

# Roger Award 2003

For the worst Transnational Corporation operating in Aotearoa in 2003

**Winner**  
**Juken Nissho**

**Organised by**  
Campaign Against Foreign Control of Aotearoa (CAFCA)  
GATT Watchdog

# STATEMENT FROM THE JUDGES

John Minto  
Sukhi Turner  
Ranginui Walker  
Alister Barry  
Jill Hawkey

22/1/04

## Introduction

There are eight finalists for the Roger Award For The Worst Transnational Corporation Operating In Aotearoa/New Zealand In 2003. These finalists are ANZ Bank, British American Tobacco, Carter Holt Harvey, Comalco, Juken Nissho, Newmont Mining, Rymans and Telecom.

The judges' task was to consider the activities of these eight corporations against the criteria for the Award which cover areas such as unemployment, abuse of workers, profiteering, political interference, cultural imperialism, and negative impacts on some or all of tangata whenua, women, and the environment.

We thank those who entered nominations and for their efforts to provide detailed and comprehensive background material to put before the judges.

In the judges' view each of the finalists exhibits policies and practices which are well outside the behaviour our community has a right to expect for any company operating in New Zealand. In fact, each of the eight finalists deserves community condemnation and, in their own way, each would be a deserving winner of this Award.

This judges' decision ranks the "Top Three" companies but, before doing so, we would like to comment on the five other companies whose practices and policies appalled the judges and justified their nominations. As well, we are announcing a special award to one finalist – the "**Special Award for Monop-oly Profiteering**".

The five corporations who missed the final three places are:

## ANZ Bank

The ANZ nomination represents many concerns which also apply to other banks. However, ANZ appears to be the worst of a bad bunch. ANZ has 34% of the banking market with 3,700 staff. As with most major banks, it is Australian-owned with key functions located in Australia. This is part of the economic colonisation of New Zealand with New Zealand customers in the back seat. If the bank goes belly up, for example, Australian deposits get preferential treatment.

The bank makes \$600 profit per customer and most goes offshore. Customer satisfaction is low and dropped a further 7% (from 59% to 52%) in 2003.

Of particular concern is the predicted closure of dozens of branches after its purchase of the National Bank. 800 staff positions could be lost.

## Comalco

Comalco takes 15% of New Zealand's electricity at a very cheap and secretive rate. They continue to milk our power supply, despite power shortages. Their long-term contract at a fixed price was made in 1961 and still has 22 years to run! During 2003, Comalco campaigned for an exemption from its \$25 million share of a levy for electricity supply in New Zealand in "dry years". Such free-loading is an abuse of its privileged position and displays an arrogant disregard for ordinary consumers who subsidise their cheap power.

## Newmont Mining

Newmont Mining is the biggest employer in Waihi. It seems to have local government on a short leash and uses its influence to "rule the roost" in this part of New Zealand.

The environmental damage to the Waihi community has been devastating in this last year. Newmont's constant expansion and mining activity near residential areas has caused unacceptable noise, vibrations, cracks, loss of house values (20% since 1999 in some cases), subsidence, and the disappearance of houses and streams down holes. Locals have described the company's site as "ground zero"!

The fact that the company commissioned research by a geologist and then ignored (and hid) the report on how many households were at risk underlines a thinly veiled contempt for the local community.

Newmont Mining's attitude seems to be to "privatise the profits and socialise the losses" from its Waihi activities.

We commend the local community, which has set up a Distressed Residents Action Group, to counteract the company's negative impact on the community.

## Rymans

Rymans Health Care operates a nationwide chain of rest homes. It employs 1,000 staff – mainly women healthcare workers - and runs as part of New Zealand's profit-driven, privatised health care system for the elderly.

It was nominated for its blatant anti-union, anti-women policies. It presents a deeply disturbing example of exploitation of low paid workers, with caregivers paid \$12 per hour while the Managing Director is paid \$161.86 per hour! Rymans refuses to facilitate a union agreement in any of its homes. It has ignored staff wishes, and sacked union delegates and bullied others.

Despite claiming it can't afford to pay decent wages, in 2003 its net surplus was up 38% to \$15.3 million with a dividend increase of 34% to 7.5c per share.

