

Forest Industry Forum 2001

Climate Change Dominates Debate

The Kyoto Protocol on climate change remains the biggest concern for the New Zealand forest industry, despite frequent attempts at reassurance from the Government.

This became obvious at this year's FIC/FOA Forest Industry Forum in Auckland. Attended by more than 200 people, it was built around annual progress reports from convenors of eight of the 10 working groups participating in the industry/government Wood Processing Strategy.

FOA president Peter Berg summed up progress on the main issues, as reported by the various groups, in this way:

- Biosecurity, R&D, RMA, certification, trade access – good progress.

- Road transport, skills & labour – good start, but stalled.
- Trade enhancement, investment promotion – yet to fire.
- Climate change – difficult start.

Keynote speaker was agriculture minister Jim Sutton, whose role in bringing MAF into line over biosecurity was warmly acknowledged. In his address the Minister covered the opportunities presented by the 'wall of wood', the need for investment, and the high aims of the Wood Processing Strategy (WPS).

At question time the subject shifted to the Kyoto Protocol. The industry has expressed strong concerns that ratifying it would distort timber markets and undermine the competitiveness of New Zealand's third largest commodity export sector.

The minister reverted to the standard government line that the industry should focus on solutions not problems, and looked nonplussed when Forest Resource & Environment Committee member Murray Parrish asked him "solutions to what?". Parrish clarified his question by adding: "I just wanted to confirm that you want us to focus on solutions to the problem of climate change, not the problem of government policy on it."

Bruce Chapman, who co-chairs the WPS Climate Change



Government's climate change policy could affect competitiveness.

Working Group and the NZFIC/FOA Environment Committee, presented the report on climate change. He identified the primary concern of the New Zealand forest industry as the effect government climate change policy will have on international competitiveness. "The objective of the WPS is to ensure that policy development takes into account the needs and interests of the wood processing industry," Chapman said.

The key question, in his view, is the impact of the Government's ratification of the Kyoto Policy on wood processing investors, especially given that the WPS has set a target of NZ\$3 billion of new investment by 2010. The answers are being sought through a study by the NZ Institute of Economic Research. Its findings are being released in

three stages that provide an assessment of the situation, quantification of the impacts of government policies and possible solutions and policy responses.

Stage one confirmed industry concerns, disclosing that two-thirds of New Zealand plantations are not 'Kyoto forests', said Chapman. This means that they are not eligible for carbon credits, and they are liable for carbon taxes at harvest, and restrictions on future land use.

"Carbon delivery mechanisms will subsidise forestry in developing countries and increase New Zealand's relative energy and transport costs," he said. "Sustainable forests ought to be regarded as part of the solution, not part of the problem."

Full Forum report on pages 4, 5 & 6.

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NEW ZEALAND FOREST OWNERS ASSOCIATION INC.



In My View

Industry Meeting The Challenges

The annual meetings of the FOA and Forest Industries Council, and the associated Forum, demonstrated that the industry is meeting challenges in a positive and constructive way.

Unlike other major primary export industries, forestry has never had a statutory body with compulsory levies. It has relied instead on voluntary contributions, and on the significant input of members in administering industry programmes and formulating and executing major policies.

The Asian financial crisis led to staff reductions at many forest companies, but much of the work of the Association still relies on the time and expertise of key personnel of member organisations.

The work of the Association's specialist committees has been correctly described as its engine room of the organisation. The committees concern themselves with operational matters such as fire prevention and control, forest health surveillance, and education and training; and with policies that could impact on the profitability of forest growing.

Over the past year, the Association and its committees have been engaged in major policy areas such as climate

change, biodiversity, biosecurity and forest certification. They also participate in high level consultations regarding road and port infrastructure and in changing the way logs are trucked, both of which materially affect the cost of transporting logs from the forest to the mill or port.

The October Forest Industry Forum saw first hand the quality

of expertise and leadership provided by the committee chairs as they reported on their roles in the Wood Processing Strategy. The industry is fortunate to have people with the expertise and commitment to make its voice heard by policymakers. Its future growth would be far less assured without their efforts.

This issue of the Bulletin reports on the topics covered at the Forum, and includes a progress report that gives an objective picture of the varied progress of the WPS Task

Groups. The overall conclusion is clear: the WPS is creating a successful partnership of government and industry, and a 'whole of government' approach, to deal with factors that affect the processing in New Zealand of the increasing harvest.

Much work has still to be done to create the framework and environment needed to achieve the agreed objectives. However, the goodwill is there, the hard yards are being put in, and good progress is being made.



The FOA's committees have always been its engine room.

