

Chair
Cabinet Economic Development Committee

ORGANISATIONAL ARRANGEMENTS FOR TE URU RĀKAU

Proposal


1. This paper:
 - reports back on progress and achievements since Te Uru Rākau was established as a branded business unit within the Ministry for Primary Industries (MPI); and
 - proposes a continued scale-up of Te Uru Rākau within MPI to further deliver on the Government's forestry goals, subject to approval of a Budget 2019 new initiatives bid.

Executive Summary

2. Forestry has an important strategic role in supporting the Government's drive towards a more sustainable, inclusive and productive future for New Zealanders.
3. Reintegrating trees into our productive landscapes will be critical to transitioning to more sustainable land use, and supporting resilience as we face the challenges of climate change.
4. The One Billion Trees programme is a key part of the transition to a low-emissions economy. Beyond this, Government is looking to forestry to develop a strong domestic market for wood products, create new industries and technologies associated with wood processing, create employment opportunities for some of our most disadvantaged communities and build a future-proofed economy.
5. Forestry can improve living standards and make a significant contribution to the wellbeing of all New Zealanders by building economic and social resilience in our least advantaged regions. It will unlock the potential in some of our least productive land, particularly land in communal Māori ownership. It will do these things over a sustained period. As the sector grows it will provide immediate employment and this will continue for decades as commercial forests reach maturity and need to be harvested and replanted.

6. Achieving this will require a strong mandate for the agency that will take full responsibility for driving this development and expansion of the sector. This agency will need to be a steward for forestry across the full range of opportunities. This will require significant expansion of the size and range of functions currently provided by Te Uru Rākau.
7. Over recent months officials have completed work on a detailed business case that sets out the full costs of scaling-up Te Uru Rākau, to give it the additional capacity and capability that it needs to deliver on the Government's aspirations.
8. The business case considered options for longer term institutional arrangements, including a continuation of the current branded business unit, or the establishment of a stand-alone agency. Officials advise that the advantages and disadvantages are finely balanced between these options.
9. Having considered this advice, and taking into account the impact of further organisational change at this time on staff, stakeholders and progress towards the forestry work programme, I am satisfied that the most prudent approach is to continue to scale-up Te Uru Rākau as a branded business unit within MPI. Further, I would like to announce this direction to staff and stakeholders as soon as possible to give certainty and enable focus on the business of delivering the outcomes for forestry.
10. Te Uru Rākau is at an early stage of its development and establishing it now as a stand-alone organisation would have risk. Allowing it to mature further as a business unit within the Ministry for Primary Industries avoids that risk, and I am confident sufficient and significant progress can be made towards Government's forestry goals in that form.

s 9(2)(f)(iv)



12. I propose to report back on progress with Te Uru Rākau's scale-up in early 2020, including whether its longer-term organisational arrangements need to be revisited.

Background

The Government's aspirations for forestry

13. Forestry will be one of the pou around which the Government builds a sustainable and economically vibrant future for New Zealanders. It delivers benefits deep into society, because it is regionally-based, it provides an economically viable alternative use for less productive land, and provides a source of employment and a career pathway for unskilled workers.
14. The Government has set ambitious goals for forestry, including:
 - i. achieving one vision for all New Zealanders in the One Billion Trees programme through comprehensive economic and civic engagement;
 - ii. enabling Māori to achieve their forestry-related economic and cultural development aspirations;
 - iii. supporting sector and regional productivity increases to capture full market value;
 - iv. a strong, stable and reliable labour market which enables safe and rewarding lifetime careers in forestry;
 - v. better environmental and climate change outcomes for New Zealand;
 - vi. a stable investment environment enabling greater investment confidence in the forestry sector;
 - vii. a stronger domestic market for wood products and security of supply for wood processors; and
 - viii. facilitating the transition to a low-carbon economy through the replacement of petroleum-based products with wood-based products and the enablement of carbon farming.

