

Committee Secretariat  
Environment Committee  
Parliament Buildings  
Wellington  
en@parliament.govt.nz

21 May 2020

To Whom it May Concern;

**OneFortyOne submission to the *Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill***

Thank you for the opportunity to provide a submission to the *Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill* (the Bill).

OneFortyOne is a trans-Tasman business with forests and mills in Australia and New Zealand. OneFortyOne New Zealand, formerly Nelson Forests Limited (NFL), owns and operates almost 80,000 hectares of plantation forest in the Nelson Tasman and Marlborough regions. Included within the plantation forest are indigenous vegetation reserves, including wetlands, and other forest areas that provide habitat to New Zealand's fauna. Approximately 60% of our log harvest is delivered to the domestic market.

We also own and operate Kaituna Sawmill in the Marlborough region. Of our timber customers, 50% are based in New Zealand, 35% are based in Australia and 15% of our processed wood is shipped to South East Asia. We directly employ almost 120 people as well as support more than 300 contractors and suppliers. We invest over \$200,000 in community projects every year.

We note that the purpose of the Bill is to build a more integrated forestry supply chain, with stronger linkages between forest growers and domestic processors.

We support the purpose of this Bill as the growth of the domestic processing industry is a fundamental cornerstone of OneFortyOne's business strategy. It is OneFortyOne's preference to process more wood fibre in New Zealand however the market does not exist. New markets need to be created to make use of each part of every tree produced. This will have a long term, positive benefit on the economy. We view domestic processing to be an opportunity beyond the current log mix and support developing new markets for wood fibre in New Zealand.

We don't believe the Bill will achieve this purpose.

The proposed changes that the Bill will make to the industry place an unnecessary burden on the industry and will not achieve its goal of supporting supply-chain stakeholders. We contend that there is a role for export as it provides a safety net for the industry in domestic market downturns. Furthermore, we strongly believe there is a role for government in supporting innovation, research and development, to find and build new domestic markets for wood fibre, beyond current markets.

This Bill will create inefficiencies that burden the industry. In its current form the Bill provides regulators with unfettered powers beyond the stated purpose and these powers can be amended outside of the usual legislative processes which could add significant uncertainty and costs to the industry.

Our submission articulates the ongoing commitment we make to growing our industry and delivering sustainable prosperity in our region by investigating alternative uses for wood fibre. We're proud of our industry and the significant role that we play in helping it to thrive. Of importance is the forest industry's role in supporting New Zealand's economic response to the COVID-19 pandemic. This includes working with our customers, processors and manufacturers both domestically and internationally to secure markets for our logs and timber. We are an active member of the New Zealand Forest Owners Association (FOA) and support the sentiment of the FOA submission to the *Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill*.

We work across the full timber supply chain, servicing both domestic and export markets. We have fundamentally enhanced our operations and industry by continually investing in our business to improve operating efficiency, raise safety and training standards, improve forest health and reduce our impact on the environment.

Each year, OneFortyOne participates in a variety of internal and external review processes to provide assurances as to its activity. OneFortyOne New Zealand (as Nelson Forests Limited) holds Forest Stewardship Council certification, a voluntary certification which demonstrates that wood products are sourced from sustainable, well managed forests (social, financial, cultural and environmental).

We have a vision for a combined industry and government effort to find new markets for wood fibre that supports healthy domestic and export log markets.

I'd welcome the opportunity to discuss this submission.

Yours sincerely,



Lees Seymour  
Executive General Manager – New Zealand  
OneFortyOne  
[lees.seymour@onefortyone.co.nz](mailto:lees.seymour@onefortyone.co.nz)

## **OneFortyOne submission to the Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill**

### **1. Introduction**

- 1.1. OneFortyOne prioritises domestic customers and 60% of our harvest is sold domestically. That being said, export, as it does for other industries such as agriculture, has a legitimate role to play in business. An export market helps balance cyclical downturns in domestic markets, diversifies customer opportunities, offers alternative markets for products that are not in demand from our domestic customers and a channel for salvage from fire or pests, as well as securing ongoing job opportunities.

