

Bay of Plenty Forestry & Wood Processing Strategy:

Report on Wood Processing Strategic Competitive Factors

Prepared for:

Bay of Connections Economic Strategy – Growth Plan

Bay of Plenty Regional Council

A Regional Strategy Fund Project

Prepared by:

John Galbraith Limited

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Acknowledgement: This report has been prepared as an update of a previous report prepared for Investment New Zealand by JP Management Consulting (Asia-Pacific) Ltd (Jaako Pöyry Consulting) entitled “The Business Case for Investing in New Zealand Value-added Processing of Solid Wood and Other Wood Products: Wood Processing Strategic Competitive Factors”. December 2001. This report generally follows the theme and subject headings of the 2001 report, but uses updated data and its own wording.

Disclaimer: This report has been prepared for the purpose of identifying and describing various competitive factors which may be of interest to organisations and individuals considering investing in wood processing ventures in the Bay of Plenty. The data and information is of a general nature and should not be relied upon for investment or contractual commitment decisions.

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Authors: Bruce Rae, John Galbraith

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John Galbraith

Registered Forestry Consultant

EXECUTIVE SUMMARY

New Zealand, and the Bay of Plenty in particular, offers significant competitive advantages for new wood processing industry, based on sustainably managed *pinus radiata* forest plantations, excellent infrastructure and a supportive business environment.

The Central North Island wood supply region, which includes the Bay of Plenty, is the principal forest growing and processing region in New Zealand, producing 45% of the national harvest. Over the next 10 years, the region's harvest will increase by 50% to 12 million m³ pa. It is expected that there will be a surplus up to 5 million m³ pa of logs that will be available for additional wood processing capacity in the region. Most of the region's forests certified to Forest Stewardship Council standards.

In addition to the forest resources, the key points of competitive advantage for locating wood processing in the region are:

- Infrastructure Wood processing industrial sites are located on high capacity road and/or rail networks connecting the main forest areas to the export port at Tauranga. The Port of Tauranga handles 70% of the country's forest product exports, as well as kiwifruit, steel, dairy and other products, and is the highest productivity port in Australasia.
- Energy Substantial reserves of high quality geothermal steam are available at the Kawerau and Taupo sites for timber drying and other process heat requirements. All electrical power supplied in the region is generated from sustainable hydro or geothermal sources, and is priced in the lowest third of industrial electricity prices in the OECD.
- Expertise The 60-year history of wood processing industry in the region has developed a strong base of operating, engineering and service expertise. A number of the local engineering service companies export their skills and products to overseas clients.
- Enabling business The latest *Global Enabling Trading Report 2010* rates New Zealand as the 6th highest country out of 125 economies measured worldwide. The Enabling Trade Index measures institutions, policies and services facilitating the free flow of goods over borders and to destination, including: market access, border administration, transport and communications infrastructure, and business environment.

1. INTRODUCTION

This report was commissioned by the Bay of Plenty Regional Council (BOPRC) for the Bay of Plenty Forestry and Wood Processing Strategy. The strategy is being developed for the Bay of Connections Economic Strategy Growth Plan and is funded by New Zealand Trade and Enterprise, BOPRC, and five district councils in the Bay of Plenty – Opotiki, Whakatane, Kawerau, Rotorua, Tauranga and Western Bay.

As noted in the Acknowledgement, this report has been prepared as an update of a previous report prepared for Investment New Zealand by JP Management Consulting (Asia-Pacific) Ltd.

The objective of this report is to provide an overview of key resource, infrastructure and business environmental factors of interest to prospective investors in wood processing in the Bay of Plenty. The report is primarily aimed at offshore investors who may not be familiar with the above factors. Each section identifies useful sources of further information.

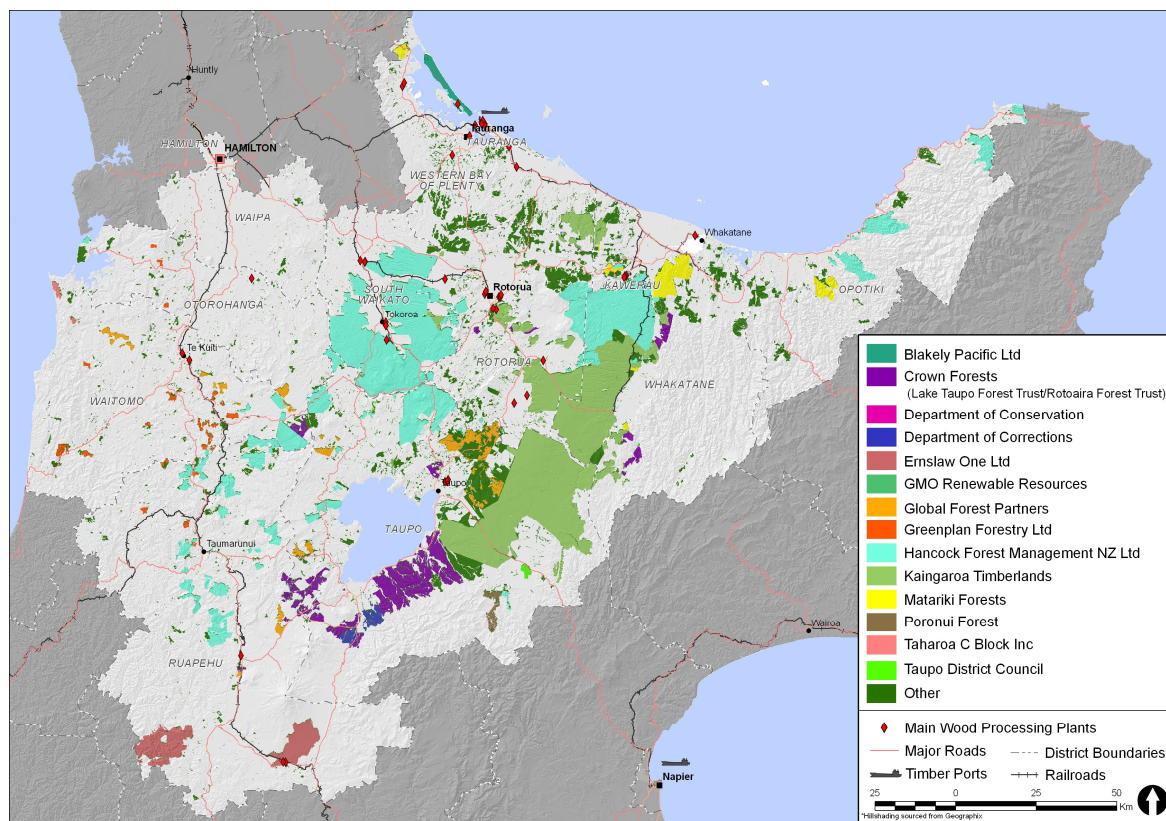
1.1. Bay of Plenty Region



BAY OF PLENTY COMPETITIVE POSITION: FOREST RESOURCES

The Central North Island (CNI) is the principal forestry growing and processing region in New Zealand, producing 45% of the national harvest.

1.2. Central North Island Forests



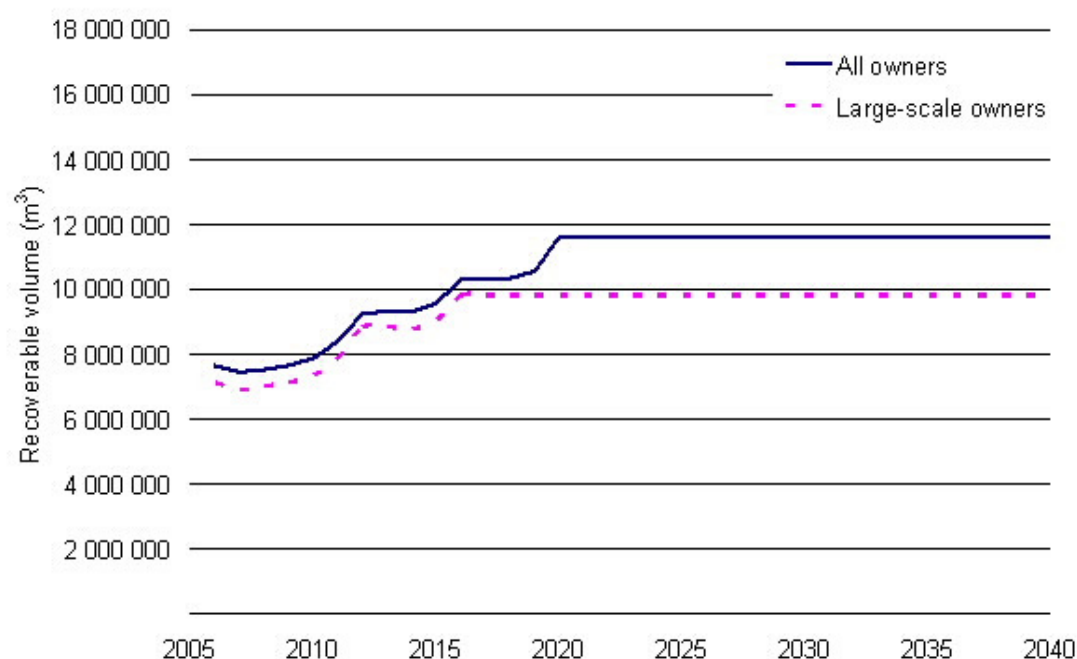
The region harvests 8 million m³ pa of softwood, of which 4 million m³ is exported directly as raw logs. Over the next 5 to 10 years, the harvest is expected to increase by between 3 and 4 million m³ pa. After allowing for some increased capacity within the existing mills, it is expected that there will still be up to 5 million m³ pa of harvest that is not committed to local processing needs.

Of this uncommitted volume, approx 10% will be in pruned log grades, 30% in structural grades (knot size less than 75mm), 20% in large remanufacturing and packaging grades, and the balance in medium and small remanufacturing and packaging grades. Pulping quality logs are likely to be fully committed to local demands.

The region produces high density wood (from coastal zones) and medium density wood (from inland sites), suitable for structural timber uses, e.g. framing timber and engineered wood products such as LVL.

All of the major forest areas in the region are certified to Forest Stewardship Council standards.

Central North Island radiata pine¹



For detailed descriptions and analysis of the forest industry and forest resources in the Bay of Plenty and Central North Island, refer to:

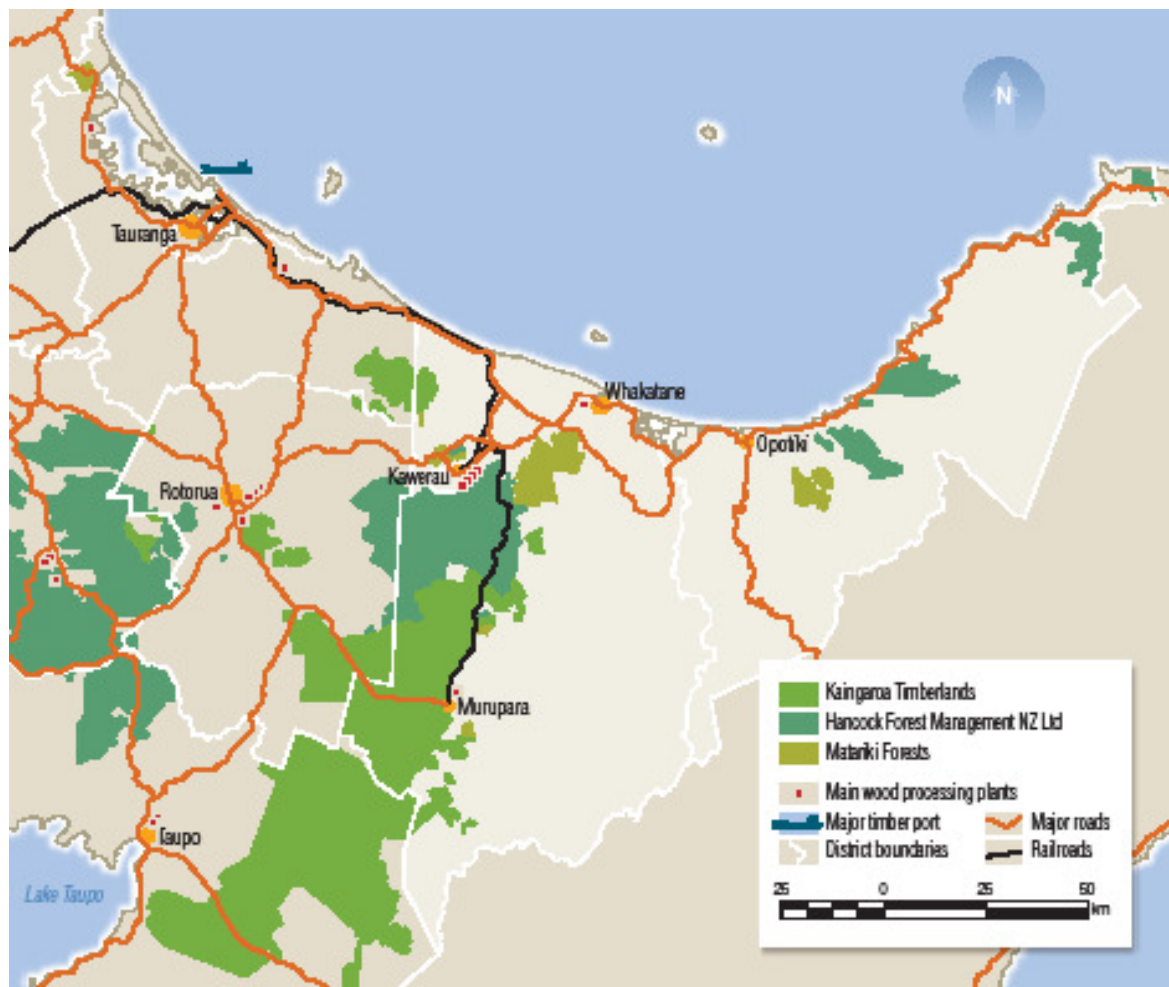
“Wood processing – New Zealand Fibre Baskets.” April 2009. Prepared by Poyry Forest Industry Limited for Investment New Zealand, a division of New Zealand Trade and Enterprise.
www.investmentnz.govt.nz