Ground-Breaking Accord Signed

The forest and road transport industries have signed a ground-breaking agreement to co-ordinate their efforts to improve log truck safety on public roads.

Parties to the Log Transport Safety Accord are the FOA, the Farm Forestry Association, the Road Transport Forum and the Log Transport Safety Council. They have agreed to a series of pledges that range from general road safety principles to specific undertakings covering compliance with regulations and codes of practice, speeds, load weights, driver qualifications and the 0800 LOGTRUCK public reporting scheme.

The objective of the Accord is to improve public safety by reducing the frequency of accidents involving logging trucks on public roads. The signatories commit themselves to encourage their members to "abide by the principles of this Accord and the agreed initiatives for its implementation".

The document fills only one page but it considers the causes of accidents in considerable depth. It specifies that forest owners and transport contractors take safety criteria into consideration when they negotiate rates, and that drivers adhere to recommended cornering speeds. The parties agree to try to minimise loading and unloading delays to prevent "driver and transport operator frustration".

The signatories also undertake to work with local and central government on improving road infrastructure – especially in areas where log harvests are expanding – and to support safety education for truck drivers and the motoring public.

Doug Robertson, chairman of the FOA Transportation Committee, says the industry is highly aware of



Faster loading and unloading will ease driver frustrations.

the social costs when industry people and members of the public are hurt or killed in logging truck accidents.

"We don't want the financial costs either – from losing experienced drivers, damage or destruction of equipment or increases in insurance premiums.

The Accord demands a high level of commitment from forest and woodlot owners, truck operators and trailer manufacturers through their representative organisations. It's another step in improving the safety of log trucks on public roads."

Climate Control

Deep Concern Over Kyoto Protocol

The forestry sector will not let the Government play down the effects of the Kyoto Protocol on energy and wood fibre costs, FIC/FOA Environment Committee co-chair Bruce Chapman told a climate change forum in Wellington in October.

The Protocol was negotiated on the concept of 'marginal least cost abatement', he says, which means that the cost is as low as possible, and the same for everyone. "But all players do not face the same cost. There are industries located in Annex B and non-Annex B countries; there are pre-1990 and post-1990 forest owners. The effect is that most New Zealand export industries are disadvantaged against their international competition."

The result will be increases in relative energy and fibre costs against competitor countries that will make New Zealand log and processed wood exports less competitive internationally. New Zealand and other 'developed' countries – which do not include the US – will be obliged to reduce emissions or buy carbon credits on the global market. This country's trading competitors – Chile, Indonesia, South Africa and Malaysia, for example – have no

such obligations.

"In New Zealand, new investment will be discouraged and existing investment displaced," says Chapman.

Increased fibre costs will come from market distortions that will depress land values, promote short-term tax-driven overcutting, suppress prices and returns, and encourage large-scale afforestation in competitor developing countries.

"Issues of energy and fibre cost are very significant for the sector and we will not let them be played down," he says. "There is a real risk that government

policy on climate change will have a significant social and economic cost, while having little – if any – global environmental benefit."



Bruce Chapman – new investment will be discouraged.

'Positive Spirit' Propels Certification Process



A working draft of a New Zealand Standard for plantation forest certification conforming to Forest Stewardship Council (FSC) specifications has been circulated through the four participating groups for comment.

Katie Mayes, who co-chairs the FOA Resource & Environment Committee, brought the Forum up to date with progress. She spoke of the "very positive spirit" amongst the parties to the process, which largely consists of translating FSC principles and criteria into

appropriate standards for New Zealand.

"The FSC dominates the international certification market," she said.

Stakeholders in the process are representatives from the economic, social, environmental and Maori chambers. Once these

interested parties have considered the working draft, the plantation technical committee will refine it after which it will be circulated for wider public input. The plan is to submit it to the FSC for approval in early 2002.

When the national standard is finalised, chain-of-custody procedures will be developed, and eventually the industry and environmental non-government organisations (ENGOs) will co-operate in market development

initiatives based on certified forest products from New Zealand.

"We expect the process to be completed sooner rather than later," Mayes said, "but it has to be realistic so that all parties will buy into it."

A website is under preparation to report progress on the certification process.

Compliance

Short Term Solutions to RMA Issues



Many issues arising from the Resource Management Act can be addressed without changing the law, consultant Peter Sligh and co-chair of the Wood Processing Strategy RMA Working Group told the Forum.

He was reporting progress on the work of the Task Group which had the job of identifying RMA barriers to investment in processing, and defining and undertaking actions to remove the roadblocks.

