



RECENT EVENTS



Sale of Crown Forests: Treaty issues

"The implications of the Treaty of Waitangi for the sale of the Crown's commercial forestry assets are highly significant." With this statement the Forestry Working Group identified a major policy issue for the sale of Crown forests. (Refer to "Sale of the Crown's Commercial Forestry Assets", October 1988.)

At the heart of the matter is the need

Forestry Corporation update

The Forestry Corporation has been appointed by the Government to be the agent for the sale of the State's commercial forestry assets. The objective of the sale will be to maximise the net return to the Government. For plantation forests, land will be available for 50-70 year leases with extension by one year each after the 30th year unless the lessor gives notice of no further extension. Improvements on the land, including tree crops, will be paid for by the lessee at the start of the lease. Future use of the land by the lessee will be subject to the general law and the initial terms of the lease (which in some cases will include some environmental or other covenants). The Corporation intends to seek competitive bids for the leases and will in general accept bids for any forest, group of forests or parts of a forest.

To manage the sale process the Corporation has established a specialist asset sales group. Mr Mark Ford, formerly the Corporate Development and Marketing Manager, has been appointed General Manager for this group. Other Wellington-based staff for the group include Dr Andrew McEwen as Manager Forest Asset Sales and Mr Andrew Jackson as Manager Non-Forest Asset Sales. Two regional groups will be headed by Mr David Elliott in Rotorua and Mr David Viles in Christchurch.

The operational side of Timberlands is also undergoing a re-organisation. The Northern and Central Regions have been combined into a single North Island Region under Mr Peter Herrick in Auckland. Mr David Viles will continue as Regional Manager South Island in addition to his asset sales responsibility. Mr Peter Berg has been appointed Corporate Operations Manager in Head Office and the Corporation's Export Division will also report to him.

Andrew McEwen

to protect Maori claimants to the Waitangi Tribunal, whilst also addressing the purchasers' need for security of tenure. The mechanism the Working Group recommended was for the Crown to retain ownership of the land but sell the rights to the crop over a 50-70 year lease period.

Clearly, these major changes in government policy needed to be discussed with Treaty partners. To this end, the Minister for SOEs, Stan Rodger, invited Maori representatives to a national hui in Rotorua on January 20 and 21, 1989. The discussions were undertaken in a spirit of partnership and aimed to disseminate information and to begin a dialogue with Maori.

The following points were emphasised at the hui:

1. The present Government does not propose to sell the land. What is for sale is the forestry assets on the land and the right to manage these assets for at least 50-70 years (i.e. two rotations).
2. A minimum 50-70-year term is neces-

sary because of the purchasers' need for security of tenure. In order for secondary industry to be developed, for example further pulp mills, investors need to be assured of supply. Clearly it is desirable for New Zealand to develop further processing, due to the regional, social and economic benefits.

3. As the land is not being sold the provisions of the Treaty of Waitangi (SOE) Act 1987 do not apply. However, this does not indicate any less protection for potential claimants.

Following the national hui further discussions with various iwi is anticipated. A commitment to consult fully with Maori interests is evident from these recent hui. While the Government is to be congratulated on its commitment to consult with Treaty partners, it would have been nice to be able to congratulate Government for a similar commitment to wider consultation.

Sarah Wilson,
Ministry of Forestry

Maori afforestation leases

BACKGROUND

Maori groups have leased some 70,000 ha of land to the Crown in 19 different lease agreements which have been drawn up at varying times since 1960. Peter Tapsell, Minister of Forestry, invited representatives from these groups to a hui on March 22, 1988. At that hui the lessors were offered three options:

- i) Purchase the Crown's interest in the lease on a commercial basis;
- ii) Assignment of the Crown's interest to the Forestry Corporation; or
- iii) That the leases remain the direct responsibility of the Crown with the Forestry Corporation being given the first opportunity to manage.

The lessors were asked to indicate their preferred option by September 30, 1988. At the time it was thought that negotiations between Treasury and the Forestry Corporation on the value of State Forests for transfer to the Forestry Corporation were nearing completion and that the outcome of that process

would provide a good basis for valuing the Crown's interest in the Maori afforestation leases. These lease valuations would be given to lessors to help them decide which option they should choose.

However, Government's decision in mid 1988 to privatise the State Forests as soon as possible has meant that the values of State Forests will now be determined in a much more reliable way, i.e. they will be contested on the open market. It has also meant that the Forestry Corporation probably will not have a long-term future and accordingly options (ii) and (iii) are respectively unworkable and need modification.

This will mean that it will take longer than previously envisaged to negotiate changes to the leases but it also provided some new and positive opportunities for the lessors.

HUI OF DECEMBER 20, 1988

In order to continue to provide the lessors with relevant information, to con-

continue outlining the Crown's opinions and to continue discussing the process of restructuring the lease agreements to the mutual advantage of both the lessors and the Crown a further hui was called by the Minister of Forestry and this was held on December 20, 1988.

Unfortunately the Minister was unable to attend but the Secretary of Forestry, Robin Cutler, represented him and provided the lessors with the following information.

He said the Minister of Forestry will have responsibility on behalf of the Crown for the Crown's interest in Maori afforestation leases.

This means that the Ministry of Forestry will have the function and funding for:

- * managing the Crown's interest under the lease agreement;
- * monitoring the Forestry Corporation's performance in the interim (or under such new terms as are appropriate) under the existing management agreement;
- * liaising with the Treasury on any issues associated with the sale or disposal of the leases.

