This presentation draws on the developments within the Lake Taupo and Lake Rotoaira Forest Trusts and the recent experiences of the Central North Island Iwi Collective (“Iwi Collective”) to illustrate Maori visions and aspirations within New Zealand forestry. The former Trusts have a 40 year history in forestry while the Iwi Collective has only recently established its presence with the signing of the CNI Settlement Agreement with the Crown in June 2008.

1. **BACKGROUND TO LAKE TAUPO FOREST TRUST AND LAKE ROTOAIRA FOREST TRUST**

The Lake Taupo Forest Trust and Lake Rotoaira Forest Trust (“the Trusts”) administer a total land area of 55,000 hectares within the Lake Taupo and Rotoaira basins. Both Trusts are the lessors of respective forestry leases comprised of Lake Taupo and Lake Rotoaira Forests. The lessee in both cases is the Crown, and the arrangements are based on sharing the stumpage income. Of this total land area, nearly 33,000 hectares is established in exotic plantation forest (98% radiata pine). The leases are for one rotation, and are steadily expiring as this crop gets harvested. The Lake Taupo Forest Trust now owns 58% of Lake Taupo Forest, being all stands up to age 16 years. Each year this Trust will own a further 900 hectares until the year 2020 when it will totally own the 22,000 hectares of plantation forest. A similar arrangement is in place for Lake Rotoaira Forest Trust which will see it progress to a 100% owner of the tree crop by 2026.

1.1 **The owners and Ngati Tuwharetoa**

The Trust lease forests each have about 10,000 owners. Over 150 Maori land blocks make up the 55,000 hectares of land administered by these two Trusts. ‘Owners’ shares in the land blocks are registered with the Maori Land Court and subjected to the Ture Whenua Maori Land Act. The long-term investment in afforestation represents a step toward greater security of the land and stability for the future use of the land. The current owners of both trusts, along with their descendents, are generally regarded as including almost all of the 33,000 population of Ngati Tuwharetoa.

1.2 **Forest establishment history and profile**

Planting of the first crop of trees took place in Lake Taupo in 1969 and was completed in 1985. Planting began in Lake Rotoaira Forest in 1973 and was completed in 1989. Both forests were production thinned over the period 1982 – 1999 and major clearfelling of the first crop commenced (with subsequent replanting) in Lake Taupo Forest in 1995 and in Lake Rotoaira Forest in 1998.
The harvest programme reached its long-term sustainable level of around 680,000 cubic metres per annum about six years after harvesting commenced, and has continued at that level since then.

Operations from the forest directly employ about 200 people. The contracting operations and management infrastructure is heavily dependent on a wide range of Taupo and Turangi based service and supplier industries. There is no written agreement providing employment work for owners and their descendents, and recent surveys indicate that around 75% of the workers are Maori, and around 40% are Tuwharetoa.

2. BACKGROUND TO THE CNI IWI COLLECTIVE

The CNI Iwi Collective represents eight iwi groups within the Central North Island of New Zealand. The Collective was formed as a result of Treaty settlement negotiations between these iwi groups and the Crown. The settlement resulted in the return, on 1 July 2009, of 176,000 hectares of Crown Forest License lands and other assets to CNI Iwi with 90% of the land, by value, being vested in the CNI Collective and 10% being set aside for other CNI iwi.

Many aspects and outcomes of this settlement are unique, and a key factor in achieving the settlement was the participants’ strong leadership and the respect that was given to the application of traditional customary values. The unique aspects and outcomes include:

- The settlement was a collective of eight iwi groups – all previous historical settlements were between the Crown and individual iwi.
- The settlement lands contained assets of national and global scale and quality with significant potential for future development.
- The settlement was completed within eight months from initial engagement with the Crown – most negotiations take many years to complete.
- The focus is on what and how the collective model can better advance the wellbeing of individual iwi groups and members.
- The main focus of the settlement was on the opportunity to create development opportunities for future generations through collectivising their strengths.

3. MAORI FOREST OWNERS – ASPIRATIONS AND GOALS

3.1 Perpetual ownership of land

Maori generally regard land as an enduring taonga.

