

President's comments

New industry-wide initiatives are seen as best way for forestry to go forwards

The theme of this NZIF Journal "When will things get better" is timely. There is no doubt that the commercial forestry sector is feeling the pinch at present. Layoffs, restructurings, receiverships all attest to the difficulties that the sector is facing. The high New Zealand dollar, high freight rates, falling demand and strong competition in some overseas markets and concerns domestically about Building Industry Authority rulings over the use of Douglas-fir in construction are all factors that have impacted on the sector.



And yet it is not all negative out there. Recent discussions that I have had with industry representatives have indicated that in some regions – Canterbury and Nelson for example - business is continuing more or less as normal. There is also a strong feeling that the downward cycle is bottoming out and an upsurge is on the way. This is coupled with the realisation that a period of consolidation was always going to be necessary for New Zealand to be able to accommodate the increased volumes coming on stream.

As is so often the case, when the going gets tough a range of initiatives get going. There are three that I want to comment on - the Forest Industries Framework Agreement (FIFA), a proposal for a commodity levy and a joint forestry sector bodies meeting.

The FIFA is a potential agreement between the government and the forestry sector about a range of joint activities for forestry utilising funds generated by New Zealand's response to the Kyoto Climate Change Protocols. Based on a Memorandum of Understanding, which has yet to be finalised, the sector is being represented by the NZ Forest Owners Association, NZ Farm Forestry Association and NZ Forest Industries Council. The NZIF has not been involved in the negotiations, although it has made submissions on the climate change process. Amongst funding proposals being discussed are additional funds for marketing activities, training, research and bioenergy projects.

In as much as the FIFA is a joint industry/government initiative it requires funding from both sources. One proposal that is currently under consideration within industry to raise funds is a forestry commodities levy. Levies have been raised for many years in the agricultural sector and help to provide funding for a number of industry-good activities. NZ Forest Industries Council has established a sub-committee which is investigating

the concept and the NZIF has expressed an interest in being kept informed. The Commodities Levies Act 1990 has a number of hurdles which must be met before a levy can be applied, amongst them that a substantial majority of levy payers – both by number as well as by value - must agree first, so consultation will be essential. The potential is exciting - if a \$0.50c per cubic metre levy is applied on log sales, which is one scenario, this would currently raise in excess of \$10 million per annum for forest industry-good activities. It would also unlock significantly more funds from the government under FIFA.

The last area on which I want to comment is the forestry sector bodies meeting that the NZIF initiated in October. The meeting drew together the NZIF, NZ Forest Owners Association, NZ Forestry Industries Council, NZ Farm Forestry Association and NZ Pine Manufacturers Association with apologies from the Forest Industry Contractors Association and Forest Industry Engineering Association. Unfortunately the Timber Industry Federation did not feel that the meeting would serve its members any purpose.

The aim of the meeting was information sharing and a chance to learn about each other's activities, structures and administrations to see if there were any areas for cooperation. Two of the areas in which cooperation is already taking place have been outlined above – the FIFA and the commodities levy. A third initiative is a potential forest industry conference in the middle of next year, which is being considered by the NZ Forest Industries Conference. Separately, I intend to hold further discussions with the NZ Farm Forestry Association as I can see potential for further joint activities with them. I am also aware that other sector bodies will be having one-on-one discussions as a result of the meeting. The intention is to hold another joint meeting in February 2004, to which additional industry bodies will be invited to join.

The NZIF may not have a direct role in all of the activities outlined above but, where it can, should take its place in trying out new initiatives. This will ultimately be not only of benefit to the sector itself, but also to our members.

Tim Thorpe
President