



Wood Council of New Zealand

New Zealand Forestry and Wood Processing Industries

Post election brief for in-coming government



November 2008

“NZ Wood for a better world”

- Manage it responsibly
- Consume it voraciously
- For a Better World

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Executive Summary

This paper outlines an agenda for securing the future of the New Zealand forest growing and wood processing industry.

Enhanced government support for the industry is vital if the current challenges to the industry's competitiveness are to be overcome and the industry's contribution to the nation's economic growth, environmental performance and social cohesion is to be maximised.

The industry's main message to the incoming government is that improving the climate for forest and wood processing investment is essential to the industry's future development following a period where investment confidence has fallen.

To enhance the industry's future competitiveness, the following plan is recommended to all political parties and to the incoming government:

1. Build on the **Forest Industry Development Agenda (FIDA)** partnership high level interaction between industry and government including collaborative funding for research and development, market development and trade access, bio-security and the promotion and verification of the environmental benefits of wood.
2. Seek changes to LULUCF (Land Use, Land Use Change and Forestry) rules post-2012 under the **Kyoto Protocol** before agreeing the post-2012 commitments for New Zealand, particularly in respect of forest-offsetting and recognition of wood products sequestration.
3. Review the implementation of New Zealand's Kyoto Protocol policies with a view to minimizing distortions within the forest sector, ensuring land use sustainability is not compromised and participation in forest planting is maximized.
4. Reform the **Resource Management Act** to address any fundamental imbalance between economic and environmental concerns. Provide for less discretion on the part of local authorities, more guidance via national standards and greater certainty of process for investors.
5. Maintain strong investment in **bio-security** controls and responses to incursions and potential incursions ensuring responsibility for cost-sharing by shippers and importers, as well as tourism, moving risk management offshore where possible and providing funding for "solutions oriented" bio-security research.
6. Continue investment in **energy** infrastructure and review electricity pricing and supply so that low carbon emission fuels are not sold on the same basis as those generated emitting high levels of green house gas. The impact of less than optimal investment and the current "market" pricing model causes unmanageable fluctuations in power price, therefore limiting new investment in wood processing and reducing jobs that could be provided by the sector.
7. Continue investment in **transport** infrastructure particularly in those areas where significant volumes of wood will be moved in the next 5 – 10 years. Ensure changes to the basis for road user charges to improve equity and efficiency. Introduce increases to weights and dimensions allowances for heavy vehicles to allow significant productivity and environmental improvement.
8. Continue to seek **open international markets** through the World Trade Organisation (WTO) and bilateral free trade agreements (with the United States as highest priority)
9. Advance regional and domestic approaches to eliminate **illegal logging** and introduce "proof-of-legality" requirements on all timber.



10. Develop a more innovative **research and development** regime, including tax incentives and accelerated depreciation rates.
11. Maintain funding for **skills and training** initiatives including apprenticeships and adult apprenticeships.
12. Modify the Stationary Energy provisions of the Emissions Trading Scheme to reward early adopters of emissions reductions, cost emissions on an intensity basis and reward on-site bio-energy production with favorable taxation provisions or Carbon Credits, recognizing that this energy replaces fossil energy that would otherwise have been purchased from the grid.



Introduction: industry organisations

This paper represents the collective views of the Wood Council of New Zealand:

- New Zealand Forest Owners Association (FOA)
- New Zealand Farm Forestry Association (FFA)
- New Zealand Pine Manufacturers Association (PMA)
- The Wood Processors Association (WPA)
- Forest Industry Contractors Assn (FICA)

Woodco is the pan-industry association of forestry associations. It is the voice of industry on a range of high-level issues, the point of contact with government on strategic direction of the sector including joint management of the FIDA programme of work and the governance body for the NZ Wood promotion campaign. It is committed to maximizing the economy-wide benefits that the sector can provide.

The New Zealand Forest Owners Association represents the interests of commercial and woodlot plantation forest owners who collectively own more than 75 percent of the national plantation forest estate.

The New Zealand Farm Forestry Association promotes an ethic of integrating trees with farming and represents the interests of the smaller-scale forest growers. Members cover a wide spectrum of tree-related interests ranging from a particular focus on innovation and alternative timber species, to indigenous forestry, conservation, shelter, amenity values, and conventional radiata pine plantations.

