

requirements of this motion during the past year because of the other pressing commitments of Council members. The maintenance of existing directions and services by the Council of the day is difficult enough without the same people pursuing new directions.

You will also be interested to hear that after six years of administration through the Royal Society it now appears very likely that they will get on with doing what was originally promised but never delivered. During all this time the Institute's Council has developed systems and trained staff within the Royal Society to the detriment, of course, of pursuing the wider interests that were desirable. The task was becoming so onerous that Council very seriously entertained the idea of pulling out again. However, a change of executive director looks to be having promising results.

The ready acceptance of a name change from New Zealand Institute of Foresters to New Zealand Institute of Forestry suggests to me that the two roles of the Institute mentioned above are in fact of equal significance for members. The name change further indicates that you firmly believe that advocacy of forestry (i.e. that trees are good for human society) is an important role for the Institute. I believe this to be so, but also believe that this can be best achieved by an organization with high professional standards. Registration and/or chartering is, in my opinion, the surest way to achieve this.

The part-time, voluntary make-up of the Council and the level of funding

available to the Institute will continue to produce what are perceived by many to be inadequate responses to fulfilling the Institute's roles. A need to belong through a registration process would assist in this, and would lead us away from the current situation where a small core of enthusiasts do their best to run the show.

I wish to turn now to wider matters. The 1987 AGM and Conference was held at a time when employing organizations had just been dismembered and people were very unsure of their own futures, never mind that of the Institute. With some notable exceptions the dust is now settling. Personal lives and the directions of the new organizations are in a clearer view. People as a consequence are beginning to look ahead to the needs of the future.

Forestry in its widest sense, including the multiple use management of resources, took a severe hammering during the changes of the old organizations. The new organizations, ostensibly designed, among other things, to solve the problems associated with internally made value judgements, have run into the inevitable need to manage land for multiple uses. In my opinion the results of this will be a growing realization that the skills afforded by a "forestry education" in land management are as relevant as ever. Foresters, I believe, are not doomed. They, as people often do to their cost, forgot the need to involve the public and take note of public concerns when making management decisions. We can look at other organizations and professions, e.g. health/doc-

tors who seem to have similar problems and are likely to have similar solutions imposed upon them.

In New Zealand the need to consider forest establishment (reforestation) for more than one purpose is nowhere more evident than on the East Coast of the North Island. Nature, in the form of Cyclone Bola, amply demonstrated to the Government and Treasury theorists that apparently uneconomic and "useless" forests had a role in soil conservation and water management that far outweighed their use for timber.

I do not believe there could have been enough words uttered in favour of multiple use in dusty select committee rooms, to convince people who readily did not wish to listen. Truly, in this case, one picture was worth a thousand words. The Prime Minister's comments that trees were of no consequence in mitigating the East Coast disaster were made after a look at very young trees. He apparently did not see the original plantings at Mangatu where the erosion control achieved was better than anybody could have expected and vindicated earlier decisions to plant. Time and proper study will show the politicians the error of their pronouncements and for the good of the nation tree planting on a major scale will surely begin again.

The need for forestry in a wide sense and a role or roles for this Institute in that need are as relevant today as they have ever been. The future awaits us with a need for hard work and dedication.

Peter J. Thode

The privatization issue

Privatizing the Forestry Corporation differs from privatizing other State Owned Enterprises in that it would involve the sale of large areas of state land, i.e. land that is wholly owned by the people of New Zealand and thus able to be managed in perpetuity for the benefit of all the people of New Zealand. The areas at stake are considerable – over 600,000 hectares – or 2.5% of the total land area of the country. The implications of alienating such a large area of publicly owned land, particularly if the sale is to overseas interests, are frightening. They should be most carefully analysed and debated with full public participation before any decision is reached. It is probable that the public reaction would be extremely adverse.

Many leaders of the forestry profes-

sion are opposed to the large-scale sale of public land, whether to New Zealand, to multi-national partly New Zealand, or wholly overseas companies; and whether or not it is forest land or farming land or conservation land. It is equally concerned with the implications of selling the forests on these public lands. This paper explains the reasons why.

