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# Forestry Corporation and Fletcher Challenge reach agreement on contract issues

Forestry Corporation and Fletcher Challenge have reached agreement in principle on most outstanding issues regarding the supply of wood fibre under the long-term agreements between the two parties.

The need to seek clarification on a number of contractual matters has been the subject of arbitration between the two organisations. In February 1995, the arbitrator, Mr Colin Carruthers QC, delivered an award which provided guidelines for the parties to resolve the matters at issue.

The parties have agreed a pricing formula that applies from August 1, 1995 to the future supply of all wood fibre to Fletcher Challenge companies under the long-term agreements. The prices are market based and reflect the provisions and intent of the original agreements.

Details of retrospective payments from April 1, 1990 are still being finalised; however, the payments will be within the reasonable expectations of both parties,

and within the provisions already made by the Ordinary and Forests Divisions of Fletcher Challenge.

Fletcher Challenge and Forestry Corporation are working together on an implementation plan which will see the development of a customer/supplier relationship which recognises the importance and value of each party to the other.

The parties have agreed to move to a delivered basis for the supply of pulplogs and chips, and Forestry Corporation trucks began delivery directly to the doors of Tasman's Kawerau mill in August.

The Chief Executive of Forestry Corporation, Mr Tim Cullinane, and Fletcher Challenge's Chief Executive, Solid Wood Forestry, Mr Michael Andrews, said they were pleased that the relationship between the two organisations had been re-established on a sound and cooperative footing.

"We are working together to imple-

ment the agreements and thoroughly welcome the new spirit of partnership and cooperation already evident in these dealings," they said.

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## Proposed NZ Forest Service Reunion 1977

March 31, 1997 marks the 10th anniversary of the removal of the NZ Forest Service from the Public Service sector. Several former staff of the Service from various locations, and quite independently of one another, have proposed that a reunion of former staff of the Forest Service should take place to mark and rejuvenate important and valuable memories and associations of the past.

Gus Buckley, now residing at 35 Shirley Rd, Christchurch, was a prime mover and supporter for a reunion and approached me to seek support and assistance with arrangements. As a result, some logistical support has been offered by the Ministry of Forestry and the Department of Conservation.

There will be a national reunion of NZ Forest Service personnel in Rotorua over Easter 1997. This will coincide with the 50th Jubilee of the Forest Research Institute and with what may be the last get-together of participants in the National Forest Survey of the 50s. The organising committee for the Rotorua reunion is chaired by Bob Shaw with Trevor Bodley (NZFRI) acting as Secretary.

Interest has been shown in several regions to hold informal-type reunions, and these will help cater for those former staff unable to make the Rotorua function.

I have been acting as the National Coordinator and as such have endeavoured to establish a network of contacts who will act to set up regional organising committees and distribute information concerning the national and any regional reunions. It is proving difficult to produce comprehensive name and address lists of all former staff, since official records are now eight years old. Contacts have been established for Nelson, Westland, Canterbury, Otago/Southland, Hawkes Bay and Rotorua. Assistance is required from those

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## Japanese forestry facing crisis

A recent backgrounder article in the Japan Forest Products Journal on the crisis within the forestry sector in Japan has highlighted several alarming developments. The drop in prices for building materials is making replanting less viable, while many forest owners are selling off large tracts of immature trees and exiting the industry.

The two recent events having the greatest impact in deepening the crisis are said to be the massive appreciation of the yen since last year, and January's Kobe earthquake which shockingly highlighted the vulnerability of traditional jikugumi-style housing to collapse in such quakes. The demand for new housing following the earthquake has mainly manifested in a major shift toward prefab and 2 x 4 construction methods.

Thus the whole industry, which has long been based on producing and supplying jikugumi materials, is being shaken at its very foundations.

So while the rising yen has reduced opportunities due to greater competition with imports, the earthquake has further reduced the viability of domestically pro-

duced materials. And, though the price falls for Japanese cedar and cypress logs and sawn timber have abated, it is still difficult to foresee a recovery of the forestry industry at this stage.

In the last 15 years logging labour costs have increased (1979 = 100, 1995 = 170), as log prices have decreased (1979 = 100, 1995: cedar = 67, cypress = 55). The writer gives an estimate of net income after logging and selling costs at 1.8-2.4 million yen per hectare, based on a yield of 300 m<sup>3</sup> per hectare. Replanting is estimated to cost around one million yen per hectare.

