

FORESTWOOD 2016

OPENING ADDRESS BRIAN STANLEY, CHAIR, WOOD COUNCIL OF NZ

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Kia ora tatou

My name is Brian Stanley, chairman of the Wood Council of New Zealand.

I extend to you all – especially our special guests – a very warm welcome to ForestWood, the pan-industry conference we hold every two years.

Our hosts today are the Forest Owners Association, Wood Processors and Manufacturers Association and the Forest Industry Contractors Association, with support from the Wood Council and the NZ Farm Forestry Association.

Our hosts are also partners in the Wood Council, which represents the common interests of the forest growing and wood processing sectors.

We work together on major policy issues, we convene the highly successful Timber Design Awards and we communicate the benefits of the forest industry to the wider public through NZ Wood. Some of the latest NZ Wood promotional banners are here today and you may have noticed the big screen NZ Wood advertisements at Auckland and Wellington airports.

We also have a Strategic Action Plan, which I will discuss later.

Some recent history

In 2014, our then chair Bill McCallum highlighted several issues facing our industry. They were forest safety, market access, building standards and sustainable land use.

In 2013, we were facing a crisis of public confidence because of the incidence of serious injuries and death in our forests. So what did forest employers do in response to this?

They took responsibility and ownership of the issue, and took action.

As a result, the death rate in our forests has fallen dramatically and the serious injury rate has halved.

I don't want to make it sound like the job has been done or that we should rest on our laurels. Nor do I want to minimise the fact that two people have died in our industry in the last month. My thoughts are with the bereaved families and those that worked alongside those two people.

There is only one way to prevent similar tragedies in the future and that is to reduce the serious injury rate to zero. Fiona Ewing of the Forest Industry Safety Council will be telling us this afternoon what needs to be done to achieve this objective.

But I do want to make the point that this was a case of the industry taking ownership of an issue, taking advice and changing its behaviour. Just think what we could achieve if we applied the same collective effort to the industry's other challenges and opportunities.

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There is, however, an important difference between safety and the other issues highlighted by Bill. Unlike safety, market access and building standards are totally in the hands of the government, as is environmental regulation.

In recent months I have been very pleased to hear government ministers speak positively about the importance of our industry to the economy. Ministers are also being increasingly consistent in their message that New Zealand has to take carbon emissions seriously.

These initiatives and statements of intent are important and well-meant, but unfortunately they do not address the Big Picture.

And if we look at this picture we see a tilted playing field. A playing field that is seriously tilted against the interests of our industry, both in overseas markets and in the treatment of forestry as a land-use here in New Zealand.

Market access

Today we have released an independent report on the non-tariff trade barriers that face our industry.

To strip the message in this report down to its bare essentials, the focus of successive governments on lowering tariffs on international trade has achieved little for our industry.

And why is that?

First, because our trade negotiators have made little progress in reducing tariffs on processed wood products. Second, because while the government has been focussing on tariff reduction, behind their backs there has been a steady growth in non-tariff barriers.

Non-tariff barriers are extremely difficult for our exporters to overcome and tend to be more effective as barriers to trade than a simple tariff. Indeed, in many cases this is the true intent of those non tariff barriers.

If free trade agreements and friendly relationships with other countries are to count for anything, both parties need to act in good faith.

In this respect China is a priority, particularly with the pending review of the China FTA.

New Zealand mills compete in China and third markets with Chinese-manufactured radiata pine products which are hugely advantaged by government subsidies, variable value added taxes and other measures.

When you look at all these interventions it becomes clear, from the point of view of our industry, that we don't really have a free trade agreement with China. Yes, the duty rates on our exports of raw logs are low, because that meets China's need for raw materials.

But what about New Zealand's needs? We need to add value to logs by manufacturing high-value wood and paper products at home. Yet the free trade agreement with China does not address that need. From my standpoint it's all very one-sided.

Now, I have highlighted China because it's by far the world's biggest market for logs and wood products. But be in no doubt, we face similar challenges in other important markets like South Korea and India.