The Iwi Collective, like the Lake Taupo Forest Trust (“LTFT”) and Lake Rotoaira Forest Trust (“LRFT”) land owners, consider perpetual ‘ownership’, protection and wise use of their land as immutable. Their spiritual links to the land and the history of their association with it – despite the period of alienation from the CNI – leads them to consider the land as taonga which should not be alienated or put at risk of alienation from Maori control.
Perpetual or inter-generational ownership of land creates challenges within the conventional commercial framework. One implication is that the land cannot be put at risk by financial charges arising from any commercial activity associated with it. This prevents the land being used as collateral to raise funds for investment in land use developments. Consequently, any external debt must be supported by the cash flows arising from commercial activities or from the generated intellectual property or other commercial assets. It also means that if the business on the land becomes non-viable for any reason, the owner has no opportunity to sell the land and recover capital to pursue more profitable business opportunities elsewhere.

These limitations highlight the critical importance of understanding and knowing what the most efficient productive use of the land is and being able to implement flexible arrangements that reflect the highest and best use of the land. For owners of perpetually owned land therefore, considering the best options for the long term are key and essential considerations in planning. Unfortunately, for LTFT, LRFT and the Iwi Collective, their forests were planted prior to 1990 and under the Emissions Trading Scheme provisions cannot be changed from forestry to another land use without severe penalties, even if the preferred use is a more economic, efficient and sustainable use of the land.

Another significant limitation for Maori land are provisions for the protection of natural, landscape and related intangible values, as highlighted in the case of LTFT and LRFT. Maori land in the Lake Taupo region includes large areas of undeveloped or marginally developed land. Of the ‘natural values’ areas identified for protection by Taupo District Council, over 90% (excluding those on Department of Conservation (“DoC”) lands) occur on Maori land, many on lands owned by these two Trusts.

Nitrates emissions regulations in the Taupo catchment create a specific set of anomalies to owners of forestry and undeveloped lands. 70% of the lands in the catchment are Maori owned (again excluding DoC lands). Despite the excessive nitrate levels proven to be caused by agricultural activity, the solution proposed and eventually passed by Regional Council has been to lock the non-polluting lands (i.e. forestry and undeveloped lands) into their existing land use in order to enable the agriculturalists to continue with their ‘business as usual’.

While Maori are not alone in exposure to these regulatory impositions – as all forest owners in New Zealand will realise – their inability to sell their land results in them having to live with any implications in perpetuity.

Regulators appear to assume that Maori should to be the present and future providers of such services values. Not only are they comfortable to require these free of charge, they also insist that we keep providing them. The concern for Maori owners of forests and lands held in perpetuity is that they are not recompensed for the supply of significant ecological goods and services (with the exception of a token offer of New Zealand Units for their pre-1990 forests). The burden of increased management costs involved in continuing to provide these values impacts significantly on their land and forestry businesses.

3.2 Application of Maori customary values
There is a clear preference that Maori customary values and tikanga (protocols and process) should be applied to all decision-making and operations affecting Maori land use. Indeed, it is these values which differentiate Maori forestry from other forest owners. Adhering to these values will, at times, present challenges to our businesses but, will also ensure they are resilient and sustainable.

**Whakapapa** (genealogy) is important to ensure that recognition is given to the relationships and interconnectedness of people, whanau, hapu and iwi. This connectedness is not confined only to human beings. In Maori culture, there is also a genealogical link between people and the land (hence the term ancestral land) and the natural resources. In the Maori worldview all entities of the natural world, animate and inanimate, are connected by kinship.

Significantly the junior entity in the order of natural kinship is people. The notion of respect for ones elders and for those entities in senior positions is a critical observance in the exercise of whakapapa.

**Whanaungatanga** (kinship relationship) refers to the relationship between people and all other members of the extensive kinship within the genealogy. Whanaungatanga gives meaning and purpose to how humans relate to themselves and all natural and supernatural entities through the past, present and future. This concept provides the underlying rules of engagement. It is, therefore, an important platform for decision-making for the holistic, sustainable management of natural resources.

Whanaungatanga is also characterised in LTFT and LRFT by the forest operations that treat the land as a single resource, and the boundaries between the 120 individual blocks in both forest estates are irrelevant to forest management practice.

