



## PROMETHEUS PROFILE

***Issue No. 24, October 2001***

---

### **Clean Stream Waiheke**

As a result of a developing relationship with the NZ Recycled Materials Enterprise Loan Trust and the Zero Waste Foundation in Auckland, Prometheus recently heard about a major recycling initiative that was seeking to win the waste disposal tender from Auckland City Council for Waiheke Island. The initiative was a joint venture between the local Waiheke Waste Resource Trust and a long-standing Northland co-operative recycling venture, Community Business and Environment Centre Co-op Ltd (CBEC).

CBEC is a community owned co-operative company with a focus on developing and operating businesses to create employment, stimulate local economic development and enhance the environment. CBEC has operated waste services for the Far North District Council for over ten years and has been a pioneer of waste reduction and recycling in rural communities.

This joint venture centred around the formation of a new company, Clean Stream Waiheke Ltd, drawing on the local research and contacts of the Waste Resource Trust and building on CBEC's experience. Their successful tender focussed on the recovery of an increasing volume of resources from the waste stream, innovative approaches to overall waste reduction and the establishment of viable resource recovery activities that could provide downstream business and employment opportunities.

Clean Stream's tender was seen as having the potential to deliver significant cost savings to the Auckland City Council, not just from the synergies between the refuse and recycling operation and the operation of the transfer station but also the savings in freight costs from lower volumes of waste needing to be transported off the island.

Prometheus is pleased to be able to support Clean Stream Waiheke Ltd in this venture and wishes them every success in their aims of reducing the total volume of 'waste' produced on Waiheke Island, reducing the 'waste' of the many recoverable resources in the refuse stream and in reducing the 'waste' of land used as dumping grounds for that refuse.

## Organic Market Garden

A passion for nutritious, non-toxic food and a desire to contribute to the preservation and protection of the natural environment, led Bobb Burton to organic growing. It is Bobb's belief, underpinned by his own experience, that organically grown food, high in nutrients and minerals, does more than just eliminate the dangers of pesticide residues and other toxins in our food. He sees the increasing availability and consumption of organic food as not only being driven by an increased awareness of food safety and environmental issues, but as directly contributing to an increase in that awareness.



Bobb has grown commercially as a small grower for the past two years, leasing land as needed and building a glasshouse to give increased protection for his early crops and a longer growing season in the Otago climate. He employs bio-dynamic preparations and composting techniques and makes his own liquid manures using seaweed, comfrey and stinging nettle. He is a member of the Bio-Dynamic Farming and Gardening Assn and the South Otago Organic Growers Group.

While leasing land was a useful short-term arrangement to develop his growing expertise and gauge the market, it proved to be unsatisfactory for the longer term. Thus Bobb started looking for a property that met his diverse needs; a property large enough to support the variety and volumes of crops he wanted, within his reach financially, close enough to the major population centres of Dunedin and Oamaru and with a history of nil or low pesticide use.

It took some time but he finally found what he was looking for in a 1 ¾ acre section in Hampden, 85km north of Dunedin. The property had soil that tested residue-free, good shelter and Macrocarpa hedging on the road boundary, a good water supply and an existing orchard of apples, pears and plums. Bobb's main market to date has been through "Taste of Nature" in Dunedin and this arrangement will continue though he is pleased that his new property is so well sited for selling organic produce direct to the public.

While conducting his search Bobb had made preliminary approaches to Prometheus to sound out the possibility of loan finance to support this venture. Once he found the right property the loan facility was quickly approved. Prometheus is pleased to have been able to support Bobb in the realisation of his dream and is happy to help establish one very content and enthusiastic organic market gardener in Otago.



## Donated Home Relocated

Prometheus was approached earlier this year with a novel request. On-going developments at the Rudolf Steiner Kindergarten in Coromandel township had left them with a need for accommodation for one of their staff and a prime opportunity to arrange that. A local charitable trust was already leasing a building to the kindergarten on part of its large block of land close to the town centre. The trust was also happy to negotiate residency rights for a dwelling on part of their land, but a house was needed.



