DECENTRALISATION WITHIN THE NEW ZEALAND FORESTRY SECTOR: FINANCIAL AND SOCIAL IMPLICATIONS.

COLIN O’LOUGHLIN

Abstract

In the mid 1980s, a newly elected Labour Government set about reforming the New Zealand economy. The reforms impacted heavily on the New Zealand forestry sector which had been dominated by a large Government department, the New Zealand Forest Service (NZFS), for over 6 decades. In a 2-phase reform process the NZFS was disestablished and soon after, the State’s plantation forests were privatised. The decentralisation process and privatisation were accompanied by a high social cost when thousands of forestry workers lost their jobs. However, the changes brought many benefits including a more market and business oriented forestry sector with new and improved business skills. Profitability of the forestry sector soon showed a marked improvement and remained buoyant through the 1990s. By 2003 export revenues from forest products had reached NZ$3.488 billion or about 13 percent of all export revenues. This paper examines the social and financial implications of the reforms and discusses some of the lessons learnt from the reform process.

1. Introduction

New Zealand’s forests occupy approximately 32 percent of the total land area of New Zealand and provide timber for a forestry industry that employs about 28,000 people. Ninety nine percent of the total timber production is sourced from introduced plantation forests, mainly radiata pine forests, which cover 1.83 million ha or 7 percent of the total area of New Zealand (Figure 1). The indigenous forests, covering 6.6 million ha of mainly hill and mountain lands, are mainly managed for conservation and environmental protection purposes and only provide about 20,000 cubic metres of timber per year.

The involvement of the State in forestry began in earnest in 1919 when a new State Forest Service was established and soon operated under a new Forests Act (1921-22). The State Forest Service became the New Zealand Forest Service, expanded steadily in size and set about developing a large and valuable plantation resource based on rapidly growing *Pinus radiata* commonly known as radiata pine. Major planting booms in the periods 1926-1935 and 1960-1985, created an exotic plantation resource of over 1 million ha of which about 600,000 ha was under the stewardship of the New Zealand Forest Service.

By the 1960s the New Zealand Forest Service had developed into a complex multi-function organisation which had numerous responsibilities, not only for plantation development, management and utilisation, but also for the management and protection of most of the indigenous forests, animal pest control, fire protection over much of New Zealand’s rural lands, sawmilling activities at two of the country’s largest sawmills, forest research and training and timber sales both domestic and overseas.
In the mid 1980s a newly elected Labour Government set about reforming the country’s economy. Among the many reforms implemented was the disestablishment of the New Zealand Forest Service and the selling off of State plantations to the private sector.

Figure 1. Map of NZ showing the distribution of the plantation forests

This paper chronicles the factors and events that led to the demise of the New Zealand Forest Service, the privatisation of the State’s plantations in the late 1980s and 1990s
and the economic/financial and social impacts of this government-driven decentralisation process.

This paper is largely based on a previous paper (O’Loughlin 2006) presented at the Expert Consultation Workshop on “Reinventing Forestry Agencies” in Manila, Philippines in February – March 2006, organised by the Food and Agriculture Organisation in association with the Asia-Pacific Forestry Commission. The attendees at this Workshop generally agreed that the example of forest sector restructuring in New Zealand was an excellent example of rapidly implemented, wide-ranging institutional changes with far reaching consequences. The Workshop generally referred to this type of change process as the “big bang” approach to reform and decentralisation.

2. The New Zealand Forest Service (NZFS) prior to restructuring

From its humble beginnings in the 1920s, the NZFS had grown into a large, complex government department employing more than 7,000 people located throughout New Zealand by the mid 1980s. The structure of the department, shown in Figure 2, reflected the many functions it was required to carry out. Essentially, the department consisted of eight Wellington-based divisions, a Commercial Division based in Rotorua, seven conservancies each under the control of a Conservator of Forests, and a Forest Research Institute based in Rotorua and in Christchurch/Rangiora. The bulk of the employees were located in the various conservancies, either in the main conservancy offices in Auckland, Rotorua, Palmerston North, Nelson, Hokitika, Christchurch and Invercargill or in the smaller district offices and in offices on the State Forests. Another large component of the NZFS was the Forest Research Institute which employed more than 500 people. Despite its cumbersome structure the department functioned reasonably well from an operational viewpoint except in the areas of financial management and reporting (State Services Commission 1982).
The principal functions of the NZFS (State Services Commission 1982) were:

