

Issue # 152
February 2011

**'ForestWood'
Joint Conference
Presentations**
[www.forestwood.org.nz
/speakers/presentations](http://www.forestwood.org.nz/speakers/presentations)

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NEWS &&& VIEWS



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Guest Editorial - By Michael Cambridge

(SolidWood Building Group Shareholder and
Vice - Chairman, Marlborough Forestry Industry Association)

“Vision—A World Class Forest Industry for New Zealand”

New Zealand has several examples of industries such as NZ Merino, Zespri and the Marlborough wine industry which have become world class within just a few years. This was done by recognizing and capitalizing on the basic qualities of their products.

The NZ Forest industry leads the world in plantation forestry and carbon accounting, but it then sells logs and sawn timber at bargain basement prices. Research by the Solid Wood Building group, plus 4 trips to Europe indicate that there is great potential for capitalizing on the basic qualities of NZ plantation grown pine. Pine has health and hygiene qualities which are superior to most other wood species, and far superior to the painted plaster room linings which have come to dominate NZ, and many industrialized country buildings.

This proposed strategy draws on experience from Europe, examples from other industries and 15 years of personal research to show how innovative leaders could transform the NZ forest industry and add several \$billion to the NZ economy.

Over the last 70 years, plaster board, or Gib board, has dominated wall and ceiling linings in new houses in New Zealand. Gib board provides a low cost and easy way to meet building code requirements. Gib board has become so popular that its merits are seldom questioned.

Research by the Solid Wood Building Group shows that wood linings have distinctive points of difference compared to Gib board linings. Comments from the people living in the 40,000 solid wood homes in New Zealand indicated that solid wood houses are warm and comfortable. They also commented that they felt relaxed, like being on holiday all the time.

People living in the alpine regions of central Europe have known for centuries that rooms lined with the local pine make them feel relaxed, help them sleep well and help them live a long and healthy life.

Recent research from Europe shows why people feel comfortable and relaxed in rooms lined with wood, and with pine heartwood in particular. Recent studies by Joanneum Research in Austria use miniature ECG machines to measure the effects of pine wall linings on heart rates and heart rate variability (HRV). The studies show that stress levels and heart performance show surprising response to different wall linings.

Heartman

Dr Max Moser was invited to design a health program in 1991 for the Russian astronauts in the MIR space station. He designed a jacket made of merino and linen, embedded with heart monitoring sensors. This allowed highly accurate data on the astronauts condition to be beamed back to earth. He has since developed a portable version called the Heartman which is 10 to 20 times more sensitive than ecg machines used by doctors.

Dr Moser has used the Heartman for some interesting studies. He compared 52 children in 4 classrooms and found that those in the wood lined rooms had a heart rate of 10 beats per minute less at the end of the day compared to the children in the conventional classrooms. The effect was greater on the girls than the boys. See http://www.holzcluster-steiermark.at/en/desktopdefault.aspx/tabid-46/78_read-11992/

Joanneum Research have conducted other studies showing that pine furniture improves sleep quality. Pine wall linings improve recovery from physical and mental stress. Stress related health programs reduce work place accidents.

Humidity Control

It is well known that indoor humidity has a major bearing on health and comfort and it needs to be kept between 30% and 55% relative humidity. When relative humidity is too high or too low, it can lead to increases in bacteria, viruses, fungi, mites, respiratory infections, asthma, chemical interaction and ozone production. See page 10 of <http://dsp-psd.pwgsc.gc.ca/Collection/M92-193-2003E.pdf>

Sydney Baggs rated solid wood linings top of the list of healthy building materials in his book “The Healthy House” because wood has the ability to buffer humidity variations. The Fraunhofer Institute in Holzkirchen, Germany built 2 identical rooms, one lined with painted plaster and the other lined with spruce boards.

Guest Editorial - By Michael Cambridge—cont. from page 1 “Vision—A World Class Forest Industry for New Zealand”

They added moisture to simulate people living in the rooms and found that humidity was outside the optimum zone for 27% of the time with painted plaster compared to just 3% for the wood lined room.

Hygienic properties of pine heartwood

Research from Germany compares the hygienic properties of plastic surfaces with several wood species. Wood was shown to have anti-bacterial properties with pine and particularly pine heartwood being the most effective. Heinrich Wilms has sponsored 15 years of research into the hygienic properties of pine heartwood and has patented a method to enhance the hygienic properties. His company produces a range of cutting boards, sleeping mats, and skin care products to make good use of these hygienic properties.

Designing for Women and Children

Children under the age of 15 make up 20% of the NZ population and women more than half of the adult population. Research shows that they are the most sensitive users of buildings and are most affected by wall linings. The city of Hamburg recently passed a new building regulation stipulation that all new children's childcare centres must be made of wood.

New Zealand building regulations are designed by men for men and have little emphasis on health. When a family buys a house, it is usually the woman who makes the final decision. The wood industry should include women speakers at conferences to emphasise the importance of health and hygiene, and how buildings can be designed for women and children.

Lessons from other industries

The image of merino wool has been transformed within a 15 year period by highlighting the unique properties of merino, then using research and development to capitalize on those properties. NZ Merino organised contracts between growers and processors who could take their merino to world markets. They created a great brand story about their whole supply chain.