### **2. Prioritisation of domestic markets**

- 2.1. Domestic first is our preferred method of business. We are focused on ensuring we have a diverse and successful customer base within the region. It is commercially prudent to have such a strategy in place as it not only reduces our customer concentration risk, but we can also ensure there is a customer for every part of each tree produced.
- 2.2. Our vertically integrated business model gives us insight into markets for logs and processed timber. Whilst the export of logs to export markets is not an optimal solution for the long term it is critical to support the industry while it finds new domestic markets for processed wood fibre products. Access to export markets allow us to maintain our workforce in domestic downturns. Export of log supports a wide range of New Zealand jobs from harvest and haulage contractors through to port activities, and the ensuing processes including nurseries and the replanting and silvicultural treatment of harvested areas.

### **3. Export has a role to play**

- 3.1. As is the case for many industries in New Zealand, including other primary industries, export has a legitimate role to play in helping to diversify customer opportunities, offering alternative markets for products and ongoing job opportunities.
- 3.2. In our view, a restriction on the export of logs would not be beneficial to the sector as this income is valuable to support onshore processing in the absence of a larger wood fibre product market.
- 3.3. Whilst our preference is to supply the domestic market, we must of course ensure we have active alternative markets during downturns in domestic market cycles. This protects our employees and our contractors. By securing export markets, OneFortyOne has been able to generate more work and create employment for more people throughout the forest and wood supply chain, including local harvest, transport and silvicultural contractors as well as port employees and contractors.
- 3.4. Export markets carry inherently greater risks than domestic markets, including geopolitical and currency risks. OneFortyOne has purposely limited its exposure to export markets due to the risks that these markets carry.

#### 4. Voluntary Accords

- 4.1. The forestry industry has gone to great lengths to ensure it operates responsibly, transparently and supports the regions in which it operates. By signing a suite of voluntary accords, the industry evolves to meet and respond to best practice, environmental obligations and community expectations. Given that the New Zealand Forest Owners Association (FOA) members own approximately 85% of the plantation forest estate in New Zealand<sup>1</sup> it is clear the responsibility of the industry stretches the full breadth of the country.
- 4.2. Through its membership of the FOA, OneFortyOne is party to a wide range of voluntary accords. These include:
  - 4.2.1. Plantation Forestry Rural Fire Control Charter
  - 4.2.2. Memorandum of Understanding between the Forestry Sector and Transpower
  - 4.2.3. Joint Statement to Eliminate Illegal Forest Products in New Zealand
  - 4.2.4. The New Zealand Forest Accord
  - 4.2.5. Memorandum of Understanding between The New Zealand Forest Owners Association and New Zealand Farm Forestry Association and Federated Farmers of New Zealand. This document provides guidance to assist in managing relationships between forest owners and managers with farming neighbours.
  - 4.2.6. The Climate Change Accord
  - 4.2.7. The Log Transport Safety Accord
  - 4.2.8. Principles for Commercial Plantation Forest Management in New Zealand
  - 4.2.9. The Environmental Code of Practice
  - 4.2.10. Eliminating Alcohol and Other Drugs from the Workplace Code of Practice
- 4.3. OneFortyOne is also a signatory of the Tasman Accord, 1989.

#### 5. Our concerns with the proposed Bill amendments

- 5.1. OneFortyOne echoes the concerns raised in the FOA submission to the Forests (Regulation of Log Traders and Forestry Advisers) Amendment Bill.
- 5.2. We are deeply concerned that the human and economic tragedy of the COVID-19 pandemic is being used as a cover to burden forest growers. At a time when economic recovery is critical and requires strong and resilient industries to operate at full capacity, we urge the government to reconsider the need for this Bill. Our three main concerns are:
  - 5.3. *The purpose will not be achieved*
  - 5.4. The Bill purports to support the supply chain, however it will only serve to create inefficiencies in the supply chain and put the jobs of harvest and haulage contractors, as well as port operators at risk. The domestic market simply does not have the capacity to use all the log that is available.
  - 5.5. It is difficult to understand how the Bill will achieve its aim of strengthening the integrity of the forestry supply chain and supporting a continuous, predictable and long-term supply of timber for domestic processing and export. The Bill does not contemplate the fundamental global and domestic demand and supply scenario(s) for labour, investment in forest and wood product supply chains as well as log, timber and other wood-based products.
  - 5.6. We question why the government is making it more difficult to export logs when it could be using this time as an opportunity to support wood fibre innovation. Innovation protects the longevity of domestic processing by broadening our understanding of the phrase *domestic processing*. We urge

---

<sup>1</sup> Brink, Patrick ten (ed), *Voluntary Environmental Agreements: Process, Practice and Future Use*, Routledge, 2017. p100

the government to support the wider industry and its supply chain by helping us find new domestic markets for wood fibre.