“Central North Island forest industry and wood availability forecasts.” November 2009. Ministry of Agriculture and Forestry. www.maf.govt.nz

The Bay of Plenty comprises the eastern half of the CNI, but the whole region operates essentially as one wood supply region.

¹ Central North Island forest industry and wood availability forecasts. November 2009. Ministry of Agriculture and Forestry. www.maf.govt.nz

1.3. Bay of Plenty Forests



3 NEW ZEALAND AND BAY OF PLENTY'S COMPETITIVE POSITION: INFRASTRUCTURE

3.1 Overall Competitiveness

In the most recent rankings of global competitiveness for infrastructure, New Zealand is placed 35th (out of 133) marginally behind Australia and Chile.

Figure 3: Global Competitiveness Index rankings (Infrastructure) 2009-10

Country	Rank (out of 133)	Score (out of 7)
Canada	7	5.9
United States	8	5.9
U.K.	20	5.4
Australia	25	5.2
Chile	30	4.9
New Zealand	35	4.6

Source: World Economic Forum Global Competitiveness Report 2009-10

Within this ranking, New Zealand rates relatively poorly in transport infrastructure as a country, with an extensive network of roads servicing a sparsely populated rural economy outside of the main population centres.

However the Bay of Plenty region is very well served by higher quality road and rail links to an internationally competitive export port.

3.2 Transport links

3.2.1 Ports

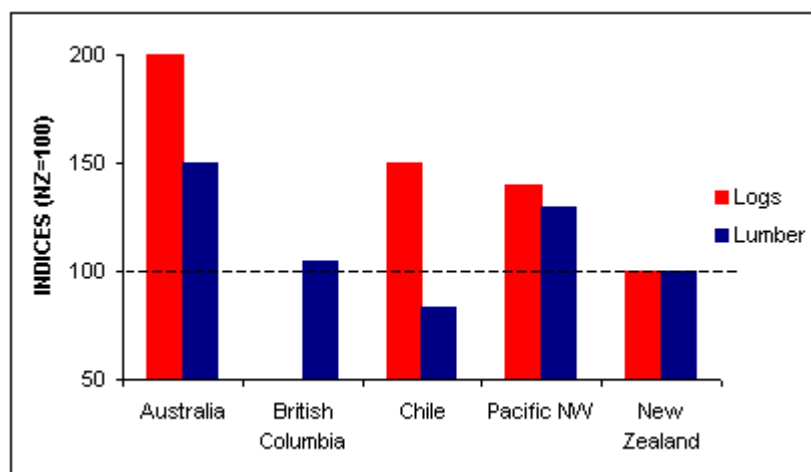
The **Port of Tauranga** is widely recognised as the economic hub for the Bay of Plenty and Waikato regions and is the fastest growing port in the country. This international gateway is used extensively for the export of logs, sawn timber, wood chips, pulp and paper products, dairy industry products and manufactured goods.

The port handles 70% of New Zealand's forest product exports, as well as kiwifruit, steel, dairy and other products. Most exports are bound for Asia, others to Australia, the Pacific Islands, the UK, USA, Europe and North America. The Port of Tauranga can handle ships up to 290 metres in length and has a low-water draught of 11.7 metres.

The Port of Tauranga has superb infrastructure, both road and rail access, a strategic land bank, the best productivity in Australasia, as measured by the Australian Productivity Commission, a strong balance sheet and is located at the heart of the New Zealand export and import belt.

(<http://www.port-tauranga.co.nz/The-Port/>)

Figure 5: Port charges (including marshalling and stevedoring)



Source: Food and Agriculture Organization of the UN (1998)

Some of the principal Port of Tauranga Tariffs (effective July 1st 2010 – June 30th 2011) are:

	Tariff: (NZ\$)		
Vessel Tariff – Marine charges			
Vessels over 20,000 Gross Registered Tonnes (GRT)	\$ 0.90 per GRT, + \$4,075.00		
Cargo (Wharfage)			
Logs	\$3.78 per JASm3		
All other commodities	\$4.24/tonne/m3/kilolitre		
Containers:	TEU (20ft)	FEU (40 ft)	45ft
Full	\$72.45	\$119.02	\$134.55
Empty	\$20.70	\$33.12	\$37.26
Transshipment	\$41.40	\$66.24	\$74.52

<http://www.port-tauranga.co.nz/Shipping-Information/Charges/>

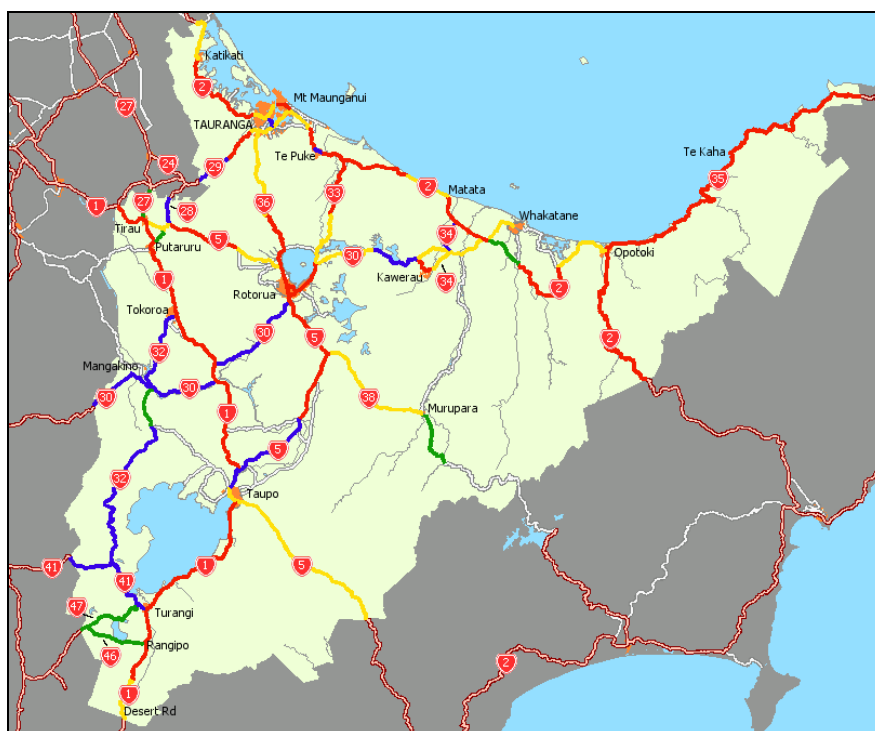
3.2.2 Road Network

New Zealand's roads are managed by the New Zealand Transport Agency (NZTA), a Crown entity which provides an integrated approach to transport planning, funding and delivery.

There are 4,460 kilometres of road in the Bay of Plenty region. The roading network comprises state highways, local roads and Special Purpose Roads. Most of the region's local roads which are located in urban areas are sealed, and about 64% of rural local roads are sealed.

(<http://www.envbop.govt.nz/Strategies/Strategy-2007-RLTS07.pdf>)

Figure 6: Bay of Plenty Road Network Map



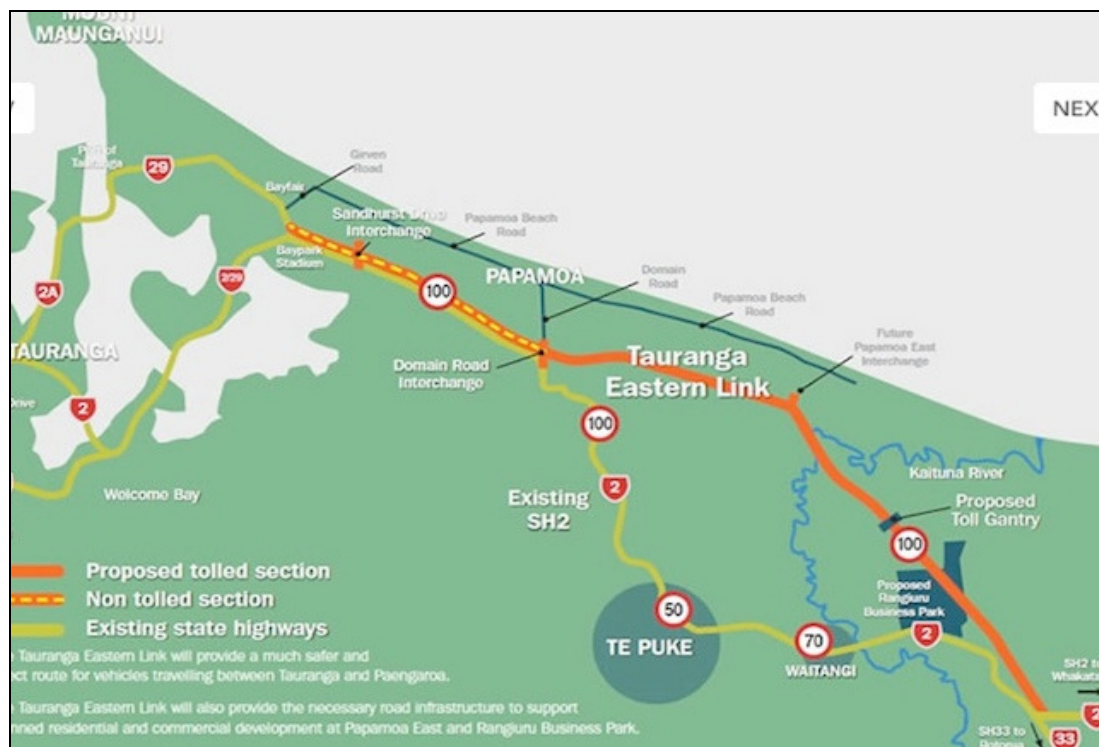
Source: www.police.govt.nz

The normal maximum gross vehicle weight on New Zealand roads is 44 tonnes. From May 2010, the Government introduced a system for permitting heavier trucks (“High Productivity Vehicles, HPV”) on approved routes. Some highway routes in the Bay of Plenty have already been approved for 53 tonne loading and a number of other routes in the region are expected to be approved for HPV use over the next year or so.

There are a number of major road projects earmarked for the Bay of Plenty including the *Tauranga Eastern Link* which is a highway recognised by the government as a road of national significance and will be the Bay of Plenty's largest roading project and a key strategic transport corridor for the region. The new 23km link will provide a safer and more direct route for vehicles travelling east from Tauranga to the junctions of state highways 2 and 33, routing heavy traffic away from townships and the existing State Highway.

(<http://www.nzta.govt.nz/network/projects/project.html?ID=58>)

Figure 7: Tauranga Eastern Link Map



Source: New Zealand Transport Agency

Road Taxes

All petrol powered and light vehicle road users pay levies in the prices of their fuel. Diesel powered vehicles and vehicles over 3500kg pay through road user charges.

