

SBC Warburg – advisor and agents for Forestry Corporation sale – Is there a conflict?

SBC Warburg have been appointed to:

- advise Government on the sale process, i.e. scoping the level of interest, best method of sale and likely level to be set for value of assets sold;
- act as agent for the Government if the sale proceeds.

This has been seen by observers as perilously close to a clash of interest for an organisation dependent on future assignments by maintaining a reputation for unassailable probity.

While it is a well-observed aphorism that the reformed poacher makes the best game keeper, it is a bit much to leave the stocktaking of the flock to the same game-keeper to provide a measure of his probity and effectiveness.

Doubtless SBC Warburg would feel hurt to be classified in the same category as a reformed poacher. There is still the need though to have some independent surveillance of their performance. I note that Mr Birch has said that they would be "subject to rigorous scrutiny by officials". This presumes that these officials will be as knowledgeable as Warburgs in assessing their performance; which of course begs the question of why they need a skilled investment bank if they possess this knowledge. Of course they don't, and a likely outcome could be that officials are led to a decision by a process crafted by SBC Warburg. This decision may be, and in fact is likely to be, profitable to Warburgs in the second phase, the selling process.

Fees for such a role would normally reflect the skill of the "agent" and ability to find the likely markets for the FCNZ shares on sale. This fee would presumably be included in the estimate of costs of sale prepared in the first part of the "scoping" process. It would appear odd if, by them being appointed agent, and having to expend no further effort to find buyers, Government pay them a fee. It therefore appears to have effectively given them an unearned handout which comes out of the sale return with little added benefit to the taxpayer.

For evaluation of the bids received and a recommendation to Government of a successful bidder, knowledge of the part to be played by Maori would presumably be of value. The Waitangi claim on the land is said to have four claimants for every hectare of Kaingaroa. Local iwi have an expectation of involvement in the sale of shares of FCNZ as well. This com-

plex situation will stretch the wisdom of Government to arrive at a solution satisfactory to all New Zealanders while not necessarily selecting the highest bidder in cash terms. As this will no doubt affect the size of SBC Warburg's fee, there is, despite Mr Birch's claims, a very evident possibility of a clash of interest.

Since mid-March, when the issue was

first aired, there seems to have been a long period of quiet which presumably reflects SBC Warburg beavering away at beating up trade. We will be informed of the results when the process matures in August.

P.F. Olsen

Invercargill 1996 – What came of it?

The 1996 AGM and Conference has been and gone, and I enjoyed it. The winds of change are blowing again, nothing stands still, and who knows where we will all end up in 50 years' time. Metaphorically that is – I planted a red beech last year to house me till the last trump, but expect to be in it before then.

The Institute at its conferences tends to flog the industry horse, leaving farm forestry and the small grower to the Farm Forestry Association – come to their 1998 conference in Invercargill to hear about that side of things down here. As such, it misses out on much that is informative, entertaining and eccentric, but it does have a chance to put its finger on the mainstream changes which in the long run sweep all of us up.

As I heard it, and much simplified, New Zealand plantation forestry has reached a parting of the ways, and is splitting into two groups. One group, predominant at the moment and perhaps typified by the larger corporates and the Forest Owners' Association, sees forestry as a branch of agriculture, even to the extent of advertising a giant header mowing a forest. High-tech, short-rotation, vertically-integrated radiata industry is their theme song.

The other group is much more diffuse. Some just see a basic flaw in the argument and a chance to exploit it as a market niche. Others see higher productivity, of both quantity and quality, more interest and entertainment, and some may be just Luddites or millennialists who see (long for) doom in the agricultural model.

What will come of it all? Well, that's for the future, but as both Roger Sands

(Professor of Forestry at Christchurch) and Grant Rosoman (Greenpeace) told us, we are an international oddity in our preference for production from plantations with indigenous forest set aside for spiritual uplift. The prevailing orthodoxy is the reverse, and to the international bureaucracies that means we must be wrong; so our case has to be put, and the fingers (which we would all much prefer to give) will not do.

They also warned us of the dangers of trying to grow "tall wheat". The day of reckoning for agriculture is nigh, a baleful green eye is on it, and we should beware of the wrath to come. Believe that if you like – when the history is written, the total failure of NGOs to face up to the environmental pressures of agriculture will certainly be the subject of much head scratching – but it still seems good advice.

Greenpeace Policy

Grant gave a different view when asked why Greenpeace New Zealand has a forestry policy but apparently no land-use or ag-chemical policy. He was tired, he said, of being asked why Greenpeace picked on forestry, and claimed that we did ourselves no credit by trying to sink to the agricultural level.

He went on to explain that it was his multinational's international policy to focus on forestry, and like it or lump it we were caught up in that. He was, he claimed – and I would believe him – making our case to be different, but in the end it seems it's all a kind of green pepsi, where you can absolutely rely on the same recipe, whatever the situation.