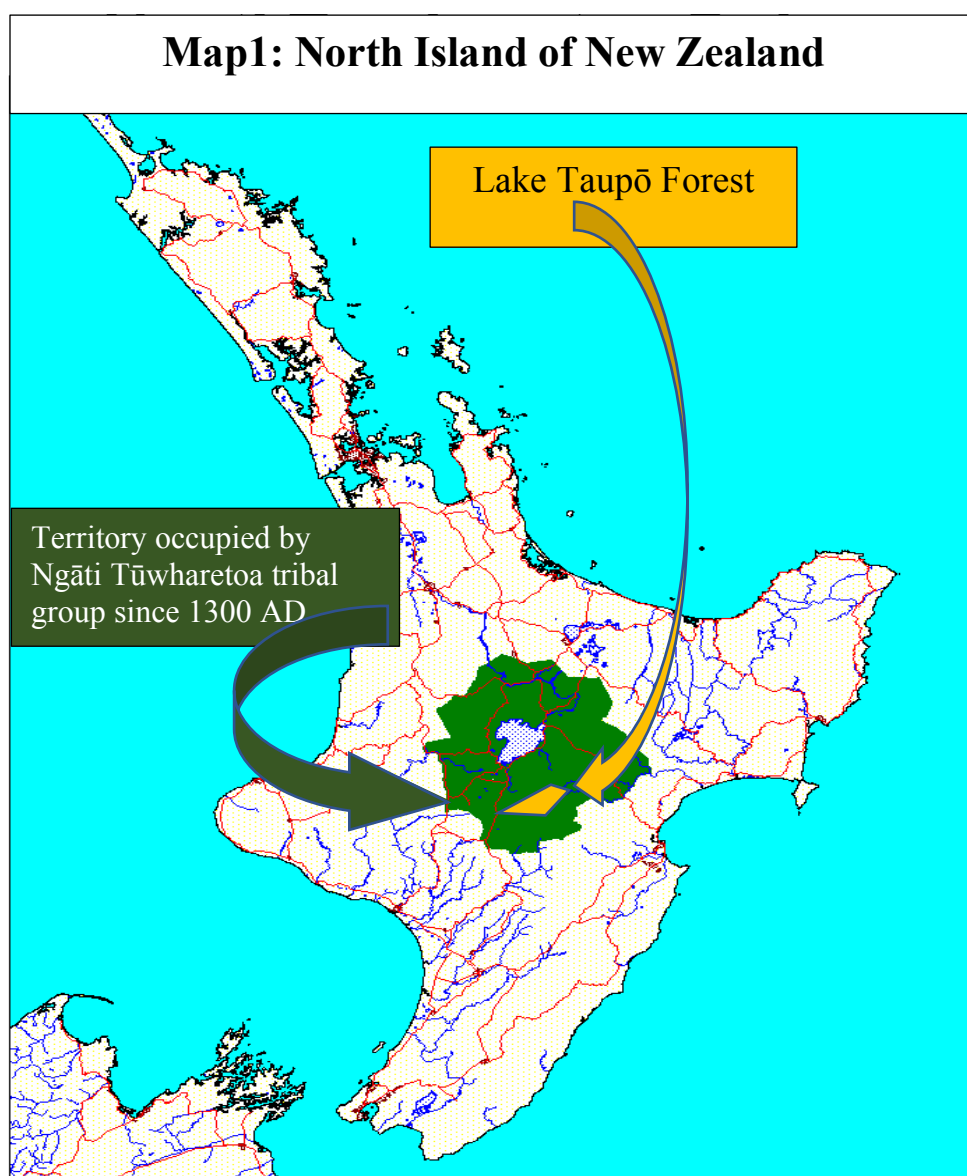


# Background information on Lake Taupo Forest Trust

## 1. Introduction

1.1. The Lake Taupo Forest is located in the central North Island of New Zealand (Aotearoa). The forest lands are established on ancestral lands occupied for the past 700 years by the Ngāti Tūwharetoa iwi (tribal group). In 1840, over fifty different iwi groups maintained authority and control over all the lands within New Zealand. Presently, the descendants of these tribal groups own about 6% of the total area of land in New Zealand. Map 1 (below) illustrates the ancestral lands occupied by Ngati Tuwharetoa in 1840.



