

per cent. Although the tactic to raise the price at which CHH could sell its own logs in the domestic market looked highly successful, the columnist suggested it was also a risky game.

The risk was not so much in the reaction of the Commerce Commission to a large player throwing its weight around. There seemed to be sufficient alternative supplies to diminish action under the Commerce Act.

Nor was it the possibility of losing market share, as the theory was that this would be offset by the higher market price.

The problem for CHH was in the looming "wall of wood" as production doubles in the next two decades. Although CHH's own harvest would increase rapidly, many more players would come on to the market and competition would grow stronger. However, given the limited large-scale investment in forest products, domestic demand was not likely to rise as much, so the extra harvest would have to be exported.

Forests Rights Issue

Fletcher Challenge Ltd's decision to go for a rights issue instead of quitting its Fletcher Challenge Forests (FCF) follows an unsuccessful sale round.

FCF is to be recapitalised by as much as \$557 million as part of the FCL group's restructuring announced in October. The recapitalisation was to include a two-for-one rights issue at 25 cents a share, raising \$427 million. Newly created Fletcher Energy offshoot, Rubicon, was to inject a further \$90 million into FCF through a share placement.

Rubicon was also to buy FCF's biotechnology and South American assets for \$80 million, which included assuming a \$40 million liability.

The new capital raisings would improve FCF's debt to total capitalisation ratio from 34.7 per cent to 13.5 per cent. Total liabilities will fall from \$1.1 billion at June 2000 to \$726 million. FCF may use some of its proceeds from the recapitalisation to reduce senior bank debt of the Central North

Island Forestry Partnership, providing its partnership, Chinese corporation Citic, makes the same reduction.

Prices for its products were relatively low, the company said, and this had been reflected in the offers from third parties interested in buying FCF.

A Commerce Commission rejection of the plan involving Fletcher Energy cast a shadow on this latest plan. However, FCL has said it could proceed in a different form.

Longer Logging Trucks?

A suggestion has been made that logging trucks should be extended by four metres in an effort to make them more stable and less likely to roll. The proposal has come from Cater Holt Harvey, which wants to extend the length of jinker pole trucks from 20 metres to 24 metres and truck and trailer combinations from 20 metres to 22 metres. The allowable weight would not change but the height of the logs would have to be reduced as a result of the longer vehicles.

The *Rotorua Daily Post* quoted CHH representative Rick Walden as saying there were advantages to road users if longer trucks were allowed on public roads. Statistics showed truck roll-overs happened more than once a week and logging trucks were three times more likely to have an accident than other combination vehicles.

The trucks would be more stable because the centre of gravity would be lower, Walden said.

Forest Rates Recalculated

Local bodies in the Rotorua region are starting to calculate rate refunds to forestry companies following a decision in the Court of Appeal, the *Daily Post* reported. From 1992 to the 1999/2000 financial year, all councils in New Zealand are to refund adjustments to the land valuations of forests. That could mean refunds totalling up to \$250,000.

A level of refunds was set through a test case in 1992 using the valuations in Taupo's Tahorakuri forest collected by the Taupo District Council, Quotable

Chandler Fraser Keating Board Restructuring

Geoff Manners, until recently a member of the DANA group, has joined forest industry consultants, CFK as a senior consultant. Geoff brings with him a wealth of experience international forestry, as well as wood supply management, harvesting and logistics, further strengthening the CFK group as it continues to expand its practice boundaries. He will operate from the Rotorua CFK office but will participate in assignments throughout New Zealand and overseas.

In announcing additions to its board, CFK is also pleased to welcome as a director, Mike Colley (pictured below), who has been a senior consultant with the company for some years.



Value NZ's rating valuations manager in Rotorua, Mark Johannsen said.

A representative body of forestry companies had objected to the land values being set by the property value service Valuation NZ, now known as Quotable Value NZ. After companies made objections across New Zealand, the test case was heard by the Land Valuation Tribunal in Rotorua, eventually ending up before the Court of Appeal in late 1998.

A method was clearly set out by the Court which gave guidelines on how forestry land was to be valued. Councils would not be dealing with a huge amount of information by revising rates set on each forestry property over three rating periods, Johannsen said.