregulation of the power utility industry in the USA". *Red Herring Magazine* listed it as number three amongst US venture capital companies, ranked by the total market value gain in their technology portfolio public offers for the year ("Don't Look Down: The top 25 venture capital firms of 1997", by Stephanie T. Gates, supplement, July 1998: see http://www.redherring.com/mag/issue56S/look.html). At that time, Arete, based in Maryland, had 12 employees, and had gained $US3.774 million from two public offerings. It had US$165 million under management. Limited partners included US and international gas and utilities companies. *Red Herring* reported that it usually invests two funds simultaneously, prefers to invest US$500,000 to US$3 million per transaction and typically invests in four to eight new companies per year.

Peace's web site says that Arete was founded in 1983 and "manages venture funds for 13 US and three European utilities. In addition to the Utility Competitive Advantage Fund, targeted at $100 million in committed capital, Arete also manages the Utech Funds, $95 million in capital. The Utech Funds, now essentially fully invested, made investments in entrepreneurial companies addressing growth markets related to the utility industry"

Tyco of the USA takes over Rhino Security

Tyco International Ltd of the **USA** (but listed in **Bermuda**) has approval to acquire **Rhino Security Ltd** from the **Owens Group Ltd** for **$13,000,000**.

> "Tyco entered the New Zealand market in 1990 when it acquired the worldwide operations of **Wormald International Ltd.** In July 1997 Tyco acquired **Armourguard Security Ltd.**
>
> "Rhino is a recognised provider of security services in New Zealand. The Commission is advised that through its Armourguard operation, Tyco currently provides similar security services".

It apparently had no concerns about stifling competition, and the Commerce Commission does not appear to have taken any interest.

According to Tyco's web site,

> "Tyco International Ltd., a diversified manufacturing and service company, is the world's largest manufacturer and installer of fire and safety systems, the largest provider of electronic security services in North America and the United Kingdom and has strong leadership positions in disposable medical products, packaging materials, flow control products, electrical and electronic components and underwater telecommunications systems. The Company operates in more than 80 countries around the world and has expected fiscal 1999 revenues in excess of $17 billion" (http://www.tycoint.com/compinfo/compinfo.asp).

One of its subsidiaries, Simplex Technologies, "is the only US owned producer of undersea fiber optic telecommunications cable". It manufactures cable and cable assemblies for, among others, the US Navy. Tyco's Electrical and Electronic Components "segment", of which Simplex is a member, also manufactures multi-layer printed circuit boards for military, telecommunications, and computer applications.

In July 1997, we reported Tyco's takeover of Armourguard, bought from Freightways Ltd when it was broken up by its owner, Tappenden Holdings, headed by Alan Gibbs and Trevor Farmer. It was purchased for $32,999,999. Armourguard is the largest security firm in Aotearoa.

Tyco was number 288 in the 1995 *Fortune* 500, its main business being metal products. It had 34,000 employees and revenues of $US4.5 billion on assets of $US3.4 billion that year. In addition to Wormald, Armourguard and Rhino, it owns several manufacturing operations in Aotearoa (*Fortune*; *Press*, 25/7/97, "Armourguard sold", p.26).

Most of Wharepapa Station to be sold and leased back

The controversial owners of the **Wharepapa** and **Wharekauhau Stations** in **Wairarapa** are selling off some of Wharepapa to "up to 21" overseas investors, mainly in the USA. Most of the station will then be leased back. The current owners include well known warriors of the Right, **Sir Roger Douglas**, **Lord Rees-Mogg**, **James Davidson, Michael Baybak**, and **James Blanchard III.** Based on information from *Time* magazine, the *New York Times* and elsewhere, CAFCA wrote to the OIC in 1997 asking if the backgrounds of two of them were consistent with the "good character" requirements in the Overseas Investment Act. After checking their records with the police, rather than affirm that it was confident of their good character, the OIC simply took the expedient of asking them to sign affidavits to the effect that they were indeed of good character. That was apparently sufficient for the OIC, under the principle "they are innocent: they admit it themselves". For further details, see our commentaries to previous decisions in November 1995, June 1996, and August 1996, and "The Intriguing story of Roger Douglas and his unpleasant friends at Wharekauhau Lodge", *Foreign Control Watchdog*, no. 84, May 1997, p.6-14. These associations provide evidence of Douglas's links with the far right in the USA and UK.

There are two related decisions this month. In the first decision, **Wharekauhau Holdings Ltd** has approval to acquire **495 hectares** of **leasehold** land at **Western Lake Road, South Wairarapa**, part of **Wharepapa Station** from the yet-to-be-established "**21 Investor Company**" of "United States of America, Unknown Overseas Investors". The price is "to be advised". In the second decision, "Unknown Overseas Investors of United States of America" are given approval to acquire **516 hectares** of Wharepapa station for **$21,000,000** from **Wharepapa Station Ltd**. It is not made clear how the OIC can be sure that these "unknown" investors are of the required good character.

When purchased in 1996, Wharepapa Station covered 563 hectares. In these decisions, 516 hectares is being sold to the 21 investors ("21 Investor Company"). The 21 are then leasing 495 hectares back to Wharekauhau Station Ltd for 20 years, with two further rights of renewal. The purpose is to "repay debt owing in respect of the Wharekauhau development to date and to provide working capital for the continued development of the Lodge facilities and the Station's farming operations". Each of the 21 investors will acquire a **one hectare "homesite lot"** in Wharepapa Station, and approximately **4.8%** of "21 Investor Company" that will own the balance of the property (495 hectares if 21 investors subscribe). "The Commission is advised that the proposal is in the national interest as it will provide working capital to fund the further development of Wharekauhau and Wharepapa Stations".

A similar structure was used for Wharekauhau station, as reported by the *Independent* (7/3/97, "*Who's Who* list of backers for luxury lodge", by Fiona Rotherham). That had three classes of shares with different voting rights:

- the Shaws retained control of Wharekauhau Holdings Ltd without being on call if any extra funds were needed for the lodge;
- "general partners", including Douglas and Rees-Mogg, were required to finance any cost over-runs if necessary; and
- "limited partners" invested $750,000 each in the company, but had little say in the management or development of the lodge. They received shares in the company and a one acre site on the farm, for

(Continued on page 64)

(OIC Decisions: From page 63)

which they had full title and on which they could build homes (under restrictive design covenants). The number of limited partners (18 at the time of the report) was originally intended to be 20 but consideration was being given to increase it to 30.

In all, 66 one acre lots had been subdivided for residential use, of which 40 had been sold.

Wharekauhau Holdings Ltd (WHL) and Wharepapa Station Ltd (WSL) have the same shareholders, but in different proportions:

Shareholder	Origin	WHL share	WSL share
Michael Baybak	USA	20.2%	13.53%
James Blanchard III	USA	13.2%	8.84%
James Davidson	USA	24.6%	16.48%
Sir Roger Douglas	Aotearoa	1%	0.67%
Andrew Miller	USA	12.3%	8.24%
Lord Rees-Mogg	UK	4.4%	2.95%
John Sevo	USA	12.3%	8.24%
William Shaw	Aotearoa	6%	20.52%
Annette Shaw	Aotearoa	6%	20.52%

The Shaws are the former owners of Wharekauhau Station, and became one third owners of Wharepapa when it was purchased in 1996. They manage the stations and luxury lodges, described in 1995 as intended to be "one of the best and most exclusive lodges in the world, while also enhancing the current scenic splendour of Wharekauhau". Wharekauhau was intended to be "an exclusive retreat for diplomats and visiting heads of Government; ... a corporate retreat/conference centre for the Southern North Island; ... a high class tourist facility". The *New Zealand Herald* reported (14/7/98, "A taste of being idle rich", p.E3) that a one night share-twin stay at Wharekauhau cost $473 a person.

Perhaps the price and the owners led to Wharekauhau Lodge's free advertising in the super glossy Government publication selling Aotearoa to overseas investors: "Invest in New Zealand: the right choice", in both its 1998 (p.19) and 1999 (p.47) editions. It describes the lodge as "an exclusive country estate catering to the discerning traveller and business person. Hosting guests mainly from the US, the UK and Europe, it offers unique, high quality accommodation as part of a working sheep and cattle station".

Ownership restructuring of WorldxChange Ltd, telecommunications company

A complex restructuring of the ownership of **WorldxChange Ltd**, which is engaged in telecommunications, has been approved. Via an exchange of shares, the shareholders in WorldxChange, **R. B. Abbott** and **R.M. Abbott** (**29.2%** each), **Edward F. Soren** (**29.1%**), and **Eric G. Lipoff** (**10%**), all of the **USA**, and **Richard A. D. Vincent** of Australia (**2.5%**), will take a controlling **79%** shareholding in **Communication Telesystems International**, with the remainder held publicly in the **USA.** Communication Telesystems International will then own all of the shares in **WXL International New Zealand Inc**, which will own all the shares of WorldxChange. The individual shareholdings in Communication Telesystems International will be the Abbotts **51.4%** jointly, Soren **26.93%**, Lipoff **0.36%**, and Vincent, **0.9%**. The value put on WorldxChange via this transaction is **$5,700,000.** However the total assets of the company "**exceed $10 million**".

