

Forest Industries Council releases strategy study

A strategic study on the future direction of the forestry industry in New Zealand outlines the major contribution the industry can make to the national economy.

The study, commissioned by the New Zealand Forest Industries Council, was presented to the Minister of Forestry, Hon. John Falloon, late last year, and was submitted to the government economic committee on January 27, 1992.

The council is made up of representatives of the sector organisations of the forestry industry and of representatives of private enterprise forestry companies and the Ministry of Forestry.

The Council Chairman, Mr Ross Glucina, said the study considers five different scenarios for the industry's future and outlines their impact on the industry and the New Zealand economy. To obtain the most significant results in terms of job creation, foreign exchange earnings and fiscal impacts the industry must increase capacity to 100 per cent and new capacity must be installed as soon as regional wood flows allow.

"Under the best scenario, around 12,500 new jobs will be created," said Mr Glucina. "The major benefit to New Zealand will be in the area of foreign

exchange earnings: but to achieve any substantial benefits the country needs to change its attitude towards investment."

Mr Glucina is also Chief Executive of Fletcher Challenge Forest Industry Group, Australasia. Fletcher Challenge is the third largest holder of plantation pine forests in New Zealand after council members Carter Holt Harvey Ltd and the New Zealand Forestry Corporation.

"The forest industry will need considerable investment to achieve its potential for significant improvement in foreign exchange earnings, job creation and fiscal impact. We have told government that specific action is required to improve New Zealand's investment environment to enable all sectors of the economy, including forestry, to compete internationally for foreign investment," Mr Glucina said.

"New Zealand must extend a 'welcome mat' to foreign investors. The industry has worked hard to become internationally cost competitive, but that alone will not attract the required investment. Countries with which New Zealand must compete for such investment already have policies in place

which create a favourable investment environment for foreign investors. We are at a disadvantage in seeking foreign investment."

The study identifies key priorities for action:

- a more creative approach toward sustainable, internationally attractive and fiscally responsible economic policies that apply equally to all sectors of the economy over the medium term;
- a commitment that New Zealand's cost competitiveness for input is not destroyed by policies that inflate prices to the industrial sector;
- reduce off-shore tariff rates for New Zealand goods to enhance bilateral trade;
- allow skilled foreign workers a two-to-three-year work permit to assist in new business set up and training.

The study also lists two major imperatives for the forestry sector. Firstly the industry must agree on where it is heading. There is a need for an industry strategy and for an associated action programme, to ensure the industry is moving in the right direction. The strategy should not limit industry sector groups or individual companies pursuing their own objectives but it would enable them to conduct their own planning within an agreed framework.

"The industry as a whole must agree where it is heading, and how to maximise returns on the resource that is available. Too often sectors within the industry compete against each other and the result is less than the optimum."

The second major imperative is the need for the whole forest products industry to recognise and fully support the pivotal role of the sawmilling sector. A strong, vibrant, innovative, and internationally focused sawmilling sector is vital to the successful development of the forestry industry.

"We realise that this is a particularly challenging goal, given the difficulties of the sawmilling sector in terms of industrial structure, competitive pressures and the lack of financial returns," he said.

"But the sawmilling industry provides one-third of all fibre input to the pulp



Mike Edgar, one of the strategy study's authors, briefs Minister of Forestry John Falloon on the content of the 278-page report.

and paper and reconstituted panels industries, and takes 40 per cent of current log harvest, making it critical for forest growers. We are sure that the lack of a strong New Zealand sawmilling industry is a potential restraint over achieving the best price for our fibre, especially with Asian buyers.

The Forest Industries Council will hold a conference in March 1992 to discuss the strategy and agree on an industry "vision".

Owners concerned about old logs

The New Zealand Forest Owners' Association has come out strongly against the export of any logs which, because of their age and condition, may negatively impact on the reputation of New Zealand suppliers into existing and developing overseas markets.

The Executive Director, Ken Shirley, stressed that every effort must go into enhancing the growing reputation of radiata pine as a high-value species in the international market place.

He said that members of the Association are concerned by recent media reports inferring that forest owners intended exporting sawlogs which have deteriorated in quality while stored in ports awaiting shipment. "No responsible New Zealand forest owner would export low-grade logs unless they were clearly marked as suitable only for use in pulp manufacture," he said.