# Special Award For Monopoly Profiteering

## Telecom

Telecom continues to be a standout case of using every trick in the book to maximise profits at the expense of New Zealanders. The spirit of the "Kiwi Share" continues to be ignored while the original trust and hope of those who thought it was a good idea to privatise has been abused and disregarded.

Their "chronic" monopoly practices are one reason they have been nominated for the Roger Award year after year. The judges felt this ongoing abuse of their monopoly position deserved a special award. Factors in this award include their monopoly of telephone lines; outrageous charges to competitors to interconnect; exorbitant charges to rural customers; a 15% hike in line rentals; misleading advertising to lure customers from competitors; boosting non-regulated wiring maintenance costs as part of residential bills; bringing the billing cycle forward a week; and disconnecting 8000 customers without warning at the very end of 2002.

Telecom's 2003 accounts report the "sale" for more than \$2.1 billion of intellectual property and brands to a subsidiary, Telecom IP Ltd. This provides a perfect set-up for tax and other rorts, and for raising debt off-balance sheet, then boasting about strong cash flows and debt reduction. Since Telecom was privatised in 1990 approximately \$12 billion has been remitted overseas in profits. Telecom represents the dramatic failure of the privatisation of a key community infrastructure.

Place Getters

## Third Place –

### Carter Holt Harvey

A past Roger Award winner, Carter Holt Harvey has continued its appalling track record through 2003. It has displayed an arrogant Victorian attitude in treatment of workers at its Kinleith plant. Despite the collective agreement having expired two years previously, the company refused a wage increase which resulted in a prolonged strike.

There has also been a loss of 400 jobs in the last two years, a decrease in wages and longer hour for workers. CHH treats people as no more than costs and inputs to be managed as cheaply as possible. Workers and their families come a distant second to profits. This is having a huge impact on the small communities involved and on a workforce with a high proportion of Maori.

There has also been loss of safety conditions and standards for workers under restructuring proposals. CHH have planned to replace the on-site professional fire brigade and devolve responsibility for fire fighting and emergency rescue duties to staff.

It made a record profit in 2003 – a 26% increase over the previous year. This was achieved through massive layoffs and CHH is hoping the profit translates into a rise in the share price!

Political interference is evidenced in CHH's support for lifting the genetic engineering moratorium as well as attempting to blackmail the current Government by threatening to hold back investment in NZ because of the Government's alleged "unfriendly to business" policies. It should also be noted that CHH pushed for approval of untreated timber in homes a decade ago! Since 1991, 230,000 homes have been affected by this decision (i.e. the leaky building syndrome).

## **Second Place –**

### **British American Tobacco**

BAT is one of five transnational corporations controlling 70% of global tobacco production. It can be described as a "monster multinational oligopoly" trying to escape from "commodity hell". In this, BAT continues the trend of tobacco companies peddling an addictive, destructive product while trying to appear "community minded". In reality, BAT is deliberately and knowingly killing our fellow citizens for profit. It is also promoting consumption of this addictive and deadly product, particularly to image-conscious teenagers.

Also helping to ensure addiction is the increase in the content of nicotine in cigarettes - up 10% in the last 12 years!

BAT contributes to the death of 5,000 New Zealanders annually – 2,000 women, with Maori women disproportionately represented. In fact, some 34% of all Maori deaths are smoking-related. BAT has 80% of the New Zealand tobacco market, while Imperial has 16% and Altria, which recently changed its name from Philip Morris, has 4%.

BAT targets Third World countries in a vile and repugnant way. Examples include Argentina, Brazil, Turkey, Thailand, India, China, Indonesia, Malawi and Zimbabwe. In China, for example, 430 million people across the Gobi Desert have been targeted for addiction. The price of cigarettes has been lowered to ensure this happens. The price is a copper coin - 0.5 of a cent for five cigarettes!

The impact on farmers and the environment in the Third World is horrific. Debt-ridden farmers grow tobacco and spray pesticides for a pittance while company profits go through the roof. For example, from 1985-1992, BAT's profits from its African operations totalled \$US299 million.