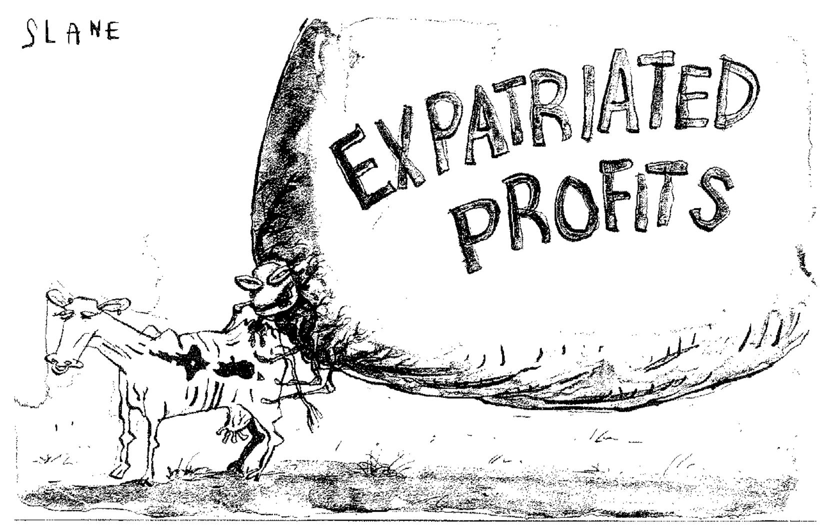
Belgian owner for Dutch horse meat company in Gore

Meramist Pty Ltd, owned by the **Narwelaers family** of **Belgium**, has approval to acquire **Clover Export Ltd** from **Exim Meat International BV** of the **Netherlands** for **$250,000**. The company has **six hectares** of leasehold land (on 21 year leases with two rights of 21 year renewal) at **River Street, East Gore, Gore, Southland** on which it operates a horsemeat processing plant for export. Some beef and sheep slaughtering and processing is also carried out for the local market.

"Meramist's sole business is the operation of an export horsemeat processing plant (one of two in Australia) at Caboolture north of Brisbane". It has "periodic difficulty in meeting customer demands and the ability to direct New Zealand product to these customers will prove beneficial to both companies". There will be no additional capital expenditure in the short term.

Apparently the former overseas owners were not good for the company:

> "The viability of the plant has been under stress because of the



(Listener)

> remoteness of the existing owners and it is anticipated that the new owners with their head office in Australia and other interests in the North Island of New Zealand will be in a much better position to assist and lead Clover..."

The company's "other interests in the North Island" are not specified.

In August 1993, the OIC approved Clover buying a further 26 hectares of land at Friend Road, Charlton, RD4, Gore because "the supply of horses is erratic and this hampers the slaughter operation. Clover Export state that the property is being acquired to enable it to establish a buffer stock of horses which will ensure that the plant can operate at its optimum level at all times". The 26 hectares is not mentioned in the current decision. At that time, all the meat was said to be exported, with export receipts expected to be $4 million in a full year's operation.

Lighthouse Hills farm near Moeraki, Otago, sold to US company for $1.4m

The Austin Company Ltd, owned by **Joel (49%), Ron (26%),** and **Isabel Ross (25%) Ogden** of the **USA**, has approval to acquire the **403 hectare Lighthouse Hills** farm, near the township of **Moeraki** on the **Otago coast**, 40 km south of **Oamaru**, **Otago**, for **$1,400,000**. The property, which was owned by **D.G., E.J.,** and **John D. Kemp** and **White Rocks Farm Ltd**, is "used predominantly for farming of sheep and beef, but a backpackers business has been established to supplement the farming operation. The size and diversity of the "Lighthouse Hills" property means that a wide range of tourist activities can be provided." The new owners say they will look at extending accommodation and establishing a fresh seafood restaurant on the property, and market the facilities in the USA. They are "committed to ensuring the farm continues to be successful".

Macraes takes interest in 101 hectare gold licence for $1

Macraes Mining Company Ltd, which is **39%** owned by **Union Gold Mining NL** of **Australia**, has approval to acquire **101 hectares of mining licence** at **Macraes Flat, Otago** for **$1**. The licence (32-2304) is being transferred from **Barewood Mining Company Ltd** of **Aotearoa**. Macraes' "interest in this mining licence arose from its interest in a joint venture agreement with Barewood Mining Company Ltd (inter alia), which in part provided that should any joint venture partner default under the agreement, in certain circumstances the interest of the defaulting party in the Mining Licence would vest in the remaining party. This in fact happened, and in compliance with the provisions of the agreement Barewood Mining Company Ltd executed a Transfer in favour of Macraes Mining Company Ltd for the Mining Licence". This was approved by the Secretary of Commerce on 11/5/98, and it is not clear why the OIC's approval is so much later. "The acquisition represents part of the ongoing identification of gold resources at the **Macraes Gold Project**".

Kenyan and Swiss missionaries take $6.4m position in seven Southland farms

Five groups which appear to be Christian missionary organisations, from **Kenya** and **Switzerland**, have approval to acquire **seven** farms totalling **1,670 hectares** in **Southland** for a total of **$6,480,000**. They are making the purchase through their company, **Biofarm Ltd**, in which each holds a **20%** interest. They are **Trinity Fellowship** and **Stiftung Fuer Missionarishe Entwick Lungshilfe** of **Kenya,** and **Stiftung Te Amo, Christian Solidarity International,** and **Aktion Fuer Verfolgte Christen** of **Switzerland**. The farms, which are engaged in a mixture of sheep, cattle, forestry and arable farming, are:

- **643 ha.** at **Braxton**, RD 2, **Lumsden** (**Braxton Stud**)
- **115 ha.** at **Eastern Bush** RD 2, **Otautau**
- **121 ha.** at **Eastern Bush** RD 2, **Otautau**
- **180 ha.** at **Eastern Bush** RD 2, **Otautau**
- **168 ha.** at **Eastern Bush** RD 2, **Otautau**
- **219 ha.** at **Eastern Bush** RD 2, **Otautau**
- **223 ha.** at **Otahu Flat**

> "Some of the properties are adjoining each other, creating a large block making economies of scale. Some of the farms are now reaching the point where they are no longer economically viable in their own right and need to be converted into dairy operations or absorbed into neighbouring farms... While the applicants will continue with the existing land use in the meantime, it is intended to introduce organic farming and more cropping and to ultimately have a mixture of farm uses. ... Furthermore, it is intended to enhance and expand the cattle-breeding programme at the Braxton Stud Property, by increasing the variety of livestock under the artificial insemination programme to include different varieties of beef cattle as well as dairy cattle. It is also intended to set up a cheese operation, based on organically produced cheeses, in an existing building in one of the neighbouring towns. It is also intended to convert a minimum of 250 hectares of the land to a dairy operation, which will involve a minimum of 600 cows".

(Continued on page 66)

(OIC Decisions: From pgae 65)
Doesn't leave much time for evangelising.

Equity for debt swap for undercapitalised Canterbury farm

Algemene Beleggings Maatschapij, owned by **Cornelius Koopmans** of the **Netherlands**, has approval to acquire **50%** of **Riverbank View Ltd**, which owns **489 hectares** at **Rakaia River Road, five kilometres** from **Methven, Canterbury** for **$1,300,000**. The half share is being sold by **Harry Koopman** and his wife **Dorothy**, who originally borrowed $1,300,000 from Harry's brother, Cornelius, to buy the farm. However the farm is "severely undercapitalised" and the loan is being converted to equity in Riverbank View, reducing the farm's debt servicing costs.
The farm has 230 hectares of developed pasture, 150 hectares of "quality prime" pinus radiata forest, and 110 hectares of "poor" forest and undeveloped land.

Terako Downs, Waiau, Canterbury, sold to US for $420,000

Lindsay Scott Phillips of the **USA** has approval to acquire the **740 hectare "Terako Downs"** property, at **Terako Downs, Inland Road** (Highway 70), **Waiau, Canterbury** for **$420,000** from **E.S.** and **J.K. Wilson**. The property is about two kilometres south of the entrance to **Mt Lyford ski resort**. Approximately 525 hectares will be developed into Radiata Pine and Douglas Fir over a four to five year period. The land, currently used for sheep and cattle, is said to be overgrazed. Phillips will make forestry management decisions, with a "consulting forester already retained in Christchurch".

Carter Holt buys land to remove house in Maungataniwha forest

Carter Holt Harvey Forest Ltd, 51% owned by **International Paper Company Ltd** of the **USA**, has approval to acquire **two hectares** of land at **Willow Flat Road, Maungataniwha, Hawkes Bay**, for **$60,000**. The land, which includes a house, is "surrounded on three sides by CHH's existing forest" and "presents security, fire protection and management risks". The house will be removed and the land incorporated into the forest.

February 1999 Decisions

Philippines businessman buys Lyttelton Marina land

Lyttelton Marina Ltd, a subsidiary of **Pacific Marina Holdings Ltd**, owned by **Mr Victor Villavicencio** of the **Philippines**, has approval to acquire **seven hectares** of land at **Magazine Bay Marina, Lyttelton Harbour, Canterbury** for **$1,250,000**. It is being sold by the **Banks Peninsula District Council** and the **Lyttelton Port Company Ltd** for a marina development. The privatisation of the marina was opposed by many locals.

In February 1998, the OIC gave approval for Pacific Marina Holdings Ltd, to acquire Lyttelton Marina Ltd, Lyttelton Marina Management Ltd, and Canterbury Marina Ltd for $600,000. That included approximately seven hectares of leasehold land, with option to purchase. The Council and Port Company "were not prepared to grant anything more than the lease until they were satisfied that the marina development was definitely proceeding and that there was a proposal for the land to be used for marina facilities and related amenities".

At that stage, the OIC reported that

"Mr Villavicencio has significant business experience with marina development and management including a leading interest in the Subic Bay marina development at Subic Bay (north of Manila). ... The proposal represents the introduction of approximately $5,400,000 in risk capital which will ensure the development of the new Lyttelton Marina. The Commission is advised the Canterbury area is in desperate need of an upgrade/enhancement to its existing marina facilities. In addition it is stated the proposed development is fully supported by both the Lyttelton Port Company and the Banks Peninsula District Council. The port company and council originally planned to undertake the development themselves however, the initial offer did not proceed".