Road User Charges

New Zealand has a relatively unique approach to allocating and charging diesel vehicles for roading costs. Charges are based on operator-nominated weights and having measured distance-based charges, as opposed to maximum laden weights and fuel excise duty (FED) and/or other charges that serve as a proxy for distance. Vehicles are charged according to their overall use of the roading network and the associated costs they impose.

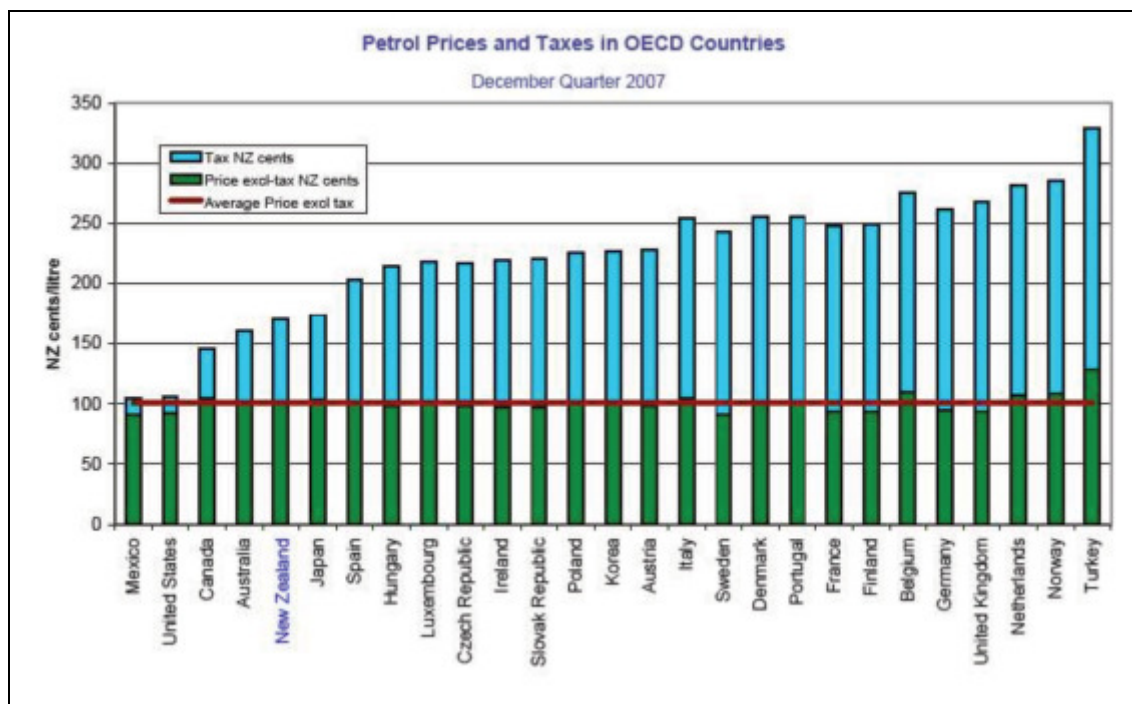
(<http://www.nzta.govt.nz/resources/road-user-charges/docs/ruc-final-report.pdf>)

Fuel Costs

Despite of its geographic location, the cost of fuel in New Zealand continues to be competitive with its main economic competitors. Figure 8 shows the relatively low cost of fuel in New Zealand compared to other OECD countries.

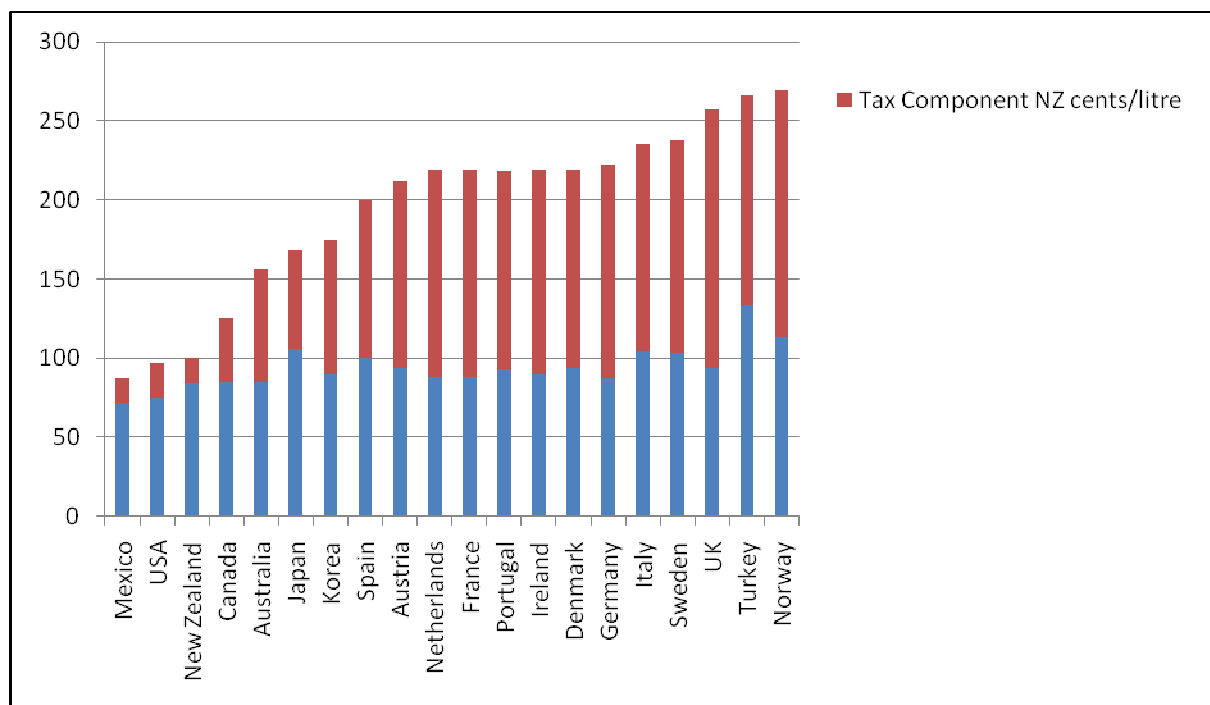
Figure 8: Fuel Price comparisons:

8a Quarterly Comparison of Petrol Price and Taxes in OECD Countries



Source: International Energy Agency (IEA)

8b Diesel Prices & Taxes in OECD Countries



Source: Adapted from Australian Petroleum Statistics, Department of Resources, Energy & Tourism

3.2.3 Rail

On 1st October 2008 the rail industry in New Zealand became a single entity trading as KiwiRail. KiwiRail moves 33% of the country's export goods linking major export industries to major ports. KiwiRail operates a track network of 4,000km covering much of the country.

The Bay of Plenty has 227 km of rail network. The main rail line in the region is the East Coast Main Trunk Railway, which extends from Hamilton in the Waikato region to Kawerau via Tauranga, with the Murupara Branch Railway extending the Kawerau terminus to Murupara. Rail networks in the region are used exclusively for freight. The hub of regional economic activity is the Port of Tauranga, with well-established rail and road connections to other parts of the region.

With over a third of New Zealand's rail traffic, the region's rail network is the most densely utilised sector of the national rail network. Rail carries 4.7 million tonnes per annum to and from the Port, 40% of its exports, and 25% of its imports. The major freight is forestry products (65% of all logs), import-export goods (38% of all containers), and coal.



(<http://www.envbop.govt.nz/Strategies/Strategy-2007-RLTS07.pdf>)

3.2.4 Airports

New Zealand has a comprehensive network of international and domestic airports. Whilst Auckland Airport serves the largest number of international arrivals and departures, airports in Wellington, Christchurch, Dunedin, Hamilton, Rotorua, Palmerston North and Queenstown also receive flights from other countries. Figure 10 shows the location of airports across New Zealand.

Domestic airports make every part of the country accessible and the Bay of Plenty is well served by the commercial airports which operate at Tauranga, Whakatane and Rotorua International Airport (which also receives international flights from Australia).

Figure 10: New Zealand Airports



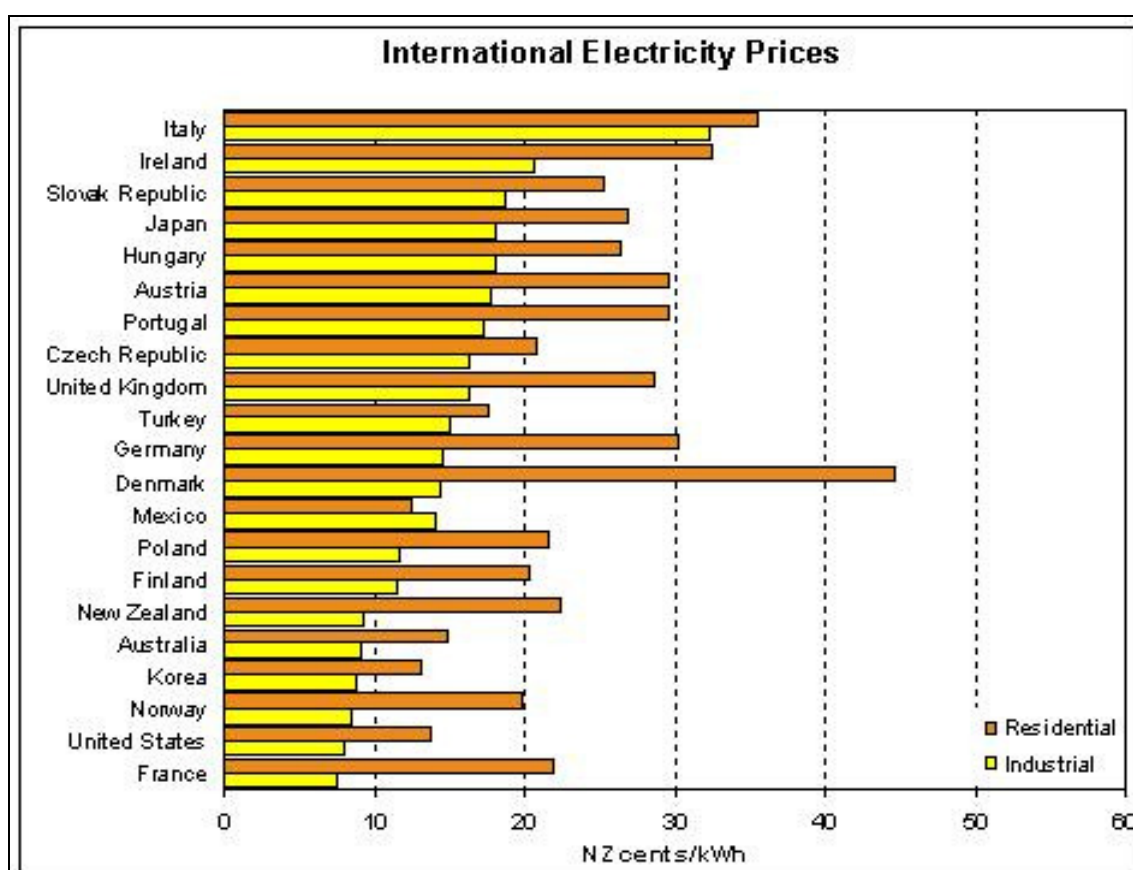
Source: www.newzealand.com

3.3 Energy

3.3.1 Electricity

New Zealand's energy prices for industry are close to the average for OECD countries. Figure 11 illustrates New Zealand's competitive position in relation to other OECD countries.

Figure 11: International Comparison of Electricity Prices March Quarter 2008



Source: OECD

The electricity industry in New Zealand has four main components:

- generation (electricity production stations)
- transmission (the high voltage network known as the national grid)
- distribution (local lines companies)
- retail (electricity retail companies which compete to buy wholesale electricity and compete to retail it to consumers)

Generation Approximately 60% of New Zealand's electricity is generated by hydro stations, with the balance from geothermal stations, gas, coal and oil-fired thermal stations, bio-mass plants and wind farms.

Three state-owned enterprises (Meridian Energy, Genesis Energy and Mighty River Power) produce 64% of the country's total generation capacity. Two private sector companies (Contact Energy and TrustPower) produce the majority of the remainder.

