

Previously Deputy Director-General (Forest Management), he has taken over from Mr Andy Kirkland who has been appointed interim Chief Executive of the Forestry Corporation.

The new Acting Deputy Director-General (Forest Management) is Mr Robin Cutler, the Director of the Service's Forest Management Division.

Mr Peter Bygate is the new Acting Deputy Director-General (Corporate Services), and was previously the convenor of the State Services Commission's Environmental Administration Review Secretariat.

The changes are aimed at ensuring that the Forest Service will continue to provide its full range of services and functions during the reorganization phase.

Land Corporation Board Members

The future board of the Land Development and Management Corporation, was announced on September 10 by the Hon Koro Wetere, Minister of Lands.

Like the Forestry Corporation Establishment Board this board will formally take over from April 1 next year, and some of the members of the present establishment board of the Corporation will continue on it.

Board members already on the establishment board are: Mr David Chalmers of Auckland as Chairman; Mr Dan

Duggan of Wellington; Mr Peter Egan of Gisborne, Mr Peter Elworthy of Timaru, and Mr Jim Scotland of Hastings.

New members appointed to the board are: Dr Susan Lojkin of Christchurch, a senior partner in the accountancy firm of Peat, Marwick Mitchell and Company, Mr George Moss of Putaruru, a dairy farmer, and Mr Brian Palmer of Amberley, North Canterbury, a sheep and cattle farmer.

Peter Berg

Regional Forestry Development — theme of FIEA Conference in Gisborne, August 8-10

By H. Levack

Superficially there was a mood of contented nostalgia. Colin Sutherland, John Ure, and others entertained members with stories about the pioneer days developing Mangatu Forest.

Robin Black pointed out amazing geological features with an equally fascinating flow of geological terminology.

Participants were taken to view the Tarndale slip. Even John Ruru and Bruce Willis, who probably cannot remember how many times they have seen it before, got another buzz from it.

There was plenty of banter. Robin Cutler said he felt like Sir Robert Muldoon introducing the Rocky Horror show. Another wit expressed disappointment that no puha seedlings grew in Puha Nursery.

Underlying it all, however, was a sense of anxiety, and gravity.

The new PPP sawmill, which has been feted as the high tech hub of the conference, was not operating when the conference participants arrived and it has not worked since, presumably a casualty of high interest rates, high exchange rates, depressed markets and overcapitalization.

Simultaneously, Government appeared to be pulling the rug of forestry development expenditure from under the feet of 200 odd East Coast afforestation and silvicultural workers.

A.P. Thomson's paper 'The East Coast Afforestation scheme'

The eminent Priestley Thomson who, being retired, does not have to worry about his future job in a shrinking forestry sector, obtained nervous applause when he robustly defended past East Coast forest development and equally robustly attacked the Government for its current land use policies and philosophies. Referring to recent Ministerial statements he said:

"We now have the situation where a Government agency does a competent job of doing exactly what it was instructed to do and then two senior Cabinet Ministers, Messrs Douglas and Prebble, have the effrontery to attack it publicly for growing forests in the wrong place or for growing forests which are uneconomical to log. These statements are incredible, not just for their effrontery but for their ignorance and when one considers the human effort involved, for their unforgivable insensitivity. Mr Prebble is reported as saying the performance of the Forest Service has been "bizarre"; the evidence suggests that if he is referring to E.C. plantings it is Mr Prebble not the Forest Service who is bizarre. Even the normally well-informed Deputy Prime Minister has recently and loudly proclaimed his complete ignorance of what the East Coast Afforestation scheme was all about.

"In my view and in the view of many other New Zealanders including prominent conservationists, Mangatu (like Molesworth in the South Island) is a noble exercise in successful land rehabilitation, perhaps the noblest in New Zealand's history. The nobility of it seems to have entirely escaped the notice of some members of the present Government and of the doctrinaire tunnel-visioned urban economists who advise them. They have come to the simplistic view that forestry consists on the one hand of growing cellulose factories for profit, and on the other of locking up land and forests as museum pieces; and this view has contributed largely to the recent decisions that forestry is divisible and that the forest administration should be fragmented. They were wrong in this view and wrong in their decision. Mangatu proved them wrong before the decision was taken, Mangatu still proves them wrong today, and Mangatu and the rest of the East Coast will continue to prove them wrong.