- Develop and implement plans and policies for the advancement of forestry or of the forestry sector in accordance with statutory requirements;
- Manage all State Forest resources and ensure the balanced use of State Forest Land;
- Plan and undertake the development of new State Forests;
- Protect forests, associated lands and timber products from harmful agencies including pests, diseases and fire;
- Encourage and co-ordinate with the private and local authority sectors in the development of forestry in New Zealand;
- Develop and maintain research activities and facilities for the national advancement of forests and forest industries;
- Provide, encourage and facilitate training in the forestry sector;
- Carry out a variety of regulatory functions relating to forests and forest products;
- Engage in sawmilling and foster the effective utilisation of forest produce;
- Advise on and staff foreign aid projects and represent New Zealand internationally in forestry matters.

Over a period of over seven decades the NZFS recorded an outstanding record in five broad areas.
1. The department was very successful in expanding the plantation resource and developing efficient hi-tech approaches for managing the plantations.
2. The department also attained an enviable record in successfully carrying out research and development work across a wide range of topics including forest establishment, forest growth and mensuration, forest ecology, managing and harvesting forests, genetically improving radiata pine, wood processing, developing new innovative wood products, environmental and protection forestry and fire research.
3. The department developed very effective forest protection policies, plans and operations to ensure that the nation’s indigenous and plantation forests were protected from pests, diseases and fire.
4. The department put in place very effective training programmes that ensured that the forestry sector was staffed by well-trained professional foresters, forestry scientists, economists, engineers and other technically trained people.
5. The department, as the largest and dominant player in the forestry sector, provided leadership and vision for the sector and had great influence over the policies and strategies that determined the direction the development of the sector took.

3. Factors underpinning the disestablishment of the NZFS

Through the 1970s and 1980s there was growing dissatisfaction with the organisation and performance of the NZFS. Concerns came from two rather different quarters. The expanding green movement championed by several environmental Non Government Organisations (NGOs) were very dissatisfied with the way the NZFS managed the indigenous forest estate. They wanted improved protection of the indigenous forests from logging and from pests and lobbied to have State indigenous forests removed from NZFS stewardship and placed in forest parks, reserves and national parks under control of a Nature Conservancy or conservation organisation. The challenges and protests of the NGOs gradually gained considerable public support.

Dissatisfaction with the performance of the NZFS also arose from within the Government, particularly the Treasury Department and the Auditor General’s Department (Roche 1990, Kirkland 1988, Birchfield and Grant 1993). In 1978 the Auditor General was unable to reconcile the value of the assets managed by the NZFS to that shown in the NZFS accounts (Roche 1990). The Auditor General was also critical of the Department’s accounting system which was satisfactory for managerial purposes but was not suitable for commercial accounting purposes. Two Government reviews confirmed these weaknesses in the department’s capability and also
highlighted the problems the department faced in undertaking a mixture of trading (commercial) and social (non-commercial) functions.

In 1984, the Treasury prepared a briefing document for the incoming Labour Government that laid out some serious criticisms of the existing administrative regimes within the government departments including the NZFS. Among the concerns highlighted by The Treasury were the lack of clearly defined departmental goals or management plans, the lack of effective control mechanisms to review the performance of departments in meeting their required outputs and the lack of freedom that departmental management had to change the way their departments operated to meet their goals, especially in staffing matters.

In other briefing papers for Government, The Treasury was particularly critical of the forestry management policies of the recent past and cited the need for a more market-oriented management approach (Treasury 1984). The Treasury was also critical of the grants and subsidies for forestry development, tree planting and for agro-forestry schemes. The Treasury was also opposed to the concessionary wood sale policies used by the NZFS and promoted the need to sell wood at world market prices. To facilitate the change to a more market-oriented forestry sector and overcome the conflicts between commercial and non-commercial objectives within the NZFS, Treasury proposed that the commercial activities of the NZFS should be transferred to a separate State-owned enterprise with commercial objectives.

In 1984, New Zealand provided almost ideal political, economic and intellectual conditions for a major restructuring and reform experiment within the State sector (Kelsey 1997). At that time the economy was intrinsically vulnerable and suffered from massive debt. The process of adjustment, which was about to begin, was aided by what Kelsey referred to as “the shallowness of the New Zealand political system – a classic single tier Westminster-style Parliament elected by a first-past-the-post system and an entrenched two-party monopoly”. Kelsey pointed out that a new Cabinet intent on reform was virtually guaranteed unimpeded power to rule. Over the decade after 1984, the Labour and then the National Governments set about redesigning the economic and social structure of New Zealand. Both the State and private sectors were heavily affected and were forced to make wide-ranging changes.

