

Rectifying bad forest governance in New Zealand

Hamish Levack¹

Paper presented to the New Zealand Institute of Forestry Conference, Wellington NZ, April 20 to 23, 2006

Abstract

The development of New Zealand's dysfunctional and worsening forest governance over recent decades is explained. Currently native forest ecosystems are not being managed sustainably by an under-resourced Department of Conservation operating under an inappropriate Act. Agriculture, unlike forestry, tends to have harmful off-site environmental effects and competes with forestry for land, labour and resources, but Government forest policy is generated largely by a Ministry that is dominated by agricultural interests. This has contributed to unwise outcomes such as Government's unworkable current climate change policies.

Soil, water, nature conservation, carbon sequestration and other benefits have been delivered incidentally, (although not always in the right location or the right quantity), by private forests which have been established and managed primarily to yield commercial timber, but now that afforestation is no longer perceived by investors to be sufficiently profitable, the production of these vital forest co-products will diminish. This, together with the market failure that always existed for such values anyway, brings the need for Government intervention and support for forestry strongly into focus again.

An effective, unified, institutional framework for multi-functional forestry, (essentially a new Forest Service), needs to be reassembled which, apart from overseeing the management of Crown-owned native forests and other Crown residual forest interests, has the mandate to monitor and research the multiple social, economic and environmental benefits conferred by forests, raise public awareness, and where appropriate advise Government on ways of raising the level of effectiveness of investment in forestry. Government intervention needs to be holistic. The use of free market or semi-market solutions such as extending contestable grant systems, or creating a domestic market for the trading of carbon credits or biodiversity units are valid ways of achieving this.

Forestry in New Zealand is suffering from bad governance.

Many forests around the world are over-exploited and are being converted to non-sustainable land uses because of inappropriate incentive structures, inadequate legislation, poor monitoring and lack of remedial action. As Jarrod Diamond, Tim Flannery and Ronald Wright in their recent bestsellers "*Collapse*", "*The Future Eaters*" and "*A short history of human progress*" explain so well, whole societies have disappeared as a result of the absence of good forest governance.

While we are not quite at a point of imminent total forest loss in New Zealand warning bells are ringing.

One disturbing fact, that should not be ignored just because it has been going on for a long time, is the continued degradation, i.e. loss of biodiversity, loss of biomass and increase in net carbon dioxide emissions, of about five million hectares of State-owned indigenous forest ecosystems in New Zealand.

Another worrying signal is the collapse in the annual net new planting rate. Stocked forest area is decreasing for the first time since records began being kept. This means that the incidental non-extractive benefits (such as soil and water values, carbon sequestration and enhanced biodiversity) that have been produced as incidental by-products of forests commercially planted to produce timber are diminishing too.

Serious erosion on the Manawatu-Wanganui hill country and downstream destruction caused by the February 2004 storms highlight the inadequacy of New Zealand's forest governance. Steps should be being taken

to encourage the conversion from pasture to forest on these, and hundreds of thousands of other, hectares of land at risk but nothing is happening.

Why is Government's involvement in forestry so dysfunctional?

Our poor forest governance is linked to a number of things including the facts that

- (a) There are too many Government agencies involved with aspects of forestry, and sometimes these agencies are responsible to several Ministers, compromising accountability and responsibility.
- (b) Some of the agencies operate under defective legislation.
- (c) Essential services, including forest facilitation and the raising of public awareness about the benefits of forestry, which used to be carried out by Government, no longer exist.
- (d) Current policies actually discourage tree planting.
- (e) Fragmented responsibility does not facilitate integration, consequently there is a lack of any overarching strategy.

What did New Zealand have before?

From 1921 to 1986 we had the New Zealand Forest Service (NZFS), an internationally-admired and unified forestry institution. It controlled nearly three million hectares of forest land and over half a million hectares of exotic plantation forest. It employed over 7000 people and had responsibility for managing all state forest resources, planning and undertaking the development of new state forests, protecting forests from pests, diseases and fire, carrying out research and training to advance the forest industry, carrying out a range of regulatory functions,

¹ Hamish Levack is a forest owner and registered forestry consultant.

engaging in saw-milling and fostering the effective utilization of forest produce.