The Marlborough wine industry started in the 1970's with bulk wine sold in cardboard boxes. Contract growers were struggling with low prices and they were offered subsidies by the Muldoon Government to remove low value varieties. During the 1980's there was a mix of corporate and family wineries and it was the innovation of 2 smaller players, Ernie Hunter and Cloudy Bay, who put Marlborough wine on the map by taking sauvignon blanc to UK and Europe and selling it at high prices. The corporate wineries soon followed. Marlborough wineries work together to sponsor research and to reduce harvest volumes to match

supply and demand. The Marlborough wine industry has a strong commitment to sustainability. Most growers are registered with the sustainable wine growing program. Several wineries

are carbon zero. Yealands winery recently won an international wine tourism award. See www.infonews.co.nz/news.cfm?id=60320 and www.wine-marlborough.co.nz/index.htm

Zespri is a successful brand for growers to raise the value of their harvest and supply a consistent quality year round to customers in high value markets. They place emphasis on sustainability and the health benefits of their product. They survived the economic downturn well because customers kept buying kiwifruit for their daily health intake. See <http://www.zespri.com/zespri-kiwifruit.html>

Innovation and repositioning wood in the marketplace

The 16th World Timber Construction Conference in Garmisch, Germany last December was attended by 1,400 Europeans and 6 from Canada. Dr. Norbert Gorny, President of Poyry, gave the overview vision 2020 presentation. He highlighted the need for innovation and repositioning wood in the marketplace. There were 80 trade displays showing great wood construction solutions.

I showed samples of heartwood and pruned wood from NZ pine and discussed the use of wood to improve how buildings feel. Austria was the country showing most innovation and it's wood industry had good political support because wood building boosts the local economy. The province of Vorarlburg attracts 30,000 architectural tourists per year just to look at their buildings. I visited an award winning town centre building which had band sawn wood linings inside the building to make it look, feel and smell good. See http://excursion.leader-austria.at/vorarlberg-1/modules/objects/community-centre-ludesch/view?set_language=en

Austria is also a leader in passive house and low energy buildings. We have much to learn from Austria, but they are also keen to learn from us so there is good potential for joint research and promotion.

\$100,000 per hectare log harvests

MAF and the University of Canterbury recently ran a series of seminars to look at how to manage forests for both carbon and wood. Now that forest owners receive carbon credits while their trees grow, the economics of forestry is totally changed. The optimum time of harvest has gone from around 25 years to nearer 40.

Wood quality improves with longer rotations. When harvest age increases from 25

-30 to 35-40, wood becomes stiffer and more stable, taper reduces giving better jas conversions, chip log ratio reduces and heartwood ratio increases. Harvest volumes increase by around 200 tonnes per hectare giving reduced harvest and roading costs per tonne.

There is an opportunity for forest growers to receive around \$100,000 per harvested hectare instead of the current \$10,000 to \$20,000 when the health benefits of pine heartwood are promoted along with the improved quality and quantity of wood from an extra 10 years of growth. Forest growers need to repay carbon credits at harvest time. These higher returns will ensure that there plenty of surplus after repaying those credits.

What New Zealand has to offer

Professor Andy Buchanan and Brian Honey produced a world leading report on the carbon footprint of buildings in 1992.

Andy also organised some research for me in 1998 which showed that solid wood buildings could store more carbon than they emitted. Nelson Forests Ltd have produced a carbon footprint model which shows the carbon footprint of any of their timber products supplied to anywhere in the world.

New Zealand has a world leading emissions trading scheme for forestry. 99.9% of NZ's wood products come from plantation forestry planted on land which had mainly been marginal farm land. 90% of NZ's plantation forestry is pine which has health and hygiene properties with the potential to improve people's lives in new buildings or by lining existing buildings.

Sharing a Vision

Now we need to share a vision with forest growers, wood processors, marketers, entrepreneurs and potential world wide brand partners who would like to work together to research and improve the understanding of the health and hygiene advantages of buildings lined with solid wood.

We need to aim high and work with anyone who can help put NZ solid wood building products at the top end of world markets. We should be prepared to show leadership in providing climate change solutions as well as health solutions. We should aim for our forest industry to enhance NZ's clean green image and to add billions of dollars to NZ's GDP. We have the potential to create a world class forest industry which makes all participants proud to be involved, and attracts international tourists.

For more information view:

www.solidwood.co.nz

EXECUTIVE COUNCIL 2010—2011

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Chief Executive:

Lawrie Halkett

Executive Assistant:

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MISSION STATEMENT

“Dedicated to developing profitable value - added production onshore and expanding demand for high quality New Zealand pine products in selected overseas markets.”

**Check out the
Calendar of
Events on page**

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Pick & Mix

Time to Walk the Walk

Source: In-Wood December 2010

The October ForestWood 2010 Conference in Wellington may prove to be one of those signal events in the history of the New Zealand Wood Industry.

It was the first time in more than 20 years that a pan industry gathering of such significance had been attempted—with all leading sector groups in one room to address the common challenges facing New Zealand’s forest products industry.

Most of the attendees—representing forest owners, wood processors, pine manufacturers, forestry contractors and farm foresters—are not renowned for collective cooperation on ‘broad church’ matters. Which makes it remarkable that the mood and rhetoric of the entire conference was so positive and uplifting.

The common theme was ‘work together to take on the world’. While the industry faces major challenges, speakers repeatedly talked about the great opportunities that a more collective approach

could bring.

Prime Minister John Key gave a rousing 30 minute speech, enthusing about the role he sees for the industry, and for the industry, and was followed by cabinet ministers Nick Smith and David Carter. Their attendance was seen as a signal of the Government’s new-found commitment to forestry.

“The Prime Minister kicked the conference off in the spirit of positive enthusiasm which carried on during the rest of the day. I haven’t had any feedback from anyone who wasn’t impressed by his presentation”, Doug Ducker, chairman of industry umbrella organisation Woodco, told In-Wood. The conference was a timely indication of what had been achieved since the demise of the pan-industry Forest Industries Council and the growth of Woodco, WPA, FOA and PMA, who were already demonstrating a willingness to work together.

