

In Confidence

Office of the Minister for Economic Development

Ad Hoc Cabinet Committee on COVID-19 Response

Tairāwhiti and Forestry Worker Redeployment Package**Proposal**

- 1 Cabinet has previously approved a \$100 million worker redeployment package. This paper seeks approval for drawdown on that package for the Tairāwhiti region (\$28.2 million) and forestry workers, nationally (\$6.2 million).

Relation to government priorities

- 2 This paper is part of the Government's economic response to COVID-19, and supports people in maintaining their attachment to the workforce.

Executive Summary

- 3 This paper sets out two packages for responding to the economic impacts of COVID-19 for (a) Tairāwhiti, and (b) forestry workers across New Zealand. These two areas are considered priorities as they have been significantly affected from an early stage of the outbreak. The two packages are:

Projects for redeployment in Tairāwhiti	Employment	Cost (\$m)
Roading maintenance projects (GDC)	50 FTE, 6 months	\$15.200
Hazardous tree removal – local roads (GDC)	100 FTEs, 3 months	\$5.300
Kaitiaki o te whenua o te Tairāwhiti (coastal margins and parks) (GDC)	45 FTE, 3 months	\$0.715
Hazardous tree removal and enhanced road maintenance – state highways (NZTA)	8-13 FTEs, 1-2 months	From \$1.250 to \$1.500
Tree clearance from powerlines (Eastland Group)	25 FTEs, 6 months	\$2.000
Conservation activities (DOC)	18 FTE, 4 months	\$0.700
One Billion Trees Programme	20-30 FTEs, 3 months	-
Other initiatives/costs		
Regional workforce plans for growth sectors		\$0.040
Contract Administration (GDC)		\$0.500
Training to enable redeployment of forestry workers (MSD)	To pay for 300 courses	\$2.250
Total	@280 FTEs	\$28.205

- 4 The forestry industry skill set matches well with a range of work within the conservation and biosecurity areas. Accordingly, the wider redeployment approach involves bringing forward work within the Department of Conservation's estate and the Wilding Conifer programme in Northland and Canterbury. Additional benefits include improved biosecurity and conservation outcomes.

Projects for forestry worker redeployment nationally	Employment	Cost (\$m)
Wilding Conifer Control Programme (MPI)	77 FTEs, 3 months	\$3.000
Conservation Activity (DOC)	68 FTEs, 4 months	\$3.200

Background

- 5 On Monday, 16 March, Cabinet agreed to an economic support package, including \$100 million for worker re-deployment support.

Tairāwhiti region is facing significant economic and social impacts from COVID-19

- 6 Tairāwhiti is particularly exposed to the economic impacts of COVID-19 given:
- 6.1 A significant portion of the region's economy is linked to forestry (direct contribution of 6.7% to regional GDP, and employing nearly 7,500 workers directly, with a further 20,000 in processing and related manufacturing);
 - 6.2 The forestry sector was just recovering from a slow-down over winter 2019, and many small firms had already used their cash reserves to get them through, meaning that some firms were already struggling with viability;
 - 6.3 Tairāwhiti is already acknowledged as a surge region, meaning that its economic resilience may be less able to absorb these impacts.
 - 6.4 Forestry export revenue is also forecast to fall by 17.9 per cent in revenue to \$5.65 billion, due to over-capacity in log inventories at Chinese ports caused by COVID-19, and oversupply from markets such as Europe¹.
- 7 Current estimates suggest that something in the order of 300-600 jobs may be lost in firms in, or ancillary to, the forestry sector in the region.

Current activity in Tairāwhiti

- 8 The Government has been active in supporting economic development in Tairāwhiti for some time. Most recently to support the region through the forestry downturn, prior to the COVID-19 outbreak. Specific initiatives include:
- 8.1 Tairāwhiti Roading Package (\$61.55 million investment in the region's state highway network jointly funded from the Provincial Growth Fund and National Land Transport Fund)
 - 8.2 Gisborne District Council (GDC) local road projects, offsetting the cancellation of forestry contracts in civil works, crushing and heavy cartage (\$27.905 million from the Provincial Growth Fund)
 - 8.3 Rapid Response Team established by Ministry of Social Development to proactively support employers and workers in accessing services
- 9 With the exception of the Rapid Response Team, the above activity was in response to the existing economic conditions prior to the COVID-19 outbreak. The scale of directly affected jobs means that there is likely to be ripple effects throughout the local economy. While acknowledging the uncertainty around scale of impact, I consider there is a case for investment in Tairāwhiti. The proposals are all no-regrets investments, in that they represent necessary works, or advance Government priorities

Impacts on the forestry sector are being felt elsewhere

¹ Situation and Outlook for Primary Industries, March 2020

- 10 The impact of COVID slowing the China market has meant that forestry is one of the earliest sectors affected, particularly in:
- 10.1 Harvesting (tree felling, extraction, log making, fleeting and loading);
 - 10.2 Forest engineering (earthworks, forest road construction and maintenance);
 - 10.3 Log cartage (road transport only).
- 11 These impacts are not confined to Tairāwhiti, this paper therefore recommends deployment opportunities be provided to forestry workers elsewhere in New Zealand in existing conservation and biosecurity programmes. MPI is aware that forestry job losses have occurred in other regions.
- 12 Appendix One contains further information on the forestry sector, including scale of regional activity.