The establishment of Te Uru Rākau as a branded business unit

15. The forestry sector, including commercial forestry operations, indigenous forestry and wood processing, has received limited attention since the Government's divestment of its forestry assets in the 1980s and 1990s.
16. In December 2017, Cabinet agreed that MPI should be reorganised to better support the Government's agenda for the primary industries, including the forestry sector. This reorganisation included establishing branded business units for biosecurity, food safety, fisheries and forestry.
17. An interim Head of Forestry was appointed in February 2018, with responsibility for managing MPI's existing forestry functions and leading the development of the Government's forestry programme. MPI was reorganised in March and April 2018 and Te Uru Rākau was formally launched by the Prime Minister and myself in Rotorua on 11 May 2018.

18. When Cabinet decided to establish the branded business unit for forestry, it was an interim arrangement pending a report-back in late 2018 on the scale and scope of Te Uru Rākau's functions and the resulting longer-term institutional arrangements. To support the scaling up of the business unit and consideration of appropriate functions, scope and longer term arrangements for Te Uru Rākau, one-off contingency funding of \$15.046 million was set aside in Budget 2018.
19. To date, \$6.4 million of that funding has been drawn down to start to scale-up Te Uru Rākau to deliver on the work programme that Ministers have directed, as noted in the section on Te Uru Rākau's key achievements, below. The Minister of Finance and I have agreed to extend the expiry date of the Tagged contingency to allow the remaining \$8.64m to support the development of long term institutional for Te Uru Rākau in 2019/20.
20. A portion of the \$6.4m drawdown funding has also been used over recent months to develop a detailed business case, including options analysis and costings, to support Ministers decisions on:
- how much we want to invest in scaling up Te Uru Rākau to delivery on the Government's forestry goals; and
 - what are the most suitable organisational arrangements to provide the leadership and focus Te Uru Rākau will need, now and in the future.

Determining the future institutional arrangements for Te Uru Rākau

21. The business case considered a range of options for Te Uru Rākau's institutional arrangements, including a scaled-up business unit within MPI, a departmental agency hosted by MPI and a separate department. The benefits and risks of these options are finely balanced.
22. I am mindful of the impact of organisational change on staff and on progress towards key forestry goals and work areas. I am also aware of the challenges in attracting the right skills and capability to effectively deliver the forestry leadership role and a much expanded work programme. Furthermore, there is a limit to how quickly stakeholders can scale up to engage effectively with Te Uru Rākau where joint action on initiatives is required. For example, successful forestry programmes will rely on a community and local knowledge and technical expertise that may take time to develop.
23. Based on these factors, my view is that the most prudent approach is to continue with the current organisational structure for Te Uru Rākau as a branded business unit within MPI for the time being.
24. I propose to report back to Cabinet in early 2020 on Te Uru Rākau's achievements against the Government's forestry ambitions and its longer-term organisational arrangements.

Determining the scale and scope of Te Uru Rākau's functions

Te Uru Rākau's key achievements to date

25. In 2017, the Government established the One Billion Trees programme, to be delivered by Te Uru Rākau. The programme is expected to drive a transformation of New Zealand forestry to provide improved social, environmental and economic outcomes.
26. Through the programme the Government is looking to see significant net new afforestation, including indigenous planting, new commercial forestry, the establishment of permanent forest sinks and the increased integration of trees into the landscape.
27. Over the last year Te Uru Rākau has been established, branded and launched and has :
 - designed the package of policy incentives to underpin the One Billion Trees programme, obtained \$481 million from the Provincial Growth Fund, and directly funded the planting of an additional 6.5 million trees in 2018;
 - entered into thirteen commercial joint ventures for planting 0.6 million trees in 2018 (included in the 6.5 million above) and 7.1 million trees in subsequent years, towards the target of up to 24 million joint venture trees;
 - allocated approximately \$27.062 million (agreed or under negotiation) for One Billion Trees partnerships projects through the Provincial Growth Fund for a range of enabling activities that will address barriers to tree planting;
 - launched Matariki Tu Rākau, a partnership with local communities, Councils and The Royal New Zealand Returned and Services' Association (RSA) to honour New Zealand's service people, and planted 34,500 trees through this programme;
 - launched Ngā Karahipi Uru Rākau – the Forestry Scholarships programme;
 - established a Forestry Ministerial Advisory Group to provide independent advice to the Minister on forestry sector issues and initiatives;
 - Developed a 1BT Science Plan with input from government agencies, science providers, and industry. The Plan identifies key science gaps and short, medium, and long-term research priorities aimed at meeting 1BT programme goals; and
 - established a One Billion Trees programme web-presence, including a tree counter to monitor progress towards the One Billion Trees target.
28. Te Uru Rākau has also made good progress towards a number of other key initiatives, beyond the One Billion Trees programme. These include:
 - developing an approach to support Māori landowners to unlock the potential in their land, focusing first in four regions;