In fact, despite their enthusiasm then, the project still didn't proceed. By September 1998, Villvicencio was reported to be "consolidating his interests following the economic downturn", due to the falling Philippines currency. Lyttelton Marina director, Mark Truscott, was looking for a financial backer. "The original project financing is not there anymore, and it has fallen down on us", the *Christchurch Mail* quoted him as saying (22/9/98, "Marina company for sale", p.5). He was "negotiating a new financial package". While the OIC has never mentioned another party to the development, the *Christchurch Mail* says that "after a collapsed share float scheme, Pacific Smith Marina Holdings Ltd became the developer of the marina project in a joint venture between McConnell Smith and Pacific Marina International Ltd, a big developer of marinas on the east coast of Australia". Work on the "$6 million" marina project had started the previous year.

Journalist Chris Hutching also reported at about the same time that "from the outset the scheme to replace the decaying Magazine Bay tyre breakwater has been dogged with resistance from local boaties". He quoted Truscott complaining there had been only about 20 berth sales over the past 12 months. Fellow director, Martin Ford had left, having spent "the best part of 18 months trying to float the marina" [sic!]. Truscott was the major shareholder in the construction company for the project, Saltwater Marinas. He was trying to develop a "mixed-use commercial building on the leased land adjacent to the marina and he will be seeking support from chandlers, restaurant operators and retailers" which he hoped would help fund the marina.

"The biggest hurdle to the marina is the relatively small number of high wealth individuals in Christchurch who use it", wrote Hutching. "Many of them simply don't have or aren't prepared to commit the significant berth investment, which is often equal to the value of their boats". Hard times all round!

Nonetheless, the OIC has apparently been advised that Villavicencio is continuing to back the marina.

Villavicencio has substantial interests at home in the Philippines, including marinas and other waterside developments, restaurants and fast food chains. One gushing report on improvements in eating out in the Philippines describes his place in the food chain as follows:

> "Some of the most popular dining fads have been started by local food entrepreneurs, notably the chain of restaurants owned by Victor Villavicencio. With his familiarity of Filipino taste, Villavicencio started the 'eat all you can' buffet selections at his Dad's, Saisaki, and Kamayan restaurants, which were soon copied by many other restaurants in town. His other restaurants include Triple V Express, Foodome, Islands Fisherman, and the most recent one, 8 Treasures" (http://g-net.globe.com.ph/~mbc/zine/philbus/1qtr96/agenda.htm, "Vast Food", by Anna Katherina Moran).

His status in the upper reaches (or should that read "riches"?) of Philippines society, as president of the Subic Bay Yacht Club, is implicit in this description of a party inspecting a proposed underwater glass tube connecting Subic Bay to Grande Island as a tourist attraction:

> "The biggest attraction for local tourists, and even for foreigners, would be the construction of a 500 metre glass tube that would cross undersea from the main point of Subic Bay to the Grande Island. Subic Bay Maritime Authority (SBMA) administrator Payumo discussed the project while we were having cocktails and yachting off Subic Bay, courtesy of Vic-Vic Villavicencio, president of the world-class Subic Bay Yacht Club (SBYC). The affair was organized by Mrs. Daisy Payumo, wife of SBMA administrator Payumo. House Speaker Manuel Villar led the guests composed of House representatives.... " (http://www.mb.com.ph/tour/9812/03db44b.asp, *Manila Bulletin*, "Construction of undersea glass tube between Subic and Grande isle set", by Leonardo Belen.)

According to the *Manila Bulletin*, the yacht club itself (the SBYC)

> "... glitters with an aura of royalty as conceptualized by the worldclass interior design firm Hirsch Bedner and Associates.
>
> "The 39 elegant rooms in the guest accommodations easily outclass even Metro Manila's five star hotels. The Main Clubhouse, mega-Recreation Center, Boathouse, five international fine dining restaurants, and a 300 berth marina, among other premiere facilities, provide the exciting glamor of Monaco and the family oriented entertainment of Disneyland this side of Pacific".

It is not just a place where "the movers of modern society, the powerful, the wealthy, and the famous" relax, but also (perhaps primarily) an investment:

(Continued on page 68)

(OIC Decisions: From page 67)

> "In spite of an economic crunch that has dulled a little the glitzy Christmas lights in the country, [broadcasting company vice president, Lito] Balquiedra staunchly expresses his confidence in the SBYC, 'I know it's a good investment because Vicvic V. Villavicencio is the project manager of the place. We always refer to him as the local boy with the Midas touch'" (http://www.mb.com.ph/scty/9812/16dc00e.asp, "Spend a jolly Christmas at Subic Bay Yacht Club").

Villavicencio built the yacht club in the area of the former huge US Subic Bay naval base. The "Subic Bay Freeport" has been developed as an industrial zone, along with hotel, golf club, and other "leisure investments", attempting to attract foreign investment which had been going to Hong Kong (http://web3.asia1.com.sg/pl/PROPLINK-5/FILES/philippines.html, *Property Link*, 1996, "Turning A Major Disaster Into An Economic Reality").

Though the club was not yet completed in October 1997, the *Philippine Star* (2/10/97, "Subic Bay Yacht Club Has 1,600 Members", p.22) was reporting that

> "Sales of proprietary membership at the Subic Bay Yacht Club (SBYC), exclusive marina country club project of businessman Victor Villavicencio, is steadily increasing, with 1,600 members as of this month, SBYC reported yesterday.
>
> "In spite of reports of difficulties in the economy, Villavicencio's project is seemingly insulated as prices of shares continue to appreciate from P750,000 to P1.5 million for individual shares and P1.2 million to P2.2 million for corporate shares, SBYC said in a statement...
>
> "Villavicencio, who chairs the Subic Bay Waterfront Development Corp., credits the company's performance to the stability of the project, touted to be the biggest and most impressive marina country club in the Asian region" (http://www.subicnet.com/articles/ni710022.html).

Not all glittered at the yacht club however. The Philippines Securities and Exchange Commission imposed a "cease and desist" order on the club, in June 1998, when it failed to submit quarterly reports and its 1997 annual report. It barred the club from selling membership shares to the public. The order was lifted only when the club paid a 404,840 pesos fine (approximately NZ$21,000). It was warned that heavier penalties would be imposed should it fail to fulfil reporting requirements again. The club complained that the order was frightening away prospective buyers, including "some prospective foreign buyers who intend to buy SBYC shares in bulk" (*Philippine Daily Inquirer*, 1/8/98, "SEC lifts cease and desist order on Subic yacht club").

Farmers Deka gets approval to buy Pacific Retail Group – but loses bid

Farmers Deka Ltd, a subsidiary of **Foodland Associated Ltd** (FAL) of **Australia** has approval to acquire all the shares of **Pacific Retail Group Ltd** for **$65,400,000** "subject to any variation of the offer price". Pacific Retail's shareholders at the time were **Murray International Holdings Ltd** of the **UK** with **58.08%**, leaving the "New Zealand public" owning the remainder. Those included former managing director, Greg Lancaster (5%), former chairman Sir Roger Bhatnagar (7%), and National Mutual (13.1%).

Pacific Retail owns **Noel Leeming Ltd, Bond and Bond Ltd, Electric City (1990) Ltd,** and **Pacific Retail Finance Ltd**. The Noel Leeming chain includes the **Computer City** chain of computer shops. It is the largest appliance and electronic products retailer in the country with 48 Noel Leeming, 40 Bond and Bond, and three Computer City stores, and has about 30% of the appliance market. Farmers Deka has 59 shops (and 10% of the appliance market), but FAL also controls (through its 57.9% ownership) major supermarket owner, Progressive Enterprises, which operates through the Foodtown, Countdown and 3 Guys chains.

In the event, while the OIC approved the purchase, FAL's bid failed because the ubiquitous and ruthless Eric Watson – Blue Star executive chairman – had the deal already sewn up. The questions the sale leaves are why he didn't act true to form and take a quick profit by selling on to FAL, and how he sewed the deal up at a price generally thought low and beaten by both FAL and the share market. The good news is that company is now back in local hands and its profits will no longer be a burden on the balance of payments – at least until Watson receives a better offer.

Watson made his bid for Pacific Retail in December 1998 through Logan Corporation, a subsidiary of his company Cullen Investments, which was fresh from a $25 million profit on the purchase and a quick sale of Dunedin's United Electricity. He offered 130 cents per share, but virtually sealed the deal before it was even announced by coming to an arrangement with Murray International that it would sell 19.9% if the offer for the rest of the shares became unconditional.

Watson said that "synergies with Blue Star had attracted him to Pacific Retail. One of these is that together they are the largest lessees of mall space in New Zealand" giving them negotiating strength at a time of high mall rents.

The 130 cent offer, well up on the 80 to 90 cent trading range at the time, valued Pacific Retail at $58.5 million: $7 million less than what FAL later offered. National Mutual considered the offer unfair. So did merchant bankers, Grant Samuel and Associates, who valued the shares at between 149 and 160 cents, and said it could not understand why Murray International had accepted the offer for its 19.9% shareholding. While it pointed out Watson's offer was only 5.6 times forecast earnings for 1999, compared to the seven times earnings that most publicly listed retailers traded at, that may in itself explain Murray International's acceptance. Pacific Retail under its control had consistently failed to meet profit forecasts.

Independent directors, on advice from Credit Suisse First Boston, advised shareholders to accept Watson's offer. By mid January, he was claiming that more than 70% of shareholders had indicated they would accept his offer, and by early February, he had received unconditional acceptances for 70% of shares, making it impossible for FAL's bid to succeed without his co-operation. He stuck to his offer price, despite rumours of the FAL bid and market prices rising to 140 cents.

FAL's bid came on 10 February at 145 cents (still under the Grant Samuel valuation), which would have given Watson a quick profit of $5 million. But it was too late. Uncharacteristically, Watson didn't take the easy course, even when the Farmers Deka offer was raised to 160 cents a share (valuing Pacific Retail at $72.1 million) ten days later. When his offer finally closed – at an extended date in March – FAL had thrown in the towel, withdrawing its bid, and Watson had 73.98% of the company and declared it unconditional despite originally targeting 90%. National Mutual stood firm, refusing to sell.