He further advised that North Asian log export markets have expanded rapidly in recent years, doubling over the past two years alone. The total volume sold in the year ended September 30, 1991 was 3.5 million cubic metres, earning \$350 million for New Zealand.

New Customers

A major component of this increased volume was sold to new customers who have been developing high-value end-use markets in Japan and Korea which require fresh-cut logs to be dispatched from New Zealand – in some cases debarked and treated to avoid any fungal degradation before processing.

"The New Zealand Forest Owners' Association is actively working with the Ministry of Forestry to develop suitable phytosanitary standards to ensure that all logs exported from New Zealand are free of pests. It would seem an appropriate time to develop industry standards to ensure all exported logs are of a quality that is consistent with the intended end-use," said Ken Shirley.

PINES HELP COMBAT GREENHOUSE EFFECT

New Zealand's plantation forests are an effective means of reducing net greenhouse gas emissions, Secretary of Forestry John Valentine said recently.

"In the year ending March 1989 the 4% of New Zealand under plantation forestry absorbed between 3.6 and 5.0 million tonnes of carbon. This represents between 50 and 70% of all carbon dioxide estimated to be released in New Zealand through burning fossil fuels," he said.

Dr Valentine was reporting on a meeting held in Rotorua which developed a scientific consensus on the importance of plantation forestry in reducing net carbon emissions.

"There have been differences of opinion in the past about the significance of New Zealand's plantation forests in relation to the greenhouse effect. Many numbers have been bandied around, but now the Ministry of Forestry has brought together all the key researchers to reach an agreement," he said.

The meeting comprised eight scientists from the Forest Research Institute, the forest industry and representatives of the Ministry of Forestry's Policy Division.

The scientists found that increased rates of afforestation could make plantations even more greenhouse-friendly.

"Provided New Zealand's rate of new planting increases, we could eventually reach a carbon dioxide credit situation," said Dr Valentine.

"To do this we would have to expand the area of forestry by 60,000 hectares each year, assuming current emission levels. This is clearly achievable. We planted 56,000 hectares of net forest back in 1985, and the Minister of Forestry has a vision of an annual new planting rate of 100,000 hectares per year. There is sufficient suitable land to maintain these levels of new planting for more than 30 years," he said.

Opportune Time

Dr Valentine said the finding comes at a very opportune time as it will assist New Zealand's negotiators in their preparation for the Earth Summit talks to be held in June 1992 in Brazil. Plantations provide a cost-effective means for New Zealand to meet the spirit of the Government's commitment to a 20%

reduction in 1990 levels of carbon dioxide emissions by the year 2000. Long-term solutions will still depend on New Zealand making reductions in fossil fuel use.

The scientists concluded that every hectare of pasture converted to a typical stand of trees will, when managed as a sustainable estate, store at least 125 tonnes of carbon.

Dr Valentine believed that many other countries will be intrigued by the calculations of the New Zealand scientists.

"New Zealand leads the world with our forest modelling systems, and we've been able to adapt these to investigate the greenhouse benefits of forestry. Our work in this area could help other countries to learn from our example," he said.

Overseas Investment

"This information will be another way of helping attract overseas investment in New Zealand. We can now suggest that offshore companies paying carbon taxes based on their fossil fuel usage could offset their taxes against a forest planted in New Zealand. They can make a substantial profit in the process, as well as providing jobs for New Zealanders, and helping to prevent erosion of our soils."

Afforestation will not solve all greenhouse gas problems. Dr Valentine emphasised that the benefits of plantation forestry were largely derived by establishing forests on land previously cleared of its forest.

"If we stopped expanding the area of plantation forests, the national forest estate would reach a 'steady-state' situation within about 15 years. This would mean the rate of harvest would equal the rate of growth. At this point our plantation forests would attain an equilibrium state where carbon absorption and release would be approximately in balance.

"The fact that our forests absorbed so much carbon in 1988 was due to high planting rates in the 1970s and 1980s. If new planting rates continue to decline, as happened from 1987 to 1990, and if the volume of wood harvested continues to increase, then our forests will absorb less and less carbon until they cease to act as carbon sinks. Only substantial increases in the rate of new planting can reverse this trend," said Dr Valentine.