Transmission Transpower (a state-owned enterprise) owns and operates the national high voltage electricity transmission grid. It provides a seamless delivery of bulk electricity to towns, cities and major industries across the country. As the system operator, Transpower also provides a co-ordination service whereby it schedules the generation of all stations, monitors the interconnected networks, ensures that reliability, voltage and frequency targets are met, and manages grid emergencies.

Whilst the transmission network is a natural monopoly its investments are regulated by the Electricity Commission, and its pricing is regulated by the Commerce Commission. Transpower is committed to planning ahead to ensure the National Grid is able to meet the needs of future generations. There are currently major projects under way to upgrade the North Island Grid in order to meet the growing energy demands of the Upper North Island incorporating a new overhead transmission line, the building of a new substation and new underground circuits. Transpower will be investing up to \$5 billion into the National Grid over the next decade.

Distribution There are 28 lines companies that own the local distribution networks throughout New Zealand. The ownership of distribution companies is a mix of public listings, shareholder co-operatives, community trusts and local body ownership, with most lines companies being owned by trusts. Lines companies also differ in size, with one company (Vector) making up one third of the sector (by number of connections), and the largest four (Vector, Powerco, Orion and Unison) supplying 66% of all connections.

Retail Retailers compete to meet consumers' electricity needs. There is a high degree of vertical integration between generation and retail activities in New Zealand, with the five main retail companies also being the main generating companies. Retail electricity suppliers in the Bay of Plenty region include: Bay of Plenty Electricity, Trustpower, Mercury Energy, Genesis Energy and Horizon Energy.

3.3.2 Geothermal

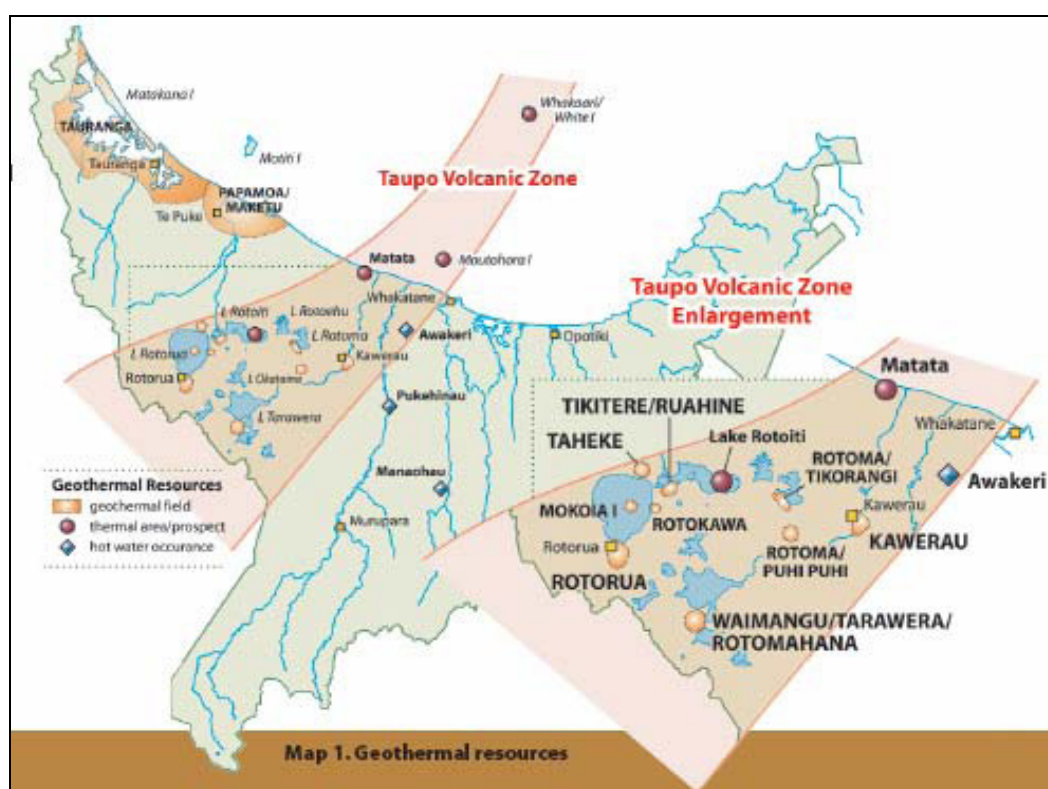
New Zealand has an easily accessible and large geothermal resource. The main use of geothermal energy in New Zealand is for electricity generation. In 2009, electricity generation from geothermal accounted for over 10% of New Zealand's total electricity supply. Electricity generation from geothermal energy is expected to increase substantially over the next 25 years.

Geothermal energy is a major source of energy within the Bay of Plenty region. The \$300 million Kawerau geothermal power station in the Eastern Bay of Plenty is the largest single geothermal development in New Zealand in more than 20 years. The new geothermal power station significantly increases generation capacity in the Eastern Bay of Plenty, meeting approximately one-third of residential and industrial demand in the region.

The Kawerau steam field also supplies steam for industrial use and some small scale generation. As a geothermal resource, the Kawerau geothermal field is considered world class and capable of sustaining further development.

Most of New Zealand's geothermal resources are concentrated in the Taupo Volcanic Zone. The Kawerau field is the largest in area and second only to the Wairekei field (near Taupo) in stored heat potential. Current installed generating capacity on the Kawerau field accounts for only 30% of its stored heat potential of 450 MWe.

Figure 12: Geothermal resources in the Bay of Plenty Region



Source: Environment Bay of Plenty

3.4 Engineering and Consulting Services

The existing wood processing industries in the region have supported the establishment of clusters of heavy engineering and equipment supply companies in Kawerau, Rotorua, Taupo and in nearby Tokoroa. These companies have internationally competitive skills in the manufacture, fabrication and servicing of equipment and components for the wood processing, pulp & paper, energy, marine and construction sectors. A number of these companies now also export their products and services to overseas clients and to non-related industries. (eg, www.cegroup.org.nz)

Similarly, a number of consulting and professional services companies have developed strong forest industry knowledge and skills. Example companies and fields of expertise are listed below:

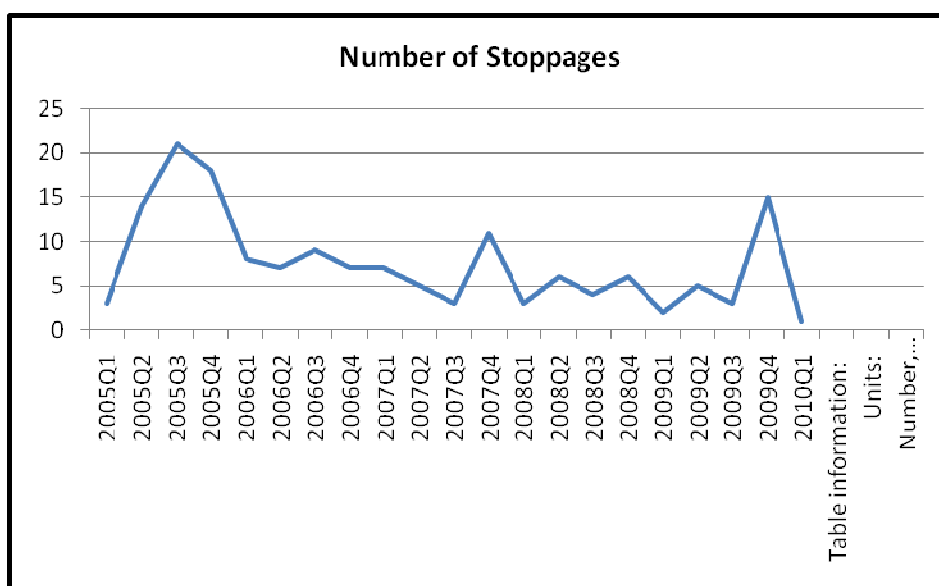
Beca Amec www.becaamec.com	Engineering consulting, design and project management. Environmental.
Sinclair Knight Merz (SKM) www.skmconsulting.com	Engineering, sciences, and project delivery. Environmental. Geothermal
Dobbie Engineers www.dobeng.co.nz	Mechanical engineering, project management. Geothermal.

Allan Estcourt Ltd	Woodwaste boilers, steam, mechanical.
Coulter Engineering Services	Boilers, woodwaste gasification
Page & Macrae	Power generation, pulp and paper, mechanical handling

3.5 Labour and skills

The guiding legislation in New Zealand is The Employment Relations Act (2000) which introduced a number of changes to how employers, employees and unions conduct their relationships. From 1 December 2004 the Act has been amended to further promote good faith as the basis for employment relationships. The main provision of the Act includes the promotion of mutual obligations of trust and confidence between employers, employees and unions. It also sets out the requirements for the negotiation and content of collective and individual employment agreements and the provision for prompt and flexible options for resolving problems in employment relationships. Figure 13 shows the positive impact the Act has had in the workplace environment over the past five years. (www.ers.dol.govt.nz)

Figure 13: Number of Stoppages 2005 - 2010



Source: Statistics New Zealand, August 2010

The Bay of Plenty region has a population in excess of 250,000 with the major population centres being located at Tauranga, Rotorua and Whakatane. The availability of labour is generally very good, with a long-standing history of expertise in the forestry and related businesses. There is also a large pool of semi and unskilled labour which can be called upon.

3.5 Broadband and Communications

The expansion and development of broadband is a vital component of New Zealand's economic growth, productivity improvements and the government's wider strategy to increase New Zealand's global competitiveness, particularly compared to other OECD countries.

Ultra-fast broadband investment initiative The government's goal for ultra-fast broadband investment is to accelerate the roll-out of ultra-fast broadband to 75 percent of New Zealanders, concentrating in the first six years on priority broadband users such as businesses, schools and health services, plus green field developments and certain tranches of residential areas.

The government's objective will be supported by government investment of up to \$1.5 billion alongside private sector investment, and be directed to open-access infrastructure.

3.6 Financial Stability

The Reserve Bank of New Zealand is New Zealand's central bank. It promotes a sound and dynamic monetary and financial system. It works towards its vision by:

- Operating monetary policy to achieve and maintain price stability
- Assisting the functioning of a sound and efficient financial system
- Meeting the currency needs of the public
- Overseeing and operating efficient payment systems
- Providing effective support services to the Bank

The Reserve Bank registers and supervises banks in New Zealand for the purposes of promoting the maintenance of a sound and efficient financial system, and avoiding significant damage to the financial system that could result from the failure of a registered bank. There are currently 19 banks registered in New Zealand. All banks operating here must be registered with the Reserve Bank of New Zealand and are required by law to disclose their financial condition each quarter.

(<http://www.rbnz.govt.nz/about/>)

The soundness and effective functioning of the New Zealand banking system is a key distinction between what happened in the New Zealand (and Australian) economy compared with the US and Europe. This is owing to a range of factors which include:

- Banks in New Zealand have stuck to core banking principles in terms of customer lending, risk management and deposit activity
- Virtually 100% of lending activity has been to New Zealand borrowers, eliminating risks of lending outside 'core markets'
- Banks did not engage in so-called 'sub-prime' lending, although it could be argued some New Zealand non-banks were engaged in similar high risk lending activity.

Consequently the Banks have retained very strong credit ratings (AA to AA- for the larger domestic banks) with the major NZ banks now amongst the most highly rated in the world (only 13 banks rated AA left in the world at the time of writing).

4 NEW ZEALAND AND BAY OF PLENTY'S COMPETITIVE POSITION: BUSINESS SUPPORT FUNCTIONS

Various Global Competitiveness Reports show New Zealand to be a highly desirable place to do business. The World Economic Forum Global Competitiveness Report for 2009-10 (p.238) came to the following conclusion:

“New Zealand (20th) advances four ranks and joins the top 20. It is the only country within the top 20 to improve its score year on year (4.9 to 5.0), an increase attributable to a number of small improvements across the board. The country maintains or improves its ranking in no less than 85 indicators out of the 113 that compose the GCI. Public institutions are assessed very well, placing New Zealand in 5th position worldwide, behind only Singapore and three Nordic countries. The incidence of corruption is minimal by all measures. And when it comes to private institutions, New Zealand is second to none. It ranks 1st with respect to corporate ethics, the strength of auditing standards, and protection of shareholders; and 2nd for the efficiency of corporate boards. Overall, the environment is extremely conducive to business, supported by efficient goods (8th, up nine places) and labour (11th) markets, and by one of the soundest financial systems in the world (3rd).