ForestWood 2010 was intended as the

first in a series of collaborative, forward-thinking conferences, although on the day there was no actual commitment to making any changes or taking on any industry-wide initiatives.

Perhaps it was too much to ask for a first gathering. “A lot of the real value was the informal networking between individuals which will be valuable in the future,” says the PMA’s Lawrie Halkett. “but we have talked the talk and now we have to walk the walk”.

The next step is an industry self-review that Woodco hopes will be turned into an action plan in time for the next conference in September 2011.

“We are working from several fronts looking at how to achieve a stronger industry contributing more to GDP, says Ducker.

NZ Wood Design Advisory Service

Source: NZ Wood

The NZ Wood Design Advisory Centre is aimed at facilitating larger-scale commercial building projects using structural timber. The centre will provide free feasibility and concept engineering advice in association with New Zealand's leading structural engineering consultancies. For details of the process and terms of engagement with which the centre can work with you see www.nzwood.co.nz/design/about/.

The design centre is part of the NZ Wood programme, an industry funded initiative that supports the use of sustainably-grown New Zealand wood.

The director of the design centre is Jason Guiver, who has a

structural engineering and timber background who most recently has held positions at Hunters, a Nelson-based glulam manufacturer and supplier.

Structural engineering consultants [Aurecon](#), [Opus](#), [Beca](#) and [Holmes Consulting](#) are associates of the centre along with timber engineering and design specialists: **Dunning Thornton Consultants Limited**, **Law Sue Davidson Limited**, **LHT Design**, **Mark L. Batchelar Consulting Engineers** and **Robin Frengley Consulting Engineer Limited**. The centre also has close links with **STIC**, the Structural Timber Innovation Company based in Christchurch and also the [Timber Design Society of New Zealand](#).

Timber Design Software

Source: NZTD Journal Vol 18 issue 4

The NZ Timber Design Society Timber Design Software has recently been released.

The software is an initiative of the Timber Design Society, with sponsorship from the Ministry of Agriculture and Forestry, Timberlam Trust and the Timber Design Society. Software development is by Cadmethods Ltd.

The purpose of this program is to enable timber design of beams and columns and is targeted at engineers; with the flexibility, control and display of results required by engineers.

Features include:

- Design of beams and columns with any number of supports
- A wizard which leads the user step by step through the program
- Flexible action placement, with ability to place point actions, UDLs and trapezoid actions at any location
- Ability to edit serviceability criteria and design factors
- Instantaneous design of members
- Graphical representation of actions, design action effect and design capacity
- Timber materials currently supported include radiata and Douglas Fir MSG and VSG grades, GL Glulam grades, LVL grades (Hyspan, Hy90, Nelson Pine LVL), Hyne products (Edgebeam LGL and 17C)
- A help feature that includes a full explanation of use of the program, a tutorial and an explanation of the design methodology.
- The program is seen as a flexible platform for further development. The TDS would like the software to eventually be enhanced to enable design of connections and more complicated structures.
- A demonstration version, with free use for one week, is available for download on the NZ Timber Design Society website at www.timberdesign.org.nz or to purchase the software email sales@cadmethods.co.nz.

A Bach in Cooe of the White House

Source: First Light House

A Solar-powered wooden house, inspired by the traditional Kiwi Bach, will be showcased in the National mall in Washington DC in the Fall of 2011.

The First Light house is being developed by a team of architectural students at Victoria University. It will be the first southern hemisphere entry, ever, to compete in the prestigious US Department of Energy Solar Decathlon.

Twenty student teams from around the world will compete in the 2011 contest to design, build and operate a house that is cost effective, energy efficient and attractive. They are also being put through a series of 10 contests in the lead-up to the 21-day event in September/October.

The project is led by four masters students, Eli Nuttall, Anna Farrow, Nick Officer and Ben Jagersma. They say the Kiwi bach is primarily a summer destination, where life takes place as much outside, on large decks and patios, as it does inside.

"The First Light house brings the ideals of bach life into a contemporary setting, providing a permanent residence where recreation and social activities are united with environmentally sound technologies.

"So the on-the-deck lifestyle can be enjoyed year-round, an indoor deck has been created to act as a cooking and dining space."

The house has a timber frame and cladding and a timber canopy to support the solar panels and provide shade.

Laminated veneer lumber (LVL) gives the modular design its structural integrity and provides the accuracy needed during onsite assembly.

The ceiling and wall linings are plywood. The frame and canopy are expected to be made from a combination of glulam and dressed timber.

Cedar is being used for shading slats and weatherboards. An external timber canopy houses the photovoltaic (PV) panels and solar water heaters, and elegantly integrates the panels into the bach.

The house will be split into prefabricated modules that can be constructed within the 7-day time constraint of the competition. Construction will begin in early 2011 in a covered site in Wellington.

The modules will then be transported to Frank Kitts Park on the Wellington waterfront on 30 March, where the team will perfect the assembly sequence. The completed bach will then be put on public display during April, before being dismantled and shipped to Washington.

More? www.firstlighthouse.co.nz

MARKET ROUNDUP

AUSTRALIA

Australians sinking under debt burden

Source: *The Sunday Telegraph January 02, 2011*

AUSTRALIA is heading for an economic crunch as family finances collapse under the burden of record debts, rising interest rates and utility bills.

With banks warning they will be forced to raise mortgage rates by 0.50 per cent in 2011 and Sydney rents forecast to rise by between \$160 and \$190 a month, according to analysts Residex, householders look set to suffer.

Repossessions and tenant evictions are expected to rise sharply. "It's going to be tough" said Shane Oliver, chief economist at AMP Capital.

"Families face many rising costs and while most people have slowed their borrowing, our debt is still growing and that's a big problem."

