A Question of Forestry Policies

Hugh Bigsby

In the lead up to what is expected to be an election year, the Canterbury Section of the NZIF decided to find out how forestry figured in the policies of major political parties. From a wide range of potential questions, politicians were asked to respond to five questions of policy. Five political parties accepted an invitation to a participate in a seminar held in Christchurch on March 25. These included, ACT (Ken Shirley), Alliance (John Wright), Labour (Jim Sutton), National (David Carter) and NZ First (Doug Woolerton).

The first question arose from the observation that New Zealand's forest output is projected to increase from 16 million cubic metres to 30 million cubic metres per annum within 10 years. As such, forestry is expected to become New Zealand's largest export earner. The recent down-sizing of the forestry agency and consequent loss of experienced staff suggests that Government has a much reduced vision of a government agency's role, and is limiting itself to areas such as professional advice for sound policy and decision making, and in preventing the accidental importation of unwanted pests and diseases. In this context, the first question was, "What future role do you see for a central government forestry agency?"

Every party considered that an important role of the Government was to facilitate safe trade and as such, biosecurity was an appropriate activity. In the same way, all parties believed that Government had an important role in facilitating trade access and reducing trade barriers. Neither of these functions requires a central government forestry agency though. In terms of a forestry agency specifically, all parties also believed that something was important for providing policy advice, but in terms of exactly what was required they diverged. For ACT, National and NZ First, biosecurity and policy were largely the extent of government activity in a forestry agency, the sector being considered "mature" enough to otherwise take care of itself in what was considered to be market related activity. Labour believed that there was a wider place for public investment in the forestry sector, although broader based agencies like TradeNZ or IDNZ (the mooted Industry Development NZ agency) might be more suitable than MAF. The Alliance also believed there was a wider role for government to facilitate processing and research and development ("nothing to fear from the past successes of the Forest Service"), although it was not clear that this would be done through a forestry agency.

There were also major differences between whether plantation or indigenous forests were being considered and what the role of a Crown forestry agency might be for each. In particular, both ACT and Labour said that there was really no alternative to the Crown being involved in indigenous forest management as its ownership of the resource meant that it had the onus of stewardship. Again, having said this, no one was suggesting that an agency other than DoC should be responsible for the Crown's indigenous forest estate.

The second question posed to the speakers addressed the issue that we currently rely on the export log market to take our increasing harvest surpluses. These markets are generally for low value end uses and have been unstable. Prices for logs have been declining over recent years with little evidence that we can expect real price increases in the future. Forestry has had negligible Government export development assistance when compared with, say tourism. In this context, the questions asked was, "how do you see Government (a) assisting industry to better develop its export markets, especially Asia, and (b) encouraging domestic processing to reduce our reliance on export of unprocessed products?"

The main response to this question was that the forestry sector was able to look after its own opportunities (ACT, Labour, National, NZ First). The Government's primary role was to develop economic policy that would create a competitive market place that would in turn facilitate value added processing. This included domestic macroeconomic policies that affected factors like interest rates and inflation, and microeconomic policies that affected factors like business costs. On the international front the Government would be involved in facilitating trade and reducing trade barriers. It was pointed out that TradeNZ already existed to facilitate trade development (although geared towards medium sized firms), that large firms did not need Government assistance, and that the industry was capable of organising itself for export promotion, as evidenced by the WoodNZ programme.

So where was there scope for a more activist role for Government? Apparently only where there was a technical problem of basic science to overcome. ACT believed that Government had a legitimate role in funding science and technology, focusing on the technical side of value adding rather than the marketing side. Labour also looked at the role of Government as being to provide the infrastructure of trade, such as education and research, although differentiating this from commercialisation of research which should be undertaken by the private sector. NZ First would see itself providing seed financial support to something like WoodNZ in its initial stages, but then getting out once it had started. Alliance would be more active in developing value added opportunities, looking to, "give domestic industry the same advantage as competitors." It too would participate in science and technology, pointing out that New Zealand has the lowest spending in the OECD, but would do this with industry.

The politicians were then asked to consider wood production from indigenous forests, considering that our indigenous forests potentially available for production, 1.5 million hectares, equals that of the exotic plantation estate and amount to less than a third of the area in the conservation estate. The question was, "what is the party's long-term attitude towards the sustainable production management of New Zealand's privately and publicly owned indigenous forests?"

