



# Utakura 7 Incorporation

## Five Year Plan 2018 - 2023

## **Background**

The Utakura 7 Incorporation which was set up in 1968 owns 1642 hectares of land in the Utakura valley north of Okaihau, in the South Hokianga. It operates under section XIII of Te Ture Whenua Maori 1993 and the associated regulations. It is managed by an elected committee of management of seven and is owned by nearly 1150 shareholders.

About 1300 hectares was leased to Whitecliffs for a 66 year period from 1972 to 2038 to plant a pine forest, and the balance is on short term or informal grazing leases and occupation licenses. Logging commenced in 2002 and the Incorporation has received regular income from its 17% share of stumpage as the forest is harvested. The Incorporation contributes to the cost of roading from this. The harvest is due to be completed in 2018. Most of the land has been replanted but there will be a 10 year gap in forestry income from 2018.

## **Key achievements over the last 10 years**

- Improved quality of annual reports.
- Timely accounting and auditing processes.
- Five year strategic plans in place and new plan under development
- Regular income from forestry over the last 10 year period.
- Investment funds of over \$2M built up.
- Website developed.
- Marae funding programme set up with two marae funded and one pending
- Education grants programme set up and 35 grants made to date.
- Supported local environmental initiatives including Horeke School.
- Wānanga held on whakapapa and historia
- Good relationship developed with Whitecliffs.
- Archiving of historical records undertaken
- New honey initiative established

## **Nga take hohonu: Key issues and challenges for the next five years**

### **Need to refresh vision**

The Incorporation has been in place for many years and the first rotation harvest is due to be completed. It is timely to take another look at the future, seek out opportunities for economic expansion, and establish a shared vision for the next generation.

### **Succession planning for future committees of management.**

The matter of succession planning to make sure we have skilled and committed people to run the Incorporation on our behalf is not a new issue. With the impending loss of long-serving committee members and resignations of newly appointed members the issue has again come to the forefront. We need to be looking for suitable committee members for future committees of management.

### **Completion of harvesting**

Harvesting of the Whitecliffs forest commenced in 2002 and should be completed in 2018. The incorporation has been receiving 17% of stumpage. With the completion of the harvesting the Incorporation will have to rely on the investments it has built up to provide ongoing income until the next rotation is ready to harvest, around 2030.

### **Extension of current lease**

Whitecliffs are seeking to extend the lease from 2038 for a further 10 years as some of the current crop will not be mature by then. They are entitled to do this but it may present opportunities to negotiate improvements and to enhance the relationship.

**The need to continue to build a financial base for the incorporation.** The financial position of the Incorporation has improved dramatically since 2002 and an investment fund of over \$2M has been built up. Many of the investments are in long term assets, but with current returns it may not be sufficient to sustain the Incorporation until the next harvest. At current rates of return it will only produce enough for the basic operating costs of the Incorporation.

### **Identifying new areas of investment**

The Management Committee has taken a low risk approach with its investments with the majority being through banks and managed funds. While maintaining a low risk policy for core investments the Incorporation may need to identify new areas of investment if it is to produce higher returns in the future.

### **Honey**

The incorporation has established a beehive placement agreement with a local beekeeper, Paihere Honey. There is scope for the Incorporation to invest in honey and enter into a share arrangement to boost returns. This needs further investigation.

### **Manuka planting**

The value of manuka for the honey industry is increasing and planting of manuka has become a realistic option. It may be possible to retire certain areas from production forestry and replant with manuka as well as looking at areas not currently in trees. Funding may be available from the Government for this as they have set a goal to plant one billion trees over 10 years.

### **Cycle Way**

The newly established Pou Herenga Tai coast-to-coast cycle way route from Okaihau

to Hōreke has been very popular to date and has created new opportunities for the local economy. There is a real need for accommodation and services and there is also an opportunity to reflect hapu histories and identity through the provision of signage, pou, and storyboards.

### **Carbon Emissions Trading Law**

The Climate Change Response (Emissions Trading) Amendment Act 2008 has major impacts on landowners and our ability to deforest land without paying a deforestation tax. It will essentially lock the Incorporation into forestry as it is expected that carbon taxes will become significant if we were to convert to farming. We will not be affected if we harvest the trees and let the land revert. The Incorporation holds nearly 74,950 units under the NZ Emissions Trading Scheme. The value of carbon credits has surged in recent years and with the Coalition government commitment to refining the climate change legislation this looks likely to increase. We will need to look carefully at the emissions trading regime as it develops and the carbon markets to make sure any changes to our lease and land use take it into account.

