

# Te Tātarakihi

## March 2013



# Ngati Hine Forestry Trust – Te Tātarakihi - Panui 10

**March 2013**

Tena koe, ara tena koutou katoa e te iwi

## **Review of the Ngati Hine Forestry Trust**

A Maori Land Court hearing was held on the 20<sup>th</sup> August 2012 at which the Court considered the proposed new Trust Order and also the overarching review of the Trust. At this hearing the presiding Judge D J Ambler outlined several concerns.

The Judge determined that the Maori Land Court would commission an independent person to undertake an independent review of the Trust and for a report to be prepared and presented to the Court.

The Judge adjourned the hearing and subsequently on the 27<sup>th</sup> September 2012 he issued directions for a review of the Trust to be undertaken in terms of Section 231 of Te Ture Whenua Maori Act 1993.

These directions included the appointment by the Court of Messrs Thomas Lee Rodewald and Robert James Neilson of RHB Chartered Accountants Limited of Tauranga to prepare a written report on the following aspects of the Trust's performance:-

- a) The general financial performance of the Trust over the last five years
- b) The prudence of the Trust's forestry decisions, in particular, the decisions relating to the application of income from the first rotation, the impact of the Emissions Trading Scheme, the approach to the second rotation and the projected financial return to beneficial owners
- c) The prudence of the Trust's investment decisions
- d) The general issue of financial return to the beneficial owners
- e) The governance and management structure of the Trust
- f) Any other matters impacting on the financial performance of the Trust

The Trustees have welcomed the opportunity for such an independent review to be undertaken.

This independent report has now been received by both the Court and the Trust.

A full copy of this report from RHB Chartered Accountants Limited of Tauranga is available on the Trust's web site at [www.ngatihine.maori.nz](http://www.ngatihine.maori.nz) or hard copies can be obtained by contacting the Trust.

The Court has advised that a special hearing date has been set down to receive and consider this independent report and to also further advance the process of reviewing the Trust while also giving further consideration to the proposed new Trust Order (a copy of which is also available on the Trust's web site). This one day special hearing is scheduled to be held as follows:-

- 10 am
- Friday 22 March 2013
- Venue: Maori Land Court, Manaia House, Rathbone Street, Whangarei

This is a public hearing and beneficial owners are very welcome to attend.

The authors of the independent review report will be attending this hearing to formally present their report to the Court and to answer questions.

If you the beneficial owners wish to make submissions to the Court with respect of this review of the Trust you may do so by writing to the Court at the following address and quoting the Court Reference Number 20110011868.

The Registrar  
Maori Land Court  
DX Box AX10086  
Whangarei 0140

### **Matawaia Forest – Harvesting and Second Rotation**

As has been explained at hui and in previous panui the Trustees are facing the difficult prospect of self-funding the replanting of the forest. The cost of planting and managing the forest for the 28 year lifetime of a second rotation is estimated at \$21 million. This is a cost that the Trust cannot afford. In addition because of the Emissions Trading Scheme (Climate Change Response Act 2002) a second rotation forest must be established to a certain standard to avoid significant penalties.

Trustees have also been indicating to owners since October 2010 when the Trust's new Strategic Plan was launched, that the Trustees wish to move from just being merely a landlord collecting a small rental to having ownership of the trees, as this is where the opportunity to build significant wealth is possible.

As was explained at the 2012 AGM this transition from being a passive landlord to becoming an active business owner involved directly in the forestry industry will be a difficult and time consuming process. It is a process which will have to be undertaken in stages including, as a mechanism, the Trust entering into joint venture arrangements with companies who can provide the capital money required (to establish a second rotation crop) as well as their proven expertise, as their contribution.

To this end the Trustees have been exploring a number of joint venture options and partners for some time. The result of this work is that the Trustees have recently entered into a Heads of Agreement with Kiwi Forestry International Limited. This agreement is an agreement in principle only and it provides a basis by which the Trustees can explore further the entering into a formal Joint Venture Partnership Agreement.

This proposed Partnership Agreement relates to the harvesting and marketing of the first rotation crop and for the planting and management for 28 years of the second rotation crop of the Matawaia forest area. Negotiations are ongoing and the details are commercially sensitive, however, the Trustees can advise that extensive due diligence has and will continue to be undertaken with respect of this proposed Joint Venture Partnership.

The Trustees can also advise that this proposed Joint Venture Partnership provides significant advantages to the Trust and it will (if finalised) provide a stepping stone whereby the Trust will end up with a 50% share of the ownership of the second rotation crop of the Matawaia forest area.