Figure 1: Global Competitiveness Index rankings 2009/10

Country	2009/10
Switzerland	1
USA	2
Singapore	3
Sweden	4
Denmark	5
Finland	6
Germany	7
Japan	8
Canada	9
Netherlands	10
Australia	15
New Zealand	20

Source: World Economic Forum Global Competitiveness Report 2009/10

The latest *Global Enabling Trade Report 2010* revealed New Zealand being rated the 6th highest country out of 125 economies measured worldwide (an improvement of 5 places on the previous year). The Enabling Trade Index measures institutions, policies and services facilitating the free flow of goods over borders and to destination. It breaks the enablers into four issue areas: market access, border administration, transport and communications infrastructure, and business environment.

(<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>)

Figure 2: Global Enabling Trade Index 2010

Country/Economy	GET 2010 Rank	GET 2010 Score
Singapore	1	6.06
Hong Kong SAR	2	5.70
Denmark	3	5.41
Sweden	4	5.41
Switzerland	5	5.37
New Zealand	6	5.33
Norway	7	5.32
Canada	8	5.29
Luxembourg	9	5.28
Netherlands	10	5.26

Source: World Economic Forum

Transparency International's 2010 Corruption Perceptions Index, which ranks countries on a scale from 10 (highly clean) to 0 (highly corrupt), reports: *“Denmark, New Zealand and Singapore are tied at the top of the list with a score of 9.3, followed closely by Finland and Sweden at 9.2.* (www.transparency.org).

4.1 Government

Central Government

New Zealand is a democratic country in which the members of parliament (MPs) are chosen in free and fair elections. Voting is not compulsory, but turnout is high by international standards. The legislature comprises a single chamber of parliament which consists of the House of Representatives, which generally has 120 MPs, and the Governor-General (who does not personally attend the house). Parliament is currently made up of 63 general and 7 Maori electorate seats, plus 50 seats allocated from party lists, giving a total of 120 seats.

Elections are held every three years and all citizens and permanent residents aged 18 or over of the country are entitled to vote using the mixed member proportional (MMP) system. Under MMP every voter usually has 2 votes – the first vote is for an electorate Member of Parliament, whilst the second one is a nationwide vote for a political party. Legislation is currently before Parliament to hold a referendum on the MMP voting system at the same time as the 2011 general election.

New Zealand has an unwritten constitution and is a constitutional monarchy. The Queen of New Zealand, Queen Elizabeth II, is the Head of State. The Queen's representative in this country is the Governor-General who has all the powers of the Queen in relation to New Zealand. Although an integral part of the process of government, the Queen and the Governor-General remain politically neutral and do not get involved in the political contest.

(<http://www.elections.org.nz/elections/system-of-government.html>)

Local Government

Within New Zealand there are currently 12 regional councils, 16 city councils and 57 district councils.

The functions of regional councils include resource management (quality of water, soil, coastal planning etc), river management, flood control and mitigation of erosion, civil defence (natural disasters, marine oil spill).

The functions of territorial councils (district and city councils) include: community well-being and development, environmental health and safety (including building control, civil defence, and environmental health matters), infrastructure (roading and transport, sewerage, water/stormwater) and resource management including land use planning and development control.

(<http://www.lgnz.co.nz/lg-sector/role/index.html>)

Bay of Plenty Regional Council (BOPRC), formerly known as Environment Bay of Plenty, has service offices at Tauranga, Rotorua and Whakatane. BOPRC is the result of an amalgamation of 25 organisations which has a broad responsibility (with others) for the economic, social and cultural well-being of the regional community. Responsibility includes planning and prioritising the region's land transport needs, including major roading improvements, supporting sustainable economic development and strategic thinking for the Bay of Plenty's future. BOPRC also promotes the sustainable management of the region's natural and physical resources for present and future generations which is incorporated in the Council's many projects including the Ten Year Plan 2009-19. (<http://www.envbop.govt.nz/Council/About-Us.aspx>)

4.2 Relevant Government Ministries

Ministry of Agriculture and Forestry

The Ministry of Agriculture and Forestry (MAF) was formed on 1 March 1998, when the formerly separate government Ministries merged. A key function of the new Ministry is to ensure that forestry continues to make the best possible contribution to New Zealand's sustainable development and economic growth. On 1 July 2010, MAF and the New Zealand Food Safety Authority (NZFSA) were amalgamated providing for a single organisation focused on the integrity and performance of New Zealand's animal, plant, food and related sectors.

MAF and NZFSA have worked closely together and the amalgamated ministry spans the full primary industries value chain from producer to consumer. It will closely align key functions supporting the Government's economic growth goals, including sector performance, sustainable development and trade facilitation.

The mission of MAF is to enhance New Zealand's natural advantage. It achieves this by encouraging high-performing sectors, developing safe and freer trade, ensuring healthy New Zealanders and by protecting the country's natural resources for the benefit of future generations.

With particular regard to forestry, MAF continues the work of its constituent ministries in managing the Crown's forestry interests and commitments and providing sound policy advice. This includes working with other government departments, representing government policy both domestically and internationally, and providing information to promote and facilitate sustainable resource use. In addition, the new Ministry also has a role in protecting New Zealand's competitive advantage as an export nation by monitoring and protecting its forests against the introduction of exotic pests and diseases. (<http://www.maf.govt.nz/mafnet/profile/>)

Ministry of Economic Development

The Government has set a long term goal of growing the economy to deliver greater prosperity, security, and opportunities to all New Zealanders. The Ministry of Economic Development (MED) contributes to this goal by delivering high-quality business services; supporting the development of business capability; assisting innovative and productive firms to thrive; helping to create a growth-friendly environment with low regulatory and business costs; and promoting investment in infrastructure.

MED aims to support the Government's goal through six long-term outcomes which are:

- Enterprising and innovative businesses – improving the drivers for success and productivity improvement in firms.
- International linkages – improving the linkages that allow New Zealand firms to benefit from trade and the flows of investment, skills, and technology.
- Dynamic and trusted markets – improving the competitiveness, integrity, and effectiveness of New Zealand's markets.
- Ease of doing business – improving the way public agencies and the regulatory environment interact with business.
- Efficient, reliable, and responsive infrastructure services – improving the quality and reliability of key infrastructure services that support growth.
- Auckland – productive and competitive for the region and New Zealand.

The Ministry works for Ministers in nine portfolio areas: Commerce, Communications and Information Technology, Consumer Affairs, Economic Development, Energy and Resources, Rugby World Cup, Small Business, Tourism, and Regulatory Reform. It also contributes to work for the Ministers for Infrastructure, Trade, and Climate Change issues.

MED also advises the Government and implement policy in relation to a wide range of economic issues, primarily from a business perspective. It provides advice on issues that affect the business environment as a whole, and advice on what government can do to develop the economy. The Ministry recognises the importance of being well connected with the rest of the world as key to New Zealand's growth prospects. Trading internationally not only gives firms access to larger markets, it also leads to productivity improvements as businesses discover and embrace new technologies, markets and production methods to compete with foreign firms. This is particularly important for New Zealand, because the domestic market is small and a long way from major global markets. The Ministry works on policies to ensure New Zealand firms are well placed to take advantage of international opportunities. (http://www.med.govt.nz/templates/Page____13311.aspx)

Ministry of Foreign Affairs and Trade

The Ministry of Foreign Affairs and Trade (MFAT) is the Government's principal adviser and negotiator on foreign and trade policy issues, and is responsible to both the Minister of Foreign Affairs and the Minister of Trade. The Ministry, through its diplomatic and consular service, is charged by the Government to ensure that New Zealand's voice is heard abroad, that our security and economic interests are advanced and protected, that we contribute to global poverty elimination, and that the rights and safety of New Zealanders abroad are protected.

The primary role of the Ministry is to recognise and understand international trends, opportunities and risks that affect New Zealand, and offer the Government advice on how best to protect and advance New Zealand's interests and well-being. In this way it contributes to the Government's overall objective of transforming New Zealand into a dynamic, knowledge-based economy and society, underpinned by the values of fairness, opportunity and security for all.

In its annual Statement of Intent the Ministry reviews the international setting in which New Zealand pursues its external policies. It looks for current trends and key drivers for change, seeking to identify opportunities and risks that may impact on our foreign and trade policy objectives. The Statement then sets out the broad initiatives which the Ministry plans to pursue over the medium term to achieve its objectives. The latest Statement of Intent (2010-13) shows the importance placed on New Zealand within a global context. It states *“improved international connections are important for lifting New Zealand's productivity and economic growth. The challenge for the Ministry is to develop and*

maintain a set of relationships with other countries that provide New Zealand with continuing influence across a range of possible futures. Well-functioning international connections will support New Zealand's trade interests, our science and innovation sector, and our access to foreign capital and to skills and ideas”.

The Ministry recognises that free trade agreements (FTA's) between two or more countries make international trade easier and more efficient and consequently New Zealand is committed to liberalising trade through a number of regional, bilateral and multilateral trade agreements. There are numerous free trade agreements already in place with important markets or currently under negotiation offering great promise for New Zealand businesses.

NZ China FTA – The Free Trade Agreement between New Zealand and China entered into force on 1st October 2008.

New Zealand is the first developed country to negotiate a free trade agreement with China. Securing preferential access to China's economy has the potential to deliver significant gains to our exporters. It is the fastest growing major economy, currently growing at 9.5 percent per annum. China is our fourth largest trading partner, taking over \$1.6 billion of New Zealand's merchandise exports and over \$1 billion of services.

The NZ-China FTA provides for the removal over time of tariffs on 96% of New Zealand exports: New Zealand will make an annual duty saving of \$115.5 million, based on current trade.

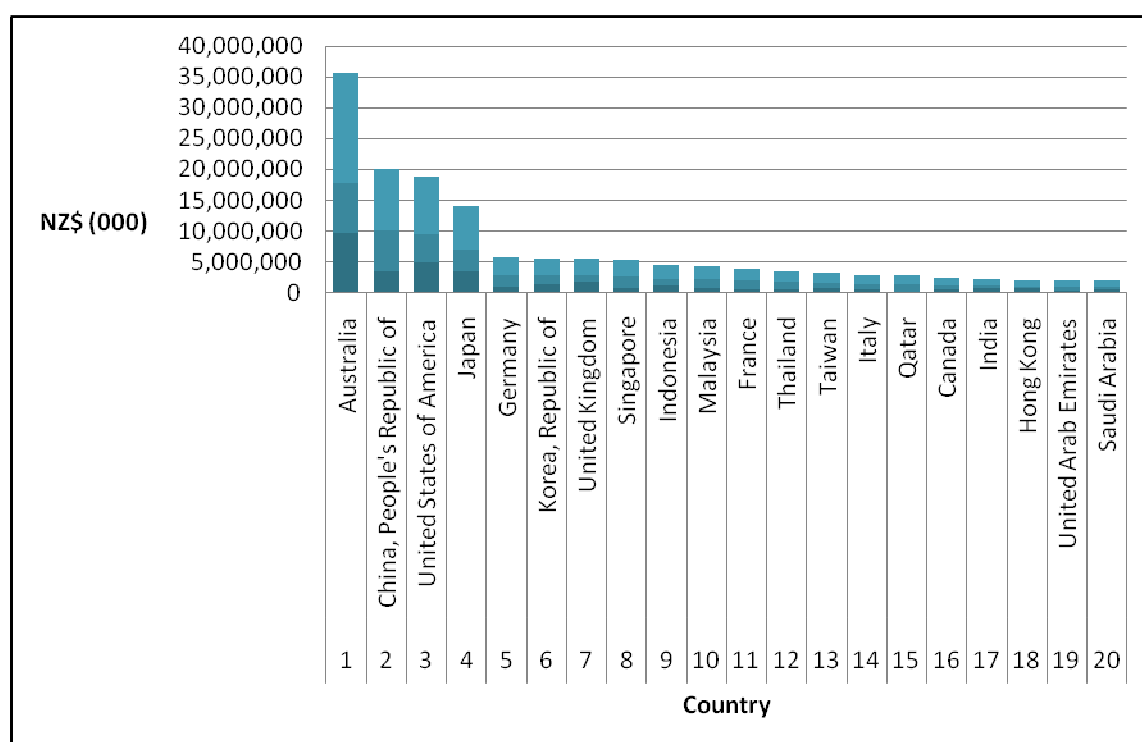
NZ Korea FTA – Negotiations towards an FTA with the Republic of Korea were announced by Prime Minister Key and Korean President Lee Myung-bak in March 2009, and officials-level negotiations began in June that year. Since then, four rounds of officials-level negotiations have taken place. Good progress has been made in many areas, and three chapters are now substantively concluded (Competition and Consumer Policy, Labour and Environment).