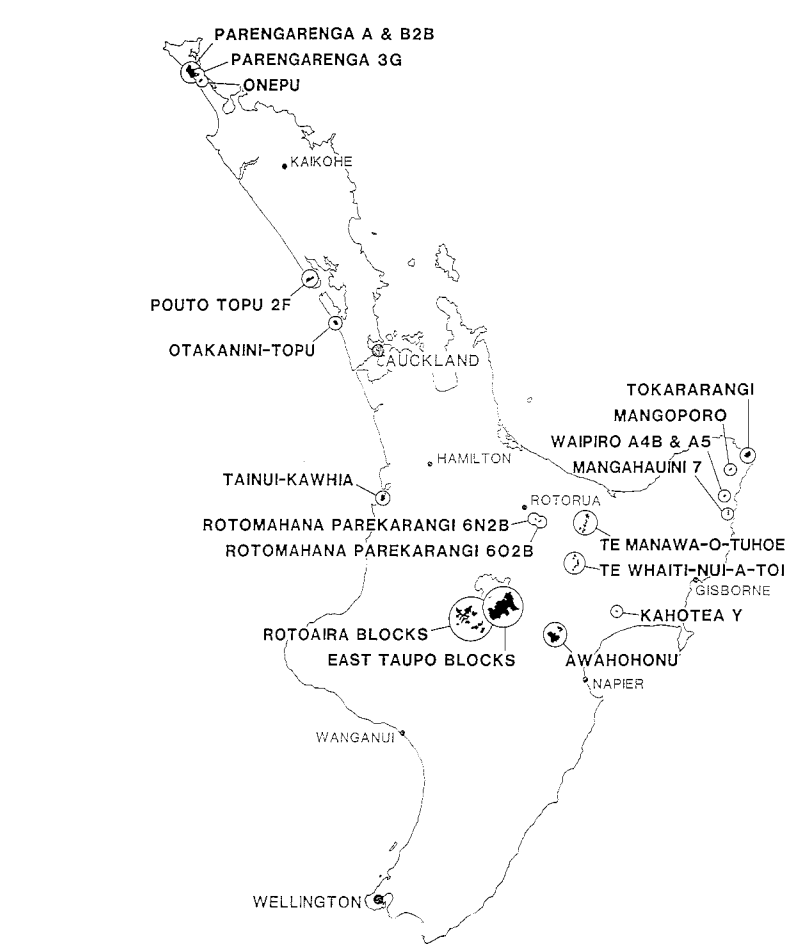
The Crown would continue to offer each lessor an option to purchase the Crown's interest, on agreed terms, at a price to be determined during the sales process and the lessors would be free to negotiate with third parties during the process of sale of the Crown's own forests. Discussions could cover the lessors' option to purchase the Crown's interest, and the possible effect of this fact on third party desire to purchase nearby Crown forests. For example, in some cases Maori lease age classes complement the age classes of nearby State forests (e.g. Awahohonu and Esk).

Lessors were told that they would be free to bid for the Crown's own forests on the same terms as other bidders.

If a lessor wished to exercise the option to buy back the Crown's interest in the lease, the price could be determined by reference to the sale of the Crown's own forests.

If the lessors did not wish to exercise the option to buy the Crown's interest, the lessor and Crown could, after sales of the Crown's own forests have occurred, negotiate the future of each lease with the Crown in the spirit of partnership. These negotiations would be conducted on a lease-by-lease basis.

The lessors were told that although some hard negotiations between the Crown and the lessors eventually could be expected if the lessors chose to purchase the Crown's interest, in the interim a "co-operative rather than adversarial" approach would be encouraged in defining possible options for revised afforestation lease agreements. The Crown would help the lessors iden-



NZ FOREST SERVICE PRODUCTION FORESTRY LEASES

Lease No.	State Forest No.	Area (hectares)	Term (years)
Parengarenga 3G	Aupouri SF 187	511	99
Parengarenga A & B2B	Aupouri SF 187	6,248	99
Onepu	Aupouri SF 187	436	30
Pouto Topu 2F	Pouto SF 194	1,392	99
Otakanini-Topu	Woodhill SF 179	680	99
Tainui-Kawhia	Tainui-Kawhia SF 191	1,138	99
Te Manawa-o-Tuhoe	Kaingaroa SF 1	2,117	32
Rotomahana Parekarangi 6N2B	Whakarewarewa SF 7	113	66
Rotomahana Parekarangi 6O2B	Whakarewarewa SF 7	253	66
Te Whaiti-nui-a-Toi	Whirinaki SF 58	2,008	90
East Taupo Blocks	Lake Taupo SF 115	30,237	70
Rotoaira Blocks	Rotoaira SF 141	16,447	70
Kahotea Y	Patunamu SF 102	56	65
Mangaoporo	Tokomaru SF 124	283	89
Waipiro A4B	Tokomaru SF 124	338	99
Mangahauini 7	Tokomaru SF 124	151	99
Waipiro A5	Tokomaru SF 124	131	99
Tokararangi Blocks	Tokararangi SF 130	2,066	99
Te Awahohonu	Awahohonu SF 140	8,428	90

tify the advantages and disadvantages of the possible options.

(An indication of the impacts of a range of such options is provided in the table above.)

Mr Cutler also said that if it was the wish of the meeting the Minister would seek Cabinet support for financial assistance from Government to help the lessors obtain quick interim independent

forest valuations and provide advice on raising money and other analytical and financial matters. This was seen to be necessary for both the lessors and the Crown to agree on revised lease agreements which would be advantageous to both parties.

The lessors were in full support of this approach.

Hamish Levack