### **Forest fires**

There have been three fires involving trees planted on the Incorporation land. The Incorporation received insurance compensation for lost stumpage with two of the fires. There are some areas that have not been cleared and replanted, and some dispute about who is responsible. The costs of clearing and replanting are prohibitive on around 100 ha. There may be potential to replant some of these areas in manuka and access funds from the Government's afforestation funding.

### **The wisdom and sustainability of paying a dividend.**

When the Incorporation adopted the last strategic plan in 2014 a decision was made not to pay dividends. This was based on the fact that the government would take tax out first, the Incorporation would have to hold on to a large proportion because the majority of shareholders have not been succeeded or are at addresses unknown, and most would receive very little anyway. This situation hasn't changed. There are over 1140 shareholders and the average shareholding is approximately 20. Only about a third of successions are up to date with current addresses.

As an example, if \$50,000 were available for distribution the following payout levels would be set:

- The Inland Revenue Department would receive \$8750.
- The Incorporation as the largest shareholder able to receive a dividend would receive about \$1000.
- The incorporation would have to hold back \$28000 for deceased and missing shareholders
- The average shareholder would receive about \$28
- The smallest shareholder would receive less than one tenth of a cent.
- More than half of the shareholders would receive less than \$10
- More than 80% would receive less than \$20.

### **Continuing to build relationships with shareholders**

The management committee has improved shareholder relations and works regularly to keep shareholders informed through newsletters, AGM's and other hui. Every year there is a new lot of shareholders who find out about their shares and seek to do successions. This will be an ongoing focus for the Incorporation and resources will need to be identified to ensure that it happens.

## **What is the role of the Incorporation in the Utakura Community?**

The Incorporation has developed funding policies for marae and education and has assisted the local community with a range of other projects in recent years.

The future role of the Incorporation in supporting cultural, social, historical, and environmental development in Utakura is an important issue and a key focus for the Management Committee going forward.

## **Tirohanga whanui: Purpose or Mission**

The purpose of the Utakura Incorporation is to manage and develop our assets to:

- Build an economic base.
- Support the development of community initiatives; and
- Promote educational achievement,

for the benefit of the shareholders and the Utakura community.

## **Whaingā matua: Long term goals**

It is proposed that the committee of management work to the following long term goals:

**Investment:** Expand our economic base to build economic activity and income to support the Incorporation and the community.

**Whanaungatanga:** To engage with shareholders in a spirit of whanaungatanga and cooperation.

**Lease:** To renegotiate the White Cliffs forestry lease to provide flexibility of land use in the future and improve the position of the Incorporation.

**Community development:** To support marae, community, environmental and cultural development projects in Utakura.

**People development:** To lift the capability of the Committee of Management and the Utakura people.

## **Nga kaupapa mo nga tau e rima: Strategic priorities**

The following priorities have been developed for each of the long term goals:

**Investment:** Expand our economic base to grow local economic activity and income to support the Incorporation and the community.

- Review investment portfolio, and cash flows to determine amount available for new investment in the local economy.
- Review ETU holding policy and determine if some funds could be released for investment as the price appreciates.
- Explore investment and joint venture opportunities in honey.
- Undertake a feasibility study in relation to the provision of accommodation and services for cycle-way tourism in the district.

**Whanaungatanga:** To engage with shareholders in a spirit of whanaungatanga and cooperation.

- Promote shareholder involvement with the incorporation.
- Review shareholder information and communication channels.

**Lease:** To renegotiate the White Cliffs forestry lease to provide flexibility of land use in the future and improve the position of the Incorporation.

- Establish principles and bottom lines for the renegotiation of at least post 2038.
- Investigate manuka planting on areas not replanted after fires.
- Set process and timeframes for renegotiation of lease.
- Monitor the Carbon Emissions Trading scheme to ensure that Incorporation decision making takes the impacts into account.

**Community development:** To support marae, community, environmental and cultural development projects in Utakura.

- Continue to provide seeding funds for Utakura marae.
- Support wānanga on local whakapapa, tikanga, and hitōria.
- Provide support for local projects which have cultural, environmental, educational and social benefits.

**People development:** To lift the capability of the Committee of Management and the Utakura people.

- Undertake an exercise to identify potential new CoM members and co optees.
- Provide education grants to shareholders and whanau.
- Review the level of funding of education grants.