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A history of bailouts

Jenni McManus · 12:28, Apr 07 2011

This morning's \$500 million taxpayer bailout of AMI comes amid revelations that the bill for failed South Canterbury Finance has jumped \$300m, from \$900m to \$1.2 billion.

It also comes hard on the heels of the collapse of another South Island insurer, Western Pacific, a Queenstown-based company with an estimated \$30m exposure to the two Christchurch earthquakes.

Taxpayers were forced to pick up the tab for South Canterbury after it collapsed into receivership in August last year.

Investors were repaid \$1.77b under the government's retail deposit guarantee scheme – a protection put in place by then Prime Minister Helen Clark two months before the 2008 general election, as the global financial crisis began to bite.

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The scheme, designed to protect mum-and-dad investors in finance companies, ended in October last year. During its two years of operation, investors in nine companies were bailed out by taxpayers.

South Canterbury was by far the biggest, though taxpayers have also footed the bill for Allied Nationwide (about \$130m) and Equitable Mortgage (\$188m).

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Other smaller finance companies to be bailed out were Mascot, Strata, Vision Securities, Rockford, Viaduct Capital and Mutual Finance.

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Before that, the last big taxpayer bailouts were Air New Zealand (\$885m in January 2002) and a \$1b bailout of the BNZ in the early 1990s.

The original deposit guarantee scheme had \$133b under guarantee. An extended version of the scheme was put in place in October and will run to the end of this year.

Only three companies have cover: PGG Wrightson Finance, Fisher & Paykel Finance and the Wairarapa Building Society.

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