



# Te Tātarakihi

## September 2010





## **Tātarakihi (Cicada)**

The name tātarakihi has been chosen for our forestry newsletter because its raucous song is synonymous with the sounds of the forest and therefore it reinforces the aim of the newsletter which is about communication with and between the people.

Whilst it isn't a bird, it has a song, and the song was liked by the Maori above all others; indeed, Maori called the tātarakihi "the bird of Rehua". Rehua was the keeper of kindness, and the reason the Maori held the insect in such high regard was that its cheerful song sounded in the summer when the days were long and warm and food was plentiful. Then the Maori, happy himself, enjoyed the shrill song of the merry tātarakihi.

# Ngati-Hine Forestry Trust

## Newsletter to Owners

*September 2010*

**Tena koe, ara tena koutou katoa e te iwi**

### **Notice of the 2010 Annual General Meeting:**

As the elected Trustees, we invite you as owners to the 2010 AGM

The arrangements for the hui are:-

Venue: **Porowini Marae, Otiria**

Date: **Saturday 9<sup>th</sup> October 2010**

### **Agenda**

8.30 am Owner registration and continuous morning tea

9.30 am Karakia and mihi

10.00 am Meeting commences, Apologies, Trustee's Report, Financial Report for 2009 / 2010, Auditors Report, and an Election for three Trustees if required

12.30 pm Karakia Whakakapi

Lunch will be served at the conclusion of the hui

### **Proxies:**

A standard proxy form is to be completed by any owner who wishes to appoint another person to be their representative at the AGM.

- To be valid and accepted by the Trust, the proxy form must be completed on the form attached to this newsletter (or down loaded from the web site [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz)) and received by the Trust at least seven days in advance of the AGM, that is by 5 pm on Friday 1<sup>st</sup> October 2010.
- Late proxies will not be accepted after this date, or at the AGM.
- A schedule of proxies will be prepared and made available at the meeting.
- Photocopies of the proxy form are acceptable.
- Any mature, responsible person may be appointed as a proxy holder.

### **Nominations for election to be a Trustee:**

A standard Trustee Nomination form is to be completed and signed by the proposer, seconder and nominee.

- As in the past, three Trustees are to stand down this year. They are Pita Tipene, Marie Tautari and Lu Hau.
- All nominations for Trustee must be in the form as attached to this newsletter,

or by down loading it from the web site [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz)

- Nominations for Trustees must be received by the Trust at least fourteen (14) days in advance of the AGM; that is by 5 pm on Friday 24<sup>th</sup> September 2010.
- Late nominations will not be accepted after this date or at the AGM.
- Two existing owners must nominate and second the nominee.
- The nominee must sign the form and should submit a statement of experience and capability (e.g. a CV) at least fourteen days before the meeting for consideration by the owners at the AGM.
- Photocopies of the nomination form are acceptable.

#### **Note:**

As in the past, all nominees for the position of Trustee will be invited to address the meeting prior to voting by the owners.

#### **Voting For Trustees:**

The only people who are able to vote at the AGM election for Trustees are:

- Those who are recorded as individual owners on the Maori Land Court schedule of owners.
- Proxy holders for whom proxy forms were submitted seven days before the AGM.

#### **Trustee Qualities**

The owners should expect that all Trustees and intending Trustees will have the following qualities to provide the Trust with proper governance:

Professional and competent	Proven Leadership
Passionate	Visionary
Experienced	Knowledge of the Trust Order
Knowledge of the business of the Trust	Personally successful
Ability to focus on big (Governance) picture	Have integrity
Be respected	Have time available for the Trust
Be prudent but innovative and entrepreneurial	Be accountable
Be committed to the Trust and all of the owners	Have no personal agendas
Be able to work as part of a team	

#### **Conditions of new Trustees required by Lenders:**

The Trust has mortgages and other securities with both Westpac Banking Corporation and Housing New Zealand Corporation.

Both of these lenders have imposed certain conditions and requirements in terms of compliance within their loan agreements.