Direct Tairāwhiti Economic Support

- 13 The following table sets out the suite of potential projects, the entity responsible for delivery, scale of employment, and cost. This suite of projects can be deployed quickly, is scalable, and time-limited.

Project	Employment	Cost (\$million)
Local roading and environs works (GDC)	195 FTE, 3-6 months	\$21.015
Hazardous tree removal and enhanced road maintenance – state highways (NZTA)	8-13 FTEs, 1-2 months	From \$1.250 to \$1.500
Tree clearance from powerlines (Eastland Group)	25 FTEs, 6 months	\$2.000
Conservation activities (DOC)	18 FTE, 4 months	\$0.700
One Billion Trees Programme	20-30 FTEs, 3 months	-
Other initiatives/costs		
Regional workforce plans for growth sectors (local partnership with MBIE)		\$0.040
Contract Administration (GDC)		\$0.500
Training to enable redeployment of forestry workers (MSD)	To pay for 300 courses	\$2.250
Total	@280 FTEs	\$28.205

- 14 The package includes training, transport, administration, assurance and other project related services.

Council roading and environs works

- 15 Much of the programme proposed by Gisborne District Council (GDC) is undertaking work that needs to be done, but is not within council budget. It's worth noting that the PDU has a strong existing working relationship with GDC, and has high confidence in their ability to deliver, both the projects and the social outcomes. GDC has submitted a proposal that includes detailed costings, project detail and training (particularly for health and safety), summarised in the following table.

Project	Employment	Cost (\$million)
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IN CONFIDENCE

Hazardous tree removal (local roads)	100 FTE, 3 months	\$5.3000
Re-metalling unsealed roads	50 FTE 6 months	\$15.200
Kaitiaki o te whenua o te Tairāwhiti (coastal margins and parks) (GDC) - Solid waste beach clean up (various sites) - Weed removal (various sites) - Roadside maintenance - Parks and reserves maintenance (including trees)	45 FTE, 3 months	\$0.715

NZTA roading projects

- 16 The New Zealand Transport Agency (NZTA) has reviewed possible work that could be brought forward on the regional state highway network in Tairāwhiti to support employment of forestry workers and their plant in response to COVID-19.
- 17 The cost estimates provided includes plant, temporary traffic management and management/supervision overheads. However, these are rough order estimates only and further work would be required to clarify costs, plant/resource requirements and management procedures (such as contracting).

Tree clearance from powerlines

- 18 Eastland Network is proposing to expand its tree clearance programme to employ an additional 25 people for 6 months. Eastland Network would contribute the cost of planning, packaging and project managing the work as well as providing specialised resource required to work around distribution/transmission lines.

Conservation Activity

- 19 DOC has several projects across Tairāwhiti (and in nearby Hawke's Bay), which can be carried out by a team of 18 workers over a four-month period. This work would include track clearance, clearing traplines, tree-related work and weed control. DOC will provide accommodation for workers in all cases and lead the project management.

One Billion Trees Programme

- 20 Te Uru Rākau have identified seven projects to be fast tracked, employing 20-30 workers for up to three months across erosion control, indigenous forest reversion and pruning and thinning work from the existing One Billion Trees Programme.

Regional Workforce Plan

- 21 The CARE² Forum in Tairāwhiti is a group established in April 2019 to develop the region's workforce capability and capacity needs. MBIE has proposed this group, with some minor tweaks in membership, is conferred responsibility as the Tairāwhiti Regional Skills Leadership Group (RSLG) on 1 July 2020.
- 22 COVID-19 is already having an impact on Tairāwhiti's labour market. This impact is likely to be sustained over a period time. The CARE Forum provides a mechanism to

² CARE – Commitment, Action and reciprocity that recruits sustainable Employment – provides local leadership and ownership in development of a Tairāwhiti Workforce Development Strategy to increase work readiness, labour market resilience and sustainable employment outcomes. It includes Trust Tairāwhiti, Iwi, training providers, GDC, key employers, and community Trusts and government agencies including PDU.

support the management of regional labour market disruption as a result of COVID-19 in the short-term. To do this effectively, the Forum needs to quickly understand the drivers of the region's labour market. A workforce plan will support the forum to provide short-term advice on the impacts of COVID-19. A workforce plan for Tairāwhiti is estimated to cost \$40,000.

Training to support re-deployment

- 23 MSD's rapid response team will play an important role in facilitating short-term job-focused training of workers/clients to enable them to work, for example, on public roads.
- 24 The training programmes are generally short to medium term and tailored to job-specific requirements for particular vacancies. Training can be offered as pre-employment or in-work training, and programmes can be delivered by providers or employers. Ancillary support can also include support for transport and pastoral care for people navigating challenging circumstances. These programmes are generally costed at between \$5,000 and \$7,500 per person (dependent on training requirements).
- 25 MSD estimates additional training to support redeployment in Tairāwhiti for up to 300 individuals as costing up to \$2.25 million. MSD will work with Te Uru Rākau, and industry partners to ensure that training needs are appropriately targeted.