While the sale does return the company to local ownership, Watson cannot be counted the owner of choice. At the same time as he was making his initial offer for Pacific Retail, the Securities Commission issued a rare critical report, saying that he may have committed a serious breach of the law on substantial security holder disclosure. The finding was in relation to shares he bought in McCollam Printers before its purchase by US Office Products, the owner of Blue Star. The report says Watson and his friends Richard Johnston and Craig Joynt bought 10.13% of McCollam's shares on their own account between 23/10/96 and 16/5/97, at the same time (mid November 1996) as Watson, as head of Blue Star, was negotiating to buy the company. The three showed their pride in local ownership by holding 7.16% of those shares in the tax haven of the British Virgin Islands. The Securities Commission concluded that there were "reasonable grounds" to suspect that Watson and friends had breached the law by failing to disclose their holding

in McCollam. It said:

> "The commission does not consider that personal trading in these circumstances enhances the reputation and standing of our market".

Because of doubts about the interpretation of the relevant law, it decided against prosecution. However, because Blue Star is a US company, the US Securities and Exchange Commission is also investigating, under much more stringent laws than New Zealand's. While Watson blamed an oversight by his advisers, he offered to set up a fund equal to the three mates' $680,000 profit, to be available for claims by the former McCollam shareholders. It is not clear either, that Watson's management skills go far beyond wheeling and dealing. Blue Star's owner, US Office Products was described as "distressed" by Deborah Hill in the *National Business Review* in March, when it suspended its staff share scheme. Problems centred on the fact that 44% of its assets were its intangible goodwill – largely due to the excessive prices it paid for over 200 acquisitions like Blue Star, which is one third of the US company's assets (*National Business Review*, 19/3/99, "Anger sparks as Blue Star parent stops staff share plan", p.15). It sold innovative New Zealand computer assembler and direct marketer, PC Direct, which it had bought in 1996, to US transnational, Gateway. The price made Blue Star a loss of $US7.5 million. It is likely that Pacific Retail staff breathed a sigh of relief when Watson announced he would adopt a "hands-off" approach to the group.

(*Press*, 18/12/98, "Watson ready to take Pacific Retail Group", p.24; *New Zealand Herald*, 19/12/98, "Unlovely whiff of insider trading", by Brian Fallow, and "Bid for stuttering chain hard to understand", by Karyn Scherer, p.F1; *Press*, 19/12/98 "Watson slated by watchdog", p.22; *New Zealand Herald*, 21/12/98, "Watchdog tries to hang on by gums", by Rod Oram, p.C1; *Press*, 16/1/99, "Watson's bid for Pac Retail 'unfair'", p.25; 18/1/99, "Watson holds firm on Pac Retail offer", p.30; 30/1/99,

(Continued on page 70)

(OIC Decisions: From page 69)
"Rival bid likely for Pac Retail", p. 23; 5/2/99, "Watson in driver's seat at Pacific Retail", p.27; 10/2/99, "Farmers Deka in Pacific Retail bid", p.30; 11/2/99, "F&P on hold over Pacific Retail", p.27; 20/2/99, "Farmers Deka raises Pacific Retail offer; waits for Watson", p.21; 6/3/99, "Foodland drops PRG bid", p.21; 13/3/99, "Pacific Retail stake", p.21; 8/4/99, "'Hands-off' for PacRetail", p.26).

Swiss Lodge buys further lake front land in Rotorua

Swiss Lodge Ltd, owned by **Mr and Mrs Schweizer** of **Switzerland**, has approval to acquire **0.0976 hectares** of land at **207A Kawaha Point Road, Rotorua**, for **$275,000**. The land is on the northwestern side of **Lake Rotorua**.

In March 1998, we reported that **Swiss Lodge Ltd** had approval to acquire "approximately **0.1163 hectares**" adjoining **Lake Rotorua**, at **207 Kawaha Point Road, Rotorua** for **$370,000**. This is the primary address of the operation. The OIC now tells us that Swiss Lodge also bought a further **0.3773 hectares** at **209 Kawaha Point Road**, though we have received no decision approving that. The company has upgraded the house at number 209 and constructed "a substantial home made from Lockwood componentry and design" on the property. It has also built a small jetty on the lakefront of 209 to moor motorboats and enable trout fishing. The acquisition of 207A will allow further development of this tourist operation.

Abel Real Estate of Japan buys Mangapapa Lodge, Havelock North

Abel Real Estate (H.K.) Co. Ltd, a subsidiary of **Abel Real Estate International Ltd** of **Japan**, has approval to acquire the **Mangapapa Lodge**, including **six hectares** of land, at **Napier Road**, five kilometres north of **Havelock North, Hawkes Bay**, for **$2,250,000**. The property is being sold by **Garland and Wagner Holdings Ltd/Mangapapa Lodge Ltd**.

The lodge is described as "one of New Zealand's finest small luxury hotels". **So-Con Co. Ltd**, which is associated with Abel, bought the **Waimarama Estate Winery** in 1998 (though we have no OIC decision relating to this). The winery is in **River Road, Havelock North**, about five kilometres from Mangapapa Lodge. It "currently exports to Japan all of its production and the wine is sold in Japan to parties known to So-Con Co. Ltd and associated companies. These parties will visit New Zealand from time to time as tourists and will spend time at Mangapapa Lodge and Waimarama Estate Winery. The Lodge will still continue for the most part to derive its income from overseas visitors and New Zealanders seeking world-class lodge accommodation".

Abel Real Estate (H.K.) Ltd is "involved in the business of property investment, leasing, property development and property consultancy".

New Zealand Forestry Group sells further land in Hawera to Taiwan residents

Cheng-Chi Sung of **Taiwan** has approval to acquire **23 hectares** of land at **Tangahoe Valley Road, Hawera, Taranaki** for **$111,746**. Similarly, **Yi-Chin Chen and Yang Chen** jointly have approval to acquire **32 hectares** in the same locality, for **$154,800**. Both purchases are from the **New Zealand Forestry Group**. For the first time the ownership of the New Zealand Forestry Group is reported: it is owned **76%** by **W. Garratt** of **Aotearoa**, and **24%** by **J. Hong** of **Taiwan**.

All three purchasers are members of the **Hawera Forest Owners Association**, which buys land from the New Zealand Forestry Group, contracting it to manage and develop it for forestry. In August 1998 we reported that four members of the Association, which consists of "43 members, of which 21 are 'overseas persons'", received approval to acquire a total of 99 hectares of land at Tangahoe Valley Road, Hawera, Taranaki for $423,980 for forestry. Each "member" is two to five people, or, in one case, a limited liability company, Greens Trading Co Ltd. All are domiciled in Taiwan. The seller of the land in each case was New Zealand Forestry Group Ltd.

The OIC states that

> "In essence the proposal is a joint venture between overseas persons who are providing capital for development purposes and a New Zealand forestry company which is providing the necessary expertise to the operation."

The New Zealand Forestry Group appears to specialise in these modus operandi, and has been selling land in Paparangi, Wanganui and elsewhere.

Cleary's of Ireland buy 626 ha. more land in Southland and 106 ha. in Waikato

The **Cleary Family** of **Ireland**, through their company, **Athlumney Farms Ltd**, have approval to acquire five properties in **Southland**, totalling **626 hectares**, which they intend to convert to dairying. The total price for the properties is **$4,692,000**. They are:

- **266 hectares** at **Lochiel-Branxholme Road, near Invercargill**
- a further **49 hectares** at **Lochiel-Branxholme Road**
- **15 hectares** at **Hormon Road, Makarewa**, near **Invercargill**
- a further **143 hectares** at **Hormon Road**
- **154 hectares** at **Gap Road West, Winton**.

The first property "represents the best property in Southland that is yet to be converted into dairying". All properties are currently sheep and cattle operations.

They also have approval to acquire **106 hectares** at **Rodda Road, Te Kauwhata, Waikato** for **$675,000**. Their company, **Athlumney Farms Ltd**, will purchase "the agricultural area of the property", approximately **56.9 hectares**, for combining with adjoining land the family already owns, and will be used for dairy development. The remaining **49.1 hectares** will be sold to **The Eire Cattle Company Ltd** (also owned by the Cleary family) and subdivided for lifestyle units which are in "significant demand ... given its proximity to both Auckland and Hamilton".

Mr Cleary has been granted New Zealand citizenship and "has extensive experience and success in farming in both Ireland and New Zealand".

In February 1998 we reported that

> Clearwood Developments Ltd, owned 66.6% by E. J. Cleary and family of Ireland, and 33.3% by the K.B. and R.B. Lockwood family trusts of Aotearoa, has approval to acquire a 114 hectare dairy farm on Saulberty Road, Hamilton, Waikato, for $2,000,000 for residential subdivision. They intend to convert ten hectares of it to 33 "farm park" residential lots, each with power, telephone and water, and resell the rest as a dairy farm. In July 1997 we reported that Eire Cattle Company Ltd, owned by the Cleary Family Trust had approval to acquire 50 hectares of land on Plantation Road, Te Kauwhata, Waikato for $462,500 for dairy conversion and merging with the company's adjoining property. The Trust's trustees were Mr Eamon Joseph Cleary of Ireland and Mr J. Henderson of Aotearoa. The beneficiaries of the trust were Mr Cleary, his children, and "remoter issue". The Cleary family also had other significant investments in New Zealand. In September 1996, Clearwood Developments Ltd received approval to buy seven hectares of land then used as a "residential lifestyle block" on Whatawhata Road, Hamilton, for $1,400,000, for residential subdivision. It was given approval to buy seven hectares at Tamahere, Hamilton for $900,000 in April 1996, also for subdivision.

In August 1993, we reported that

> The Eamon Cleary Family Trust (benefiting the Cleary Family of Ireland) is buying a company Luthien Holdings Ltd which owns a 261.5687 hectare property on Hall Road, Te Kauwhata for $1.5 million. The family have applied for permanent residence in Aotearoa, but will be employing a local farm manager and a farm consultant. Mr Cleary is experience in intensive beef fattening in Ireland.