"It is not too late though for the Government to see the evidence before its eyes, to recognize that dual purpose forestry and multiple purpose forestry is essential to the future well-being of the district and to encourage and foster this as a matter of formal Government policy. I am still hopeful that it will happen. I believe strongly that in the long run common sense and intelligence will

prevail and that a much greater concern for land and people than is currently evident in Cabinet will also prevail. It will be a sad day for the East Coast — and for New Zealand — if this does not come about."

David Butcher's response

David Butcher, Parliamentary Under Secretary for Forestry, responded indirectly with a speech that spelt out new Government forest policy with greater clarity than had been expressed previously, giving important pointers about Government's view of the future directions of forestry development. An abbreviation of his speech follows.

Forest Service — current and future viewpoint

(An abbreviation of a speech to the FIEA conference by D. Butcher)

Forest Policy

The major issue in forestry today is to gear up to market our huge forest resources more successfully and produce them more efficiently than our competitors.

This policy is in line with the Government's general economic policy.

It recognizes the importance of the market as a mechanism to achieve

social objectives, and demands that subsidies be explicit, not hidden.

In the past, the Forest Service targets were in terms of hectares planted. In future, State forestry development will have to be justified in terms of expected return on investment.

Cost benefit analysis is the most widely used and accepted method of examining possible cases for intervention.

Non-market policies need to be clearly defined, targeted and any connected social costs made readily visible.

WANTED!

Colourful stories and yarns

These are needed for a popular history of the Forest Service which is now being prepared.

Send all contributions on the next mail coach out to Forestry History Project, New Zealand Forest Service, Private Bag, Wellington.

REWARD

First: Extended weekend for two at Forest Service base, at either Great Barrier or Stewart Islands. Fishing, swimming, exploring, etc. all available.

2nd, 3rd: other worthwhile items, including turned examples of native timber.



Economic analysis is an inappropriate system to use to achieve some of the functions of the Forestry sector. Recognition of this has led to the Government setting up and funding the Department of Conservation.

Much of the forest estate that currently exists on the East Coast was established with several different objectives in view. A market-led forestry policy requires these differences to be unscrambled.

Future Management of Forest Service

Mangatu, Ruatoria, Wharerata, Patunamu, and Tokomaru forests will all go to the Forestry Corporation.

Forest Service is certain that all of these forests (40,551 ha as at 31.3.86) can be harvested profitably, although the profitability of restocking depends on returns at the time from the market place.

Should Forestry Development Continue on the East Coast?

Some commercial viability studies have been done for various proposed forestry projects on the East Coast. Others are still to be completed.

Although it is too early to be specific about the results, the preliminary work does show that forestry development of the kind that has occurred in the past for multiple objectives probably will not all meet the direct return of investment required by the Forestry Corporation.

This is because of distance to port, expensive roading on unstable terrain and the likelihood that some stands will not be able to be logged at all without causing serious new erosion.

Should this probability become reality, then the Government will need to discuss the studies with local interests and it will be up to those interests perhaps working together through the United Council, to muster relevant and convincing arguments why forestry development should continue, and which agency will conduct them.

The traditional reasons for afforestation will need close scrutiny.

The spectre of increased unemployment is not a sufficient argument by itself to keep investing in forestry.

If the financial returns from forestry work is less than the cost then it is perhaps in the nation's, the region's, and the workers' long-term interest for that activity to stop, and for the workers concerned to be retrained, redeployed,

and, if necessary, relocated into activities which offer better prospects.

Much has been said about how forestry reduces erosion, reduces river bed aggradation, helps regulate water flows, and reduces the levels of suspended colloids in streams and rivers.

But again, care needs to be taken that costs to create protection forests do not exceed benefits.

For example, the cost of establishing the remaining 130,000 hectares at \$1140 per hectare within the Taylor Report's Critical Headwaters Area solely for protection purposes would be about \$150 million or \$3500 per person, including children, on the East Coast. (This estimate excludes ongoing overheads such as rates and maintenance).

Would flood damage exceed \$160 million? (For example, in the 1948 flood which is generally regarded as being one of the heaviest and most destructive suffered in the Gisborne district, repairs to the damage to private property and public works cost only about \$9 million in 1986 dollar values.)

Could we just retire the unstable country? Would it be a cheaper form of conservation, perhaps eventually having recreational and wild animal recovery benefits as well?

