• Caxton Group
CHI subsidiary, Caxton Group Ltd, are to begin exporting a selected range of toilet and facial tissue to Australia. The export drive is to be spearheaded by their Purex family toilet tissue. Purex will compete in the Australian market against tissues produced by Kimberly-Clark and Bowater Tissue, both of whom introduced tissue products into the New Zealand market in 1991.

• Winstone Pulp International
Winstone Pulp International's Karioi pulp mill produced 116,000 dry metric tonnes of chemi-thermo mechanical pulp worth about $NZ85 million in 1991. The mill operated close to capacity throughout the year and, against world trends, remained profitable in the face of a sharp downturn in world pulp prices. The mill's Indonesian owners are considering expanding capacity from 12,000 tonnes to 175,000 tonnes at a cost of between $NZ35 million and $NZ50 million.

• Corporate Investments Ltd
Corporate Investments Ltd (CIL) reported a 25.9 per cent decline in operating profit, to $NZ7.52 million, for the year to September 1991. Earnings from forestry, including an equity accounted profit from CIL's 50 per cent stake in Nelson Pine Industries, were down 25 per cent to $NZ3.3 million.

• Juken Nissho
The SNZ40 million Juken Nissho laminated veneer lumber (LVL) mill near Masterton was opened in January. The mill is employing 70 staff with an additional 50 people being employed in Ngaumotu forest. Approval for a second Juken Nissho mill in Gisborne has been obtained. This mill is expected to cost around $NZ40 million and will employ 200 people.

• Conical Hill Upgrade
The first stage of a $NZ5 million upgrade at Blue Mountain Lumber's Conical Hill sawmill was completed in December. The log preparation area upgrade, which accounts for the major proportion of the project's total cost, includes the installation of three new machines which will enable small logs to be cut faster and more accurately. The mill will eventually process 250,000 cubic metres of logs per year compared with the present 150,000 m³.

• National Exotic Forest
Description
The Ministry of Forestry has published the NEFD Steering Committee's report describing a summarised inventory of New Zealand's forest plantation resource as at April 1, 1990. The report estimates New Zealand's net stocked exotic forest area as 1,272,029 hectares, of which 89.3 per cent is radiata pine forest.

• Tropical Timber Imports
The Timber Importers' Association has announced a ten-point policy designed to limit imports of tropical timber and contribute to halting the degradation of tropical rainforests. Importers will seek to source timber from sustainably managed forests and forests where logging was conducted with the least possible damage to the environment.

• Review of Depreciation Rates
The Government has announced an interim depreciation regime which applies over the period from December 16, 1991 to April 1, 1993. The interim regime adds 25 per cent to all depreciation rates for new plant and equipment, including imported second-hand assets and assets used in forest development. For example, wood processors who previously depreciated plant and equipment at 10 per cent can now depreciate this plant at 12.5 per cent. These new rates are a positive boost to the industry's international competitiveness.

• Ports and Shipping
Port Marlborough New Zealand Ltd has gained planning approval for the development of a deep water port in Shakespeare Bay. The Marlborough District Council has approved the reclamation of eight hectares at the Bay and the building of a 240 metre berth to cater for Marlborough's timber exports. The cost of this development is estimated to be $NZ17 million.

The Port of Wellington also plans to build a woodchip storage and loading facility. The port envisages exporting 125,000 tonnes of woodchips annually using this facility. The port has conducted a six-month feasibility study and is confident the facility will be commercially viable.

The Port of Wellington announced a trading profit of $NZ8.33 million for the year to September 1991. This is an increase of 48 per cent on the previous September year. Log exports provided the major impetus behind the increase with log volumes increasing from 15,570 tonnes in 1990 to 150,190 tonnes in 1991. The existing log storage area at the Port of Gisborne is currently being expanded from 5.8 hectares to 7 hectares, with a target completion date of September 1992. This will give the port a single-tiered log storage capacity of 60,000 tonnes.

The NZ Branch of the CFA formed
D. Wijewardana
At a meeting in Wellington on April 23, 1992 a local branch of the Commonwealth Forestry Association was formed. The expressed objective of the group was to work in conjunction with the NZ Institute of Forestry, where issues of more global significance to forestry would be discussed. It was stressed at the meeting that this grouping must complement New Zealand's own forestry organisation – not compete with them.

The officers selected were:
Peter Berg, Chairman
Don Wijewardana, Secretary

The meeting was addressed by the Immediate Past President of the NZ Institute of Forestry, Dr Wink Sutton, who gave a presentation on the global significance of the New Zealand plantation experience – a paper he had given earlier this year at an international workshop organised by Yale University and Winrock in Connecticut, USA.