**Kaitiakitanga** is the exercise of stewardship or the practical demonstration of sustainable management of people and natural resources. It incorporates the key features of whakapapa and whanaungatanga. It is based on respect and protection of the individual life essence (mauri) of all natural entities whether they are animate or inanimate.

Maori in positions of authority over land and its natural resources have onerous kaitiaki (caretakers) responsibilities and are obligated to safeguard these resources for the enjoyment and use of future generations.

### 3.3 Kaitiaki imperatives in the establishment of LTFT and LRFT

Both forests were established within the general framework of central and local government reserves scheme policy. The proposal for the afforestation of the Ngati Tuwharetoa lands was considered by Cabinet Committee in July 1967.

The protection and stabilisation of the eastern and southern watersheds and the trout-spawning streams entering Lake Taupo and Lake Rotoaira was fundamental to the establishment of these respective forests. Afforestation, subject to strict environmental conditions, was clearly supported by central government and the Taupo
County Council. Both leases provide for significant environmental objectives that cannot be compromised by the ‘ventures’ commercial objectives.

The natural character of the region was maintained by the creation of environmental reserves. Native vegetation was retained on riverside and streamside reserves to prevent run-off and protect trout-spawning streams. In addition, a number of roadside areas were retained in native vegetation or planted in a variety of exotics to maintain aesthetic values. Within the Rotoaira Forest lease separate undertakings serve to protect dams, canals, aqueducts, culverts and tunnel portals by the control of soil erosion, run-off and eutrophication of the Lakes. The latter were important conditions to protect the value of public investment in the Crown-owned hydropower generation schemes, but these are externalities to the land owners and their forestry business.

The trustees of LTFT and LRFT are under no illusion that they must protect the land and natural resource by applying global best practice to achieve sustainable management. They have demonstrated this commitment and have independent third party verification in the form of Forest Stewardship Certification (since 2002).

It is important to note that the adoption of sustainable standards in LTFT and LRFT predate the establishment of local, national or international regulations and benchmarks. The terms of the leases signed 40 years ago reflect the stewardship attitude of the owners toward their ancestral land. They specifically highlight the cultural and environmental attributes to be protected, with the objectives of the ventures. These are presented as follows:

(a) Preventing soil erosion, reducing pollution of the waters of Lake Taupo and of the streams and rivers flowing into and out of the said Lake and minimising adverse changes in river and lake waters;
(b) Conserving and protecting fish and wildlife habitat and other natural resources of the area;
(c) Preserving and safeguarding the graves of the Maori people and all historic and sacred places in and around the said land and the areas of natural beauty and scenery and of unique vegetation.

These objectives were implemented before any land preparation and commercial activities were undertaken.

These environmental constraints have resulted in extraordinary and unprecedented measures being agreed to by the owners. Significant areas have not been developed for planted forestry. In LRFT 42% and in LTFT 28% of lease lands are unplanted to accommodate the customary and ecological goals of the owners. Such measures were implemented as a priority and had to be completed prior to the preparation and planting of the commercial exotic forestry crop was commenced.

While there is an abundance of reserves set aside in the Trusts, it is noted that the Kaingaroa forests have a relative ‘deficiency’ under standards required by FSC. This is an issue for the current licensee and a future concern for the new land owners. The existing anomaly was created by Crown policy which saw the transfer to the Department of Conservation of surplus lands associated with the Kaingaroa Forest estate.
3.4 The aspirations and goals of LTFT and LRFT

The trustees of LTFT and LRFT are committed to a range of social, cultural and economic goals. The major underlying concern, as noted above, is for the protection of the land and related natural taonga. Importantly, owners and trustees adhere to clear social, economic, environmental and cultural goals. In this framework, economic development is seen by the owners as a means to exercise choice over these multiple goals and is not seen as an end in itself or a creation of benefits for the Trusts or their companies.

3.4.1 Goals relating to the forest crop and forest business

The owners of LTFT and LRFT aspire to own by 2020 and 2025 respectively, all forest crops planted on their lands. Over time, they also aspire to participate in the ownership of different levels of the forestry products and operations value chain.

