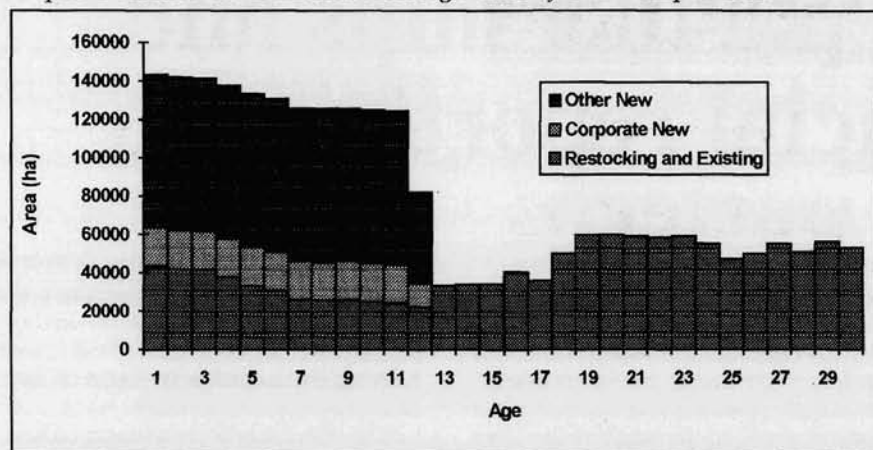


Graph 3 Possible New Zealand Forest Age Class by Ownership at 2005



Both organisations will need to address the change in membership, assess their sector position and how they will be best able to meet the needs of their members in this changed environment.

Work Opportunities

Harvesting work in the next ten years will be based on the existing mature to semi-mature forest and will therefore be with today's forest owners.

Forest growing work will increasingly be with the forest owners of tomorrow and as shown in Graph 3 the bulk of this work could be outside the existing forest owners of today.

Training and Industry Standards

Delivery of training to the diversified forest ownership and obtaining some uniformity of work standard will be a challenge. This must be overcome to ensure that the sector overall is seen as responsible under the RMA and HSE legislation.

Local Government

The interface between local government and the forest-growing sector will be more dispersed, and this may impact on planning issues. The diversified ownership could lead to an increase in smaller-scaled forest management operations and pose difficulty for local government in achieving uniformity and coverage of operations.

Industry

Processing industries will need to address securing wood supplies from the dispersed forest estate. The confidence to carry out processing plant expansion may be dependent on attaining some security of supply from the multiple owners of tomorrow's forests.

Industry Quality

With processors becoming ISO accredited there will be an increasing need for forest growers to be ISO accredited to maintain

standards along the production chain. This will require small growers to establish good stand records and management systems.

Regional Variation

The regional variations of today are likely to be highlighted for tomorrow's forests. Regions with rapidly expanding young

forests are likely to see the private forest owner dominate.

Forest Health

Monitoring of forest health will become more difficult with the increased number of owners. There is also the issue of user pays and recovering a fair share of costs from the smaller grower.

Secondary Markets

With the diversity of ownership there will be a greater need for an improved secondary market for forests as investors may wish to divest or invest part way through the rotation.

Taking the time out to reflect on the changing forest ownership likely under the current planting boom reveals some major issues for the forestry sector at the beginning of the next century. Today's forest owners have the opportunity to prepare the way for tomorrow's owners and ensure a confident forestry sector for the start of the next century.

Mike Marren

Law Reform Bill (No 3): implications for forestry

The Law Reform (Miscellaneous Provisions) Bill (No 3) 1994 proposes amendments to two forestry-related statutes.

Forestry Rights Registration Act 1983

The Forestry Rights Registration Act 1983 is to be amended by the insertion of a definition of "crop" which makes it clear that the word crop covers both the plural and the singular. A robust view of the current legislation when read in conjunction with the Acts Interpretation Act 1924 would be that there is no need for this legislative change. However, the proposed amendment certainly puts the issue beyond doubt. It also covers the situations of mixed species regime with different harvest dates.

Forests Act 1949

The Bill also contains a number of amendments to the Forests Act. These amendments focus on those provisions relating to the sustainable management of indigenous forests.

Many of you will note with wry interest that the Crown has struck back following its loss in *Ancient trees of New Zealand Limited v The Attorney General*

(CP483/93). The Court's interpretation of what constituted a "stump" in that case was somewhat contrary to the Crown's view. The proposed amendments are designed to make the Crown's stance law. The writer's interpretation of the proposed definition means that the "stump" effectively finishes at ground level. To some, this might seem unreasonably restrictive.

The balance of the amendments contain some quite detailed fine-tuning changes to forests caught by the indigenous sustainable forest management and sawmilling regime.

The consultation requirements of the Secretary of Forestry with the likes of the Director General of Conservation have now been extended to cover not only sustainable forest management plans but also the issue of sustainable forest management permits.

The Bill also attempts to put beyond doubt the relationship between the Resource Management Act 1991 and the Forests Act 1949. The previous reference to obtaining resource consents for "cutting

(Continued on page 44)

Forestry partnerships and financial reporting

Andrew Caddie*

Recent legal developments of possible interest to the forestry sector in the areas of taxation and financial reporting include:

- Removal of limitation of numbers for ordinary partnerships;
- Publication of financial reporting standard FRS 4 relating to accounting for inventories.

Partnership Limits

A little-known effect of the Companies Act reforms over the last year has been the removal of Section 456 of the Companies Act 1955, which formerly prohibited the creation of partnerships of more than 25 persons. The limitation has **not** been re-enacted in the 1993 Companies legislation or elsewhere. Accordingly it is now possible for forestry promoters or farmers to put together partnerships of more than 25 persons.

Previously it has been necessary to divide a block into several sections and to create a partnership for each one since the entry costs in respect of a larger land area would have been too high for individual investors if limited to 25 in number. Alternatively, partnerships of qualifying companies have been put together at considerable extra cost and administrative effort.

The new legal position should lead to significant simplification and may be of some benefit to forestry promoters.

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Law Reform

(Continued)

or felling" has been extended to "any activity".

Given the detailed nature of the proposed amendment it is recommended that those with interests in this area should carefully work through the changes to gauge their effect against their own particular operations.

Andrew C. Caddie

Financial Reporting

The Financial Reporting Act 1993 gives statutory effect to formal accounting standards. These standards must be complied with by all companies and issuers of securities when preparing financial statements (which must be prepared within five months of balance date).

One such statement is FRS4 relating to Inventories. This generally requires that all inventories must be accounted for at the lesser of cost or market value. Certain items are **excluded** from the concept of "inventory" in FRS4, significantly among these being **forestry crops**. This is a new development of significance to foresters wishing to show their forest at true value in their accounts.

However, an anomaly could arise when the crop is harvested.

At that point, the exception in FRS4 ceases to apply and the logs or sawn timber become **inventory** until such time as sold. They must then be recorded in the books at cost (which will almost always be **lower** than market value).

The effect may be to radically reduce the balance sheet of a forestry company, since the identifiable cost of the harvest will be **low** in relation to the market value of the (previously) growing trees (and of course the true market value of the logs or sawn timber itself).

A submission can be made to the Accounting Standards Review Board, the statutory body responsible for the promulgation of binding accounting standards. Those who wish to discuss such a submission can contact the author.

Constructing a stream gauging station



Constructing a stream gauging station near the mouth of a mature radiata pine catchment in the Marlborough Sounds. Photo: Landcare