Illegally Harvested Wood Products

Another major – and some would say the biggest – challenge to the integrity of world markets for wood products is the trade in illegally harvested wood products. This is a slow-rolling human and environmental catastrophe that also undermines markets for high-integrity wood products from New Zealand.

Our industry has done its best to differentiate itself from this trade. The Forest Accord commits our forest growers to sustainable wood production from plantation forests. About two-thirds of our forested area is certified with the Forest Stewardship Council.

However, these measures do not protect us from laws intended to shut down the trade in illegally logged wood products. Clearly, we need to mirror Australia and other countries that share our values, by putting in place laws to ensure that these products cannot be imported or sold in New Zealand.

This, at the very least, would help to clarify the obligations (and reduce compliance costs) of New Zealand exporters under the Australian Illegal Logging Prohibition Act.

The Wood Council has tried to convince successive governments to introduce such legislation without success. I ask, in all seriousness for the present government to reconsider this.

Indeed, I throw down a challenge to the government to show international leadership in this area, leadership which would further burnish our country's reputation as an ethical player, while also having benefits for our forest product exports.

Building standards

Some of the biggest opportunities available to our industry lie in engineered wood products. These enable architects to create buildings with wider spans and a smaller environmental footprint. In Europe, Canada and even Melbourne wooden skyscrapers are capturing the imagination.

Yet, while the latest BRANZ statistics show that timber framing still holds 95% of the domestic framing market, the use of engineered timber in commercial buildings in the Christchurch rebuild is depressingly low.

Clearly the government needs to put more energy into reforming the NZ Standards System, lowering the high cost of standards' revision and reducing the timelines needed to get innovative building products into the system. This is critically important.

Let me very clear here, we are not asking for standards to be any less robust than they are now. They need to be robust enough to be accepted as equivalent to local standards in overseas markets.

Here again, the government has more work to do, especially in China which has largely adopted North American standards as its own. This too acts as a non-tariff trade barrier working against our sawn timber and engineered wood products from building a bigger beachhead in China.

Sustainable land use

If non-tariff barriers, tangled up with incompatible building standards, act to tilt the playing field against our value added exports in world markets, at home the playing field is tilted by environmental policies that favour intensive livestock farming over forestry.

Fifty years ago we didn't know about anthropogenic climate change, or the impact on our rivers of diffuse pollution from intensive livestock production. Nor was there much thought given by the governments of the day to the long-term implications of their encouragement of radiata planting, right down to stream edges, on steep eroding hill country on the North Island's East Coast.

Today we know about these things. But the difference is that the forest owners and contractors of today are finding creative solutions to the unwise planting decisions of the past – funded largely from their own pockets. Our pulp and paper mills have made a huge investment in cleaning up their effluent discharges.

Contrast this with the mooted \$7 billion bill to clean up the Waikato River – mainly from diffuse pollution from intensive livestock farming – that is going to be picked up by the taxpayer. I am not anti-dairy – they too have a right to exist and I respect that right - but I am committed to the polluter pays principle – be it a point discharge polluter or a non point discharge polluter.

Not only does polluter-pays appeal to my sense of fair play. It also puts polluting industries on an equal economic footing with those industries that don't pollute or which pay, as they should, for their own pollution clean-up.

Clearly, the scale and speed of expansion of the dairy industry that we have seen in the last decade would not have occurred if it had had to pay the environmental costs of its nitrogen and methane discharges.

Which brings up the subject of the NZETS, our country's response to climate change. To put it bluntly, the NZETS has been a disaster for the forest and wood processing industries.

Since the NZETS was mooted, it has resulted in largescale deforestation, instead of the increased plantings that were going to buy time for New Zealand to transition to a low carbon economy.

For their part, wood processors have been unjustly penalised for being early adopters of sustainable energy generation. Most major mills had co-generation plants operating in 1990, the baseline year for the Kyoto Protocol yet this has not been recognised in the NZETS.

