

Job cuts decimate New Zealand forestry industry

A correspondent
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A protracted slump in the New Zealand forestry products--the direct result of a sharp downturn in exports to Asia--has resulted in a dramatic loss of jobs in every aspect of the industry. Asia accounts for 40 percent of the country's exports, with the forestry sector particularly reliant on a few key markets, such as South Korea and Japan.

Forestry is one of country's major industries, employing nearly 24,000 workers. According to a report in the *Dominion* newspaper, up to 5,000 workers have lost their jobs during 1998, including about 1,000 forest workers as well as contractors, processing workers and others in related industries such as engineering and log transport.

Forestry is dominated by two large international companies, Fletcher Challenge and Carter Holt Harvey, that together represent 9 percent of the value of the New Zealand stock exchange top-40 index. The companies export raw logs, as well as sustaining a significant manufacturing base in pulp and paper products.

Both companies have recently been carrying out major layoffs. Carter Holt has closed its sawmilling operations in Marton and Taupo. Fletcher Challenge has laid off hundreds of mill workers over the past year--110 jobs being axed at the Waipa mill and another 100 from its Taupo operation in the recent months. In addition, a major pulp mill at Ohakune, owned by Winstones, is also being closed down.

Rural areas heavily dependent on forestry are being devastated. The Bay of Plenty region around Rotorua now has the highest official regional unemployment rate in the country at 11 percent. Maori communities have been the hardest hit as 90 percent of forestry workers are Maori.

Tranzrail is also considering the closure of the only

rail link in the eastern area of the North Island between Gisborne and Hawkes Bay because of the severe downturn in primary production including forestry, farming and livestock. The company has recently announced a review of operations that will result in the destruction of some 400 jobs among rail workers.

Many forestry workers, who had previously been forced into contract employment during the 1980s, have also suffered. Felling contractors, many of whom have gone heavily into debt to buy expensive logging machinery, are losing out to one or two major contractors who are able to cut costs. They have no employment protection and can be laid off at a month's notice.

The job shedding is the result of the restructuring of the industry and the privatisation of state-owned forests begun in the 1980s by the Labour governments.

Many of the substantial pine forests in the North Island owe their existence to the planting programs during the 1930s Depression. Unemployed workers were forced to live away from their families in primitive conditions under canvas and to carry out backbreaking hand-planting work in return for the basic subsistence welfare.

Thousands of acres of trees matured in the immediate post-war period and became the foundation of the state-owned Forest Service, which provided the basis of employment for many thousands of forestry workers. Its assets by the 1980s were valued at between \$NZ1 billion and \$NZ7 billion and pressure for privatisation mounted from companies eager to get their hands on this valuable source of profit.

After coming to power in 1984, the Labour government sold cutting rights to the trees and turned the forestry division into a State Owned Enterprise--a step towards full privatisation. The biggest sale was

carried out by the National government in 1996 when it sold the Forestry Corporation to a Fletcher Challenge-led international consortium for the bargain basement price of \$1.6 billion. A quarter of a million people signed petitions against the sale but a call for a referendum on the issue was ignored.

The sale was justified on the grounds that private enterprise would invest in the industry. Instead of logs being exported in their raw state, the government and its business backers claimed that a whole new industry based on the processing and conversion of wood would be created and lead to more jobs.

In fact, the opposite has occurred. The decline in forestry jobs which began under the Labour government has never been stemmed. Only a handful of small, highly automated timber processing plants have been built in the recent period, mostly by Japanese companies, and have created few jobs.

Privatisation has also meant a decline in the working and safety conditions of workers in the forests and processing plants as companies have demanded increased productivity and efficiency. Logging teams now operate nine to 10 hours a day, seven days a week to supply timber mills which operate continuously around the clock. Overtime rates and other benefits have been slashed. According to the forestry union, workers have lost between 5 and 20 percent of their take home pay.

Fletcher Challenge and Carter Holt have become notorious for their restructuring operations internationally. In the late 1980s Carter Holt bought into major forestry and pulp and paper manufacturing operations in Chile. The individualised employment conditions in that country became the model for New Zealand's Employment Contracts Act, introduced by the National Government in 1991. As a then member of the big business lobby group, the Business Roundtable, Carter Holt played a key role in promoting the new employment legislation.

Fletcher Challenge has pitted workers in its plants in Canada and New Zealand against one another, using job conditions forced through in one country to pressure for similar concessions elsewhere. During strike action, the company has used its operations around the globe to sustain newsprint and pulp supplies to its customers.

Both corporations have been hit by falling

profitability and share prices. Carter Holt shares plummeted during 1998 from \$2.75 to reach an all-time low of \$1.15 during October. Fletcher Challenge stocks also halved in value. The paper division fell from \$2.25 to 69 cents in October before recovering slightly to \$1.11. Fletcher Forests began 1998 at \$1.43, hit a low of 40 cents before closing last week at 67 cents.

Carter Holt has announced that it will plant a reduced number of trees per hectare in its forests and stop its tree pruning program resulting in more layoffs. The company is also developing new technology to increase automated pruning and specialised preparation of logs and further reduce the size of its workforce.

Fletcher Challenge Forests announced plans last week to axe up to 200 jobs next year in a joint project with the union to cut costs and introduce efficiencies. The Wood Industries Union has worked closely with the companies through a series of 'consultative' mechanisms to implement restructuring plans. The union's claims to be defending jobs have proven manifestly false.

A new Fletcher Challenge scheme, entitled 'Project Max' and again endorsed by the union, is to be introduced at all its mills. A trial enabled the company to decimate the workforce at its Taupo mill this year--100 more jobs are at risk next year. Now a 40 percent reduction is planned in the 230-strong workforce at its main sawmill and remanufacturing plant in Kawerau in the coming year.

See Also:

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[17 November 1998]



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