#### 5.7. *Creates inefficiencies in the system*

5.8. At a time of unprecedented pressure on jobs, regions and the economy it is difficult to understand why government is choosing the COVID-19 economic recovery period to put in place additional barriers to export receipts. Not only will there be significant time implications for industry as we strive to meet criteria and apply for registration, but there will be a significant cost burden due to payment of fees, levies and charges.

#### 5.9. *Lack of detail*

5.10. The Bill provides very little detail or scope on key components of the proposed amendments, placing considerable power in the hands of the Minister and the government to regulate the forest industry through applying rules and practice standards by Ministerial decree. It gives the impression of being hastily developed without giving the industry the time needed to provide considered feedback so that industry can support the development of good law and policy. For example:

- 5.10.1. Section 63I(1)(a) refers to a 'fit and proper person' without defining the fit and proper test.
- 5.10.2. Section 63L demonstrates the lack of clarity within this Bill. The scope and definition of *forestry adviser is unclear*.
- 5.10.3. Section 63N requires registered forestry advisers to adhere to forestry practice standards and a code of ethics, both of which will be set by rules, see also s63ZZC and s63ZZD. We are disappointed that these amendments have been put forward without any consultation on the proposed standard and code. As outlined above in para 4.2 the forest industry already has a strong suite of accords to which it adheres. This additional regulation is burdensome, inefficient and unnecessary.
- 5.10.4. Subpart 2 (S63ZI – S63ZT) outlines the cost recovery mechanisms to support the implementation of these amendments. There is no detail on the cost that will be incurred by the industry with respect to fees, levies and charges payable to the Crown. It is clear there will be a significant cost burden on the industry for the implementation of unnecessary requirements.
- 5.10.5. Section 63Q. Once again, this section is an example of the lack of clarity and scope of the Bill. The Bill does not define a registration period, and this is concerning due to time and cost implications.
- 5.10.6. Section 63ZW(f) of the Bill provides the government of the day with significant powers, through regulations, to set the criteria for registered log traders and forestry advisers.
- 5.11. Industry has an in-depth technical and historical knowledge of the sector and would commend the opportunity to be involved in the development of the proposed regulations, practice standards and code of ethics.
- 5.12. There is a need for government and industry to work together to develop and implement regulations so that they assist the continual evolution of the industry. Good law reduces unnecessary red tape, supports growth and encourages investment.
- 5.13. Time is needed to develop good law and we seek governments understanding that adequate time should be allowed to enable this process to be completed in a respectable manner.

## 6. A way forward: opportunities to grow domestic processing

- 6.1. We support the Bill's purpose to increase domestic wood fibre processing where it makes sense to do so. We believe that R&D and innovation in the sector can lead to enormous benefits for New Zealand. We also acknowledge the employment opportunities that our industry offers.
- 6.2. Increased domestic processing of wood fibre would benefit the national economy and regional communities. OneFortyOne is seeking opportunities to build our domestic processing capabilities. We believe these opportunities exist beyond logs, posts and wood chip. The industry needs new products for new local markets. Processors have already seen some uptake in new products such as engineered timber for construction and biomass for energy production. It is critical that innovation in this space is supported, advocated for, and assisted by government to find new, sustainable local markets so that New Zealand wood fibre can remain and be used here for the long term.
- 6.3. OneFortyOne has decades of experience in processing. Our historical knowledge tells us that the domestic market is steady and driven by traditional construction products. We are constantly on the lookout for new wood fibre products and future markets and want to work with the government on finding and developing these.

## 7. Conclusion

- 7.1. OneFortyOne prioritises domestic processing and believes the government has a role to play in developing the wood fibre domestic processing industry beyond traditional processing. The Bill will not achieve supply chain integration but adds additional burden by creating unnecessary registration requirements.
  - 7.2. This Bill impedes the forestry industry at a time when businesses need to be at their strongest as they support jobs, regions and economic recovery.
  - 7.3. We encourage the government to consider the benefits of supporting wood fibre innovation. We would commend the government for increasing focus on research and development in our sector. Developing new domestic markets for wood fibre is the only way to build the domestic processing industry.
8. Once again, thank you for the opportunity to contribute to this discussion. I would welcome the opportunity to speak to this submission at Select Committee.

Yours sincerely,



Lees Seymour  
Executive General Manager – New Zealand  
OneFortyOne  
[lees.seymour@onefortyone.co.nz](mailto:lees.seymour@onefortyone.co.nz)