Could the protection of the unstable country by afforestation be achieved more cheaply by an agency other than the Forestry Corporation? Could returns be improved by using alternative species or stocking rates?

There is also a question of equity; taxpayers outside the region could object to footing the bill for what is effectively high insurance premiums for uncertain indemnity against East Coast flood damage.

To what extent should those who benefit contribute today and in the future?

The costs and benefits of various options need to be assessed.

Some arguments which can be developed which should favour continued afforestation on the East Coast

The region should be able to pull together some sound reasons why for-

estry development should continue.

First, it is important for the region to remind itself that Government is quite prepared to consider industry assistance, particularly if that aid is temporary and likely to lead to regional self-reliance in the future.

Objectives, time span, and benefits would have to be defined clearly.

Certainly, short-term help would be more favourably viewed if it is in the region's and the nation's long-term economic interest.

No one can deny that forestry on the East Coast has a future.

Forest Service harvesting is now beginning to climb rapidly.

Estimated employment associated with this increase in harvest levels in full-time person equivalents are as shown in the table below.

In contrast, about 200 Forest Service workers are currently undertaking forestry development work (i.e. afforestation and silvicultural activity).

If this development work is not commercially viable, it might be argued that the difference (i.e. the extra notional revenue needed to make this development work profitable) could be met by central government assistance until the workers concerned can be transferred to logging, transport, processing and re-establishment jobs which are (I assume) profitable.

Some of the issues needing analysis are:

- **THE COST OF TEMPORARY COMMUNITY DECLINE.** There are national costs in terms of housing and other facilities if 200 people are laid off for a few years then needed again.
- **EMPLOYMENT ASSISTANCE.** With the downturn in relative export prices and the restructuring in farming and other industries, on the East Coast, numbers of people have been added to the already large pool of out-of-work people in the region. (Currently 1300 folk are registered unemployed.)

It can be reasoned that until the large number of unemployed diminish, East Coast forestry development

	Logging	Transport	Processing	Re-establishment	Total
1986-90	10	5	60	4	79
1991-95	18	9	95	12	134
1996-00	36	18	200	19	273

which is only marginally uneconomic could be supported by Central Government.

If a locally based agency were to put in a price for the work that compared favourably with Forestry Corporation costs, this could be of greater advantage to the region.

Are current technique and regimes the only ones that will meet our objectives?

Indirect costs include the costs of administering benefits, lost taxation, perhaps increases in social problems.

It is also desirable that relocation and retraining of workers not be bunched up.

Regional Self Help

Like the rest of New Zealand the East Cape region needs to adjust its long-term structures to match supply to changing patterns of world demand.

There are welcome signs in the Town and Country Planning arena that these adjustments are being facilitated.

For example, Waiapu County is liberalizing its district scheme with respect to forestry. Forestry will become a predominant use on most rural land.



Decision making

Sir,

I was pleased to read your editorial comment in Vol. 31 (2) on 'Discontinuing Discounting' and John Groome's article on the 'Future of Forestry.' Most important however was the publication of Jeanette Fitzsimon's paper from the 1982 economics seminar. This should have been published long ago — it was about the only paper presented there which made any sense.

For some reason the myth that we can make all our forestry decisions by the application of economic formulae has been with us for quite a long time and is now being used by Government to justify the implementation of their new forest policy, including punitive tax regimes. It is high time these myths were confounded. Unfortunately as a simple forester I don't have the answer — all I know is that economists don't have it either.

A classic example of the futility of these systems is demonstrated in a

paper published recently in the Journal of Forestry Science in which the pretax rates of return were compared for a number of plantation species. The result gave the impression that radiata, followed closely by blackwood, was probably the best investment.

On face value it was a well-written, logically argued paper, which does credit to the authors, but the large number of assumptions made (32 were counted) make it quite worthless as a decision-making tool. Very few human activities can be based solely on economic analysis and, as the authors point out, aesthetic values, soil and water protection, shelter will also be important.

There are very few decisions which can be based solely on economic criteria — we have to make value judgements all the time throughout our lives and many have to be made in forestry. Not least of these is what qualities and types of timber will be required 50 years hence. If this decision is left solely to economic calculation we will have, God forbid, nothing but radiata pine.

I would like to suggest that the Institute should take an urgent lead in

Consultants recognized by the N.Z. Institute of Foresters as at 1st November 1986

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