



Fletcher Building chairman Roderick Deane stands down at the end of this month. He talks to CATHERINE HARRIS about the company's success, and reflects on his other accomplishments in public and private sector business.

Corporate builder steps down

A building analogy works well for Roderick Deane. Over the past 25 years, he has been responsible for building giant companies up and tearing them down.

One of the architects of the state-owned enterprises, he is the man who broke up the Electricity Corporation, slashed the public service in the late 1980s, steered Telecom after privatisation, merged the ANZ and National banks and, most notably, oversaw the dismantling of Fletcher Challenge.

He also has a unique place in our economic history. As a deputy governor of the Reserve Bank, he and then-governor Spencer Russell were the men who temporarily stopped the currency from trading internationally during a constitutional crisis in 1984.

At that time, speculation that the incoming Lange government would devalue the currency led to the Reserve Bank defending the fixed currency in the markets, leading to huge losses. The defeated prime minister, Sir Robert Muldoon, refused to devalue but when the exchange reopened, millions of dollars more left the country. Sir Robert was forced to relent.

Dr Deane is surprised at the

way banks have lent to New Zealand during the recession despite its huge deficit and debt, but is glad they have that confidence.

He has been chairman of Fletcher Building since its relisting in 2001 and it has done very well. Fletcher Building is now the biggest building materials company in Australasia and its market cap has grown from 17th on the Stock Exchange to No 1, usurping Telecom.

Dr Deane is justifiably proud. "It's been a fantastic journey in a commercial sense but also, I think, in a personal sense, the way in which the teams have worked together has been really great because, you know, we really went through a real crisis in the 90s."

He says breaking up Fletcher Challenge, which was then the country's largest corporation, was a reluctant task.

"I was sad about the breakup, in the sense that I thought it was a splendid vision to have a large international company based in New Zealand, commercially successful ... diversified across a range of industries and markets."

But Fletcher Challenge's share price and return on equity had been lagging for

much of the 1990s.

"The company was under a lot of stress and we had to take huge decisions. I mean when we exited [Fletcher] Paper, that was a \$5 billion transaction and when we exited Energy it was a \$4.6b transaction. They were the largest transactions ever done at that time.

"It took a lot of courage to unwind a group that had taken so much time and effort to build, but we really did decide there were strong reasons why those industries were not the right industries for us to be in."

Fletcher Building became the umbrella for a range of interests including aluminium, steel, wood products, concrete, the Placemakers hardware chain and construction.

"Construction is actually quite a small proportion of our total earnings, in contrast to what most people think, because most people associate us with buildings."

He puts the group's success down to strong management, a disciplined board, a strong economic tailwind, and most of all, disciplined acquisitions, particularly in Australia.

But what about Formica, the global laminate brand that Fletcher Building bought for US\$700 million just before the

 back



recession bit?

Dr Deane agrees Fletcher did pay more than it would have liked, but still believes Formica and Fletcher's Laminex business are a good fit.

While Europe remains tough, Formica's prospects in Asia, particularly China, are looking rosy, and Dr Deane says Fletcher Building has come through the recession in fundamentally good shape.

He is confident he is leaving the chairmanship in safe hands, those of former chief executive Ralph Waters. "He's a really superb manager, a class act. If you ask most of the business community, most of them would rank him one of the leading CEOs in New Zealand in the last decade."

Many of Dr Deane's views on the world appear largely unchanged in the last 25 years. He favours pruning the public service again, in line with his own actions as state

services commissioner 23 years ago.

Dr Deane is being interviewed in the gentlemanly environs of the Wellington Club. Always polite, he apologises that he no longer has an office in Wellington. He speaks with a kind of precision that is rarely heard.

He still lives in Kelburn, and has a large tract of land at Peka Peka, on the Kapiti Coast, where he manages about six hectares of wetlands. Although he scaled back most of his involvements in 2006, he frequently travels to Auckland and Sydney, where he is a director of Woolworths and a small Australian merchant bank.

A former chairman of Te Papa, he spends much of his time in philanthropic work aimed at young people and the arts.

The arts are a passion he shares with his wife, Gillian, who is also involved in the NZ Organisation for Rare Disorders. Their daughter Kristen,

who had Rett syndrome, died at 26.

Ask him what job he found most satisfying and he has always said his involvement in the IHC. The Deanes are patrons and Dr Deane a former president.

After living for a time in Washington in the 1970s, when Dr Deane was alternate executive director of the International Monetary Fund, the Deanes saw what could be done for children with special needs.

Within the IHC, they lobbied strongly on their return to get intellectually handicapped people out of institutions and into communities.

Seeing people who had previously been "locked away" in institutions living in the community is a personal highlight, but Dr Deane says he has been lucky in all of his jobs.

He cites watching the rise of the internet and mobile phones during his tenure at Telecom.

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Fletcher Building
chairman