From this analysis it becomes clear that the value of a forest with only a few years' growth and one with 50 years' growth are very similar.

A recent comparison of US and Japanese forestry production costs estimates those in Oregon to be about half those in Japan.

As this cost differential further grows, the crisis in Japanese forestry will also deepen. - Reprinted from JapanLink, MOF, P.O. Box 1340, Rotorua.

locations missing from this list, notably Auckland and Wellington Conservancies.

The emphasis will be on reminiscence and recall of the good times, with some reminders of the historical significance of New Zealand Forest Service achievements.

Former staff prepared to assist with address lists and information distribution should contact me, as should anyone seeking more information.

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## Stormy end for Forestry Insights

Forestry Insights came to a stormy end in September when Auckland turned on one of the nastiest nights of the year for the end-of-project celebrations held at the Auckland Museum. Over 100 guests braved the conditions to see the launch of the final theme, *Science and Technology*, and to acknowledge the successful completion of the four-year project.

Colin McKenzie, chairman of the Forest Industries Training and Education Council, paid tribute to the support the industry has given the project. "The \$3 million investment in Forestry Insights shows the commitment the industry has in telling the forestry story to all students in all schools. Forestry will play an increasingly big part in the lives of New Zealanders and it is important that the next generation understands the opportunities sustainable plantation forestry offers," he said.

"A project of this size and scope could not have been undertaken without the backing of Carter Holt Harvey, Fletcher Challenge and the Forestry Corporation of New Zealand, and the host of smaller companies that contributed to production of materials. Companies associated with the forestry industry, for example Railfreight, ECNZ, Shell, Ernst and Young, Bell Equipment and Du Pont, were also generous in their support."

The highlight of the evening was three schools presenting Forestry Insights in action. Panmure District School, a sponsor for *The Forest* theme, performed a specially written rap about the project: All New Zealand schools received a kit. Sent to us all – bit by bit. Junior and Middle, Intermediate too. Secondary level was included – phew!

Two sixth-form students from Epsom

# 'Forestry Corporation sale best use of resource'

"The sale of the Forestry Corporation's cutting rights would give the central North Island forestry industry a much-needed shot in the arm," said the Minister of Forestry, the Hon. John Falloon.

"It is far from ideal that the Government's largest forestry company is also New Zealand's largest log exporter. The Government is hardly setting a good example," he said.

"Half of the volume of New Zealand's standing timber is in the central North Island, where FCNZ has its forests, while the region's main port, at Tauranga, accounts for 56% of New Zealand's log exports.

"The region has received little new investment in solidwood processing, even though more than 60% of its forests have been intensively managed to produce clearwood, well above the national average of 45%.

"In other words, too much of the region's high-quality resource is either exported as logs or pulped.

"If we want these logs processed onshore, then significant new investment and skills are needed," said the Minister.

The Ministry of Forestry has identified that between \$4.5 billion and \$6.4 billion will have to be invested in processing over the next 15 years if New Zealand is to maximise its value-added potential. The impact of this investment on employment could be substantial. MOF estimates that this \$4.5-\$6.4 billion investment could create between 30,000 and 40,000 new jobs.

"Since 1988, the forestry industry has earmarked \$2 billion for investment in new processing ventures. By this year, FCNZ had invested just \$69 million, or 3% of this total," said Mr Falloon.

"There is clearly substantial underinvestment within the region."

Mr Falloon said that the capital invested in the central North Island has been in pulp and paper processing, rather than in the solidwood processing appropriate for the region's high-quality clearwood crop.

"FCNZ's share of the necessary future investment will either have to be paid by the Government, with the taxpayer taking the risk, or by another investor," he said.

"New owners will be able to invest the money, bring in new skills and provide the technology and international marketing linkages necessary to develop these forests.

"We know there are a number of forestry companies keen to invest in the New Zealand forestry industry, but many are holding back on their investment plans until the future of FCNZ is clarified.

"Furthermore, local companies that rely on FCNZ's log supplies are hindered in their ability to invest in further processing while the future of FCNZ is in doubt.

### Government Concern

"The Government is becoming increasingly concerned about this situation.

"The New Zealand forestry industry has many competitors overseas. If these investors don't put their money into New Zealand, they will put it into countries such as Chile and Brazil. This will significantly disadvantage New Zealand in the long term."