- 1.2. The Treaty of Waitangi, signed in 1840, affirmed the right iwi to retain their ancestral land “so long as it was their wish to retain”. Legislation passed by Parliament in the 1860’s enabled ownership of Maori land to be determined through processes established by Native Land Court. These courts issued titles that were transferable usually to the Crown (government) in the first instance. This opened the floodgates for collectively owned tribal lands to be transferred as individual freehold title to meet the high demand for Maori land throughout New Zealand. As a result, over 90% of Maori land was transferred to settlers, land speculators and acquired by the Crown in less than fifty years after the Native Land Courts were established.
- 1.3. Ngati Tuwharetoa retained a relatively high proportion (19 %) of its ancestral lands in comparison to other tribal groups in NZ. This relatively high retention was due mainly to its lands being in low settler demand due to low fertility soils and difficulty of access. It is important to note that the forestry joint venture between the Crown and Ngati Tuwharetoa preceded legal recognition of Treaty principles in New Zealand (1975) and was established without reference to the Treaty of Waitangi.

## **2. The struggle to prevent the loss of tribal lands and social structure**

- 2.1. *‘Te toto o te tangata he kai. Te oranga o te tangata he whenua.’* (The lifeblood of a person is derived from food; the livelihood of a people depends on land.)

The historic loss of over 90% of Māori land occurred in less than two generations. Ngāti Tūwharetoa land owners experienced another wave of land loss throughout the period 1930 to 1970. Crown land acquisitions for public utilities was by far the most destructive mechanism, however, land owners were under constant pressure to retain lands that were being acquired by local territorial authorities.

- 2.2. Māori land was acquired by local authorities in lieu of unpaid rates (land taxes) charged against lands that were not productively utilised. Māori land in multiple ownership was fraught with an array of difficulties that prevented the owners from productively utilising their lands.

## **3. Challenge to establish Governance**

- 3.1. Successful Māori land utilisation and management required robust governance. Each Māori land title contains multiple owners (some with hundreds or thousands of owners) and the majority (80%) of the owners in these blocks had migrated to other regions of NZ in search of employment and better living conditions. Maintaining contact with enough owners to agree to form governance entities and to make decisions over the land was, therefore, extremely difficult. Legislative changes in 1953 established legal governance structures (Māori land trusts and incorporations) for Māori land and a minority of owners present at meetings were empowered to elect representatives for these governance entities to make decisions over the use and management of these lands.

## **4. Difficulty of raising development capital and the plight of under-utilised land**

- 4.1. Another major hurdle to Māori land development was the incapacity of owners to raise development capital due to the complexity of land tenure difficulties and the low risk appetite of lending institutions to finance Māori land-based

ventures. Many land blocks adjacent to Lake Taupō existed in an unutilised state and succumbed over time to a growing mix of natural indigenous flora and exotic weed species. The presence of these lands encouraged both the Crown and local authorities to propose that they remain undeveloped and be designated as lakeshore and scenic reserves to fulfil various ecosystem service requirements for the public good, including preventing nutrient enrichment of the waters of the Lake Taupō Catchment.

- 4.2. Of concern to Māori land owners was that 60% of the total land area proposed for reserve status designation was owned by the descendants of Ngāti Tūwharetoa. They opposed the reserves scheme because the compensation offered did not equate to the value of the land. A major reason for rejection was also the concern that the proposal prevented the owners' future utilisation of the land for social or productive purposes. Despite owners' concerns some land was purchased and included within a reserves scheme.
- 4.3. The following paragraphs will illustrate the several challenges that both the land owners and the Crown undertook before the large scale, commercially viable forestry business could be established on these ancestral lands. Each challenge reflects the reconciliation of values that transformed joint Ngāti Tūwharetoa land owners / Crown joint venture into a unique business arrangement.

The joint venture terminates in 2021. It has proved to be a highly innovative and successful model through maintaining indigenous tribal values and integrating these with western styled business arrangements. Highly successful commercial outputs have been achieved and the joint venture has demonstrated impressive milestones in achieving a sustainably intensive, forestry management. For the tribal land owners, they now look forward to the opportunity to independently grow a successful business under their own merits from July, 2021.

