
East Coast woes

perception was not universally agreed when it was first made and based on the optimism about forestry as revealed by the levels of new plantings it has even less acceptance today. With current export prices making returns of \$60,000 to \$70,000 per hectare possible it would appear that returns of 10% to 15% per annum or better could be available from forest growing. Perhaps one of the biggest impacts of rising real log prices is how quickly they can apparently render redundant any analysis of New Zealand forestry investment. A classic example of this would have to be the example of typical costs and returns given in the MOF Investment Opportunities booklet – already the returns given in this are about half those one would calculate using the current export prices.

A Challenge for Processors

If we truly are at the start of a period of sustained real price increases then it is the processors that will face the greatest challenge. They are going to have to find the investment money that will allow them to do more with the same amount of wood, to become more efficient. At the same time they're going to have to face up to an increasing reluctance on the part of wood growers to commit themselves to long-term supply contracts. If one is dealing with a highly concentrated industry, and forest growing in New Zealand is at present quite concentrated with four groups accounting for some 60 per cent of the resource, the lack of long-term commitments can be a problem. Bankers can be a bit chary about lending large amounts of money on processing projects that are dependent upon one or two suppliers for their raw material; projects that can be wiped out at any stage by a failure to secure sufficient raw material. If processing is not to become the sole preserve of large vertically integrated groups then the independent processors are almost certainly going to have to become more entrepreneurial, adaptive and innovative.

In the longer term high log prices should solve any problem of concentration in forest growing. Already over 20% of the estate is owned by a large number of smaller investors. Most of the current growth in the size of the plantation estate is due to this group. With growing forests yielding far better returns than virtually any other form of investment eventually most individuals with money to invest are going to be persuaded to put at least a little of it into growing a forest. Once most of the wood harvest is produced by a large number of smaller suppliers the problems of concentration should disappear. There remains only the problem of having to survive until this utopia arrives. Regardless

In the 1992 Budget Finance Minister Ruth Richardson launched the Government's only major development and environmental initiative since taking office: the East Coast Forestry Project. The goal was to plant 7000 hectares of forest a year for the next 28 years, creating a huge 200,000 hectare plantation.

Yet, less than a year later the project is in disarray following the withdrawal of Tasman Forestry from a proposed joint venture with the major landowner in the region, the Ngati Porou. Tasman was the only major forestry company enthusiastic about participating in the East Coast project. Enticed by the generous subsidies (or grants as they are described in the post-Rogernomics era). Tasman planned to develop a 50,000 hectare plantation centred around Ruatoria in the remote northern quarter of the East Coast. However, up to half the proposed planting area is covered in closed canopy kanuka, much of it over 4 metres tall, that the forestry industry agreed to exclude from clearance when they signed the New Zealand Forest Accord in 1990.

Lengthy negotiations between Tasman, Ngati Porou and conservation signatories to the Forest Accord failed to reach any agreement on the proposed clearance of the kanuka. The Forest and Bird Protection Society publicly withdrew from negotiations and precipitated Tasman's eventual withdrawal from the project in March this year. This led to recriminations all round with officials, politicians, foresters, and the Ngati Porou all criticising the inflexible stance of environmental groups. Lending weight to their criticisms was the Maruia Society's Guy Salmon who blamed "extremist elements" in the conservation movement for the collapse of the project.

Much of the criticism has been directed at Forest and Bird as we campaigned hard to have the native forest shrublands excluded from the scheme as required by the New Zealand Forest Accord. However, sheeting home blame to environmental extremists for the "reckless handling of their new power" is a superficial conclusion to draw from the conflict. Three key factors led to the downfall of the East Coast project.

of one's views on this, or for that matter on the long-term sustainability of higher log prices, now is certainly an interesting time to be involved in New Zealand forestry.

G.P. Horgan

Firstly, there was the failure of the Ministry of Forestry and, ultimately of the Government, to recognise and uphold the New Zealand Forest Accord, a pre-existing agreement. Ministers celebrated the Accord at its signing and promoted it internationally at the Rio Earth Summit as a model for others to follow. Everyone involved in the Accord recognised the potential commercial advantages for the forest industry and the country from a voluntary agreement that ensured the nation's forest exports had an environmental seal of approval. But this unique marketing advantage was obtained at a price – the agreement under the Accord that native forest communities, including kanuka forest and shrublands, would be excluded from clearance. Forest and Bird has simply asked that this Accord be upheld and that it be recognised by the Government. Instead, the Government has offered generous financial rewards through the grant scheme to companies prepared to ignore the Accord's requirements. To their credit, Tasman Forestry, an environmentally progressive company, chose to honour the Accord and withdrew from the venture.

The second factor leading to the project's troubles has been the insistence of officials and Ministers that the clearance of potentially up to 78,000 hectares of kanuka was a legitimate component of a soil conservation project. Complicated technical analyses of the relative erosion-proofing capabilities of tall kanuka versus radiata plantations miss the point. If it ain't broke don't fix it! There can be no dispute that the kanuka/manuka forest shrublands of the East Coast provide effective erosion control irrespective of whether it is marginally better or worse in this role than radiata plantations. Taxpayer money spent on clearing the kanuka is money diverted away from planting actively eroding cleared land. Clearance of the kanuka is also contrary to the nature conservation objective belatedly added to the project's objectives.