Waihi Gold buys land to "buffer" extended Martha Mine

Waihi Gold Company Nominees Ltd, which is **67.06%** owned by **Normandy Mining Ltd** of **Australia** and 32.94% by AUAG Resources Limited (equally owned in **Australia** and **Aotearoa**) has approval to acquire a further **1.6 hectares** of land at **Grey Street, Waihi, Coromandel** for **$114,000**.

> "The company is proceeding with an extension to the **Martha Mine** that will have the effect of extending the life of the mine for about an additional seven years beyond the current estimated life of the mine of 1999. This extension involves enabling access to be obtained to ore below the level of the currently licensed pit. To reach this ore it is necessary to bench back (or extend) the perimeter of the existing pit, and the additional land is required for this, and to provide a sufficient buffer between the extended mine and surrounding residential uses. Previous consents have been granted by the Commission for the acquisition of such land. The land the subject of this application is currently in residential use, but is directly adjacent to the extended Martha Hill mine licence area, and will be required as a buffer for the extended project".

(Continued on page 72)

(OIC Decisions: From page 71)
The last such purchase of land for the mine was in December 1998.

US couple buy Canterbury land for racing stud

Mr E.A. and Mrs C.S. Wardwell of the **USA** have approval to acquire **G. Dickey (Tavistock) Holdings Ltd** for **$785,000** from **Mr G. E. Dickey**, past President of the **Canterbury Park Trotting Club**. The purchase includes **22 hectares** of land at **Hoskyns Road, West Melton, Canterbury**. The Wardwells owned a standardbred stud and training stable at Aylesbury,

Canterbury, which has been sold. They still own nine horses jointly with Mr Dickey. Some of the horses were trained and stabled by trainers Brian and Lynette O'Meara who in 1997 "were to be displaced from their training establishment as their lease had expired and the owner wished to sell the property". They could not afford to buy it; instead "it was purchased by Mr Dickey, through G. Dickey (Tavistock) Holdings Ltd, with the funds being provided by Mr and Mrs Wardwell as well as Mr Dickey".

March 1999 Decisions

The decisions this month are again dominated by the sales resulting from the electricity "reforms".

Edison buys 40% of Contact Energy – with approval for 100%

The Big One of the electricity "reforms". **Edison Mission Energy Taupo Ltd**, a **79%** subsidiary of **Edison Mission Energy Company** of the **USA** (the other **21%** is owned by "unknown third party shareholders" of the USA) has approval to acquire 100% of **Contact Energy Ltd** from the **Crown of New Zealand**. Note that, though it has only been sold **40%** of Contact, as the "cornerstone" shareholder, Edison has OIC approval for a full takeover. It paid **$1,208,000,000** for the 40%. The remainder was sold through a public offering.

See the detailed article on the electricity deforms elsewhere in this issue. Ed.

TransAlta buys out partners in Stratford power station

TransaAlta Generation Ltd, 67% owned by TransAlta Energy Corporation of Canada through its subsidiary, TransAlta New Zealand Ltd, has approval to acquire Stratford Power Ltd from MEL Stratford/Fletcher Challenge Gas Power Ltd. Stratford Power Ltd owns the Stratford combined cycle power station at Stratford, Taranaki. The station is off East Road, State Highway 43, next to the Kahouri Stream. MEL Stratford/Fletcher Challenge Gas Power Ltd is owned equally by the Auckland Energy Consumer Trust (the owners of Mercury Energy's lines operation) and Fletcher Challenge Ltd. The OIC records the prices as "to be advised", but NZPA reported that TransAlta paid $80.3 million: $37.4 million to Fletcher Challenge and $42.9 million to Mercury (*Press*, 10/3/99, "TransAlta buys partners", p.25).

See the detailed article on the electricity deforms elsewhere in this issue. Ed

Australian Gas Light Company buys TransAlta's Wellington gas network

The Australian Gas Light Company of **Australia** has approval to acquire **TransAlta New Zealand Ltd's gas network** assets and delivery point gas meter/regulator assets in the **Hutt Valley, Tawa** and **Porirua** for **$112,000,000**. Australian Gas Light owns **one third** of **Natural Gas Corporation Holdings Ltd**.

The Natural Gas Corporation is doing to itself something similar to what the Government has done to the electricity industry: it is splitting itself into generation, transmission, and distribution/marketing operations. They are gas processing and co-generation (tentatively called Taranaki Production Services), gas transmission (TransGas), and energy marketing and distribution (NZ Gas Light). The latter operator will be "**approximately 67%**" owned by Australian Gas Light, and wants to add TransAlta's gas network to that of the Natural Gas Corporation. The Corporation has been working quickly to accumulate more of the gas retail market, including those operations of Powerco (New Plymouth), and BP's share of Liquigas (see the OIC's December 1998 decisions).

In our commentary in OIC's December 1998 decisions, we reported that the Natural Gas Corporation had received approval to acquire the WEL Energy Group Ltd's electricity retailing business in Waikato. (*Press*, 20/8/98, "Lower interest charges key to sharp profit increase by NGC", p.21; 16/10/98, "NGC seeks business", p.31; 12/11/98, "Electricity attracts interest from NGC", p.32;

7/12/98, "AGL looking for efficiency", p.13; 30/1/99, "TrustPower issue to AGL", p.23; *New Zealand Investment Yearbook 1998*, Datex, p.75; *The New Zealand Company Register*, Vol 35, 1996-97, p.74).

TransAlta and Australian Gas Light have cohabitation arrangements in Australia: in November 1998, TransAlta became the second biggest generator in Western Australia when it formed a partnership with Australian Gas Light called Southern Cross Energy. The company, in which TransAlta has 85%, bought four gas-fired power stations, nearly 5,000 km of transmission lines and 15 diesel generators from WMC Resources Ltd, a mining company, which will continue to buy the plants' output. The natural gas will be supplied by the Goldfields Gas Transmission Pipeline, in which TransAlta has also owned a share since October 1998 (*Globe and Mail*, 28/11/98, "TransAlta takes No. 2 spot in Western Australian market").

See the detailed article on the electricity deforms elsewhere in this issue. Ed.

Pacific Hydro, Todd Energy buy Bay of Plenty Electricity's generators, retail

Pacific Hydro Ltd of **Australia** and the **USA**, and **Todd Energy** of Aotearoa have approval to acquire the electricity retail business and generating assets of **Bay of Plenty Electricity Ltd** for **$100,000,000**.

See the detailed article on the electricity deforms elsewhere in this issue. Ed

Lend Lease of Australia takes 25% of Morrison & Co, manager of Infratil

Lend Lease Corporation Ltd has approval to acquire 100% of **H.R.L. Morrison and Co. Group Ltd** for a suppressed amount. H.R.L Morrison is the holding company for a group that manages – and hence substantially controls – the **Infratil** group, including **Infrastructure and Utilities NZ Ltd**. In fact, according to an announcement to the Stock Exchange, Lend Lease is buying only 25%, but has a right to increase its shareholding to 100% over a five year period (4/3/99, "Lend Lease invests in Infratil manager").

For more on the Infratil group, Morrison and Co, and Lend Lease, see the detailed article elsewhere in this issue. Ed.

Sandhurst of Australia buys Eastgate Shopping Centre, Christchurch

Sandhurst Trustees Ltd of **Australia** has approval to acquire the **Eastgate Shopping Centre** (formerly Linwood Mall) in **Christchurch**, including the **six hectares** of land on which it is built and will be expanded on to. The land includes some bought from the **Christchurch City Council** that is part of **Cuba** and **Cranley Streets**, which will be closed as roads. The remainder, on the corner of Linwood Avenue, Buckleys Road and Breezes Road, is from **Southway Properties Ltd** of **Aotearoa**. The price has been suppressed.

Sandhurst "currently owns approximately A$386.7 million of syndicated property, where **MCS Property Ltd** is the manager. These properties are principally shopping centres located throughout Australia." MCS will manage Eastgate.

This approval "includes acquisition of the land and all fittings and fixtures, plant and equipment and chattels" on the land. It includes the existing shopping centre, but also "a mixture of residential properties and vacant land" for future development. Sandhurst is buying the property "for the purposes of creating an investment opportunity for investors in both Australia and New Zealand". A float of Sandhurst is proposed in both Australia and Aotearoa.

Argent of the UK buys remaining 18% of New Zealand Light Leathers

Argent Group New Zealand Ltd, a subsidiary of **Argent Group Europe Ltd** of the **UK** has approval to acquire the **17.95%** of **New Zealand Light Leathers Ltd** it does not already own. The Timaru-based company manufactures leathers for jackets and coats at the top of the market. Over half its output goes to the USA.. It employs 150 staff in the busy season.

The OIC puts the price for the shareholding at **$2,747,880**. However, this was based on the original offer price of 255 cents a share (compared with trading at 230 cents). An independent report on the offer led to it being raised to 275 cents a share, making the price for the takeover $2.96 million. Independent directors and the chairman recommended accepting the offer saying prospects were not rosy. "It was difficult at the moment to secure a good supply of quality leather, the market was volatile and forecasts were hard to make", according to the chairman, Spencer Hagen. The company was "one of the few listed tannery operations in the world", according to the company's managing director, and publishing its trading reports gave commercially sensitive information to competitors.

Argent has seven other subsidiaries in the UK, Europe, Turkey and the USA. Argent Europe was formed in 1997 as a management buyout of a listed UK group, Hillsdown Holdings. A large UK venture capital company, CinVen, also has a major shareholding. Argent Group New Zealand Ltd is part of Argent's Strong and Fisher Holdings, through which it holds its leather, hides and skins interests.

(*Press*, 20/3/99, "British group moves to mop up NZLL", p.21; 14/4/99, "Light Leathers bid raised", p.29; 23/4/99, "NZLL shareholders told to accept", p.31).

