

Roderick Deane has seen much of his good work undone by rising Government interference. Frustrated, but certainly not bitter, he's moved his focus to areas where he can still make a difference. ZILLA EFRAT reports.

For many people, New Year's resolutions are made with the best intentions and then slowly forgotten as the year progresses. But this was certainly not the case for Roderick Deane, well at least not this year. As 2005 drew to a close, he decided it was time to quit any commitments he felt negative about so that he could concentrate on the more exciting and stimulating aspects of his life. And he did, resigning in June from two of New Zealand's most coveted corporate roles – that of chairman of Telecom Corporation of NZ and as a director of the ANZ National Bank.

However, those who have known or have watched him closely over the years wouldn't have been surprised by Deane's moves.

Anyone who has heard Deane speak in recent times, including delegates to the recent INFINZ Conference in Taupo (see report on p?), would have sensed his frustration at the increasing size of the New Zealand public service, the Government's accelerated regulatory activity and its retraction from market oriented economic policies.

These moves, he told delegates, were choking New Zealand's international competitiveness and productivity growth. Productivity growth, for example, had slowed under the Labour Government to 1.1 % a year since 2000, compared to 2.5% year between 1992 and 2000.

Deane has long been known for his strong beliefs in free market forces and devoted the first part of his illustrious career working towards reform.

Indeed, during his 10 year tenor at the Reserve Bank of New Zealand (RBNZ) he spearheaded initiatives such as the floating of the NZ dollar and the removal of interest rate regulations and exchange controls.

Later, he was involved in reforming the public sector as chairman of the State Services Commission, then in transforming the Electricity Corporation from a government department to a commercial State Owned Enterprise (SOE) and later in overseeing Telecom through a period of rapid growth in the years after initial privatization.

Yet, in recent years he has watched with much disappointment the re-emergence of greater government involvement in the economy and the increased regulation and compliance regimes of everything from the farming sector to big companies. This, he says, has been increasingly tying the hands of the corporate world.

The Telecom NZ and ANZ National boards would also not have been surprised by Deane's resignation letters either, largely because he had warned them in advance that he'd be retiring sooner or later. Retirement, however, came sooner as Deane felt his own hands increasingly tied as new regulatory measures were announced and, perhaps, because of a propensity for prompt action, a character trait noted by many who know him.

By his own account, he says: "One of my strengths is being able to make up my mind and get things done. I don't sit there wringing my hands. A lot of people can tell you what you should do, but not everyone is good at making it happen."

Deane looks back fondly on the seven years that he spent as CEO of Telecom NZ, during which time its total shareholder return grew by 30 per cent a year on average, and the subsequent years as its Chair.

"I loved being there. It was a fine team to work with. I loved the technology and the rapid changes taking place in the industry. But the telecommunications industry has changed so much and the growing regulatory burden has made it harder to grow the company's value. The Government interference just got too much," he says.

What particularly irked him was the Government's regulatory tsunami in May this year, when it announced a raft of unbundling and related interventions, and literally wiped \$3 billion off the market capitalization of New Zealand's largest company overnight and in what Deane describes as "an appallingly badly handled manner".

"Since then, further threats by the Commerce Commission in the mobile area could potentially wipe another \$1 billion or more off the value," he says.

It was a similar story at ANZ National where Deane had sat on the parent company ANZ Group board since 1994.

He says: "The ANZ's acquisition of the National Bank of New Zealand was meant to yield synergies worth about \$250 million NPV (net present value), but these were virtually all offset by the cost of the RBNZ's prudential regulatory initiatives."

Eating into any benefits were requirements such as having to move all domestic systems back from Melbourne to New Zealand, thus duplicating these at huge cost, and re-negotiating all supply contracts so that New Zealand could be separated out from the normal overall Group contracts, again a vastly duplicative and expensive exercise.

Deane observes: "These are by no means isolated cases. Many industries are now subject to direct Government intervention of a kind not seen since Muldoon's regulatory days in the 1970's and early 1980's. This is one important reason why productivity growth is slowing and will continue to be burdened by officials deciding critical corporate investment and pricing matters even though none of them have ever run a business in their life. It is creepy stuff.

"We are also having a lot more strike activity in NZ after a decade or more of being relatively strike free as a consequence of the Government's legislation over the past few years to restore much power to the unions and effectively lobotomize employers."

Indeed, Deane views the rising regulatory and compliance burden being imposed as an unnecessary overreaction to events elsewhere in the world.

"The Government assumes that every company is an Enron. We haven't had any Enrons in New Zealand. Of course there have been one or two companies that have gone into liquidation, but that's normal in the course of business. The Government, however, has been too anxious in protecting shareholders and that comes with huge costs," he says.

"The governance section of an annual report is now longer than the section devoted to a company's operations. That tells me that something is out of balance."

Indeed, Deane believes the growing regulatory and compliance focus, not only here in New Zealand but elsewhere in the world, is behind the boom in the private equity market. "The reason why more money is going through private equity rather than traditional financing channels is because it is less regulated and its compliance costs are much lower," he notes.

Having made such big changes in his life over the last few months, Deane says he's feeling rather liberated and relieved not to be attending so many board meetings.

But Deane is certainly not giving up the corporate world to focus solely on his personal interests, which are listed in his CV as relaxing, dining with friends, reading, gardening, swimming, walking and photography.

He is spending more time on his 90 acre property outside of Wellington, where he and wife Gillian have planted thousands of native plants and grow commercial pine trees.