Forestry workforce redeployment elsewhere

- 26 I am aware of community and industry concerns about redeployment, and the implementation of the package will ensure that any redeployment allows:
 - 26.1 people to stay within the industry, so they can return to their regular work when it becomes available;
 - 26.2 people to stay within their community; and
 - 26.3 redeployment options that match skills of affected forestry workers with work.
- 27 As with Tairāwhiti, we can bring forward work that matches the skill set of workers in other affected regions. Officials have identified two key government work areas that can be advanced to match the forestry skill set with work opportunities in:
 - 27.1 Wilding Conifer Control Programme
 - 27.2 Conservation activity on Public Conservation Lands and Waters

Wilding Conifer Control Programme

- 28 As a first step to address the needs of forestry workers across New Zealand, work on Wilding Conifer Control Programmes can be brought forward in Canterbury and Northland. These projects match skills; they can be stood up immediately within an existing programme; and can be followed by the identification of other work opportunities.
- 29 The Northland and Canterbury regions are already experiencing a downturn in forestry, with job losses due to COVID-19. Both regions are also experiencing drought conditions.

- 30 In early March, the Northland Wood Council estimated that approximately 350-400 logging staff have either been stood down or had their hours reduced, there are also up to 60 log transporters who have been impacted. Northland Wood Council expects to see further slowdowns in the immediate future.
- 31 Redeployment opportunities exist for general forestry field crews, chainsaw operators and excavator operators. Detailed planning has been completed but additional funding will be required to bring the work forward

Location	FTEs (3 months)	Cost (\$million)
Northland	20	\$0.780
Canterbury	57	\$2.220
Total	77	\$3.000

- 32 The Wilding Conifer Control Programme is an already established programme. Biosecurity New Zealand works with regional councils and contractors to identify, prioritise, and progress work funded by Vote: Biosecurity. Opportunities to further scale can be explored in the next financial year, if the need arises.

Conservation Activity

- 33 DOC has a number of potential projects across the country which could utilise the skills of forestry workers if resource was available for the next four months. Options are summarised in the following table.

Location	FTEs (4 months)	Cost (\$million)
North Island	48	\$2.400
South Island	20	\$0.800
Total	68	\$3.200

- 34 This includes a variety of tasks in different areas, including track work, trapping, tree-related work, fencing, weed control, painting or planting. Most of this work should be suitable for trained forestry workers, but specific training may be required in some cases. Some of this work is in remote locations, but in many cases logistic support is available such as accommodation and transport. This work is additional and complementary to existing work programmes.

Horticultural work

- 35 The Forest Industry Contractors Association is already facilitating the redeployment of forestry workers into the horticulture sector. No further action is required from Government, at this time. Te Uru Rākau will continue to support this facilitation.
- 36 There are opportunities in the horticultural sector for forestry workers between now and May. Opportunities exist in the apple and kiwifruit industries and also in the wine industry. Positions will become harder to fill by the usual seasonal pool of people on working holiday visas with stricter border controls in place. While many workers are already in the country, and North Island apple picking is at its peak, there is an existing shortage of forklift and truck drivers in the kiwifruit industry based in the Bay of Plenty.

State highway network

- 37 NZTA has also reviewed possible work that could be brought forward on the regional state highway networks of Northland, Hawke's Bay and Nelson/Tasman to support employment of forestry workers and their plant in response to COVID-19. See below for a summary of potential work, funding required, employment numbers and duration of employment.
- 38 The cost estimates provided include plant, temporary traffic management and management/supervision overheads. However, these are rough order estimates only and further work would be required to clarify costs, plant/resource requirements and management procedures (such as contracting). We are not seeking drawdown for these yet.

Region	Type of work	FTEs	Cost estimates
Hawkes Bay	Hazardous tree removal/ landscaping / enhanced maintenance works	5 - 8 FTEs, 1 - 2 months	\$0.7m - \$1.4m
Nelson/ Tasman	Hazardous tree removal/ enhanced maintenance works	8 - 13 FTEs, 1 - 2 months	\$1.75m - \$3.3m
Northland	Hazardous tree removal/ fencing repairs	6 - 12 FTEs, 4 - 6 months	\$3.15m
	Under guardrail clearing / private water table clearing impacting state highway pavements	5 - 8 FTEs, 3 - 4 months	\$1.35m
Total		24 - 41 people	\$7.0m - \$9.2m

Training and support for redeployment

- 39 As noted above, MSD is well placed to facilitate and co-ordinate training, both for individual clients and at scale. Redeployment outside of the Tairāwhiti regions will also likely require training, and additional funding will be required to support that. MSD will provide further advice on potential costs, and also programme design that will support scaling up. Costs will be included as part of future drawdowns on the national redeployment package, with a portion of the new appropriation needing to go to Vote Social Development. Further Cabinet papers on regional and national redeployment will be required to ensure the necessary funding is appropriated.

Fit with wider COVID-19 economic response

- 40 Officials are working at speed, and bringing together a large range of policies to support communities, workers, and businesses manage through the economic impacts of COVID-19. As such, this package of proposals is broadly consistent with the wider business continuity package that Cabinet commissioned, but there is the possibility of unforeseen consequences.
- 41 The redeployment options set out above will work with the wage subsidy scheme as follows:
- 41.1 Workers who have lost their jobs can redeploy;
 - 41.2 Workers who are still attached to employment, but are on reduced hours or pay can also redeploy.

- 41.3 Where a firm is receiving a wage subsidy, employees are likely to be on reduced hours and pay, and employees can agree with their employer on redeployment options
- 42 There is potential for unaffected workers to redeploy, but as these positions are time-limited, this is unlikely. It is even less likely in the case of the Tairāwhiti initiatives, as the redeployment proposals will be using existing businesses (ie the contractor is being redeployed, along with their workers).
- 43 To the extent redeployment is successful, this could reduce the call on income support and wage subsidies. It is also likely to have positive impacts on public confidence and reduce the social and economic impacts on local communities.

