

Forestry Corporation of New Zealand (FCNZ), reminding the Corporation of Mr Cullinane's aim to accomplish corporate objectives once the imbalance between the volume of wood supplied to Fletcher Challenge and the price paid was resolved through the arbitration process.

I asked for an update on:

- a) this issue following the arbitration decision and
- b) the relationship between levels of cut, planting or re-establishment and the impacts on rotation length by species.

What follows is the response from Forestry Corporation. In the annual report attached to this letter it is noted that 75% of the annual log harvest is sold domestically, covering 2.6 million m³ radiata pine 250,000 m³ Douglas fir and 250,000 m³ of other species. Restocking of 5000 ha is by use of 6 million radiata pine and Douglas fir seedlings. A new cuttings nursery at Te Ngae produced stock for this in 1995, and 22 ha of seed orchard was developed at Amberley in North Canterbury.

Your Council has only considered the subject of the Corporation's husbandry of the Crown assets prior to the recently announced revival of Government's intention to sell Kaingaroa Forest cutting rights. There could be grounds for some confusion as to what the Crown is selling, as the FCNZ annual report notes that some \$1102 million has been paid to the Crown in the first five years of operation. In 1995 a dividend of \$112 million and repayment of \$105 million of redeemable preference share capital to the Crown was noted.

No further Crown debt exists, the last \$50 million being paid in 1994. Thus the SOE now owns the Crown Forest Licence and apparently owes only the long-term debts on the financial statement. It is free of debt to the Crown. Therefore, as shareholder, the Crown owns an SOE with forest assets of \$2120 million, all or part of which it may be contemplating as available for sale.

P.F. Olsen

Russell Dale's FCNZ reply

Dear Peter,

You wrote to me following the Institute's AGM in Taupo when questions were asked about the Corporation's forest management intentions. I thought these issues had been addressed with Council when we met in 1993 and at the subsequent AGM in Nelson when a resolution by A.P. Thomson and others recommending separate reporting by Forestry Corpo-

ration was soundly defeated. Council has a clear mandate from its membership on this matter, and I am surprised that the Council believes that the affairs of individual companies are a matter that it should devote time to.

Since the Institute's Council met with Tim Cullinane and myself in September 1993, the arbitration proceedings over the Tasman supply contracts have been completed and the arbitrator released his award to both parties on February 4, 1995. Subsequent negotiations to implement the award are proceeding well and will be finalised by the end of the year. The arbitration award and agreements between the two organisations are commercially sensitive to both organisations and will remain confidential.

The Corporation's forest management intentions are not significantly different from those discussed with Council in 1993. All land harvested is replanted as soon as possible after harvesting with Douglas fir or radiata pine. The annual harvest rate of Douglas fir is now at the sustainable level of 250,000 m³ and current intentions are to maintain this level of harvest through establishing approximately 10% of the annual replanting programme in Douglas fir.

The annual radiata harvest, including production thinning, is currently 2.6 million cubic metres, and this will be main-

tained until the turn of the century. It is anticipated that at this time the current backlog of production thinning will be completed and the programme will be reduced. However, current forest management strategies provide options for increasing the radiata clearfell rate at the turn of the century and these options will be considered at that time.

Forest tending strategies have not changed significantly from those outlined to Council in 1993 although we are reviewing the current policy of following a standard pruning and thinning regime. Within the Corporation's forest estate there is as much site variation from north to south as occurs across the whole of New Zealand, suggesting tending regimes should be tailored more to the various site qualities encountered across the Corporation's estate.

Forestry Corporation's mission is to become a world-class plantation forestry, processing and marketing company. The Corporation's operating principles and examples of many of the initiatives taken in pursuit of the mission are described in the latest annual report. Copies of this are attached for Council's information.

R.W. Dale
General Manager Resources
Forestry Corporation of
New Zealand Ltd

Forest Valuation Working Party update

The Working Party is well into the process of revising the Forest Valuation Guidelines released as a discussion draft last year. The revision will be released as an Exposure Draft with a further round of submissions and debate before a final document is produced.

There is considerable interest in the release of the Forest Valuation Guidelines not just in New Zealand but also in Australia. We have had correspondence from both the Forestry Accounting Working Group, which is addressing forest valuation issues, and the Association of Consulting Foresters of Australia, which is attempting to produce a forest valuation handbook. There is interest on both sides of the Tasman in having a common approach to forest valuation.

Members will be aware from the questionnaire distributed to them in August that the Working Party is still working through some difficult issues. The difficulties largely arise from the limited num-

ber of forest sale transactions which take place in New Zealand and the general lack of publicly-available information on those transactions which do occur. Hence the need to use surrogates such as Net Present Value (NPV) to estimate forest value.

