

"CAN WE GET IT RIGHT?"

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INTRODUCTION

The aim of this address is to set the scene for the seminar "Harvesting and Re-establishment of Difficult Terrain".

It takes a holistic view of forestry as a commercial business and focuses on harvesting and re-establishment using the East Coast as an example of difficult terrain.

It is presented from a strategic planning perspective based on the premise that the industry requires a strategy, formal or informal, for dealing with this challenge.

HISTORY

The following is a brief history of who the forestry players have been on the East Coast and the reasons for their involvement.

The State established forests at Patunamu in 1949 and Wharerata in 1959. They were established as local supply forests to supplement the dwindling indigenous resources. A secondary reason was to provide winter work for seasonal freezing and wharf workers.

The Poverty Bay Catchment Board carried out counter-erosion forestry trials in 1948 in the eroding gullies of the Upper Waipaoa Catchment. The first systematic attempt at erosion control by large scale afforestation commenced in 1960 at Mangatu by the State. A secondary benefit was the provision of employment to help stabilise local communities at Whatatutu and Te Karaka.

State plantings at Ruatoria (1969) and Tokomaru (1976) were justified on social

(employment) and environmental (erosion control) grounds.

Fletcher Forests and later the joint venture Hikurangi Forest Farms commenced farm/forestry operations in the early 1970's with clearly commercial objectives. P F Olsen and Co. Ltd had similar commercial objectives and they commenced planting Nuhaka Forest Farms in 1977.

Commercial considerations commenced to play a major part in the State's activities in 1986/87. The impact was to significantly reduce planting, silviculture and employment on the East Coast.

In 1990 Juken Nissho Limited successfully purchased Wharerata and Patunamu cutting rights and this year ITT Rayonier have secured similar rights over Mangatu, Ruatoria and Tokomaru.

While State and private sector objectives have influenced why and when forests have been established, central and local Government controls have influenced where forests have been planted. Land Use Committee controls, District schemes controls backed by a perception that afforestation be relegated to marginal farmland has left forestry on the remoter poorest land classes.

In this manner, terrain that was unstable and difficult by anyone's definition became established in predominantly, radiata pine forest.

I have drawn a number of points from this snap shot of history.

- (i) There has been a trend to move from an environmental/social justification to a commercial justification of forestry. Though there has been a shift in our perception of what is important, the underlying environmental and social issues remain.
- (ii) There are now a number of competitive players on the East Coast driven primarily by commercial objectives.
- (iii) There has been and will continue to be a trend towards afforesting the easier, more stable fertile land within 100 kilometres of Gisborne. Without direct State involvement there may be increasing divergence of public and private sector views on the role of forestry.
- (iv) Environmental and social issues will increasingly determine what is acceptable and unacceptable. It is a responsibility of central and local Government to protect local community environmental and social objectives. Historically they have achieved this by direct participation and ownership. As this is no longer an option the most likely alternative is control by regulation.
- (v) The Resource Management Act provides the vehicle for control and local Government intervention, and this must be of vital concern to this seminar.

"What are the implications of this background for the industry?"

PRESENT

One can review the present situation on the East Coast from a commercial perspective by describing the upside and downside of forest

investment. This will help to put the issue of difficult terrain into perspective with other investment considerations.

The Upside of Investing

- (i) Land Availability: There are large tracts of land potentially available for commercial afforestation.
- (ii) Land Location: A reasonable proportion of this land is within 100 km of ports, processing plants and centres of population.
- (iii) Land Prices: Relative to other areas of New Zealand land values are very low.
- (iv) Growth Rates: Growth rates are very high on an international basis and superior to other regions of New Zealand.
- (v) Resource Base: There is already an established resource base in the Gisborne area of some 70,000 hectares.
- (vi) Resource Quality: A high proportion of the present resource has been intensively managed.
- (vii) Ports: Are available giving access to international markets.
- (viii) Environmental: There are environmental benefits particularly in terms of land stabilisation.
- (ix) Lifestyle: It is a good place to live.

The Downside of Investing

- (i) Planning: This has tended to be reactive rather than pro-active, but there have been positive changes in this area.

- (ii) **Immaturity:** The forest resource is generally immature, implying some time lag in terms of full commercial development.
- (iii) **Infrastructure:** The region lacks a supporting infrastructure in terms of roads, services and processing plants.
- (iv) **Productivity:** Levels on the East Coast are generally lower than those achieved elsewhere in the industry.
- (v) **Competitiveness:** There remain some concerns that the East Coast can not be internationally competitive.
- (vi) **Water:** Limited availability may restrict some processing options.

An important point is that the upside factors are fundamental and are largely outside of our control while the downside factors (apart from water) are largely within our control.

"Have we the ability to manage our activities in difficult terrain to ensure that the downside factors don't place our investment at risk?"

PEOPLE

People and their value systems, formal (through legislation), and informal (through public opinion), will determine what is acceptable or unacceptable. The impact of formal legislation procedures are covered under the legal section.

Society's perception of what is happening in the community will be as influential as any other in determining what activities or outcomes are acceptable. The East Coast with its strong tribal and regional identity provides an excellent example of community value systems determining outcomes.

I had only fifteen months on the East Coast and it would be inappropriate for me to quantify the community and its values. I can

say from the viewpoint of a manager that there is an East Coast time, an East Coast set of priorities and an East Coast set of values. This does not mean that they are slow, or biased, or don't recognise commercial realities. What it does mean is that they have the right to be consulted, at a time of their choice, and they will judge according to their values what is acceptable.