Some key matters do require changes to the law, Sligh said, but most of the issues are process inefficiencies that can be dealt with in the short term by defining best practices, developing integrated management plans, and educating participants.

Best practice for industry should be embodied in a code, which would be especially helpful for small operators. Council best practice would

cover district plans and consent processes – some of which currently conflict – with more industry input. "Many concerns are common to both the industry and local government."

Other local authority problems to be solved include inadequate sharing of information, and shortage of experienced staff due to high turnover. The consent process should be subjected to independent audit.

Integrated management plans would cover items like notifications, site selection and cumulative effects such as dust, noise and traffic. Education campaigns would be aimed at councils, investors and the public, to familiarise them with

the industry code of practice.

A number of issues raised by the Ministerial Panel on Business Compliance need to be addressed. Local authorities

should provide some security of costs to applicants by assessing them in advance.

"The code of practice is the key," Sligh said.





East Coast Provides National Transport Model

The Tairāwhiti forest region on the East Coast of the North Island provides a model for national development of the roading infrastructure to cope with the expanded harvest, Peter Clark, co-chair of the WPS Roading Infrastructure Task Group, told the Forum.

Cash-strapped local authorities do not have the resources to upgrade their roads. "The Gisborne District Council has 17,000 ratepayers, \$40 million of debt and 1000



Councils sometimes over-engineer roads.

km of rural roads," he said. "Small wonder that some councils make road upgrades by foresters a condition of harvesting consents.

"The funding has to come from outside Transfund, perhaps from the \$780 million the Government siphons off from road-users every year."

Consultants were used to develop an integrated transport strategy for Tairāwhiti, which all stakeholders agreed upon. It makes the Port of Gisborne the primary export outlet, and decides which roads should be upgraded as export routes. The strategy also determines which work qualifies for government funding through Transfund, and

which needs funds from other sources.

Making the additional investment would provide benefits to the Government, mainly in the form of increased income and company taxes.

The strategy also considers if the industry should contribute funds for roading, and comes out against it. The consultants see potential problems of equity in the funding of roads required for forestry harvesting.

"The other big problem is that, in our view, councils sometimes over-engineer roads," Clark said, "which means that the industry would have to watch the work and the costs closely."

The Northland region has the same funding issues, and the same solutions are being pursued as on the East Coast. On a wider scale, the Ministry of Transport is looking at

options for implementing and funding transport infrastructure in the future, a process that will need new legislation.

Heavier, Longer – Now

The industry wants logging trucks to be legally larger right now. A FOA/FIC submission to the Government supports a 'design envelope' of 62 tonnes and 25 metres length.

The reasoning is that such dimensions would allow 'double-bunking' – spreading the load over two relatively small (five metres long) trailers rather than cramming it into one large 44 tonne 'packet'. The effect would be reduced axle loadings and road damage, safer more stable loads, and fewer trucks on the road.

Workforce

Labour Shortages Targeted



An active programme is under way to solve labour shortages in the Tairāwhiti forest region on the East Coast of the North Island.

This was outlined by Andrew Widdowson in his report to the Forum on progress

of the WPS Employment, Skills & Training Task Group. Its brief was to identify the causes of the shortages, formulate potential solutions and foster industry and community ownership of both. The group was also to identify opportunities to apply experiences gained at Tairāwhiti to other regions.

Key underlying issues were identified as the attraction of welfare benefits and seasonal

work as an alternative to fulltime jobs, the poor perception of the forest industry as an employer, and low work readiness of a proportion of potential employees through alcohol and drug problems, among other causes. The working group also found poor co-ordination and communication among industry, government and training providers.

Widdowson reported that an employment feasibility study

has been prepared, that forest industry 'Careers Toolkits' have gone out to schools, and that drug and alcohol education workshops have been organised at schools and other institutions. Other steps achieved include funding for a local co-ordinator, literacy and numeracy training packages developed and marketed, and work begun on a national contractor registration programme.

Researching a \$200m Problem



The economic cost to the forest products industry of shortcomings in wood quality is around NZ\$200 million a year, Andries Popping told the Forum.

Reporting progress of the WPS R&D Working Group, he said wood quality was identified as a key platform in

the group's integrated industry Research, Science And Technology (RS&T) Strategy developed earlier in the year.

The aims of the strategy were to clarify where investment should be directed and to identify key research platforms, segmented into 'business as usual', 'added value products'

and 'transformational research'.

Its purpose is also to ascertain what it will take to increase private and government investment in RS&T. Popping estimated that NZ\$500,000 to \$1 million is needed from the industry, and said a discussion paper is to be prepared to review funding

alternatives, which include voluntary and compulsory levies and project funding. The feasibility of participating in the government venture capital fund would also be investigated.