Especially disturbing is their sponsorship of health promoting organisations like the Life Education Trust in New Zealand, and the use of their own financed Tobacco Industry Research Committee to counteract scientific research on harm from tobacco smoking.

BAT's political interference and international lobbying are rife in public health policies of international bodies. Also of concern is the special consideration given to BAT by our own Health Select Committee and BAT's attempts to undermine an international treaty, the Framework Convention on Tobacco Control.

BAT is a destructive corporation - parasitic upon the human community in all respects.

# The Winner –

## Juken Nissho

The judges have awarded the 2003 Roger Award to Juken Nissho (JN) – a company which operates wood processing plants in Kaitaia, Masterton and Gisborne and creates work for more than 1,000 New Zealanders nationwide.

The reasons for the Award are JN's horrifying safety record in its plants and its arrogant disregard for the welfare of the Kaitaia community with the emissions from its triboard plant in the town.

The judges were staggered at the Occupational Safety and Health record of JN which indicates 304 "events" (Lower Hutt 178, Napier 68, Whangarei 38, Palmerston North 7, Rotorua 1) from 1995 to 2003, including 269 serious harm notifications.

The OSH report reads like a war casualty list and, since its release, a worker was crushed to death at JN's Gisborne plant in April 2003.

JN has 11 convictions under the Health and Safety Act - on average one conviction per year - with fines ranging from \$6,000 to \$10,000. Despite this, the company is not deterred and has not cleaned up its act.

At its Kaitaia plant, 50-metre chimneys pump out toxic plumes 24 hours a day. Neighbours have frequently complained of eye, nose, skin and respiratory tract irritations, asthma symptoms and itching as well of "feeling like a hang-over". One family was forced out of its home. The company agreed to commission an assessment of the health effects on the Kaitaia community. On this basis, Northland Health withdrew an appeal against a resource consent approved for JN by the Northland Regional Council. However, it took two years for JN to complete this report rather than the two months agreed initially.

JN threatened Northland Health with legal action when they initially lodged the appeal. Northland Health officials reported, "we had quite a lot of unpleasant correspondence from the triboard mill – we were threatened with legal action. The Regional Council were unhappy as well with our stance in making that appeal".

Unsurprisingly, the in-house report gave JN a "clean bill of health". Unsurprisingly also, an independent reviewer found the report was a whitewash because it was not based on actual emissions.

In 1997, JN was prosecuted for exceeding resource consent emissions at its Kaitaia plant and is still under an abatement notice for the pollutants emitted. Evidence exists they have been buying out complainants.

Local residents have felt blackmailed by the threat that if the plant has to spend too much on pollution control it will close or relocate elsewhere and the local jobs will disappear. Residents have said, “without the mill we are bugged!”.

JN is the “bully boy” of Kaitaia. They are using their position as a large employer in small communities with high unemployment to blackmail those communities into submission, despite well-founded fears for community welfare and worker safety.

**Such a situation requires Government intervention and the judges recommend that a public inquiry be held into the health and safety situation in Juken Nissho’s plants, and into the community health impact of its Kaitaia operation.**

**Juken Nissho is a worthy winner of the Roger Award for 2003.**

---

# DARK SATANIC MILLS

It takes a lot to shock the judges of the Roger Award, New Zealand's premier trophy for corporate skullduggery. In seven years of assessing the nation's worst business rogues, hard-bitten panel members thought they had seen everything. But the horrifying safety record of forestry company Juken Nissho Limited left the judges staggered, and wondering just how much more havoc it can wreak with workers' lives and this country's environment before it is brought to heel.

It's fitting that JNL should win the 2003 Roger Award, a prize named after the politician who rolled out the red carpet for transnationals like JNL. The Japanese-owned giant first appeared on these shores in 1990 when it joined the scramble for our forestry assets. In 1989, with Rogernomics in full swing, our planted forests had been put up for sale - 52% then were held in public ownership<sup>(1)</sup>.