Nevertheless the NZFS was also constrained by unhelpful forest governance; in particular it was obliged to operate under timber price control. Saw millers, that often provided significant employment in otherwise deprived regions, had a tradition of being able to purchase cheap native timber. These millers applied pressure on Government politicians, who in turn continued to require the NZFS to sell wood at low prices. To break even financially, the NZFS had to use large scale, high impact, high production methods which effectively meant the progressive destruction of native forest eco-systems. By the late 1970s and early 1980s conversion of native forests to exotic plantations, or even to just substantially modified native forest ecosystems, had become unacceptable to most new Zealanders. At the same time it was perceived that there would be net advantages if several of Government's plantation forests were sold to the private sector. Furthermore not only did the NZFS badly need management reform, but so did the entire economy.

The 1984-1999 macro reforms gave some benefits to the forestry sector.

- The macro reforms between 1984 and 1999 provided the forestry sector with several benefits, i.e.
- Timber price control was lifted and as a consequence log prices rose.
- With the removal of featherbedding, labour and transport costs were reduced
- The effects-based Resource management Act (RMA) allowed forestry investment on land previously deemed 'too good' for it
- Interest and inflation rates came down
- Land prices dropped with farm subsidy removal
- Machinery costs came down with tariff removal

So why did things go so wrong?

The NZFS's functions and resources went to a variety of different Government agencies. Some of the functions and services that the NZFS had provided were even dispensed with altogether.

By 1997 half a million ha of State plantation had been sold off in the form of long term Crown Forest Licences (CFLs). This may not have been wise. Although from a strict commercial perspective good sale prices were obtained for the CFLs, (log prices having dropped steadily since 1997), flexibility was lost e.g. previously, the regional wood supply could be controlled via the large NZFS resource and timber reserves could be built up to say reach the scale necessary for sustaining a Kraft Mill. Furthermore the value of these CFLs as carbon sinks, sources of bio-energy and off-site environmental benefits were not properly appreciated at the time of sale. (Many CFLs were sold without replanting covenants.)

Today, components of what used to be in the NZFS are found in a number of agencies including the Department

of Conservation (DOC), the Ministry of Agriculture and Forestry (MAF), Timberlands West Coast (TWC), research organizations called ENSIS and Landcare, the CFLs, various training institutions, and the National Rural Fire Authority. Some of these organizations may be providing relevant services more cost effectively than the NZFS did. However by trying to set-up new agencies with single objectives, (which by the way was never fully achieved), rather than agencies that recognize the multi-functionality of forests, future trouble for the forestry sector was created, including:

- A strong voice for forestry that had a mandate to be concerned with the whole sector was lost, and
- Forest policy making capacity was divided and diluted, often to the point of ineffectiveness.

Defective legislation and defective management of State owned indigenous forests.

The 1991 Resource Management Act (RMA) and the amended 1949 Forests Act, both of which are about sustainable management, have no standing against a 1987 Conservation Act, the principal objective of which is preservation of forest ecosystems. While the DOC has sufficient funding to achieve "preservation" over perhaps 2% of the area under its control, by effectively doing nothing but locking up the remaining 5 million or so hectares of state indigenous forest it is failing to preserve the dynamic ecosystems within them. There is no substantive monitoring of floral or faunal population trends other than the taking of satellite imagery which so far has been un-calibrated by field surveys. However given the known damage being done by possums, deer, goats and other introduced pests, it can be safely assumed that the ecosystems within these 5 million hectares are continuing to degrade. Furthermore New Zealand is failing to comply with its obligations to manage these five million hectares sustainably as signatory to the 1992 Rio Declaration on Environment and Development, to the 1995 Montreal Process and to various other UNCED initiatives.

Neither the RMA nor the 1987 Conservation Act caters for the problem of the globalization of biodiversity impacts. Between 1994 and 2003, native timber harvesting in New Zealand declined by 75%, while the value of imported timbers increased by over 400%. Most of the 400% is known to come from cut-out-and-get-out forestry operations in tropical forests of Asia-Pacific where the impacts on biodiversity are serious. Compared with a policy of sourcing New Zealand's specialty wood needs from the sustainable management of its own indigenous forest, this represents a global net biodiversity loss.

A solution would be to amend relevant Acts to require imported timber to be certified as coming from sustainably managed forests and to reinstate the sustainable harvesting of appropriate State-owned indigenous forests to produce certified timber. Such verification could be made legally enforceable, through an amendment to the Forests Act to require certification for all imported wood and wood products.