When the global financial crisis hit in 2008, Australians started paying down credit cards and loans, but quickly began piling on the credit again when it became clear we had avoided the worst of the crisis.

According to the Reserve Bank, Australians have added almost \$220 billion to household debt levels since the beginning of 2008, taking our borrowings to a record \$1.3 trillion.

Despite more cautious spending in recent months, household debt is still up by 5.8 per cent on a year ago and a recent survey by Westpac found only about 20 per cent of people thought paying off debts was the best use of their money. Most households in the US, UK and much of Europe are still busily paying down their borrowings, particularly unsecured debts such as personal loans and credit cards.

"Unlike the rest of the world, Australia has slipped back into its old habits," said Steve Keen, professor of economics at the University of Western Sydney.

"We're spending ourselves right back into trouble. With so much extra debt to service, we don't need interest rates to reach anything like the 9.6 per cent they hit in 2008.

"We may find repossessions spiking much more quickly than they did two years ago." In the first nine months of 2008, before the RBA began slashing interest rates, 1300 families lost their homes in NSW.

Mr Oliver has estimated that debt will become unmanageable for many households when mortgage rates rise from 7.80 per cent to about 8.50 per cent.

"At that stage homeowners could hit a wall," he said.

Economists are forecasting three 0.25 per cent rate hikes for 2011, taking the typical mortgage rate to 8.55 per cent.

Craig James, chief economist at CommSec, said households may have to pare back budgets. "People can cut back on pay TV, holidays, mobile phones and all types of other discretionary spending," he said.

Australian Growth

Source: *BNZ Weekly Overview 13th January 2011*

Australia delivers 24% of our merchandise export receipts, 45% of our tourists, owns almost all our banking sector and 51% of FDI, contains over 600,000 Kiwis and acts as a back-up labour market for most of us. What happens there matters to us so we shall monitor their growth here. The Aussie economy is growing strongly on a mining and infrastructure boom bringing us competitiveness advantages in tourism and manufacturing as the AUD soars but will drain our skilled labour base. There is an opportunity to entice manufacturers here. Jobs growth is averaging over 30,000 a month and at what point does this do four things – spur currently weak retail spending, spur appallingly low house construction, drive wage inflation, and spur higher non-mining business investment to boost productivity. The first three feed-throughs will accelerate monetary policy tightening and lower the NZD/AUD exchange rate further. If job growth accelerates migration outflows from NZ to Australia will soar even more than seems certain over 2011-12.

What's new?

Business worries about wages are growing with an Australian Chamber of Commerce and Industry survey showing that for the first time in 13 years businesses rated wages as the biggest constraint on their investment. Those investment intentions remain weak as do sales generally. Weak also remains the outlook for house construction with the number of houses approved for construction falling 4.2% in November, 4.6% in total in the three months to November, 4.7% compared with a year ago for the three month period. Things have weakened quite a bit recently after a strong lift in approvals issuance between mid-2009 and mid-2010. This means NZ manufacturers supplying products and materials into the Aussie housing market probably saw a good lift in orders in the second half of 2009 but more recently those orders will have been pulling back – unless of course competitiveness compared with Australian domestic sources has improved quite a bit because of the exchange rate. Marketing to buyers on that basis could secure some extra revenue during this currently weak period. A key issue for the Australian housing market is that for at least eight years construction has been less than considered optimal for the growing population. But with interest rates rising since October 2009 and the possibility of another rate rise this year (the floods confuse the issue) householders are unlikely to be putting in many extra construction orders in the near future. Developers may also be cautious about spec projects given the tightening labour market, rising materials costs and funding costs.

The latest estimate we've seen is that the worsening floods in Queensland will reduce Australia's GDP by as much as 1% this quarter though rebuilding will see the total reduction fall to below 0.5% over the year. That means the chances of the RBA hiking interest rates again in the near future are now less and that means some upside risk for the NZD against the AUD in coming months. But it also means extra pressure on our labour market this year as the massive rebuilding effort encourages more Kiwis to cross the ditch. That will therefore be inflationary for us over the medium term while capping our potential growth. We'll probably see some upward pressure on vegetable prices given that a lot of vegetable production has been wiped out in Australia.

Aussie dollar and rebuilding after floods flag busy year for importers

Source: Timber & Forestry e-news 24th January 2011

TIMBER importers are anticipating another busy year following increasing activity in 2010.

The Australian Timber Importers Federation’s technical manager John Halke says the prospect of a continuing strong Australian dollar together with increasing manufacturing and importing sophistication is likely to see imported timber products grow in significance and be central to the performance of the building industry, including keeping housing affordability under check.

Mr Halke says the limited prospects, at least in the medium term, for expanding the domestic production of timber products in categories such as structural pine and hardwood boards has sharpened the focus on the importance of an efficient and strong timber importing sector.

“This is a critical element of the timber industry if the country is going to work its way out of what is shaping up to be a substantial housing shortage – not helped by the devastating floods in Queensland and elsewhere.”

Mr Halke says the Australian forest and wood products statistics published by the Australian Bureau of Agricultural and Resource Economics and Bureau of Rural Sciences late last year indicated that the value of timber imports increased by 6% to almost \$430 million and volumes increased by 19% to 748,000 cub m in 2009-10.

“This coupled with data indicating that total dwelling commencements are likely to increase by about 25% this year after declining by 17% in 2008-09, but rebounding in 2009-10, has major implications for the timber industry.”

Mr Halke says that it is becoming more apparent that the

timber importing sector will have an increasingly important role to play in meeting the country’s future solid wood product needs.

“If Australia is going to deal not only with its housing construction backlog, but with new housing starts that are predicted to exceed 180,000 dwellings a year, timber importers will be key players.” Looking to the year ahead, Mr Halke says that, in addition to continuing to contribute to the federal government’s illegal logging policy development, ATIF will be looking at further possible improvements in efficiencies and cost reductions in the timber importing and wholesaling sector.