Implementation

Establishing and funding projects

- 44 In order to ensure swift delivery, officials will use existing relationships and systems in place between the Provincial Development Unit (PDU) and the Tairāwhiti region.
- 45 GDC has offered to be the one agency contracted for all the local projects; and then contract/distribute funds and report to the Mayor's forum³ and (via PDU) to Regional Economic Development Ministers on that. The other Forum members support this approach. This option will speed deployment. To ensure GDC is resourced to manage, monitor, and report on projects, I recommend providing \$500,000 to administer the \$20 million locally operated part of the package (an administration fee of around 2%). This would be similar to the arrangement for the PDU to administer the Regional Investment Opportunities (\$300m) funds.
- 46 When working with regional partners, there is often a substantive lead time. However, in this instance, we have already been working with the region on addressing the forestry slow down; and GDC and Eastland Group have put forward proposals that are already well developed. For these reasons, it is likely that redeployment could begin from 2 weeks after Cabinet decisions, with 100 people engaged and substantive orders placed for local materials.
- 47 The wider forestry redeployment component would be funded directly into Vote Conservation and Vote Biosecurity. This work is part of existing programmes, with accountability processes already in place.

Facilitating affected workers access to the redeployment opportunities, including training

- 48 MSD's Rapid Response Team can facilitate worker redeployment (though mostly workers will be redeployed through contracting in the above proposals). MSD will also play an important role in facilitating short-term job-focused training of workers/clients to enable them to work, for example, on public roads.

Financial Implications

- 49 Cabinet approved \$100 million to support workforce redeployment on Monday 16 March. This paper seeks approval for drawdown of a portion of those funds, including transfers of those funds to other Votes.

³ Mayor's Regional Leadership Forum (Mayor's Forum) coordinates responses to both economic and social impacts of COVID-19. It has broad representation among regional stakeholder including government agencies.

Tairāwhiti package	281 FTEs for 3-6 months	\$28.205
National forestry worker redeployment	145 FTEs for 3 months	\$6.200

- 50 This paper also makes some technical corrections to the appropriations agreed by Cabinet on Monday 16 March.

Consultation

- 51 This paper was developed in consultation with the following agencies: Ministry of Primary Industries, Department of Conservation, Ministry of Social Development, MBIE Provincial Development Unit, The Treasury
- 52 It also includes proposals from Gisborne District Council and Eastland Network Group. Overall design of the redeployment package takes into account sector and community feedback.

Communications

- 53 Ministers will announce the proposal, following Cabinet decisions and consultation with the Prime Minister's Office.

Proactive Release

- 54 This paper will be proactively released within 30 days, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic Development and Regional Economic Development recommends that the Committee:

- 1 note that Cabinet agreed to a worker redeployment package of \$100 million on Monday 16 March Cabinet (CAB-20-MIN-0108 Minute)

Tairāwhiti economic support package

- 2 note that the following combination of factors makes the situation in Tairāwhiti unique, meriting targeted support for the region.
 - 2.1 forestry makes a direct contribution of 6.7% to the region's GDP, and employs nearly 7,500 people
 - 2.2 there was already a slowing of forestry activity in the region
- 3 note that agencies and the region have identified a suite of local redeployment options which:
 - 3.1 can be deployed relatively quickly
 - 3.2 provide alternative employment for 3-6 months for over 200 workers
 - 3.3 align with objectives for economic development in the Tairāwhiti region
- 4 agree the following package to support forestry worker redeployment in Tairāwhiti:

IN CONFIDENCE

Project	Employment	Cost (\$m)
Roading maintenance projects (GDC)	50 FTE, 6 months	\$15.200
Hazardous tree removal – local roads (GDC)	100 FTEs, 3 months	\$5.300
Kaitiaki o te whenua o te Tairāwhiti (coastal margins and parks) (GDC)	45 FTE, 3 months	\$0.715
Hazardous tree removal and enhanced road maintenance – state highways (NZTA)	13 FTEs, 2 months	\$1.500
Tree clearance from powerlines (Eastland Group)	25 FTEs, 6 months	\$2.000
Conservation activities (DOC)	18 FTE, 4 months	\$0.700
One Billion Trees Programme	20-30 FTEs, 3 months	-
Other initiatives/costs		
Regional workforce plans for growth sectors		\$0.040
Contract Administration (GDC)		\$0.500
Training to enable redeployment of forestry workers (MSD)	To pay for 300 positions	\$2.250
Total	@280 FTEs	\$28.205

- 5 note that \$25.255 million of the funding package in recommendation 5 is to be used by the Provincial Development Unit and spent against the Worker Redeployment Package appropriation in Vote Business Science and Innovation, as approved by Cabinet (CAB-20-MIN-0108 Minute)
- 6 agree to delegate authority to finalise contracts to the Chief Executive of MBIE
- 7 agree the local components of the package would be administered via the Provincial Development Unit in partnership with the Mayors' Forum and Gisborne District Council;
- 8 note that affected workers would be referred via MSD's Rapid Response Team and affected firms
- 9 approve to set up a new appropriation for Ministry of Transport as follows:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Enhanced road maintenance – state highways	Non-departmental Output Expenses	This appropriation is limited to hazardous tree removal and enhanced road maintenance on state highways.