Fortunately the local people recognise the contribution that forests make to their community and that harvesting on difficult terrain is an integral part of the management cycle. However their acceptance of us in their community cannot be taken for granted and should be cultivated as part of an on-going consultative process.

"How is the industry going to ensure that the local public are informed on what is really happening and the contribution that commercial plantations can make to society?"

POLITICAL

Governments and the political environment they create impact throughout the business community. A failing of our present political system is its inability to give a certain and stable investment environment.

During the 1960's and 70's we had a regulated interventionist system in which Government intervened directly in the establishment of forestry on the East Coast. The political drivers for this were, as we have seen, largely social and environmental.

During the 1980's and 1990's we moved to a deregulated market driven economy in which, for political reasons, the Government has wanted to accentuate the commercial value of its forest investments and to divest these to the highest bidder.

"Government has a propensity to intervene; now that it has no commercial stake will it intervene

for social or environmental reasons? Will it intervene in the event of another "Bola" and with what consequences for the forestry industry?"

ECOLOGICAL

One of the great issues facing the world community is long term ecological sustainability. The real challenge, I believe, is to find economic solutions to these ecological issues.

The East Coast is a prime example of ecological instability. In many areas deforestation and current land use patterns are not sustainable in the long term. Clearly reforestation is a means of gaining ecological stability. The problem is, who will pay?

Many believe that commercial companies will plant up the eroding land. My belief is that there is the right place to establish commercial forests and a wrong place to establish commercial forest on the East Coast. Unfortunately from an ecological viewpoint the commercially attractive areas are not in the eroding remote hinterland. The industry will make a contribution; as the forest area expands marginal areas will become commercially viable. However for the high risk areas there is no soft option and central or local Government will need to pay if reforestation is to occur.

In the whole area of ecological planning there is inadequate understanding and information on which to evaluate ecological sustainability and the impact that man's activity has. There is not the quantitative physical or financial information on which to make informed decisions.

"What responsibility does the industry want to assume in demonstrating the ecological sustainability of commercial forestry (including roading and harvesting) on steep highly erodible sites?"

LEGAL

Legislation in the form of regulations give Government and local authorities the responsibility and the authority to control development activities. The Resource Management Act gives a prime example of this form of control.

It is not the Act itself that is of concern, but the manner in which it is implemented. A fundamental aim is to control environmental effects rather than land uses. There is, however, inadequate information on which to quantify environmental effects and to set realistic standards. Councils are therefore faced with a responsibility for which they don't have the information or skills to meet. The outcome may well be unrealistic environmental standards or prescriptive land use controls.

"Does the forest industry have a responsibility to provide the necessary resources to quantify the environmental effects of its land use activities?"

"What certainty is there that forests on difficult terrain can be harvested and re-established on a commercially acceptable basis?"

ECONOMIC

A large proportion (70% plus) of New Zealand's forest production will be exported to international markets. To survive we will need to be internationally competitive and this in part will depend on controlling our internal cost structures. This situation is true for any commercial forestry venture but could well be critical for roading, establishing, tending and harvesting difficult terrain.

I have been involved in providing Treasury with economic justifications for commercial forestry in different regions of New Zealand. The unique feature about the East Coast is the consistent divergence in results.

It is possible to get things right with pre tax internal rates of return greater than 9%, or so easy to get them wrong where someone should pay us to be there.

Commercial plantations have been moving progressively into physically more attractive land, closer to ports and potential processing sites. Manpower productivity has been improved and cost efficiency gains have been made. We can now establish and grow forests on a cost competitive basis with other regions of New Zealand. The challenge now is to plan, road, harvest and transport our products at a cost competitive price.

"How can we remain internationally competitive and commercially viable when harvesting difficult terrain?"

"Will it be commercially viable to re-establish forests such as Ruatoria, Tokomaru and Te Marunga?"

TECHNOLOGY

The difference between operating on flat terrain with free draining pumice soils and stable bedrock of the Kaingaroa Plateau, and the steep terrain, erodible soils and unstable bedrock of the East Coast hill country couldn't be greater. Technology will have a role to play in meeting the challenge of operating in this difficult terrain. However, there are many questions that come to mind.

Do we have adequate planning tools?

Are we disciplined in using these tools?

Do we have access to the machinery options most suited to harvesting difficult terrain?

Do we have the skills to operate such machines?

It is pleasing that several papers deal with technology developments and the incremental and perhaps revolutionary progress that can be made.

There remains the very key area of environmental research and development that I hope will be addressed. The Resource Management Act is concerned with controlling adverse environmental effects. As covered earlier we lack the information to quantify either the impact of natural processes or man's activities on environmental values. If we don't quantify the environmental impacts of our activities then it is likely that unrealistic standards and controls will be placed on us. This must be a priority for research and technology development.

"What priority should the industry give to technology and what are the priority areas for research and development?"

FUTURE

The past is a demonstration of our ability to establish and manage plantation forests on difficult terrain.

The future will be a test of our ability to realise the wealth created in these forests and to quantify and manage the environmental impacts of our activities.

It is my belief and clearly the belief of other major forestry companies that the East Coast offers tremendous commercial opportunities with associated environmental and social benefits. But whatever we do, we must get it right, and in our planning, harvesting and roading we must get it right now. That is the challenge for this seminar.