The interesting thing was that all political parties believed that production was acceptable in at least some indigenous forests. The key criteria in any case was sustainable production. For ACT, National and NZ First, production forestry was applicable to both public and private indigenous forests, and for Alliance it applied only to private indigenous forests. Labour's position, and perhaps one which reflects the nature of the debate around New Zealand, can best be described by quoting Jim Sutton.

"Labour supports sustainable management of all indigenous production forests, public or private, according to the criteria of both the Forests Act and the Resource Management Act. We are currently engaged in an intense ethical debate internally, on whether any production is appropriate from indigenous forest occupied by the Crown, given the history of reckless over-exploitation in most regions of New Zealand. Is my very personal conviction that sustainable production is indeed appropriate, from wisely selected parts of the Crown estate. I consider the West Coast Accord allocation to be just such a wise allocation. We recognise the Accord as being in the nature of a binding contract. Any variation of it must be achieved by negotiation. I go further and suggest that it is the state's high duty in New Zealand to be the leader in the development of sustainable management techniques. Without the Crown, it is difficult to see both management and marketing evolving in an orderly and effective way. My personal attitude is that the reconciliation of the financial, social and environmental facets of sustainable natural resource management - and in this I certainly include land, forests and fisheries - is the major raison d'être of MAF and certain other agencies. I am not interested in being involved with policies that would in effect confine biodiversity to Crown land, and productivity to the private sector. Such an approach is in my view doomed to failure."

The next issue that the panel was asked to comment on was the tax status of forestry. It was pointed out that there was criticism in the news media during late 1998 that a lot of forestry investment over the past 10 years has been tax driven. Although we have tax deductibility on establishment and tending inputs, there are still a number of tax-driven impediments to a level playing field for forestry investment. For instance, a seller of an immature forest must pay tax on the sales value, but the purchaser cannot claim it as a deduction until maturity many years later. This has reduced the marketability and the development of a secondary market for immature forests. Given this context, the politicians were asked, "does their party have a taxation policy which would place forestry on a level playing field with other industries?"

The responses showed that ACT, NZ First and Labour were sympathetic with the view that forestry has been unfairly disadvantaged by tax laws. ACT pointed out that the current system provides a distortion in that the seller of an immature forest pays tax on the capital value, but the new owner does not get full deductibility. In effect, the Government gets its money earlier that it would otherwise. ACT puts some of the blame for the current situation on the large corporate forest owners who swayed the tax debate when the current rules were established. Since they harvest and plant all the time, they do not face the same pressures as "fixed time" growers. Labour is leaning towards allowing a tax deduction to the purchaser of an immature forest equivalent to the value of deductions previously allowed to the vendor, but not for the purchase of the land or permanent improvements. NZ First would look at a different deduction regime, but only in conjunction with the development of a standard valuation method.

National and Alliance were against making any changes, citing work which has been done exploring the issue. Both expressed concern that any further changes to forestry taxation would only create a situation where investors were cropping tax advantages rather than trees and that forest markets would become driven by taxation incentives rather than the underlying value of the forests.

The final issue raised with the politicians was that of the RMA. Increasing costs of compliance with Government-imposed constraints such as the RMA are working against forestry, which either alone or in combination with farming, could provide more economical and environmentally sustainable land uses than currently exist. In this context, the politicians were asked, "does your party see forestry as a means for better sustainable use of much of our rural land, and if so, what strategies would you employ to encourage it?"

All of the political parties strongly supported the view that forestry was an important part of the rural landscape. They also all stated that the RMA was fundamentally a good piece of legislation. At the same time there was general acknowledgement that the implementation of the RMA, or in some cases, simple conversion of the Town and Country Planning Act, has had a negative impact on forestry. All viewed the experience of the forestry sector as part of the learning curve of local authorities, and something which should now be behind us. As such, apart from a common ground of sympathy, there were no specific strategies that the political parties believed should be employed. Only Alliance saw a need for specific strategies to encourage forestry in the rural landscape, mentioning public assistance to farmers to encourage planting and thus helping to prevent the need for a farmer to sell up in order to be able to afford to plant. Alliance also saw a role for public assistance for regenerating indigenous forests.