

efit most by more leisure in harvesting. Why set your long-term objective as the deliberate production of low-quality material?

The small grower spends money planting trees, foregoes use of that money elsewhere while the trees are growing, then reaps a reward. If profit alone governs a decision to plant – and often it does not – interest rates and market assumptions rule and the shorter the rotation the nearer to certainty we may think we are.

But in the larger communal forestry scene – the state, large companies, incorporations – the unwritten assumption is that the capital of the forest will be maintained by a sustainable level of cutting. There will be fluctuations due to irregularities of age, class distribution and changes in the area of the forest, but eventually the forest will reach some sort of “normality”.

Then there is a balance between growth and harvest, and, for the forest as a whole, interest disappears as an issue because there is no longer an interval between investment and return. So long as productivity is maintained and unit value increases, so the pressure to cut recedes. Where is the virtue of a short rotation?

The financial world appears to take a different view, by denying the value of forests as an entity and analysing worth only on the assumption that harvesting equates with destruction. A recent study of the investment value of several forest-

owning New Zealand companies explained its approach as follows: “Our valuation model uses discounted cash flows assuming the existing forests are managed until financial maturity. No account is taken of the company’s ability to create or dissipate value through new planting or other future investment decisions”, and “we adopt a managed liquidation approach where only existing standards are valued, based on estimated cash flows associated with taking them to full financial maturity. At this stage the land is sold at an estimated market price”.

The financial advantage of preserving the forest entity (or in this case influencing an investment recommendation by considering which company is best set up to do this) is ignored.

This is probably only the quandary of an economist beset by too many assumptions so that yet another variable is simply the last straw. More bizarre is the rumour that some companies deliberately forego the long-term advantage of considering their forests as a whole in favour of yield calculation on a stand-by-stand basis of birth, life and death, discounting happily along to a shorter and shorter rotation. I do not know if this is really the strategy or only a cover for financial over-stretching, but if I was a shareholder I think I would want to know how the board justified reducing long-term profit in favour of the second rate.

The only reference I can find to an

opposite philosophy came in an article in the Sunday Star Times of December 4, 1994, looking at the forestry investment philosophies of the Chinese family proprietors of Ernslaw One Ltd: “Our radiata will be 33 years old in 1995, all pruned. The longer you keep it going the more clear wood you get – in hindsight, we bought it quite cheaply, but after we bought the Tapanui forests we had New Zealand consultants saying we had paid twice as much as it was worth”. The company has also established 10,000 hectares of Douglas fir in Southland and has a target of 20,000 hectares by 1997. Obviously they use a different formula.

Who is right? Probably neither side, given the range of forest growing and wood-using opportunity, but have not the discounters and their single-issue wood-using allies held the floor too long?

The market has changed from the old days when industry told the forest owner what it could afford to pay for wood. Of course, it can still do so but the grower no longer needs to listen unless the price is right. The market has gone our way: when will we win over the analysts? If some of them decide that Kaiangaroa is better as a dairy farm, who will pocket the cash locked up in its sustainable (rather than liquidated) value, and who will pay ultimately to replace it? It’s time that forests were valued.

John Purey-Cust



RECENT EVENTS



New code aims for safer highways

A Code of Conduct for logging truck drivers, launched in February, aims to ensure that the New Zealand motoring public has a better “view” of truckies. The initiative came from the NZ Forest Owners’ Association and its transport operators.

The code, a set of guidelines and procedures developed by LIRO (Logging Industry Research Organisation), covers the 1050 people who are employed in the forest industry transport sector. It is a pro-active move by the forest industry and the road transport industry to ensure safety, courtesy and professionalism on the highways.

The code is very specific and among many things stipulates the driver must check the load properly, ensure no bark chips are loose and avoid travelling in truck convoys.

Currently, almost all forest products are transported by public road. In 1993 this amounted to 900 million tonne kilometres.

As the harvest from New Zealand’s 1.4 million hectare plantation forest estate increases in the next 10 years, logging trucks will become a more familiar sight on main highways, particularly in the more remote parts of New Zealand. Between 1990 and the year 2000, forestry transport is predicted to increase by 43% in total tonne kilometres (128% on district roads and 33% on state highways). Further large increases will occur beyond the turn of the century.

The districts expected to experience the biggest increase in logging traffic are Whakatane, Gisborne, Rodney, Far North, Southland, Thames/Coromandel and Nelson/Marlborough.

The road transport sector is hoping that the code will also improve its public image.

Many forestry companies and logging contractors are going one step further by providing a feedback system. Transport busi-

nesses working with Tasman Forestry already display signs featuring an 0800 number. If a motorist experiences a problem or wishes to comment, the number can be called 24 hours a day. Carter Holt Harvey Forests are introducing a similar programme. Forestry Corporation has provided a comprehensive driver training programme and has plans to introduce a system involving driver identification and certification.

The code includes professional driving techniques, a comprehensive list of mandatory equipment checks, an overview of the relevant road transport regulations and the Occupational Safety and Health (OSH) requirements. Individual forestry companies and transport operators will also include their own regulations and policies that drivers must adhere to.