The new Labour Government immediately embraced a neo-classical, market oriented approach in line with Treasury’s philosophies. The basic tenet was that efficiency in the economy would be maximised if markets were allowed to operate with a minimum of government interference and distortion (Brown 1997). The Government soon introduced economic policy changes most important of which were the removal of subsidies to agriculture, forestry and industry generally, removal of wage, price and income controls and foreign exchange controls. The Government also introduced a new tax regime that was unfavourable to forestry and resulted in a dramatic decline in new planting after 1985. Such changes initiated a return to the free play of market forces in the economy and strongly impacted on the forest industry. The economic philosophy that underpinned the State Sector reforms became known as “Rogernomics” in recognition of the Hon Roger Douglas, the Minister of Finance and principal figure driving the reforms. New Zealand was transformed from one of the world’s most tightly regulated and controlled economies to one of the most liberal, market-based economies.
4. Disestablishment and decentralisation of the NZFS

After a brief period of planning and inter-departmental discussion, the Government decided in December 1985, to split the NZFS into a commercially focussed corporation to administer State forest wood production and wood processing. A separate organisation, the Ministry of Forestry, was to undertake the sectoral and regulatory functions of the NZFS and assume responsibility for forestry research. In addition, it was decided to establish a Department of Conservation with responsibility for managing conservation lands including the State’s indigenous forests, managing indigenous and introduced fauna and managing public recreation (Roche 1990, Kirkland 1988).

Finally, on 1 April 1987 the NZFS was disestablished and its functions were transferred to three new organisations; the New Zealand Forestry Corporation (established under a State Owned Enterprises Act 1986), the Ministry of Forestry and the Department of Conservation (established under a new Conservation Act 1987). At the same time eight other State Owned Enterprises were formed under the State Owned Enterprises Act which set them up as limited liability companies with the goal of functioning as successful businesses (Kirkland 1988). Figure 4 illustrates the changes that occurred when the NZFS was disestablished.

Figure 3. Diagrammatic representation of the restructuring of the State Forestry Sector (after Clarke 1997).
5. Immediate impacts of restructuring on staff

One of the most contentious issues in the restructuring process was the change in staffing requirements that resulted from the disestablishment of the NZFS. At disestablishment the NZFS employed about 7,000 people. However, the NZ Forestry Corporation only required 2,354 people (550 salaried staff, 467 wage workers and 1,337 other contract workers for silvicultural and tree felling work) (Roche 1990). The Ministry of Forestry, which included the Forest Research Institute, absorbed about 850 NZFS staff and the Department of Conservation took about 300 staff. By early April 1987 2,340 wage workers and 865 salaried staff previously employed by the NZFS had taken voluntary severance.

The rapidity of the changes that occurred within the forestry sector and the fact that there was little discussion about the intended restructurings before they were implemented, were two issues that caused great concern. Affected individuals, communities and whole districts dependent on forestry for their livelihoods, had little time to plan for and adjust to the new conditions, resulting in very high social costs. Although these social costs have not been quantified it is conservatively estimated that they amounted to several tens of millions of dollars. The situation was exacerbated about 3 years later when the second phase of the restructuring process was implemented and the State forests were privatised and the New Zealand Forestry Corporation was essentially disestablished.

6. Impacts of restructuring on profitability

The establishment of the New Zealand Forestry Corporation (NZFC) heralded a startling turnaround in the profitability of the State owned forest industry. In the mid 1980s the NZFS was costing approximately NZ$210 m per year and produced an overall annual deficit of between NZ$65m and NZ$75m. By its third year of operation the NZFC had turned around a pre-corporation deficit into an annual operating surplus of NZ$63m (Birchfield and Grant 1993). Despite this vastly improved efficiency and profitability, the Corporation was destined to be a short-lived organisation. Between 1990 and 1996, privatisation of the State plantations sealed the fate of the NZFC.

