



Te Uru Rākau

Forestry New Zealand

Commercial forestry supply chain workshops:

**A wood legality definition and
registration to strengthen professional
standards in the forestry and log
sales market**

Workshop Information

December 2019

MPI Information Pack: 2019/11

ISBN No: 978-1-99-001707-0 (online)

ISSN No: 2253-3907 (online)

Disclaimer

The material within this information pack has been prepared for a series of workshop which are designed to inform the development of government policy. They do not represent current government policy.

While every effort has been made to ensure the information in this document is accurate, Te Uru Rākau does not accept any responsibility or liability whatsoever for any error of fact, omission, interpretation or opinion that may be present, nor for the consequences of any decisions based on this information.

And questions should be directed to: Email: forestryteam@mpi.govt.nz

December 2019

Contents

1.	Introduction	2
2.	Context	3
3.	A wood legality definition for New Zealand and supporting regulatory system	5
4.	Registration to strengthen professional standards in the forestry and log sales market	10
5.	Key terms	17

1. Introduction

Purpose

This information pack has been prepared to support a series of workshops Te Uru Rākau is hosting to obtain your views on:

- a wood legality definition and supporting regulatory system; and
- registration to strengthen professional standards in the forestry and log sales market.

These areas are part of a broader package of initiatives that are being progressed to strengthen the forestry supply chain.

Workshops

You can have your say at one of the regionally based workshops we are hosting in December:

- Thursday 5 December – Kerikeri
- Tuesday 10 December – Rotorua
- Thursday 12 December – Balclutha.

To attend a workshop please email the date and location of the workshop you are attending, along with any dietary requirements, to: forestryteam@mpi.govt.nz, by 4 December 2019 for Kerikeri, and 6 December for Rotorua and Balclutha.

If you have further feedback you would like to provide us following the workshops, you can:

- complete our feedback form that includes all the questions contained in this pack; or,
- provide any comments you may have by email to forestryteam@mpi.govt.nz.

Public Information

Your feedback becomes public information. Anyone can ask for copies of your feedback under the Official Information Act 1982 (OIA).

The OIA says we must make the information available unless there is a good reason for withholding it. You can find those grounds in sections 6 and 9 of the OIA. Tell us if you think there are grounds to withhold specific information in your feedback. Reasons might include if it is commercially sensitive or personal information. Any decision the Ministry for Primary Industries makes to withhold information can, however, be reviewed by the Ombudsman, who may require the information be released.

Next steps

We will be taking the feedback we receive into consideration before providing further advice to the Minister of Forestry.

2. Context

Why these areas?

Forestry is important to New Zealand

Forestry is strategically important to New Zealand, contributing jobs and regional development, export earnings, environmental benefits and carbon absorption.

Forestry is at the fore-front of New Zealand's transition to a low carbon economy. We know that everything that can be made using carbon-based non-renewable resources (such as, for example, coal or oil) can be made from trees. This long-term direction is being set through the **forest strategy** that will guide New Zealand's forest system over the next 30 years and beyond, and an **industry transformation plan** that will look towards the future of wood fibre to ensure we are making the right decisions in the here and now to ensure forestry is positioned to lead our transition to a low emissions economy.

However, we know there are some significant and immediate challenges for the forestry supply chain:

Research has shown:

- there is significant value to be gained by increasing connections between those who own the land, own the trees, process them, and export them;
- some people do not have the right information or resources to fully participate in the supply chain. Growers are not always getting quality sales advice, and processors can struggle to find the right wood grades for their business.
- our current forestry supply chain volume over value model means there are risks from the high exposure to the log export market, and limited investment in wood processing means we are missing out on potential value by producing more products on shore.

Some regions are facing log supply constraints

We also know these issues are compounded by log supply constraints. Two Te Uru Rākau-commissioned research reports, by **Forme Consulting** and **Scion**, confirm that wood processors in Tai Tokerau are likely to face increasing log supply constraints over the coming decade. The conditions will tighten in several other regions towards the late 2020s and 2030s (initially Canterbury and in following years Southland and the southern North Island).

