

plies. In the current open market for log exports, it could be argued that prices are set internationally rather than domestically, and the export market will provide the buffer for changing domestic production of logs. This would result in stable rather than fluctuating prices. All this discussion of implicit market conditions, though, is a convenient method of arguing our way around the fact that some of our most important projections for the future are not based on economic factors. Ultimately, this is less satisfactory than explicitly incorporating economic decisions into our planning models.

This is not a criticism of the researchers involved. Part of our current problem is that the research agenda is being guided by what the funders will pay for. An additional and probably the largest part of the problem is that the importance of the disaggregate, market-driven decision-making we are seeing now is a relatively recent phenomenon. As a result, we have little data and no well-developed research agendas to deal with it. We have to face up to the fact that the old textbook forest estate management model of a single dominant forest manager who makes optimising decisions based on a large-

scale and well-defined forest estate, is increasingly irrelevant in the multi-owner and uncoordinated plantation forest we have in New Zealand. In addition to the physical modelling capabilities we possess, economic criteria which help to explain forestry behaviour will be crucial in the future in making any prognostications relevant. My belief is that we need to put more resources into research which will lead to an understanding of the market in which forestry in New Zealand will be practised in the future.

Hugh Bigsby

Progress with privatisation

This article attempts to put on record the efforts of A.L. Poole, G.M. O'Neill and myself to block the sale of Kaingaroa Forest.

The Government announcement in April that it was proceeding with the sale did not result in any public excitement. There was a surprising lack of political comment with only NZ First and the Alliance voicing opposition. Both organisations vowed to buy back the sale if it were made, the latter though with conditions. The Alliance had already mounted a public petition in an attempt to get 10% of all voters in favour of a national referendum. There was little editorial comment and few letters to Editors. This was surprising, considering the amount of public opposition expressed by many people to Lindsay Poole, Mick O'Neill and myself.

On April 25 I wrote to Mr Birch suggesting that Whaka Forest should be withdrawn from the sale and handed over to FRI. It was claimed that this move would guarantee FRI a permanent source of income as well as giving it a forest under its own control for a variety of research purposes. The suggestion had previously been made to Treasury, who found it a new and interesting idea. The reply from Mr Birch, though, contained all the conventional arguments for maintaining the status quo. It was riddled with clichés. I could have written every word of it myself.

On April 30 Mr O'Neill wrote a letter to the Editor of *The Dominion* in reply to an editorial which quoted and accepted some of Mr Prebble's quite erroneous comments on forestry. *The Dominion* did not publish it until June 18 and then in an abbreviated and quite inadequate form. We did not appear to have much influence with *The Dominion* editorial staff.

The Listener meanwhile had made no comment on the sale. I spoke to the editorial staff in late June and got a courteous

hearing, but the reply clearly was that The Listener was not interested unless the material was new. I sent them quite a bit of material, including some which had not been widely published previously, but they did not respond.

Exasperated by the apparent secrecy of Treasury and Government, I wrote to Mr Birch on July 25 repeating all the unanswered questions which we had previously put to him. He did not reply until after the sale decision had been made. This was presumably the safe thing to do. The reply endeavoured to give reassuring answers to our questions, but some of them were far from convincing, particularly in respect to a continued supply of sawlogs to domestic sawmills, some measure of Government control of log exports, the danger of overcutting, and the real, though understated, reasons for the sale. Mr Birch stated that the reply would be widely distributed and is available to anyone who writes to him.

Press Speculation

In mid-August there was considerable press speculation about the date on which the sale would be announced and which of the three main tenderers would be the successful one. The sale was finally agreed to on August 20 and a document was signed between the Government and a consortium of Fletchers, Brierleys and a State-owned Chinese Corporation. We welcomed very much Mr Birch's statement at the time that "Fletcher Challenge Ltd plans to process in New Zealand both Forestry Corporation's and Fletcher Challenge Forests' own current saw-log exports". There did, though, seem to be a big discrepancy between the huge volume of logs involved in the export trade and the new investment plans announced by Fletchers which totalled only \$260 million

over the next seven to eight years. Furthermore, there was no mention of log exports in the long question-and-answer statement that Mr Birch put out on the same day. The statement, however, did talk of a Fletcher Challenge policy to supply wood to domestic wood processors and it did prophesy an increase in direct employment of up to 700 jobs.

Serious Worries

The new ownership pattern presents serious worries. Brierleys do not have a good reputation as long-term investors in New Zealand resources and the Chinese involvement could have even worse implications. Not only does it apparently guarantee continued log sales but it also raises the question as to why the Chinese Government should be allowed to own 37.5% of Kaingaroa Forest when there is an objection to the NZ Government owning it themselves. This is, to say the least, bizarre.

The worst features, though, were statements in an article in the *Sunday Star Times* of August 25. Fletchers stated that they intend to harvest radiata pine at 27 years instead of 31 and Douglas-fir at 45 years instead of 65. They propose to increase the cut of Douglas-fir from the current figure of 165,000 cu. metres to 600,000 cu. m. until the year 2000. The radiata cut will go up from 2.5 million cu. metres to 3.4 m cubic metres, also as far as the year 2000. Many foresters have already expressed concerns about lowering rotation ages and the difficulty of marketing juvenile wood in the Asian market, and they have also expressed doubts as to whether some degree of overcutting is not already taking place. These measures would appear to be an example of, at the best, doubtful and, at the worst, extremely bad forest management. They could be a prime example of one of the major draw-

backs of privatisation, the urge to make immediate profits in the short term to the detriment of the long-term good of the forests.

