Cyclone Bola and its impact on the forestry sector

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Massive damage occurred to both farms and forests in the East Cape-Poverty Bay region as a result of Cyclone Bola, and the Government has rightly been concerned at what level of compensation should go to a very hard-hit farming area. The question of forestry damage is perhaps more complicated.

Information is still being collected but preliminary results indicate that the loss sustained by the forestry sector as a result of the cyclone will be in excess of $10 million, with at least $7 million of that being incurred in the East Cape-Poverty Bay region.

Damage in this area was mainly due to slipping, with tree crop damage averaging about 2% of net stocked area, but in some forests it is as great as 12%. Damage to forest infrastructure has also been serious and early estimates indicate that about $2 million will be required to repair associated roads, tracks, fences, etc. The good news is that the exotic plantations have appeared to live up to their predicted protective value. From initial reconnaissance it appears that the protective cover of older forest plantings was second only to mature native bush. The majority of crop loss in this region is in the less than age 10 plantings.

While East Cape undoubtedly took the brunt of the cyclone, serious tree crop damage also occurred in the central North Island in the form of windthrow and stem snap. Figures are not yet available but tree crop losses are thought to equal those of the East Cape.

The impact on Northland and Taranaki so far appears to be much less severe, ranging from damage to forest infrastructure to toppling of young stands. In Taranaki the damage was mainly confined to the coastal regions, mostly to farm shelterbelts and woodlots which are claimable under the Government's Cyclone Bola Compensation Package.

Major Concern

Of major concern to the forestry sector is the exclusion of forestry from this package. While shelterbelts and farm woodlots are included in the compensation package the larger forest owners are excluded. Defining what is farm forestry and what is production...
forestry is also causing MAF some problems and is leading to a further grey area in the compensation issue.

Agriculture Compensation

In the agriculture package compensation is paid on the basis of 60% of non-insurable losses based on market values, and will also incorporate income and stock losses. A threshold value of $5000 applies.

It is hardly surprising that the Government decided to exclude forestry from this hastily compiled package especially with Treasury's recent experience of trying to work out market values for the Forestry Corporation's assets. Undoubtedly if this compensation package had been intended to include the forestry sector a less controversial basis than "market value" would have been chosen. Determining non-insurable losses is difficult as theoretically it can be argued that anything can be insured against, including loss of capital value of land due to erosion. With the agriculture sector Government has taken a liberal approach interpreting "not insurable" as "not normally insurable". If applied to the forestry sector this would include loss of tree crop through slipping or wind damage as well as damage to forest infrastructure because forest owners in New Zealand do not insure their tree crops against this type of loss. The estimated loss of future income to the East Cape region alone is approaching $100 million; loss of tree crops and infrastructure is another $8 million. If the Government were to include forestry in the current compensation package an estimated $50 million would be due to East Cape forest growers alone.

As it appears unlikely that forest growers will receive compensation, it seems they would be best to direct their energies towards getting a favourable result for forestry development from the East Cape Project Review. The future of forestry in the East Cape Region and what long-term measures the Government intends (or does not intend) to take should not be confused with short-term compensation issues. The obvious forum for these concerns to be aired in is the East Cape Project Review process. An officials committee has been set up under the Minister of Regional Development to complete the review, of which an important component will be evaluation of Cyclone Bola on the region and the effective protection offered by exotic tree plantings.

Equity Issues

In the aftermath of Cyclone Bola a host of equity issues have been unearthed. Not the least important question concerns what has become of Government's policy on sector neutrality if farmers get cyclone compensation but forestry does not. Maybe even Robin Hood was unable to help all the poor.

Future of Maori afforestation issues

The New Zealand Government has 73,030 ha of Maori afforestation leases, all of which are in the upper two-thirds of the North Island. These were administered by the New Zealand Forest Service. In 1986 the Government decided to transfer all production forests of the Forest Service to the new Forestry Corporation. However it was recognized that a special case existed where land had been leased from Maoris for forestry development.

Three Options

On March 22 the Ministry of Forestry held a hui in Rotorua to discuss the future administration of the leases. At the hui the Minister, Peter Tapsell, said that after consultation with Maori interests it had been decided to give lessors the choice of three options:

1. The Maori lessors can purchase the Crown's interest in the lease on a commercial basis; - if this option is chosen it is unlikely that the Government would be prepared to fund the purchase of its interest in the lease.

2. They can choose that the Crown's leasehold interest be transferred to the Forestry Corporation; - Ministry of Forestry would be available as consultants on a user-pays basis.

3. They can choose that the leases remain the direct responsibility of the Crown; - If this option is chosen, then the Crown will offer the Forestry Corporation a contract to manage the lease first. Should it not be possible to obtain a satisfactory management agreement with the Forestry Corporation then other options will be considered by the Crown.

Maori lessors are required to make their choice by September 30, 1988. The Ministry of Forestry will provide forest valuations based on the method currently being used to value other Crown forests.

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