It is first necessary to consider why the state's plantation forests were established. They were not planted just to make the greatest profit, although this was always one valid and important reason. There was far more to it than this. The state-owned forests have always been important tools of government policy irrespective of the party in power. They were planted in order:

- (a) to provide alternative supplies of building and other timbers in order to conserve indigenous forests;
- (b) to ensure self-sufficiency in wood and wood-based products for future generations of New Zealanders;

- (c) to create a resource large enough to sustain export-oriented forest industries;
- (d) to sponsor regional development and to promote regional self-sufficiency in wood supplies by the establishment of local plantations and industries;
- (e) to use forests as a Government tool to create employment opportunities and to ameliorate local unemployment problems;
- (f) to encourage private and Maori lease afforestation programmes;
- (g) to conserve soil and water, regulate water flow, and ameliorate flooding;
- (h) to provide forest-based recreation in the wide variety of forms which the public demands.

The very large private plantation forests of New Zealand cater for many of these needs and their contribution in some important aspects is as great as that of the State. Their record, particularly in recent years, is generally good in such matters as environmental protection, and recreation and public use. However,

Footnote: This comment was written by A.P. Thomson after consultation with A.L. Poole, G.M. O'Neill, M.J. Conway, A.K. Farnilton, J.S. Reid, T.A. Foley, P.J. McKelvey, P.F. Olsen and P.C. Crequer. – Editor.

they should not and cannot be expected to play a major role in national forest policy where this role is largely for social and environmental reasons.

There are two other important considerations: Firstly Forestcorp owns and administers considerable areas of indigenous forest with a productive use and potential. It would be quite inappropriate for the private sector to be given the responsibility for managing and regenerating native forests which necessarily are grown on very long rotations. It would be even more inappropriate to sell overseas areas such as the lowland rimu forests of South Westland; the very idea of this would undoubtedly be viewed by most New Zealanders with the utmost repugnance. The indigenous forest component must be removed from any possible privatization deal.

Secondly, it is important to recognize the differences in forest policy between New Zealand and other countries which have either considered the privatization of state-owned forests or which already have a high proportion of privately-owned forest land. Most of these countries maintain a greater or lesser degree of community control over forest management and policy by statute. In Scandinavia this control is particularly stringent. In New Zealand there is no such legislation and no such control. Without any doubt complicated and restrictive legislation would have to be introduced here should complete privatization of state-owned plantations take place.

The implications of disposing of any Forestcorp assets will depend very much on the method of sale. These must be identified before the debate on the advantages and disadvantages of privatization can take place. Although there could be many variations, the main options open to the Government would seem to be:

- Sale of the total area to one buyer (as was the case with Petrocorp).
- Sale of the total area to several buyers.
- Sale of parts of the assets only.

The first option, the sale to one buyer, could be most attractive to the Government since it would achieve the objective of bringing in, immediately, a very large amount of money, amounting to billions of dollars. For this reason the Government may well consider it. As in the case of Petrocorp the preference may be for a sale within New Zealand, but there could well be an insuperable difficulty because of the large monopoly which would almost certainly be created. Furthermore the asking price may be too high for any purely New Zealand concern to pay. The alternative then would be a sale to overseas interests, who because of the high international regard in which New Zealand forests are held could be expected to display an avid interest. Likely contenders would be

China and Japan, and possibly Korea and Taiwan. (Note: It has already been hinted that the China International Trust and Investment Corporation is interested in acquiring assets in New Zealand.)

Buyers however may not be interested in acquiring forests for non-commercial or dual-purpose reasons, such as on the East Coast of the North Island and other areas; nor may they be interested in the immediate purchase of small or remote or young forests or forests on very steep country or forests with combinations of these drawbacks.