## **5. Creating sustainable, intergenerational security of land ownership for Ngāti Tūwharetoa tribal members.**

- 5.1. Extensive, commercial plantation forests established on ancestral lands owned by Ngāti Tūwharetoa people was perceived by the owners as an opportunity to prevent further land loss and to start a substantial, sustainable, business on the land. The Crown introduced the idea of developing production forestry on Ngāti Tūwharetoa owned lands in the mid-1960's to increase wood fiber supply for the Central North Island mills that it owned and operated. The Crown acknowledged that increasing the forest cover on lands surrounding the lakes and other waterways protected its investment in the extensive hydro electricity generation schemes that existed and continued to be developed in the late 1960's and early 1970's.
- 5.2. Ngāti Tūwharetoa land owners' consensus was that commercial plantation forest development aligned more closely to their traditional objectives of guardianship over their ancestral lands and waterways than pastoral and livestock farming development. This enabled them to accept the notion of adopting forestry development on extensive land areas that were under-utilized for many decades.

**6. Reconciling land tenure issues and multiple land blocks to create a large scale land-based enterprise**

- 6.1. The goal was to create a large scale forestry development. Every block located between the east of Lake Taupo and the Kaimanawa Forest Park was intended for inclusion in the enterprise.
- 6.2. The problem was how to arrive at an agreement to aggregate the interests of all owners of 68 individual land titles. Each title represented a different sized land parcel, each had different attributes for forestry growth and the land blocks contained anywhere between 20 to over two thousands of owners. After several meetings lasting less than two years, the owners eventually agreed that all 68 blocks (a total area of nearly 30,000 hectares) be included in the forestry venture.
- 6.3. Since then a further area of over 3,000 hectares has been added bringing the Trusts total area to 33,733 hectares. Of this area, 24,207 hectares (71 per cent) is made up of commercial afforestation of mainly radiata pine (98%). The remaining unplanted area (29 per cent) is retained in native vegetation with a significant area set aside for riparian protection. The planting started in 1969 and was mostly completed 14 years later.
- 6.4. An important request of the land owners was that they retain their freehold land right to each of their land blocks. Provisions within the Maori land legislation in the 1960's made provision for multiple land blocks to be aggregated within a single land venture, however, this resulted in the cancellation of all aggregated titles and the formation of a single amalgamation title. As a result, owners would lose the unique legal, geographic identifier with the lands bequeathed to them by their parents and known ancestors.
- 6.5. Land owners rejected the proposed amalgamation of title format and successfully requested and sought a new legal title arrangement which was later approved by the Land Court to allow aggregation of all 68 blocks and the retention of the original titles to ensure the traditional turangawaewae (owners' right of association with a specified area of land) of each owner.
- 6.6. A major benefit of aggregation of titles is that there are no border or access constraints to arrangements between each land block. This enables high planning and cost saving benefits to be realized for a single contiguous forest enterprise located on a mixed landscape of varying topography and a high incidence of hydrological features. The logistical advantages of roading and transport are also created under the aggregated title arrangement.

**7. The benefit of strong leadership, experience, wisdom, customary knowledge and empathy for future generations.**

- 7.1. Ngāti Tūwharetoa tribal arrangements are unique in New Zealand. This tribe has a single, tribally acknowledged, paramount ariki (chief) as its tribal leader while almost all other tribes have multiple ariki. The Tribal afforestation scheme with the Crown was a major undertaking by both parties. The benefit of this arrangement has been demonstrated many times in the history of Ngati Tuwharetoa in terms of efficient decision-making and response.

