

VOLATILITY STILL

In the four issues of Volume 32 various facets of the public sector restructuring, particularly those impacting on the forest industry, were discussed. Private sector forestry – the bulk of the industry – has also felt the keen edge of Government's economic reforms and the Journal has commented on some aspects of the industry's 'adjustments'. The recent somewhat controversial symbiotic association between NZ Forest Products and Elders of Australia will be discussed in the next issue – astute commercial manoeuvring, or New Zealand's bicentenary gift to the Aussies? Changes are occurring, or are imminent at all levels within the industry. Sawmillers and timber exporters in particular appear to be taking the most punishment.

The public sector, having weathered the turbulence of reorganization, is not yet out of the woods. Just as those remaining thought it was safe to snuggle back down into the benevolent bosom of the State, the one-time consensus-seeking Government has, in clandestine manner, fashioned the coup de grace to the public service – the proposed State Sector Bill seems set to send remaining government departments and the permanent heads the way of the Forest Service.

Ominous signs point to continuing severe problems in the sawmilling industry and timber exporting trade. Several commentators suggest that many enterprises will be unable to survive until Roger Douglas' deregulated bandwagon arrives at the promised nirvana of realistic exchange rates, lower inflation and reduced interest charges. The dramatic events of the last couple of days of January have left the industry – along with the rest of the country – feeling that Roger's wagon may well be about to emulate the earlier performance of his Ford Laser driving Leader and leave the track in an undignified fashion.

How then has the Forestry Corporation transformed the trading side of the Forest Service into a commercial organization which in its first six months of operation has been able to declare an operating surplus of \$24 million? Part of the answer at least appears to lie in the fact that something of a reversal of traditional roles has occurred – it is now the purchaser and processor of logs that appears to be the poor relative. Log prices have increased upwards of 20 per

cent, production costs are up, domestic demand has declined, and exports have fallen away – volumes by 30 per cent and prices by about 25 per cent. It is notable that even Forestry Corporation's sawmilling and marketing arm, Prolog, has declared an operating deficit of just short off a million dollars for its first six months of operation.

Declining competitiveness in the international arena must be of vital concern to the forest industry. The Chileans will, if they have not already, seize the high ground, consigning New Zealand

sawmillers to the slab heap. With forests about to blossom into maturity as never before, a thriving domestic sawmilling industry, competitive in off-shore marketplaces, is of prime importance. The forest industry, and the country, needs it. Roger Douglas must have it, for he has professed a marked reluctance to feel the eager bite of the docking saw just yet – despite the many hands willing to propel him in that direction.

John Halkett
Acting Editor

National Park Centennial 1887-1987

The Centennial Year extends from July 1, 1987 to June 30, 1988 and an extensive programme has been planned to ensure that the interests and enjoyment of all who wish to participate in the year-long celebrations will be fully satisfied.

New Zealand is a unique country and our National Parks do much to preserve the special qualities of our heritage. Together with all other protected natural areas they account for no less than one-quarter of the entire land surface of New Zealand.

Man has greatly modified much of the Earth's surface. Scientists are now pointing to the serious depletion of equatorial jungle forests, the impact of acid rain on Northern Hemisphere forests and fresh water fisheries, and increasing desertification in many countries – notably in Africa. It is not surprising that steadily rising levels of CO₂ in the atmosphere and depletion of ozone in the upper atmosphere are giving rise to unprecedented international concern about our biosphere.

New Zealand's location in the South-West Pacific (including its offshore management zone – the fourth largest in the world – and its sub-antarctic islands) makes this a significant part of Spaceship Earth. And apart from the Antarctic Continent this is probably the least modified region on the globe. An excellent post to conduct careful monitoring of the biosphere and elements relating to world-wide climate change (and supplement the increasingly effective surveillance from satellites with on-the-ground observations).

Our national parks provide collec-

tively a sensitive indigenous fauna and flora resource that will reflect minor but important long-term impacts on the environment and provide a key to climate change. The south-western part of New Zealand is fully ventilated to the regular onshore winds from the deep ocean air mass lying between Antarctica and Australia.

Early in 1987 the University of Canterbury in conjunction with the North Canterbury National Parks and Reserves Board conducted a wide-ranging week-long seminar on the topic, "100 years of National Parks in New Zealand". It was generally agreed that the day set aside for considerations of research in national parks was inadequate for detailed enquiry and highlighted the need for a general review on the adequacy of monitoring programmes – both physical and social.