“This for example will include arguing that tariff reductions of up to 2% would help make some categories of timber products more in line with tariffs paid by competing imported building products in other materials

such as steel,” he says. “Importers will also be keen to continue to work with key industry entities, such as Forest and Wood Products Australia to improve the availability, usefulness, coverage and comprehensiveness of current technical data on timber products with a view to improving the confidence of prospective wood products users and growing the overall size of the market for timber products.”

He adds that ATIF acknowledges that it had not done enough in the past to service the needs of major stand-alone timber importing companies in Western Australia.

“We will be seeking to rectify that situation this year,” Mr Halke said.

Is Business Output Rising?

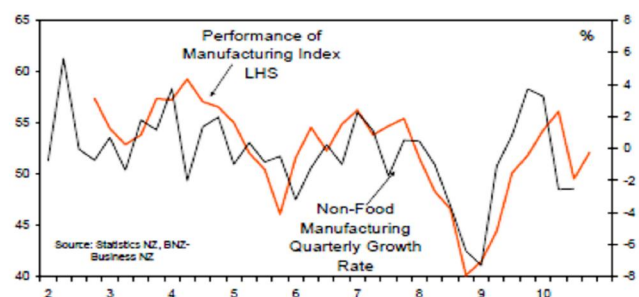
Source: BNZ Weekly Overview 27th January 2011

The BNZ Business NZ Performance of Manufacturing Index which broadly tracks changes in non-primary sector manufacturing output firmed to a reading of 53.1 in December from 52.7 in November. The index has been marginally above the 50.0 no growth level for three months in a row now and we feel that allows one to say that the manufacturing sector is growing or at least close to growing when one considers the recent quarterly average for the PMI in the context of the first graph below. Generally around the world (except in Australia) manufacturing

sector readings have been improving recently so the NZ growth story is nothing out of the ordinary. And perhaps all we can take from the latest data is that at least this sector of our economy is improving - but it is not soaring.

Are businesses hiring more people?

Just a reminder that Australian employers are. Maybe you can speak with some of them in a couple of weeks at the Oz Jobs Expo in Auckland on February 12th and 13th. www.ozjobexpo.com



NZTE National Manager Manufacturing Australia

Source: Justine Tate—NZ Manufacturer December 2010

The Manufacturing sector in Australia continued to experience strong growth in the year to September 2010 at 5.1%, but commentators forecast this growth to drop back 0.5% p.a. in the five years to June 2015, well below the predicted annual GDP growth rate of 3.4%. As Australian manufacturers struggle with

rising costs of production (not least due to a scarcity of skilled labour caused by attractive wages in the mining and other sectors), the removal of government-induced demand and a strong Australian dollar, opportunities exist for high quality manufactured products from New Zealand.

PMA's new
Quality Mark!



New Zealand

We can catch Australia—by manufacturing our way to success

Source: NZ Manufacturer December 2010

There is only one way we will catch Australia in wage rates and standard of living, and that is by growing our manufacturing sector.

Various reports have concluded productivity in New Zealand is low compared to other developed countries and while that is true as an average across the whole economy, it is not true in the manufacturing sector.

Professor Paul Callaghan from Victoria University has calculated what we need to produce per employee to catch up with Australia and manufacturing is clearly miles ahead of any other

sector. By his calculation we need to exceed \$143,000 of revenue per employee.

Manufacturing revenue per employee is \$240,000 (total manufacturing) or \$250,000 (manufacturing exports).

Fonterra comes in at \$550,000 revenue per employee and Fisher and Paykel healthcare comes in at \$400,000.

This is clearly the way to go, we need more manufacturers with high productivity and we need them to grow their business.

Support Accurate Job Information (Census2011)

Source: FITEC Jost Siegfried 7th February 2011

FITEC, MAF and Industry Associations have joined forces to improve the accuracy of job information in our industries. Statistical agencies support this project but ask for strong industry support.

Questions 35, 36 and 38 of the Census Survey deal with job and industry data. It is important that employees give good quality industry and skills information:

- In question 35, put the job you are working in now for most of the time (not the profession you trained in, or what you did yesterday). Ensure the skill level appropriate to your tasks is provided, i.e. manager, trades person, technician, operator, or process worker
- In question 36, list some key tasks and state the area / operation you are working in.
- In question 38, state the industry your company is working

in, e.g. forestry, logging, forestry support services, sawmilling, timber drying and machining, wood product manufacturing, wood panels, or pulp and paper

A guideline with examples will be distributed over the next four weeks by FITEC staff, MAF and through associations. For further information, contact FITEC (Jost Siegfried - 07 349 5608, Mark Preece 07 349 5471, Gillian Wintrup 07 349 5601), or your Association.

Benefits coming out of this joint initiative include lifting the industry employment profile, and providing career options similar to other primary industries.

The Census takes place on Tuesday 8th March 2011. It is an opportunity for all forestry and wood industry employees to support this important project. We can't do this alone. Please help.

NZ Construction Stats for November

Source: Ministry of Statistics / NZ Herald 11th January 2011

The value of non-residential building work reached an 18-month high during November, against a slump in activity across the residential sector.

Latest figures from Statistics New Zealand (SNZ) show the value of consents issued for non-residential buildings was \$479 million during November, up 23 per cent on the same period in 2009.

The main contributors were education buildings, factories and industrial buildings, SNZ said.

The value of residential buildings fell by 4.4 per cent to \$514 million across the same period.

The seasonally adjusted number of new housing units authorised, excluding apartments, fell 2.6 per cent in November 2010, the fifth consecutive monthly fall.