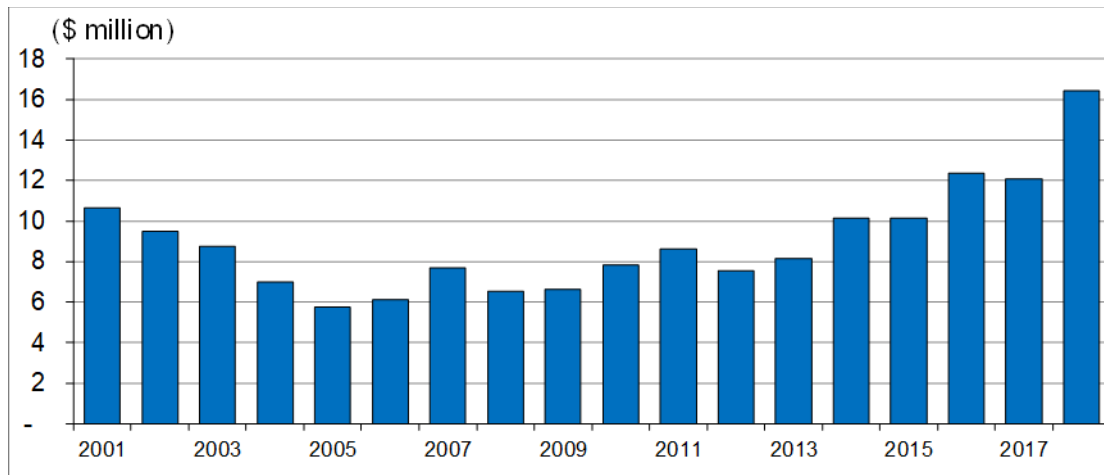
- 7.2. Obtaining land owner agreement to the afforestation scheme and the modifications required sound leadership and effective decision-making capacity. The Paramount Chief (Sir Hepi Te Heuheu) was also Chairman of the Tūwharetoa Maori Trust Board, the tribal council. The Ariki and the Board's strong tribal leadership, knowledge and experience were instrumental and persuasive in leading and guiding the negotiations that shaped the afforestation joint venture.
- 7.3. The land owners' adherence to Maori customary values was equally strong as was their concern that they should establish a legacy for future generations. The land owners (of which the older generation were the majority), made the selfless sacrifice to commit their lands to a joint venture from which they would receive no material benefits in their lifetime. They were happy in the knowledge that their lands were safe and that material and social benefits would be generated for their children, grandchildren and the generations that followed.

**8. Achieving alignment with tribal objectives and values required unique governance and commercial arrangements.**

- 8.1. Governance is the responsibility of the Lake Taupo Forest Trust ("the Trust"), established by Trust Deed in 1969 under Maori land legislation. Eleven members were elected by the owners and elections by secret ballot are held every three years.
- 8.2. Obtaining capital for development has proved to be a most formidable hurdle for Maori land owners. In this joint venture the Crown met this requirement. It also provided an operational budget including contracting a forest manager to operate in compliance with a forestry management plan that is agreed by the Trust.
- 8.3. Capacity to directly participate and grow with a business was a high expectation of the land owners, therefore, they were unwilling to accept a landlord/tenant arrangement that delivered a scenario of negative social, cultural and economic growth. Instead, the land owners proposed a stumpage arrangement that enabled them to participate as business partners in the joint venture and to share in the decisions, the risks and the net profits of the business. The stumpage share was arrived at on the basis that the respective value of the Crown's input (financial and management) and the owner's contribution (land) be recognised in the outputs achieved by the joint venture.
- 8.4. An important condition of the Joint venture arrangement was the Trust's right of veto against the Crown's assignment of the Lease. This was inadvertently exercised in one instance by the Crown but the power of the Trustees was proved to be irrefutable.
- 8.5. The commercial arrangement has proved to be a very profitable for both partners. The owners' income from stumpage has been calculated to far exceed any forecast payments they would have received from a rental arrangement. Participation in the decisions of the business also ensures that the trustees and the owners develop hands-on experience and knowledge of

the forestry business – an absolute necessity to enable them to fully own and manage the venture in 2021.

### ***Lake Taupo Forest Trust – Stumpage Income***



## **9. Exercising customary guardianship over the lands, waterways and forests.**

9.1. Kaitiakitanga is the Māori customary practice of guardianship over all natural and spiritual taonga (customary treasures). Tikanga Māori are the protocols that govern kaitiakitanga and include the rules that relate to customary practices and human behaviour. The exercise of kaitiakitanga relies on a deep and long standing institute of knowledge and experience relayed from generation to generation through oral and graphic media. It is applied respectfully in establishing human relationships with and in the extraction of land-based resources and utilisation of the land (whenua). It is applied in the moderation of people of the land (tangata whenua) to ensure that they behave appropriately in relation to their natural and supernatural environment (te Taiao).