At the commencement of the leases, the creation of employment opportunities for owners was an important consideration for the Trusts. This remains a significant objective – the forest employs around 200 people, of which around 40% are owners or descendents of owners. From the outset of these operations the land owners have desired to get involved in more than simply growing trees and selling logs. The land owners are confident that they can control their future destiny and have the capacity to forge a significant role for themselves within the forest industry.

3.4.2 Social benefits

LTFT made its first distribution to owners in 1996 (the year after harvesting commenced). This was followed six years later by LRFT. Significant distributions have been made every year since. Both Trusts also provide significant grants for the following purposes:

- health
- education
- training
- services for the elderly
- customary infrastructure, including marae.

In line with the whanaungatanga policy of managing the forest as a single business, distributions are spread equally across all the Trusts lands. Thus, it does not matter how much of any individual block is planted, how well the trees grow there, or whether harvesting is being done at one end of the forest or the other – every hectare of land receives the same share of distribution. All of the land in some way contributes to the sustainable use of the whole estate. Unplanted reserve lands are as important to the business estate as are the most fertile planted lands.

With the gradual resumption of the leases, the majority of Trust income is directed to re-establishing and managing the next rotation crops. When the Trusts start harvesting these – in 2021 and 2026 for LTFT and LRFT respectively – surpluses will grow and new opportunities will open up.

3.5 Vision of CNI Iwi Collective
“To protect and promote our culture and values, by generating the income necessary for social, cultural and economic development.”

3.5.1 Formation of the CNI Iwi forestry vision

The CNI Iwi Collective has developed a universal focus and commitment to provide positive and sustainable benefits for the generations to come.

After the signing of the CNI Forests Collective Settlement in June 2008, the Central North Island Iwi Collective embarked on a process of commercial discovery to investigate the pathways for commercialisation of its settlement assets.

CNI Iwi Discovery Limited was created to carry out the work. It undertook robust and in-depth investigations and identified significant commercial opportunities of a magnitude and diversity that is enormously exciting. The CNI Iwi Collective has undertaken a thorough process of evaluation of Kaingaroa Forest and tested a number of scenarios. Iwi Collective individuals and groups are undertaking collaborative steps that are unprecedented in their history but, the fact that a collective settlement of these iwi was actually achieved against high odds, augers well for the success of further progressive steps.

3.5.2 CNI Iwi Collective aspirations for Kaingaroa Forest

The Iwi Collective was generally aware of the unique value drivers associated with Kaingaroa forest. The completion of the commercial investigations confirmed the critical details around its financial risk value. These include:

- its international reputation and investment attractiveness
- largest contiguous block of plantation forest in New Zealand
- the quality of its timber and its silviculture
- its fast-growing nature
- its high quality roading network
- its excellent operating infrastructure which is already in place
- its proximity to a main export port
- the abundant land which is available within it to support the growth of processing capacity over time
- its natural geothermal heat sources to lower costs for drying and manufacturing.

3.5.3 CNI Forestry Aspirations

Consistent with its Vision, the CNI aspiration for Kaingaroa forest and the wood products industry is:

“To build and achieve 100% ownership and control of New Zealand’s largest integrated plantation forest and wood products enterprise within a 25-30 year time horizon as a means to generate employment and cash flow on a long-term basis.”
The Iwi Collective considered that the best route to capturing long-term value was through the immediate termination of the Crown Forest Licenses (“CFLs”) with the existing licensee. A rollover of the CFLs was rejected because it would consign iwi to the position of being landlords for the foreseeable future and limiting their potential to earn commercial returns from Kaingaroa Forest.

Interim partnership and management options are being negotiated to ensure that the next logical ownership step for the Iwi Collective will be initiated for the replant and partial ownership of the emerging rotation. This will pave the way for CNI Iwi to assume 100% control of the second and successive rotations.

3.5.4 Participation across the forestry value chain

A goal of the CNI Iwi Collective is to invest, over time, in the ownership of different levels of the forestry products and operations value chain. Each level of entry will be critically and strategically assessed, including processing, logistics operations, both in and out of New Zealand, and distribution and destination markets.

