

WPMA Membership Letter 2021 - 2022

Dear WPMA Member

As we move into a new financial year this is the opportunity to update you on the big picture of what we have achieved in the past year. I emphasize the big picture, not because the detail is any less important, but because, as an association, we are achieving big things. The NZ wood industry is well and truly on the nation's radar screen for the right reasons and WPMA put it there.

We challenged the accepted view that the domestic log market was free and fair and proved it to be a far cry from that. WPMA showed prices in the NZ log market to be distorted by offshore influence and WTO rules therefore being broken. Government investigated and concurred. Ministers agreed that price distortions needed to be remedied via domestic policy reform. For the NZ Government to be brought to the point that they could see (and measure) that a free market did not exist is something that WPMA should congratulate itself on – we have been working against a deeply embedded world view.

Covid slowed the start of the remedial policy work in 2020 but, be assured, it is happening. The government is working, in the background, on the rules that will regulate log traders and provide legality assurance for example. Recognition of the climate-friendly properties of wood is being recognised as MBIE works on changes to the NZ Building Code under its Building for Climate Change programme. These rules will also be mirrored in the government's new procurement rules. The Overseas Investment Act is being reviewed with the objective to ensure that overseas investors in NZ forestry commit to supporting local industry and the communities that depend upon wood processing. WPMA has been working closely alongside government agencies helping to steer these policy processes.

For the first time in decades, we now have a directorate in government dedicated to the growth and development of the NZ wood processing sector. The setting up of this directorate in MPI is welcomed and is a direct result of WPMA advocacy. No other manufacturing sector in NZ has a policy team dedicated to it and it is important that we now partner with that team to make other changes happen. This is particularly important when you consider that back in 2019 WPMA agreed with Ministers that the Industry Transformation Plan (ITP) would be the vehicle to make the necessary policy changes happen. The wood processing team in MPI has been mandated to lead the ITP.

As a step in the ITP process and an example of MPI and WPMA working together, we led a consortium made up of the Timber Design Society, BRANZ and Scion to put together the NZ Timber Design Centre. Having won the contract to deliver the initial three years of this project the aim is to build on the WPMA Timber Design Guide series and provide a much wider range of (non-proprietary) services to help designers make much greater use of NZ wood. This Centre will be up and running in this new financial year.

Whilst some policy changes are happening in NZ, the WPMA reminded government early in 2021 that our competitor countries were moving extremely fast to support their own wood manufacturing sectors through measures that are likely to be highly questionable under WTO and FTA rules. Again, WPMA led the charge in getting NZ to understand that competitor

economies were mutating in response to COVID, and world trade rules were fast being abandoned. Our policy paper (prepared by Martin Jenkins Ltd) received widespread media interest and it give WPMA the opportunity to promote (again) the advice it had previously given government on policy options to better support manufacturing.

It would not be an understatement to say that over the past few years that WPMA has led on providing policy advice to government. A good example of this was our work to advise government on industry's legal right to work under lockdown restrictions. Normally, an industry body would be making comment on government-led policy proposals. This reversal of roles has occurred because of the absence of a part of government dedicated to manufacturing. MPI, with the recent creation of its wood processing directorate, has filled this policy vacuum.

Given WPMA's leadership in the manufacturing policy space I thought this letter to members would be a good time to remind you, in summary, of the broad range of policy options that the WPMA Board asked the government to explore as part of the process to remedy trade distortions. I have included the summary table in Annex 1 of this letter. You will see some of the policies I mention above already listed in this table. There are other major policies to explore, and I am hoping that the ITP will take a very close look at all the major policy levers that are available. Government has a crucial role in bringing about industry transformation and mainly in setting a regulatory environment that allows our members to innovate and grow.

We've gone from dire predictions that the economy will tank under COVID to, actually, a record high building boom. In the year ended May 2021, the actual number of new dwellings consented was 43,466, up 17 percent from the May 2020 year. The annual value of non-residential building work consented was \$7.9 billion, up 21 percent from the May 2020 year. This level of demand has put pressure on the whole supply chain.

WPMA has also been very active participating on Standards committees and commenting on amendments which affect members from technical standards on wood quality, timber-based construction and sustainable forest management.

The past year has also been marked by MBIE putting out step-change consultations with relatively short response times. Some of these have massive implications for wood processors and manufacturers, particularly when demand is running so high. A good example of this is MBIE proposing embodied carbon in structure, claddings and stairs will be counted at consent. Thanks to members who contributed to the WPMA Environmental Product Declarations (EPDs) where we already have baseline embodied and sequestered carbon data. We can now expect increasing demand for all suppliers to provide EPDs. Exactly how much of the life cycle will be counted and whether MBIE can keep it simple as we and other have submitted remains to be seen. The recently released 'Construction procurement guidelines' for use by government agencies commissioning building projects are being used to road test some of their ideas about counting carbon and are worth a look.

Changes to the Acceptable Solution for H1 Energy Efficiency are on their way. This is driven by the Climate Change Commission wanting to see a reduction in the amount of operational energy used in buildings. For houses, MBIE divided NZ into 6 climatic zones and put forward 3 options representing "good, better and best". As wall insulation is dependent on the depth of the framing, 40% of framing will potentially need to be 140mm or more depending which option they pick. It is not clear where this will land or how long the transition period will be. This is no small matter for wood processors and manufacturers and WPMA has been watching this space closely.