Action is needed to strengthen the supply chain

There is no quick fix to these issues, but Government has directed Te Uru Rākau to progress the following measures to strengthen the supply chain:

- publishing a harvest and sales information series for small forest owners, exploring a public database for sales information and updating the National Exotic Forest Description and wood availability forecast to improve grower and processor decision making;
- confirming the case and requirements for introducing compulsory professional registration of log buyers (and options to consider wider forestry advisers);
- supporting small forest grower aggregation, through better information about forming collectives to enable growers to gain economies of scale;

- developing and testing a wood legality definition for New Zealand to continue to have confidence our products will be accepted by export markets.

For more information on the initiatives refer to: <https://www.mpi.govt.nz/dmsdocument/38234-preparing-the-forest-system-for-the-future-cabinet-paper>

Wood Legality and Professional Standards Options

The remainder of this document sets out the issues and seeks views on options for:

- a wood legality definition for New Zealand and a supporting regulatory system; and
- registration to strengthen professional standards in the forestry and log sales market.

Assessment Criteria

When assessing the initial options proposed to address both wood legality and professional standards issues we will be using the following criteria:

- *Effectiveness*: How effective is the option in achieving the policy objectives?
- *Proportional*: Are the regulatory costs proportional to the benefits the change will deliver?
- *Certainty*: Will the approach ensure regulated parties have certainty about their legal obligation? Will it enable those requirements to be applied consistently and fairly and in a manner where all participants in the regulatory system understand their roles responsibilities and legal obligations?
- *Durability*: Can the regulatory system evolve in response to changing circumstances or new information on system performance? Can the regulator adapt their approach to the attitudes and needs of different regulated parties? Do regulated parties have scope to adopt cost-effective approaches to meeting their legal obligations?
- *Practicality/Risk*: Is the proposed approach feasible? Are the implementation risks low or within acceptable parameters? Can implementation be achieved within reasonable timeframes and is there risk of perverse incentives and unintended consequences low?

3. Wood Legality

What are the issues?

Some uncertainty is emerging around market access to key export markets due to a range of factors.

A number of New Zealand's trading partners are introducing wood legality requirements. New Zealand is also looking to step up its role in preventing the trade in illegally harvested wood. Illegal wood imports also present a secondary risk of undercutting the market for domestically produced wood and wood products in New Zealand.

New Zealand exporters are increasingly needing to demonstrate wood legality in a growing number of markets. New Zealand's total exports of forestry and wood products for the year to June 2019 was \$6.9 billion, with 32 percent going to countries with current or imminent legality regulations.

The Ministry of Primary Industries (MPI) does not regulate the export of wood products from exotic plantation forests, instead relying on private certification schemes to meet market access requirements. Currently, there are two types of private certification schemes operating in New Zealand. These are the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). They are currently an accepted form of evidence for legality in all regulated markets.

Small forest owners have historically not become certified due to the associated costs and views that forest management certification is not well suited for smaller wood lots.

Due to parts of the supply chain being uncertified under the current private schemes, MPI has negotiated two specific statements to enable the export of wood products to Indonesia and South Korea. These are the Exporter Information Statements (EIS) and Commodity Levy Statements. MPI is about to commence an internal review of these statements in order to assess their practicability and effectiveness going forward.

New Zealand also has a role to play in upholding its commitments to prevent the trade in illegal wood products. New Zealand currently applies voluntary measures through the 'New Zealand policy to address illegal logging and associated trade'. The policy lists a number of multilateral, domestic and bilateral actions to address illegally harvested wood imports, but there is no mandatory legal requirement to meet this policy.



Questions

- Have we identified the key issues?
- Are there other issues we need to consider?
- Do you currently experience market access issues for your products, or have you experienced a shift in the assurances for legality that are required?
- Are there any particular species or products entering New Zealand which are of particular concern in regards to their legality?

Objectives – what should a wood legality system achieve?

New Zealand's wood legality system will enable cost effective certification that applies to exported, domestic and imported wood products in a manner that:

- strengthens market access certainty for New Zealand forestry exports to jurisdictions with legality requirements; and,

- demonstrates New Zealand's commitment to reducing international trade in illegally harvested wood.



Questions

- Do you agree with the proposed policy objectives?
- Are there other objectives that should be considered?

Scope – what should a wood legality system include and what should be excluded?