Weatherford of the USA buys business of Austoil Technology

(Continued on page 74)

(OIC Decisions: From page 73)
Weatherford US L.P., owned **94.7%** by **Weatherford International Inc** and **5.3%** by **Franklin Resources Ltd**, both of the **USA**, has approval to acquire the business and assets of **Austoil Technology Ltd**, owned by **Austoil Technology Unit Trust** of **Australia**. The price is **$15,755,770** and the assets are in the **Taranaki/ Wanganui** region, involved in machinery and equipment manufacturing.

> "The acquisition reflects Weatherford's intention to expand its current product line and business in the Pacific Rim regions, including New Zealand. The acquisition will benefit Weatherford's existing New Zealand operations through the introduction of further technology and technical skills to the oil and gas industry".

Westech Energy buys Wairoa land for gas discovery appraisal

Westech Energy New Zealand Ltd of the **USA** has approval to acquire **19 hectares** of land at **Tiniroto Road, Maramaru, Wairoa, Hawkes Bay** for **$202,500** from Glyn Allan and Della Francis **Waite**. Westech, in a joint venture with **Qest New Zealand Ltd** (previously called **Enerco New Zealand Ltd** and owned by the Christchurch City Council's energy company, Orion), has

> "over the last three years ... conducted an extensive petroleum exploration programme in the northern Wairoa area. High quality gas deposits were found at the **Kauhauroa-1** well. This well site lies immediately to the north of the Waite property. A number of appraisal wells are now planned, including on the Waite property".

The gas discovery was seen as a breakthrough for the area, and has attracted interest from other exploration companies. Chris Uruski of the New Zealand Institute of Geological and Nuclear Sciences Limited was "excited" at the find and stated in a news release (15/5/98, "Geologists excited about East Coast oil and gas prospects", http://www.gns.cri.nz/news/release/may15excited.html) that

> "... the recent land-based gas find 10km north of Wairoa by Enerco and American-based Westech Energy was likely to be the start of exploration companies showing increased interest in the East Coast. He said offshore structures were generally bigger than those on land.
>
> "Geologists had always suspected the East Coast had big potential, but it remained unexplored because there is less risk for oil companies to drill in proven regions such as the North Sea and the Middle East.
>
> "The East Coast region is about 700km long and about 150km wide, with about half of it offshore. It extends out to ocean depths of 1500m to 2000m".

The Waites have a vineyard on the property, which will be continued under contract to **Montana Wines**.

Westech is owned **44.58%** by **John and Julie Mork**, **12.6%** by **Frank McCullough**, and **11.04%** by **Ken Brill**, all of the **USA**. The remainder is held by the US public. The parent company, Westech Energy Corporation, is based in Denver, Colorado.

Davidson buys out two shareholders in Wharekauhau Station

James Davidson of the **USA** has approval to acquire up to **50%** of **Wharekauhau Holdings Ltd**, the owner of the **867 hectare Wharekauhau Station** at **Western Lake and Wharekauhau Roads, South Wairarapa**. He previously owned **21.69%** of the company, but is buying a further **28.31%**, including **21.68%** from **Andrew Miller** and **John Sevo** of the **USA.** It appears the 28.31% will be purchased as follows:

Andrew Miller (USA) – 38.5%
John Sevo (USA) – 38.5%
Michael Baybak (USA) – 9.34%
James Blanchard III (USA) – 6.59%
Annette Shaw (Aotearoa) – 2.44%
William Shaw (Aotearoa) – 2.44%
Lord Rees Mogg (UK) – 1.78%
Sir Roger Douglas (Aotearoa) – 0.41%

Davidson is paying **$984,894** for the shares. For further details on these characters, see our commentaries to previous decisions in November 1995, June 1996, August 1996, and January 1999, and "The Intriguing story of Roger Douglas and his unpleasant friends at Wharekauhau Lodge", *Foreign Control Watchdog*, no. 84, May 1997, p.6-14. These associations provide evidence of Douglas's links with the far Right (including Davidson) in the USA and UK.

Inghams of Australia extends Waikato poultry farm

Inghams Enterprises (NZ) Pty Ltd of **Australia** has approval to acquire **eight hectares** of land at **7481 State Highway 27, Matamata, Waikato** for **$1,200,000**. The land, which neighbours Ingham's existing poultry hatchery, will be used to expand its hatcheries.

In March 1990, we reported

"an Australian takeover of the poultry group **Harvey Farms**. Inghams Enterprises Pty Ltd is taking over all the assets of Harvey Farms Consolidated Ltd, Mount Grain Driers Ltd and J. M. Thomas Ltd. These were being sold off by Equiticorp as part of its liquidation. According to the OIC application, the Inghams Group is 'the largest producers of meat and layer chickens, turkeys and ducks in Australia, with excess of 50% of the market. Inghams is not currently in the business of poultry production, processing, marketing and distribution in New Zealand and sees this acquisition of assets as an opportunity to expand its core business'".

In December 1995, we reported that Inghams had approval to acquire 59 hectares of land for manufacturing at Waitoa, Waikato, "to extend their present processing plant at Waitoa. Inghams view the expansion as a necessary part of its investment in the poultry industry in New Zealand in which they have expertise. Inghams estimate that the expansion of the plant will provide for employment of a further 30 people".

In July 1997, Inghams gained approval to acquire 67 hectares of land at Leslies Road, Putaruru, Hamilton, Waikato, for $580,000. Inghams intended to "utilise the property as an extension of their existing poultry operations". In September 1998, Inghams received approval to acquire 234 hectares at Whakamaru, near Taupo, Waikato for poultry farming. At that stage, Inghams owned approximately 184 hectares of land throughout New Zealand.

GMO, Rayonier buy 5,537 ha forestry rights, Te Awahohonu Forest, Napier

An unincorporated joint venture between **GMO Renewable Resources LLC** and **Rayonier Inc**, both of the **USA**, has approval to acquire **5,537 hectares of forestry right** at **Te Awahohonu Forest**, approximately **70 km** north west of **Napier, Hawkes Bay** from the **Te Awahohonu Forest Trust** which "represents the interests of approximately 800 Maori shareholders". The price has been suppressed.

The forest, which was planted in pinus radiata between 1972 and 1984, is

> "currently subject to a lease agreement with the **Crown**, whereby the Te Awahohonu Forest Trust owns the land and is also the beneficial owner of a 25% interests in the pinus radiate plantation... the Trust will use part of the proceeds from the sale of the interest in the trees to buy out the Crown's interest under the lease.
>
> "It is proposed that the Trust will sell to the GMORR/Rayonier Joint venture an undivided 50% share of its interest in Te Awahohonu Forest's pinus radiata plantation and grant to the GMORR/Rayonier Joint Venture a forestry right in respect of that 50% share in the trees. The GMORR/Rayonier Joint Venture will then form an unincorporated joint venture with the Trust for the purpose of harvesting and marketing the trees. The GMORR/Rayonier/Trust Joint Venture will appoint Rayonier to

(OIC Decisions: From page 75)

> manage the harvesting and marketing of forest products and associated administration activities on its behalf. All other management, forest re-establishment activities and future harvesting and marketing will be performed by the Trust".

GMO Renewable Resources bought the historic **5,899 hectare Glenburn Station** in Wairarapa in May 1998, amid considerable controversy. In that decision, GMO was described as

> "an investment fund which is currently being organised to make investments in timberland and related businesses and assets. The limited partners of 'the Fund' are expected to be large United States based institutional investors, including corporate pension funds, charitable foundations and university endowment funds along with certain natural persons who possess a high net worth".

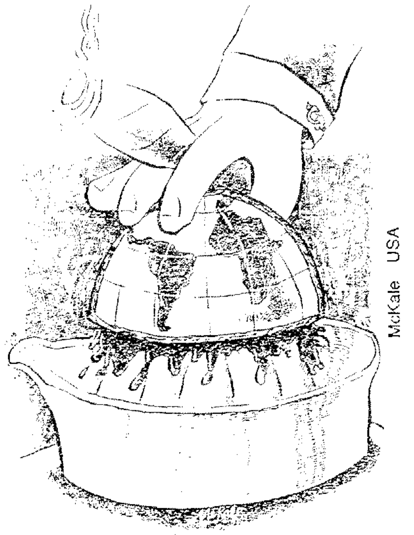
It is a subsidiary of Grantham, Mayo, Van Otterloo and Co., LLC, which is a major shareholder in Tasman Properties Ltd (*Rural News*, 20/7/98, "New Zealand for sale!", by Ross Annabell).

Rayonier is the third largest plantation forest owner in Aotearoa, according to the New Zealand Forest Owners Association, with 98,000 hectares in June 1998 ("NZ Forest Industry Facts & Figures '98", p.5).

Waihi Gold buys further land to "buffer" extended Martha Mine

Waihi Gold Company Nominees Ltd, which is **67.06%** owned by **Normandy Mining Ltd** of **Australia** and 32.94% by AUAG Resources Limited (equally owned in **Australia** and **Aotearoa**) has approval to acquire a further **0.7 hectares** of land at **Baxter Road, Waihi, Coromandel** for a swap with "another property of the same area" plus **$3,712**. The land is being purchased from **Arthur Farms Ltd** of Aotearoa.

> "The company is proceeding with an extension to the **Martha Mine** that will have the effect of extending the life of the mine for about an additional seven years beyond the current estimated life of the mine of 1999. This extension involves enabling access to be obtained to ore below the level of the currently licensed pit. To reach this ore it is necessary to bench back (or extend) the perimeter of the existing pit, and the additional



> land is required for this, and to provide a sufficient buffer between the extended mine and surrounding residential uses. Previous consents have been granted by the Commission for the acquisition of such land. The land the subject of this application is currently used for dairying. It is directly adjacent to the extended Martha Hill mine licence area, and will be required as a buffer for the extended project".