Korea is New Zealand's sixth largest market, taking goods worth nearly NZ\$1.4 billion in 2008. Over the same period New Zealand imported NZ\$1.3 billion worth of merchandise from Korea. New Zealand's exports are dominated by primary products (food and wood products in particular), while New Zealand's main imports from Korea are automobiles and electrical goods.

NZ India FTA – New Zealand Trade Minister Tim Groser and Indian Commerce Minister Anand Sharma announced on 31 January 2010 that all approvals had been secured for Free Trade Agreement negotiations to commence between their two countries.

New Zealand's exports to India were valued at NZ\$630 million in 2009, a 280% increase on our 2001 exports to India and overall bilateral trade between India and New Zealand grew 180% between 2001 and 2009, from NZ\$353 million to NZ\$985 million.

Figure 1: Top 20 Bilateral Trading Partners Year Ended June 2009



Source: Statistics New Zealand (Global New Zealand – June 2009 tables)

4.3 Crown Research Institutes (CRI's)

Scion Research

Scion Research is the trading name of New Zealand Forest Research Institute Limited. As a CRI, Scion is 100% owned by the New Zealand government under the strategic control of an independent Board of Directors appointed by the Cabinet.

Scion's overall strategy is to contribute to the sustainable economic development of New Zealand by focusing on three strategic science goals and one underpinning management goal. These goals are to:

- Increase the value and profitability of New Zealand's forests by partnering with the forest growing sector to improve returns to growers, to access new, higher-value markets, and to take advantage of the economic benefits offered by Environmental Services such as carbon sequestration, conservation of biodiversity, erosion control, and recreation
- Optimise the value of marginal land by utilising science and decision-support tools that will enable marginal land owners and policy makers to make land-use decisions that optimise economic benefits and mitigate environmental and social impacts
- Accelerate development of by-products from renewable resources by providing technologies and knowledge to assist in the growth of innovative companies making products from forest resources. With its national and international partnerships, Scion will provide leadership in New Zealand's developing bio energy, bio refining and industrial biotechnology industries

- Maximise the quality and impact of Scion’s science through investment in its high-performing individuals and teams. Scion will ensure its research environment and infrastructure supports collaborative arrangements and encourages open access to its own and others knowledge and facilities.

(<http://www.scionresearch.com/general/about-us/who-we-are>)

The past decade has seen major changes in the forestry market and a major investment has been made in adapting forestry processes in New Zealand to cater for the increased demand from consumers for renewable and sustainable materials. Scion Research is involved in many major projects including:

- *Wood and Fibre Technology* – Scion specialises in research and development that opens up exciting opportunities for wood and fibre-based products. As the world increasingly seeks to use renewable and sustainable materials to meet consumer needs, new applications for wood and plant fibres are rapidly emerging. In partnership with industry, we have spent many years building detailed knowledge of wood and fibre properties and how best to process resources to achieve the desired products. We also consider end-of-life implications through life cycle analysis in product development. Our expertise in wood and fibre processing is based on a long history of forestry, pulp, paper and composite research.
- *Industrial biotechnology* enables manufacturing using biological processes and renewable raw materials. The rise of industrial biotechnology globally reflects an increasing shift away from modern industrial practices that rely heavily on the use of fossil fuels, man-made chemicals and non renewable materials.
- *Bio energy* is an important form of renewable energy extracted from biomass (organic material). Bio energy can come in a variety of forms (solid, liquid or gas) which can be used to create heat, electricity and transport fuel. Scion offers a unique national capability in bio energy science and is keen to form partnerships for both research and commercialisation. We integrate skills in bio energy from forest resources, wood pulping, industrial biotechnology and bio refineries, with international expertise in second-generation bio fuels and process scale-up. Scion undertakes a range of bio energy and bio refinery research and development activities across the whole production chain, from resource establishment through to product development. Scion is helping to lead the movement towards a bio-based economy in New Zealand through our expertise in industrial biotechnology applications.
- *Packaging* – Scion specialises in creating new, niche packaging products to support New Zealand’s export industries. Improved packaging material will help to meet growing consumer demands for renewable and sustainable products. We have the knowledge, expertise and testing capability to support exporters in achieving effective packaging that meets various end-use demands. Scion is a member of the Functional Food Packaging Programme, where several research agencies are focused on the development of new packaging technologies for the food industry.
- *Environmental Technologies* – Scion assists with the design of technologies that minimise ecosystem contamination through water recycling, energy reduction, environmental remediation, carbon recovery, and conversion of wastes. These “clean” technologies offer opportunities for partnering and investment from strategic local and global partners. Environmental technologies have been identified by international and national policy makers, business development agencies and investors as a key area for focus within a sustainability framework.

Future Forests Research (FFR)

Future Forests Research Limited (FFR) is a new partnership between the New Zealand forest industry and New Zealand's primary forest research organisation, Scion. This partnership brings a strong focus to research and development to improve the international competitiveness of New Zealand forestry and deliver wider environmental and community benefits.

FFR has organised its research activities into four Research themes, designed to group activities logically and on a manageable scale which are:

- Radiata Management
- Diversified Species
- Harvesting and Supply Chain Logistics
- Environmental and social

(<http://www.ffr.co.nz/our-vision>)

Solid Wood Innovation

With a focus specifically on solid wood processing, SWI is a research company in which many of NZ's processing companies are shareholders. SWI's objectives are to provide its shareholders with the solid wood processing technologies that will (1) significantly lift the volume of appearance products exported from NZ, (2) increase efficiencies in appearance and structural manufacturing and (3) reduce energy/water consumption in manufacturing. SWI shareholders typically are members of WPA and PMA (see below)

SWI is 50:50 funded by its shareholders and the NZ Government. Companies can join SWI at any time and have the opportunity to direct research into areas of direct relevance to their businesses on the basis that many processing issues are common amongst companies and there are benefits to be gained from sharing the costs in the development of research solutions.

SWI has established strong international contacts with R&D agencies in Australia, USA, Canada and Europe and actively pursues the translation of overseas technologies to radiata pine and the NZ context. (www.wqi.co.nz)

4.4 Investment Promotion Agency

New Zealand Trade and Enterprise

New Zealand Trade and Enterprise (NZTE) is the New Zealand Government's national economic development agency. Through a network of 46 offices worldwide (9 based in New Zealand), it aims to improve the international competitiveness and sustained profitability of New Zealand business by providing access to people, knowledge and opportunities.

NZTE works to stimulate New Zealand's economic growth by helping to boost export earnings, strengthening regional economies, and delivering economic development assistance to industries and individual businesses. It uses knowledge of, and contacts in, overseas markets to connect New Zealand businesses with trade and investment opportunities internationally. NZTE focuses on industry sectors where New Zealand has a long-term competitive advantage in world markets, and on businesses with high-growth potential. Its strategic goals are to increase the international connections of New Zealand business, help businesses build their capability and improve the environment for enterprise and growth.

NZTE's services and programmes include advice, training, mentoring, funding, and business and market development assistance. NZTE has a network of offices within New Zealand and works closely with local government, economic development agencies and other regional allies to grow the regional economic base, to identify and address barriers to growth, and to stimulate and develop new business opportunities. NZTE promotes international investment in New Zealand, providing market information for investors and working with them to support long term success, and assists New Zealand businesses to expand and grow their businesses offshore.

Country strategies are specifically in place to provide a brief market overview and summarise New Zealand Trade and Enterprise's resources and activities in each particular country. Such country strategies currently include the Greater China region (including Hong Kong and Taiwan), South Korea and Japan.

Investment New Zealand has been a specialist division within NZTE since 2003, and is now known as NZTE's Investment team. The role of NZTE's Investment team remains one to increase the quality and quantity of foreign direct investment into New Zealand, and to support New Zealand businesses to attract foreign investment or to invest overseas themselves. (<http://www.nzte.govt.nz/about-NZTE/Pages/About-NZTE.aspx>)

4.5 Economic Development Agencies

Economic Development Agencies of New Zealand (EDANZ) supports, coordinates and advocates for economic development agencies (EDAs) throughout New Zealand. EDAs work with their local authorities to deliver programmes in the regions. In partnership with local and also central government, EDANZ can tap into a wealth of knowledge and practical expertise in the economic development field, helping to further New Zealand's economic performance.

EDANZ undertakes a range of tasks including:

- acting as a connector between individual EDAs and central government stakeholders
- providing strategic support to regional EDAs
- connecting with key non-governmental stakeholders such as business, education, research agencies, iwi and community
- advocating a lead role for EDAs to implement economic development at a regional level
- identifying and promoting best practice in the field of economic development

(<http://www.edanz.org.nz/about-us.html>)

Bay of Plenty EDA's

EDANZ comprises 14 key regional groups of which the Bay of Plenty is one. Major EDA's within the Bay of Plenty region include:

Priority One

Priority One is the economic development organisation covering Tauranga and the Western Bay of Plenty. The organisation was established by the business community and is half funded by business membership, making it a unique structure for an economic development organisation in New Zealand. It is also contracted to deliver economic outcomes by Tauranga City and Western Bay of Plenty District councils.

It has five key areas of focus which are:

- Developing competitive advantage
- Skills for industry
- Tertiary education and research
- Maori economic development
- Infrastructure

(http://www.priorityone.co.nz/what_we_do)

Toi -EDA

Toi-EDA is the Eastern Bay of Plenty Regional Economic Development Agency set up by the three territorial authorities (Kawerau, Opotiki and Whakatane) and the Bay of Plenty Regional Council, working together with local iwi (Māori).

It has a set of primary goals which include:

- To attract people to work, live and play in the Eastern Bay of Plenty
- To encourage alignment of Māori economic development activity and Toi EDA activity
- To align training and education with employment needs
- To advocate for improved infrastructure and transportation
- To foster communication with the community and partners

(<http://www.toi-eda.co.nz/vision.html>)

Kawerau Enterprise Agency Inc

The Kawerau Enterprise Agency Inc. (KEA) was established in 1985 with assistance from Tasman Pulp & Paper Company Limited.

Its role is to ensure Kawerau remains a sustainable community by developing and maintaining robust economic and social structures in Kawerau. It aims to achieve this by enhancing the Community's wealth through maximising the use of resources, growing business and attracting new business.

<http://www.kea.org.nz/default.asp>

Destination Rotorua Economic Development

Destination Rotorua is a business unit of Rotorua District Council which actively works alongside the wider Rotorua business and government community (both local and central) with the aim of creating an environment that encourages and stimulates economic growth. It has a vision of a prosperous Rotorua community where people and businesses are motivated to be successful; jobs are created and rewards are shared focussed on the creation of a living, investing and sustainable business environment that encourages and stimulates economic growth.

(<http://www.rotorua-business.com/about.asp>)

4.6 Industry organisations

Wood Council of New Zealand (Woodco)

The Wood Council of New Zealand (Woodco) is a pan-industry body which represents the common interests of the forestry and wood processing sectors. Part of Woodco's function is to devise strategic planning documents, which include the "[Forest and Wood Products Industry Strategic Plan 2006-21](#)". The overarching goals of this plan include:

- To increase demand for profitable wood based products specifically growing the domestic market (residential and non-residential) consumption by 4% annually by 2010 and maintaining the compounded growth until 2012
- To expand and grow the share of NZ product in export markets through an export strategy that builds on the domestic promotion
- To increase the level of processed wood and wood-based exported products by 10%
- To reduce the dependence on export trade in wood commodities by increasing the production and sale of value added products – those products requiring secondary processing, by 2% per annum by value (measured annually – MAF statistics), as well as working to eliminate competition from illegal and unsustainable products in the market
- To increase regional economic development and community well being by increasing investment in the industry
- To have a supportive Government that understands the benefits of the industry to the nation's well being and reflects this support actively in Government policy and joint industry / government planning
- To achieve recognition of the non-wood values the industry provides and to achieve financial returns for these values
- To improve the public perception of the industry by undertaking a programme of information dissemination describing the benefit of the industry to the nation

Woodco's members are the following associations: Wood Processors, Forest Owners, Farm Forestry, Pine Manufacturers and Forestry Industry Contractors. The NZ Wood programme is an initiative of Woodco.