In a surprise development a house was donated for this purpose. A Hamilton couple, who knew of the kindergarten and its needs, donated the existing house on their section in Coromandel where they have plans to build a new house for their retirement. All that was then needed was the finance to cover the cost of relocating the house and the license to occupy.

*Anna's house, successfully relocated*

Kindergarten teacher Anna Gavey approached Prometheus for the necessary finance. We were more than happy to support this project, allowing as it does the further strengthening of this young kindergarten and proposed school initiative.

## **Micro-hydro**

Prometheus made its first loan for a micro-hydro system which has been installed by Tapuaetahi community members Anne Stoyel and Simon Wiggins on their land near Whitianga. Anne and Simon chose a micro-hydro system as being the most suitable to supplement their home's existing solar electric system. Their key objective was to improve their electricity supply in winter when both their existing supply is at its least reliable and their demand is highest.

They sought advice from David Benton of Self Power Ltd who put together a package for them, including the micro-hydro unit along with the necessary regulator, meter, cabling and installation with an all up cost of less than \$3,000. The system was installed in July and Anne wrote afterwards:

"Our lifestyle reflects the goal of combining modern technology with managed resource use so our standard of living has improved and we feel good about where the power is coming from.... It took just a day of river wallowing to set up pipes, unit and cable so now a steady wattage supplies our existing system. Now in winter as well as summer we can have the convenience of washing machine, computer and kitchen mixer!!!. The children are as excited and grateful as we are."

As Anne noted in her letter, both the installer and supplier of the unit had begun as hobbyists and have since experienced steady growth in their businesses. Prometheus was pleased to be able to support the adoption of this renewable energy technology.

Contact details for David Benton are: Self Power Ltd, 9 Puke Road, Paeroa 2951; ph: 07 862 6235; website: [www.selfpower.cjb.net](http://www.selfpower.cjb.net)

## **Ngati Hau Company**

The Ngati Hau hapu of Jerusalem, on the quiet banks of the Whanganui river, is looking to generate a revitalisation of both its local economy and its community. There has been a steady decline in the social and economic vitality of the Jerusalem community over the past few decades, with recent social impact studies identifying Jerusalem as one of the most disadvantaged communities in New Zealand. Jerusalem has a profound dependency on Government benefits, high unemployment and a history of population depletion.

As a first step to redress this situation the Ngati Hau Trust, with the benefit of funding from several government departments, employed David Haskell as its Economic Development Co-ordinator to draw up both a business plan for the trust and a Hapu Development Plan and oversee their implementation. As noted in



that development plan: "overcoming (this) dependency on government handouts will require courage and determination".

The development plan focused on the key concerns of the hapu, which were economic development, hapu capacity building and environmental protection. The consultation and planning process resulted in a series of short-term business goals as well as longer term strategic objectives. With government providing a "hand-up" through provision of support and some initial resources the Trust believes it's economic development strategy can lead to full employment and restore vitality to the once vibrant community.



The first stage of this plan required the development of an "Environmental Care Service Unit" that was well structured and organised and able to win contracts off the local regional council and the Department of Conservation for environmental protection and pest eradication projects.

To enable this a company structure was chosen and the Ngati Hau Company was formed early this year. The first contracts tendered for were in possum eradication based on trapping and controlled bait-station use of cyanide rather than broadcasting of 1080 poison which had been the method proposed by others. Those tenders included allowance for revenue generation from the possum fur and skins which were to be recovered.

Those tenders were successful and to be able to meet those contracts the company required some initial investment in equipment, transport and working capital. The contracts were potentially profitable ones if target eradication rates were achieved, but they paid out only after the work had been done and assessments of success completed.

Difficulties in extending an initial short-term bank overdraft to cover their financial needs led Manager David Haskell to approach Prometheus. Having made loans to projects David has been involved with in the past and given the value of this project and the effort and commitment shown by the Ngati Hau hapu for this project we were happy to approve this loan application.

The three stages of the first major contract have gone extremely well with a steady improvement, over the stages, in the post-eradication assessment results. These assessments were carried out by regional council employees who lay a series of traps throughout the contract area over several nights. A residual catch rate for these traps of under 5% is required to meet the terms of the contract. The Ngati Hau Company achieved residual catch rates over the three stages of its first contract of 4.47%, 3.00% and a previously unheard of 0.00%. A significant proportion of our loan has already been repaid and the Ngati Hau Company has won further possum eradication tenders.