The last such purchase of land for the mine was in February 1999.

Trevone of the USA buys Takanini land from Carter Holt

In a decision unusual for the material that has been suppressed in it, **Trevone Holdings Ltd**, which is owned in the **USA**, including **80%** by the **Craig Corporation**, has approval to acquire **six hectares** of land on the corner of **Great North Road** and **Walters Road**, **Takanini, South Auckland**. The land is being purchased from **Carter Holt Harvey Ltd**, **51%** owned by **International Paper Company** of the **USA**, for **$6,000,000**. The business activity involved, some details of Trevone, and the rationale for the approval have been suppressed.

Reorganisation of ownership of Queenstown residential development

Quail Point Syndicate, which is owned **40%** by **David Salman** of **Indonesia** and **20%** each by **C.J. Clough and family** of **Hong Kong**, and **David Benjamin Broomfield** and **B.E. Washer** of Aotearoa, has approval to acquire **Quail Point Ltd** which owns **17 hectares** of land at **Tucker Beach Road**, near **Queenstown, Otago**. The price is "to be advised". They have approval for a residential subdivision of the property. The transaction is largely a rearrangement of ownership, the vendor being David Broomfield (**80%**) and the **Broadhaven Trust** (**20%** - the Broomfield family).

In the August 1996 decisions we reported that the syndicate had received approval to buy the land for residential subdivision, for $480,000 from D.B. and E.H. Broomfield. The Syndicate was then 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 USA residing in Indonesia.

In November 1997, says the OIC, the Syndicate sold the land to Quail Point Ltd "as part of an agreed rearrangement while the proposed development was subject to development and planning hearings". It is not clear why such a sale was required. They now wish to return the land by selling the company back to the original syndicate, except that W.J. Frost has sold his interest to Salman.

The Quail Rise subdivision is at Frankton near the Lower Shotover Bridge. It is divided into 31 sections from 1,200 sq. m. to around 6,000 sq. m., priced at around $89,000 each. A number are selling to Asian investors seeking to place their money in a safe haven (*National Business Review*, 20/11/98, "Southern sections sell like hot cakes", by Chris Hutching, p.73).

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 for example our commentary on the September 1993 decisions). Salman also is involved in developing and selling off part of the Closeburn Station near Queenstown (for the latest such sale, see December 1998).

Land for forestry

- **Mica Mountain Pines Ltd**, owned by **Steven and Jeanie Marie Henderson** of **Idaho, USA**, has approval to acquire **103 hectares** at **Rangitatau West Road, Maxwell, Wanganui** from **Penhill Farm Ltd** of Aotearoa, for **$360,000**. It is already "extensively planted in trees". Mica also owns approximately 408 hectares of land in Longacre Road, 20 km from Wanganui, for which it gained approval in June 1997 to buy for $820,000.
- **Ilex Replanted Forestry Ltd**, which is owned by **Mrs Lif Kristina Rolandsdotter Marriott** and **Mr Oliver James Digby Marriott** of the **UK**, has approval to acquire **141 hectares** of land at **Judgeford, Porirua, Wellington** for **$800,000**. The buyers have "an interest in four woodlands in the UK, as well as forestry interests in Estonia" and have "over 25 years experience of farm forestry in the UK". They wish "to make long term investments in forestry in various parts of the world, including New Zealand". This is their first in Aotearoa. The land is being sold by **Judgeford Forests Ltd** which is **65.8%** owned in Aotearoa, **28.2%** in **Malaysia**, and **6%** in **Singapore**. The main **(22.2%)** Malaysian shareholder is **Idris Hydraulic (Malaysia) Berhad**, which is also a 23.2% shareholder in Pacific Capital Assets Ltd, the principal behind the controversial Britomart transport development in central Auckland (see the September 1998 OIC decisions).
- **Outland Ltd** owned by **David and Janet MacLean** of **Australia** has approval to acquire **68 hectares** of land at **Waimakariri Gorge, Canterbury** for **$290,000**. They intend to plant approximately 55 hectares in pinus radiata over four years, and farm the rest either under the management of neighbours or themselves. Ostrich farming is being considered.

US resident with "fetish" for new breeds buys third block of Taihape land

Willow Bay Company Ltd, owned by **David Dean Smith** of **Oregon, USA**, has approval to acquire a **315 hectare** farm at **Kaweka Road, Taihape, King Country** for **$400,000**.

Smith obtained consent to buy his first farm in Aotearoa in April 1998 for $375,000. He said then that he intended to run the 86 hectare property "as a sheep/cattle farming unit running approximately 850 stock units" and to develop it to carry at least 900 stock units. "Mr Smith has extensive knowledge and expertise of the Simmental pedigree, Arubrc Stud and Brahman Cross cattle breeds" which he intended to develop. He would employ a farm manager for the day to day management and operation of the property.

In July 1998, Smith gained approval to acquire a nearby property in order to keep mating bulls apart and thereby enhance their mating "efficiency and productivity". He bought 11 hectares of land at the corner of Paengaroa and State Highway One, Taihape, for $128,000. It included a house "which is able to be utilised in conjunction with the 86 hectare cattle farming unit" about 1.1 km away.

The present acquisition is because "the carrying capacity of those existing properties is only 1,000 stock units and even with a nil debt it is impossible to make those holdings an economic venture". The new property, which is a sheep farm, adds up to 2,600 stock units, and "facilitates the diversification" of Smith's farming business. While "recognising that sheep farming is probably at its lowest economic return ever, but having a fetish for introducing new strains and breeds of animal, the applicant is enthusiastic to become fully involved in the breeding of existing breeds and also exotic sheep". He wants to "introduce East Friesian Rams with the Romney ewes on the property". He

> "also wishes to introduce an exotic breed known as Romanov ram,

(Continued on page 78)

(OIC Decisions: From page 77)

which emanates from Russia and will come out to New Zealand via the USA. The breed is of super high production, but on account of New Zealand's quarantine requirements, will take at least five years to be able to be properly introduced to New Zealand. The proposed acquisition will enable the applicant to develop his expertise in sheep farming during the intervening period".

Australian owners of Waikato duck farm restructure

Guiseppi Bonaccordo of **Australia**, through his company **Bonenzio Pty Ltd**, has approval to acquire another **12.5%** of a **Cambridge, Waikato** duck breeding and processing facility he owns with two other Australians, **Mark Keith Forster** (through **Ilenzio Pty Ltd**) and **Lloyd Richard Ilett (Forsenzio Pty Ltd)**. The ownership was formerly 75%, 12.5%, 12.5%; it will now be **87.5%, 6.25%, 6.25%.**

The joint venture owns **eight hectares** of land at **346 Orepunga Road, Horahora, RD2, Cambridge, Waikato**. In July 1998 we reported the acquisition of the land. It was the result of the falling out of a 50/50 joint venture approved by the OIC in September 1997 between Australian and New Zealand partners. "Rather than embarking upon protracted litigation" after "substantial disputes", they agreed that the Australian syndicate or its nominee would purchase the remaining 50% interest in the business.

Netherlands company buys land to grow capsicum for export

A joint venture equally owned by **Alexander Cropping Ltd** of **Aotearoa** and **J.M. Levarht and Sons** (which is owned by the **Levarht family** of the **Netherlands**), has approval to acquire **21 hectares** of land at **Woodcocks Road, Streamlands, Warkworth, Northland** for $618,750. Initially a 2.5 hectare greenhouse will be built on the land, which is ten minutes drive away from Alexander Cropping's current one hectare greenhouse. The greenhouse will be used to grow capsicum, mainly for export.

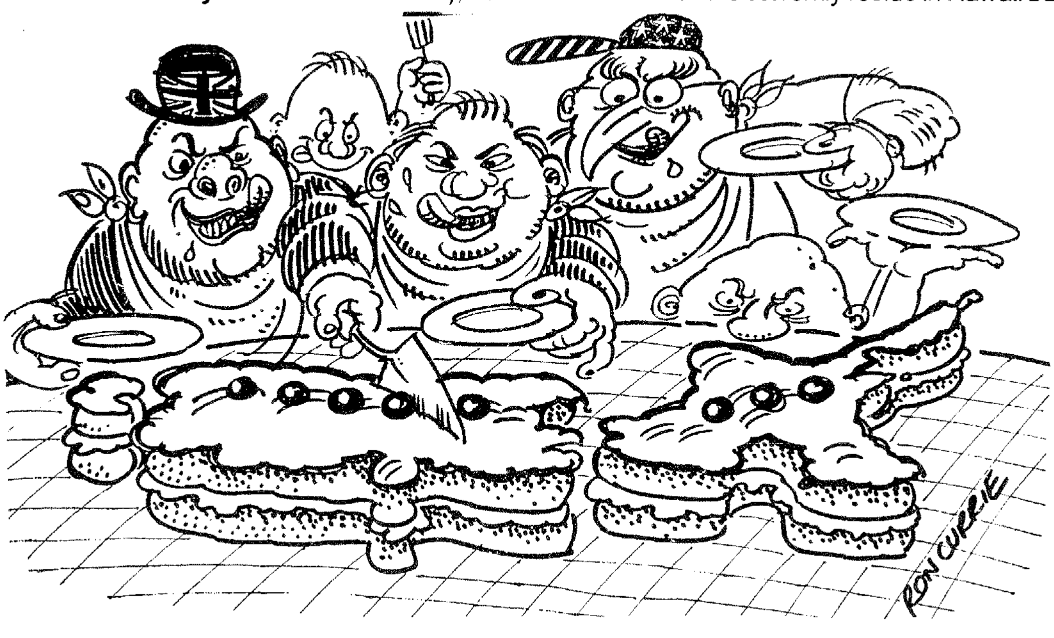
> "These markets are very large on the world scale and New Zealand has the opportunity to use its advantages of southern hemisphere location to slot into Levarht's world wide distribution chain. It is claimed that this type of development is the future for New Zealand horticulture by combining New Zealand's ability to grow product and using an international company to market our products".