The New Zealand Pine Manufacturers Association promotes the development and marketing of higher value added solid wood products, including interior and exterior building products, engineered wood products and furniture and furniture components.

The Wood Processors Association of New Zealand represents the interests of over 80% of the wood processing capacity in New Zealand.

The Forest Industry Contractors Association exists to promote business growth and efficiency for the benefit of New Zealand's forestry contracting industry. It currently represents almost 50% of the Forest Industry Contractors in the forest growing and harvesting sector of New Zealand



Situation analysis

A big sector

The New Zealand forest and wood processing industry supplies a wide range of goods and services on a renewable and sustainable basis. These include traditional items - such as sawn timber, engineered wood products, furniture components, wooden building systems, fencing materials, panel products, pulp, paper and packaging materials – as well as non wood goods and services in the form of carbon sequestration, land rehabilitation, water quality, carbon neutral energy, recreation, landscape values and the protection and enhancement of indigenous and exotic biodiversity including rare species.

It is expected the demand for non-wood “environmental and recreational services” from New Zealand’s forests will continue to rise and will need to be managed carefully to ensure production, protection and recreation values are managed for the best outcome. It will become increasingly important to be able to adequately value these non-wood forest products or values.

Through the investment by both government and industry a major promotional and information dissemination programme is underway. The NZWood programme has reformed the New Zealand public of the benefit of both the forest estate as well as the use of wood and wood based products. The industry intends to maintain the extremely high level of wood used in residential buildings but to also increase the use of wood in high rise commercial and residential buildings. A consortium has been established with industry and FRST to develop and market construction methods using laminated veneer lumber pre-stressed columns and beams in wide span multi-storey building. If successful this will significantly increase the use of timber and replace a less environmentally friendly construction.

These goods and services are sourced from the industry’s 1.8 million hectares of sustainably managed planted production forest. The total planted forest stem volume is estimated to be 434 million cubic metres, with an average forest stand age (area weighted) of 14.8 years¹.

More than 50% of New Zealand’s planted forests are 3rd party certified against internationally endorsed sustainable forest management standards, such as FSC. The percentage of NZFOA members certified forest is around 65%. Almost 35% of the national harvested volume in 2006 was FSC certified.

The industry’s planted forests enable nearly 80 % of New Zealand’s remaining native forest to be managed in national parks and protected areas as part of the 5 million hectare conservation estate. Total forest product sales are in excess of NZ\$ 3.9 billion pa. Industry activity accounted for 2.8 % of New Zealand’s GDP in the March 2008 year, and the industry is the third largest export sector earning \$ 2.9 billion in the June 2008 year in foreign exchange². There were 20,389 people engaged in forestry and first stage processing as at February 2007. This is a decrease of 883 people or 4.2 percent, over the same period in 2006³. Some 10,438 people are currently undergoing training in the industry⁴.

¹ A National Exotic Forest Description 2007 - NEFD

² MAF Statistical Release – Exports of Forestry Products

³ MAF: Statistical Release – Employment in Forestry and Wood Processing Activities – as at February 2007

⁴ FITEC: August 2008-Current



NZ GDP (\$ million March year)										
Industry Group	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Forestry and Logging	1,187	1,323	1,390	1,480	1,562	1,493	1,412	1,393	1,453	1,453
Wood and Paper Products	1,854	2,126	2,200	2,105	2,277	2,259	2,431	2,361	2,324	2,394
Total NZ GDP	98,838	104,090	106,554	110,403	115,829	120,814	125,362	128,947	131,311	135,475
NZ GDP (% Change)		+5.0%	+2.3%	+3.5%	+4.7%	+4.1%	+3.6%	+2.8%	+1.8%	+3.1%
Forest Industry Group % of total	3.1%	3.3%	3.4%	3.3%	3.3%	3.1%	3.1%	2.9%	2.9%	2.8%
expressed in 1995/96 prices										

The wood processing sector adds value to the sawn log by utilising each log into three distinct products. The best part of the log is utilised into lumber which is either used for structural construction as seen in wooden framed houses or for solid wood furniture or joinery elements. Some logs are peeled to form laminated veneer lumber (plywood) of various dimensions which is used in the construction industry and in specialised wide span beams and columns. Wood not suitable for solid wood production is deconstructed, either mechanically or chemically, to be reformed into medium density fibre board or pulp used in the paper or packaging industry. The final and least valuable part of the log is used for biofuel. The wood processing sector is a significant producer of biofuel currently producing 19%⁵ of New Zealand's renewable energy which is either generated directly into electricity or used within the processing sector as heat. In 2007 528 GWh of electricity and 12,500 GWh⁵ of heat was produced using wood as the base fuel.