The Working Party, while attempting to develop guidelines which are practical, is concerned that they have a consistent underpinning philosophy. This has led the Working Party back to Faustmann and the suggestion that Forestry Land Expectation Value (LEV), the value of the forestry opportunity on bare land, is the appropriate measure of the "opportunity cost" of land when estimating crop value using the NPV approach. However, note that there is no suggestion that LEV should be used as an estimate of the current land market price - this should be based on transaction evidence and is the domain of the land valuer. Rather the use of LEV is seen as a possible means of achieving consistency in the valuation of the tree crop when the

NPV approach is used to estimate forest value.

Another area of debate is how prescriptive the guidelines should be. Generally the approach taken has been to require disclosure of key valuation assumptions rather than prescribing what assumptions should be made. However, one option is

to require as a sensitivity (NOT as an estimate of market value) the calculation of a "standard" forest value using standard price and discount rate assumptions. This has been suggested to provide a basis for comparison analogous to the calculation of Government Valuations on property.

Members were invited to provide their

views to the Working Party on these issues and so far about 50 have done so. The views expressed cover the full spectrum and represent a very high standard of technical debate. They are now being considered by the Working Party.

Bruce Manley

Environmental Working Group update

- Tim Thorpe represented NZIF at the Seventh International Meeting of the Montreal Process Group on the conservation and management of temperate and boreal forests in Auckland on October 30 and 31.
- ECO (Environmental and Conservation Organisations of NZ) Conference and AGM. The NZIF is a member of ECO and Tim Thorpe attended the ECO conference and AGM in Auckland in August. A full report is included in this issue of NZ Forestry.
- NZIF position with respect to the *Forest Accord* and *Principles for the Sustainable Management of New Zealand's Commercial Plantation Forest*. NZIF was represented at a meeting of the *Principles* partners in September. The final "sign-off" was on October 27 in Wellington. NZIF members were surveyed in September on whether the NZIF should be a signa-

tory to the *Principles*. Some 50 members responded with opinions relatively evenly divided on the issue. NZIF Council has decided to postpone a decision on the NZIF's position until the AGM in Invercargill in April/May 1996. Members are urged to continue sending in their responses to the survey. A full report on the survey, and the final text of the *Principles* will be in the next issue of NZ Forestry.

- NZIF position statement on biodiversity. Dougal Morrison is preparing a draft statement which will be published in the next issue of NZ Forestry.
- Proposed 'Greening the New Zealand Forest Industry' seminar. The Commonwealth Forestry Association (CFA) and NZIF are considering organising a one-day seminar 'Greening the NZ Forest Industry'. Initial feedback from forest industry groups indicates a high level of interest, and the seminar is

likely to take place early in 1996.

- The EWG and Wood Processing. John Gifford (NZFRI) was asked to initiate discussion with his colleagues on the role that the Environmental Working Group might take working in the area of wood processing. Possibilities include information dissemination, educational activities and initiating discussion on the setting up of a *Processing Accord* similar to the *Forest Accord*.
- The International Union of Societies of Forestry (IUSF) and the Forestry Stewardship Council (FSC). The NZIF indicated to the IUSF that it did not think the IUSF should join the FSC at this stage until the FSC's principles and mandate are clarified.

Tim Thorpe
Convenor

ECO Conference and AGM – 'Greenwash be damned'

Piha, Auckland, August 25-27, 1995

The NZIF has been a member of ECO for a number of years, albeit a sleeping partner rather than an active participant. According to Peter Berg, former Vice-President of NZIF, the move to join was part of a deliberate strategy at a time of some discontent between the conservation movement and the forest industry to indicate that the NZIF was a neutral player in the forestry sector independent of the industry.

The Institute's membership of ECO has risen to prominence recently for three reasons:

1. The Institute has now established an Environmental Working Group which is in the process of determining its role in the forestry and environment arena.

2. ECO is a signatory to the NZ Forest Accord and on the working group

preparing the *Principles for the Sustainable Management of New Zealand's Commercial Plantation Forest Management*. The Institute was able to provide comment on the *Principles* initially through ECO and latterly by direct input.

3. Comment from Institute members asking why the NZIF is a member of ECO.

My attendance at the ECO Conference and AGM was to represent the Institute's view on the *Principles* and to learn a little more about ECO.

ECO currently has 78 members, including most notable environmental groups with the exceptions of the Royal Forest and Bird Protection Society (RF&B) and the Maruia Society. It would appear, from the strong attendance of RF&B members, that they will be seeking to reconsider their membership status. The

Mariua Society seems to be a spent force amongst environmental NGOs, more active in the political arena. ECO is a fully-constituted society with some 15 councillors elected at the AGM who meet monthly. Because of its diverse membership, ECO is active in a number of environmental areas.

The theme of the conference was 'Greenwash Be Damned – the Corporates Fight Back'. The only speaker on this issue was Bob Burton from the Tasmanian Wilderness Society, and while his speech was fairly pointed, it did not appear to raise the level of interest that the theme might suggest. (I have copies of his speech, if members are interested.)

A workshop on the *Principles* was attended by about 20 people, including Wink Sutton from Fletcher Challenge