Which is exactly what our dairy industry has successfully avoided to ensure the producers don't lose their returns to marketers and traders.

> "Currently the export season for Levarht ceases as soon as the Dutch growers stop their yearly production. By having production facilities in New Zealand, Levarht can continue their exports during the Dutch winter".

Other rural land sales

* In another **Warkworth** sale, **Rosalie and Wayne Barnes** of the **USA** have approval to acquire **33 hectares** of land at **Kaipara Flats Road**, approximately 10km north of Warkworth, **Northland**, for **$200,000** from **Nevill Properties Ltd of** Aotearoa. The Barnes currently reside in Hawaii but plan to apply



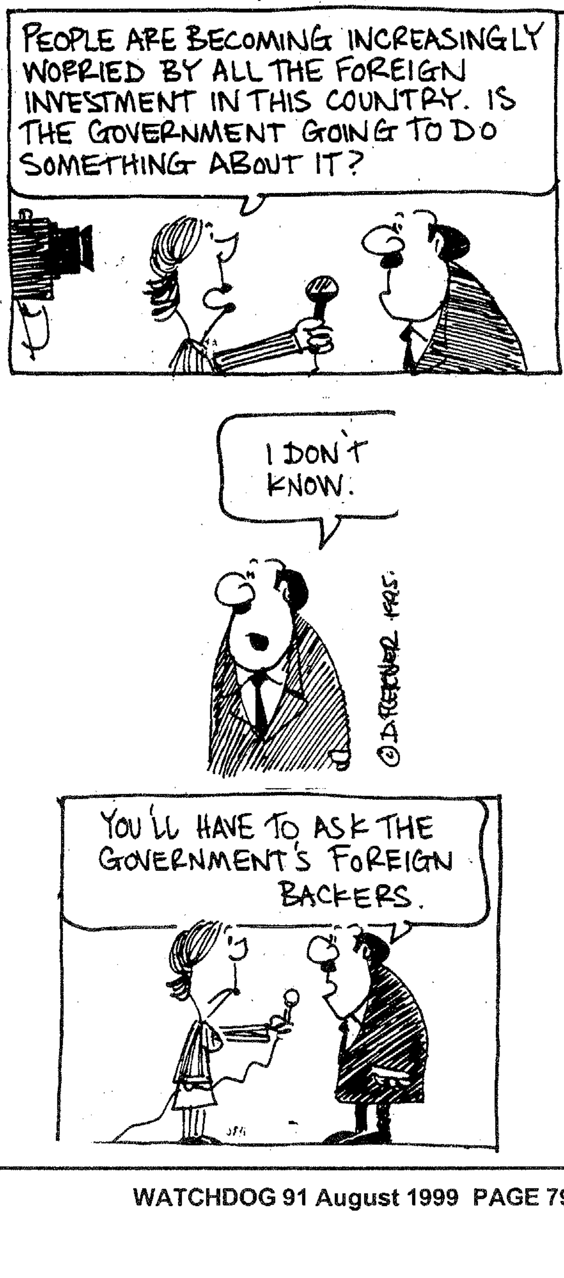
The Gatecrashers Spot the Party food

for permanent residency in May 1999 and "eventually" reside permanently in Aotearoa. They visit "frequently" and intend converting the property "from one of non-productive use into a forestry investment and small vineyard... The applicants intend to apply their extensive technological knowledge in new and innovative ways in the operation of the farming property".

* **Equusloco Ltd**, owned by **Mr J.E. Loudermilk** and **Ms G.W.I. Doll** of the **USA**, has approval to acquire **21 hectares** of land at **Waitaria Bay, Kenepuru Sound, RD, Havelock, Marlborough**, for **$225,056**. Both Mr Loudermilk and Ms Doll have New Zealand permanent residency status, with Mr Loudermilk resident in New Zealand and Ms Doll intending to move here in April once she has completed the sale of her American assets. They intend to reside on the farm. In December 1998, they gained approval to acquire 220 hectares which adjoins this land. They intended to "build a new house for themselves on the property and renovate the existing building to provide accommodation for up to eight guests, which then will operate as a dude ranch. It is also intended to operate a horse riding and training school on the property as Ms Doll has particular qualifications in that field. Ms Doll would also use the property as a base in which she would hope to generate a consultancy business in respect of horse training throughout the country."
* **Riversleigh Partnership**, owned by **William Bruce Cameron Stapleton** and **Geoffrey Sprot**, both of the **UK**, has approval to acquire **20 hectares** of land at **Conders Bend, Renwick, Marlborough** for **$1,507,500**. They "have been frequent visitors to New Zealand in recent years" and are "combining their extensive business and viticulture backgrounds to establish what they hope will be the beginning of a successful vineyard and winery investment focusing on quality wines for export, predominantly to the UK".
* **Georges Michel Ltd**, owned by **Georges Michel and family** of **France**, has approval to acquire **14 hectares** of land at **O'Dwyer's Road, RD 2, Blenheim, Marlborough** for **$1,462,500**. Michel operates the **Domaine Georges Michel Winery**, which expects to have a full production capacity of 20,000 cases of wine, which will be sold both domestically, and exported through the company's French based distribution agency. In October 1998, we reported that the company had approval to acquire a further three hectares of land adjacent to six hectares it already owned in Vintage Lane, RD 2, Blenheim, acquired in December 1997.
* **Kekerengu Valley Farm Ltd**, which is owned by **Mr G. C. Wilson** of the **UK** and his wife, **Mrs L.M. Wilson**, a New Zealand citizen, has approval to acquire **39 hectares** of land at **Kekerengu Valley Road, Kekerengu Valley, 50 kilometres** from both Blenheim and Kaikoura, **Marlborough**, for **$410,625**. The land is currently "being more used as a lifestyle block" but the Wilsons intend to convert it into a viable unit farming truffles and olives, and providing accommodation for tourists. If Mrs Wilson had purchased the property in her own name, no OIC consent would have been required, but they wish to use the jointly owned company for "family financial planning reasons".

E.C. and H.D. Sims of the **USA** have approval to acquire **ten hectares** of land at **State Highway 8, Gibbston,** approximately 25 kilometres east of **Queenstown, Otago**, for **$183,375**. They intend to develop the land (currently fallow) into vineyard and eventually live permanently on the property. H.D. Sims has permanent residency status, and "has been involved in the operation of vineyards, orchards and farm management in the USA". E.C. Sims "is in the process of applying for permanent residency".

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.



LANCE BULLOCK: An Unsung Hero
Send Us Your Local Clippings

Lance Bullock, who lives near Dargaville, is one of CAFCA's unsung heroes. For several years he's written to us weekly, and always stuffs the envelope with meticulously collected clippings, primarily from the *New Zealand Herald* (but also the *Northern Advocate*, other Northland papers, plus specialist farming publications we'd never heard of). Lance has oftentimes gone to extraordinary lengths to get these papers, including mounting guerilla raids on the local dump.

CAFCA can't afford to hire a clippings service, so we rely on our members to keep us abreast of what's going on in your city, town or district. Lance has performed an invaluable service to us for years, and his work deserves our heartiest thanks. He sets an example for the rest of our members. If you're thinking "What can I do to help?" (apart from the usual sending us money), then clip your paper for local stories of relevance to CAFCA. Look through any *Watchdog* and you'll see what we're interested in. Make sure you put the date on the clipping, plus which paper it is from. And send it to us. Don't send us stuff that we're already likely to have (eg "PM names date for election"), and stick to fact, rather than opinions, such as letters to the editor. That local knowledge is of great use to us, and its material we otherwise wouldn't see.

NORTHLAND SEEDSAVERS' NETWORK & GE FOOD BOYCOTT

Lance Bullock doesn't spend all his time clipping papers for CAFCA. He has also founded two related campaigns - the Northland Seedsavers' Network and a Genetically Engineered Food Boycott. The aim of the former is to keep a pool of seeds in public ownership, in case the seed companies are taken over by the big agribusiness transnationals and GE seeds become the only choice. The aim of the latter is to build up a network of information on GE food, to enable people to know which products to boycott.

Both these campaigns are very relevant to our concerns, and both are a practical response to the likes of Monsanto, which won the 1998 Roger Award for the Worst Transnational Corporation in New Zealand (*see full report elsewhere in this issue. Ed.*). Roger judge, Sukhi Turner, made a special mention of the seedsavers' network when announcing the Award.

Both the Northland Seedsavers' Network and the GE Food Boycott can be contacted at Box 184, Dargaville.

CAFCA'S 25TH ANNIVERSARY
We're Planning A Bit Of A Do

CAFCINZ (as we started out) was founded in 1974, to organise the 1975 South Island Resistance Ride. We're still on the bus. So, we're 25 years old.

To celebrate this auspicious event, and as our contribution to the godawful New Millennium, we're planning a birthday party sometime in the first couple of months of 2000. We haven't nutted out the details yet (beyond the fact that it will be in Christchurch). We'll keep you posted.

If you're interested in attending, or have ideas on the best way to celebrate it, let us know.

TAKING CONTROL LIST SERVER
New Members Welcome

One of the practical initiatives that came out of the 1998 Taking Control: The Fightback Against Transnational Corporate Power Conference was the creation of the Taking Control list server (electronic discussion group). It took quite a while to set up, but it's now up and running. It serves as a useful (and private) electronic network for circulating and discussing material relevant to the fightback against transnational corporate power. For instance, CAFCA regularly sends out press releases and other material through Taking Control.

If you're interested, then e-mail us at: cafca@chch.planet.org.nz

Membership is free but conditions apply.

And, on the subject of new members, we believe the most effective means of getting our message around is by word of mouth. If you've got friends or workmates whom you think are likely to join CAFCA or be interested in what we have to offer, then put them in touch with us. We're always ready to welcome new members. You, our existing members, are our most effective recruiters.