The Trust is looking forward to developing other projects and initiatives and building on their success to date. They intend to explore adding value to the possum skins and fur as well as tendering for other contracts. These will include other environmental protection/conservation contracts, waste management/recycling contracts, rural labour and construction work. They also have plans to attract increased eco-tourism to the serenity of the Whanganui River valley and to develop an education and training capability with a particular focus on the unemployed. Prometheus wishes them every success with their further economic development.

## **Ceres Organic Distributors**

Prometheus last year made a working capital loan to Ceres Enterprises Ltd to enable them to meet the growing demand for organic produce they were experiencing (see Profile no.22, October 2000). That demand has continued and we were happy to extend further working capital to finance the increased stock levels their distribution warehouse is now carrying.

However, rather than report again, as we did last time, on Ceres' core activities we thought it might be interesting to readers to gain an insight into the business philosophy that distinguishes Ceres from mainstream business. Consequently, we present an interview with Noel Josephson, a director of Ceres.

**Prometheus:** *Our relationship stretches back to the early 1980's when we were both young initiatives. Both our organisations have changed and grown considerably since then. How do you think Ceres has preserved its early values so that it still fits Prometheus's loan criteria?*

**Noel:** While we changed from an organic vegetable co-op to a company early in our history we have tried to keep our objectives community focused. By that I mean companies tend to become totally financially focused to the exclusion of all else. You see this when the prime objective of a company becomes the maximizing of shareholder value. On the other hand co-operatives in their organisation tend to towards either lack of leadership or domination by an individual. We have tried to create a culture where there is a sense towards building a community while at the same time having the leadership that keeps everything including the financial picture in balance.



*Fellow Director Rodnie Heath and Noel in Ceres' Penrose warehouse*

**Prometheus:** *When you use the word community, do you mean within Ceres or around it?*

**Noel:** I mean both. Whatever we do in Ceres we are always interacting with people. Whether we are buying some carrots from a grower or selling a book to an individual, or working alongside a fellow co-worker to complete a task we try to take the viewpoint that we are serving others. In this sense we want to work with a grower to find the fair price for carrots that balances what they need with what the market can afford. If we take the viewpoint of trying to get the lowest price possible then not only do we put the grower under hardship but we also create a division in our relationship. Likewise with the customer buying a book or carrots or whatever, we try to achieve the best price for them bearing in mind what the producer needs. With our fellow co-workers we need to care for their welfare and find ways for them to share in the outcome of Ceres success. So with the approach of serving others we create a community around us which then leads to support for Ceres.

**Prometheus:** *You also said you don't support the idea of maximizing shareholder value. What does this mean for shareholders?*

**Noel:** Shareholders are a very important part of the company, but they are only a part and need to be seen in balance with the whole picture of all the people associated with Ceres in one form or another. Shareholders need to get a fair and adequate return on their capital, just as co-workers need a fair salary, growers need a fair price for their produce and customers need to purchase goods at a fair price. In this way one group, usually shareholders, are not put at the top of the pile, because money is the focus in the organisation. We see community development being the focus.

**Prometheus:** *So where does making a profit fit in?*

**Noel:** Obviously we have to make a profit to survive as a company. It is not enough to break even because then we can't pay shareholders a dividend, let alone begin to build the resources necessary to sustain a company. At the same time we enjoy being a broad based distributor of biodynamic and organic food, Weleda medicines, Dr Hauschka skincare, environmental household cleaners, natural art materials and anthroposophical books. If we were really just financially focused we would chop the range in half and focus on the 'profit producers', but we see ourselves as being of service to the community and can make it all work if we try always for a balance.

**Prometheus:** *Who owns Ceres, who are the shareholders in Ceres?*

**Noel:** Around 30 people own shares in Ceres. They are people who were members of the original co-op together with others that have joined along the way, suppliers, customers and co-workers. It is an open group, though we have never promoted it. People have just come to us and asked about becoming a shareholder. The only criteria we have is that you must be part of the community around Ceres, supplier, customer or co-worker, before you have a financial interest in Ceres. We don't want financiers who only see Ceres as having profit potential because it's in a growth industry.