The interaction between the primary sawmills and the residue processors (MDF and pulp) is significant. Sawmillers need the residue processors to utilise their non processable wood and the residue processors need the sawmillers to provide some of their feedstock particularly dry wood shavings and biofuel. Failure of either solid wood producers or residue processors will cause failure of the other – such is the interdependence.

Wood processing employs 14,880 staff in direct employment in rural communities and provides in many cases the majority employment in those communities.

The role of sawmills in a viable processing sector is absolutely vital. Their ongoing viability in producing export returns and their critical role in providing wood residues to other wood product producers must be acknowledged. This key role has been ignored as a potential tool for improving the overall returns from the New Zealand forestry sector.

New Zealand supplies 1.1 % of global and 8.8 % of the Asia Pacific region's forest products trade from just 0.05% of the world's forest resource and an annual harvest area equivalent to 0.0009 % of global forest cover because of its highly productive, sustainable managed plantations. New Zealand's primary export market is Australia followed by Japan, Korea, China and the USA.

⁵ NZ Energy Data file MED June 2008



... Facing significant opportunities and challenges

The long term well-being of the New Zealand forestry sector will depend on how it embraces opportunities and overcomes challenges.

A burgeoning world population and economic growth, especially in developing countries, will increase demand for and use of wood products over the next two decades. The trend of urbanisation will continue, so that, by 2030, around 60 percent of the world's population will be living in cities, compared with about 50 percent in 2003. Economic development in the key emerging markets of China and India is likely to remain strong. From 2010 to 2030, the average annual GDP growth rate for China is expected to be around 5.5 percent and 5.1 percent for India⁶.

- The annual New Zealand harvest declined from a peak of 22.4 million cubic metres in March 2003 to 20.0 million cubic metres in March 2007. The decline was due to poor economic returns to the forest owner - the resource could have sustained a harvest in excess of 25 million cubic metres.
- An estimated 2600 hectares of new forest were established in 2006. It is provisionally estimated that 2000 hectares of new forest were established during 2007. The average new planting rate over the last 30 years has been 40,000 hectares per year. In the period 1992 to 1998 new planting rates averaged 69,000 hectares per year. Since 1998, new planting has declined. At 2000 hectares in 2007, new planting is at its lowest level since 1950⁷.
- The relatively new trend of not replanting forest after harvesting, and in a number of cases converting immature forest to pasture, started on a larger scale in 2004. New Zealand has always had a relatively dynamic landscape so changes in land use are not unusual. However, historically little conversion of planted production forest land has occurred. The 2007 National Exotic Forest Description survey indicates that approximately 13,600 hectares of forest were converted to another land use in the year ended 31 March 2007. This represents less than 0.8 percent of the plantation forest estate.
- Export value growth has been static to negative, with forest product exports of \$2.9 billion in 2008, \$3 billion in 2007, \$3 billion 2006, \$3.1 billion 2005 and \$3.3 billion in 2004⁸. This reflects very difficult terms of trade for New Zealand forest products with a high New Zealand dollar and historic highs for shipping rates. Tight labour rates and widely fluctuating energy rates have also hit industry competitiveness.
- Although substantial investment has been made into existing plants, no significant green-fields developments have been completed or proposed over 2007-08
- Significant job losses occurred at both contracting and processing levels in 2006-07. The total number of people engaged in the industry decreased by 4.2 percent, while over the same period total New Zealand industry employment increased by 2.3 percent. This contrast reflects the competitive challenges currently facing the forestry sector⁹.

As introduced above, factors contributing to this include:

- The appreciating exchange rate, particularly versus the US dollar, but also against the Korean Won and the Japanese Yen.