It is proposed that a definition for wood legality be established that refers specifically to 'illegal logging', which takes place when the timber is harvested, transported, bought or sold in violation of national laws. This will apply only to exotic plantation forests harvested and sold in both domestic and international markets, as indigenous plantations are sufficiently covered under the Forests Act 1949. The definition will also need to address New Zealand's approach to ensuring wood imports have been legally harvested in their country of origin.

A MPI facilitated industry working group has identified the laws which could be considered directly 'applicable' for a New Zealand wood legality definition, which encompass:

- the legal rights to harvest;
- compliance of harvesting activities with environmental requirements; and
- social and cultural safeguards e.g. health and safety, employment law, Māori/iwi/hapu rights established in legislation.



Questions

- Which party or parties should be required to demonstrate the wood legality requirements have been met?
 - For wood harvested for domestic and export markets
 - For wood/wood products harvested overseas and imported to New Zealand
- What legislative requirements should be covered in a wood legality definition?

Options

Domestic and Export Market Options	Pros	Cons
<p>Option 1 – <i>Emerging Status Quo:</i></p> <p>Relevant laws will continue to apply in the absence of an overarching legality definition to both domestic and exported wood.</p> <p>Voluntary third-party certification for domestic and exported wood is promoted. Government may or may not continue to provide export documents depending on the outcome of its pending review.</p>	<ul style="list-style-type: none"> • Maintains market access for large commercial forestry growers and exporters using FSC and/or PEFC. • Uncertified wood (controlled source) can still contribute to FSC Mixed products with NZ's current FSC national risk assessment. • Removes potential reputational risks associated with interim measures. 	<ul style="list-style-type: none"> • Does not address core problem. • Ongoing risk to market access for uncertified wood. • May increase costs for growers/exporters who previously relied on government statements who would require third-party certification (if government no longer provided export documentation). • May be issues with sourcing enough FSC/ PEFC certified wood to meet demand.
<p>Option 2 – <i>Regulation with third-party certification:</i></p> <p>Government legislates a definition of 'wood legality', and an associated regulatory system for wood products provided to domestic and export markets. Sector compliance (harvesters, buyers, etc.) with standards administered by third-party certifying organisations recognised by MPI. MPI provides regulatory oversight of third-party certifiers.</p>	<ul style="list-style-type: none"> • Provides market access assurance. • Provides for recognition of FSC/ PEFC as meeting requirements. • Enables existing or new third-party providers to offer certification service to regulated minimum standards. • Aims to provide a cost-effective alternative pathway for uncertified wood based on a minimum standard. 	<ul style="list-style-type: none"> • Will take time to negotiate acceptance of the system in all markets. • Regulatory costs will need to be met by industry through fees or levies. • Implementation and compliance assurance risks associated with third-party provision has to be assessed.
<p>Option 3 – <i>Regulation with full Government oversight & certification:</i></p> <p>Government legislated wood legality regulatory system with MPI as regulatory steward and manager responsible for certification, monitoring and compliance management. Applicable to both domestic and exported wood.</p>	<ul style="list-style-type: none"> • Aims to provide a cost effective alternative pathway for uncertified wood based on minimum standards. • Provides government to government compliance assurance through MPI provision of certification services and compliance management. 	<ul style="list-style-type: none"> • Will take time to negotiate system in all markets. • Regulatory costs will need to be met by industry through fees or levies.