### **9.2. Management of freshwater and associated waterways.**

Freshwater and associated waterways are afforded extremely high priority in te Ao Māori (Māori world). Their protection is an absolute necessity in Ngāti Tūwharetoa culture. This tribal area provides over 80% of the North Island's freshwater sources.

At the very start of the planning stages for the forest venture, the tribal elders identified extensive riparian protection areas along the edges of the freshwater streams, rivers and lakes. These were noted and included within the Forestry Management Plan. At the time that this action was directed, no explicit legislative mechanisms were in place to guide or enforce this level and type of riparian protection. The Crown adopted the protection zones within the Forest Management Plan as requested by the elders. For further protection these protection covenants were also included in the Deed of Trust governing the trustees exercise of their duties.

9.3. Extensive freshwater quality monitoring is undertaken. River monitoring commenced in 1994. The potential impacts of harvesting are determined by measuring suspended sediment, nitrogen and phosphorus concentrations and water clarity at three sites along the two major waterbodies. Rainfall and stream flow data is also collected. These measurements are taken in conjunction with:

- Native forest catchment (upstream of plantation forest)
- Mid-point in the plantation forest
- As streams exit the plantation forest

The most recent results (2016 report) for the water monitoring in Lake Taupo Forest were either within the normal range for the catchment or were similar to the long-term averages.

#### **9.4. Protection of sacred places and heritage interests**

Sacred and heritage sites and manifestations range from burial, occupation, sacred ritual, and historical sites. Various natural landscape features especially mountains, rivers, streams, lakes, springs wetlands, geothermal manifestations including hot pools, forests and particular trees are taonga (treasures) of indigenous peoples. The landscape and the cosmos comprise living ancestors. The landscape its physical features provide a graphical narrative of ancestral history and association between humans and the natural environment.

Once it was decided that a commercial forest should be planted on the tribal lands, the tribal elders identified all heritage and sacred sites and features that required protection against land disturbance and operations activity. They requested that these features be mapped and information was deposited in the care of the trustees and confidentially deposited with the Forest Manager. Protection has been enforced since the inception of the forestry venture.

Customary protocols operate during the implementation of steps taken to respect heritage and sacred places including the repair of sites that may accidentally be damaged. Protocols are also observed in the workplace to ensure that workers are safe and comfortable when working adjacent to sacred places.

#### **9.5. Pest Management and indigenous species protection**

The Trust land and forests, like many other parts of NZ, are impacted on by introduced predators, particularly possums, stoats and rats that have significant destructive impact on indigenous biodiversity. These forests are also subjected to invasive weed species that destroy and suffocate native vegetation. The Trust is constantly working to reduce the damage caused by these pests.

The primary objectives of the forest health is to make constant, comparative assessments of the condition of important vegetation types and tree species. This programme identifies any significant threats to the integrity of species and assists in the management of their health and vitality.