Now, just 5% of the total area remains in public hands – despite the fact the total planted area has increased by 60%. Twelve companies - nearly all either wholly or substantially foreign owned – hold more than 20,000 hectares each<sup>(2)</sup>. JNL lies fifth on the list with 57,000 hectares, or 3.14% of the privately owned forested area. The table is dominated by Carter Holt Harvey, a past Roger Award winner that owns 315,000 hectares<sup>(3)</sup>. JNL claims on its Website that by 2000 it had invested \$617.5 million in forests and mills, and created work for more than 1,000 New Zealanders<sup>(4)</sup>.

Throughout the 1990s the Overseas Investment Commission had rubber stamped JNL's relentless purchases of New Zealand's lands and forests. The first were in Northland (30,000 hectares), the Wairarapa (10,000 hectares), and on the East Cape (16,000 hectares). All these regions had been battered by Rogernomics, and the promise of new investment and new jobs was almost universally welcomed.

In the Wairarapa, the JNL mill opened in 1992 just down the road from the rusting Waingawa freezing works. The region was still reeling from the loss of 600 jobs with the works' closure in 1989, and JNL's arrival was seen as something of a godsend. Yet the contrast in jobs could not have been more stark. A unionised and well-paid workforce was replaced by a non-unionised workforce that still works today on rates of \$9 to \$11 an hour.

JNL is a big user of labour-hire agencies – Kelly Recruitment Services recently advertised in Masterton for staff to work 12-hour shifts at JNL for a flat rate of \$10 an hour. Up to one-third of the mill's workforce is hired in this way, which means staff are easily laid off if business slows down – and not re-hired if they complain about conditions.

## **Appalling Safety Record**

Although work in both the freezing and forestry industries is hard, physical and dangerous, JNL quickly established an appalling safety record. The first fine, of \$1,000, came in October 1993 after a worker received a crushed arm, broken ribs and a punctured lung<sup>(5)</sup>. A \$6,000 fine the following year came after a worker was scarred and disfigured by skin abrasions. The company was fined \$7,500 for each of two incidents in 1994 – one for a worker who lost the tip of his finger, and another a month later, for a worker who was permanently scarred and lost part of the use of their left arm.

Early in 2003 came a \$10,000 fine after Masterton woman Corrina Clayton suffered fractures to her pelvis and bruising to her pelvis, spine and head. She had fallen 2m from a conveyor belt on to a concrete floor, and JNL was fined for failing to erect a barrier. According to investigators from the Occupational Safety and Health Service (OSH), the Government agency responsible for workplace safety, a worker had suggested the company put up a barrier five days before the accident.

That's just the record at the Masterton mill – in Gisborne, accidents including amputated fingers, ruptured knee tendons, broken arms, chipped teeth and bruising saw JNL appear in court on seven separate occasions and incur fines totalling \$53,000. In eight years from February 1995, OSH received an average of 33 serious harm notifications from JNL every year. An OSH audit revealed 304 “events” including 269 serious harm notifications, 18 complaints, 16 possible cases of occupational disease, and one non-injury accident. In April 2003, soon after the audit was released, a worker at JNL's Gisborne plant was crushed to death by a log-peeling machine.

The fine for Corrina Clayton's accident was JNL's 15<sup>th</sup> conviction under the Health and Safety Act, a record bad enough to attract the national media's attention. Late in 2003, TVNZ's *One News* and *Holmes* featured a staggering catalogue of health and safety failings. OSH staff had systematically recorded all the workplace dangers at JNL's four mills between August and September 2003<sup>(6)</sup>. Page after page of photographs illustrated logs piled like giant pick-up sticks; missing handrails; unchecked scaffolding; locked emergency exits; poorly ventilated welding spaces; air conditioners contaminated by diesel fumes; chainsaw operators standing on logs while using their chainsaws; tangled hoses that created tripping hazards; exposed saw blades; poor lighting; poor storage of heavy machinery; congested access ways; dangerous ladders; old and dirty knife grinders; and timber and other goods stacked at dangerous heights.

Altogether, OSH catalogued 697 instances where health and safety improvements were needed. The company's reaction to all this was remarkably off-hand. After its fifth conviction for health and safety breaches at its Masterton plant, a JNL manager told local media he had no idea why the company had been singled out for its poor record. “I think health and safety here in Masterton is very good and I welcome anyone to come and have a look here,” he said<sup>(7)</sup>.

