

BusinessDay

BEST BUSINESS SECTION QANTAS MEDIA AWARDS

Power firms prepare curbs

A coordinator has been appointed to assess the impact of low lake levels.

MARTA STEEMAN

ELECTRICITY companies are dusting off plans to call for public power savings despite the Electricity Commission saying a power crisis is unlikely.

The companies are preparing for a third power crisis in five years after historically low inflows into the crucial South Island hydro lakes in the past six weeks.

There are concerns that the Government Policy Statement, under which the Electricity Commission operates, restricts the government regu-

lator from calling for curbs in power use till hydro storage is critically low. The big electricity retailers may call for power savings from households before the commission, for whom they are a last resort.

There is already a split between the commission and two big state power companies over the Government's standby dry year power plant at Whirinaki, which runs only under certain conditions. Meridian Energy and Genesis Power want those conditions relaxed.

In the winter power crises of 2001 and 2003, households and business

were called on to cut their consumption by 10 per cent over six-week campaigns.

There were no forced blackouts. The companies have an informal group, CEOs Forum, which recently appointed a Dry Winter Security Coordinator to get an overall picture of the situation.

The forum is made up of the chief executives of the generator-retailers, lines companies and Transpower.

The coordinator will find out what the companies are doing, when they might schedule power station maintenance and what their fuel supplies are.

Companies will be advised on action they can take as lake levels fall.

While some of the coordinator's activities are carried out by the com-

mission, CEOs Forum chairman David Hunt, the chief executive of Contact Energy, said: "I don't believe we are preempting the commission."

"I think the industry, both in terms of the individual generator-retailers and collectively, are keen to ensure that people have their plans well in place if they are required."

Hydro storage levels are below their 2001 and 2003 levels but slightly higher than they were during the 1992 power crisis.



Roy Hemmingway: Comfortable.

Commission chairman Roy Hemmingway said the Government intended for market forces primarily to deal with dry years so he was comfortable with power companies providing incentives for customers to save electricity.

The Government, through the commission, did not become involved till the situation reached a pretty severe stage, he said.

The commission would trigger a public savings campaign only when there was a 10 per cent chance of the hydro lakes running out of water and that was quite a way away. "Everyone wants to talk about the worst-case scenario but the truth is that's quite unlikely," Mr Hemmingway said.

A spokesman for Energy Minister David Parker said he was aware of

what the power companies were doing and the minister was regularly briefed by the commission on hydro storage.

In 2003, electricity retailers had different ways of encouraging savings.

In Auckland, Mercury, owned by Mighty River Power, offered rebates to households on power saved. Contact Energy asked communities to choose local causes to which they wanted to donate power savings.

The last time New Zealanders had national blackouts was in 1973.

The power crisis of 1992 was worse than 2001 and 2003. In 1992, there were water heating cuts for 18 hours a day, voluntary cutbacks and Comalco shut down a third of its manufacturing operation.

Sitting pretty with shop in capital



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SUE ALLEN

BORED with being a builder, Robert Hood started his furniture-making business, Ashton Grove, in the spare bedroom of his Blenheim house in 1993.

These days Mr Hood and partner Emma Davies have a thriving business, with shops in Christchurch, Auckland and Melbourne. Early this month they opened their latest venture, in Wellington, after six years of looking for a site.

In those early Marlborough days, Mr Hood used recycled timber from demolitions to make "chunky, almost gothic" coffee tables. The business was entirely wholesale. When the move into retail came, Mr Hood said, it was accidental.

After the company moved production from Marlborough to Christchurch, its first workshop was so small it would put finished furniture in the car park to make space.

Before long, people were calling in and buying pieces off the parking lot. When Ashton Grove moved to a second, bigger factory, it opened its first shop, in Papanui Rd, Christchurch.

The furniture has become increasingly refined. Its tables, chairs, cabinets, bookcases, tallboys and coffers are based on old cabinet-making and furniture techniques and French Provincial and old English furniture designs.

The company employs 10 cabinet makers. Its most expensive piece is a lead-light bow-fronted cabinet at about \$22,000, the cheapest a bedside cabinet which sells for between \$800 and \$1000.

Ms Davies, who in 2003 gave up a career as a commercial property lawyer to join Mr Hood, says the simple lines of the furniture appeal to all kinds of people, but not everyone can afford it.

"There are the wealthy [to whom] money's not a problem and then there are people on average incomes who save and save to buy one really nice piece."

While other furniture makers in Christchurch and the South Island have closed down recently or moved production overseas, Ms Davies says not cutting prices to compete with low-cost manufacturers had ensured their survival. "The furniture's not cheap, but we are paying real labour costs and if you're doing something well it takes time."

The couple always planned Wellington would be their second shop, but it took six years to find a place. It opened two weeks ago on the ground floor of the Museum apartment building, Wakefield St.

She and Mr Hood have a simple way to survive working and living together. "We have a rule — not talking about work after 7pm."