- 10 approve the following fiscally neutral adjustments, drawing down on the redeployment package, to fund redeployment and supporting activity by government agencies:

	\$m - increase/(decrease)				
Vote: Business, Science, and	2019/20	2020/21	2021/22	2022/23	2023/24

Innovation Minister for Regional Economic Development					& outyears
Non-Departmental Other Expenses: Worker Redeployment Package	(4.450)	-	-	-	-
Vote: Conservation Minister of Conservation					
Departmental Output Expenses: Management of Natural Heritage (funded by revenue Crown)	0.567	-	-	-	-
Management of Recreational Opportunities (funded by revenue Crown)	0.133	-	-	-	-
Vote: Social Development Minister for Social Development					
Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support MCA Departmental Output Expense: Improving Employment Outcomes (funded by revenue Crown)	2.250	-	-	-	-
Vote Transport Minister of Transport					
Non-departmental Output Expenses Enhanced road maintenance – state highways	1.500				

- 11 agree that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Forestry workforce redeployment – national programme

- 12 note there is a need to address redeployment of forestry workers in other regions
- 13 note that the redeployment of forestry workers to the horticulture industries is already occurring across the country and will continue
- 14 agree the following package to support redeployment of forestry workers on a national scale:

Project	Employment	Cost (\$m)
Wilding Conifer Control Programme (MPI)	77 FTEs, 3 months	\$3.000

IN CONFIDENCE

Conservation Activity (DOC)	68 FTEs, 4 months	\$3.200
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- 15 approve the following fiscally neutral adjustments, drawing down on the redeployment package, to fund a programme for forestry workers affected by COVID-19 into Wilding Conifer Control Programme in Canterbury and Northland, and Conservation work throughout New Zealand.

	\$m - increase/(decrease)				
Vote: Business, Science, and Innovation	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Minister for Regional Economic Development					
Non-Departmental Other Expenses: Worker Redeployment Package	(6.200)	-	-	-	-
Vote: Agriculture, Biosecurity, Fisheries and Food Safety					
Minister for Biosecurity					
Multi-Category Expenses and Capital Expenditure:					
Biosecurity: Border and Domestic Biosecurity Risk Management MCA					
Departmental Output Expenses:					
Biosecurity Incursion Response and Long Term Pest Management (funded by revenue Crown)	3.000	-	-	-	-
Vote: Conservation					
Minister of Conservation					
Departmental Output Expenses: Management of Natural Heritage (funded by revenue Crown)	2.035	-	-	-	-
Management of Recreational Opportunities (funded by revenue Crown)	1.165	-	-	-	-
Total Operating	-	-	-	-	-

- 16 agree that the proposed change to appropriations in all the recommendations above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
- 17 agree that any under-expenditure in the appropriation for the fund in Vote Business, Science and Innovation and Vote Transport be carried forward to following financial year through until 2020/21 to recognise the exceptional circumstances and the nature of this funding.

- 18 agree to exempt the requirement from the end of year performance measure sort under section 15D(2)(b)(ii) of the Public Finance Act 1989 due to the exceptional circumstances/Short term nature of this funding.
- 19 note that a redeployment and training package can only be rolled out nationally if there is additional funding for training to support redeployment in other regions provided to MSD and further analysis is required by MSD to identify the specific needs of regions
- 20 agree in principle that a portion of the new appropriation for national redeployment will be assigned to Vote Social Development and that further Cabinet papers on regional and national redeployment will be required to ensure the necessary funding is appropriated in the supplementary estimates 2019/20
- 21 note additional works could also be commissioned on the State Highway network, including Northland, Hawke's Bay and Nelson/Tasman, with the following indicative costings

Project	Employment	Cost (\$m)
State Highway maintenance and tree clearance (NZTA)	24 – 41 FTEs, 1-6 months	\$7.0m - \$9.2m

- 22 note that I will return to Cabinet with proposals on further regional and national redeployment options

Authorised for lodgement

Hon Phil Twyford

Minister for Economic Development

Appendix One: Forestry Factsheet

National data - Exports

Source: Overseas merchandise trade data, Stats NZ (updated monthly)

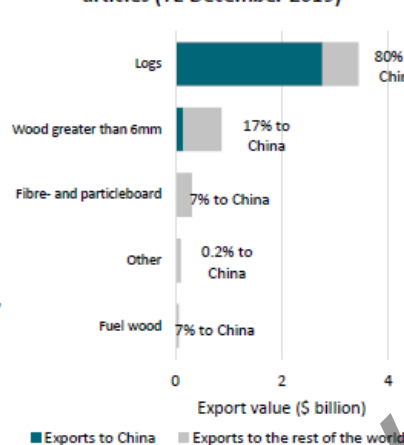
Most of our forestry exports are logs...

- New Zealand forestry and wood exports (made up of logs, wood and wood article products) totalled \$5.0b in the year ended Dec 2019.
- 59% (\$2.9b) of forestry exports were to China: logs accounted for \$2.8b of this.
- Most (about 60% in 2018 TBC) of our logs are exported.