Import Options	Pros	Cons
<p>Option 1 – <i>Status Quo</i>:</p> <p>Government will continue to support voluntary efforts to reduce the trade and import of illegal wood.</p>	<ul style="list-style-type: none"> • Allows industry to self-regulate. • No additional costs. 	<ul style="list-style-type: none"> • Does not strengthen New Zealand's reputation. • No legal enforcement. • Illegally harvested timber imports may undercut domestic product.
<p>Option 2 – <i>Regulation for imported targeted species</i>:</p> <p>Regulation of species of timber imported into New Zealand that are deemed 'at-risk' of being illegally harvested. Species can be added and/ or removed from regulation based on periodic risk assessments undertaken by the New Zealand Government.</p> <p>Importers of targeted species will need to demonstrate the wood has been legally harvested in accord with the laws of the country of origin.</p> <p>A monitoring system commensurate with the assessed risk will be established by MPI. The system could include recognition of private certifiers operating internationally.</p>	<ul style="list-style-type: none"> • Regulation and compliance resource targeted to where it is most needed. • Flexibility to change species which are regulated based on risk assessment. • New Zealand upholds commitments to prevent the trade of illegally harvested wood. • Could recognise FSC/ EFC as meeting requirements. • Reduces risk of illegally harvested wood products being imported to New Zealand and undercutting domestic product. 	<ul style="list-style-type: none"> • Risk that entry of some illegally logged species may not be regulated. • Risk of slow Government processes to include/ exclude species from list. • Some countries may feel unfairly targeted.
<p>Option 3 – <i>Regulation for all imported wood products</i>:</p> <p>Regulation will apply to all wood products entering New Zealand. Would apply to consignments of products over a certain value.</p> <p>Importers of all wood will need to demonstrate the wood has been legally harvested in accord with the laws of the country of origin.</p> <p>A monitoring system commensurate with the assessed risk will be established by MPI. The system could include recognition of private certifiers operating internationally.</p>	<ul style="list-style-type: none"> • All risk species will be covered. • New Zealand will uphold commitments to prevent the trade of illegally harvested wood. • Could recognise FSC/PEFC as meeting requirements. • Reduces risk of illegally imported wood products undercutting domestic product. 	<ul style="list-style-type: none"> • Higher regulatory costs. • Unnecessary burden on legal or 'low-risk' species.

The costs and how can they be recovered

It is anticipated that the regulated parties will meet the costs of the services provided under a regulatory system, whether those services are provided by third party certifiers or a government agency. The primary legislation would establish a principles-based framework to enable cost-recovery, using a range of methods, including levies and direct charges for services. The details of cost recovery, including fees and any levies, would be set in the regulations. Those regulations would be subject to public consultation prior to being finalised.

The exact costs to the sector would be dependent on downstream design work of the preferred option. There are, however, some similar MPI regulatory services that provide an initial indication of possible costs. The MPI Plant Exports team, for example, recovers costs from those agencies wanting to become an MPI Approved Organisation (and fees are charged to become an MPI authorised Independent Verification Agency). MPI could provide a similar service for wood legality, applying the fee to either the certifying bodies or to sector bodies, depending on the agreed approach.

Further work is required to estimate the possible annual costs of MPI monitoring and auditing of certified bodies, and the costs that would be incurred by regulated parties to meet third party certification requirements.

Compliance Management

Primary legislation would make provision for a range of measures the regulator could employ to support compliance with regulatory requirements. This would include provision for offences for breaches of those requirements with penalties for those offences specified by Order in Council. The establishment of those penalties would be subject to public consultation prior to being finalised and gazetted.



Questions

- Have we described the proposed options clearly (Yes/No), If no, how could we improve the descriptions?
- Are there any other options we should consider?
- Have we identified the key benefits, costs and risks for each of the options?
- How would these options impact on you/your members?
- What is your preferred option or options?
- What 'value' of imported products should be scrutinised? (for example, the Australian system applies to imports worth over \$1,000).

4. Registration to Strengthen Professional Standards

What are the issues?

The nature of New Zealand's log market has been changing steadily in recent years, with smaller growers playing an increasingly important role. In 2007, just 14 percent of the national harvest was drawn from smaller growers. By 2015 this had risen to 25.5 percent and the figure will average 40 percent during the 2020s, when smaller growers are supplying between 13 and 14 million cubic metres (m³) per annum. This change in harvesting patterns will require adjustment across the supply chain, as we move from a corporate model of large-scale supply arrangements, for processors and exporters, to working with multiple (less experienced) smaller growers.

With smaller growers supplying two out of every five logs in the 2020s, it is critical they can participate fully in the log market and receive full value for their investment, to support new planting and replanting. The majority of owners are, however, first time growers; they are at a significant disadvantage when it comes to arranging the harvesting and marketing of their forestry blocks, due to inexperience in knowing:

- who to seek management advice from;
- the state of the market;
- identifying their sale options; or
- how to seek redress.

Few of the 14-15,000 owners have the scale to build experience in log marketing, with stands that range from a few hectares to several hundred. Knowledge of the sale process is built up through repeated transactions, but smaller owners will generally have only one, or a small number of blocks to sell over the next 10-15 years. This situation can lead to poor decisions on the timing, management and marketing of the harvest.