## Kaitaia's Poisonous Mill

During 2003, JNL's Kaitaia mill began to feature in the news as media reported on the environmental battles between town residents and their belching, threatening neighbour. In fact there are two mills, lying adjacent to each other in one sprawling complex just north of the town. One makes laminated veneer lumber and the other triboard – three layers of wood glued together with heat and chemicals – which is shipped to Japan for up-market construction. For 24 hours a day, two 50m chimneys and a number of smaller stacks pour smoke high into the air.

“Sometimes the odour is sickly sweet, sometimes it's like wet nappies – it's just absolute crap, depending on the process (used at the mill),” says one resident. She did not want to be identified, and getting locals to talk openly is difficult – JNL tied a secrecy agreement to the buy-out of five residential properties. She also worries about jeopardising an attempt to get the company into mediation over the family's ongoing health problems.

“We get headaches, sore eyes, runny eyes and noses, and short of breath. We get tingly, burning sensations on our skin and skin conditions like eczema.” The woman was forced to use asthma inhalers, although she no longer needs them now the family has shifted. Another local had a lung transplant last year, and believes the mill’s emissions caused his lung problems. JNL’s dismissive attitude when health issues were raised still rankles. “When I first contacted the mill manager in 1999 and said I was concerned about what was happening to us and wondered whether it was linked to the mill’s chemicals, he said, ‘We’re a multi-million dollar company and we don’t have to tell you anything’. He said he would tell my doctor, so I got my doctor to write, but they never replied”.

## Complaints, Fines, Secrecy Agreements

On average, three Kaitaia people a week complained to the council about the mill during 2003, the *NZ Herald* reported<sup>(8)</sup>. Residents forced to move have complained about stinging eyes, asthma, inflamed throats, and itching, said the newspaper. They smelt a nasty “rotten sewage” stench and the stink of chemicals. They noticed tiny slivers of wood almost too small to see, small fibres that regularly settled on cars and in bushes, got into washing and landed on windows. One family could no longer hang their clothes on the line, fearful of the scratching that comes after socks, underwear and shirts were infiltrated by hundreds of minute, irritating particles. “Residents liken the situation to *Erin Brockovich*, the film made famous by Hollywood actress Julia Roberts, about a link between the pollution of water supplies by a gas company in California and sickness in residents,” said the *Herald*<sup>(9)</sup>.

In March 2003, the company released a health-impact assessment which found that pollutants including fine particle matter, blue haze and volatile organic compounds, combustion products, odour, wood dust and wood organic compounds were being released into the air. However, there was only a low-level health risk to Kaitaia locals who lived close to the mill, the report concluded. An independent environmental scientist later criticised that report, saying it used data based on typical emission levels as estimated by a computer modelling programme. It ignored what was actually happening in the air around the mill, particularly when there are “upsets” – unusually heavy belches of thick smoke, haze or odour. The JNL-commissioned report contained no evidence about the frequency or duration of these “upsets”. It also took two years to produce, after JNL had promised it in two months.

The Northland Regional Council has twice taken the company to the Environment Court. The first was in 1997 for exceeding resource consents for emitting formaldehyde. The second, for discharging effluent into a local waterway, led to a \$750 fine. According to the council’s air quality team leader Paul Baynham, the council has taken a variety of enforcement actions over the years. In 2001 it issued an abatement notice to control smoke and odour levels. That notice, a kind of legal warning, is still in force. It required JNL to install equipment to reduce the level of pollutants being emitted, and to reduce emissions so that offensive odours do not travel beyond the mill’s boundaries. JNL has largely fixed the problem of fibrous emissions, says Mr Baynham, but the offensive odours remain.

Secrecy agreements and ongoing legal wrangles aren’t the only reasons many Kaitaia locals are reluctant to go public. The community is divided about the merits of the mill, with some worrying that continual complaints will force it to close. JNL is by far the biggest employer in town and claims to pour \$9 million

a year directly into the local economy. As in the Wairarapa, the JNL mill opened when the region was reeling from job losses, with the Awanui dairy factory a few kilometres north of Kaitaia having just closed.