But he says: "This is more Gillian's hobby than mine. She manages and supervises the property while I provide some gentle help."

Instead, his challenges will be "learning new things, doing new things and helping others". And, he'll still be spotted sitting around many a boardroom table and often.

Deane remains chairman of both Fletcher Building and the New Zealand Seed Fund, and is a director of Australian retailer Woolworths. He also sits on the boards of IHC Inc., MOTU (Economic and Public Policy Research) and various family trusts.

While Deane looks back with much satisfaction on the restructuring of the Fletcher Challenge Group of companies after some difficult times in the 1980s and 1990s, there's still plenty to be done.

The troubled Fletcher group was broken up under Deane's chairmanship, with Fletcher Building emerging out of its ashes in 2001.

It has since gone from strength to strength, with its share price jumping from \$2.20 at the time of its listing to \$9.60 at the end of October, having hit an all-time high of \$9.85 a few weeks earlier. The cumulative total shareholder return has been 387 per cent and dividends have nearly tripled from 14 cents at listing to 40 cents a year. In addition, this growth has also propelled Fletcher Building from no. 17 to no. 2 in terms of market capitalisation on the NZX over the past five years.

Deane, however, is not about to start resting on his laurels. His next challenge, he says, will be to improve Fletcher Building's existing businesses by ensuring that they are strongly competitive on both product and costs.

"We also plan to pursue bolt-on acquisitions to grow our existing businesses both in New Zealand and offshore, while sticking firmly to our criteria for these since it is this discipline which has been key to our successful growth over the past five years," adds Deane.

"We will also continue to improve the reliability (and reduce the volatility) of the company's earnings through the cycles which are normal in the industries in which we operate."

Deane's life has been filled with an array of gongs. Among these was being named the Deloitte/Management Executive of the Year and the Listener Best Chief Executive in 1994, being awarded a Commemoration Medal in 1990, being voted by Management magazine as Executive of the Decade in 1999 and being given the Deloitte/Management Colenso Leadership Award in 1998.

He's also been called "New Zealand's Mr Business" and "the godfather of New Zealand commerce" by the press and even had a biography written about him by New Zealand's leading historians, Michael and Judith Bassett, entitled "Roderick Deane: His Life and Times".

They wrote it, he says, "after they almost accidentally realized that I had a whole room full of boxes of files on the dramatic periods of change in New Zealand when I was in the policy arena at the RBNZ and the New Zealand Public Service during the major reform times in the 1980's".

But despite all his accolades and corporate achievements, Deane says his biggest satisfaction has come from his work at IHC Inc., which cares for the intellectually handicapped and is New Zealand's largest charity.

"Over the last 25 years, we've managed to move thousands of intellectually disabled people from hospitals and special schools into the community, enabling them to become accepted as part of the diversity of society. We've purchased 700 houses and we now have over \$200 million in reserves on the balance sheet."

He's also gained much fulfilment from helping young people study opera, music and science through his and Gillian's support of a range of organisations. "We've helped a number of young opera singers go to the Royal College of Music in London," he says.

He attributes his success to "luck, lucky breaks, hard work and help from lots of people". "I've never applied for any job," he notes. "Any job I got was because of people whom I knew."

And, along the way, he's says he's been driven by "intellectual challenge, the fun of working with people and the satisfaction of getting things done".

And, despite his many achievements, his wasn't always a life that went exactly to plan.

As a youngster attending Opunake and New Plymouth Boys High, Deane wanted to become a mathematician when he grew up. "I loved maths at school, but I knew that I wasn't good enough to be a professional mathematician. So I did do maths at university, but ended up in a more commercial field, accounting," he says.

But his life path changed when in his at third year of accounting at Victoria University, he was forced to do a compulsory course in economics. "By the end of the first economics lecture in third year, I knew that that was what I wanted to do. From that moment on, there wasn't a question. Economics had a strong mathematical underpinning and was also affected by people's behaviour. So I restructured my course and started over again and landed up spending nine years at university," he says.

There were also many political and economic battles to fight, as his friend, New Zealand Business Roundtable executive director Roger Kerr, notes in his review of the Bassett's biography.

He states: "[Deane] was offside with the interventionist Treasury Secretary Henry Lang, twice passed over by Robert Muldoon for the job of Reserve Bank Governor, and was targeted by Muldoon and Jim Anderton during the 1984 devaluation inquiry."

Kerr also reminds how a group of economists wrote to then Prime Minister David Lange blaming Deane for the foreign exchange crisis and suggesting he be sacked and that National, a party ostensibly dedicated to free enterprise, often put spokes in Deane's wheel.

"National opposed the 1986 bill setting up the state-owned enterprises. Jim Bolger and Bill Birch criticised Deane for his role in the state sector reforms. The Bolger government commenced the meddling with the Electricity Corporation which led to the Bradford 'reforms' and in turn to today's return to chaotic central planning of the sector."

But perhaps Deane's saddest battle was a personal one, losing his and Gillian's only child, Kristen, who was born with Rett syndrome, a genetic condition which leaves little girls mentally and physically disabled, when she was 26.

But through it all, Deane says the biggest influence in his life has been Gillian. "She broadened my perception on life especially about the importance of human interrelationships. She also introduced me to the arts, culture and literature. She also has strong commercial intuition. She is always wise and creative when we talk through business issues. She's always been my principal adviser," he says. And, looking back, he says he has no regrets. "When I look back, I say 'How lucky can you get?'"