## Genetically Engineered Conclusions



The Royal Commission of Inquiry into GE, in its recent report, recommends that NZ should "proceed with caution" to develop genetic engineering of our food and environment. That recommendation bears little genetic resemblance to the commentary and analysis in the body of that report, raising the question as to how the Commission managed to "engineer" that result on the basis of the evidence they reviewed.

The report noted that a staggeringly large 92% of submissions were opposed to any release of GE organisms. Those concerns and objections have been largely ignored. Even more surprising, however, is that the Commission appears to have largely ignored their own analysis as to the unknown's, uncertainties and risks associated with GE technology.

The report repeatedly acknowledges how poor our current state of knowledge is about the effects of GE on plant biology, soil structure, gene transference, the environment and human health. The key issue that emerges from the body of the report is that the risks are unknown and not quantifiable. How does one proceed "with caution" in such a knowledge vacuum?

Surely, the necessary first step is to ensure that confined research be carried out for however long is necessary to answer all of these questions and that this should be a clear stipulation before field trials and definitely before commercial release of GE organisms into the food chain and the environment are contemplated. The whole question is about risk. Hence the emphasis in most submissions on adoption of the precautionary principle.

Why is it that no insurance company is willing to offer liability cover for GE contamination or misadventure? Presumably it is because the risks are considered potentially too great. The insurance industry is based on risk assessment and they don't want to go near this. So why is the rest of New Zealand expected to accept it?

Are we simply expected to be comforted by the reassurances of some vested-interest scientists that genetic engineering is "safe"? Are these not the same breed of "experts" who have, over the years, told us: that the Titanic could not be sunk, that asbestos was fine, that it was okay to give Thalidomide to pregnant women, that atmospheric nuclear testing was safe, that food additives are harmless, that CFCs do not deplete the ozone layer, that mad cow disease could not cross-over to humans and, more recently, that warnings about global warming were scare-mongering.

This list could be considerably expanded, but surely the point is clear - where "experts" have a vested interest and/or limited knowledge why should we rely on their assurances when we can choose a properly sensible precautionary approach.

Arguments in favour of GE invariably focus on the medical and economic benefits we would spurn should we fail to embrace this technology. Firstly, medical research in contained laboratories is not opposed. Secondly, the pro-GE lobby fails to recognise the significant potential economic losses that could follow if GE technology were to prove as uncertain, unstable and unsafe as recent evidence suggests. .

What can we do about this? The government is due to make its decision in respect of the Commission's findings on 31 October 2001. Early intimations are that it remains undecided and needs encouragement to make the only sensible decision for the present. Two of the simplest ways you can seek to influence that decision are by either writing to the Prime Minister or other Ministers (c/- Parliament Buildings, Wellington) and/or listing your property on the GE- free register (at [www.gefreeregister.co.nz](http://www.gefreeregister.co.nz)) to help demonstrate the widespread concern New Zealander's feel toward releasing GE organisms into our environment and food.

## **Eco-friendly recycled home building**

Long-standing clients, Colin and Michelle Thomson, have been working and planning for several years to build their dream home in Titirangi using eco-friendly, non-toxic and recycled building materials. Their building plans are based around passive solar design principles and incorporate solar water heating.

Their journey started quite a few years ago with budget limitations restricting them to building a modest dwelling on their site, designed to be their future double garage with additional loft accommodation above. This dwelling was built with the same principles and materials intended for their future home. However, rather than the temporary accommodation for themselves and their children that they had first imagined, they have found themselves living there for the past five years.

Realising their dream has taken commitment and perseverance. Before they could progress past this first stage they had first to focus on building up their organic bakery to a position where it could adequately support their plans. They used this time to search for and purchase the second-hand and recycled building materials they wanted for the next stage.

Having provided finance for the first stage of this project, Prometheus was pleased when Colin and Michelle's years of planning and saving got them to a position where they were able to apply for a further loan to build their long-planned home. As they have already collected together the majority of the building materials, their loan is primarily to cover the labour costs of construction.