The next key research platform after wood quality to be scrutinised is biosecurity.

Biosecurity

Biosecurity Success Story



Biosecurity is one of the success stories of the WPS, FOA chief executive and co-chair of the WPS Biosecurity Task Group Rob McLagan told the Forum.

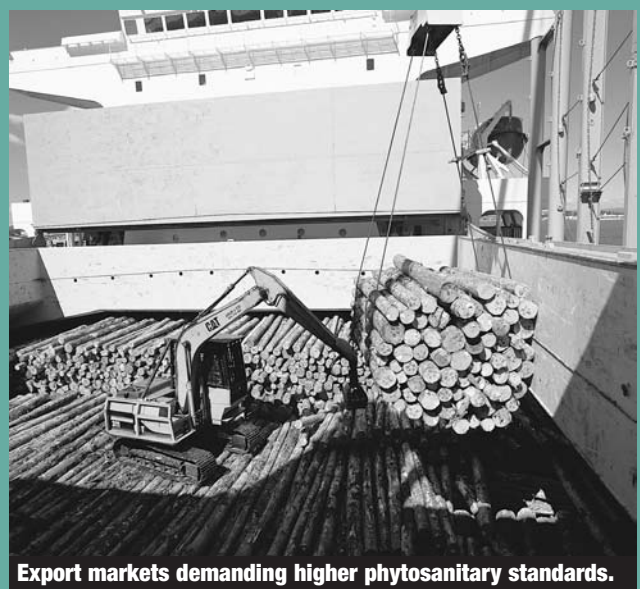
A new co-operative process with MAF, incorporating linked biosecurity consultative and forest products exports committees, was an "important improvement". Other advances include legislation updated in line with international requirements, introduction of new border detection measures such as luggage X-rays, more thorough inspection of containers and a review of the forest incursions policy and protocol.

Health standards for imported vehicles have been upgraded, but not to the point of inspection in the country of origin. "We have a difference of opinion with MAF over this one," McLagan said.

The Biosecurity Working Group identified industry/MAF consultation, border security, incursion management and forest health as principal elements in minimising the threat of exotic pests and diseases to the industry.

"Around 3.5 million airline passengers arrive in New Zealand each year, 3400 overseas ships call and tens of thousands of containers are imported," he said. "At the same time, our export markets are demanding higher phytosanitary standards for forest products. Any lapse in biosecurity standards poses a threat to \$3.6 billion a year of forest products exports."

Future action for the working group includes completion of an incursions protocol, and accreditation of the forest health surveillance scheme in line with the emerging national standard for forest certification.



Export markets demanding higher phytosanitary standards.

Asian Tariff Reductions Sought



Significant tariff reductions are needed in the next three to five years in Asian markets, FIC chief executive James Griffiths told the Forum. Tariffs have escalated for value-added products in China, Taiwan, Korea, India and ASEAN countries; in Japan they are low but discriminate against New Zealand radiata pine.

Globally, the tariff issue will be addressed by the World Trade Organisation (WTO), and it will also figure in regional and bilateral free trade negotiations. Prime objectives of the WPS Trade Access Working Group are to build support for forest products in a new WTO round of meetings, and to exploit regional and bilateral opportunities.

Almost as obstructive are non-tariff barriers and measures, such as building codes and product testing standards – especially in Japan, China, Taiwan, Korea and India – taxation, government subsidies supporting local competitors, and some biosecurity and phytosanitary policies. Griffiths said a strategy would be developed to

deal with these issues.

The third area of focus for the working group is environmental issues and policies, like sustainable forest certification and climate control, and their effects on trade. "We want to avert certification becoming a trade access issue," said Griffiths.

FOA Briefs

FR Posts Record Profit

Crown research institute Forest Research has posted a record profit of just under NZ\$3.4 million for the 2001 financial year. Chairman Brian Armstrong says Forest Research increased revenues by 54% despite depressed markets in both New Zealand and Australia.

Forests Need More Roads

Investment in roading of up to NZ\$120 million will be needed on the East Coast of the North Island over the next 20 years to make the most of newly maturing forests, says a government-sponsored report. The study, by consultants GHD Ltd, concludes that most of the investment needs to be made in the next decade. Around NZ\$30 million is likely to be eligible for funding from government agency Transfund and the two local authorities. "Further work is being done to refine the requirements for roading improvement and to identify potential sources of funds," says regional development minister Jim Anderton.

Bernie Gears Up

As the fire danger builds, 'Bernie' is gearing up to be out and about – on television and radio, in the papers, in schools, sports clubs and businesses and beside the road.

