

Investing in New Zealand's future

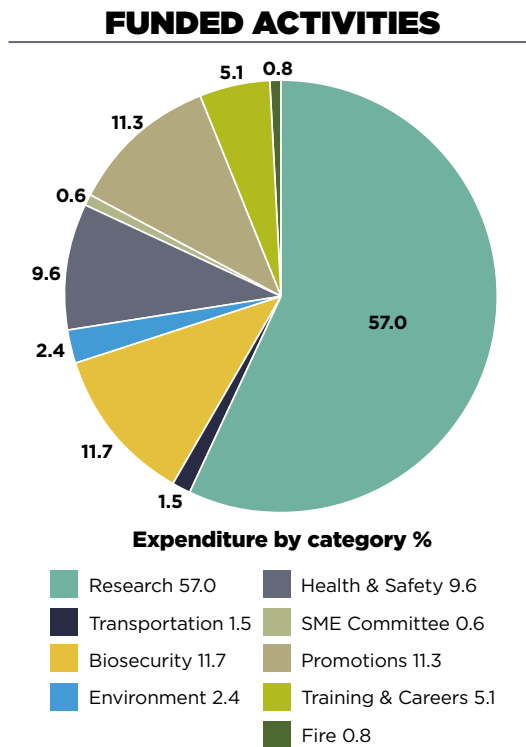
In 2013, New Zealand established a statutory levy to collect money from harvested timber with the purpose of "advancing the forestry industry both domestically and internationally". In 2019, a referendum was held to measure industry support for the six-year old levy system – 89% voted in favour, representing 99% of the forest area.

The New Zealand levy is officially known as the *Harvested Wood Material Levy* and applies to all wood material harvested for commercial purposes. All forest owners who are harvesting for commercial gain will be liable to pay the levy.

There is only one flat levy of 27 cents per tonne applied regardless of species or owner.

Under the Commodity Levy Order the forest owner is solely responsible for paying the levy. Where the forest owner no longer owns the log or other product when it reaches the data collection agent, the owner of the product may pass the levy cost back down the purchasing chain to the forest owner.

The levy is collected from forest growers. It may be collected directly or indirectly. The two key collec-



tion points are either at a processing facility or at the wharf. Domestic processing facilities and marshalling companies act as data collection agents to provide information that forms the basis of invoicing. Data are supplied to Levy System Ltd on a monthly basis.

Governance

The Forest Growers Levy Trust is the ultimate governance body. The seven board members are drawn from a cross-section of the forest-growing industry, comprising four representatives of those owning forests over 1000ha and two for smaller forests. This composition reflects where the levy contribution comes from. These positions are voted on by levy payers within the respective categories, eg over 1000ha owners vote for their representatives only. There is also an independent chair. The board meets quarterly and has



the power to approve the annual work programme, the levy rate and any other key decisions.

FACTSHEET

Name: Forest Growers Levy Trust

Corporate structure: Incorporated Society (Inc)

Levy

- Collected from forest growers.
- 27 cents per tonne for the first year with the ability to strike a maximum levy rate over the six-year levy term of 30 cents per tonne.
- Levied: Logs, posts, poles, forest waste, binwood, hog fuel and woodchips produced in New Zealand sourced from a plantation forest.
- Not levied: Bark sold separately, Christmas trees or domestic firewood. Production from natural native forests.

BENEFITS FOR THE SECTOR

1. **Create funding** to facilitate a broad range of industry activities, particularly in research
2. **Co-funding.** The Levy raises approximately \$1 of external partnership funding for every industry \$ raised.
3. **Stability.** Its existence provides security of future funding which in turn facilitates more strategic long-term planning, particularly important for research.
4. **Credibility.** The government, in particular, is now more committed to a sector group that it recognises will fund its fair share.
5. **Industry commitment and morale.** Establishment of the Levy has strengthened co-operation and confidence in the future of the industry.



QA

with **David Rhodes**
Chief Executive of
New Zealand's Forest
Owners Association

What was the main driver for establishing the levy system?

The key driver for our levy was a change in the level of government support for all industries. A decline in the ratio level meant that the industry needed more funding, otherwise programmes would need to be downsized. Another factor was that it unified the growers and provided economies of scale and greater influence.

Has it been contentious?

100% buy-in from the outset is difficult to achieve. Concerns raised have included the balance of where the funding has been applied, the extent to which some people are benefitting but not paying because the levy is only collected every 30 years at harvest and whether wood processors should claim some of the levy.

Every six years, a referendum is held to determine whether there is majority support. To be successful, the referendum must have the support of 50% of voters by number and also 50% by volume. Thereafter, the Minister must also be satisfied that an adequate process has been run and any issues addressed.

The forest industry's first referendum was in 2014. We have just completed a second referendum for the six-year period 2020-2025. The results were 89% by number in favour and 99% by area. This is an increase on the 2014 figure which was 86% for both.

New Zealand's levy is underpinned by an Act - why not a voluntary scheme?

This is a very important element. The Commodity Levies Act in NZ recognised that with multiple small producers there is a significant challenge in achiev-

ing common buy-in for common good. Most primary producer groups in New Zealand utilise the Commodity Levies Act and have done for many years. Forestry is a late arrival. Some of the large forest companies were wary about ceding control of funding to a Levy body but with six years of experience now behind us the latest vote shows that there is now confidence in the system.

Prior to 2014, the Forest Owners Association operated a voluntary levy that was fully supported by the larger forest owners and undertook considerable pan-industry good, but it did not raise the level of funding that the current system does.

How is the use of funds determined?

Under our Commodity Levies Act the referendum material must prescribe what it is the levy will be directed toward and roughly in what proportion so that people can vote accordingly and give feedback. We have a series of broad categories that cover most activities and research has always been over 50% of what the levy has been spent on.

Priorities can change and the proportions in the various categories have varied year-on-year, but these adjustments have been at the margin. It would be difficult to eliminate spending completely on any of the referendum-agreed categories.

There is a series of checks in the system including project managers, subject matter committees (which all projects must go through) a secretariat that has general oversight and of course, the levy board which is a Trust established on behalf of the growers.

How do you communicate with contributors across the sector?

Since 2014, changes have been made in the representation of growers at Committee levels, the funding approval processes, and in the way we communicate with growers. This is a healthy evolution and further efficiencies and improvements are planned.

The Levy Trust operates in parallel with the two key voluntary forest grower associations in the country - the FOA (Forest Owners Association) which is the large corporates, and the FFA (Farm Forestry Association) which are typically smaller woodlot owners. These associations provide communication channels that provide reach to a lot of owners. However, there are thousands who are not members and whose prime business may be other than forestry. Communicating with them continues to be a challenge but we have developed a comprehensive database to try to address this. The website has also evolved and improved and is another key mechanism. Finally, when undertaking a referendum a significant effort is put into roadshows, webinars etc.

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