

Te Tātarakihī

May 2018



Ngati Hine Forestry Trust – Panui 17

May 2018

Kia kōtahi te takahi i te ko -Second Rotation Forestry Right with the Crown

Tena ra koutou e te iwi kua ta era ki te hotoke me te tau hou,ara ko te Matariki

As beneficial owners will be aware from previous panui and in particular the 2017 Annual Report that while the Trusts intergenerational land utilisation strategy is to return as much of the Trust forest estate back into healthy native forest, that in the meantime, it will be necessary to return, at least initially, a significant part of the forest estate into a second rotation pine crop.

Beneficial owners will also be aware from previous reports and from information shared at shareholders' hui including Special General Meetings held in recent years to address these specific strategies that the very significant cost of a second rotation pine plantation over a period of 25 to 30 years was one that the Trust could not afford and that the only real option was for the Trust to find a joint venture investment partner. Over the past two years efforts in this regard had not been successful.

With the change of government in late 2017 the political landscape changed considerably and as a consequence the new coalition government has announced, as you will well be aware, new policy in the areas of Forestry and of Regional Economic Development. The Minister responsible for these two portfolios is the Hon Minister Shane Jones with Meka Whaitiri as the Associate Minister of Forests.

The Regional Economic Development fund is being funded at \$1 billion a year and out of this funding is being made available to implement the Government's policy of planting an additional 1 billion trees over the next 10 years.

The Trustees have been in discussions and negotiations with both the Minister and his Crown Forestry officials over the past few months and I am now pleased to be able to advise that the Trust and the Crown have reached an agreement whereby the Crown via the mechanism of a Forestry Right will fund all of the costs of a second rotation pine forest.

This funding is coming from the Regional Economic Development fund and the planting of the trees on the Trust land will form part of the government's program of planting an additional 1 billion trees over the next 10 years.

Front Cover: A photo of a slice of the first tree cut down in the Trust's Ruatangata Forest on 1 December 2015.

This is a very significant and important event in the history of the Trust. While the financial details in terms of an annual rental and/or net stumpage share are commercially confidential, beneficial owners can be assured that from the Trustees perspective this is an exceptionally good deal for beneficial owners and is far superior to previous arrangements.

It will also provide a boost for the forestry sector, it will create more jobs and training opportunities which will provide positive benefits for the local community.

Without providing any specifics, the Trustees can advise that the financial returns to the beneficial owners to be received from this Forestry Right upon harvest will be substantial.

The Forestry Right with the Crown is for one rotation only and it includes the requirement for the Crown to plant a third rotation at its cost which will then be owned 100% by the Trust.

The Forestry Right with the Crown includes the establishment of a Joint Management Committee which will enable the Trustees to actively participate in the oversight of all forestry activities over the period of the rotation.

Aside from the Forestry Right the Crown has also agreed to work with the Trust to establish areas of manuka planting within the forest estate and especially for riparian plantings and in culturally sensitive areas. The manuka plantings are substantial and will also allow the Trust with its manuka honey commercial objectives and possibly including products from Manuka oil etc.

The Forestry Right will assist in developing our forestry training programs in association with existing training providers and industry employers.

The Trust's long-term strategy remains the same and beneficial owners can be assured that our long term aim will see the return of more of our forest estate into native species. This agreement will also enhance the objective of our Trust becoming more active managers of our assets.

These goals and objectives have been intertwined into the Forestry Right agreement with the Crown, which over time will make a significant step towards the ultimate goal of self-determination including at the end of this second rotation the Trust finally owning 100% of the forest crop.

This is an exceptional step forward given that the lease signed in 1981 with Carter's meant that the Trust only had a 9% share in the ownership of the crop that was planted in the 1980s.

Given that the pine trees planted by the Trust in 2011, 2012 and 2017 are included within this Forestry Right arrangement harvesting of the second rotation could start as early as within the next 15 to 18 years with a third rotation being commenced at that point.

While this Forestry Right with the Crown is the first out of the blocks in Taitokerau it is in the context of the greater Taitokerau Maori Forestry Collective's mandate which has been active for a number of years and comprises a number of Maori land blocks encompassing some 50,000 hectares.

I can assure beneficial owners that the lessons of the past have been well learned and that those learnings have been incorporated into the Forestry Right agreement with the Crown. For instance, it is untenable to have pine trees planed right up to the fringes of our waterways.

I can also assure beneficial owners that during the development of the financial model that underpins the Forestry Right agreement the Trustees engaged both professional forestry and legal advice throughout the process and that the Trustees were themselves leading the negotiations with the Crown.

It was both the Trustees and the Hon Minister Shane Jones desire that a joint announcement be made about this Forestry Right agreement having been entered into only after beneficial owners had been informed.

Regrettably events transpired beyond our control that meant that this deal with the Crown ended up being in the public domain via various media outlets ahead of time.

The Trustees therefore apologise to the beneficial owners for this happening.

Work is now underway with the aim of commencing planting under this Forestry Right during the course of this coming winter.

The Trustees look forward to talking more about this Forestry Right agreement with the beneficial owners at the Trust's AGM scheduled to be held on Saturday, 17 November 2018 at Te Rito Marae. I encourage you to attend that hui-a-tau.

I would just like to reiterate in conclusion that it is the Trustees' very firm belief that the deal that has been done with the Crown and incorporated in the Forestry Right agreement with the Crown will provide very real and exceptional benefits to you the beneficial owners both during the course of the Forestry Right rotation and particularly at the time of harvest.

Kaati ra mo tenei wa.



Pita Tipene

Chairman

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