WPMA lobbied for better funding of standards, and this resulted in MBIE putting out a consultation proposing a 3-tier system for standards whereby they would fully fund tier 1,

partially fund tier 2 and leave the rest to find their own funding. Predictably WPMA pushed back and demand for fully secure funding for standards continues to grow.

MBIE is proposing that a basic set of product information is provided at point of sale. The proposal is wide-ranging. WPMA focused on one requirement to require all building products to have a unique identifiable code that links it to the information provided online and pointed out this will be onerous if not impossible for loose timber products. MBIE is also changing CodeMark and introducing new options to regulate prefabrication which they call Modern Methods of Construction. WPMA has made submissions on these consultations and is keeping a very close eye on the new options being proposed.

Beyond the formal submission processes, we continue to engage with government on your behalf to ensure they are aware of the potential impact of their proposals including positive and unintended consequences. A good example here is WorkSafe where soft wood dust and formaldehyde WES are currently listed as “interim levels” and are due to drop in 2022. We have been working on a legal challenge to the way these levels are set. This is a substantial piece of work and we have garnered support for this work from wider industry.

WPMA provides a unique service to members by operating at the interface between government and industry. Whilst we are highly effective in our efforts here, we have also been working on the 3rd party sustainability certification schemes to make sure they are delivering for consumers, investors and for wood processors. We have been focussed on both PEFC Sustainable Forest Certification and on the EPD Scheme to ensure the integrity of certification. All certification schemes are now under intense supply-chain scrutiny and customers need to be assured that these schemes are delivering the environmental and social outcomes they claim to be. WPMA has been providing technical and legal input to make sure certification of wood products stands up to the exacting market expectations of 2021.

As I now move on from WPMA, write this end of year letter and compare it to previous years I never cease to be amazed by what our organisation achieves in terms of outcomes from advocacy. WPMA has never been afraid to ask the serious questions and to challenge well established biases. We have been able to do that because we are a strong organisation to the core with a Chair and Board with mana, technical staff right across the industry who really know their stuff and work together effectively plus a dedicated support team in the WPMA executive office.

I would like to thank you all for your guidance and support over my past 10 years as CEO. We have made a real difference and I am proud of that. I know that you will go on to provide the same level of backing for my successor. I wish you all the best.

Yours sincerely,



Jon Tanner
WPMA CEO
July 2021

Annex 1: WPMA’s Policy Options to Support NZ Wood Processing and Manufacturing.

WPMA’s policies to assist NZ wood processors and manufacturers

	Incremental	Moderate	Radical
Innovation	<ul style="list-style-type: none"> • Fund enabler for Industry 4.0 above and beyond current allocation of \$6.5m. • Direct more effort to national science system to firm-based innovation. • Set up a manufacturing incubator. 	<p>Turn R&D tax credit into an innovation tax credit.</p> <p>Accelerated depreciation in specified equipment and plant.</p>	50% capital grants for capital purchases.
Capital/ investment	<ul style="list-style-type: none"> • Mobilise capital – set up an aggregator to support existing manufacturers seeking capital to innovate their processes or reinvent their business model. 	Overseas Investment Act directed to support investment in manufacturing.	<p>Reduce corporate tax.</p> <p>Invest sovereign funds in NZ manufacturing capability.</p>
Trade	<ul style="list-style-type: none"> • Elimination of tariffs and focus on NTB removal (including subsidies). • Elimination of Methyl Bromide use as a fumigant. • Wood Legality Assurance. • Revise NZ Sustainable Forestry Standard (AS NZS 4708) to support local communities and jobs. 	<ul style="list-style-type: none"> • Taskforce to address control of non-conforming products. • Enforcement of standards at border. • Reform of NZ standard-setting processes. • Regulate log traders. 	Trade agreements that augment NZ manufacturing. Emphasis on subsidy elimination and simplify recourse to dispute settlement. Significantly strengthen anti-dumping powers.
Skills	<ul style="list-style-type: none"> • Strengthen government support to provide strategic advice, grants, leadership development and training placements. • H&S – WorkSafe to deliver engagement and education as well as a regulator. • ROVE – delivers on the job training, incentives for employers to train and builds skills and capacity. • Careers focus on manufacturing and better links to education pathways from Yr 11. 	<p>Transition unemployment benefit.</p> <p>Risk assessment taught in schools and tertiary institutions.</p> <p>Wood Design Centre</p> <p>Simplify and enable immigration to bolster labour force.</p>	
Environment	<ul style="list-style-type: none"> • Programme to decarbonise manufacturing. • Rules to decarbonise construction. • Harvested Wood Products – rebates for industry and industry good funding. 	Rewards for use of bioenergy or greater use of renewable energy.	Programme to decarbonise manufacturing – long term investment in manufacturing research to deliver zero-carbon.
Procurement		<p>Leveraging public procurement to favour zero-carbon construction methods/products.</p> <p>NZ-preferred procurement rules.</p>	<ul style="list-style-type: none"> • Government agencies commit % of budgets to procuring local solutions to problems where there is no current solution. • Fuelling the infrastructure pipeline, with focus on local procurement.