

Looking for Direction

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I would have guessed, that at the end of the recent NZIF Annual Conference, the word which would summarise the feelings of most people would be "sobering", particularly after the second day on financial risk assessment. We heard a lot of things about the forestry sector globally, and about the sector in New Zealand, which did not leave you with a sense of optimism.

The tenor of what we heard at the conference though, is perhaps indicative of a wider state of affairs in the industry. One can sense these days an underlying and somewhat pervasive malaise in the forestry sector. The disappearance of the Ministry of Forestry, the winding up of public involvement in indigenous forestry, continued rounds of layoffs, musical chairs and asset sales in private sector restructuring, and a prolonged downturn in forestry markets, seem to have had a significant impact on almost everyone. In some ways, the malaise could reflect the fact that much of the change in the sector seems to be based on what organisations or individuals "are not", rather than what they "are". This in turn fosters the sense of moving sideways, if not backwards, rather than moving forward.

The Government's involvement in forestry is a prime example. Many of the functions of the former New Zealand Forest Service and Ministry of Forestry have almost disappeared (or at least have appeared to). The forestry activities that you do see MAF now involved in seem to be restricted to trade development, collection of some statistics and border control activities. The current situation, of having a single Government department being managed by two Ministers, one for Agriculture and the other for Forestry, only adds to the sense that forestry is disappearing from the agenda. This is particularly so given that the reason we do not have a single Minister for MAF is that the Minister of Agriculture resigned from his forestry roles in a disagreement over Government policy regarding indigenous forestry.

The only purposeful forestry policy evident in the Government is that of exiting indigenous forestry on public lands. That process itself shows no sign of being anything other than a move backwards across a range of fronts. We have had a legislated dumping of the West Coast Accord, and a dumping of the RMA process for Timberlands' beech scheme resource consent. Most recently, we have had an 'independent' review panel set up by the Minister for the Environment (not Forestry) to look at the future of Timberlands' indigenous estate, with its outcome, addition to the DoC estate effectively pre-judged by the Minister responsible. Once this process is finished we will be back to the non-policy of not providing resources to managing the nation's public indigenous estate.

Other than the Timberlands focus, there is no sense of direction or policy on forestry from the Government. The extent of forestry's lack of direction within the Government is such that at a recent meeting, the Minister of Forestry presented to the audience what was in effect a request to tell him what the role the Minister of Forestry should be in today's environment. Perhaps some would argue that the Minister

should not be too worried about having a policy or worrying about his role, continuing the idea that forestry today is solely a private sector concern. Others would perhaps argue that the scale of forestry across the landscape, and its potential for growth, means that it will always have a public element that requires a policy.

The private sector does not appear to be much better off. The predominant form of direction in the sector tends to show up only in the context of major asset sales, retrenchment programmes or restructuring. Rounds of restructuring to form new business units or profit centres, perhaps due to the frequency with which they occur, have done little more than give the impression that no one is sure about how to go forward. Private sector organisations try put a positive spin on changes by casting them as, "focussing on core business(es)", yet what remains in the public eye is a sense of moving sideways or backwards.

Take for example, CHH's Millenium forestry programme, which for many reasons has ended up looking like nothing more than a cost-cutting programme rather than a progressive change. Fletcher Challenge's recent sale of its pulp and paper group is the final step in a process which saw the company build a diversified international presence in forest products, particularly Canada, only to gradually unwind most of it and then sell what remained. In essence FCC looks to be back where it started. In many ways it is like the collective forestry sector has lost direction and is having a hard time finding a sense of purpose or way forward. The key though is to realise that this is a perception, and a perception is only that, and not necessarily reality. There is a difference between a perception being a realistic appraisal of a situation, and becoming a victim of a perception and thus making it a reality.

While the events that dominate the news and our perceptions are not trivial, they are also only a fraction of what the sector is all about. There are many smaller things happening, which individually do not get much publicity, but which collectively show a sense of direction and optimism. New technologies that increase our ability to add value to wood, or to extend the uses of wood, are emerging all the time. Two new, export-based LVL mills have been announced in recent months, and many sawmills are upgrading and increasing capacity. Marketing initiatives like Wood New Zealand have emerged. The 'buzz' seems to be back in the afforestation business, with an increasing interest in forest investment.

Rather than being captured by a perception that leads to malaise, there needs to be a conscious effort to look for the bigger picture. You don't need the infectious enthusiasm of Wink Sutton, but it helps because it focuses on what forestry 'is'. One simple way that the Institute and its members can be part of the bigger picture is by addressing the Government's 'non-policy' towards forestry. The NZIF already has an indigenous forest policy and a broader forest policy proposal has also been presented to the membership. Individual members should watch for discussion of this proposal at local section meetings and make sure that they participate.