In this environment, growers depend heavily upon advice from consultants and on the intermediaries in the sales process. This can include the consultants that growers contract to provide valuation, harvest and marketing advice, forest managers who advise on the sale process, or are purchasing the cutting rights, log buyers for processors, log traders and agents who arrange third party sales. The quality of the advice growers receive from these sources will be critical to the final return. A poor financial or environmental outcome from a forestry transaction has flow on effects to market confidence, the willingness of these growers to replant, industry reputation, and New Zealand's ability to achieve its long term land management and climate change objectives.

A further dimension to this issue is the need to build connections between smaller growers and wood processors. As smaller growers are often not full time foresters (but farmers, small block owners, investors and syndicate members) they can have few, if any, established connections with wood processors. Building these connections will be critical as domestic processors look to draw more of their supply from this resource. This will need to be a two-way street, with processors adapting their purchasing models, and growers becoming more informed on market conditions and the options for selling their timber.



Questions

- Have we identified the key issues?
- Are there other issues that we need to consider?
- Are you aware of situations where smaller growers have been disadvantaged through a lack of market knowledge, or inexperience in working with contractors and intermediaries?
- To what extent are processors adapting their purchasing models to reflect the increased dependence upon smaller growers?

Objectives – what should the system achieve?

Cabinet has proposed a suite of initiatives to support a more transparent market for log trading, and ensuring that the intermediaries in the sale process meet high professional standards. Compulsory registration of log buyers is one of these initiatives being considered.

The aim is to develop a system that provides:

- improved grower confidence in the integrity of the log supply market, and the quality of the advice from forestry advisers and intermediaries in the market;
- greater investor certainty in current and future investment;
- increased confidence for smaller growers to undertake new forestry planting and replanting;
- improved environmental performance of properties;
- support to less experienced and new growers (including iwi); and
- a more transparent market, encouraging greater communication between growers, processors and exporters.



Questions

- Do you agree with the proposed policy objectives?
- Are there other objectives that should be considered?

Scope – what should the system include and exclude?

Log buyers and forestry advisers in New Zealand do not operate under industry specific regulations, as occurs in overseas jurisdictions such as, for example, Canada. This means there is likely to be greater variability in qualifications and industry experience. The issues with an unregulated system include:

- uncertainty over where, and from whom, growers should seek professional advice;
- variability in the quality of the advice provided to growers; which has implications for environmental performance, crop management and achieving the best returns from the forest;
- the potential for conflicted advice, due to business or commission arrangements. This has the potential to affect the timing of the harvest (and other crop management decisions), along with the nature of the marketing and tendering arrangements;
- a lack of market safeguards, and avenues to seek redress (both censure and financial), in the event of log buyer liquidation or the failure to secure letters of credit (leaving growers out of pocket or in extended litigation); and

- the potential for negative impacts on the long-term productivity and environmental performance of forests, as a result of poor quality advice.

MPI has been examining how to address these issues since mid-2018, following feedback from industry meetings in Northland, and with sector groups. In February 2019 MPI contracted Scion to examine warehousing models, and their potential to coordinate small grower log supply. In their report, Scion recommended a regulated 'forest trader' system, which could build on the existing New Zealand Institute of Forestry (NZIF) model, and be monitored by a Crown entity, such as Te Uru Rākau. Scion proposed that training development and updates of the registration system would be jointly managed by the New Zealand Institute of Forestry (NZIF) and the Crown entity.

The policy work has identified seven elements that should underpin a successful registration system:

- an enduring system to provide investor certainty;
- a high level of professional accountability;
- high quality advice and support to growers;
- transparent and open processes;
- cost effectiveness;
- broad environmental and community benefits; and
- a ready entry process for trainees and qualified professionals from other jurisdictions.

MPI has identified a range of key factors to consider when developing regulatory options. They include:

- who should be regulated?
- what regulatory requirements should apply?
- who should manage the regulatory system?

OPTIONS MENU		
Who should be regulated?	What regulatory requirements should apply?	Who should manage the regulatory system?
Log Buyers	Business Assurance Checks	Professional Association
Log Traders	Insurance & Bonds	Government Agency
Forestry Advisors	Code of Ethics	
	Ongoing Professional Development	
	Standard Support Tools and Contracts	

From this work, three regulatory options and two non-regulatory options (in addition to the status quo), have been identified as pathways for raising professional standards and creating a more transparent market for log sales.