⁶ MAF: SONZAF-August 2008

⁷ A National Exotic Forest Description 2007 - NEFD

⁸ MAF – Annual Forestry Export Statistics

⁹ MAF – Statistical Release: Employment in Forestry and Wood Processing Activities – Feb 2007



- High shipping costs. Bulk shipping rates more than doubled during the first 10 months of 2007. Shipping as a percentage of the Korean wharf price was about 56% in May 2008 compared to 47% in May of the last 2 years. High shipping costs have seen the utilization of containers for shipping logs and containers now account for about 20% of the trade, with an extra benefit being gained in China through a much wider range of ports that the logs can go to. Shipping costs moved from approximately \$US25 per cubic metre to in excess of \$US75 per cubic metre. More recently shipping rates have eased with the global liquidity crisis impact on trade, notably mineral exports out of Australia.
- High electricity prices and an uncertain outlook for both pricing and supply. High and volatile electricity costs have particularly affected pulp, paper and board plants. Some plants have been forced to stop production when energy costs have made continued operation uneconomic, while other plants have had to continue operating while making losses due to contractual obligations. In September the Napier based forestry company Pan Pac reported losses of \$10 million of sales as excessive electricity prices had caused it to reduce production by 40% over the previous 5 months.
- The housing slump across several markets, such as New Zealand, Australia and the United States.
- High fuel prices have impacted on harvest and transport costs at a time when returns to the forest owner and contractors restrict options for any section of the industry to absorb higher costs. Depressed markets prevent the passing on of these cost increases to the consumer.
- During September – October of 2008, the industry has seen shipping rates drop considerably as demand and activity in China has declined. The New Zealand dollar has depreciated against the US\$, the Japanese Yen and the Korean Won. A further significant increase in the Russian log tax at the beginning of 2009 should make New Zealand forest products significantly more competitive in the New Year.

However, due to the credit crisis, coupled with extremely depressed housing markets in New Zealand, Australia, Japan and the United States, slowing export activity from China, coupled with difficulty for many customers in raising credit, demand for all forest products has plummeted. The industry is facing this crisis after a number of years of very poor returns.

At a more strategic level the industry's performance continues to be hampered by such factors as:

- Significant uncertainties still remain over implementation of climate change policy and the forest industry more than any other sector is affected by the signals delivered through an emissions trading scheme.

Forest growing represents one of the most effective and efficient means by which New Zealand can address its Kyoto obligations and it is essential that the downward trend in investment in forestry is reversed. Part of this relies on the establishment of a viable market for carbon credits in New Zealand as well as some clear price signals being faced by those responsible for the country's emissions.

The ongoing success of the forest growing sector relies on a viable domestically based processing sector. The New Zealand processing sector is exposed to international competitive pressures and the signals must be managed to ensure that this investment continues and is not put at risk. There is nothing to be gained by New Zealand opening up its trade exposed sectors in a manner which would see the demise of a forest processing industry that is responsible for significant employment. This would also have a negative feedback on the very sector that should be expanded – forest growing.

Because of this tension it is very important to strike the right balance, and to also give effect to the other elements detailed in the 10 point plan outlined in this document as these would significantly decrease the importance of this tension.



While the industry accepts that the ETS provides a price mechanism for addressing emissions, it requires modification. In its current form the ETS will cause plant closures in the pulp and MDF sectors due to it becoming uneconomic to make the required investment needed to meet environmental and safety standards. As noted, this will have a major disruption to the entire forestry sector. Significant advances in emissions reductions made since 1990 are appropriate to recognize, and should be. These producers have picked the “low hanging fruit” and should not be treated the same as emitters who have made no change in their emissions profile. It is also sensible that the government indicates that there will be an upper limit to the exposure industry in New Zealand is expected to face – in other words we will not pursue an emissions trading scheme at any price.

Also needed to restore investment confidence is adequate redress for owners of pre-1990 forests including the ability to relocate forestry as a land use without attracting very large penalties; and greater flexibility to encourage owners of smaller post-1989 forests to participate in the ETS.