## Cheap Labour

Kaitaia workers have at least one advantage over employees at JNL's other mills. Their mill opened in the era of national awards and their contract rolls over an old agreement. The Gisborne and Wairarapa mills opened after the former Employment Contracts Act had become law, and the new investors quickly seized on the opportunity to hire their new workforce on lower rates of pay.

Overall, the company does well out of this country's cheap labour, as do all forestry firms. In 2003, the US Labor Bureau compared the labour costs of 12 nations which are heavily involved in either the production and/or consumption of timber<sup>(10)</sup>. A table of "hourly compensation costs" ranked New Zealand ranked third to bottom, with an hourly rate less than one-third that of the top ranked country, Norway. Labour costs in the USA, Finland, and Sweden were more than twice New Zealand's.

But every cloud has a silver lining, and it's in the Land of the Rising Sun that the silver shines most brightly. Nissho Iwai Corporation owns 15% of JNL, with the other 85% in the hands of Juken Sangyo Ltd, a plywood company that goes by the English name Wood One. Chairman of Wood One is Toshio Nakamoto, a businessman who likes to dabble in the art market. Wood One has its own art museum, and Mr Nakamoto has made a name for himself in Japan with some spectacular purchases<sup>(11)</sup>. In December 2000, he paid 3.6 billion yen (\$NZ21.5 million) – still an auction record in Japan – for a painting by a Japanese artist. Two years later he paid 66 million yen (nearly \$NZ1 million) for a previously unidentified Van Gogh. The painting was known as "Peasant Woman".

### Sources:

- (1) Andrew D. McEwen, Chairman, Wellington Section NZ Institute of Forestry and Director, McEwen Associates. Paper to Ministry of Agriculture and Forestry conference, March 2003.
  - (2) Ibid.
  - (3) NZ Forest Owners' Association, *Forestry Facts and Figures 2003*. [http://www.nzfoa.nzforestry.co.nz/images/factsandfigures03/graph\\_facts\\_09.jpg](http://www.nzfoa.nzforestry.co.nz/images/factsandfigures03/graph_facts_09.jpg).
  - (4) <http://triboard.com/profile.htm>.
  - (5) OSH documents released to CAFCA following an Official Information Act request of 14 November 2003.
  - (6) OSH audit of JNL's four wood processing mills, released under the Official Information Act, 12 December 2003.
  - (7) "Juken Nissho defends safety record", *Wairarapa Times Age*, 17/4/03.
  - (8) "Mill tackling nasty smell", *NZ Herald*, 10/9/03.
  - (9) "Trouble in the air", *NZ Herald*, 7/6/03.
  - (10) NZ Forest Owners' Association, *Forestry Facts and Figures 2003*. [http://www.nzfoa.nzforestry.co.nz/images/factsandfigures03/graph\\_facts\\_31.jpg](http://www.nzfoa.nzforestry.co.nz/images/factsandfigures03/graph_facts_31.jpg)
  - (11) *Forbes Magazine* - [http://www.forbes.com/2003/02/25/cx\\_0225hot\\_print.html](http://www.forbes.com/2003/02/25/cx_0225hot_print.html).
-

# JUKEN NISSHO FINANCIAL ANALYSIS

## Executive Summary

Juken Nissho Limited has been registered in New Zealand since 1990 and claims on its Website that in the ten years to March 2000, it invested \$293.5 million in New Zealand forests and \$324 million in mills, a total of \$617.5 million invested.

A review of Juken Nissho's most recent five years annual financial reports (1999- 2003) reveals that:

- These "investments" are totally debt-financed and that under normal circumstances the company would be insolvent. It seems likely that creditors encounter difficulty collecting debts from the company;
- The company holds licences over Crown Forests that require 35 years notice of termination in the event of a binding Waitangi Tribunal recommendation that the land be handed back to Maori;
- Many of the company's transactions seem to occur through related parties and, therefore, may provide a way to shift profits offshore and avoid tax liabilities;
- The company reports losses and pays no tax;
- Juken Nissho's auditor, PriceWaterhouseCoopers, has also been the company's tax adviser.