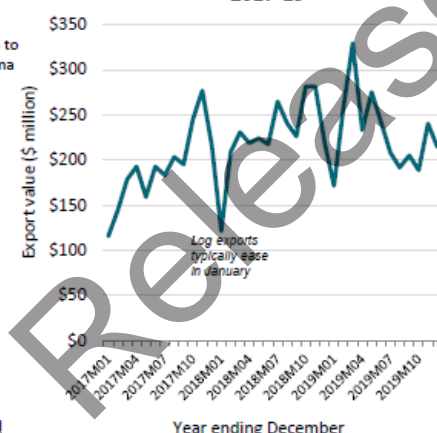
...and China is our largest market for them.

- China received 80% (\$2.8b) of our logs exports in 2019.
- South Korea is a distant second in terms of market size for our logs, receiving \$286m in 2019.
- Large log inventories have built up in China, due to a slowdown in construction prior to the Covid-19 outbreak, which may take some time to clear. According to ANZ, the impact (of?) has juddered rapidly through the New Zealand supply chain, as evident in fewer heavy traffic movements north of Gisborne (around 20% below year-ago levels*).

Exports of logs, wood and wood articles (YE December 2019)



Monthly exports of logs to China 2017-19



Annual (YE December) exports of logs, top 5 markets



Industries and Regions

Source: Stats NZ Business Demography Statistics (BDS) and Regional GDP

The main industries in log production are forestry, logging, and forestry support services, ...

- Forestry, logging, and forestry support services employed about 7,450 paid employees (excl. self-employed) at February 2019, involving about 4,650 firms [SNZ BDS].
- A large portion of firms in forestry & logging (>85%) are zero-employee firms. These may account for around 50% of total employment (via self-employment) in the industry.
- According to Stats NZ Labour Market Statistics, there were about 10,900 people in total working in forestry & logging during the Dec 2020 QTR (a ten-year high). This figure includes employees, self-employed, and employers.
- Labour market data also shows some seasonality, with generally less employment in March QTRs in recent years.

...which are important in rural regions like Gisborne and Northland, ...

- The regions most exposed to a loss of log exports to China are Gisborne, where forestry & logging accounts for 6.7% of GDP and 3.6% of total employees (excl. self-employed), and Northland (2.6% of GDP and 1.4% of employees).

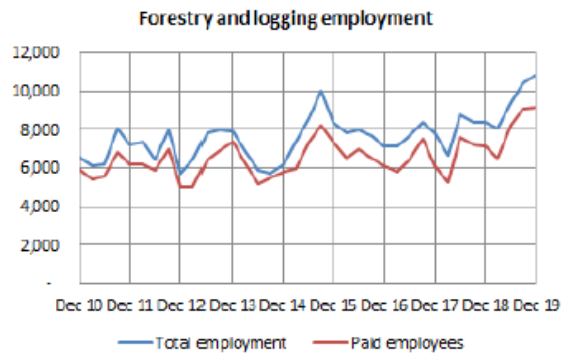
Industry sector	Enterprises	Employees
Forestry	3441	1050
Logging	699	4000
Forestry Support Services	519	2400
Log Sawmilling	273	5500
Wood Chipping	15	35
Timber Resawing and Dressing	90	1600
Prefabricated Buildings	90	310
Wooden Structural Fittings	840	5700
Veneer and Plywood	15	1350
Reconstituted Wood Product	21	1150
Other Wood Product	348	1800
Pulp, Paper and Paperboard	21	2850
Timber Wholesaling	198	1200
Total	6570	28945

Regional employment in forestry and logging

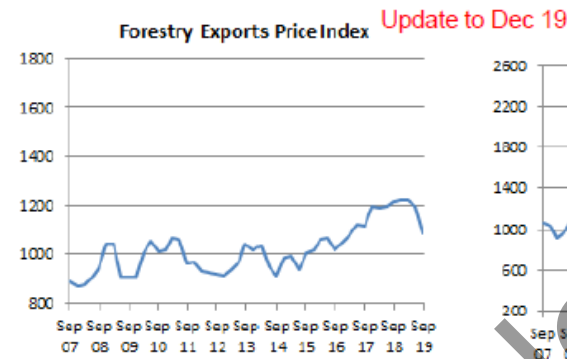
		% of Regional Employment	Contribution to Regional GDP (\$m)	% of Regional GDP
Auckland	250	0.0%	93.6	0.1%
Bay of Plenty	1290	0.9%	330.6	2.2%
Canterbury	450	0.1%	68.7	0.2%
Gisborne	790	3.6%	127.1	6.7%
Hawke's Bay	525	0.6%	166.5	2.2%
Manawatu-Wanganui	455	0.4%	93.1	0.9%
Marlborough	180	0.7%
Northland	850	1.4%	182.1	2.6%
Otago	315	0.3%
Southland	230	0.5%	32.8	0.6%
Taranaki	93	0.2%	10.3	0.1%
Tasman-Nelson	579	1.2%
Waikato	1170	0.6%	302.9	1.4%
Wellington	290	0.1%	39.6	0.1%
West Coast	78	0.5%

...where Māori populations are high.

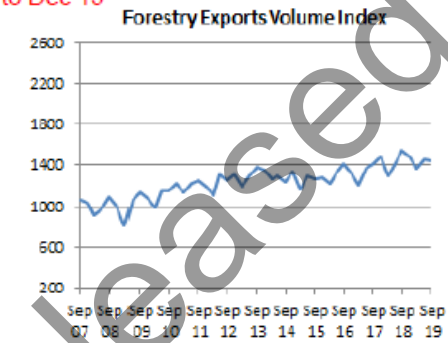
- 40% of all forestry employees identified as Māori in the 2013 Census. This proportion is higher on the East Coast of the North Island (which includes Gisborne) and in Northland.