These requirements include that both lenders have to give approval to the appointment of any new Trustee.

Both lenders will undertake credit reference and other checking as part of this process. Both lenders have indicated that people with criminal convictions or who have been or are adjudged bankrupt will not be considered suitable in terms of their criteria. This approval process is in addition to the process of approval by the Maori Land Court.

Once a new Trustee is approved by both lenders, they will then be required to sign a deed of assumption agreeing to take on the liabilities and responsibilities of the loan agreements entered into by previous Trustees.

### **Trustees Induction Training**

Because of the scale and complexity of the Trust and its activities, new Trustees will be expected to attend an induction and training course to acquaint them with the workings of the Trust and of their Governance role.

### **General**

Owners should feel free to discuss any matter that concerns them, by contacting the Trust at the addresses & numbers shown below.

Na reira haere mai, nau mai, piki mai ra koutou.



Pita Tipene  
Chairman  
Ngati-Hine Forestry Trust

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Whangarei Office -  
Phone - 09 459 6425  
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Webpage [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz)  
6 Vinery Lane, Whangarei  
Fax - 09 459 6426  
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# Issues Currently Facing the Trust

## Introduction

The purpose of this part of the newsletter is to keep owners informed of the important issues currently facing the Trust.

The Trustees feel that during this continuing time of change and uncertainty, it is important that the owners receive quality information through special hui, newsletters and via other channels like the website; [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz)

The Trust held a special Information Hui at the Otiria Marae on Saturday 15<sup>th</sup> May 2010. One hundred owners and beneficiaries attended.

The Trustees have identified three major issues to be addressed and resolved.

These are: -

- The second rotation
- The Emissions Trading Scheme
- Payment of Dividends.

These were discussed in depth in three special workshop sessions.

Consequently, the hui attendees' were better informed as to the issues which face the Trust.

Given that there are currently over 4,100 owners and nearly 1,000 people on the Trust's mailing list, the Trustees feel that the information from this hui should be summarised and distributed through a newsletter.

## Emissions Trading Scheme

The Emissions Trading Scheme (ETS) became law in 2008. The ETS supports and implements the provisions of the Kyoto Protocol signed up to by New Zealand in 1990 which seeks to address Global warming.

The National Government reviewed and amended this legislation in late 2009. There was no change to the scheme as it affects the Trust.

This ETS impacts on the Trust in that 4,619 ha of the Trust forest were planted prior to 1990. As all of the Trust's forests are pre 1990 forests, they attract pernicious obligations in terms of the legislation.

If this land is "deforested" which is defined as a change of land use, then the Trust incurs a liability which has been variously estimated at some \$50 to \$100 million, payable to the Crown.

To avoid these significant ETS penalties, the Trust essentially must either replant or allow/encourage the forest to regenerate naturally. However, regeneration is not likely to satisfy ETS requirements and won't lead to a commercial forest.

While the ETS creates some significant potential problems for the Trust, there is an up side. As a pre 1990 Kyoto forest the Trust will be eligible for a free allocation of some 279,000 NZU's. These could potentially be of significant value to the Trust, possibly around \$3 million to \$8 million when sold, depending on the value of carbon credits (NZU) in the future.

It should also be noted that this allocation is to be made in two parts and the allocation of the second tranche of NZU's is dependant on the Kyoto agreement being extended past 2012.

The Trustees are very aware of the converging dual problems of finding a second rotation partner or replanting itself and the potential penalties the Trust may face under the ETS. These are issues that the Trustees continue to address on as many fronts as possible.

## **Second Rotation**

Forestry has been identified as the only practical land use for the whole of the Trust's forest lands (Ngatihine H2B).

Alternative tree species have been investigated; however, pinus radiata remains the only viable economic option at this time.

As neither TPL nor TFL will not be replanting the forest for a second rotation, the Trust has been endeavoring to find a new second rotation joint venture partner(s). To date this search has been unsuccessful.