The Climate Change Response Act does not recognize the need to maintain biomass in State-owned native forests and needs to be modified accordingly. (This act also needs to be modified to encourage people who grow forests to access at least part of the value earned by their stored carbon.)

Timberlands West Coast Ltd (TWC) has demonstrated that profitable and sustainable indigenous ecosystem management is feasible, but sadly for reasons of political opportunism these techniques have been rejected.

In 1990 a state-owned enterprise, TWC, was set up to manage State-owned native production forest on the West Coast. Although it was charged with managing its forests on a commercial basis, TWC was also constrained to manage the indigenous forests such that the forest ecosystems that were involved would be sustained. TWC was able to do this because of the removal of timber price fixing. By 1999 prices for large old growth rimu exceeded \$500 a tonne, which was around 20 times higher than was yielded in NZFS days. These higher timber prices meant that low impact helicopter harvesting could be afforded, allowing the forest's species composition, structural and spatial composition, and most of its biomass to be retained making a harvested area almost indistinguishable from the surrounding unmanaged conservation land. It also meant that that appropriate pest management became affordable resulting in better natural regeneration and increases in indigenous wildlife, including native birds.

At this point TWC announced its intention to extend its native forest management systems to 45,000 hectares of beech forest, as enabled under the West Coast Accord.

This enraged the vocal and influential preservationist movement which was, and still is, incessantly expounding the myth that harvesting timber from the forest, and protecting it, are mutually incompatible alternatives.

In order to win this populist preservationist vote the Labour Party shut its ears to the views of people most knowledgeable about forestry in its own camp, such as Jim Sutton and Damian O'Connor. The Labour Government also ignored the technical views of the Parliamentary Commissioner for the Environment, the Royal Society of New Zealand, the NZIF and reputable New Zealand academic ecologists, conservationists and forest modellers, all of whom supported TWC's proposals.

TWC was poised to get the necessary local authority consents to proceed with its beech forest management proposals and was confident that they fully complied with the objectives of the RMA which was designed to provide a framework for transparent, legally supported, public and community resolution of environmental and resource use issues. However Government insisted that TWC withdrew its applications for consent and that TWC stop the harvesting of timber from State-owned indigenous forests. Considerable future revenue was lost, social compensation was necessary but the greatest cost of all has been the inability of DOC, which inherited the relevant forests, to fund forest pest control at the level TWC had been able to,

i.e. generating the perverse outcome of reversion to ecosystem degradation.

The drop in planting rates over the last 13 years is a policy disaster.

By the early 1990s Government was confident that its macro reforms would ensure ongoing new planting at a rate of more than 50,000 ha p.a. In fact in 1993 the new planting rate rose to 98,000 ha. However since then, Government stopped 'talking up' and facilitating forestry, and through its climate change policies implied penalties for future conversion of forest to pasture. This, together with a decline in log prices and an increase in farm produce returns, gave rise to a perception by land owners that forest investment would be too risky and insufficiently profitable. The outcome was a negative net new planting rate in 2005.

Should the user pay for external forest benefits received? (Of course they should.)

In the past users have paid for the external benefits of forests. In the days of the NZFS it was assumed that 'users' included all taxpayers. Effectively they funded the NZFS which planted forests like Aupouri, Taupo, Rotoaira & Mangatu primarily for soil and water conservation. Even after the NZFS break-up the National Government led the creation of the East Coast Forest Project (ECFP) in response to Cyclone Bola; a contestable grant scheme to plant unstable farmland on the East Coast. Perhaps too few politicians in parliament understand the need for forestry today, or maybe MAF's advice to Ministers has been too poorly assembled and too weakly argued, but the current Government has so far refused to face this issue squarely.

The Ministry of Forestry (MOF) was originally set up in 1987 to take over all the NZFS's functions (except forest management), but was later merged with the Ministry of Agriculture and an independent Departmental capacity to advocate independently for forestry was lost.

With 700 staff, MOF originally had policy, forestry facilitation, consultancy, rural fire control, sector training, forest health surveillance, border control and research functions. Later it lost some of these roles but gained forest management on land leased from Maori.

It had direct access to a single (its own) Minister and was able to advocate independently for forestry but in 1998 MOF was merged with Ministry of Agriculture to become MAF and the forestry viewpoint was swamped. Only 2% of MAF staff time (border control excluded) is now devoted to forestry. MAF is not structured to look at relevant issues from a forestry perspective and forestry-trained professionals are not represented at top management levels. Furthermore Government connectivity with the Forestry sector and local authorities on forestry is now much worse than it was.