When the volatile apartment category was included, the number of new housing units authorised rose 8.8 per cent, following a 1.8 per cent fall in October 2010.

Goldman Sachs economist Philip Borkin said the 'lumpy nature' of apartment and non-residential issuance meant it was difficult

to know what the implications from today's numbers might be for monetary policy.

"We still believe it is too early to warrant a review of our expectations, but at this stage we see upside risk to our forecasts."

During November consents were issued for; 1470 new housing units (including apartments), 1244 new housing units, (excluding apartments), 226 new apartments (154 were assisted-living apartments associated with retirement villages).

Meanwhile the total value of earthquake-related consents in Canterbury during November was \$2.3 million.

Two of these were for new dwellings, Statistics New Zealand said.

Building consent values include goods and services tax (GST), which increased from 12.5 per cent to 15 per cent from 1 October 2010.

It was not possible to separate the impact of this change on consents, SNZ said.

New Zealand Business Confidants

Source: BNZ Weekly Overview 7th February 2011

BNZ Confidence Survey of Weekly Overview readers show continued reasonable optimism about where the economy will be in a year's time with a net 22% of respondents optimistic. However comments regarding conditions at the moment remain decidedly muted with some sectors such as construction very weak, real estate as challenged as ever, and retailers still struggling to find customers. Accountants still note that clients are slow to pay and by and large are still struggling, but there are a few bright spots. In the energy sector optimism is firm, engineering appears to be improving, and the change in weather combined with high prices has produced a turnaround in sentiment amongst farmers with mild evidence of a spending increase occurring.

Comments specifically on Construction

- Disastrous.
- Residential building - market is very tight, buyers are unwilling to commit and need a boost to confidence.
- New Home construction. Traction now in the Christchurch earthquake recovery market, joined with increased rural interest should see a marked upswing in builds.
- Construction - A mixed bag. There are plenty of good commercial projects, but many competitors come tender time.
- (Building industry) Very slow indeed with permits recording records lows in most regions. Oversupply of merchants not helping as they battle each other using price as a sales tool. This makes margins low and difficult for many to continue trading long term. Things need to change!

- Light steel construction. Work in progress strong because of sales secured last September/October. New sales very quiet for the start of this year.
- Residential Construction a marked slowing in the industry here in Napier.
- Commercial construction remains very competitive. Christchurch reconstruction work will take up some of the slack from rugby world cup projects.
- Industry: Commercial Construction. Reducing margins or no margins, constant cash flow issues, specialist subcontractors starting to fall over, and inability for private developers to get funding for projects beset the industry.
- Construction lower South Island: has been a lot of projects tendered before Xmas and trend has continued on after Xmas unlike last year. Is the first time in two years we have had four to five months work ahead of us. Long may it continue.
- I have been in the construction industry for thirty years and have never seen it so hard to survive. I run my own building company and in the last two and half years I have been forced to let go eight staff, in which I am the only one left on the tools.
- Signs of early interest in construction that was lacking in the last half of 2010. Certainly getting more calls than last year. Think confidence is there but fragile. First few months will make or break the year.
- We operate in commercial construction in the central North Island and things are pretty bleak. What little work there is around is being priced at below cost.
- Better residential construction Auckland

India

India v China

Source: Australian Financial Review 4th October 2010

India is doing rather well. Its economy is expected to expand by 8.5% this year. It has a long way to go before it is as rich as China—this Chinese economy is four times bigger—but its growth rate could overtake China's by 2013, if not before. Some economists think India will grow faster than any other larger country over the next 25 years. Rapid growth in a country of 1.2 billion people is exciting, to put it mildly.

There are two reasons why India will soon start to outpace China. One is demography. China's workforce will shortly start aging; in a few years' time it will start shrinking. That's because of its one-child policy. India is now blessed with a young and growing workforce. Its dependency ratio—the proportion of children and old people to working-age adults—is one of the best in the world and will remain so for a generation.

India's economy will benefit from this "demographic dividend", which has powered many of Asia's economic miracles.

The second reason for optimism is India's much-derided democracy. The notion that democracy retards development is poor countries has gained currency in recent years.

No doubt a strong central government would have given India a less chaotic commonwealth games, but there is more to life than badminton and rhythmic gymnastics. India's state may be weak, but its private companies are strong. Indian capitalism is driven by millions of entrepreneurs all furiously doing their own thing. Since the early 1990's, when India dismantled the "licence raj" and opened up to foreign trade, Indian business has boomed. The country now boasts legions of thriving small businesses and a fair number of world-class ones whose English-speaking bosses network confidently with the global elite. They are less

dependent on state patronage than Chinese firms and often more innovative: they have pioneered the \$2000 car, the ultra-cheap heart operation and some novel ways to make management more responsive to customers. Ideas flow easily around India, since it lacks China's culture of secrecy and censorship. That, plus China's rampant piracy, is why knowledge-based industries such as software love India but shun Middle Kingdom.

For now, India's problems are painfully visible. The roads are atrocious. Public transport is a disgrace. Many of the country's dynamic entrepreneurs waste hours each day stuck in traffic. Their firms are hobbled by the cost of generators, water-treatment plants and fleets of buses to ferry staff to work. And India's demographic dividend will not count for much if those new workers are unemployable. India's literacy rate is rising, thanks in part to a surge in cheap private schools for the poor, but it is still far behind China's.

The Indian Government recognises the need to tackle the infrastructure crisis and is getting better at persuading private firms to stump up the capital. But the process is slow and infected with corruption. It is hard to measure these things, but many observers think China has done a better job than India of curbing corruption, with its usual brutal methods, such as shooting people.