Such forests are not at the present time commercially attractive, though there is but little doubt that one day they will be. To force their inclusion in a single total sale would involve disposing of them at bargain basement prices. There is an even more important reason not to do so. It is, and this refers particularly to young forests, that the value increment curve for forests starts to rise steeply at about age 20. The Forestry Corporation forests have a preponderance of young age classes and consequently the average value of the total forest estate today is relatively low. Any sale within the next ten years could deny the present owners, i.e. the taxpayers, the opportunity to obtain a fair return on their past investment and on the risks they have taken.

The sale of the total area to several interests rather than one buyer could also prove attractive to the Government, since it could well maximize the return obtained. It would have the advantage that it could remove one of the dangers of the single sale, i.e. the creation of a monopoly or monopolies. If the major buyers were overseas, the same disadvantages of foreign ownership and control would still hold. Once again though, the possibility of selling the total area is remote because of the presence of so many young or relatively uncommercial forests. And once again for these very same reasons it is undesirable that any attempt should be made to put the total area onto the market.

There is another important aspect of selling Forestcorp forests overseas whether to a single buyer or to several buyers, or whether in total or in a large part. It is that the sale overseas of any sizeable proportion of Forestcorp assets would have the gravest implications for the forest industry here. In discussing them it must be remembered that alone of the large forest owners Forestcorp is primarily a grower of forests and a seller of stumpage (standing trees) or logs; except in a relatively small way it does not process its raw material. The forest industry itself consists of a few large pulp and paper complexes with or without integrated sawmilling facilities, a small

number of plywood and reconstituted board factories, and a very large number – 300 to 400 – of generally small independent sawmills. Only one major unit, NZ Forest Products, is completely self-sufficient in wood supplies. The rest of the industry is partly or wholly dependent for its very existence on the log and stumpage market, supplied previously by the Forest Service and now by the Forestry Corporation. Stumpage (i.e. cutting rights) is sold by Forestcorp either under long-term contracts inherited from the Forest Service or by a series of short-term sales. The former could still be protected under overseas ownership; the latter could not. It would be reasonable to expect any purchaser of Forestcorp assets to substantially increase log exports, with the following undesirable effects:

- Less material (or perhaps just less suitable material) available for local sawmilling industries.
- Log prices and stumpages raised to match log export prices.
- Many sawmills going out of existence with further adverse effects on local communities and on already depleted rural economies.

An even greater danger is that it would be possible for the forests to be grossly overcut in order to accommodate a shortfall in the wood supply of a foreign country, and eventually even taken out of production. These drastic things may not happen but there is no law in New Zealand to prevent them. Nor is there any law which compels a private owner, domestic or foreign, to manage his forests responsibly or to replant or otherwise regenerate them.

Privatization of the **total** Forestcorp assets overseas would almost certainly spell disaster for the New Zealand sawmilling industry. It could be equally disastrous for the future of the forests themselves. For these two reasons alone it should not be countenanced.

There is a less clear-cut case against selling blocks of forest to New Zealand companies, particularly those with existing wood-processing industries. From the purchaser's point of view such sales would have the advantages of greater security in long-term raw material supply (and hence greater ability to attract investment); of allowing the owners to plant what they like, to manage the forests as they like, and to fell them when they like; and not the least, of enabling greater profits to be made. (It should be noted though that all these advantages could accrue under long-term leases and are not necessarily dependent on the sale of the land itself.)

From the Government's point of view this option, the sale piecemeal of individual forests or parts of forests, could be so organized as to remove most

of the monopoly danger; it would enable some forest areas to be sold at the maximum profit; it would still generate quite large sums of cash and it would certainly be popular with the industry. If, however, the sales were to overseas buyers as well as or in place of New Zealand buyers the same disadvantages of foreign ownership control would still have to be considered.

There is one huge difficulty with the option of selling parts of the forest estate only. It is that without doubt buyers, whether domestic or foreign, would wish to pick the eyes out of the forests, purchasing only the most productive and immediately profitable areas. The Forestry Corporation could then be left with the forests planted partly or mainly for environmental or multi-purpose reasons, or with the younger forests, or with the less productive and in the short term less profitable forests or parts of forests. The Forest Service and the Forestry Corporation have had to operate like many farmers, with the home paddocks paying for the back paddocks; the danger is that would-be buyers prepared to pay highest prices and thus attractive to Government's Treasury advisers, may not see it this way.