7. Privatisation of the State plantation forests

Despite the good commercial performance of the NZFC, the Corporation was to be a short-lived organisation. The Treasury advised the Government in 1987 that the State Owned Enterprise model did not provide the pattern of incentives which deliver services in the most efficient manner and that a full private sector approach would be superior. This opinion was reinforced by the practical problems of establishing business values for the various SOEs. In the NZFC case, the value of the plantations under its control became a contentious issue that had not been resolved by the late 1980s. Furthermore, the Minister of Finance, the Hon. Roger Douglas was of the strong opinion that commercial business was best conducted by the private sector and was influenced by the actions of Britain’s Thatcher Government which privatised 29 major State enterprises between 1979 and 1989 including its interests in coal, water, gas, steel and most of its transport and telecommunication businesses (Douglas 1993).
There was, however, a more urgent and potent driving force behind the move to privatise New Zealand’s state enterprises including the plantation forests. In 1987, New Zealand’s gross public debt had risen to approximately 75 percent of GDP, the fourth highest ratio of debt to GDP among the OECD countries (Douglas 1993). Debt servicing amounted to NZ$4.5 billion annually. Selling State assets presented a quick partial solution to the challenge of reducing debt.

The need to urgently reduce debt and the failure of the Corporation and The Treasury to reach agreement about the value of the forest assets provided the Government with the major justification to sever ties with the plantation forests (Neilson and Buckleigh 2003). The NZFC was appointed as the principal sales agent by Government and in 1989 the Corporation issued the “Sale of State-owned Forests in New Zealand” prospectus.

The sale of the plantations was complicated by Treaty of Waitangi obligations. The 1840 Treaty, signed by Maori and representatives of the Queen of England, guaranteed Maori continuing ownership of their land and other natural resources. Large areas of land upon which plantations were planted were under Maori claims. After much consultation with Maoridom, Treasury and the NZFC developed a design for the pending sale of forests that did not threaten the future possibility of Maoridom gaining ownership of plantation forest lands. In 1989 the Crown Forests Assets Act provided the enabling legislation for the sales to proceed.

The most notable feature of the sale structure was that the purchaser bought the existing trees, buildings and other fixed assets on the land. However, the land itself remained in Crown ownership but could be leased back to the purchaser for any legal purpose including planting replacement crops. The sale license to own the trees was initially for 35 years which provided sufficient time for a newly planted crop of radiata pine to mature. The term of the license was extended 1 year each year unless notice was given to the contrary. If the land was not liable to a Maori ownership claim, the license term would be extended by adding a further term of 35 years, thus effectively providing 70 years or two rotations of radiata pine (Kirkland and Berg 1997). The sale involved about 90 individual State forests across New Zealand totalling 554,214 ha of stocked forests, 81 percent of which consisted of radiata pine. Additional details are provided in O’Loughlin (2006).

The sale was an international one. Major forest sales occurred in 1990, 1992 and 1996. The details of the major buyers and the prices paid are shown in Table 1.

Table 1. Broad details of the State Forest Asset Sales in 1990, 1992 and 1996.

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Area (ha)</th>
<th>Price paid (NZ$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnslaw One Ltd (China)</td>
<td>23,801</td>
<td>102 million</td>
</tr>
<tr>
<td>Tasman Forestry (NZ)</td>
<td>48,852</td>
<td>262 million</td>
</tr>
<tr>
<td>Carter Holt Harvey (NZ)</td>
<td>92,704</td>
<td>383 million</td>
</tr>
<tr>
<td>Juken Nissho (Japan)</td>
<td>43,531</td>
<td>126 million</td>
</tr>
<tr>
<td>Wenita Forestry Ltd (China)</td>
<td>20,521</td>
<td>115 million</td>
</tr>
<tr>
<td>Other sales</td>
<td>17,291</td>
<td>39 million</td>
</tr>
</tbody>
</table>

Note: Additional details are provided in O’Loughlin (2006).
<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Rayonier Inc. (USA)</td>
<td>97,000</td>
<td>366 million</td>
</tr>
<tr>
<td>1996</td>
<td>Consortium (NZ, China)</td>
<td>170,000 approx</td>
<td>2.03 billion</td>
</tr>
<tr>
<td></td>
<td><strong>Totals</strong></td>
<td><strong>513,700</strong></td>
<td><strong>3.423 billion</strong></td>
</tr>
</tbody>
</table>

As indicated in Table 1, the ownership of the plantations became much more diverse after 1996. Foreign ownership of the plantations increased from less than 2 percent in the 1980s to approximately 48 percent after 1996. Since 1996, the ownership pattern has continued to change as companies sell their plantations and new owners enter the New Zealand forestry sector (New Zealand Institute of Forestry Inc. 2005, Edgar 2005).