Quality at a price: Emma Davies says Ashton Grove's furniture appeals to many people, but not everyone can afford it. Picture: THE PRESS

Some see red over Feltex deal

GARETH VAUGHAN

FELTEX Carpets is under fire from the Shareholders' Association and its biggest shareholder for the potential size of its chief executive's pay package and how it was awarded.

A NZ Exchange regulatory decision last Thursday disclosed that Peter Thomas could receive as much as A\$756,000 (NZ\$871,000) a year. That includes a performance incentive bonus of up to 80 per cent of his A\$420,000 base salary if he achieves undisclosed targets agreed upon with the board.

Shareholders' Association corporate liaison Des Hunt criticised Feltex's "side-door approach" of gaining a waiver under listing rules to approve Mr Thomas' pay instead of seeking shareholder approval.

"If they've got good policies they should have confidence shareholders will approve them," he said.

"Rewarding the chief executive with such generous terms and conditions and not explaining to shareholders some of the agreed targets puts the board's judgment in question."

Jim Walsh, finance director of Feltex rival Godfrey Hirst, said the waiver set a lower standard than shareholder approval.

Godfrey Hirst, a privately owned company that has 8.7 per cent of Feltex, was interested in the composition of Mr Thomas' incentives, what, if any, termination arrangements existed and how long the contract ran for. "That sort of information, I think, should be put before shareholders for their consideration," Mr Walsh said.

Feltex chairman Tim Saunders was overseas and unavailable for comment. Chief financial officer Des Tolan said one target agreed to between the board and Mr Thomas was to make a profit, but he was uncertain about what else was included.

Feltex shares were sold to the public for \$1.70 in a June 2004 float. They

slumped to 39c last June after two profit warnings within three months. They closed at 40c on Friday.

Feltex posted an \$11.8 million interim loss last month after taking a \$15 million restructuring charge. The restructuring included laying off 302 workers and closing a Melbourne yarn plant.

This month Feltex said uncertainties in the Australian and New Zealand markets prevented it from giving specific guidance on its performance this year.

Mr Thomas, who is no longer receiving director's fees, has been on Feltex's board since 1997 when Credit Suisse First Boston Private Equity Group bought Feltex from BTR Nylex in a management buyout for \$19.5 million.

CSFB Private Equity sold out through the float, raising \$254 million.

Feltex's prospectus said Mr Thomas would receive an incentive-based fee after the listing and that he was entitled to "part of the proceeds" of the sale of CSFB's shares. He was appointed executive director last August, after previous chief executive Sam Magill was dumped, and took the chief executive position in November. Mr Magill was paid \$638,000 last year.

Mr Hunt said offering Mr Thomas a bonus of up to 80 per cent of his salary without telling shareholders details of the targets was sending the wrong signals to the marketplace and to shareholders.

"Employees and shareholders have suffered because of poor leadership and the directors and chief executive should be making major sacrifices to get the company back on track."



Peter Thomas: Secret targets.

INSIDE

NZ InfoTech

Big picture

Vodafone is proposing to broadcast video clips with restricted content to mobile phones only after a "watershed" time at night, mirroring the arrangement designed to prevent children viewing adult programmes on television. C6

BRIEFLY

Self-help

The Ministry of Consumer Affairs and the Commerce Commission are renewing calls for consumers to take precautions against "phishing" as part of a four-week campaign by the Australasian Consumer Taskforce to help people protect themselves from scams. Phishing e-mails or calls use trigger words to attract attention, lure people to bogus websites and then elicit personal information from people such as passwords and personal identification numbers.

Oil on demand

Opec has cut its forecast for 2006 global oil demand growth by 110,000 barrels a day on Friday, due to slower consumption in the United States and Asia. Opec pegged global demand growth for the year at 1.46 million barrels a day, down from its forecast in its monthly report in February at 1.57 million bpd. Despite high oil prices, demand growth was still much stronger than in 2005, when world consumption rose by nearly a million bpd.

WEEKLY DIARY

TODAY
Ex dividend: Auckland International Airport 3.75c; CDL Investments 2c; Freightways 8.5c; New Zealand Exchange 25c; Pyne Gould Corp 1c and 8c; The Colonial Motor Company 11c.

TOMORROW
External migration, February.

WEDNESDAY
Sky City half-year result. Macquarie Goodman Property Trust special meeting.

THURSDAY
Balance of payments, December quarter. Postie Plus Group first-half result. Government tax data, February.

FRIDAY
Gross domestic product, December quarter.

INSIDE

Fallout

The fall in the Kiwi is making local companies look cheap for overseas bargain-hunters. C2

Hit and miss

Many small businesses struggle on developing human resources strategies for staff issues and development. C4

MARKETS C5

For incredibly fast wireless internet, no laptop should be without the new 3G Vodafone Mobile Connect. Just slot it in, hit 'connect' and you're online, ready to send and receive email and access your

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