A specific interim goal is the targeting of investment in overseas wood product market distribution channels. The initial investment would be modest but it will be designed to open a window into the reality of the economics and customer relationship networks within key destination markets. This investment would also provide the Iwi Collective with both market information and potential strategic partnerships for the creation of offshore markets for forestry products from Kaingaroa.

Under this strategy it will take up to 25 to 30 years for Iwi to own major wood flow from Kaingaroa. Securing capacity in market distribution will inform the Iwi Collective and assist it to build up a profitable presence in overseas markets, while seeking to identify customer needs that may justify establishing a processing investment over time. Such a presence may also assist it to invest in a processing capability that may be backed by guaranteed offshore customer contracts.

Being a perpetual owner of the land base binds the Iwi Collective to set long term horizons on land use decisions. The Iwi Collective’s vision of the forest industry is driven by reasonably optimistic views for the medium and long term demand for forestry wood products. In this regard, the Iwi Collective has been patient in proceeding with its forestry strategy.

The Iwi Collective view time as an opportunity to learn the lessons of the past, to properly consider and establish future long term partnerships, and to construct opportunities which incorporate effective risk evaluation and management. The Iwi Collective is ultra-conservative and it will be particularly focused on managing and avoiding critical risks, particularly those that have plagued the industry in recent years. This long term horizon is consistent with the Iwi Collective’s goal to maximise economic benefits for future generations.

The forestry strategy will deliver to the Collective a large-scale, integrated position within the New Zealand and global forestry industries. The sheer scale of the assets employed, alongside the market knowledge yielded by the stakes in overseas
distribution channels, will make the Iwi Collective the largest player in the New Zealand forest products market within a single generation.

3.6 Risks

Regardless of the Iwi Collective’s conservative approach, no business opportunity comes without risk, and the Collective is allowing ample time to identify and understand these with the obvious objective of managing and minimising the potential downside.

3.6.1 Forestry management

Ensuring high-quality forestry management practices is a primary risk management strategy for Kaingaroa. Poor practices in establishment or ongoing management will heavily compromise the value of the estate. In this regard the Iwi Collective will be committed to employ forest managers and operators that are at the leading edge of global practice, to ensure long-term value maintenance and creation.

This is a pre-requisite for global investors. An entity may possess the best asset that the world has ever seen but, unless the investment partner has confidence in the management team, then the asset alone will not attract funding. The Iwi Collective will require major financial support and are aware of the need to gain the confidence of global investors.

3.6.2 Separation of ‘Trust culture’ from ‘commercial culture’

Investors’ experience with global indigenous land settlements indicated an absolute pre-requisite to establish a clear and observable division between management of the general Trust or cultural activity, and management of the commercial activity.

3.6.3 Partnerships are relationships

Choosing partnerships and building long-term relationships is a critical consideration for the Iwi Collective. The preference is obviously for one that shares, respects and supports the vision and goals of the Iwi Collective.

It is particularly important that prospective partners (investors, managers, operators, iwi land or forestry owners) share similar values and long term views of the industry to the Iwi Collective. Maori will always be looking for a partner’s ‘cultural’ fit.

4. CONCLUSIONS

Not surprisingly, there are strong similarities in the aspirations of the Lake Taupo and Lake Rotoaira Forest Trusts and the CNI Collective. The key aspirations have been identified as:

- Perpetual ownership of the land and the establishment of long-term sustainable businesses on the land.
- The business bottom line is about people, not commercial returns.
The New Zealand forestry industry can presently be described as fragmented. With the changes in forest ownership, the paucity of vertically integrated companies, and the dominance of TIMOs (“timber investment management organisations”) in forest ownership, the New Zealand forest industry appears to lack companies that are prepared to invest time and energy to guarantee a secure supply of quality product within a long-term framework. Global demand for sustainably grown forest products is set to increase significantly in the coming decades. In order to capture a significant share of the value of this opportunity, the New Zealand industry needs to undergo a significant transformation. The establishment of a single, integrated forestry company that has the size and scale to participate across the forestry value chain will lead this transformation. The CNI Collective aspires to achieve this.

George Asher
Chief Executive Officer
Lake Taupo Forest Trust