The current state of the forestry industry (including the uncertainty brought about by issues around the Emissions Trading Scheme and the recent global recession) means that forestry is only marginally attractive as an investment option, despite the current "spike" in export log prices.

Nevertheless, the Trust continues to seek second rotation joint venture partners.

An alternative is for the Trust to self fund a second rotation.

The Trust has estimated that the cost of replanting the forest itself including managing the forest for thirty years to be in the region of \$22 million which includes \$12 million to complete replanting in years 1 to 10.

The Trust could potentially fund a second rotation itself if sufficient funds can be generated from:-

- The sale of the carbon credits (NZU's) which are to be allocated to the Trust from the Government via the Emissions Trading Scheme
- The proceeds from the Ruatangata Block (more about this later)
- Revenue streams from other Trust assets

However, self funding a second rotation would commit all of the Trust's forecast

funds and preclude further consideration of other activities in the immediate future. However, the Trustees have as yet made no commitment to commence a second rotation. Before a decision is made, the Trustees will discuss the implications' of a second rotation with the owners.

### **Ruatangata Block (TFA)**

The "Trustees Forest Area" (TFA) is known as the Ruatangata Block and comprises some 419 hectares of pine forest.

This is an area within the TPL 4 forest lease in which the Trustees receive 100% of the stumpage (all forest proceeds). It is due to be harvested near the end of the lease period (about 2018).

### **Dividends**

You will be aware from reading the Trust's Strategic Plan (available on the Trust's Web Site [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz)) that the main economic objective of the Trust is to pay a meaningful dividend to owners in perpetuity from after completion of the first rotation forest harvest, due sometime after 2018.

As previously indicated, the potential requirement for the Trust to undertake a second rotation itself will almost certainly mean that there are insufficient funds available to also consider a dividend payment.

This situation will be re-assessed after the first rotation harvest.

It should be noted that dividends can only be paid to those people registered as owners on the Ngatihine H2B ownership schedule which is administered solely by the Maori Land Court.

This ownership schedule is available to view free of charge on the Maori Land Court web site [www.maorilandonline.govt.nz](http://www.maorilandonline.govt.nz) and searching the block **Ngatihine H2B**.

Currently, there are just over 4,100 registered owners holding the 1,809,139 shares in Ngatihine H2B issued by the Maori Land Court.

A large number of successions need to be undertaken to bring this ownership up to date. Potentially the total number of owners could well double if all successions were completed.

Beneficiaries and descendants of owners are encouraged to make appropriate succession applications to the Maori Land Court.

### **Distribution Issues**

The share distribution will present issues in terms of the payment of any dividends. For example it would be uneconomical to make a payment to a majority of owners because of their small shareholding.

The significant cost of administering a dividends regime is also an issue. The Inland Revenue will be biggest beneficiary because of tax implications.

At the Information Hui there was considerable discussion about dividends with suggestions made that perhaps the beneficial owners could be rewarded in ways other than from dividends given the difficulties of being able to fund a dividend and the inherent problems of administering a dividend payment.

### **Some Shareholding Statistics**

- The ownership of the shareholding of the 1,809,139 shares ranges from the smallest shareholding of 0.1 of a share to the largest individual shareholding of 85,644.312 (being the Ngati-Hine Trust itself).
- Over two hundred owners have less than one share.
- The largest 22 owners hold 20% of the shares whilst 3,500 owners also hold 20% of the shares.
- Only 400 owners have more than 1,000 shares.
- 50% of the owners own 4% of the shares and 50% own 96%.

There are some 321 shares issued for each one hectare of the corpus land; or one share approximately equals 31 square meters.

### **Partitions**

At the Information Hui, owners asked about the possibility of removing their land (shares) from the Trust.

The only mechanism by which a beneficial owner or owners can remove their lands (i.e. their shares) from Ngatihine H2B is by way of partition as provided for in Part 14 of Te Ture Whenau Maori Act 1993.