- Difficulties in obtaining resource consents for new processing investment, and difficulties in securing resource consents for new forest plantings and for harvesting tree crops under the Resource Management Act. Compliance costs escalate hugely when the Department of Conservation (DoC) undertakes advocacy in pre-hearing mediation on Regional Plans and in Environment Court appeals on consents to harvest existing crops. DoC’s advocacy role should be redirected into good-neighbour relationship building.
- The cost of environmental and other regulation. Of particular concern is the different treatment of forestry as a new land use compared with other existing land uses. The principles of polluter pays, user pays, and effects-based legislation are supported by the industry, but not seen to be uniformly applied in a number of areas,. This has the effect of decreasing land values for land currently in forest, and acts as a disincentive for land owners to convert to forestry.
- Inadequate domestic transport, roading and export infrastructure. Marketing of logs in particular can be affected by poor road standards, insufficient bridge capacity, lack of railway wagons, shallow draft ports (Nelson and Gisborne), and lack of area on ports to handle bulk cargoes such as logs.
- Timber treatment issues which have affected the perception of wood in the domestic market. In response to the leaky homes saga, timber framing now requires chemical treatment. There is confusion in the market over treatment requirements. While industry accepts that there is a need for treatment of framing timber (and treated framing timber has a long history in New Zealand), the current specifications are overly complex and inconsistently applied leading to confusion and higher costs for the industry and consumers.
- Trade barriers in overseas markets, both tariffs and non tariff barriers.
- Illegal logging particularly in Russia and parts of SE Asia and the Pacific.
- Market mechanisms which are preventing the renewal of standards causing engineers and specifiers to use alternative building solutions to wood.

... But with strong development potential

New Zealand’s climate and topography make it an ideal location for growing trees in record time and this provides a valuable resource for the processing industry. While in face of current challenges there is a growing trend to longer rotations, (i.e. forest owners delaying harvesting until trees are older), forestry remains on a pathway to growth. Longer rotations will also deliver higher quality wood. By 2015, annual harvest available for processing should expand from current levels to 30 million cubic metres, with a further possible increase to 40 million cubic metres by 2025.



Global demand for wood products continues to increase¹⁰, particularly in developing countries such as China and India which New Zealand is well positioned to supply. (Assuming the current credit crisis does not persist and does not cause structural damage to any of NZ's major markets).

China: 2007 – NZ\$452 million,	2006 – NZ\$404 million,	2005 – NZ\$322 million
India: 2007 – NZ\$ 75 million,	2006 – NZ\$ 53 million,	2005 – NZ\$ 41 million

*All forest products – NZ exports*¹¹

The share of production from certified forests is also increasing as more affluent and environmentally aware consumers pay more attention to the origin of the products they buy.

Of NZ's 1.8 million hectares of production forest, 776,352 hectares were FSC certified as at March 2008¹². This trend is complemented by increasing efforts being applied to curb the flow of illegal logging and, by both retailers and government, to introduce timber procurement policies.

The outlook for log prices in New Zealand's main markets is positive. Constraints on native forest production and competition for land from agriculture are already impacting supply. The continued phase-in of the Russian log export taxes, with a final large increase scheduled for January 2009, will put upward pressure on log prices in all New Zealand's log markets. Furthermore, demand for New Zealand logs has been growing in the Chinese and Indian markets. This demand is expected to continue as these economies continue to grow.

The forest industry already generates a significant portion of its energy needs from wood waste. However, there is potential to greatly increase energy production from carbon neutral, sustainable wood products. Assigning a carbon charge to competing energy sources (coal, gas, etc) would greatly enhance the competitiveness of wood waste. Additional investment in research is also required to develop, optimise or enhance energy options.

The role of government

To fully address the issues identified in the Industry Strategic Plan there needs to be a focus on those areas strongly influenced by government policy and action – both here in New Zealand and in the many export markets targeted to buy increasing volumes of New Zealand wood products. Constraints on native forest production and competition for land from agriculture are already impacting supply. Full achievement of the industry's vision for growth requires the industry and the government to work closely together to address

The industry is not looking for hand outs. It is looking to the government as a partner in its future growth in those areas where there are identified positive externalities for the national community and the economy. Above all it looks to the government to apply policy in a consistent manner, ensure equitable treatment between sectors and adhere to market based signals to provide the appropriate incentives for the industry to respond.

... through the Forest Industry Development Agenda

The industry has a strong track record of close co-operation with the government.