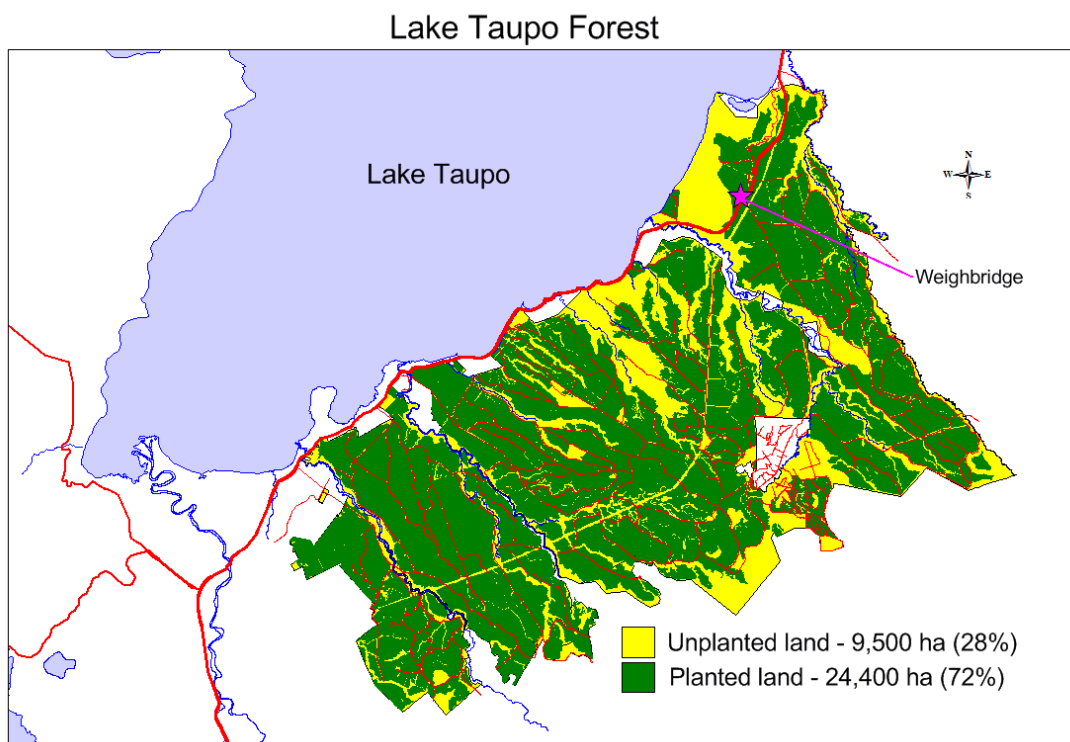
Special programmes are in place to manage endangered fauna within the Forest. Enviro Research completed a 5-year repeat assessment of long-tailed and short-tailed bats in Lake Taupō Forest in February 2018. The report recommended certain steps be taken to enhance bat occupation of sites.

A who (blue duck) programme is being undertaken in parts of the Lake Taupō Forest. Who are an endangered species with a national population estimated at approximately 2000-3000 birds. Their numbers have been reduced primarily by introduced predators. The primary purpose of the project is to restore who through predator trapping and by releases of juvenile ducks.

#### 9.6. Forest Stewardship Council (FSC) certification

Since 2002 the Lake Taupo Forest has received continued Forest Stewardship Council (FSC) certification. This global, voluntary, quality assurance scheme provides independent confirmation that this forest and the Trust lands are being managed in a sustainable manner.

#### Map: Extensive unplanted areas within Lake Taupō Forest.



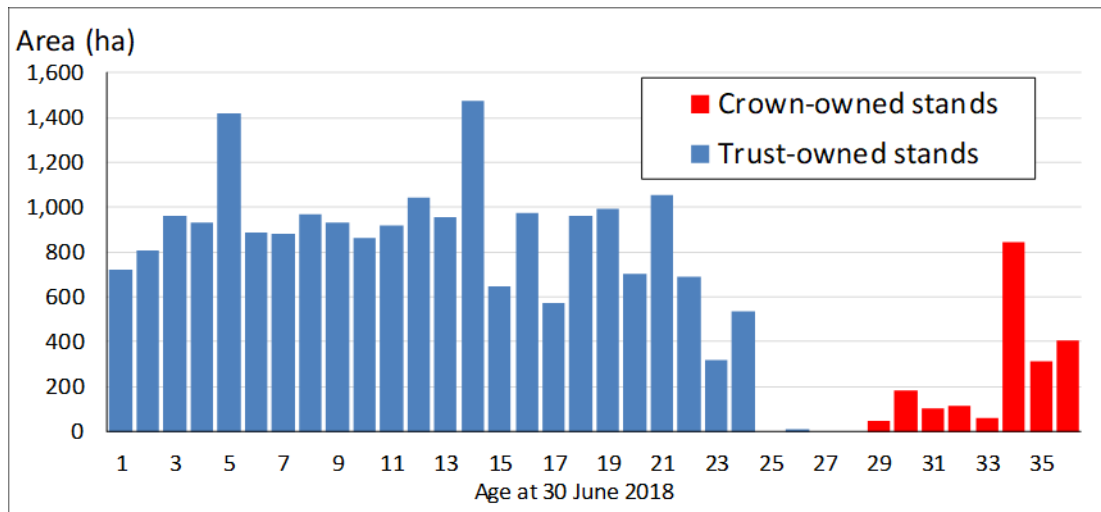
#### 10. Land owners taking progressive steps to own their Forest Crop

