

The Forestry Sector: What is its future?

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There has never been a more opportune time for us to give consideration to the future of the forestry sector. We are in the middle of an economic recession which has forced an 'agonising reappraisal' in every sector. Government is determined to face up to our problems. That has meant that we are in the middle of a massive programme of restructuring, in both Government and non-governmental areas, of each sector.

An abridged version of an address given to the Rotorua Section of the Institute in December 1988

The driving force behind this restructuring has been the need to improve the efficiency, and the increase in return from each sector. Our success or otherwise is measured in terms of hard cash.

It is my view that no other sector holds as great a promise as does forestry in helping us achieve our aims. But if we are to enjoy the full potential which forestry offers, then we will need to make major changes to some of our thinking.

The Role of Government in Developing the Forestry Sector

There are some who believe that the 'dead hand' of Government has impeded, and if allowed to, will continue to impede, the full development of the forest sector. And clearly there are areas which will develop strongest and best when subjected to the cold dictates of market forces and competition.

It is commonly accepted that the former Forest Service, with its mixed production and conservation role, was set an impossible task. If we are to sell timber products on the world market, and increasingly we will have to do that, then those products have to compete with products from other countries in terms of price, quality, delivery and so on. That is a hard reality from which there is no escape.

While I accept that there are some areas of forestry which are best left to private enterprise, there is a continuing need for a Government presence if we are to successfully develop a strong forestry sector. To begin with we have developed an extraordinary research capability which is now the envy of many other timber-producing countries.

In its development stage the Forest

Research Institute had to be nurtured with Government support. We are only now seeing the returns on research carried out years ago. It is naive to believe that our present research capability would have been developed had it had to do that inside the constraints of a market forces philosophy. And there are still major areas where we need continuing research programmes. We need better wood technology. We need to develop

new wood-based products. We need to develop new and better methods of hardening, treating and staining radiata pine. None of those requirements will be developed if we abandon forest research to the private sector.

It is my view that forestry research needs to be closely associated with the sector as a whole. There may be good reason for some governmental overview of research in each of the various sectors,



The Minister of Forestry, Peter Tapsell, tries his hand at chainsaw milling in Saltwater Forest during his recent visit to inspect forestry activity on the West Coast.

but I believe it will be a mistake to strip each sector of its research facility and put, in its place, some new multi-disciplinary scientific and research unit.

In recent years there has been a lot of discussion about the use of our natural resources of land and water. No one believes we should leave the use of water to be determined by market forces. Our forest resource, both indigenous and plantation, is an equally important national resource and I do not believe we should leave its future development entirely to the dictates of present-day market forces.

In recent years we have become aware of the need to preserve what is left of our indigenous timber resource. That would never have occurred had the decisions been left to private enterprise. But we are a very young nation, and our decision-making seems to have swung from one extreme to the other. Perhaps it was a result of our over-enthusiastic logging of 20 years ago. But I believe that we have now swung to an equally over-enthusiastic 'lock-up' policy.

Inspection of native forest logging on the West Coast has convinced me that we have drawn arbitrary lines on maps. On one side there is no restraint on logging, on the other a fallen tree may not be retrieved. In my view we need to develop a whole new attitude, directed much more toward the planned management of our forest estate, both plantation and indigenous. With careful management there is no good reason why fallen or dying trees cannot be retrieved from some areas subject to the Conservation Act.

In my view our present Forest Act is hopelessly inadequate. In the main it is concerned with minor regulatory matters. It is a mishmash of endless amendments to the original. Its greatest deficiency is that it has no philosophy at all. We need to develop a new Forest Act. It should be a statute with an overriding philosophy. It should aim to ensure the management of our forest estates in the long-term national interest. Clearly we have much to learn from other countries. In some areas we will have to blaze a trail for ourselves. But I am certain the time has come when we should begin discussion on the development of a comprehensive new piece of forest legislation.