(<http://www.wpa.org.nz/Site/Woodco/default.aspx>)

NZ Wood programme

NZ Wood is an industry-wide programme covering New Zealand forests and wood and is designed to inspire the use of this sustainable and versatile resource. The programme builds on the wood culture in New Zealand's heritage. This is being achieved through a broad range of exciting initiatives and projects that support the growth of the entire forestry and wood industry.

Initiatives include education, research and development, information, design and the promotion of forests and wood in New Zealand. The NZ Wood programme brings together diverse members of the forestry and wood industry to pursue common objectives of:

- Growing the domestic market share for wood.
- Increasing per-capita consumption of wood in New Zealand.
- Growing public awareness of the industry's economic and environmental contribution forests and wood make to New Zealand.

Most importantly, the NZ Wood programme will help New Zealand fight climate change and global warming. (<http://www.nzwood.co.nz/about-nz-wood/the-nz-wood-programme/>)

Wood Processors Association (WPA)

The Wood Processors Association of New Zealand (WPA) represents companies responsible for the primary processing of between 75 to 80 percent of New Zealand's wood. The WPA is an advocacy body acting on behalf of its members, specifically ensuring the processing arm of New Zealand's forest industry has both a profile and a collective voice in political and public arenas. WPA serves its members by representing their collective interests and allowing a single voice for a significant part of New Zealand's export earnings.

WPA's advocates on behalf of its members, taking a whole membership approach, by:

- Providing a forum for wood processors to:
- Share information and ideas
- Improve their operational performance
- Promote products
- Informing Government and regulators of the value of the wood processing sector when legislation is being formed and/or reviewed
- Promoting the use of wood and wood-based products to New Zealand and overseas consumers

(<http://www.wpa.org.nz/>)

New Zealand Forest Owners Association (FOA)

The New Zealand Forest Owners Association (FOA) represents the owners of New Zealand's commercial plantation forests. It was set up in 1926 and is now one of the country's most influential primary sector organisations. Its members own or manage more than 80 per cent of the country's 1.79 million hectares of plantation forests.

With annual export earnings of \$3.5 billion in 2007/08, plantation forestry is New Zealand's third largest export earner. It is a major regional employer, with 6470 individuals directly employed in forestry and logging in 2007, and 20,389 employed in forestry and first stage processing.

Investment by members in research and technology, supported by the NZ Government, means plantation forestry is highly innovative. This is reflected in the commitment of the association and its members to the highest standards of sustainable silviculture, environmental practice and workforce safety.

In recent years this has led to the development of codes of practice and standards which have world-leader status. These codes and standards have been adopted by most industry players.

(<http://www.nzfoa.org.nz/about-foa>)

New Zealand Farm Forestry Association (NZFFA)

NZFFA was formed in 1957 on an ethic that combining trees with farming represented wise land use. Membership is spread over 29 Branches throughout NZ, and there are 5 special interest groups. It estimates its members own or manage up to 100,000ha of forest, and influence the management of a similar area. These forests consist of radiata pine, cypresses, eucalypts, Douglas fir, blackwoods, poplars, other hardwoods, sequoia and NZ indigenous species. The New Zealand Farm Forestry Association represents the interests of farm foresters and smaller-scale forest growers.

In acting as an advocate for farm foresters and smaller-scale forest growers, the New Zealand Farm Forestry Association believes that cooperation amongst forestry industry organisations and working towards a consensus of common goals serves the best interests of all levels of participants in the industry. (<http://www.nzffa.org.nz/>)

New Zealand Pine Manufacturers Association (NZPMA)

The New Zealand Pine Manufacturers Association Inc., more commonly known as the Pine Manufacturers, was incorporated in 1991 to promote New Zealand's ability to meet international demand for solidwood value-added products for the benefit of member companies and the economy as a whole. NZPMA is dedicated to developing profitable value-added production onshore and expanding demand for high quality New Zealand pine products in selected overseas markets. It sees the future challenges for the industry as:

- position New Zealand pine overseas into higher value-added market niches
- improve member access to information on trends and opportunities in overseas markets
- grow member businesses by improving bottom line performance;
- drive towards international competitiveness
- leverage off each other's knowledge base
- encourage the adoption of new leading-edge wood processing techniques and state-of-the-art technologies
- establish stronger relationships between forest owners, sawmillers, and manufacturers

(<http://www.pine.net.nz/content/blogcategory/3/5/>)

Forest Industries Contractors Association (FICA)

The Forest Industry Contractors Association exists to promote business growth and efficiency for the benefit of New Zealand's forestry contracting industry.

In 2002 the Forest Industry Contractors Association was formed to give a common voice on relevant issues and to foster development and improvement in the forestry contracting industry. Since then, FICA has become a niche provider of information and practical workshops on new techniques and technologies to improve the health, safety and productivity of forestry contractors in New Zealand. (<http://www.fica.org.nz/index.cfm?id=1#Background>)

Forest Industries Engineering Association (FIEA)

The Forest Industry Engineering Association (FIEA), a division of Innovatek Ltd, has since 1998 been running an extensive series of technical programmes for forestry and wood products companies. Programmes are being run for both New Zealand and Australian operations. An independent forum for local companies is provided by FIEA to evaluate new technologies. Networking with other companies and leading local and international technology providers is also a significant benefit of the technology programmes.

Forestry and wood products companies, largely distant from most major technology providers, can through FIEA, evaluate a wide range of new and emerging technologies suited to their own operations. FIEA is well recognised as providing one of the most effective vehicles for technology transfer for forest products companies.

It's the principal vehicle for technology transfer for forestry and wood products companies. Through a range of independent programmes, new product and process technologies are introduced to New Zealand and Australian companies. Technologies best suited to the size of the industry and to the local wood resource are being identified and "showcased". (<http://www.fiea.org.nz/index.cfm?id=1>)

Forest Industries Training and Education Council (FITEC)

Forest Industries Training and Education Council (FITEC) is owned by forest industry partners and charged with ensuring excellence in all aspects of education and training.

FITEC's responsibilities include:

- Providing leadership within the industry on matters relating to skill and training needs
- Designing national qualifications, setting and quality assuring national standards
- Arranging the delivery of industry training
- Promotes the value of training to industry
- Promotes the wood industries as an exciting career choice
- Supports and coordinates the Modern Apprenticeship Programme
- Champions best practice in health and safety
- Monitors future skill requirements

(<http://www.fitec.org.nz/About-Us/>)

The Waiariki National Centre of Excellence for the Forest and Wood Industry is a custom designed and built facility dedicated providing ongoing educational opportunities for people in the Forest and Wood Industry's. The building of the centre is the result of a partnership between the Waiariki Institute of Technology, Forest Industry Training and Education Council (FITEC) and the University of Auckland.

The centre is being outfitted with a specialist computer suite used to run state-of-the-art computer simulation software relating to forest mapping, forest operations, saw doctoring, machining and other related timber applications. The purpose of this facility is to support all the forestry and wood manufacturing courses provided by Waiariki's School of Forestry, Wood Processing and Biotechnology, including the National Diploma in Forestry and the Diploma in Manufacturing.

Its aim is to develop technical expertise and research capabilities to equip students with the necessary skills to transform the wood processing industry from its current commodity orientation to one that focuses on high value-added products for export. Course emphasis is placed upon innovation and the development of products and processes, and upon developing industry leaders that are able to manage the change and transformation processes.

(<http://www.forestryschool.ac.nz/NationalCentreofExcellence.asp>)

New Zealand Institute of Forestry (NZIF)

New Zealand Institute of Forestry (NZIF) was founded in 1927 to provide a forum where those involved in all aspects of forestry including forest management, utilisation, processing, research, education and consulting could exchange ideas and information and keep up to date with industry trends.

Institute members are involved with all forest types, not just those where timber production is the primary objective. This includes forests for conservation, recreation, biodiversity, carbon storage, erosion control and water quality. The Institute is committed to serving the practice of forestry and the wider community through education, accountability and its codes of ethics and performance standards. Increasingly it fulfils a quality assurance role, setting the benchmark for professionalism and the quality of advice and practice by which members and others in the profession are measured. (<http://www.nzif.org.nz/>)

New Zealand Timber Industry Federation (NZTIF)

The New Zealand Timber Industry Federation was established in 1983 following the amalgamation of the New Zealand Sawmillers Federation, the New Zealand Timber Merchants Association and the Timber Research & Development Association. All three organisations had been long-standing, credible industry bodies with origins dating back to the turn of the 20th century.

The Federation is an advocate for the New Zealand sawmilling sector in a wide range of areas of interest including market development and promotion, standards and technical matters, quality assurance and certification, the commercial and regulatory environment and providing advice and services to members. (<http://www.nztif.co.nz/about.php>)

4.7 Overseas Investment Act

The Overseas Investment Act came into force on 25th August 2005. The Minister of Finance is responsible for the Act, and Treasury is responsible for policy advice relating to this Act. The Minister of Finance has designated the Overseas Investment Office (OIO) as the regulator. The core work of the OIO is to assess applications for consent from overseas persons who want to invest in sensitive New Zealand assets. The OIO is a regulatory unit within LINZ made up of a team of lawyers and legal executives.

You may need to apply to the Overseas Investment Office for consent if you are an overseas person, or an associate of an overseas person, and you wish to acquire:

- sensitive land or an interest in sensitive land (e.g. by buying shares in a company that owns sensitive land), or
- business assets worth more than \$100 million, or
- fishing quota or an interest in fishing quota

Under the terms of the Act you are an overseas person if you are neither a New Zealand citizen, nor ordinarily resident in New Zealand. A company, a partnership, a joint venture or a trust can also be an overseas person. You will also require consent if you are an associate of an overseas person. Applicants for consent must satisfy a number of criteria, including the core “investor test” criteria. In addition, consent to acquire sensitive land will only be granted if:

- the transaction will, or is likely to, benefit New Zealand, or alternatively
- the relevant overseas person intends to reside in New Zealand indefinitely

(<http://www.linz.govt.nz/overseas-investment/index.aspx>)

Foreign ownership of land requires the approval of the Overseas Investment Office for areas over 5 hectares or worth over NZ\$10 million. The Commission "welcomes and encourages foreign

investment". The main criterion is whether the proposed investment will result in substantial and identifiable benefits to New Zealand. A proposed forestry development generally satisfies this criterion. (http://www.pfolsen.com/nz_index.php?sect=invest&inc=general)

4.8 Taxes

In broad terms New Zealand has a relatively simple tax system when compared to other countries.

- New Zealand's level of tax is less than the OECD average (as a percentage of GDP)
- New Zealand has a greater proportion of its taxes collected by central government than is the case in most OECD countries. All levels of government should be included when making international tax comparisons.
- New Zealand's distribution of taxation among the different broad types of tax (for example, income tax and taxes on goods and services) is fairly average. New Zealand and Australia are the only two countries with no social security fund taxes.
- A higher proportion of New Zealand's income tax is charged on personal (rather than corporate) income than is the case in all OECD countries but one.
- New Zealand's tax rates on personal income are relatively low. Its top marginal tax rate is the lowest in the OECD. The top rate applying to the average worker is the 13th lowest out of 29. The total tax paid by the average worker as a percentage of his/her total wages is the 9th lowest.
- New Zealand's top marginal tax rate on corporate income is slightly lower than the OECD average.
- Of all OECD countries, New Zealand has the largest proportion of its taxes on goods and services made up by value-added tax (GST). New Zealand's GST rate is less than that for most OECD countries, but it does not have any concessionary rates and there are fewer exemptions than elsewhere.
- Exported goods from New Zealand are zero-rated for GST purposes.

(<http://www.parliament.nz/en-NZ/ParlSupport/ResearchPapers/c/3/d/c3d1f9c71447464b9bf4e578f7e913e4.htm>)

4.8.1 Income Tax

All personal income tax rates for individuals were reduced from October 1st 2010 as shown below:

Taxable Income (\$)	Rate post 1/10/2010 (%)
Up to 14,000	10.5
14,001 – 48,000	17.5
48,001 – 70,000	30
70,001 and over	33

GST (Goods and Services Tax)

Goods and services tax (GST) is a tax on most goods and services in New Zealand, most imported goods, and certain imported services. GST is added to the price of taxable goods and services and the rate increased from 12.5% to 15% on 1 October 2010. GST is not applicable to goods produced for export.