10.1. In the year 2000, the Crown and Trust agreed to modify the terms of the lease including reducing it from a 70-year, two-rotation arrangement to a one-rotation (50 year) arrangement. Following the harvest of the first rotation crop, the land is returned (surrendered from the Lease) to the Trust. The Trust then plants a second rotation crop upon these lands and progressively expands its ownership in this second rotation crop. All the costs of planting, tending, thinning, pruning and management of the second rotation crop is covered by the Trust. Through this process the Trust now owns 21,258 hectares of intensively planted, commercial forests comprising 19,436 hectares. In addition it has a further 1,822 hectares planted on other blocks that it has acquired.



**10.2.** Around 98 per cent of the forest is planted in *Pinus radiata*, and the remaining 2 per cent being mainly Douglas fir, eucalyptus, cypress and larch. Over 60% of logs from this forest are sold on the NZ market. Just over 30% are exported overseas to South Korea, Japan and India. The Trustees are confident that both that the long-term outlook for forestry is positive, and that plantations are the best use for most of the Trust lands.

LAKE TAUPO FOREST – AREAS BY AGE CLASS – JUNE 2018



**11. Employment benefits**

**11.1.** Harvesting in Lake Taupō and Lake Rotoaira Forests is done by a contingent of seven harvesting gangs, five of which are run by land owners.

**11.2.** The 2017 New Zealand Forest Managers workforce survey show high proportions of Maori workers, including Ngāti Tūwharetoa workers in the forest workforce.

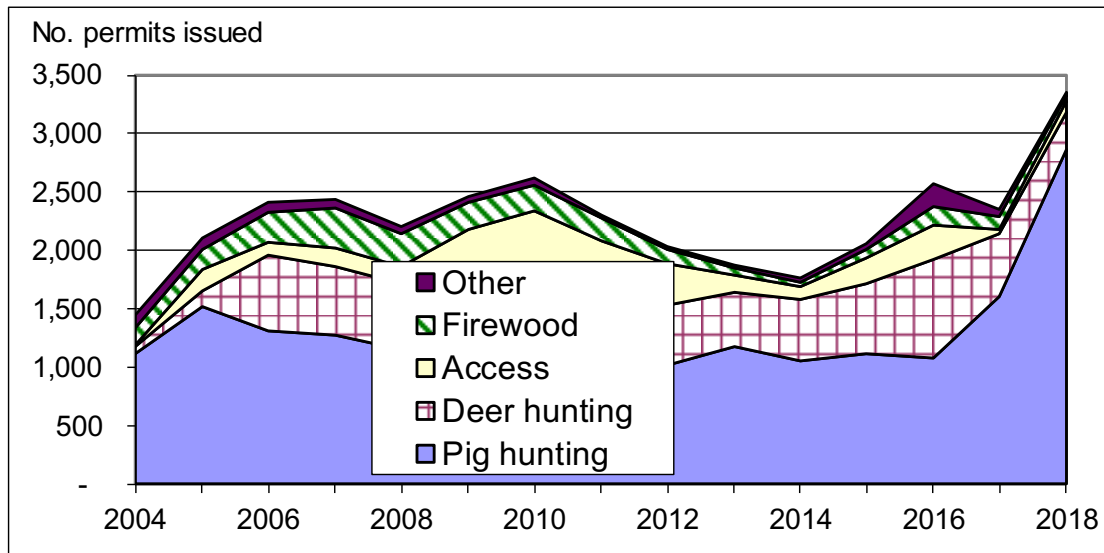
**11.3.** Key statistics from the 2017 workforce survey are outlined below.

Number of employees surveyed	163
Percentage of Maori in workforce	72%
Employees with beneficial ownership rights	32%
Employees who affiliate to Ngati Tūwharetoa	46%
Employees with >5 years' experience in forest industry	65%
Employees who have been with their employer > 1 year	73%
Most common age bracket	50+ years (20%)
Second most common age bracket	26 – 30 years (27%)
Number of children/dependents supported by workforce	270
Employees that support a drug and alcohol policy	94%
Employees that believe a D&A policy improves safety	88%

## 12. Recreational benefits

12.1. A condition of the owners at the start of the venture was that they were to retain their traditional access to their ancestral lands for hunting, fishing and the harvesting of food and medicinal (rongoa) resources. The Trust has developed a permit system to ensure land owner access. In recent years the access has been limited to certain periods during the week to ensure health and safety policy is being effectively applied.