The Future Development of Production Forests

In the past 25 years we have made a major investment in plantation forests. We are currently producing around eight million cubic metres of timber products of which 3.4 million cubic metres, or 43 per cent, is used domestically and the rest exported. Figures suggest that we earn \$354 million from wood pulp, \$200

million from paper, \$114 million from sawn timber, and \$97 million from panel products and \$81 million from the export of logs. Our total current earnings are around \$900 million with 64 per cent of the total earnings coming from Australia and Japan. By the year 2000 we will be producing 15 million cubic metres of timber products, and by the year 2010 some 24 million cubic metres.

It is important to note that a substantial proportion of the increased production will comprise new crop intensively tended radiata pine. Log sizes will be smaller, but there will be higher volumes of clear wood suitable for high-value uses. The estimated clear wood volumes amount to 2.4 million cubic metres in 2001 and 2.8 million cubic metres by 2015.

The most important wood supply region will be the Bay of Plenty. New major supplies will come from the East Coast/Hawkes Bay, Northland, Nelson and the Otago/Southland Regions. An increasing proportion of the supply will come from forests located further away from the ports, and off steeper terrain. That will mean that we will be faced with increasing logging and transportation costs, and will certainly require new, more sophisticated logging technology.

The forest ownership structures will change with the privatisation of the Crown's commercial forest assets. There will be new entrants to the industry from within New Zealand, and possibly from overseas. There is no doubt New Zealand will face greater competition from the Pacific region, particularly from Chile and Australia and probably sooner rather than later from the Soviet Union.

There is no doubt that the forestry sector has the potential to be a major contributor to the future growth of the New Zealand economy. The additional 15 million cubic metres of wood coming available could contribute:

- A further \$3.1 billion in export earnings annually from about the year 2000 onwards.
- A further \$4.4 billion to the economy from about the year 2005, increasing the forestry sector contribution to 9 per cent of Gross Domestic Product.
- The creation of an additional 38,000 new jobs.
- The provision of substantial regional development in Northland, East Coast, Hawkes Bay, Nelson and Otago/Southland.

None of these predictions will be realised, however, unless the sector as a whole is prepared to face up to a range of new and possibly painful initiatives. To begin with we need a new range of planting programmes. I know very well that the taxation changes have dampened the sector's enthusiasm in this area and I am

having discussions with the Minister of Finance on this matter. It seems to me a nonsense that, at a time when we have record numbers of unemployed, we are not developing new schemes for nursery propagation and planting for the future.

There is no doubt we should be experimenting with plantations of species other than radiata pine. I cannot understand why we have not developed a vigorous programme of replanting indigenous trees. Kauri, for example, can be propagated, planted and grown to a modest saw log in around 120 years. Why have we been unable to make better use of areas of unused land? Why have we been unable to make better use of the present numbers of unemployed?

I am told that many of the existing sawmills are now hopelessly out-of-date. They are labour intensive and have out-moded machinery. Around 15 per cent of the wood supply in 2015 will comprise pruned logs and another 25 per cent will consist of high-quality saw logs. To realise higher returns that will be potentially available we will need a new and efficient sawmilling industry. Chief among our problems for the future will be the need for us to become competitive with other producers of radiata pine.

Our productivity must be improved. I am told it takes 2.5 man hours to make a ton of pulp and paper in Canada compared with 6.2 man hours in New Zealand. Our onshore and offshore transportation costs are unreasonably high when compared with other countries. Again I am told that transporting a ton of pulp from Kinleith to the Elders, NZ Forest Products paper mill at Mataura costs the same as to transport a ton of pulp from Finland to the same mill. The freight rates from New Zealand to Europe are \$75 per cubic metre and negotiable, whereas the rate between New Zealand and Australia is \$81 and not negotiable.

We must take steps to ensure that we can expand our market for radiata pine in the Northern Hemisphere. That will mean we need a whole new promotion and marketing campaign to convince the end users of the virtues of radiata.

I have been very pleased to find that we are developing greater co-operation between the various segments of the forestry sector. The development of the Forest Industries Council is one example. Equally I am hopeful that the near future will see us meeting with our major co-producers, Chile and Australia, for without some degree of co-operation I do not believe we will develop the northern hemisphere markets we need to sell the increased volumes we will have available in ten years' time.