- refreshing Te Uru Rākau's website and supporting development of a forestry information service (or 'knowledge hub');
- identifying options for redevelopment of the Climate Change Information System so it can support proposed changes to the Emissions Trading Scheme;
- identifying long term property solutions to enable the expansion of Te Uru Rākau's presence in Rotorua;
- developing a business case for scale-up and form of Te Uru Rākau; and
- progressing towards a workforce strategy; and
- recruiting 33 additional Te Uru Rākau staff (including six in provincial locations) to enhance progress towards delivery of priority work streams¹.

Broader forestry goals

29. However, the objectives that the Government has set for forestry require broader and more systemic change than this. New and existing forestry will need to be supported by appropriate regulatory frameworks (such as the National Environmental Standards for Plantation Forestry (NES-PF)) to ensure the right types of trees are planted, and the most appropriate management and harvesting regimes are implemented.
30. In line with wider social and economic goals, the Government wants to see increased levels of support to Māori to help achieve their economic and cultural aspirations via forestry and trees. This includes training and skills development to help Māori landowners reap more direct benefits from the trees on their land.
31. A further goal is to see increased public awareness of the importance of forestry for creating an economically and environmentally sustainable future, and increased numbers of New Zealanders participating in the One Billion Trees programme and in broader tree and forestry initiatives. This also includes a goal that more people choose forestry as a career, are in forestry-related training schemes or actively employed in the forestry sector, particularly in the regions.
32. Increased levels of investment in forestry and wood processing in New Zealand, and increased use of high value wood-based products in New Zealand will be important to ensure a strong economic future for the forestry sector. There are also many opportunities to support greater levels of innovation in the uses of wood fibre, in other parts of the forestry system and forest ecosystems, to progress New Zealand's transition to a low emissions economy.

¹ MPI is planning to increase staff in Rotorua from 12 currently to approximately 30 over the next six months. A significant number of these will be in the Te Uru Rākau branded business unit. MPI and Te Uru Rākau are also planning to increase staff in other regional centres.

33. The above issues share elements of complexity. They involve working with multiple stakeholders (from community groups and farmers, to iwi, commercial foresters and overseas investors), they cut across multiple agencies and intersect with many different economic, environmental and social objectives. There has also been underinvestment in policy and delivery functions to address these issues over a number of years.
34. To provide the level of action and leadership in forestry that the Government is looking for Te Uru Rākau will need to scale up its functions and operational capacity.

Funding sought through Budget 2019

35. Existing funding, as previously noted, will allow further progress in 2018/19, but to continue this work and implement more transformational change will require ongoing funding beyond this financial year. I am seeking funding for Te Uru Rākau's ongoing scale-up, through Budget 2019.

s 9(2)(f)(iv)

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39. Note, further work will be required for Te Uru Rākau to fully scope more complex elements of the work programme (for example, upgrading the information system to support the ETS (carbon accounting)). If this work identifies a need for additional resources additional funding may be sought through Budget 2020.

Consultation

40. The Treasury, and the State Services Commission have been consulted on this paper and the Department of Prime Minister and Cabinet have been informed.

Financial Implications

41. There are no direct financial implications from this paper. The additional funding required for a further scale-up of Te Uru Rākau would be sought through Budget 2019.