Questions

- Which parties should be covered?
- What requirements should these parties need to meet?

Options

Non-Regulatory Approaches	Pros	Cons
<p>Option 1 – <i>Enhanced Status-Quo</i>:</p> <p>The Government partners with the NZIF to provide additional training, promotion and support services, to encourage a greater percentage of log buyers and advisors to become registered members of the voluntary scheme.</p>	<ul style="list-style-type: none"> • Maintains a pathway to recognise the qualifications and professional standards of registered consultants. • Provides flexibility of entry to the log buying and consultancy workforce. The increased coverage of the voluntary scheme is likely to raise overall standards (training and professionalism) and have a moderate impact on grower confidence. • Partnering with the NZIF provides an efficient and straightforward delivery mechanism. 	<ul style="list-style-type: none"> • On-going promotion will be required to build public and grower recognition of the scheme, and the benefits that contracting a registered forestry consultant provides. • Registration rates could rise from the current 10-15 percent, but it is likely that most of the workforce will remain outside of the scheme. As a result professional standards will only be raised for a proportion of the workforce. • Growers have no third-party assurance over the skills, neutrality and market knowledge of the majority of advisers and log buyers. • For the majority of advisers and log buyers there is no mechanism to progressively improve the skills and training of the workforce. • Recourse (in the event of a dispute) is through the courts, which can be protracted and expensive.
<p>Option 2 – <i>Industry led certification of competency and skill attainment</i>:</p> <p>A workplace certification scheme for log buyers, traders and forestry advisors, which would codify best practice operating standards, and support on-going training and skill development. This scheme could potentially be industry led- government enabled in conjunction with the relevant industry training organisation and/or its replacement Workforce Development Council.</p>	<ul style="list-style-type: none"> • Certification would codify best practice operating standards (for management and marketing), and support on-going training and skill improvement. • As with the existing certification schemes there would be industry momentum to ensure widespread participation. • As log buyers and advisers adopt workplace certification there should be greater certainty around technical skills and capacity. 	<ul style="list-style-type: none"> • Certification would not provide a compliance (censure) measure in the event of a dispute or immediate financial recourse. • A new delivery mechanism would need to be developed, and public / industry recognition would need to be built around the scheme. • Workplace certification would support on-going training and skill attainment, but would not provide assurances around professional standards. • Implementation risks are low, but a new delivery vehicle will need to be developed.

Regulatory Approaches	Pros	Cons
<p>Option 3 – <i>Compulsory licensing of log buyers and traders:</i></p> <p>A government regulatory authority would undertake assurance checks on log buyers and traders against standards established in regulation, and manage a licensing system (which would include censure procedures). Bond or insurance requirements would provide certainty of payment to growers.</p>	<ul style="list-style-type: none"> • Business assurance checks by the government regulatory authority would be undertaken on all log buyers and traders by the government regulatory authority, to ensure they are bona fide operators. • The regulatory authority would audit and monitor log buyers and traders, and could cancel licences in the event of poor practice. • Bond or insurance arrangements monitored by the authority, to provide grower protection. • Likely to be the least expensive of the regulatory schemes to industry, and can be supported by an information hub (with standard contracts and sale and purchase information). • Licencing provides growers with greater confidence that log buyers and traders are reputable operators, and that there are safeguards in the event of market disruptions. • The regulatory burden will be relatively low and the costs associated with licencing and insurance are borne by those directly engaged in log purchasing and trading. 	<ul style="list-style-type: none"> • The assurance checks address business integrity rather than professional standards of operation. • A new unit would need to be established to deliver the scheme, and promotional work would be needed to build public and industry recognition. • Licencing systems tend to be in place for extended periods, and have limited flexibility for change, without legislative reform (although this can be partially mitigated by the use of performance based regulations which provide more flexibility and are able to be amended more readily).