8. Economic/financial implications of the restructuring of NZFS and privatisation of the plantation forests

The sale of the State’s plantation forests between 1990 and 1996 realised approximately NZ$3.4 million. During this period other privatisations included the Bank of New Zealand, Petrocorp, New Zealand Steel, Development Finance Corporation, Postbank, New Zealand Shipping Corporation, Rural Bank, State Insurance, Government Printing Office, Tourist Hotel Corporation and Telecom. By 1992 the sale of Government businesses including the plantation forests had raised NZ$12 billion (Douglas 1993) and by 1997 more than NZ$14 billion.

Kelsey (1997) provides a comprehensive analysis of the impacts of the reforms and sales programme on the national economy. The response of the key economic indicators (economic growth, inflation, public debt, balance of payments and employment), were variable but mainly positive after 1992. For instance, between 1985 and 1992 economic growth in New Zealand had averaged –1 percent while over the same period the average economic growth for all OECD countries had averaged +20 percent. After 1992 economic growth rose to +5 and +6 percent in 1993 and 1994 respectively. Net public debt fell from about 51 percent of GDP in 1992 to about 30 percent of GDP in 1996-97. However, Kelsey observed that the economic miracle was short lived. After a 3 to 4 year period of high growth and positive outcomes, key indicators began to turn sour. By the end of 1996, falling growth rates, above target inflation, rising overseas debt, excessive real interest rates, an over-valued dollar, an influx of speculative short-term investment, a burgeoning external deficit, falling employment growth and a significant movement of jobs offshore, signalled a declining economy. However, as Brown (1997) correctly observed, through the 1990s the forestry sector appeared to be somewhat disassociated with the general economy. The sector was characterised by continued growth buoyed by a steady increase in the harvested volumes of wood, price booms in log markets and in solid wood products in the mid 1990s, good prices for pulp and paper products in the late 1990s and increased investment in wood processing plants.
The sales of the State plantations created a mix of domestic and international companies operating within the New Zealand forestry sector which Birchfield and Grant (1993) believed provided an improved situation to deal with the burgeoning wood processing opportunities brought about by a steady increase in wood production. This soon proved to be correct. Prior to the plantation sales, the New Zealand Forest Industries Council had estimated that at least NZ$7 billion of investment in wood processing facilities would be needed to satisfactorily develop the forestry sector over the next few decades. Aggregated investment in wood processing facilities (sawmills, pulp and paper mills, board mills etc.), reached NZ$250 million in 1990 and NZ$300 million in 1991 (Le Heron et al. 1996). A good level of investment in wood processing facilities continued through the 1990s. Over the 1990s, total investment by foreign and domestic forestry companies approximated NZ$800 million. If the State had continued to own the plantations it is almost certain that the investment in wood processing plants would have been at a much smaller scale.

Plantation harvest rates continued to rise steadily through the 1990s and by 2003 total wood harvest volumes had reached 22.4 million cubic metres. After 2003 harvest rates declined due to deteriorating market conditions, the burgeoning cost of shipping wood overseas, the strong New Zealand dollar and the decision by some new forest owners to reduce the areas of harvest in their forests. Similarly, export revenues from the sale of logs, sawn timber, board products, pulp and paper and other remanufactured wood products, continued to rise until 2003 when export revenues reached NZ$3.488 billion representing about 13 percent of the value of all exports (Ministry of Agriculture and Forestry statistics 2004). Figure 4 illustrates the trend in the export value of forest products from 1981 until 2003.


It is worth mentioning that through the 1990s the New Zealand forestry sector underwent a third tree planting boom which culminated in 1994 when about 100,000 ha of new plantings were established (Figure 5). Although it is difficult to link the privatisation of the State’s forests to this increased rate of planting, there is little doubt
that the new forest ownership patterns contributed to a growing optimism about forestry in the early and mid 1990s. Most of this upsurge in planting was carried out by non-corporate foresters (farm foresters, investment foresters and other small land owners). Between 1993 and 2000, 430,000 ha was added to the national plantation estate representing an investment into the forestry sector of several hundred million dollars. After 2000, the Government’s approach for dealing with carbon credits associated with plantations, the strength of the New Zealand dollar, the way in which the Government’s tax regime applied to forestry, generally falling profitability and a growing perception that investments in forestry were risky, caused planting rates to plummet.

**Figure 5. New planting and replacement planting rates, 1991 - 2005**

![New Planting and Replanting rates](image)

9. Social implications of restructuring and privatisation

The social impacts of dismantling the NZFS and the privatisation of the plantations were widespread and variable. The communities in forestry towns such as Murupara, Kaingaroa and Tapanui suffered substantial hardship when large numbers of workers previously employed by the NZFS, lost their jobs. For instance, the once busy and thriving Kaingaroa township soon became rather depressed with many unemployed people (Birchfield and Grant 1993). At the same time, many of the services such as banking services, rail services, telecommunications and post office services, were cut back in rural areas in response to the Government’s economic reforms, adding to the difficulties facing rural forestry towns.