Why should Forestry not be in the same Government Department as Agriculture?

Unlike agriculture which is generally a polluter of the environment, forestry provides major soil and water, nature conservation, and other off-site environmental benefits.

Compared to agriculture forestry is disadvantaged because it has a much longer return on investment. Forestry often competes with agriculture for land, labour and other resources. Remember the pre-RMA days when the farmer-dominated district councils relegated forestry to marginal lands? Conflicts between forestry and agriculture such as these should not be resolved by public servants within a department dominated by agriculturalists otherwise good forestry policy advice is unlikely to emerge. Likewise it is not surprising that MAF has been largely responsible for developing Government's climate change policy, a policy that favours agriculture, a major green house gas emitter, over forestry, a green house gas sink, and shelters other competitors of the timber industry, such as the steel, aluminium and concrete industries from pollution costs.

On what principles should a new framework for better forest governance be based?

- Like privately-owned native forest ecosystems, State-owned native forest ecosystems should be sustained to comply with the RMA and NZ-agreed international protocols. (This means revising the Conservation and other Acts and acknowledging that sustainable harvesting of indigenous forest ecosystems and other management intervention is often needed)
- It needs to be acknowledged that the separation of indigenous and plantation forest management is illogical because both fulfil multiple functions
- Forest ecosystems should be monitored, audited and transparently reported on so that outcomes can be assessed at all levels to determine whether they are being managed sustainably and so that forest management can be adapted in response to the evaluation of the assessments.
- Public good services provided by private forestry should be identified and the community should be educated about these and where possible encouraged to be involved in the enhancement of them.
- Appropriate Government incentives to ensure the continued provision of public-good services from forestry should be devised and implemented.

How could we better structure our forestry governance framework?

Relevant international bodies recommend an effective unified institutional framework for forestry, and in fact all developed countries other than New Zealand have one.

This inevitably leads to the conclusion that we should reassemble a Forest Service by at least taking the forestry components from DOC and MAF, amending relevant Acts, allowing sustainable harvesting of appropriate indigenous forests, reinstating forestry facilitation, national and regional forestry planning, and strengthening capacity to generate good forest policy.

It may be wise to call it the Department of Conservation and Forestry (DCF), rather than reinvoking the name "the New Zealand Forest Service". Apart from avoiding giving

offence to aging protesters it needs to be signalled that the old NZFS is not being resurrected but rather that a different organization is being created.

The new organization would be different from the old NZFS in many ways. Probably most of its work would be contracted out on a contestable basis, and it may not include a border control, research, sub professional training or other functions that the NZFS used to carry out. In-depth analysis would be needed first before including such features.

However it is certainly envisaged that the new Department should strengthen Government's connectivity with the forestry sector, e.g. in partnership with organizations such as the NZ Forest Owners' Association and the NZ Farm Forestry Association it should participate fully, and where necessary lead in issues of vital importance to the industry such as generic marketing, forest certification, public education about the benefits of forestry, attracting investment for wood processing, and setting up an industry levy. It should also play a major part in developing Government interventions to kick start new planting again including, where appropriate, market-based mechanisms or contestable grant schemes.

References

- Diamond Jared: 2005: *Collapse – How Societies Choose to Fail or Survive*. Penguin
- Flannery T. F: 2001: *The Future Eaters*. Griffen Press Adelaide.
- Levack Hamish: 2006: *Forest Governance – What is it and does the market deliver it?*. *Proceedings of the NZIF conference 2006*.
- Levack Hamish, Poole Lindsay and Bateson Julian: 2006: "The Great Wood Robbery? Political Bumbling ruins New Zealand Forestry" Bateson publishing Ltd.
- O'Loughlin, Colin 2006: *Institutional Restructuring, Reforms, and other changes within the forestry sector since 1986*. A report for FAO . Pers comm).
- Salmond, Guy. 2006: *Statutory impediments to achieving the full benefits of forests*. *Proceedings of the NZIF conference 2006*.
- Westoby Jack: 1987: "The Purpose of Forests: Follies of Development". Oxford: Basil Blackwell Ltd.)
- Wright Ronald: 2004: "A short History of Human Progress": Text Publishing Melbourne Australia
- Whyte A G D and Poole A L: 2002: *New Zealand Forestry Politically compromised*. *Proceedings of the Commonwealth Forestry Conference 2002*.