If New Zealand is going to have an ETS it can no longer be a eunuch. It needs to have its vasectomy reversed and be put to work. That means, if we are going to have a level playing field in terms of land use, emissions from livestock agriculture must be included. Neither the government nor the livestock agriculture industry can afford to remain with their respective heads in the sand on this issue. There are real and genuine alternatives to doing nothing.

We acknowledge that farmers are probably in no position to go cold turkey on this. But if 10 per cent of their emissions were included initially it would send a clear signal that off-farm emissions carry a cost which is borne by all New Zealanders. It would also, ultimately be reflected in the prices farmers are willing to pay for land, which in turn influences what can be economically grown on that land.

Looking At ourselves

Well, it's easy to find fault with others. So how are things cooking in our own kitchen?

One of the major reasons for the existence of the Wood Council is the industry's Strategic Action Plan. Drawn up in 2012, it set a target of trebling the industry's exports to \$12 billion by 2022.

Achieving this is going to be a challenge. A potential new state-of-the-art kraft pulp mill that was a key to achieving the \$12 billion target has not eventuated and if a decision was made tomorrow to go ahead with such a mill, it would be at least six years before it was operating.

But a good sign is the increasing proportion of logs processed in New Zealand, despite some high profile mill closures. This is probably the result of major investment by Oji, Red Stag, Lumber Cube, Pan Pac and others. But it would be dishonest to attribute their investments to the Wood Council's Strategic Action Plan.

Their investments will continue to increase the proportion of wood processed in New Zealand, add strength to our regional economies and provide high quality jobs. Statistics NZ figures show that wood processors are the country's biggest investors in technology.

Getting more local and international companies to invest in wood processing, will require greater certainty of long-term wood supply. In other words the forested area needs to stop shrinking and start growing.

To achieve this, forest growing needs to become fundamentally more profitable than it is now, relative to other land uses. While the government has a major role to play in this, by helping to level the playing field, forestry – like all industries – has to continually improve its productive efficiency in order to stay competitive.

So it is very heartening to see the Forest Growers Levy Trust steadily increasing its investment in research that will make new and existing forests more productive and profitable.

Researchers are looking across the regions at why some forests are growing at much less than their productive potential, along with ways to bridge the gap. Meanwhile a series of long-term "Accelerator trials" will find out how to maximise the productivity of radiata pine without compromising the environment or wood quality.

Last week we heard that government and forest growers are co-funding the Specialty Woods Research Partnership, a major seven year project to explore the market and production potential of species other than radiata pine. This exciting project has the potential to reduce the risks associated with being heavily reliant on a single species, add value to our exports and provide growers with alternative species for sites that are unsuited to radiata.

These are all examples of things that the industry is doing for itself. But we can and need to do more. We need to demonstrate real industry leadership. We need to see far more NZ Inc thinking in the industry. We need to see more collegiality, inclusiveness and collaboration throughout the industry. We must learn to avoid the counterproductive "dog eat dog:" mentality we so often see in the industry.

The forest industry is a long term game. We are here for the long haul so we must learn to stand in the shoes of our customers and understand what it is they want from us over the long term if we are to foster and grow the industry to its fullest potential.

As the new chair of WoodCo I will, along with our member associations, revisit our Wood Council Strategic Action Plan. It needs to be recrafted so that it focusses on those things that we as an industry have the power to influence.

It needs to define clearly what we can reasonably expect from government and what government can reasonably expect from us. There needs to be action points and timelines that we measure ourselves against.

We are the third biggest export industry, we have global scale, we are sustainable, we combat climate change, we make great use of technology, we provide tens of thousands of New Zealand families with great jobs and there is the potential to do so much more. Yet for all that we are doing now and will do in the future we are largely silent and unsung. That needs to change. We do have a great story to tell.

I therefore ask everyone in this room, when you go home after this conference, that you take every opportunity to stand up as an industry leader and to be a public advocate for your business and your industry within your community.

The NZ Wood promotions and the NZ Timber Design Awards are going from strength to strength. But they can only do so much if you are silent. People in your community need to know who you are and what you are doing. They need to know the important part your business plays in their lives, economy and environment.

Let's go do it!

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