Given the choice between doing business in China or India, most foreign investors would probably pick China. The market is bigger, the government easier to deal with, and if your supply chain for manufactured goods does not pass through China your shareholders will demand to know why. But as the global economy becomes more knowledge-intensive, India's advantage will grow.

Sweden / Finland

Sweden and Finland inspire the French to build more in wood.

Source: Swedish Forest Industries Federation December 2010

The Swedish Forest Industries Federation and the Finnish Forest Foundation are currently driving a television campaign in France designed to inspire Frenchmen to build more in wood. The campaign "I say YES to wood and say No to CO2!", aims to position wood as an environmentally friendly material.

With an annual import of 3.9 million m³, France is one of the largest markets in Europe for sawn softwood. France is therefore an important and growing market for the Swedish and Finnish forest industries. The campaign in France is the biggest European investment for 2010, for both the Swedish Forest Industries Federation and the Finnish Forest Foundation.

"The French government's decision to increase the proportion of wood in French buildings means that the market for Swedish and

Finnish wood products in France has fantastic potential," says Mikael Grevesmühl, CEO of Stora Enso Bois.

The goal of the French wood campaign "Je dis OUI au bois pour dire NON au CO2!", is to persuade consumers to choose wood and wood products for interiors, building and renovation projects. The important role of wood for the environment and society is highlighted with the message that wood can offer a solution to climate change since it binds carbon dioxide and is renewable raw material.

The campaign is being conducted in cooperation with the French organisation for furniture and wood industries CODIFAB.

Canada / USA

Forest Products Association of Canada

Source: *A3P Newsletter 10th January 2010*

The forest Products Association of Canada (FPAC) is seeing positive results from the \$1 billion Pulp and Paper Green Transformation program introduced by the Canadian government in 2009. "The investments from the program such as the five announced today serve as an excellent example of smart policy and smart spending. It demonstrates a strong understanding of the transformation now taking place in Canada's forest products industry", said the President and CEO of FPAC, Avrim Lazar on 6th January 2011. "We truly appreciate how this program is helping the sector enhance its economic competitiveness as a green leader in the marketplace. Forest product companies have been able to make necessary capital improvements to better prepare for a return of profitability. It is helping ensure that Canada's pulp and paper

industry remains one of the most successful in the world."

The Program was introduced, at least in part, to help level the playing field for Canadian pulp and paper mills which were struggling to compete with United States mills who have been benefiting from billions of dollars of subsidies from the US Government for the renewable fuel that they produce and use in their mills ("black liquor"). Australian pulp and paper producers receive no such support despite face significant international competition (whether exporting or import competing), and increased incidence of competition from producers selling below 'normal value' and foreign producers that have government support ranging from direct financial support to tariff assistance and tax credits.

US & Canadian log and lumber exports to China up by over 150pc

Source: *Timber & Forestry e-news January 2011*

China has come to the rescue for many sawmills and timberland owners in the US and Canada the past year. The value of softwood logs and lumber shipped from North America to China was estimated to reach more than \$US 1.6b in 2010, which is up dramatically from just a few years ago. In 2008, total exports were valued at \$US350million, while they were only \$US125 million five years ago.

The increased demand for both wood raw material and processed forest products in China has, to a large degree, benefited the forest industry in British Columbia and the states of Washington and Oregon in the US.

The US is now the third largest softwood log supplier to china, after Russia and New Zealand.

Economists see brightening picture for 2011

Source: *RISI 1st February 2011*

RISI economists detect a positive flow in economic forces to open this year, and they are optimistic that 2011 can bring further economic strengthening, buoyed by consumer spending. In the latest issue of the RISI Monthly Economic Commentary, they have projected a growth in the GDP of 2.9% for 2011.

RISI economist say that the main driver for their optimistic view is unexpectedly strong consumer spending at the end of 2010. It was

a strong holiday season, they say, and the only question is whether or consumers will retain that pent-up desire to indulge.

Acting against this consumer attitude is an underlying fear of the job market. Employment figures are improved, but they are still not healthy. Moreover, on the government side, with both states and the federal government encountering budget strictures, unemployment at that level could be a persistent problem and cloud consumer confidence.

Europe

UK Economy

Source: *Construction Products Association (CPA) - UK*

The Construction Products Association (CPA) has issued the winter 2010 edition of its *Construction Industry Forecasts 2011—2015*. although the UK economy has been in recovery since the final quarter of 2009, the public spending cuts that were confirmed in October 2010's Comprehensive Spending review (CSR) are likely to ensure that economic growth and consumer confidence remain relatively subdued in the near term. A 'double-dip' recession for the economy is not now anticipated.

Despite the extremely positive figures from the Office for National Statistics (ONS) for construction during 2010, the industry remains in a challenging position following last year's sharpest fall in construction output since 1974. The fortunes of construction will be dependent on private sector constructions' ability to offset the inevitable fall in public sector construction following the sharp cuts in capital spending.

After growth in 2010, the Association forecasts that construction output will fall 2.0% in 2011 and by a further 0.7% in 2012 before returning to growing in 2013.

Other key points include:

- Private housing starts to grow 5% in both 2011 and 2012
- Public sector construction expected to fall 9% both in 2011 and 2012
- Commercial sector to rise 20% between 2009 and 2015
- Rail construction anticipated to double by 2015 despite £1 billion saving on Crossrail
- Energy construction expected to treble by 2015 due to nuclear and renewable work

The European Union approve Russia's bid to join the World Trade Organisation

Source: Business Financial Post 8th December 2010

The European Union formally approved Russia's bid to join the World Trade Organisation on Wednesday after Russia agreed to certain terms including lowering its log export duties, paving the way for the country to join the group after years of negotiation.

Dmitry Medvedev, Russia's president, was in Brussels with European Commission President Jose Manuel Barroso to hammer out he details.

