

A Positive Future

In his guest comment in this issue our Minister of Finance, the Hon. Roger Douglas, emphasizes the tremendous potential of the forest industry based on our plantations. It is excellent to hear a senior Government Minister speaking so positively about the industry's future. In the past few years, especially during the restructuring, the comment has been so negative that the country has been getting a wrong impression about industrial forestry. Perhaps it had to be this way or the system would never have undergone the restructuring the politicians were wishing to achieve.

I believe foresters will agree with the Minister that to capture this potential the country needs to build an efficient industry around the resource they have created. While some may argue with Lindsay Poole's interpretation of the Murupara Scheme which was built to utilize the Kaingaroa Forest (p.4 this issue), the scheme undoubtedly influenced the shape of the forest industry in this country. Throughout my 30 years in the profession, foresters have criticized the low stumpages agreed to when the industry was set up and pointed out the flow-on effects. It is vitally important to get it right this time.

There are a few critical points missing from Hon. Roger Douglas's guest comment. One of these he is responsible for – tax. The forest industry must be taxed fairly or it cannot compete on the world market. Dr Ted Bilek in his comment on this subject (p.7) argues that the current tax system is discriminatory against forestry. If we don't get the tax regime right we won't get the expanded industry this country needs.

Research also needs to be considered. The forest expansion in the 1960s and 1970s was underpinned by research – research which was innovative and helped put New Zealand ahead of the rest of the world in plantation forestry. We need to continue our research effort to ensure that we maintain our position as the best plantation managers in the world and in addition we need to ensure we are at the top in the utilization field. We must have innovative, basic research if we are going to compete in the next century.

Unfortunately Government's 'user-pays' policies are tending to push towards short-term research and consul-

tation work. By continually increasing the percentage FRI must recover from other sources, the Government is not sending our scientists the right messages about the importance of their basic research. When it started the final target was about 33%. Currently the FRI is achieving this figure but now the target has been raised to 47%. This perhaps is largely behind FRI having to make 31 people redundant (see p.12). It is sad to see the low morale at the FRI. Some restructuring of research was needed and it is also reasonable to have industry bear some of the financial load. But it is vital to ensure that innovative and long-term basic research is pushed and that it is not hindered by unrealistically high recovery targets.

Finally, a comment on forestry education. This too has been adversely influenced by forestry's restructuring in recent years. The bright school leavers are not coming forward to start forestry degrees because the message they have been given is that there is no future in the forest industry. Yet we must begin training these people now for the mid-1990s. The Hon. Roger Douglas speaks of 30,000 new jobs but we must not overlook that to compete on the world market we need skilled people and top managers.

It is good to see the Minister describing a positive future. It is important that this is widely accepted.

D.J. Mead
Editor

Forestry offers potential for job growth

Hon. R.O. Douglas

As people try to think about New Zealand's future, one question repeatedly heard is: "When and where will we see new growth and jobs?"

My response is that New Zealand's natural resources offer this country great development potential – if we're prepared to take advantage of it.

For instance, development of the forestry industry has the potential to create thousands of new jobs. But those jobs won't be handed to us on a platter; we've got to be ready to grab hold of them!

Forestry could provide the single biggest investment opportunity available to New Zealand in the next 25 years, as a major source of future wealth and well-paid employment.

Through this industry, we have the potential to create at least 30,000 jobs.

We could earn up to \$7 billion a year in new export earnings – more than double the total present value of our meat and dairy exports.

Nor would that \$7 billion be a one-off figure. It would be generated each year,

every year, in today's dollars, achievable cumulatively by 2015.

The opportunity arises for New Zealand because the volume of wood available for export will double by 1995, from 4 million cubic metres now to about 9 million cubic metres.

Ten years beyond that, the wood available for export will be close to five times the present volumes. The forests for this already exist; the trees are planted and growing.

However there is one snag.

Merely having the forests is not enough. The trees only represent 3 per cent of the income we can achieve.

The *only way* we can maximize the potential of the forestry industry is by having modern, efficient, value-added processing plants. It's not the wood that matters; it's what is done with it.

The amount of investment money required to build up such an industry is massive: something in the order of \$6500 million.

We would need pulp mills, paper mills, and probably a kraft mill worth \$1 billion in itself.

The electricity requirement would be

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