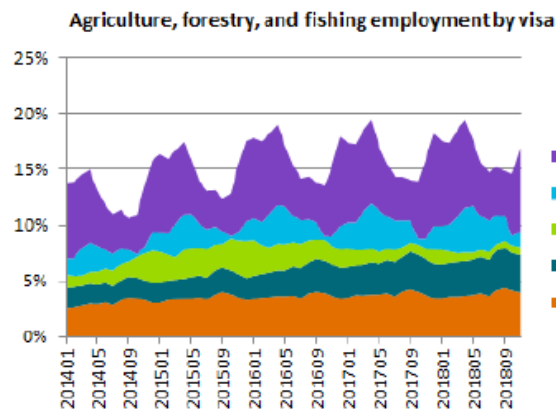
Source: StatsNZ Household Labour Force Survey (custom)



Source: StatsNZ Overseas Trades Indexes

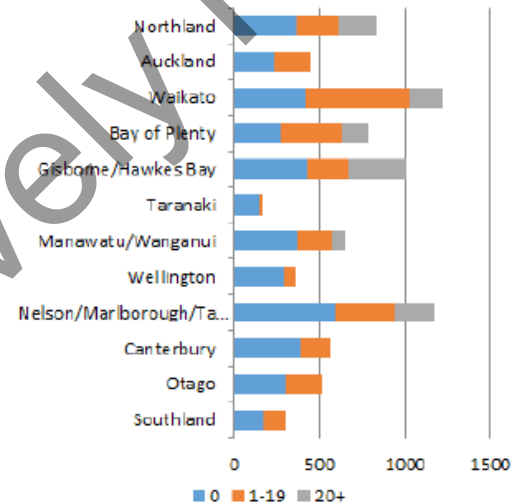


Source: StatsNZ Overseas Trades Indexes



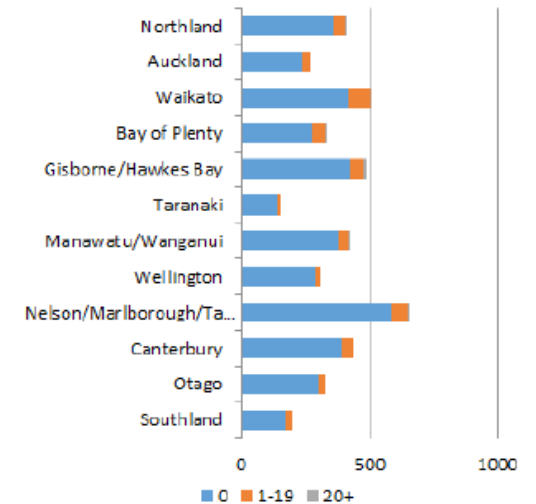
Source: SNZ Integrated Data Infrastructure (IDI)

Regional employment in forestry and logging by firm size



Source: SNZ Integrated Data Infrastructure (IDI)

Number of firms in forestry and logging by firm size



Source: SNZ Integrated Data Infrastructure (IDI)



Ad Hoc Cabinet Committee on COVID-19 Response

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Tairāwhiti and Forestry Worker Redeployment Package

Portfolio **Economic Development**

On 18 March 2020, the Ad Hoc Cabinet Committee on COVID-19 Response, having been authorised by Cabinet to have Power to Act:

Background

- 1 **noted** that on 16 March 2020, Cabinet agreed to a worker redeployment package of \$100 million, and noted that specific decisions on the draw-down of this package will be submitted to the relevant Cabinet Committee for consideration [CAB-20-MIN-0108];

Tairāwhiti economic support package

- 2 **noted** that the following combination of factors makes the situation in Tairāwhiti unique, meriting targeted support for the region:
 - 2.1 forestry makes a direct contribution of 6.7 percent to the region's GDP, and employs nearly 7,500 people;
 - 2.2 there was already a slowing of forestry activity in the region;
- 3 **noted** that agencies and the region have identified a suite of local redeployment options which:
 - 3.1 can be deployed relatively quickly;
 - 3.2 provide alternative employment for 3-6 months for over 200 workers;
 - 3.3 align with objectives for economic development in the Tairāwhiti region;

- 4 **agreed** to the following package to support forestry worker redeployment in Tairāwhiti:

Project	Employment	Cost (\$m)
Roading maintenance projects (GDC)	50 FTE, 6 months	\$15.200
Hazardous tree removal – local roads (GDC)	100 FTEs, 3 months	\$5.300
Kaitiaki o te whenua o te Tairāwhiti (coastal margins and parks) (GDC)	45 FTE, 3 months	\$0.715
Hazardous tree removal and enhanced road maintenance – state highways (NZTA)	13 FTEs, 2 months	\$1.500
Tree clearance from powerlines (Eastland Group)	25 FTEs, 6 months	\$2.000
Conservation activities (DOC)	18 FTE, 4 months	\$0.700
One Billion Trees Programme	20-30 FTEs, 3 months	-
Other initiatives/costs		
Regional workforce plans for growth sectors		\$0.040
Contract Administration (GDC)		\$0.500
Training to enable redeployment of forestry workers (MSD)	To pay for 300 positions	\$2.250
Total	@280 FTEs	\$28.205