Reports had suggested Russia would be cutting its timber export duty to 15% from 25%, but no details were released, Richard Kelertas, analyst with Dundee Capital Markets, said in a report.

"Timber export duties were one of the final, key hurdles barring Russia from the WTO, they would still need to negotiate a formal agreement with the United States and Georgia."

Mr Barroso said it would be realistic for Russia to join the organisation in 2011, but Mr Kelertas expects it to happen in 2012.

Georgia could potentially veto Russia due to tensions from the recent war, but this is unlikely as the United States has endorsed Russia's bid and Georgia is likely to take this into account.

"Georgia's decision depends largely on the U.S., its most important ally, and President Barack Obama has recently publicly endorsed Russia's accession to the WTO in an effort to improve ties with Moscow," Mr Kelertas said.

China is Russia's largest log importer, however as tariffs are negotiated bilaterally within the WTO china may continue paying its current 30% export duties.

"If the EU tariffs are removed we expect that exports of Russian logs to the E.U will grow significantly from their current low levels. Russian loggers will likely shift some of their exported volume from China into the E.U. which will further pressure the already growing log supply gap to China," he said.

Companies that may benefit include Cathay forest Products Corp. as the company is currently ramping up its harvesting in Russia and is less pressured to integrate its timber processing operations. The lower tariffs will help the company export its Russian logs more competitively, He said.

United Nations

Conclusions from Cancun

Source: A3P Newsletter 3rd December 2010

The United Nations Climate Conference in Cancun (16th Conference of the Parties (COP 16) and 6th Conference of the Parties serving as the meeting of the Parties to Kyoto Protocol (CMP 6)) has concluded leaving all parties to interpret the outcomes, what was achieved and what the implications are for future climate change policy. The Australian Minister for Climate Change and Energy Efficiency, The Hon Greg Combet MP has summarized the main elements of the outcome as follows:

- For the first time an anchoring under the United Nations Framework Convention on Climate Change of the pledges made by developed and developing countries in the Copenhagen Accord. This is important because it provides an agreed pathway to achieve major emissions cuts. This is the first time that all major emitters have agreed to report to the world community their commitments and efforts to reduce carbon pollution in their own economies;
- The establishment of a new Green Climate Fund to help developing countries deal with climate change;

A mechanism that will deliver economic opportunities

- for developing countries to reduce emissions that result from deforestation – one of the largest sources of global emissions;
- New rules to ensure that all countries will be able to see what each other is doing to tackle climate change;
- Agreement to provide strong and practical support for vulnerable developing countries to manage unavoidable climate impacts;
- Establishment of a mechanism that will help promulgate clean energy technology around the world.

In terms of implications for Climate Change policy in Australia, the Minister's key message is "...the most important thing the Australian Government can now do is work towards the introduction of a carbon price into our economy, which is the fastest, cheapest and fairest way to reduce carbon pollution". After a hiatus in 2010, a carbon price and all its implications will clearly be a major focus in 2011.



Check out the Stratalam website on
<http://www.stratalam.co.nz>



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Calendar of Events

17th—20th February 2011	Delhiwood—New Delhi, India, 2nd International Exhibition of Wood Working Machinery Tools, Fittings, Accessories and Products. www.delhi-wood.com
24th —26th February 2011	The Fensterbau Frontale Exhibition will be held in India—this is a showcase for international innovation in window, door and façade technology, components and pre-fab systems—see http://www.frontale-india.com
1st—3rd March 2011	The Ecobuild event will be held in the UK. The Innovation Future Zone will be a demonstration area to show exemplars of leading-edge innovation in the UK's built environment—see http://ktn.innovateuk.org/web/innovation-futurezone/ifz-at-ecobuild-2011
1st to 4th March 2011	Woodmac China, Shanghai - New International Expo Centre - Pudong : www.woodmacchina.net
1st to 4th March 2011	Furnitek China 2011, WoodBuild China 2011 - Shanghai New International Expo Centre - Pudong : www.furnitek.net
25th—28th May 2011	Interzum Trade Fair for suppliers for furniture products and interiors. http://www.interzum.com/thefair/
30th May—3rd June 2011	LIGNA tour in Hannover, Germany. Weing and Jacks are organising a tour to LIGNA. Contact weinig@jacks.co.nz
23rd—25th June 2011	Master Joiners Conference—Novotel Rotorua Lakeside. For more details visit: http://www.masterjoiners.co.nz/conference.php?id=2
26th—28th June 2011	Build NZ, ASB Show grounds, Auckland New Zealand.
5th—7th July 2011	The 2011 Global Innovation in Constructiton (GIC) Conference will be held at the University of Calgary, Canada. See the Call for Papers at http://loughborough2009.org.doc.GICC_2
11th—14th July 2011	AWISA—The Exhibition will be held on the 11th to 14th July at the Sydney Exhibition Centre, Darling Harbour, Sydney. Visit: www.awisa.com
2—4th September 2011	Kawerau Woodfest 2011 (Kawerau) <ul style="list-style-type: none"> • Kawerau Woodfest and National Woodskills Competition • Premier event for carving and wood turning
5-7th September 2011	FI 2011 Expo (Rotorua Events Centre) <ul style="list-style-type: none"> • International showcase for wood technology • www.FI2011.co.nz
6th September 2011	FITEC Awards (Rotorua Events Centre) <ul style="list-style-type: none"> • National training awards for the wood sector
21st March 2012	<ul style="list-style-type: none"> • ForestWood 2012 - Te Papa - Wellington <p>Please mark this date in your calander. This is a pan-industry conference being jointly hosted by PMA / FOA / WPA / FICA and supported by Woodco, NZFFA and FTMA</p>



<http://nzwood.co.nz>