

WPMA Industry Roundtable, Whangarei

29 November 2017

WPMA Chair's Speech – Brian Stanley

A very warm welcome to the Hon. Shane Jones, Local Dignitaries, MPI Officials and to representatives of our industry from Northland and those who have travelled from other parts of the country. What we are discussing here today is not just of vital importance to the sustainability of the forest-growing and wood processing industry in New Zealand. It is also about the viability and vitality of the communities in our regions that depend upon forest management, forest harvesting and transport and value-added, wood processing and manufacturing for their livelihoods. A livelihood that needs to be there for this generation and those generations yet to come.

My name is Brian Stanley and I'm here today as the Chair of the Wood Processors and Manufacturers' Association of New Zealand. I'm delighted to welcome Hon Shane Jones here as our guest of honour because you, Minister, have been a stalwart supporter of the industry in opposition and, now, in government. I see it as an alignment of the stars that you are holding the portfolios for both Forestry and for Regional Economic Development. These two areas are closely linked and, as we see it, will, under your leadership become inextricably related. Regional New Zealand needs the smart, value-adding, environmentally protecting and low carbon economic activity that is forestry and wood processing and manufacturing.

Before I go further, Minister, let me apologise for not being here to Chair your last Industry Round Table. Courtesy of Air New Zealand I didn't make it here on 29 August for what I understand was an extremely well-attended event hosted by you and the Rt Hon Winston Peters. The fact that you have now gone on to work with your coalition partners to make forestry and wood manufacturing a priority area for

this government speaks volumes for the importance that is now being attached to this industry. After a 30 year malaise I feel we are now coming in from the cold.

This doesn't mean, of course, that all will now be sweetness and light in the industry. We clearly have fundamental problems that need to be sorted out and that was the purpose for you calling the first roundtable in August. You spoke frankly to the industry on the day and said that the problems need to be sorted out. You said that you expected us to reconvene with you; to compare notes, shake out all the skeletons, discuss progress and work out the next steps. That is why we are here today Minister – so that we can tell you where we are at – to listen to the discussion and to help us develop the path forward.

Minister, I can assure you that what you won't witness today is the throwing of stones across the industry. We all know that that is the fastest route to the demise of a great industry. We all know that our growers and processors are absolutely interdependent - in it for the long game and for the good of future generations of New Zealanders. We've worked together very well for the past few decades but now there is definitely change in the air and that means we now have to adapt – and adapt quickly.

Therefore, and in the vein of your first roundtable, we must get down to the roots of the problem and attack these systemically. As a nation we have become experts at dealing with symptoms but when it comes to dealing with root cause we tend to completely miss the mark. There is very little point, for such a large scale and long-run industry as ours in trying to simply deal with the symptoms. Likewise, although raw material supply and competition issues are acute in Northland we must tackle the problems on a country-wide scale. I fully expect solutions to have regional nuances but we must not lose sight of the bigger national and international challenges before us.

Minister, I'm sure the reason you want to see us all surge forward in the regions is because there are very pressing social, economic and environmental needs in regions that a thriving forestry and wood processing sector can help address through the creation of more forests and greater number of permanent well paid regional jobs. PM Ardern is looking for her 100,000 houses – we must help get her there with new construction technologies and materials to build affordable houses that lock up

carbon. Having healthy primary and manufacturing sectors in the regions is the recipe to growth and development for the whole community - but then that's what the government agenda is all about.

Back in 2012 the Wood Council of New Zealand set a very ambitious target for growth – and you can see this on the graph on the wall behind me. We were going to nearly triple the value of our exports to the grand figure of \$12 billion and we were going to do this by 2022. Ambitious eh?

We are now four years away from that date and let me show you where we are right now. Here, right at the point of inflection. There are two paths from here. I fear that if we carry on with business as usual we will end up here on the bottom line but to get to the top line is going to require some robust action now.

What I expect from this meeting is that we use this as the starting point to identify these robust actions as an industry and in partnership with government. In order to start this process I believe that it is vitally important that we clearly identify the problem. I say this because over the past months I have heard and read considerable commentary that say very different things and offer highly varied outcomes. My conclusion is that, right now, as an industry, we are akin to ships passing in the night. Let's rectify this today.

If I can be as bold as to summarise what I'm hearing around the country from forest growers, contractors, wood processors and manufacturers and technical service companies is this:

Processors are saying:

"We are up against a barrage of overseas buyers who are competing against us in the domestic market. Not only will they not trade with us but they are using subsidies to buy the logs. Our margins are getting impossibly squeezed and our supply is now very uncertain. It's unfair because these subsidies are prohibited under WTO and action needs to be taken".

Growers are saying:

We have invested in growing trees for the last 25 years and we want to get the best price we can for them. We do not want anything to happen that will reduce the value of our estate and impinge upon private property rights – We have made a very significant investment to get here. To curtail what we can get for my logs is unfair”

You will hear more in the discussion that follows Minister but I'll bet you hear the word “unfair” a lot. For me, whatever solutions we come up with have to be fair. Fair in NZ law and fair in international law but also, and very importantly, fair in terms of ethics and what is right for the communities that depend upon the NZ forest and wood industry for their future. This commitment is of course bound up in the principles of the industry's main certification schemes FSC and PEFC. It behoves those two industry certifiers to practice what they preach when carrying out forest certification audits.

It does worry me, Minister, that we seem to always be unfairly treated as an industry when it comes to FTAs in that we rarely see or hear reported the benefits of these especially for value-added wood products. In fact the much heralded FTA with China provided absolutely zilch for the forestry and wood processing industries.

I mentioned earlier that I see a strong partnership with government as necessary here. Some of the solutions will be in the gift of government only and some will be industry-only solutions. Good examples here are that if solutions lie in international trade remedies then only the NZ government can argue and apply for these under the WTO. If a wood encouragement policy is adopted then only the government can change the rules for public procurement. Likewise with controls over the ETS where only government can adapt the rules to provide farmers with the incentive to grow more trees.

Minister, the industry is not looking for large scale government handouts. What the industry is looking for is a government that has its hand firmly on the tiller to ensure the ship remains on course through sound policy implementation and direction.

So back to the order of the day:

I'm going to ask the Minister to say a few opening words and to let us know what his expectations are from of this Roundtable II.

I'm then going to hand the floor to David Rhodes from FOA and Jon Tanner from WPMA to help us define the problem more clearly and also start to point to where solutions might lie.

FOA have already been doing the rounds in Northland looking at the scale of the problems here in terms of supply and then looking at areas where some solutions might lie.

Likewise WPMA have been around the country gauging the shape of the log competition and supply problems in the regions and looking to where trade solutions to this might lie.

I'm then going to open the floor up for 45 minutes to get your views and be prepared – I will be singling you out for comment!

I'm then going to attempt to summarise what we as an industry are saying and I'm then going to give the Minister the herculean task of assimilating all that information and indicating to us what next steps look like from his perspective.

On that note, and looking forward to the discussion, I'm now going to hand the floor to the Hon Shane Jones for his opening comments.....

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