Worldwide climate impacts in the next few decades are likely to be unprecedented in recorded historic times. It is therefore becoming vital that we more carefully monitor the biosphere – especially in those places least modified by Man and possessing a sensitive biota that will reflect small but significant changes to the global biosphere taking place in our generation.

This is but one outcome of the attention now being accorded the role of our National Parks in New Zealand at this time. New Zealand was the fourth country in the world to create a system of national parks. "The Gift" was bestowed upon the people of New Zealand by the paramount chief of the Ngati Tuwharetoa, Te Heuheu Tukino IV, in

1887, when his people gifted the sacred volcanic mountains in the centre of the North Island – the nucleus of today's Tongariro National Park.

The National Parks Act says of these and subsequent dedications: "to set aside lands in perpetuity as national parks, for their intrinsic worth and for the benefit, use, and enjoyment of the public, areas of New Zealand that contain scenery of such distinctive quality, ecological systems, or natural features so beautiful, unique, or scientifically important that their preservation is in the national interest".

Members of the National Parks Centennial Commission have been reminded of the relevance of the indige-

nous Maori culture in shaping our vision for the future in a spirit of genuine partnership as envisaged by the Treaty of Waitangi nearly 150 years ago.

New Zealand, the unique remnant of the ancient continent Gondwanaland, was particularly susceptible to the invasive exotic animals, plants and fire. We are fortunate to have today such a relatively large unmodified natural resource of protected natural areas. Unquestionably the presence of the beautiful and intensely interesting National Parks has been a major factor in the rapid increase in tourists – especially those coming from the faraway lands of Europe, North America and Japan.

Latest research indicates that 70 per

cent of all overseas visitors coming to the South Island include a National Park experience. A survey conducted for the Centennial Commission indicated that in the past two years only one-third of New Zealand residents reported a visit to one or more of our National Parks. It is hoped the Centennial Programme of events will widen interest materially in our unique heritage and encourage more to make a contribution to this ongoing act of stewardship for the benefit of all in the world-wide community.

These matters are of special interest to professional foresters and horticulturists, many of whom have been leaders in the 'conservation ethic' for generations.

Jolyon Manning

RECENT EVENTS

Forestry Corporation reports

The New Zealand Forestry Corporation has published an account of its operations since being born out of Government's restructuring of the public sector on April 1 last year. The report dwells heavily on the transformation of the exotic plantation and sawmilling activities of the former Forest Service into the new slimline Corporation – now acknowledged as being in the vanguard of Government's new SOE brigade.

Although the report has been heralded by Roger Douglas and others with an eye to the political main chance as vindication of Government's corporatization initiatives, it does not provide conventional financial accounting information. The reason for this, as the report indicates, is that the Forestry Corporation and the other SOEs are presently operating in a sort of suspended animation pending the valuation and purchase of publicly-owned assets. These tasks have proved somewhat thornier than initially envisaged – with the Maori Council winning an historic court battle to prevent asset transfer until Maori land grievances were on the table, with disputes between Government agencies on appropriate allocation of land to corporations, and with negotiations on the value of the assets to be transferred taking much longer than expected.

It would appear therefore that the Minister of Finance will really have to bide his time before the Forestry Corporation will be in a position to measure its performance and efficiency in acceptable orthodox terms. At that stage it will be easier to gauge the effectiveness of

Government's reforms – and a more appropriate time for Ministers to trumpet the success of their strategies; or to find someone to blame because the experiment went wrong!

In his prefacing remarks, Chairman Alan Gibbs reports that prior to the existence of the Forestry Corporation the Forest Service commercial activities were receiving a cash injection from Government of about \$35 million for a six-month period. In the six months since its formation the Corporation has shown a \$24 million surplus of funds from operations. Alan Gibbs states that this performance represents a \$59 million turnaround, with the same level of

wood production, and similar programmes of new planting and silviculture.

The secret of this change in cash flow lies at least in part in the drastically trimmed employment levels. The Corporation has a salaried staff of 660 compared with about 2000 employed in the commercial arm of the Forest Service. This saving in salaries alone is equivalent to \$44 million, or 20% of the revenue of the Corporation. The total number of staff and workers, including contractors, has been reduced from about 7000 to 2700. Alan Gibbs claims that this has been achieved without reducing logging activity and maintaining new investment



Timber stocks at Forestry Corporation's Prolog sawmill at Waipa.