

Public Excluded

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Report to the Utility Services Committee
from Barry Leonard, Plantation Forestry Manager

Harvest of the Whakatikei Block

1. Purpose

To appraise Councillors of the results of the recent harvest of 78.7 ha of *Pinus radiata* in the Whakatikei Block.

2. Exclusion of the Public

Grounds for exclusion of the public under section 7(2)(h) of the *Local Government Official Information and Meetings Act 1987* are:

That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, i.e.; to allow the carrying out of, without prejudice or disadvantage, commercial activities.

3. Background

The Whakatikei Block is situated on Perhams Road north of the Wainui Trig. It is surrounded by indigenous forest owned by Council on three sides and farmland on the fourth. The access via Perhams Road was not deemed suitable because of the extent of upgrading required and the issues surrounding the use of Maungakotukutuku and Valley Roads. Informal discussions with the Kapiti Coast District Council had suggested that a payment in the vicinity of \$500,000 would be sought, and that a traffic management plan acceptable to the residents on Maungakotukutuku Road would have to be negotiated.

As an alternative Rayonier NZ Ltd, which held the contract to harvest the stands, negotiated an access agreement with the farmer whose land lay between the block and State Highway 2. This agreement called for Rayonier NZ Ltd to upgrade an existing track for use by logging trucks and to pay the farmer a royalty of \$2.25 per tonne. The cost of upgrading the track and connecting it to the internal forest roads was approximately \$40,000. As part of the resource consent required from Kapiti Coast District Council, we were required to widen and seal the entrance onto State Highway 2. The farmer did the preparatory work and Council arranged the sealing and road marking at a cost of \$5,800.

The block harvested was made up of four stands as follows:

Stand 2 01	65 ha	<i>Pinus radiata</i> planted 1971	spha 160	Pruned
Stand 3 01	2.5 ha	<i>Pinus radiata</i> planted 1972	spha 210	Pruned
Stand 4 01	6.7 ha	<i>Pinus radiata</i> planted 1961	spha 400	Part pruned
Stand 4 02	4.5 ha	<i>Pinus radiata</i> planted 1961	spha 585	Unpruned

Harvesting was carried out between April 1999 and February 2000.

4. Results of the Harvest

The results of the harvest can be summarised thus:

Grade	Description	Tonnes	Gross Revenue (\$)	Exported (%)	Net Revenue \$
51	Pruned and partial pruned	6,967	995,523	14.5	668,528
52	" S" , & " A" Sawlog	4,778	406,403	0	219,592
53	" L"	4,173	274,031	19.7	120,852
57		1,010	50,428	100	13,337
58	Rough logs	11,689	499,558	69.6	122,998
59	Pulp and firewood	11,384	338,628	2.2	-82,183
Total		40,001	2,564,571		1,063,124
Less roading					192,330.28
Net return					870,794

Total exported = 11,257 tonnes or 28 percent

4. Actual Output v. Project Output

Forest blocks are regularly assessed as to their likely output by grade using an inventory process known as MARVL. This process relies on the manual assessment of a predetermined proportion of the block, which is extrapolated to represent the full block using specialist computer programs developed by the Forest Research Institute. In the initial years of the block's development this information is gathered as part of the process of valuing the forest. In latter years it is required to enable good planning of the harvest of the block and to assist with the sale of the felled timber.

As the manual assessment is relatively expensive and as the valuation data requires updating each year, a further computer program was developed to "grow" the forest within the computer. This allows the one set of data to be used for a number of consecutive valuations.

The most recent assessment of these blocks was carried out in 1998 as part of the forest exit strategy. The data is thus only two years old.

Stand	Area	M3/ha	Pruned	S	K	L	Pulp	Totals
Assessed								
2/01	65	415	135	20	12	130	119	
3/01	2.5	515	166	47	39	175	88	
4/01	6.7	651	13	163	280	0	195	
4/02	4.5	615	0	130	0	149	336	
Total	78.7	450	9,277	3,095	2,754	9,558	10,774	35,457
Actual	78.7	508	6,967	4,778	12,699	4,173	11,384	40,001
Variation	0.00%		- 24.90%	54.40%	361.19 %	- 56.34%	5.67%	12.82%

5. Replanting

This block is one of the more fertile blocks within the Metro Forests and has the potential to give even greater returns with the second rotation through higher stocking and complete silviculture. The block is not generally visible and so has no landscape issues. The area is "allocated" for vehicular recreation and is regularly used by four wheel drive groups. The maintenance of roads within the block may assist with these activities, although they will add costs to the forestry operation.

The northwestern boundary suffers from very high wind run but this effect quickly abates the further into the block. This effect is limited by maintaining a shelter belt on this boundary.

Approximately half this block was replanted in *Pinus radiata* in the winter of 1999.

It is proposed to plant the balance of the block (approximately 36 ha) with GF17 seedlings at a planting density of 1500 spha this winter.

An analysis of the likely returns from the second rotation are attached as Attachment 1. This shows a “net present value” at 8 percent of \$208,372 and an “internal rate of return” of 12.27 percent. These figures are based on today’s cost and revenues. Should revenues increase by 10 percent in real terms, the NPV increases to \$313,112 and the IRR to 13.46 percent. Conversely, a 10 percent reduction in revenues will reduce the NPV to \$103,632 and the IRR to 10.63 percent. This is still a worthwhile investment.

6. **Recommendations**

- (1) *That the report be received and the information noted.*
- (2) *That the Committee approve the replanting of the remaining area in this block.*

Report prepared by:

Approved for submission:

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Attachment

- 1 Analysis of Financial Returns from Replanting of Whakatikei Block : 79.8 ha