Regulatory Approaches	Pros	Cons
<p>Option 4 – Compulsory registration of log buyers and traders:</p> <p>A professional association would manage the registration, auditing and continuing training of log buyers and traders. Log buyers and traders would need to meet ongoing professional development requirements to maintain registration. The association would have bylaw and censure powers, and buyers/traders would have mandatory insurance requirements.</p>	<ul style="list-style-type: none"> • The system would be an enhancement over the status quo, with greater professionalism, training and assurance provisions. • The professional association will be able to respond to changing market and technical conditions in its training and assurance systems. • There are established international models on which the New Zealand system could be based, and depending upon the provider, the system could build on the existing voluntary system. • Log buyers and traders registered under legislation. Bylaws developed by the association. • The industry association manages training and insurance requirements. 	<ul style="list-style-type: none"> • Professional standards would be raised for one section of the industry. Those operating as advisers on forestry sales, or as agent/managers for third parties would not necessarily be covered. • A compulsory registration system that focuses on one segment of the log market trading system has limitations for improving professional standards and grower confidence.
<p>Option 5 – Compulsory registration of log buyers, traders and forestry advisers,(along with supporting tools and standards):</p> <p>A broader form of Option 4, covering all those who directly purchase forestry blocks (buyers and traders), or who act as an adviser or an intermediary in the sale process (forest manager, third party agent or consultant). The Government would look to partner with the professional association in developing supporting tools and standards (such as standard contract provisions and updated sale and valuation guidance).</p>	<ul style="list-style-type: none"> • Log buyers, traders and forestry advisers registered under legislation, with the professional association having bylaw and censure powers. • Training will be tailored to the different groups covered by the scheme. Insurance requirements would reflect the nature of the work undertaken by the regulated parties. • The Government would look to partner with the professional association in developing supporting tools and standards (such as standard contract provisions and updated sale and valuation guidance). • The regulatory burden apportioned across buyers, agents and advisers. • The obligations of all parties are clearly defined and growers have more certainty around insurance and the ability to seek redress. 	<ul style="list-style-type: none"> • Registered members would incur training and registration costs. • Workforce entry requirements will need to be clear, and straightforward, to enable newly qualified professionals and those who have been working in overseas jurisdictions a pathway for entering the profession.

The costs and how they can be recovered

The intention is that the regulatory proposals would be managed on a cost recovery basis. Log buyers (and forestry advisers) would meet the training and compliance costs of the regulatory system, whether these services are provided by a professional association or a government authority. The primary legislation would establish a principles-based framework to enable cost recovery using a range of methods, including levies and direct charges for services. The details of cost recovery would be set out in regulations. These regulations would be subject to public consultation prior to being finalised.

Log Buyer Licencing Schemes: The overseas examples studied have a fixed cost that covers registration checks and licencing. These schemes normally involve a bond arrangement, or confirmation of insurance coverage.

Professional Registration: Annual registration fees in British Columbia for individuals are \$580 Canadian and in Alberta the fee is between \$460 and \$680 (depending on the type of membership). In California the application and registration fees are based on the number of certificates of specialization.

These professional registration fees are in line with the existing registration costs for NZIF. There is an annual fee of \$460 for registered members and a 5 year review period.

Compliance Management

Where the options involve a professional association (Options 5 and 6), the primary legislation would provide for by-law making powers by the association. Prior to implementing any by-law the association would be obliged to consult with representatives of those who may be impacted by any change.

Where the proposal is for a government authority to manage the scheme (Option 4), primary legislation would make provision for a range of measures the regulator could employ to support compliance with regulatory requirements. This would include provision for offences for breaches of those requirements with penalties for those offences specified by Order in Council. The establishment of those penalties would be subject to public consultation prior to being finalised.



Questions

- Have we described the proposed options clearly?
- Are there any other options we should consider?
- Have we identified the key benefits, costs and risks for the options?
- How would these options impact on you/ your members?
- What is your preferred option or options? (please explain)
- Do you have any other feedback you would like to provide?