Another clone of Leyland cypress released
The November 1989 issue of this journal (NZ Forestry 34(3): 18-20) detailed the introduction to New Zealand of various clones of Cupressocyparis leylandii, and noted that of the major clones only Haggerston clone 5 was absent. This clone failed in quarantine in Auckland when it was first imported in 1985. In

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March 1991 further material was obtained from the British Forestry Commission and quarantined at Lincoln using a specially-built propagation unit. Twelve cuttings rooted over a six-month period and, having passed health checks, were released from quarantine on October 25, 1991. The material is now being multiplied by DSIR Fruit and Trees prior to general release and evaluation as a shelter and timber clone.

Clone 5 at the Forestry Commission's Southern Research Station, Surrey.

Photo: J.W. Sturrock

In Britain, clone 5 is presently virtually confined to the Clonal Bank at the Forestry Commission's Southern Research Station. However its habit and timber potential has begun to attract attention. The tree appears to have a potential in rows with the Forestry Commission, conceived with the remaining and unexploited clones regarding my paper "Tax changes - how real are the incentives?" (Katz, 1991). I agree with Mark Bloomberg that the tax changes affect the relative returns on land between forestry and non-forestry uses, and given land availability and with everything else being equal, are therefore likely to affect planting rates. The point I argued was that higher land prices and lower values for immature forests will in fact reduce the real value of this perceived benefit.

Horgan devotes much of his comments to criticising the use of tax-dependent discount rates in after-tax valuation of investments. He states: "There seems to be little in the way of logical reason for varying the discount rate with tax rate." Yet Campbell and Colletti (1990) wrote that "post-tax cash flows and a post-tax discount rate must be used if the effects of taxation are to be correctly incorporated into an investment analysis". Samuelson (1976) (whom, Horgan claimed, I inaccurately referenced) wrote: "If marginal tax rates are (say) 50 per cent, a 12 per cent yield before tax is a 6 per cent yield after tax. It would seem to make quite a difference for optimal rotation decisions whether we must use a 12 or 6 per cent discount rate...", and went on to state that the pre-tax discount rate can be used to make optimal decisions "provided that the income tax authorities really do tax true money income at uniform prices" (emphasis added). Chisholm (1975), wrote "...the opportunity cost of capital to firms is thus reduced in precise proportion to their tax rate". All of these writers recognised a relationship between tax and the discount rate.

So what is the basis of Horgan’s arguments? Horgan is concerned that a discounted valuation with a tax-dependent discount rate may not be consistent with an accounting measure of national wealth. However the issue of interest is one of how policy influences investment choices. Therefore general investment criteria must be considered if the analysis is to shed any light on this problem. To investors the discount rate is a numerical standard that must be earned in forestry if they are not to employ their land, labour and disposable funds in other more lucrative uses. This standard is directly affected by the rates of return achieved in other investments, the cost of capital, and hence tax. If we ignore these factors, then we will not be able to identify how investment behaviour may change in response to a policy shift.

Horgan described my practical definition of income tax neutrality as "original", but Chisholm (1975), in the respected journal Economic Inquiry, defined it as a tax that "if applied uniformly over all sectors of the economy, has the characteristics that the before-tax and net-of-tax present discounted valuations of all investments; and, hence, optimisation decisions are independent of the tax rate to which each firm is subject." The definition in my paper is therefore hardly original; furthermore it is also not inconsistent with the one Horgan quoted.

I am grateful to Horgan for pointing out that the divisor in equation (6) in the Appendix should have been (1-q) and not (d-q). The observant reader would have noted that the costs represented by $C_2$ in the first term in equations (7) and (8) should have been individually compounded to the end of the rotation, i.e. multiplied by (1+r)^{r}. The conclusions regarding the disincentive for trading immature forests remain the same. As for some of Horgan’s other concerns, a more careful reading would have revealed that "a" was indeed defined from t=0 to $n_i$, i.e. from the seller’s perspective, and the "B" had been defined in section 1b of the Appendix.

Australasian Corrosion Association Symposium

The Auckland Division of the Australasian Corrosion Association New Zealand Branch is planning a half-day symposium of particular interest to the Pulp and Paper Industry, to be held at the Forest Research Centre, Rotorua on Thursday, July 2, 1992. This symposium will feature six speakers, including a special guest from Singapore, and will cover several aspects of corrosion concern to those in the Pulp and Paper Industry, such as corrosion in condensate lines (the feature paper), preparing steel for painting, degradation of concrete, material selection in severe conditions, and problems with water treatment.

All the speakers are experts in their field and the symposium provides an excellent opportunity to learn from and to question these experts on any corrosion problems you may have.

An application brochure will be issued shortly and will be available from the Secretary, Auckland Division ACA, P.O. Box 5961, Auckland, or telephone / fax (09) 5755 871. Please contact him if you would like more details.

References


Andres Katz