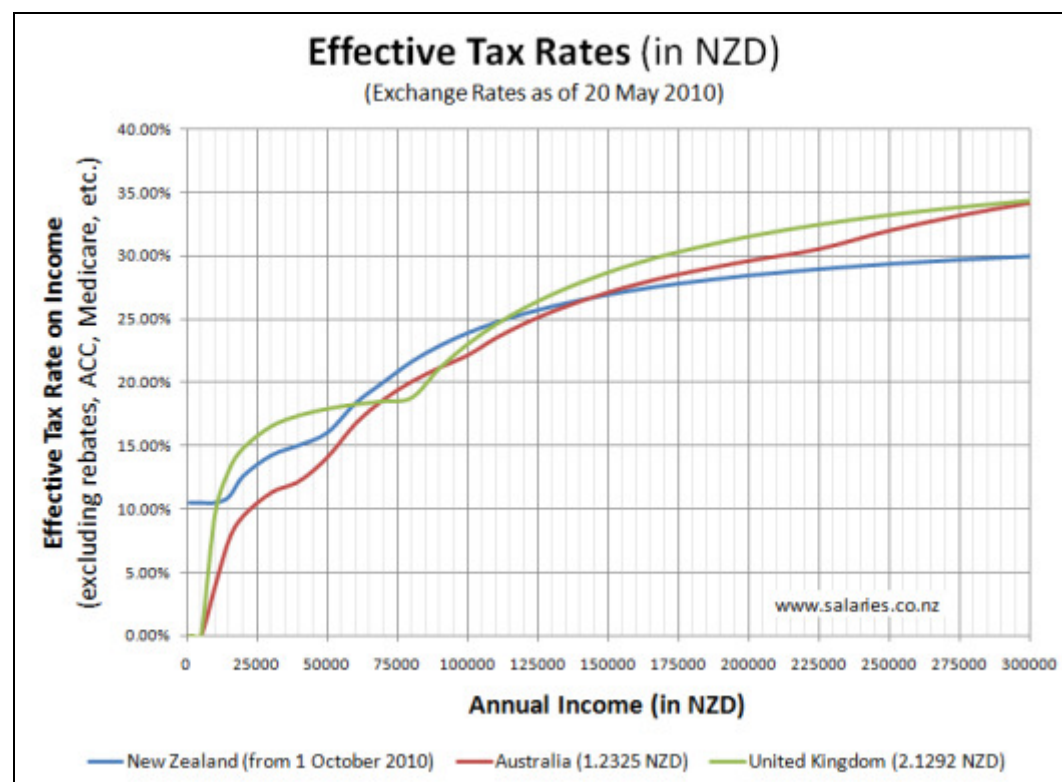
Company Tax

In 2008 the company tax rate dropped from 33% to 30%. The company tax rate is changing from 30% to 28% from the 2011-12 income year.

General Taxation Overview

With the New Zealand Government's announcement of income tax cuts in the May 2010 Budget, New Zealand's new tax rates make the country more competitive against many of its competitors as shown in Figure 2 below (comparison with Australia and the U.K.).

Figure 2: Comparative Tax rates with Australia and U.K.



Source: www.salaries.co.nz

4.9 Investment Incentives

A stable political environment, a culture of innovation and the ease of doing business make New Zealand the ideal place to invest. The Government does not offer incentives to foreign investors. A

stable, low-inflation environment is viewed as the strongest incentive for investment that the Government can provide.

Generous Tax Incentives offered by New Zealand include:

- no capital gains tax – wealth, profit or estate equity created through personal or business investment is not taxed (unlike in Australia and the United Kingdom)
- no land tax – the new Zealand Government does not tax property owners on their land
- no stamp duty – abolished in 1999
- no financial transfer taxes – unlike Australia the New Zealand Government does not tax the transfer of funds through the banking system
- no wealth or death duty – unlike many other countries New Zealand has no indirect taxes on wealth. Inheritances upon death can be passed to beneficiaries without estate duties applying
- low personal tax rate – New Zealand has low personal tax rates compared with the rest of the world

(<http://www.overseaspropertycentres.com/kb/finance/new-zealand-tax-incentives-and-tax-deductible-expenses/2491>)

4.10 Research

The Ministry of Research, Science and Technology (MoRST) is a New Zealand government department which develops research and innovation policies. MoRST manages the publicly funded part of the RS&T system on behalf of the Government. One of its major objectives is getting measurable benefits from New Zealand's investment in research, science and technology. It provides advice to the Minister and oversees the government's investment in research, science and technology.

Its policy advice focuses on New Zealand's RS&T system, its performance and how it may be strengthened for the benefit of New Zealand. It also has a role in providing specialist technical advice when government needs a scientific perspective to inform decisions. It manages the Government's \$745 million investment through Vote RS&T by advising the Minister on priorities for investment, and ensuring there are systems in place so the money spent achieves measurable value for New Zealand.

It also works to ensure there are strong links between the New Zealand RS&T sector and overseas research interests, as well as with New Zealand businesses and the wider public.

(<http://www.morst.govt.nz/about/>)

4.11 Emission Trading Scheme (ETS)

The forestry industry entered the Emissions Trading Scheme (ETS) on 1st January 2008. It was the first sector to enter, because of the importance of forestry to New Zealand's ability to meet its international obligations for greenhouse gas emissions. The Emissions Trading Scheme (ETS) is a price-based mechanism created by the Climate Change Response Act 2002. It's twin objectives are firstly to support global efforts to reduce greenhouse gas emissions by helping New Zealand to reduce net emissions below business-as-usual levels and secondly to comply with our international obligations, including our Kyoto Protocol obligations.

New Zealand's forests play a critical role in meeting the country's climate change objectives. The forest estate is already a significant store of carbon and there is potential for this to grow further with

farm and larger-scale plantings of both exotic and indigenous forest species. For forest land owners, the ETS offers significant opportunities for land development and economic growth.

New planting initiatives will expand New Zealand's forest estate; creating a carbon reservoir and helping New Zealand meet its obligations under the Kyoto Protocol. The Government expects the deforestation of pre-1990 forest land to reduce substantially under the ETS. At the same time, it expects more new forests will be planted, and that existing forests will be managed in a way that increases the levels of carbon stored in them. (<http://www.climatechange.govt.nz/emissions-trading-scheme/participating/forestry/>)

4.12 Biosecurity

MAF Biosecurity New Zealand is the division of the Ministry of Agriculture and Forestry charged with leadership of the New Zealand biosecurity system. It encompasses facilitating international trade, protecting the health of New Zealanders and ensuring the welfare of our environment, flora and fauna, marine life and Maori resources. MAF Biosecurity New Zealand provides the leadership across the biosecurity system, establishes the policy framework, delivers effective interventions across the system and encourages participation and collaborations of effort for improved outcomes.

Biosecurity is not an end in itself; it achieves multiple outcomes, such as:

- increased trade and market access for New Zealand's products;
- maintaining and enhancing economic opportunities, growth and prosperity;
- protection and enhancement of our natural and historic heritage, the integrity of ecosystems and the character of New Zealand landscapes;
- optimised human health and wellbeing;
- healthy and rewarding lifestyles, freedom and respect for cultural expression, and enjoyment of the recreational value of the natural environment; and
- protection of Māori biologically-based economic and cultural resources - maintaining the relationship between Māori and their culture and traditions, and their ancestral lands, waters, waahi tapu and taonga.

The biosecurity system must be considered in a global context. It is more than just border protection and it is bigger than just one government agency. The system covers biosecurity activities:

- Offshore - reducing the risks posed by other countries through activities such as developing Standards and Regulations.
- At our borders - stopping biosecurity-risk pests and diseases getting into New Zealand.
- Within our borders - eradicating or managing those pests and diseases that have established.

(<http://www.biosecurity.govt.nz/biosec/sys>)

4.13 Resource Management Act

The guiding piece of planning legislation in New Zealand is the Resource Management Act (RMA). When passed by Parliament in August 1991, the RMA was a major piece of legislative reform. It provided for a new approach to environmental management based on the concept of sustainable management. The concepts underpinning the RMA were based on developments in both international and local thinking over the previous 20 years.

When enacted, the RMA repealed 78 statutes and regulations, and amended numerous others, to provide a single piece of legislation for the management of land, water, soil and air throughout New Zealand. Some significant resource management activities are outside the jurisdiction of the RMA, or have overlapping management regimes. These include the harvesting of fish, shellfish and seaweed stocks which are managed under the Fisheries Act 1996, the logging of indigenous forests on private land which are also managed under the Forests Act 1949 and marine pollution from ships and offshore structures which is also managed under the Maritime Transport Act 1994. The RMA does not, therefore, provide a fully integrated resource management regime.

The RMA is underpinned by the concept of sustainable management that provides for a balance between environmental protection and development. It is a much narrower concept than the widely used term 'sustainable development', being focused more on ecological rather than social or economic considerations. The RMA has ambitiously sought to integrate the management of air, land, fresh water and marine areas into one piece of legislation. A hierarchy of policies and plans prepared at the national, regional and district levels help to promote integration. In addition, national environmental standards developed under the RMA can require the adoption of consistent standards at the regional and district levels.

The RMA focuses on managing the effects of activities rather than regulating the activities themselves. Under the RMA, decision-making has been decentralised to local and regional levels in most cases. This is based on the principle that decision-making is best carried out at the level closest to the resources affected. In general, decisions about land use are made at the territorial authority level; decisions about fresh water, soil conservation and air pollution are made at the regional council level; and decisions about the management of the coastal marine area are shared between the national and regional levels. Central government can directly intervene in local decision making where consent is sought for a proposal of national significance either through a call-in procedure or on the recommendation of the Environmental Protection Authority. Developers and others can appeal decisions made at the territorial authority level by elevating the matter to the Environment Court.

Resource Consents

The environmental impacts of activities are primarily controlled by the RMA through the requirement to apply for resource consents as well as through any conditions for permitted activities included in the relevant regional or district plan. A resource consent provides permission to carry out an activity so long as it complies with any conditions attached to the consent. The RMA classifies activities into six primary categories: permitted, controlled, restricted discretionary, discretionary, non-complying and prohibited (section 77 a (2)).

These different categories determine aspects such as whether a resource consent is required before carrying out the activity, what will be considered when making a decision on a resource consent application and whether a resource consent must, may or may not be granted. Rules in regional and district plans determine within which category an activity falls. Controlled, restricted discretionary and discretionary activities must comply with standards, terms or conditions, if any, specified in the plan or proposed plan.

An Assessment of Effects on the Environment (AEE) must accompany any application for resource consent. An AEE should consider the following matters (Fourth Schedule, clause 2):

- Any effect on those in the neighbourhood and, where relevant the wider community, including any socio-economic and cultural effects
- Any physical effect on a locality, including any landscape and visual effects
- Any effect on ecosystems, including effects on plants or animals and any physical disturbance of habitats in the vicinity
- Any effect on natural and physical resources having aesthetic, recreational, scientific, historical, spiritual, or cultural, or other special value for present or future generations
- Any discharge of contaminants into the environment, including any unreasonable emission of noise, and options for the treatment and disposal of contaminants
- Any risk to the neighbourhood, the wider community, or the environment through natural hazards or the use of hazardous substances or hazardous installations

An AEE should include the following (Fourth Schedule, clause 1):

- A description of any possible alternative locations or methods, where an activity will result in significant adverse effects
- An assessment of the actual or potential effects on the environment of the proposed activity
- An assessment of any risks to the environment of an activity which includes the use of hazardous substance or installations
- Where an activity includes the discharge of any contaminant, a description of the nature of the discharge, the sensitivity of the receiving environment, and possible alternative methods
- Mitigation measures
- Identification of persons interested in or affected by the proposal, consultation undertaken if any, and response to the views of those consulted.
- How monitoring will be carried out if required and by whom.

(<http://www.rmaguide.org.nz/rma/introduction/historical.cfm>)

The Resource Management (Simplifying and Streamlining) Amendment Bill 2009 (RMAA)

The new National Government set streamlining and simplifying the Resource Management Act as an important part of its economic recovery programme. The RMAA entered into law on October 1st 2009 and key changes to the Act include:

- Removing frivolous, vexatious and anti-competitive objections that can add cost to consent applicants
- Streamlining processes for projects of national significance
- Creating an Environmental Protection Authority
- Improving plan development and plan change processes
- Improved resource consent processes
- Streamlined decision making
- Strengthening compliance by increasing penalties and providing for a wider range of enforcement
- Improvements to national instruments

(<http://www.beehive.govt.nz/release/streamlined+resource+management+law+passed>)