5. Key Terms

Term used	Meaning
Wood legality	There is no universally accepted definition of illegal logging and associated trade. Strictly speaking, illegality is anything that occurs in violation of the legal framework of a country.
Forest certification	<p>Forest certification is a voluntary process whereby an independent third party (the “certifier”) assesses the quality of forest management and production against a set of requirements (“standards”) predetermined by a public or private certification organization. Forest certification, and associated labelling, is a way of informing consumers about the sustainability of the forests from which wood and other forest products were produced.</p> <p>There are two types of forest certification:</p> <ol style="list-style-type: none"> 1. Certification of forest management, which assesses whether forests are being managed according to a specified set of standards; and 2. Certification of the chain of custody (sometimes referred to as CoC certification), which verifies that certified material is identified or kept separate from non-certified or non-controlled material through the production process, from the forest to the final consumer. To label an end-product as certified, both forest management certification and chain-of-custody certification are required. <p>Most forest management certification standards address a wide range of economic, social, environmental and technical aspects of forest management, including the well-being of workers and of families living in and around the forest area subject to certification. (FAO – http://www.fao.org/sustainable-forest-management/toolbox/modules/forest-certification/further-learning/en/?type=111)</p>
Professional Registration	Professional registration of forestry advisors provides an assurance that high standards of practice and ethical behaviour are being followed in forestry management and marketing. The professional association that administers registration promotes competency and continuing education among members; enhances public awareness of the profession, and establishes and enforces high standards of professionalism among members.
Log buyer	<p>A log buyer is in charge of purchasing industrial round-wood, wood chips, wood waste fuel and any other residuals for the company or facility they may be working for.</p> <p>Log buyers advertise their services, and have established relationships with many logging companies throughout the course of their career. The owner of a small logging company will often be the timber buyer.</p>
Log Trader	Traders are intermediaries, who match production with their customer requirements (often an offshore customer), making sure that what is being delivered meets agreed standards and timeframes. Some traders will purchase the logs from a forest owner or manager(acting on the owners behalf) directly and market and distribute as they see fit, while traders will take no ownership, and instead act as a broker between the forestry owner or manager and the

	<p>customer. There are also those that will purchase from forestry owners or managers directly at the port wharf at an advertised price.</p> <p>Traders may only be interested in delivered logs or may be willing to buy standing trees (stumpage), and arrange logging. While a given buyer seeks a limited range of species, diameters, lengths, and quality levels for their customers, the buyer may also identify markets for timber types that do not fit their specification requirements.</p> <p>Larger traders that have well developed relationships with forest owners and managers (often working hand-in-hand with them), and sellers, are likely to be better placed to withstand downturns. Those who operate on a one-off transactional basis are likely to be affected more during downturns, as lower volumes cut into commission rates.</p>
Forestry Consultant or Adviser	<p>A forestry consultant is a full-time professional. They represent, for a fee, the interests of their clients in all matters concerning the forest. A forestry consultant can improve the quality of the forest environment and increase the production of marketable products. When the trees become merchantable, the forestry consultant can find buyers and supervise the timber sale. The fee charged by the consultant may be based on an hourly or daily rate or on forest acreage, or it may be a contract price based on a percentage of gross revenues from the sale of the forest products. The cost of these services usually will be recouped by the timber owner through the higher prices received for timber that is marketed correctly and through faster tree growth after the timber is cut and sold.</p> <p>Forestry consultants vary in their areas of specialty; some are highly skilled in timber marketing, environmental planning, crop management or harvesting.</p>
Forestry Manager	<p>Forest managers plan and direct the planting, growth, harvesting and protection of forests for wood production. Forest managers may do some or all of the following:</p> <ul style="list-style-type: none"> • Plan and direct forest operations or new forest developments, including planting, pruning, forest growth measurement and tree harvesting; • Manage forestry contractors carrying out forest operations; • Manage the business and financial side of forest operations; • Market and negotiate log sales to domestic and overseas customers; • Analyse financial decisions and work out the cost-benefit of forest operations and make recommendations; • Ensure health, safety and environmental minimum standards are met or exceeded; • Monitor forest growth and health, security, fire prevention, and other maintenance activities; • Provide valuations on timber, trees and land; and • Liaise with owners, timber merchants, contractors, customers and the general public.

Small forest owner/grower	<p>Small growers in New Zealand are classified as having less than 1000 hectares of trees. The majority of these owners (13-14 000) have holdings of less than 40 hectares, while around 700 have holdings of 100 to 499 hectares and around 100 have holdings of 500 to 999 hectares.</p> <p>The nature of the forest holding can take a number of forms. A significant proportion of the small grower estate is on farm land or on small, privately owned forestry blocks. Holdings can also be managed by syndicates, partnerships or smaller corporates.</p>
---------------------------	--