Face up to change

The 2005 NZIF Conference in Waitangi was a revelation. Everyone knows about the challenges facing the industry. What the Conference focused on was the positive way in which people are facing these challenges.

Martin Abbott reviewed the Juken Nissho experience in scaling up the harvest in Northland. A feature of JNL investment in New Zealand has been the integration between the forest resource and wood processing. Wood processing facilities have been established to match the wood supply from the company estate. Although the company may buy logs, company policy is not to sell logs.

Thomas Song explained why, during a time of retrenchment by most companies, Ernslaw One has purchased additional forests, planted new forests and developed (or attempted to develop) wood processing facilities. As someone who was intrigued by the bidding strategy of Ernslaw One in the 1990 Crown Forest sales, I was pleased to finally find out what the master plan was. In his article in this Journal, Thomas answers the question of why the company bid for the disparate combination of Tapanui, Whangapoua and the Southern North Island sand forests.

Michael Edgar reviewed trends in ownership of New Zealand plantations. He confirmed the ongoing interest by international investment funds and explained the driving factors for their acquisitions. New Zealand represents an important component in a diversified forest investment portfolio.

In recent years it has been something of a paradox to see New Zealand plantations sought after by international investors yet spurned by local investors. This may change. In March 2005 the New Zealand Superannuation Fund released a "Strategic Asset Allocation Review". In this review forestry was considered as one of five classes of alternative assets that are complementary to traditional equities and bonds. It was noted that "Timber has emerged as an institutional asset class over the past 20 years....The basic attraction is equity-like returns largely independent of mainstream securities. Timber has shown close to zero correlation with both equity and fixed interest returns over the last 40 years." The conclusion was that "Timber is a suitable asset for NZSF. It is strictly for long horizon investors, with no liquidity requirement". So we may see the day when we have New Zealand forests owned by local as well as international pension funds.

A feature of the Conference was the energy and innovation being shown by wood processors to add value in the face of an array of challenges. The Conference brought into contrast the large-scale producer versus the small niche marketer. Tony Davies-Colley related his experiences in sawmilling. In 1994 he constructed a sawmill on a greenfield site in Whangarei. TDC Sawmills is now in the process of constructing a second mill at their Whangarei site that will take production from 100,000 m^3 per year to 400,000 m^3 per year.

Hagan Provan described the experiences faced by Legacy Timber, a company with a history in producing mouldings and furniture-grade edge-glued panels from radiata pine clearwood, in moving into product design and development at the top-end of the furniture market. Legacy and its European partners estimated that the 1000 m^3 of panel they would be able to produce in 2004 with new technology would be far less than the market demand. Reality was a lot harsher - an average of 70 m^3 per month was sold in Europe. Legacy accepted this as part of the learning curve and, while continuing to market in Europe, has secured stores in New Zealand at the high end of the market and launched its products in Australia.

A recurring theme in forestry is the difficulty in getting approvals to build new wood processing facilities. This issue came up at the 2004 Conference in Gisborne where, following Jim Anderton's presentation on "Adding Value in Forestry", Phil Taylor gave a blow-by-blow account of the challenges and road-blocks that City Forests had faced in trying to get regulatory approval for a sawmill in Otago.

It came up in Waitangi with Tony Davies-Colley giving a vivid description of the delays caused by discovery on the construction site of a sewerage main not shown on district council maps. It also came up as a postscript to the Conference with the Environment Court decision to not grant a resource consent to Ernslaw One for a sawmill at Whangapoua. One of the salient parts of the decision is clause 162:

"Bearing in mind everything advanced in favour of the proposal, we find in the light of the evidence presented for WEPS [Whangapoua Environmental Protection Society], that the mill would be incongruous at the location proposed. It would introduce a significant industrial activity involving major long term land modification, and impact upon the natural character and pleasantness of the public access route alongside the Opitonui River adjacent to the site, with the mill building in particular constituting a dominant feature in close proximity to the river. As Mr Curtis acknowledged, there is also the potential for a "pine odour" effect from the kiln-drying part of the operation to be detected in the vicinity of the site, which would include the adjacent reserve area - although, on the evidence of both Mr Pilgrim and Mr Curtis, without detriment to people's health. We do not overlook the point made in evidence that localised odour effects can occur from time to time in the existing rural environment from permitted activities. However, we do not consider that the specific pine odour effect upon the immediately surrounding area that would potentially derive from the mill as a long-term industrial activity, can be simply regarded as though it were an ordinary "rural-related" effect of common occurrence and general acceptability."

The fact that the Environment Court (a) considered the "pine odour" effect in its decision; and (b) differentiated it from "rural-related" is indicative of the challenges facing the forestry sector in adding value to the forest resource. Credit must go to those who are facing up to change and attempting to implement wood processing projects in such a difficult environment. Maybe it is time for the RMA process to also face up to change?

Bruce Manley