The social impacts influenced not only towns but also whole regions. Mason in Le Heron et al (1996) observed that the Northland region, the most northerly region of New Zealand, was particularly badly affected by the decentralisation and privatisation of the plantation forests. Before 1997 Northland’s commercial forests, mainly owned by the NZFS and NZ Forest Products Ltd., provided jobs and career training for a large work force, a high percentage of which was Maori. The restructuring and privatisation of the State plantation forests was accompanied by a drastic drop in forestry labour requirements and a marked deterioration in the economy of the region.
10. Lessons learnt from the reform process

This section attempts to broadly examine the success or otherwise, of the restructurings and reforms of the 1980s and 1990s within the forestry sector and the longer term impacts of the reforms on the sector. The section will also examine a few of the more important lessons learnt from the reform of the forestry sector.

The Minister of Finance and main architect of the reforms, Hon. Roger Douglas, indicated that the total amount raised from the sale of the plantations (NZ$3.4 million) was satisfactory and met his expectations (Douglas 1993). The increased rate of investment in wood processing facilities after 1990 was also regarded as a successful outcome of the reforms. The restructured sector which included many new overseas forestry companies, brought new skills and ideas to the forest industry, especially in the areas of business, commerce and marketing, which benefited the overall performance of the sector. The steady growth of the sector including its profitability through the 1990s and until 2003, was probably a longer term response to the more market-oriented approach of the reformed forestry sector. After 2003, factors external to the New Zealand forestry sector such as burgeoning shipping costs, increased strength of the New Zealand dollar, an escalation in the costs of electricity and an unfavourable tax regime for forestry, caused a decline in the profitability of plantation forestry which has persisted until the present time.

The major adverse impact of the reforms was the social impacts on individuals, communities and regions as mentioned in section 9. The process of the restructuring was carried out rapidly and without prior public debate or consultation. There is no doubt that the suddenness of the changes exacerbated the social impacts. Kelsey (1999), with reference to the wider restructurings in the public sector, observed that the Government policies of the 1980s and 1990s were “imposed with little warning and with callous disregard for the effects on peoples’ lives”.

On balance it seems to this author, that the reform of the sector was reasonably successful and provided a sector that was more capable of taking commercial advantage of the increasing volumes of plantation wood that came on stream after 1990, than a State-dominated sector.

The lessons learnt from the decentralisation process and the privatisation of the State’s plantations are outlined by O’Loughlin (2006). Three of these lessons are relevant to the focus of this paper.

Lesson 1. In designing large-scale restructurings of the magnitude of the restructurings that occurred in the New Zealand forestry sector, there is a need for Governments to keep the public and the sector informed about what is being planned. The process adopted in the 1980s and 1990s, involved very little public debate or consultation resulting in, at best, meagre planning to cope with the social impacts of restructuring and decentralisation. Consequently, social costs were higher than they needed to be and there was considerable resentment towards the restructurings by many within the forestry sector and the general public.
Lesson 2. The results of the decentralisation and privatisation process provide considerable evidence that the private sector is more able to effectively manage commercial assets such as industrial forests, than the State sector. The private investors in the forests brought with them funding to invest in wood processing facilities and commercial and business capability which led to stark increases in the profitability of the plantation forests.

Lesson 3. Despite the improved market and commercial orientation of the forestry sector after the reforms, the health of the New Zealand forestry sector which exports the bulk of its produce, is very susceptible to changes in the strength of the New Zealand dollar against the currencies of wood importing nations, the Government’s tax regime, shipping costs, electricity costs and other costs of production. Since 2003, these factors have over-ridden the favourable impacts of the earlier reforms on the profitability of the forestry sector.

11. References.


Kirkland, A. 1988. The rise and fall of multiple-use forest management in NZ. NZ J. Forestry 33(1); 9-12.


Le Heron, Richard; Johnston, Tom; Johnson, Robin; Anderson, Grant; Armstrong, John; Hartley, Michael; Aldwell, Patrick; and Roche, Mike. 1996. Farms, fisheries and forests. In “Changing places in New Zealand (Eds. Richard Le Heron and Eric Pawson), p 120-168”, Longman Paul Ltd., Auckland, New Zealand.