With the new loan from Prometheus they were able to start site development and foundation laying in August. They are looking forward to the realisation of their plans over the months ahead and are keenly anticipating moving into their new home. We wish Colin, Michelle and family well and expect they will thoroughly enjoy the additional living space this will give them.

## **Prometheus News**

The growth, development and change that has taken place with Prometheus over the past few years continues apace. These are exciting times to be involved in ethical finance as increasing interest in ethical issues and initiatives feeds into strong balance sheet growth and recent legislative changes lead to new relationships and the potential for further positive changes in Prometheus' capabilities.

## **Financial Results**

Provisional results for the half-year to end-September 2001 of the unaudited accounts of Prometheus Credit Union and The Prometheus Foundation show continued strong growth in deposits and resurgence in loans. Total deposits have increased by 15% over the first six months to reach a provisional \$7.0 million at end September. This contributed to overall growth in deposits of close to 70% in the past three years.

While loan growth had lagged behind the expansion in deposits last year, a concerted effort to further extend our network of contacts and relationships and attract new loan applications over the past twelve months is starting to bear fruit. Total loans grew nearly 25% in the past six months to reach a provisional \$3.7 million at end September. Loans have now grown 40% over the past three years.

This strong balance sheet growth has resulted in a net operating surplus for the first half-year of close to \$35,000. This is better than forecast and on target for another good annual result. As noted in the last few newsletters good operating surpluses are required under the new legislative regime to add to Prometheus' equity and ensure that we are able to meet the new equity/total assets ratio that will be required under the trust deed regime.

## **Legislative change**

The legislative changes currently facing Prometheus and the requirement to negotiate a Trust Deed on behalf of Prometheus Credit Union and appoint a Statutory Supervisor have been well documented in recent newsletters.

In the last newsletter we reported that due to delays in the trust deed application process we had decided to explore the possibility of establishing an alternative legal structure. Preliminary investigations indicated that preferred alternatives would take considerable time to implement and be prohibitively expensive, though these were not our only options.

In the course of this process we were referred to Perpetual Trust which expressed an interest in negotiating a Trust Deed with Prometheus Credit Union and acting as our Statutory Supervisor. Given the continued delays in the acceptance of our application by Tower Trust (NZACU's chosen supervisor), we chose to take this course.

The trust deed that Prometheus has negotiated with Perpetual Trust is more appropriate to Prometheus' particular situation. In particular, the covenants under this deed require that we achieve an equity/total assets ratio of 8%, which is considerably lower than the earlier proposal. We have several years to achieve this and feel it is a more appropriate reserve requirement given Prometheus' well-secured loan portfolio.

## **Outlook**

These developments have several important implications for Prometheus' future. Firstly, as noted previously, the requirement to maintain a specific equity/total assets ratio has the potential to significantly restrict future growth. In situations where deposit growth, and hence asset growth, outstrips equity growth the key options for most financial institutions are either to raise equity by increasing the interest rate margin (and hence the net surplus) or by raising share capital. The only other, admittedly less common, option is to attract gifts or bequests which can contribute directly to equity.

Credit Unions, by law, cannot raise equity through share issues and so are generally restricted to generating their own equity internally through operating surpluses. To generate higher surpluses one must either increase lending rates or reduce deposit rates. For Prometheus, operating as it does at the lower end of the interest rate spectrum out of principle, this is not an attractive option.

Prometheus has been experiencing strong deposit growth for some time. There has been a steady increase in net operating surpluses along with that though Prometheus is still below the target equity ratio. The key advantages of the lower equity ratio contained in Perpetual's trust deed are that it is both more attainable over the next few years and easier to maintain in future as Prometheus continues to grow. The lower ratio required by Perpetual is, consequently, less of a constraint on future growth.

Finally, and perhaps even more importantly in the longer term, our developing relationship with Perpetual Trust bodes well for the future. That relationship may well facilitate changes in Prometheus' legal structure that will remove some of these impediments to growth and give Prometheus the capability to respond fully to the increasing demand for ethical finance in New Zealand.