



## RECENT EVENTS



# The first State Forest Sales

On July 25, 1990 the Government announced its acceptance of two tenders totalling \$364 million for the management rights and trees on 73,030 hectares of State-owned *Pinus radiata* plantation forests.

State-Owned Enterprises Minister Richard Prebble said the two successful tenderers were Fletcher Challenge, and Ernslaw One Ltd, a New Zealand company owned by Singapore and Malaysian interests.

"These two bids cover only 23% of the area offered by tender, but they will realise more than one-third of the revenue the Government expected to obtain from the total area tendered.

### Competitive Market Value Established

"A lot of organisations have told the Government that they – and their bankers – were not certain how to pitch their bids because this form of sale has created a new kind of property right.

"The acceptance of these two bids now establishes a competitive market value for pine plantation trees and management rights. That will greatly assist others in framing competitive future offers."

Fletcher Challenge tendered \$262 million for rights to three Nelson forests covering 49,030 hectares – Golden Downs, Rai and Wairau. The bid represented an average of \$5343 per hectare, he said.

"Those trees average 16 years of age. Last year's production of 355,000 cubic metres is expected to rise to 945,000 cubic metres when full sustained yield is reached around 2010."

Mr Prebble said the three forests comprised 9% of the total State pine plantation area; 15% of the area offered for sale by tender; and 78% of the State's pine forests in the Nelson region.

"The other 22% in Nelson is still for sale, including the Hira, Waimea, Motueka, Golden Bay and Queen Charlotte plantations. They start production between 1992 and approximately the year 2000."

### Quality Bid by South East Asian Company

Ernslaw One Ltd tendered \$102 million for Conical Hill sawmill and rights to 24,000 hectares in the Tapanui, Santoft, Lismore Sand, Tangimoana and Whangapoua State plantation forests, he said.

"The South East Asian company's bid is pleasing for three reasons. Firstly, buying a significant sawmill is a totally unequivocal indication of their intention to process wood in New Zealand.

"Second, they deliberately bid for young trees aged 9-24 years. The current yield of 200,000 cubic metres will rise to 400,000 cubic metres by the year 2007. They are here on a long-term basis.

"Third, they have chosen to invest in forests on the sandy Manawatu coastline where licences impose mandatory replanting requirements – a further indication of a responsible attitude."

Tapanui adjoins the sawmill in West Otago. Santoft, Lismore Sand and Tangimoana are on the Manawatu-Wanganui coast. Whangapoua is 109km from Thames near the north end of Coromandel Peninsula.

These forests comprised 8% of the area offered by tender, and 4% of the state-owned pine plantations in New Zealand. The Conical Hill mill's processing capacity is 140,000 cubic metres a year.

### Position of Remainder of Tendered Plantations

Mr Prebble said tenders had been received from 53 organisations. The remainder of the bids were at somewhat lower levels.

"The Government has therefore decided to reject all other bids. Bidders are now being advised. That opens the way to negotiated sales of Crown Licences covering all the other forests," he said.

"The Government has no interest whatever in accepting any bids below the full competitive market price. We are under no fiscal pressure, so time can be taken to ensure that taxpayers receive full value for their investment.

"The bidding process has helped everyone to identify that level. Clearly, if anyone knows the value of trees in New Zealand, it has to be Fletcher Challenge. I think that would be accepted internationally. Their bid greatly clarifies the situation."

## ERNSLAW ONE, A SUBSTANTIAL FORESTRY COMPANY

### Dr Tiong Ik King \*

Ernslaw One Limited is pleased to enter into agreement with the New Zealand Government for acquisition of Tapanui, Santoft, Lismore Sand, Tangimoana and Whangapoua Forests and the Conical Hill sawmill.

The company is jointly owned by Habacrus Pte Ltd, Shiang Yang International Limited, and a number of other international investors. It is a sister company of Rimbunan Hijau, of Malaysia. It has strong faith in the future of the New Zealand plantation forest industry and its long-term potential.

Ernslaw One Limited is a new venture. The company's policy is to manage its resources on a sustained yield basis, and to replant all harvested areas and the

existing landbank which it has acquired with radiata pine.

Efforts will also be made to research the possibility of alternative land uses. The potential for tourism in these areas will also be investigated.

The long-term objective of the company is to process most if not all of its timber resources locally. The purchase of the Conical Hill mill is a step in that direction. That mill alone will utilise more than 70% of the Tapanui Forest's production.

All the mill's current operational personnel below board level will remain unchanged. A study will be made to find ways to improve its operational efficiency and productivity. At the same time, the company will aim to produce more high value-added components in its end-product range.

All the existing covenants written into the Crown Forest Licences for the protection of the public and rights of public access will be observed by the company,

\* Dr Tiong Ik King is a director of Ernslaw One Ltd and can be contacted by phoning (0065) 2242868 Singapore.