

Report

from the Chief Executive

It has been an important and successful year for Crown Forestry Rental Trust (the Trust) – the first complete year that the Trust has operated under its new business planning environment. In 2004 we transformed the Trust into a smaller and more focussed organisation.

We acknowledge the contribution of all Trust staff in their efforts over the year. Without their commitment and professionalism the Trust would never be able to provide the support to claimants to engage in the Treaty settlement process effectively.

During 2005 we focussed on fine-tuning the way the Trust delivers funding support to claimants and how that assistance is communicated. The Trust recently published a comprehensive booklet explaining its funding policies and criteria for claimant assistance and research services. This has proved to be a valuable source of information which underpins the advice provided by Trust staff to claimants.

We have now published and distributed the Trust's Business Plan for the year ending 31 March 2007. The Business Plan sets out the goals and activities to be undertaken by eligible claimant groups to progress the settlement of claims involving Crown forest licensed land.

The next three to four years are projected to be very busy for the Trust. While the Trust can supply eligible and organised claimant groups with funding to prepare for and engage in the process of settling their claims, claimants are also dependant upon the preparedness and resources



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of the Waitangi Tribunal and the Office of Treaty Settlements. These agencies are aware of this issue and they are looking at ways that they can build up staff experience to engage and negotiate with claimants.

Financial Performance

Income from investments and other sources of income for the year to 31 March 2006 was \$36.5 million which is up by \$10.2 million from the previous year. This significant increase is due to the settlement of disputed licence fees for the Central North Island Crown Licensed forests which earned the Trust \$3.6 million. Higher short term interest rates and investments through Repurchase Agreements, whereby banks repurchase some of the Trust's Government Securities for short periods, earned the Trust \$2.6 million. The increase in capital funds to invest provided a further \$4 million income to the Trust.

In the year to 31 March 2006, the Trust spent \$10 million on assistance to claimants including direct funding to claimant groups, research and mapping projects and facilitation costs. Approximately \$3.3 million was spent on the Trust's administration. This has resulted in \$23.2 million transferred to retained earnings and available to support claimants in future years.

Claimant expenditure for the year was much lower than originally forecast in the 2005/06 Business Plan. This reflects the difficulty the Crown sector agencies and claimant groups have

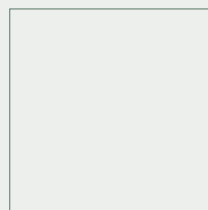
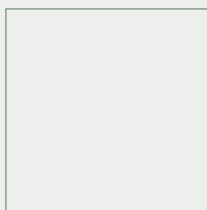
experienced in gaining momentum and traction in certain key areas.

This slower progress can be attributed to a number of factors including:

- Time lags between phases of the settlement negotiations can be many months. The Trust cannot contract a claimant group through the next stage of the settlement process until the Crown has formally signed off on the previous stage (eg. Deed of Mandate to Agreement-in-Principle).
- Claimants in some regions have taken some time to organise themselves into clusters in preparation of Waitangi Tribunal hearings or Large Natural Groups for settlement negotiations.
- Settlement negotiations are taking longer than anticipated in most regions.

On 31 March 2006 the total Forest Rental Proceeds held in trust totalled \$435 million. A further \$85.4 million is currently held as Retained Earnings which is available for funding claimant groups in future years.

Our investment strategy is based on maximising interest income whilst maintaining utmost protection of our capital funds. Over the last two years our investment focus has shifted from NZ Government Securities to short-term bank deposits (3 months or less). This has been due to the attractive cash rates compared to NZ Government Bond yields on offer.



The focus of the Trust remains with supporting eligible claimant groups through the Treaty settlement process. The Trust has strengthened its funding policies and benchmark costs which are now better aligned to claimant funding requirements. The Trust is anticipating an increase in its work load over the next two to three years and is prepared for this increased activity.

While the Trust is confident of its own resources, a note of caution should be sounded concerning the capacity within the sector as a whole. The lack of key skills within the Treaty sector can limit progress and sector agencies often compete for the same personnel. A comprehensive cross-sector settlement strategy is required in order to make the most effective use of the resources at our collective disposal for the benefit of all parties involved in the settlement process.

Progress of Claimants

Trust staff have worked with claimants to ensure that groups meet the Trust's eligibility and capability requirements and to develop their research requirements before they receive funding from the Trust. Staff are also working with a number of groups that feature lower down the Office of Treaty Settlements and Waitangi Tribunal work programmes to ensure that they are in a position to respond when the Crown is ready to engage with them.

It is pleasing, therefore, to report that Tainui Taranaki ki te Tonga and Tanenuiarangi Manawatu Incorporated (who a year ago were

not expected to be in a position to engage with the Office of Treaty Settlements) submitted their respective Deeds of Mandate earlier this year to the Office of Treaty Settlements for Crown recognition.

It is also heartening to see that Nga Kaihautu o Te Arawa has signed its Agreement-in-Principle with the Crown and is now aiming towards achieving a draft Deed of Settlement in September 2006. This is encouraging given the diversity of opinions of the iwi and hapu constituting this group. The Trust looks forward to further progress in Te Arawa.

The Trust is hopeful that a number of Muriwhenua iwi will finalise their respective draft Deeds of Settlement within the next six months.

A considerable body of research has been either completed or commissioned over the last six months in a number of districts. The Trust's largest research programme resides in Northland and covers five Waitangi Tribunal Inquiry Districts. The research covers the claims of eight claimant clusters representing approximately 165 individual claims. The Trust has worked hard to ensure high levels of claimant participation in the research programme through regular, publicly advertised claimant research hui and the establishment of Te Tai Tokerau Roopu Whakapiripiri (a group elected by claimants) who review technical research reports from a Northland Maori perspective and inform claimants of progress with the Northland research programme.

A number of Waitangi Tribunal hearings have been completed, namely Te Urewera and the Central North Island. National Park hearings commenced in February 2006. Supporting claimants through these hearings is a large and key part of the Trust's work and will continue to be so in the next two to three years.

Other claimant groups that the Trust supports are moving through the settlement process, as shown in the claimant summary in the next section. The Trust looks forward to reporting claimant progress at year end.

Conclusion

The Trust continues to play a lead role of coordination and integration of claimants within the Treaty settlement process. The Trust can (and does) provide claimant groups with advice and information on how the Waitangi Tribunal and the Office of Treaty Settlement processes work and the implications to claimant groups of choosing one path over another.

The Trust is committed to maintain staff and financial resources to deliver assistance to claimants when they are ready. It remains committed to supporting eligible and organised claimant groups by assisting them through the settlement process. Success, however, depends on the claimant groups and the Crown coming together to resolve their claims.



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