### **Dividends**

The issue of the payment of dividends to owners at some point in the future has been widely canvassed in previous hui and in past panui. Essentially the Trustees position at present, based on what is known now, is that the payment of any dividends cannot even be contemplated until around 2019 which is near the end of the harvest of the first rotation, and even then there is some doubt about the financial ability to pay dividends given the very significant challenge of replanting the forest that faces the Trust.

The matter of the payment of dividends is canvassed within the review report undertaken by RHB Chartered Accountants Limited and no doubt it will be discussed at the Maori Land Court hearing.

### **Te Ahuareka o Ngati Hine – 15<sup>th</sup> and 16<sup>th</sup> March 2013**

Owners are encouraged to attend this festival being held at Otiria Marae at which there will be a number of organisations fronting information stalls including the Trust and the Maori Land Court.

### **Claim to the Waitangi Tribunal regarding the Emissions Trading Scheme**

Owners will be aware that the Trust's forest lands are pre 1990 forests in terms of the Emissions Trading Scheme. This means that the land is locked into forestry forever and there are significant penalties if the land is not re established as a forest to a certain criteria after harvest. The Trustees believe that the Emissions Trading Scheme, so far as it impacts on the Trust lands, is a breach of the Treaty of Waitangi and a contemporary claim has therefore been lodged with the Waitangi Tribunal.

### **Kiwifruit Orchards and Psal V**

To date there has only been one confirmed case of Psal V in Kerikeri. This is not on an orchard owned by the Trust. The Kerikeri kiwifruit grower's community is taking all steps possible to prevent any future occurrence and spread of Psal V. As a matter of prudence, should Psal V manifest itself further in Kerikeri, the Trust is investigating possible alternative land use options for the Trust's four kiwifruit orchards including the conversion to other kiwifruit varieties that are more resistant to Psal V.

### **Kaiwae Harvesting Ltd Joint Venture**

The Trust has a half share interest in one forestry harvesting crew operating within the Trust's forest. This is a joint venture with Kiwi Forestry International Ltd, formerly Harvest Pro. The entering in to this operational joint venture was a new experience for the Trustees and the Trust. Inevitably there were difficulties and teething problems, however, close collaboration with our joint venture partner is starting to show improvements in productivity.

### **Alternative Forest Species and Associated Activities**

The Trust is working closely with other Maori land owners together with SCION (NZ Forest Research Institute) and the University of Auckland who are undertaking a significant research project focused on ascertaining the viability of planting native trees such as Kauri and Totara as a commercial forest. Owners, at hui, have often expressed their concerns about pine forests and their desire to see native species replacing the pines. The outcomes from this research project may provide a pathway forward as to how pines could be replaced by natives in an economically and sustainable way.

The Trust is also investigating ancillary land use options for the Trust's forest lands such as the production of manuka honey.

### **Ruatangata Urupa**

The Trust is assisting the Ruatangata Urupa Trustees to facilitate the upgrading of the access road to this Wahi Tapu. Contributions have been offered from Hancock Forest Management, Smith and Davies, Pokapu Limestone Quarry, Alex Critchfield and others. With this local community and corporate input it is hoped to have significant improvements made to this access road prior to winter.

### **From the Chief Executive Officer's Desk: Jonathan Rishworth**

Since commencing with the Trust in July 2012 I can say that the time has flown by. I have undertaken a lot of inspections of the Trust's assets, especially of the forest, and I have held many meetings with various stakeholders. I have also met with a number of owners residing around the forest.

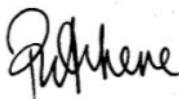
It has been a steep learning curve but I now feel I have a fairly good picture of the status of the Trust and the issues and challenges that it faces. Work has already started

in many of these areas and these are being advanced within the framework of the business plan which has been developed by the Trustees.

I have found that the Trust's key stakeholders are very supportive of the Trust and what it is trying to achieve. While there are significant challenges facing the Trust by utilising this stakeholder support and working carefully through the issues within the framework of the business plan I am confident that the Trust can see its way through the current challenges it faces over time.

Regular communication with the owners is an important component of the business plan and you will therefore be hearing more from me and the Trustees about the progress being made. Kia ora, Jonathan

Na reira te mihi atu ki a koutou, kua poto haere nga ra o te raumati, a, kua ata rongohare tatou i tena mea te makariri i nga ata tata ake nei



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Attendees at the 2012 AGM,  
Matawaia Marae



Front Cover: (from left) Peeni Henare (Trustee), Tony Dwane (Hancock's Environmental Planner) and Jonathan Rishworth (Trust CEO)