### 12.2. *Recreational Permits issued for Lake Taupō Forest, 2004 - 2018*



## 13. Additional Trust Investments

13.1. The Trust has invested in other ventures outside of Lake Taupo forest. It is a partner investor (42.3% shareholder) in Hautū Rangipō Whenua Ltd (HRWL). TFD visited this enterprise during its field trip. This company purchased the Corrections (ex Prison Service) lands that adjoin the southern part of the Lake Taupō Forest Trust. All other shareholders in the company are of Ngāti Tūwharetoa descent.

13.2. The total land area of HRWL is approximately 9,000 hectares.

- 750 hectares, mainly farmland, is under a permanent lease to the Corrections Department, who continue to operate a prison and farm in the northern (Hautū) part of the land;
- 4,000 hectares of forested land is leased to forestry investor 'New Forests' – who through their local off-shoot 'Taupō Estates Ltd' have a 1-rotation lease and will gradually harvest the trees over 30 years;
- 900 hectares of farmland is leased to Tuatahi Farming – a subsidiary company of Puketapu 3A and Oraukura 3;
- 1,250 hectares is leased to Lake Taupō Forest Management Ltd (LTFM), a subsidiary company of LTFT. LTFM are planting forests on pasture land as part of HRWL's arrangement to reduce nitrogen emissions. They are also replanting land after New Forests finish harvesting their lease areas.

- 13.3. Kaimanawa Forest is the name given to the forest which (LTFM), on behalf of its parent entities LTFT and LRFT, is creating on the Hautū Rangipō Whenua Ltd land. The investment is funded 70 per cent by LTFT and is formalized through a Forestry Right Agreement held by LTFM. LTFM pays an annual rental to HRWL for the use of the land for this forest. Through its ownership of a significant shareholding in HRWL, the forest trust effectively receives a good portion of this rent payment. At present Kaimanawa Forest has a planted area of around 1,250 ha, comprising around 1,000 hectares of land which was previously in pasture but which has now been afforested, plus around 250 hectares of forest harvested by previous owner New Forests Ltd and since replanted by LTFM.
- 13.4. The Trust also retains a joint forestry investment (70%) on Opepe Farm Trust to the north-east of Lake Taupo. The project commenced in 2012, and has involved the Forest Trusts purchasing 250 hectares of young trees from Opepe Farm Trust. Over the next three years the project will include replanting of 650 hectares of harvested forest, and undertake the new planting of around 500 hectares of pasture land. The forest has a total area of around 1,400 hectares. The Opepe Forest was valued at \$5.70 million as at 30 June 2018. LTFT's 70 per cent share of this value is around \$3.99 million.
- 13.5. This year the Trust completed the purchase of a 70% share of the second rotation stands in Taurewa, Waituhi and Pureora South Forests. As well as being a good investment in itself, the Trusts were keen to see the forests come back into Tuwharetoa ownership.
14. Benefits to the owners
- 14.1. The land owners receive annual owner distributions from the net profits earned by the Trust. These payments vary according to the proportion of shares that an owner has in each block.
- 14.2. The distribution calculation has been approved by the owners. Each block of land attracts a proportion of the total distribution based on its area. The individual production attribute of each block is not a factor in the calculation as each block is considered to contribute equally to the forest's productive output whether it has 100% radiata pine on it or 100% indigenous plantation. This feature aligns with the tikanga concept of Manaakitanga (sharing and nurturing) and whanaungatanga (group cohesion).
- 14.3. Grants are paid each year for various community and cultural purposes. The land owners and their families are key beneficiaries of these grants. The various grants include:
- Education (tertiary)
  - Elderly (owners over 65 years of age)
  - Health grants for basic needs (orthodontic, dental, emergency travel)
  - Marae (Maori meeting places) grants for repair and upgrades
  - Costs of funerals
  - Firewood supplies are made available for owners to uplift from various locations.