Spring was early this year and temperatures were above average. By late November, the fire danger was 'high' in inland regions along the east coast of the South Island, and 'moderate' in much of the central and southern North Island. The status is expected to increase to 'very high' in some parts of the South Island and in Wellington by late January, and to remain at or increase to high elsewhere.

With a TV campaign due to begin at the end of December, the Association and the National Rural Fire Authority have published a support kit to help members spread the word. It includes a poster, cartoon-style press ads, and fire danger

indicators to go alongside newspaper weather maps. Extra copies and additional material - including the TV soundtrack for radio, and life-size cut-out Bernie figures - are available.

The support kits can be obtained from Carol Haua at the National Rural Fire Authority, telephone 04 496 3688.

Forest Information System

Farmers and small woodlot owners will soon get access to a new free web-based support system to help them make the right forestry decisions.

The system is the work of the Southern High Country branch of the NZ Farm Forestry Association and is being backed by an NZ\$83,975 from the MAF Sustainable Farming Fund (SFF). The project will involve the design and construction of species selection software for high country farm sites in a user-friendly form not currently available.

SSF manager Kevin Steel says the project uses hill and high country farmers as a test case, but the software protocols will help farmers throughout the country extend their knowledge of forestry.

Grant For Marginal Land

Industry New Zealand has helped Ngati Porou Whanui Forests Ltd buy in critical expertise to double forest plantings to 20,000 ha on marginal tribal land.

The NZ\$100,000 grant, approved under the Business Growth Fund, is to help the company develop corporate strategies in areas such as marketing and finance, human resources and training, and quality and environmental management. The money will be matched dollar for dollar by the forest company, which is in a joint venture with Hansol NZ Ltd.

The venture plans to have 50,000 ha of Ngati Porou land in commercial forests over the next 20-30 years.

'Code of Practice' Could Improve RMA Implementation

A code of practice for the industry and local authorities would streamline the consent process under the Resource Management Act, consultant Peter Sligh says in his report on the RMA and the forest industry.

Sligh's team interviewed 17 forestry companies and organisations, representing larger operators involved in harvesting as well as extensive processing activities; sawmill operators and some smaller stand-alone enterprises. They also talked to regional, district and unitary authority staff throughout New Zealand.

They found potential for the RMA to impede the Wood Processing Strategy goal of local processing for at least 50% of the additional wood harvest.

"While the RMA appears to work reasonably well and achieve appropriate outcomes where developers, submitters and councils act reasonably, if one individual or organisation wishes

to frustrate the process, then unfortunately the RMA provides the full opportunity to do so," says Sligh.

He recommends a code of standards and consent conditions that could address matters such as noise levels, formaldehyde and particulate emissions, and plant performance. The document should be specific enough to enable any competent regulator to adopt the provisions for any development in any area.

"Best practice guidelines and a code of practice by the wood processing industry would go a long way towards improving resource consent applications and streamlining processes," he says.

The forest industry is concerned that there is no



Guidelines would help 'streamline' wood processing resource consents.

government advocacy for 'social and economic wellbeing' under the RMA compared with, for example, advocacy for the environment through the Department of Conservation.

"Often the focus is on protection of individual lifestyles rather than the benefits that can arise from economic development. In many instances the preferences

of individuals, rather than regional or national benefits, provide the focus in consideration of resource consent applications."

Sligh conveys "a clear message from the wood processing industry and potential investors" that delays and uncertainties in the way the RMA is implemented, and in notification provisions, are creating an investment barrier.

Powerlines

Obligations Become Slowly Clearer

Legal responsibilities of forest owners towards powerlines have still to be settled, despite persistent prodding of the Government by the industry. The question of whether landowners have to keep lines clear of growing trees is of particular concern.

The FOA has elicited the following information through letters to forestry minister Pete Hodgson:

- Line-owners, not landowners, are responsible under the Electricity Act 1992 for maintaining existing works, including providing tracks. This provision is perpetuated in a 'comfort clause' in the Electricity Amendment Act 2001, which defines 'existing works' as those constructed before 1993.
- The draft Electricity (Hazards from Trees) Regulations, which have yet to come before Cabinet, would enable landowners to declare 'no interest' in trees near powerlines, putting the onus for the care of the trees on the line-owner.
- The transmission company's responsibility for powerlines to provide electricity to the landowner ends at the 'point of supply'. After that the landowner effectively becomes the line-owner with all the responsibilities that implies.

"We are moving in the right direction," says FOA president Peter Berg, "but it is a very slow process."