The question could then be asked as to who then is to look after the dual- and multi-purpose forests, the geographically and topographically less economically attractive forests, and those immature forests which at the moment would not necessarily find a ready buyer. The Forestry Corporation could not do so and make annual profits; it was not set up to do so and it would be unfair to ask it to try. The Ministry of Forestry is not an operating department; the Department of Conservation wants no piece of anything which is productive or profitable or commercial. It would seem that the Forestry Corporation would have to revert in large measure to the role which was played by the Forest Service. The act of privatization could then call into question the decision to abolish the Forest Service and to set up in its place the Forestry Corporation and the Department of Conservation and the Ministry of Forestry.

To summarize:

Selling the Forestry Corporation to a single buyer almost certainly means selling it overseas – a move which could spell doom to many forestry industries in New Zealand. Through exploitation and overcutting it could also spell doom to the forests themselves. This would be a move backwards in time to a colonial status for New Zealand.

Selling the Forestry Corporation involves selling land as well as other assets. The large-scale alienation of public land, whether to New Zealand interests or overseas, would be

anathema to most New Zealanders. The Government has no mandate to do so.

Selling parts only of Forestry Corporation land and forests would inevitably mean relinquishing the best land and the most profitable forests. Not only would future profits to the taxpayer be foregone but the residual forests could not be administered without large injections of government money.

For the past 70 years successive Governments have found the need to plant and maintain dual- and multi-purpose forests for such reasons as soil and water conservation, amelioration of flooding, scenery preservation and public recreation. There is no evidence that these needs will be any less in the years to come. Privately owned forests cannot be expected to so limit profitability.

For the past 70 years also Governments have found the need to use state forestry as a tool to promote regional development and to ameliorate local unemployment problems. Again there is no evidence that these and other social benefits will in the future be any less important. And again the private sector cannot be expected to provide them.

Finally the advantages claimed for privatizing Forestcorp are limited to

greater efficiency and profitability. Even if all the claims could be substantiated – and there is room for much debate about this – the long-term disadvantages of privatization greatly outweigh any possible short-term financial gains.

Most foresters believe that the Forestry Corporation is one State Owned Enterprise which should never be privatized.

Note:

In the July Budget the Hon. Roger Douglas said:

"I am also announcing our intention to sell the State's commercial forestry assets. Further investigation of all the issues involved is required before a decision can be made as to the form in which forestry assets will be sold. These issues include the Government's responsibilities under the Treaty of Waitangi. The Government is examining ways in which it can retain ownership of the land while maximizing the sale value of forestry assets."

It is a relief to know that the sale of land is not intended.

A.P. Thomson.

APPLICATIONS FOR AWARDS

Maxwell Ralph Jacobs Fund:

Grants of up to \$A3000 to support projects in forestry research or travel open to graduates within Australasia. Closing date, October 31, 1987. Details may be obtained from:

Executive Secretary,
Australian Academy of Science,
G.P.O. Box 783,
Canberra, ACT 2602,
Australia.

Prince and Princess of Wales Science Award Scheme:

Awards made twice yearly (closing dates, August 31 and February 28) to support NZ-based scientists, technologists and technicians to enable them to carry out overseas studies relevant to New Zealand. Details may be obtained from:

Executive Officer,
Royal Society of New Zealand,
Private Bag,
Wellington, NZ.

Study Awards at the School of Forestry, University of Canterbury

Applications for three awards for postgraduate study at the School of Forestry close on November 1. They are:

T.W. Adams Award
Owen Browning Award
Bank of New Zealand Scholarship in Forestry Research

In addition a small award from the Northern Southland Farm Forestry Association closes on September 1.

Further details of all these awards may be obtained from:

School of Forestry,
University of Canterbury,
Christchurch, NZ