The Forest Industry Development Agenda (FIDA) commenced in April 2005. FIDA committed the government and industry to investing \$23 million over five years to develop the industry. Funding has been allocated in the areas of market access, market development, bio-energy and skills. FIDA is

¹⁰ In 2004, trade in industrial roundwood was 120 million cubic metres or about 7 percent of global production, with a value of US\$327 billion. Each of these figures established records for trade in the forest sector: FAO – State of the World's Forests 2007

¹¹ MAF – Statistical Release: Exports of Forestry Products

¹² NZFOA NZ Forest Industry Facts and Figures 2007/08



governed by a Steering Group with representatives from both the government and industry. In the middle of this year a new industry strategy was developed to further guide this work.

With a year still to run, FIDA has been extremely successful and includes the following initiatives:

- Timber design partnership positions
- NZ Wood Promotion
- Domestic promotional programmes around Glulam and Solid Wood Buildings
- Bio-fuel production potential.
- EECA wood bio-energy initiative
- Establishment of RADI training centre in Rotorua
- Methyl Bromide recapture and alternatives investigation
- Industry support of LULUCF negotiations for the post-2012 era
- Drug and Alcohol Code of Practice
- Forest pest and pesticide research
- Farm Forestry alternative species
- Future Forest Research (FFR) – forest establishment research and development
- Solid Wood Initiative (SWI) – a research consortia around primary and secondary processing
- Harvesting productivity and environmental research and development
- Forest Health System review modification
- Ensuring international third party environmental certification policies and standards are compatible with New Zealand plantation forestry management
- Douglas fir promotional campaign
- Environmental Code of Practice
- Log truck - weights and dimensions – Ministry of Transport trials
- Review of timber standards
- Input to review of China Fire Code

Further information is available on the FIDA website <http://www.fida.org.nz>

The forest and wood processing industry strongly supports such a co-operative approach to its future development. Ongoing funding similar to the existing FIDA initiative, which expires in 2009, is an important factor in the forest industry realising its considerable potential in the New Zealand economy. The document “NZ Forest Industry and Government: Joint Collaboration in Areas of Common Interest 2009-2014”, currently with the Ministry of Agriculture and Forestry, presents potential areas of collaboration between industry and government to maximise the New Zealand forest industries potential from next year onward.



... through policies that are equitable across industry sectors

To allow forestry to achieve its full potential the government must form and apply policy in a consistent manner, ensuring equitable treatment between sectors allowing the market to provide the appropriate incentives for the industry to respond.

Compared to competing land uses, forestry is usually much more sustainable, impacting on the land and downstream values in a beneficial manner. However, forestry's positive environmental footprint has occasionally been abused, by restricting existing forest land use future options. i.e.: forcing forest land to remain in forestry, although a better land use is available or desired by the landowner. This results in the following negative outcomes:

1. New forest investment is restricted as investors become concerned that by investing in forestry, future land-use options are restricted
2. Existing polluters are subsidised by non-polluting neighbouring forestry land-use, giving no incentive for polluters to improve.

There are large areas of hill country erosion in both the North and South Islands. Over 200,000 hectares in the North Island has a mapped erosion severity of severe, very severe or extreme. In the South Island over 100,000 hectares is rated severe, very severe or extreme.¹³ Putting this land into some form of forestry offers the opportunity of a productive land use, sequestering carbon, while protecting off site or downstream environmental values. However, only New Zealand's major forest owners have the expertise and infrastructure to successfully manage land preparation and planting programs of this scale.

....through support of innovative R & D strategies

Industry supports the concept of "Research Platforms" including one for Forestry and Wood Products.

The industry strongly advocates for a new "Integrated Landuse Platform" focussed on the development or improvement of existing data and its integration into new innovative tools for assessing the full suite of economic and environmental services pertaining to primary land use. The industry through Future Forests Research has found considerable support for this notion amongst Crown Research Institutes, Regulatory Bodies and the industry. It is clear to industry practitioners that many of the policy and economic distortions faced by this sector arise because there is insufficient information or tools to inform the wider community and regulators of where the true balance of costs and benefits of various land use options fall.

Bio-fuel / bio-energy production potential. The forest industries generate a renewable energy resource alongside their core business of growing and processing timber. Scion and an EECA funded initiative are working with government and industry to promote the use of biomass - wood waste from forest operations and wood processing - as carbon-neutral energy sources.