On October 10 the NZ Alliance invited us to attend a ceremony on the Beehive steps to present the 240,000 petition signatures they had gathered. Lindsay Poole and I attended and at the request of Jim Anderton spoke briefly. We said nothing new or original. It is hard to know what will happen to this petition and whether in fact a referendum will result. Even if it did and was successful we still do not know that any Government would agree to a buy-back arrangement.

We had previously reminded Treasury about the earlier Bilek-Horgan analysis of the 1990 and 1991 sales. It had gone to Treasury, but appears to have been unnoticed. The conclusion was that the sale was largely political. We did not know that Bilek had continued his investigations and we were remiss in not contacting him. This was done through Colin Bassett but the material arrived too late. It was highly relevant. The conclusion from a mass of specific figures was that "the Forestry Corp. returned a far higher proportion of its sales in profits than did either CHH or Fletcher Forests. This means that less of the Corporation sales went into covering operating and administrative expenses. In other words, the Corporation was operating more efficiently than CHH or Fletcher Forests."

It is doubtful, however, if earlier publication of these figures would have influenced the Government's attitude to the sale. From all the arguments for the sale, it would appear that the Government seemed to be as immovable as the Rock of Gibraltar. The sale once again was based on strongly-held political considerations rather than on established facts.

The sad and surprising part of the whole business is the public apathy about the sale. Many public organisations must have had views, some for and some against. But they were silent. Even more surprising is the almost complete lack of comment from Institute members, many of them ex NZ Forest Service.

I don't think that we three were wrong in recognising the importance of Kaingaroa to New Zealand and the efficiency of its past and present management or its potential for generating even greater future wealth. The New Zealand public has allowed the Government to claim otherwise.

As for ourselves, our efforts were not successful. We were described by a prominent Wellington journalist as "troglydotes" – perhaps she was right.

Priestley Thomson



RECENT EVENTS



Sale of Forestry Corporation of New Zealand

In 1985 approximately half (555,000 hectares) of the plantation resource of New Zealand was owned by the New Zealand Government and managed by the New Zealand Forest Service. That year the New Zealand Labour Government decided to disestablish the Forest Service. The plantation resource was transferred to the New Zealand Forestry Corporation – a State Owned Enterprise.

To reduce public debt, the New Zealand Government announced in December 1987 a strategy for the sale of government-owned assets. Included in those assets was the plantation resource of the NZ Forestry Corporation.

For sale, with very few restrictions, were the assets (mostly the trees) on the land, but not the land itself. The land was to be transferred as a crown licence on which an annual rental was to be paid. These licences were for the use of the plantation resource and ran for up to 70 years – to allow for the harvest of two rotations of plantations. It was expected, but it was not a condition of the sale, that plantations would be replanted after harvest.

July 4, 1990 was the closing date for bids on approximately 90 parcels of plantations. After this first round only 13% of the plantations (mostly the Nelson plantations) were sold. Subsequent sales sold much of the state plantation asset.

A notable exception was the 190,000 hectares of Central North Island plantations (mostly Kaingaroa forest) which were not sold but were transferred on November 30, 1990 to another State Owned Enterprise – the Forestry Corporation of New Zealand. It was the stated intention of Government that this State Owned Enterprise would eventually also be sold.

Two Rotations

Early in 1996 the National Government of New Zealand finally announced the sale. As in the previous plantation sales, the offer was limited to access to the trees for up to two rotations. The land was not for sale, and was to be leased from the Crown. The offer did, however, include two wood-processing plants.

Eventually three groups bid for the sale:

- The USA-based Weyerhaeuser Company
- The New Zealand company Carter Holt Harvey in association with the Malaysian-based plywood manufacturer Jaya Taisa Bhd, and the Maori group Te Ama (which represents the Maori tribes with claims to the land on which the Forestry Corporation plantations were growing)
- The New Zealand-based Fletcher Challenge Limited in association with Brierley Investments and Citifor, the forestry arm of a Chinese international investment company.

In August 1996, the New Zealand Government announced that the State Owned Enterprise had been sold for \$2.03 billion to the Fletcher Challenge consortium. The consortium is 37.5% owned by Fletcher Challenge Ltd, 37.5% by Citifor and 25% by Brierley Investments. The forest and processing operations will be managed for the consortium by Fletcher Challenge Forests. The Forestry Corporation and Fletcher Challenge Forests immediately began the process of amalgamating staff and integrating operations.

The sale has attracted a great deal of attention from the New Zealand public. The New Zealand election (the first with proportional representation) was held on Saturday, October 12. The National and Labour parties (who won 34% and 28% respectively of the votes in the new Government), both support the sale of the Corporation. Two other political parties, New Zealand First and the Alliance, (who won 13% and 10% respectively of the votes) both oppose the sale and have both vowed to buy back the plantation asset. The Alliance party even campaigned with a petition and claims to have obtained the necessary 240,000 signatures which will force a National Referendum seeking opposition to the sale. That National Referendum, even if supported by a majority of New Zealanders, would not be binding on Government.

Although many New Zealanders are still probably against the sale, it is very difficult to see that any changes could happen. There is no simple process for reversing the sale of state assets and new legislation would probably be required.