



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,

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in addition to other miscellaneous covenants for the protection of New Zealand historical, cultural and ancestral heritage.

The existing processing know-how and international timber networks of the Rimbunan Hijau Group, a Malaysian company owned by some of the directors, will be made available to help to ensure a smooth implementation of the project.

RIMBUNAN HIJAU GROUP OF COMPANIES

Rimbunan Hijau is a privately owned group of companies based in Sarawak, East Malaysia. It is one of the country's major forestry companies and its largest exporter of plywood. The company commenced forestry operations in 1975, and began downstream processing in 1981. A four-line plywood mill began operations in 1985.

In late 1989, the company opened Malaysia's largest single plywood mill. Total investment in the mill, located in Sibul, was around \$NZ62 million. The mill produces plywood and high-quality Japanese floor base panels for export to Japan and the United States.

The Chairman of the Group, Senator Tiong Hiew King, is a well-known community leader and has been involved in the timber industry for more than 30 years.

HABACUS PRIVATE LIMITED

This company was incorporated in Singapore in January 1981. It has been involved in the timber trade since its inception, and also has investments in securities and property.

Habacus is also participating in long-term timber projects in both logging and downstream processing in Papua New Guinea. The company is managed by the younger brother of Senator Tiong, and is privately owned by the members of the family.

SHIANG YANG INTERNATIONAL LIMITED

This company, based in Hong Kong, is involved principally in general trading and investment holding. It has had an interest in a timber processing complex in Shanghai, Mainland China for about three years. This allowed the company to take advantage of the opening up of the local economy there, and to sell locally manufactured products in place of imported goods.

Indigenous forest policy

C. Baddeley

In June last year the Government announced its intention to develop a national forest policy on the management of indigenous forests on public and private land.

The objective of the policy is to maintain or enhance, in perpetuity, the current area of indigenous forest, either by protection, sustainable management, or reafforestation of indigenous species.

A public discussion document was released and over 4000 submissions were received. In March this year the Prime Minister announced the intention to introduce an export ban and land (and forest) use control legislation as the means to achieve the policy objective. Officials were instructed to develop the details of these policy measures.

In June the Deputy Prime Minister announced that an interim ban on the export of indigenous timber would be introduced immediately. This prohibits the export of indigenous timber and timber products unless they are surplus to domestic requirements and are produced from a forest managed under an approved sustainable management plan. Export of all kauri, other than salvage timber, and of softwood logs is totally prohibited.

Immediate Protection

This measure provides a level of immediate protection (not preservation) to all indigenous forests. Such a border control measure, however, has no direct effect on felling of forests for domestic use. It may have a perverse effect of accelerating the felling of indigenous forest although other factors are working against this. The interim export ban is to be replaced by indigenous forests legislation which the Government intends to introduce and pass this year.

This legislation will provide direct control on the use of indigenous forests. The legislation will ban the removal of all produce from indigenous forests except if it is done in compliance with an approved sustainable management plan or with the specific approval of the Secretary of Forestry in the case of essential works, or for Maori customary uses.

The Government developed prescription for timber production will provide the basis for management. In forest other than substantially modified beech, harvest will be restricted to single tree/small group extraction using low impact techniques. In substantially modified beech forest (for example, previously logged or fire damaged) coupe size will be determined on a case by case basis, taking account of ecological values. A management plan being prepared by Timberlands for their Rowallan and Longwood beech forest holdings will provide a test case for this prescription. Both prescriptions require the level of cut for any species to be less than the growth increment of that species. The definition of indigenous forest and of forest working circles will be contentious issues.

The Government has agreed to honour the West Coast Accord. The Accord, rather than the legislation, will control indigenous forest management in West Coast indigenous production forest.

Heritage Fund

The Government has provided \$6.75 million per year to establish a forest heritage fund. This will be a contestable fund managed by the New Zealand Conservation Authority. It will enable conservation interests to obtain funds for negotiated settlements with owners of private forest that has high conservation values.

Forest owners are to be applauded for the responsible attitude that they have taken since the announcement of the policy which may have devastating effects on some. This is all the more admirable, given that many view the policy as little more than land theft. The policy includes no particular provision for the payment of compensation to land owners who are adversely affected. Those with a grievance have been advised to place their concerns before the Government via the Secretary for the Environment. Decisions on the compensation issue could well be pivotal to maintenance of the indigenous forest estate in the period prior to enactment of indigenous forest legislation.