The only authority able to process an application for partition and make a determination is the Maori Land Court. The Trustees have no jurisdiction or authority with regard partition applications.

The Maori Land Court booklet "Title Improvement - A Guide" includes within it a step by step explanation of what is required by applicants to make a partition application to the Court. This is freely available from the Court.

The Trustees policy is to continue to refer owners who have queries regarding partitions to the Maori Land Court.

It should be noted here that ETS and local authority rating liabilities follow the ownership of the land.

### **Employment Opportunities**

The Trust is actively engaging with the lessee's, Hancock Forest Management and their harvesting contractors to ensure that there are maximum employment

and training opportunities within Ngati Hine Forests made available to Ngati Hine people.

The Trustees have recently entered into a joint venture “Kaiwae Harvesting Limited” (KHL) with an established harvesting company (HarvestPro).

This project will deliver financial returns to the Trust but more importantly provide a dedicated vehicle to deliver significant logging and harvesting employment and training opportunities within the Ngati Hine rohe for Ngati-Hine people.

### **Trustees Obligations:**

The Trustees are elected by the owners to represent the interests of all 4,100 plus owners. The Trustees are bound by the Maori Land Court Trust Order to protect, manage and grow the Trusts assets for the benefit of all owners.

### **Summary**

- The Trustees must make decisions shortly about the second rotation and the Emissions Trading Scheme which will have major consequences for the future of the Trust.

The Trustees will further discuss the matters raised in this newsletter at the Annual General Meeting which is scheduled for Saturday 9<sup>th</sup> October 2010 at the Otiria Marae, commencing at 9.30 am.



Chairman

Ngati-Hine Forestry Trust

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Whangarei 0140.

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### **Ngati-Hine Forestry Trust**

PO Box 108, Whangarei 0140

Note – To be valid, this form must be received in the hands of the Trust at least fourteen days in advance of the annual general meeting, i.e. 5 pm on Friday 24<sup>th</sup> September 2010.

### **Trustee Nomination Form**

(Refer clause 6.7 of the Trust order)

We, ..... (Name of proposer)

and .....(Name of seconder)

are owners in the Trust (i.e., recorded as owners in Ngatihine H2B on the schedule of owners maintained by the Maori Land Court) hereby nominate:

.....  
(Name of Nominee – block letters)

of .....  
(Address & phone number of Nominee – block letters)

as a candidate for the office of Trustee at the next Annual General Meeting scheduled for 9<sup>th</sup> October 2010.

SIGNED this .....day of .....2010

..... (Signature of Beneficial Owner - proposer)

..... (Signature of Beneficial Owner - seconder)

I ..... (Name of nominee – block letters) hereby consents to this nomination and will submit to the Trust a statement of my experience and capabilities for consideration by the Owners at the Annual General Meeting. I further consent to this statement being published in the Trustees annual report to the Owners or being otherwise presented to the Owners at the AGM.

..... (Signature of Nominee)

**Ngati-Hine Forestry Trust**  
PO Box 108, Whangarei 0140  
www.ngatihine.maori.nz

Note – to be valid, this form must be received by the Trust at least seven days in advance of the annual general meeting, i.e. 5 pm Friday 1<sup>st</sup> October 2010.

**Proxy Notice Form**

(Refer clause 4.4.4 of the Trust Order)

I, .....(block letters)  
of .....

Number of Shares?.....

being a owner of the Ngati-Hine Forestry Trust (i.e. recorded as a owner in Ngatihine H2B on the schedule of owners maintained by the Maori Land Court), hereby appoint:

..... (block letters)

of .....

or failing him/her, ..... (block letters)

of .....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Trust, to be held on the 9<sup>th</sup> October 2010 and at any adjournment thereof.

**SIGNED this .....day of .....2010**

**Signature of owner:** .....

**SIGNED in the presence of:** .....  
(Signature of Witness)

**Full name of witness (block letters):** .....

**Occupation:** .....

**Address:** .....

.....