Human Rights

42. There are no inconsistencies between the proposals contained in this paper and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

43. There are no legislative implications from this paper.

Regulatory Impact Analysis

44. No Regulatory Impact Assessment is required for this paper because the proposals are likely to have only minor impacts on businesses, individuals or not-for-profit entities.

Publicity

45. Publicity on a decision to scale-up Te Uru Rākau will be determined when announcements on Budget 2019 decisions are being considered.

Proactive Release

46. The Minister proposes to release the material within 30 days of decisions being made by Cabinet. The information relating to the Budget 19 submission will be redacted due to it containing Budget Sensitive information.

Released under the Official Information Act 1982

Recommendations

47. The Minister of Forestry recommends that the Committee:

1. **Note** that the government has set ambitious targets for forestry and is re-shaping the government forestry organisational arrangements towards a comprehensive forestry service with a strong regional presence;
2. **Note** that on 11 May 2018, the Prime Minister and the Minister of Forestry launched Te Uru Rākau, a branded business unit within the Ministry for Primary Industries (MPI) responsible for delivering on the Government's forestry work programme;
3. **Note** that Cabinet has previously agreed that longer-term arrangements for Te Uru Rākau would be considered later in 2018 (CAB-17-MIN-0539);
4. **Note** that the Government has ambitious goals for forestry, including:
 - i. achieving one vision for all New Zealanders in the One Billion Trees planting programme through comprehensive economic and civic engagement;
 - ii. enabling Māori to achieve their forestry-related economic and cultural development aspirations
 - iii. supporting sector and regional productivity increases to capture full market value;
 - iv. a strong, stable and reliable labour market which enables safe and rewarding lifetime careers in forestry;
 - v. better environmental and climate change outcomes for New Zealand;
 - vi. a stable investment environment enabling greater investment confidence in the forestry sector;
 - vii. a stronger domestic market for wood products and security of supply for wood processors; and
 - viii. facilitating the transition to a low carbon economy through the replacement of petroleum-based products with wood-based products and the enablement of carbon farming.

5. **Note** that with additional funding provided to date, Te Uru Rākau has made progress towards:
- implementing the One Billion Trees programme
 - developing an approach to support Māori landowners unlock their potential in their land, focusing first in four regions;
 - refreshing Te Uru Rākau website presence and supporting development of a forestry information service (or 'knowledge hub');
 - identifying options for redevelopment of the Climate Change Information System so it can support proposed changes to the Emissions Trading Scheme; and
 - identifying long term property solutions to enable the expansion of Te Uru Rākau's presence in Rotorua.
6. **Note** that Te Uru Rākau will remain a branded business unit within MPI until further consideration by Cabinet, proposed for 2020;
7. **Note** that a Budget 2019 bid has been submitted funding for scaling-up the activities and functions of Te Uru Rākau;
8. s 9(2)(f)(iv) [REDACTED]
9. **Note** The Minister of Forestry and Minister of Finance (joint Ministers) have agreed to extend the expiry date of the Tagged contingency to allow the remaining \$8.64m to support the development of long term institutional for Te Uru Rākau in 2019/20.
10. **Note** that the scaled-up Te Uru Rākau would have the capacity to make enhanced progress towards:
- developing a stronger regional presence to provide advice and support to land-owners including iwi, and a strong focus on community engagement;
 - supporting increased domestic wood processing, facilitating the development of bioenergy and progressing a Think Timber work programme;
 - supporting workforce development;
 - managing forestry grants and partnerships to implement the One Billion Trees programme;
 - working with New Zealand Trade and Enterprise to support better investment decisions in the forestry sector; and
 - leading the development of a New Zealand Forest Strategy, reviewing the Forests Act 1949, and supporting the review of the ETS (for forestry).

11. **Invite** the Minister of Forestry to report back to Cabinet in early 2020 on Te Uru Rākau's achievements against the Government's forestry ambitions, including whether its long-term organisational arrangements need to be revisited.

Authorised for Lodgement

Hon Shane Jones
Minister of Forestry

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