## Insolvent, Pays No Tax

In more detail, the following information is taken from the annual reports available from the Companies Office Website:

1. Juken Nissho's shares amount to \$60 million but, until 2001, accumulated losses exceeded the share investment and the company reported negative equity. The shares are owned by Singapore Juken Sangyo Pte Ltd of Singapore (\$51,000,000) and Nissho Iwai Corporation of Tokyo (\$9,000,000). The shares in Singapore Juken Sangyo Pte Ltd are owned by Wood One Company Limited (formerly Juken Sangyo Company Limited) incorporated in Japan. This means that Juken Nissho Ltd in New Zealand is controlled from Japan by Wood One, which acts through Singapore Juken Sangyo Pte Ltd.
2. Under normal circumstances Juken Nissho would be regarded as insolvent. It reports a massive shortfall in working capital each year which suggests that it has extreme difficulty operating on a day to day basis because of inability to pay its bills. Because of the negative equity from 1999 to 2001, the company was totally debt financed. Now it is predominantly debt financed. Most of the debt consists of loans from Japanese banks, with those loans guaranteed by the company shareholders. There is also a loan from Nissho Iwai Corporation. Juken Nissho's financial reports state each year that the company's continuing viability is "dependent on the financial support of its shareholders and bankers. The directors of the Company's ultimate majority shareholder (Wood One) have accepted the responsibility of providing sufficient financial assistance to the Company for the forthcoming twelve months and to ensure financial facilities continue to be available from local and

overseas sources when needed". Were such a statement not made, the auditors would be unable to sign a clean audit report. The statement should not be regarded as a guarantee. It is feasible that if Juken Nissho were to cease operations in New Zealand, its local debt would go unpaid.

3. Juken Nissho holds Crown Forest Licences for five forests. The licence fees amount to approximately \$2 million each year. Those licences require 35 years notice of termination in the event of a binding recommendation by the Waitangi Tribunal that the land be handed over to Maori.
4. Some of Juken Nissho's transaction activities occur through related parties. Purchases of parts and machinery, the provision of payroll and employee welfare expenses occur through Wood One. The sale of timber products, the purchase of parts and machinery, and inter-company borrowings occur through Nissho Iwai. The statement is made that the transactions with Nissho Iwai are made on normal commercial terms, but no such statement is made about transactions with Wood One. The prices at which related party transactions occur are notorious for providing a means to shift profits and tax liabilities between companies and between countries. For each of the five years reviewed, Juken Nissho reported the following results:

Year	1999	2000	2001	2002	2003
Loss	\$44 million	\$28 million	\$2 million		
Profit				\$58 million	\$65 million

Juken Nissho paid no tax in any year. The company is probably carrying previous tax losses to offset any profits earned, but the profits reported in both 2002 and 2003 are largely brought about by unrealised exchange gains on the foreign loans. These gains would not be taxable anyway.

5. For all five years reviewed, Juken Nissho has had the same auditor, Price WaterhouseCoopers (PWC), which has provided a "clean" audit report each year. PWC has provided other services besides audit services, including both consulting and tax advice. Note again that Juken Nissho has paid no tax. Since 2002, the provision of some non-audit services has fallen into disrepute and, in 2003, PWC states that its services to Juken Nissho are solely audit services. It is worth setting out for the five years reviewed, Juken Nissho's turnover to provide some means of gauging transaction activity along with the fees paid to PWC and information taken from the audit certificate about the range of services PWC provided to Juken Nissho. It seems remarkable that in 2003, when turnover has decreased and PWC's role has been reduced to audit only, PWC's fees should increase so significantly. PWC might be asked whether there is some mistake.

Year	1999	2000	2001	2002	2003
Turnover	125,000,000	184,000,000	220,000,000	224,000,000	208,000,000
Audit and tax services	97,000	89,000	119,000		
Audit, tax, consultancy services				341,000	
Audit only					437,000

**The Roger Award**

P O Box 2258

Christchurch

Email: [cafca@chch.planet.org.nz](mailto:cafca@chch.planet.org.nz) or [notoapec@clear.net.nz](mailto:notoapec@clear.net.nz)

The Roger Award is organised by the Campaign Against Foreign Control of  
Aotearoa and GATT Watchdog.