- 5 **noted** that \$25.255 million of the funding package in paragraph 4 above is to be used by the Provincial Development Unit and spent against the Worker Redeployment Package appropriation in Vote Business Science and Innovation, as previously approved by Cabinet [CAB-20-MIN-0108];
- 6 **authorised** the Chief Executive of the Ministry of Business, Innovation and Employment to finalise contracts relating to the above;
- 7 **agreed** that the local components of the package be administered via the Provincial Development Unit in partnership with the Mayors' Forum and Gisborne District Council;
- 8 **noted** that affected workers would be referred via the Ministry of Social Development's Rapid Response Team and affected firms;
- 9 **agreed** to establish a new appropriation for Ministry of Transport as follows:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Enhanced road maintenance – state highways	Non-departmental Output Expenses	This appropriation is limited to hazardous tree removal and enhanced road maintenance on state highways.

- 10 **approved** the following fiscally neutral adjustments, drawing down on the redeployment package, to fund redeployment and supporting activity by government agencies:

	Sm - increase/(decrease)				
Vote: Business, Science, and Innovation Minister for Regional Economic Development	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Non-Departmental Other Expenses: Worker Redeployment Package	(4.450)	-	-	-	-
Vote: Conservation Minister of Conservation					
Departmental Output Expenses: Management of Natural Heritage (funded by revenue Crown)	0.567	-	-	-	-
Management of Recreational Opportunities (funded by revenue Crown)	0.133	-	-	-	-
Vote: Social Development Minister for Social Development					
Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support MCA Departmental Output Expense: Improving Employment Outcomes (funded by revenue Crown)	2.250	-	-	-	-
Vote Transport Minister of Transport					
Non-departmental Output Expenses Enhanced road maintenance – State highways	1.500				

- 11 **agreed** that the changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Forestry workforce redeployment – national programme

- 12 **noted** that there is a need to address redeployment of forestry workers in other regions;
- 13 **noted** that the redeployment of forestry workers to the horticulture industries is already occurring across the country and will continue;
- 14 **agreed** to the following package to support redeployment of forestry workers on a national scale:

Project	Employment	Cost (\$m)
Wilding Conifer Control Programme (MPI)	77 FTEs, 3 months	\$3.000
Conservation Activity (DOC)	68 FTEs, 4 months	\$3.200

- 15 **approved** the following fiscally neutral adjustments, drawing down on the redeployment package, to fund a programme for forestry workers affected by COVID-19 into the Wilding Conifer Control Programme in Canterbury and Northland, and Conservation work throughout New Zealand:

	Sm - increase/(decrease)				
Vote: Business, Science, and Innovation Minister for Regional Economic Development	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Non-Departmental Other Expenses: Worker Redeployment Package	(6.200)	-	-	-	-
Vote: Agriculture, Biosecurity, Fisheries and Food Safety Minister for Biosecurity					
Multi-Category Expenses and Capital Expenditure: Biosecurity: Border and Domestic Biosecurity Risk Management MCA					
Departmental Output Expenses: Biosecurity Incursion Response and Long Term Pest Management (funded by revenue Crown)	3.000	-	-	-	-
Vote: Conservation Minister of Conservation					
Departmental Output Expenses: Management of Natural Heritage (funded by revenue Crown)	2.035	-	-	-	-
Management of Recreational Opportunities (funded by revenue Crown)	1.165	-	-	-	-
Total Operating	-	-	-	-	-

- 16 **agreed** that the changes to appropriations in the above paragraphs be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 17 **agreed** that any under-expenditure in the appropriation for the fund in Vote Business, Science and Innovation and Vote Transport be carried forward to following financial year through until 2020/21 to recognise the exceptional circumstances and the nature of this funding;
- 18 **agreed** to exempt the requirement from the end of year performance measure sort under section 15D(2)(b)(ii) of the Public Finance Act 1989 due to the exceptional circumstances/ short term nature of this funding;
- 19 **noted** that a redeployment and training package can only be rolled out nationally if there is additional funding for training to support redeployment in other regions provided to the Ministry of Social Development, and that further analysis is required by the Ministry to identify the specific needs of regions;

20 **agreed in principle** that a portion of the new appropriation for national redeployment will be assigned to Vote Social Development, and that further Cabinet papers on regional and national redeployment will be required to ensure the necessary funding is appropriated in the Supplementary Estimates 2019/20;

21 **noted** that additional works could also be commissioned on the State Highway network, including Northland, Hawke's Bay and Nelson/Tasman, with the following indicative costings:

Project	Employment	Cost (\$m)
State Highway maintenance and tree clearance (NZTA)	24 – 41 FTEs, 1-6 months	\$7.0m - \$9.2m

22 **noted** that the Minister for Economic Development intends to report further to Cabinet with proposals on further regional and national redeployment options.

Janine Harvey
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson
Hon Phil Twyford
Hon Chris Hipkins
Hon Carmel Sepuloni
Hon Dr David Clark
Hon David Parker
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Damien O'Connor
Hon Shane Jones
Hon James Shaw
Hon Julie Anne Genter

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Prime Minister's Chief Science Advisor
Ministry of Foreign Affairs and Trade
State Services Commission
Ministry of Health
Ministry of Business, Innovation and Employment
Ministry of Education
Ministry for Primary Industries
Ministry of Social Development
Ministry of Transport
New Zealand Customs Service
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