¹³ Hill country erosion: a review of knowledge on erosion processes, mitigation options, social learning and their long term effectiveness in the management of hill country erosion. Landcare Research 2008.



Enhancing international competitiveness: a 10-point agenda

To continue to succeed in the highly competitive global forest products business – often against overseas suppliers who receive government subsidy and protection, are located closer to markets and have lower cost structures – it is essential that New Zealand remains an internationally competitive location to grow wood fibre, manufacture wood and paper products and develop associated technologies and services.

The following 10-point plan sets out actions which the industry considers to be of paramount importance to enhancing the forest industry's global competitiveness and accelerating investment in wood processing and technological development.

Issue	Outcomes sought
Industry government engagement	Continue the strategically focused, coordinated “whole of government” / “whole of industry” Forest Industry Development Agenda (FIDA) as a high level interaction between industry and government including funding for market access and development, wood design, skills and bio-energy. Continue to develop an environment that gives appropriate recognition to the environmental public good benefits delivered by forests and wood products consistent with government objectives in this area
Research, science and technology	Develop a more innovative research and development regime including tax incentives and depreciation rates. Support for the concept of “Research Funding Platforms”, including a new platform for “Integrated Land use Technology
Climate Change Policy	Implement changes both internationally and domestically to forestry rules to: - remove the instant oxidization rule applying to forestry - provide market incentives for new planting - provide adequate compensation to owners of forests planted before 1990 for the restrictions placed on them - provide equitable treatment across sectors - promote the uptake of new climate-friendly technologies - respect private property rights - recognise the carbon efficiency gain already achieved in the wood processing sector - allow forest offsetting under conditions that are at a minimum carbon-neutral and bio-diversity neutral
Resource management	Reform the Resource Management Act to - address a fundamental imbalance between economic/environmental concerns - provide for less discretion on the part of local authorities, more national standards and greater certainty of process - develop a mechanism to allow the rationalization of land use in erodible hill country. Provide incentives to attract major forest owners to invest in these areas (only major forest owners have the expertise and infrastructure to carry out large scale planting operations in inaccessible, remote areas)



	- Provide compensation to landowners when public benefits are required from privately owned forest assets (eg carbon, biodiversity, water, nitrate, recreation, landscape) - Develop market-based solutions to reward positive environmental externalities
Illegal logging	Explore regional approaches to address illegal logging and introduce proof-of-legality requirements for all forest products
Taxation	Reduce the corporate tax rates and introduce accelerated depreciation for large scale, capital-intensive projects. This will ensure companies have the funds available to invest in added-value wood processing
Biosecurity	Maintain strong investment in biosecurity controls and responses to incursions and potential incursions moving responsibility for cost-sharing to shippers and importers, including tourism, moving risk management offshore where possible, and provide funding for "solutions oriented" biosecurity research
Infrastructure	Continue investment in transport and energy infrastructure through: - an equitable funding mechanism, and planning and management structure to deliver a cost effective and safe transportation infrastructure, especially in new forest regions in line with expanding harvest timelines - introducing changes to vehicle weight and dimension requirements to ensure international competitiveness while concurrently improving environmental outcomes and, at a minimum, maintaining safety requirements - a forward-looking energy strategy that will ensure the wood processing industry's expanding energy needs are met and that creates an environment conducive to the magnitude of the investment commitment associated with large-scale wood processing. Rationing power through pricing severely limits an industries international competitive position - energy markets that provide appropriate incentives for the development of energy derived from woody biomass. A carbon market that assigns costs for carbon release during energy production would encourage investment in carbon neutral energy options such as the use of bio-mass for the direct production of energy or liquid fuels
Market access	Continue to seek open international markets through the World Trade Organisation (WTO) and bilateral free trade agreements (with the United States as highest priority): this includes tariff elimination and action to address non-tariff barriers
Skills and training	Maintain funding for skills and training initiatives including apprenticeships and adult apprenticeships with a focus on continually improving the quality of training outcomes. Training funding not directly tied to NZQA qualification achievement, to allow targeted training initiatives for those unlikely or unable to achieve National Certificates. Continued focus on numeracy and literacy. Support for FITEC's initiative as the industry's training organisation

