

An additional 2000 hectares of non-qualifying contiguous Class VI land is expected to be planted in 1993 at no cost to the Crown.

Corporate Activities

Fletcher Challenge

Fletcher Challenge Ltd (FCL) is to consolidate its forestry operations in British Columbia. The merger plan involves Fletcher Challenge Canada (FCC), a 72 per cent FCL subsidiary, buying Crown Forest Industries (CFI) which is wholly owned by FCL. FCC will pay \$C897 million for CFI which will be partially funded by an FCC \$C177 million share equity issue, with FCL providing additional equity. The deal is structured to maintain FCC's current 30:70 debt : equity ratio and FCL's 72 per cent shareholding in FCC.

FCC reported a significantly improved performance for the December 1992 quarter. Although still operating in deficit, the \$C4.8 million net loss for the quarter was a major turnaround from the \$C18.8 million loss reported for the September 1992 quarter. Improving forest products markets and a weaker Canadian dollar assisted in the turnaround.

FCL raised \$NZ1.29 billion from asset sales in the second half of 1992. The sale of the Rural Bank yielded \$NZ380 million, the sale of Crown Paper and Crown Packaging yielded \$NZ95 million, while a further \$NZ70 million came from property portfolio sales. The flotation of the Natural Gas Corporation raised \$NZ305 million. FCL has a commitment to attain a 50 per cent gearing by the end of 1993.

Carter Holt Harvey

Carter Holt Harvey (CHH) recorded a tax paid interim-profit of \$NZ112.4 for the six months to September 1992 – an increase of 12.4 per cent on the corresponding period in 1991. The result accounted fully for costs incurred as a result of strikes at the four NZFP pulp and paper mills, with all major sectors operating at, or above, expectations.

CHH is reviewing an option to repurchase its stake in the Pan Pac pulp mill near Napier from 10 to 50 per cent. In 1991 CHH sold four Hawkes Bay forests and most of its share in Pan Pac to joint venture partners Oji Paper Co and Sanyo Kokusaku Pulp for \$NZ260 million. CHH retained a buyback option on 40 per cent of the assets. The option expires in April 1993.

Forestry Corporation of New Zealand

Forestry Corporation announced a six-month interim profit, to September 1992, of \$NZ51.9 million. This is a three-fold increase on the corresponding period in 1991 and was generated by a 70 per cent increase in sales, with Asian markets having particularly strong demand increases.

CIL sale of NPI stake

Corporate Investments Ltd (CIL) has sold its 50 per cent stake in Nelson Pine Industries (NPI) to its joint venture partner Sumitomo Forestry Co Ltd for slightly over \$NZ100 million. CIL was initially involved in negotiations to sell its NPI share to a Malaysian company. However, Sumitomo, which held pre-emptive purchase rights, found this company to be an unsuitable partner and invoked its buyback option. Sumitomo has described itself as "a reluctant purchaser", citing a preference for having a local partner in all its foreign joint ventures. Sumitomo intend seeking a new local partner in due course. CIL acquired its share of NPI in 1988 as part of its takeover of Newmans Group.

Panahome NZ Ltd Joint Venture

A Japanese joint venture between National House Industrial and Innosho Forest Industries has begun the first stage of construction of a \$NZ15 million plant in Rotorua. National House is Japan's largest builder of prefabricated housing with annual sales exceeding \$NZ3 billion. Innosho is a major processor of Japanese indigenous species. The joint venture company, named Panahome NZ Ltd, should begin exporting radiata mouldings and other interior housing componentry by mid-1993.

Thames Timber Joint Venture

Thames Timber have announced a joint venture with American wholesaler, Snavely Forest Products. The new company will be based in San Francisco and will work to develop markets for a wide range of radiata products, from cutstock and finger joint blocks to furniture, door and window components.

Radiata Components NZ Ltd

A consortium of American and Otago investors are to build a \$NZ9 million plant near Mosgiel to manufacture door and window dimensional wood products. The consortium, operating as Radiata Components NZ Ltd, plants to process 100,000 tonnes of logs per annum and employ around 100 people.

Wenita Forestry

Wenita Forestry is to purchase the Mount Allan forest in Otago from Tasman Forestry. The addition of Mount Allan's 4600 hectares takes Wenita's total New Zealand forest estate to more than 28,000 hectares.

Opio Forestry Fund

Opio Forestry Fund unit-holders have approved an expansion plan that will triple the Fund's forestry investments. Approval was gained for a four-to-one renounceable

issue to purchase four South Otago forests from Tasman Forestry. The four forests, Nobleburn, Kaitangata, Lawrence and Taieri Mouth, total 943 hectares.

DED on the move

Dutch Elm Disease has claimed 13 elm trees in Auckland so far this season. There were 12 positively identified DED cases at this time last year. The disease has spread to Howick and Otara. Previously cases were confined to Auckland Central and Remuera. The worry is that the disease is spreading to outlying areas, which makes the job of containment much more difficult. Removing the trees is also becoming more technically challenging – three of the trees had to be lifted out by helicopter.

Ministry of Forestry Port Operations staff issued a press release in early January to urge people not to cut down elmwood or move debris or firewood from their properties, and to keep an eye out for elms showing symptoms of the disease. The public response was excellent with many queries and the report of a suspected new case.

Ministry of Forestry

The East Coast forestry project

The East Coast forestry project is receiving strong support from landowners and is progressing well, said Forestry Minister John Falloon.

The response to the call for tenders to plant under the scheme in 1993, he said, had been very encouraging.

"The number of tenders received signals considerable interest in the scheme by a variety of landowners, who consider commercial forestry a desirable land use and a necessary protection measure for their property," said the Minister.

The Ministry of Forestry had received 39 applicants to receive grants, for an area totalling 9964 hectares over three years.

"All of the land covered by the applications has been inspected, discussed with the applicants and considered against the scheme's qualifying regulations. Thirty-five projects have been issued with provisional approvals, and four applications have been declined," said Mr Falloon.