The final factor contributing to the project's woes is its mixed, and at times conflicting, objectives. These mixed objectives raised alarm bells in Treasury during the development of the project but their concerns were not shared by other officials. The project was sold to the country as a long-overdue erosion control initiative. More than 90% of the publicity, including Ministerial statements and supporting documentation on the project, focuses on the East Coast's horrendous soil erosion.

Yet the clearance of the kanuka, which can clearly not be justified on soil or nature conservation grounds, is rationalised because of the need to create employment, particularly for the Ngati Porou. For conservationists and Treasury economists this is a distressing return to the worst aspects of the Muldoon-era subsidies. The mixed objectives of the Forest Service, Department of Lands and Survey and many of the subsidised land development programmes resulted in poor economic and environmental outcomes. All this was swept aside by the economic reforms of Rogemomics. However, the lessons haven't been learnt. The East Coast project in its current form represents a nostalgic return to discredited interventionist policies.

Why is the taxpayer investing in forestry on the East Coast: to control erosion, to create employment, to generate economic activity, to increase exports, to ensure the economic and cultural survival of the Ngati Porou? Which of these objectives has primacy? How should decisions be made on specific issues when the project's multi-objectives are in conflict? Why have officials and politicians so quickly forgotten the painful lessons of the 1970s and 1980s on the way subsidies distort human behaviour and economic investment. It is perfectly rational for the Ngati Porou to wish to carry on farming their eroding cleared land and to use the subsidy to bring into production non-eroding land covered in kanuka. However, this has the effect of turning the scheme on its head and is clearly not in the national interest.

If the Government wishes to generate employment on the East Coast, and this is a worthy objective all would support, then it has a wide range of options to choose from. A poorly designed Think Big forestry/conservation scheme that fails to successfully integrate economic and environmental concerns may not be the best solution. If it wishes to tackle the region's massive soil erosion then the erosion-plantings must be directed to cleared eroding land. The soil and nature conservation benefits of retaining the kanuka must be recognised, as must the New Zealand Forest Accord, in a revised East Coast Forestry Project that has erosion control as its overriding objective.

Kevin Smith
Conservation Director
Royal Forest and Bird Protection
Society



RECENT EVENTS



Forests Amendment Act passed

The Forests Amendment Act was passed on March 19, 1993 and will come into force on July 1, 1993. It covers all indigenous forests except: West Coast Accord forests, forests on land reserved under the South Island Landless Natives Act 1906, forests administered by the Department of Conservation, and planted indigenous forests. It will introduce indigenous timber sawmilling and export controls, and sustainable forest management plans.

Sawmilling Controls

The Act requires sawmills (fixed and portable) that propose to mill indigenous timber (including salvaged timber) to be registered with the Ministry of Forestry before October 1, 1993. Registered sawmills will only be able to mill indigenous timber if it is harvested under an approved sustainable forest management plan or permit, or is harvested with the written approval of the Secretary of Forestry under one of the exemptions included in the Act.

There will be a transition period before the sawmilling controls take full effect. The transition period started on July 3, 1992 and will run for four years. During this time registered sawmills will be permitted to mill an 'allowable cut' of indigenous logs from forest not covered by an approved sustainable management plan, as well as any logs that are covered by such a plan. The 'allowable cut' will be a volume equivalent to that milled in the period July 3, 1990 to July 3, 1992. A mill that cut 5000 m³ of logs in these two years will be able to cut that volume during the period from July 1992 to July 1996. The Ministry will be allocating an allowable cut to eligible sawmills once they have registered.

CONSULTANT RECOGNITION

The following has applied for recognition as a general forestry consultant in New Zealand and overseas:

Theo Vos – Rotorua

Under the NZIF constitution, any members of the Institute may send objections in writing, within 40 days of journal delivery, to the Registrar, NZIF Consultants Committee, P.O. Box 1340, Rotorua.

Export Controls

The Act prohibits the export of indigenous woodchips and logs. It permits the export of rimu and beech sawn timber, provided it is harvested under a registered sustainable forest management plan, or a sustainable forest management permit. Sawn timber of other indigenous species will not be allowed to be exported; neither will any timber which is harvested from land not covered by a plan or a permit.

Export of timber from planted indigenous forests, West Coast Accord forests and forests on land reserved under the South Island Landless Natives Act will continue to be controlled under the Customs Act.

Manufactured or finished indigenous timber products, such as furniture, can continue to be exported regardless of the source of timber used in the products.

Sustainable Forest Management Plans

The requirements for a sustainable management plan are complex. Schedule 2 of the Forests Amendment Act provides a guide to the information that must be included in a plan. Sustainable forest management permits are available where the harvesting level from a forest is less than 50 m³ per year. The Ministry intends to develop guidelines on preparing plans and permits as soon as practicable.

Indigenous Forestry Unit to be Established

The Ministry of Forestry is currently establishing an Indigenous Forestry Unit. It will be responsible for registering and monitoring sawmilling operations and will monitor the implementation of sustainable forest management. It will also make recommendations to the Secretary of Forestry on approval of sustainable forest management plans and other matters covered by the Act.

Sustainable forest management as outlined in the Act is new to both land owners and the Ministry. A cooperative and steady approach will be required if it is to be successfully implemented.

Chris Baddeley
MOF