

In Confidence

Office of the Minister of Forestry
Chair, Cabinet Economic Development Committee

Proposed Legislation to Strengthen the Integrity of the Forestry Supply Chain: Licensing and Registration

Proposal

1. This paper seeks your agreement to develop a Bill to amend the Forests Act 1949 to strengthen the integrity of the forestry supply chain through:
 - a. licensing of log buying and trading entities; and
 - b. registration of individual forestry practitioners.
2. The introduction of this system will help eliminate unprofessional actors from the market, improve information available for small forest owners and support domestic processors by improving their ability to plan supply pipelines.

Executive Summary

3. Forestry is the third largest exporter in the primary sector, generating \$6.9 billion in the year ending 30 June 2019, and jobs in the regions. The efficiency and integrity of our forestry supply chain is critical for both domestic processing and New Zealand's reputation as a high quality exporter of wood products.
4. The impact of COVID-19 in China has highlighted the dependence of the forestry supply chain on one market and what happens when that market is severely disrupted. We need to increase the resilience of the sector so our regional economies and jobs are not at risk.
5. Small forest owners are providing an increasing portion of New Zealand's annual harvest but have limited experience marketing and selling their product. In addition, domestic processors struggle to access sustainable log volumes across the many sellers. Export uncertainty due to COVID-19 is driving small forest owners to halt harvesting activities, affecting harvesting workers and local processors.
6. Greater transparency on log buying, including by domestic processors, will mean the log supply pipeline operates effectively over the longer term. Access to quality advice, reliable market information and a well-regulated sales and purchase process is urgently required to support the supply chain's integrity.
7. Achieving a significant shift to increase the value of domestic wood processing will take significant government intervention. While the government has not agreed to broader measures such as a 'think timber' policy to date, there is opportunity for these to be considered further alongside other actions for the sector through the development of a Forestry and Wood Processing Industry Transformation Plan. These measures however, will take some time.

8. The Government is committed to moving New Zealand towards becoming a low-emissions economy. This means having the courage to do the long-term planning required to ensure workers, businesses and communities are supported as we move away from fossil fuels and towards a low-carbon future.
9. The forestry sector is well placed in this regard but current settings need to change to ensure New Zealand captures more benefits of a thriving sector by moving up the value chain.
10. I propose a Bill to license log buying and trading entities and register individual forestry practitioners be introduced to Parliament and passed under urgency in conjunction with Budget 2020.
11. Doing this as part of Budget 2020 is a practicable demonstration of our commitment to the regions and desire to see inclusive, productive growth while we transition to a low-emissions economy.
12. Industry stakeholders hold a range of views on licensing and registration. They agree that greater transparency, along with quality information and advice is critical. They also agree that if the government does decide to introduce a licensing and registration scheme a phased transition is required to support its successful implementation.

Background

Overview

13. The Government is committed to revitalising the forestry sector through the planting of one billion trees by 2028, direct landowner support for tree planting and a new partnership scheme to incentivise native planting and research.
14. We are also establishing a forestry strategy that will provide a clear long-term vision and concrete actions for the development of our forestry system and implementing a package of measures to create a more productive and integrated supply chain.
15. As part of the measures designed to strengthen the forestry supply chain, the Cabinet Environment, Energy and Climate Committee (in September 2019) directed MPI to:
 - a. Confirm the case and requirements for introducing a compulsory professional registration scheme for log buyers (and options to consider wider forestry advisers), and work with potential providers on a registration scheme; and
 - b. Develop a national definition for wood legality and test it with affected parties (Env-19-Min-0052 refers).
16. This Cabinet paper is the outcome of the policy work around compulsory registration. I propose bringing a separate paper to Cabinet in April that will recommend the introduction of a second Bill to address wood legality.

Licensing and Registration - The Issues

17. New Zealand's log supply market is in transition, with smaller owners playing an increasingly important role in the annual harvest. The forecasts indicate that smaller owners will be providing 40 percent of the annual harvest during the 2020s, up from 25.5 percent in 2015 and just 14 percent in 2007.
18. For an informed, and transparent market, these owners need to know: who to seek impartial professional management advice from; the state of the market; their sale options; and how to seek redress. At present there are no checks on those providing advice, to ensure they are experienced in the areas they are offering services and seeking remuneration for. There is also insufficient transparency and no industry standards that apply to log buying and trading entities that offer basic protections in the log harvest sales and purchasing process.
19. The quality of the advice owners receive from individual forest practitioners and their interaction with log buying and trading entities is critical to the final return they receive, and to the operation of the broader log market. Poor financial or environmental outcomes affects market confidence for current and new investors, the reputation of the industry and New Zealand's ability to achieve its long term land management and climate change objectives.
20. The scale of this issue can be seen in the national wood availability forecasts. They indicate that small owner supply will be in a range of 13 to 14 million m³ per annum between 2021 and the early 2030s. At this level, every additional dollar of value (per m³) would add \$13-14 million per annum to the bottom line of small owners.
21. Sixty percent of New Zealand logs are exported overseas. At the same time small and medium sized domestic saw mills struggle to find suitable logs for processing from disaggregated small forest growers. More transparent information on log availability will better support the domestic market.

New Legislation is required

22. I am proposing new legislation to establish compulsory licensing of log buying and trading entities, and the registration of individual forestry practitioners providing log buying, trading and other advisory services. I am proposing amendments to the Forests Act 1949 to establish a flexible, durable and cost effective regulatory system that will achieve our policy objectives.
23. This regulatory system will help strengthen the forestry supply chain. This regulatory regime will be dependent on associated regulations also being in place. The Bill will commence after these regulations have been promulgated.
24. Because of the immediate need to address pressing wood supply issues, I propose Cabinet approve the introduction of a Bill to amend the Forests Act covering licensing and registration in conjunction with Budget 2020 in May and to pass it under urgency.

Policy proposals

Purpose and Scope

25. The new legislation will establish compulsory systems for licensing log buying and trading entities and registering individual forestry practitioners involved in the log harvesting, sales and purchase process in a manner that improves the transparency and integrity of the forestry supply chain in New Zealand.
26. The compulsory licensing and registration systems are intended to:
 - a. Ensure forestry practitioners meet professional standards of practice;
 - b. Foster a more transparent market, encouraging greater communication between growers, processors and exporters;
 - c. Improve grower confidence in the integrity of the log supply market, and the quality of the advice from forestry advisers and intermediaries in the market;
 - d. Provide greater investor certainty in current and future investment;
 - e. Increase confidence to undertake new forestry planting and replanting;
 - f. Improve environmental performance, including attention to sustainable land use, biodiversity protection and eco-system services;
 - g. Strengthen the sector's social licence to operate (with practitioners working to best practice standards, and being able to demonstrate how practices are responding to societal expectations); and,
 - h. Support less experienced and new growers (including iwi), to ensure that owners have a greater appreciation of the value, composition and opportunities for their crop
27. Drawing on overseas experience, and feedback from industry consultation, the coverage of the registration scheme would be based on the services delivered by individual log buyers, traders and other forestry practitioners, rather than attempting to define a series of occupations that are subject to registration. Compulsory registration will apply to forestry practitioners delivering one or more specified services related to the management, harvesting or sale of forest resources or forest land. The nature of these specified services would be set out in regulation.
28. The licensing and registration body - whose functions would be undertaken by MPI or a recognised suitable third party organisation - would be able to register forestry practitioners for specific services. It would also have the flexibility to establish separate classes of registration, such as full members, those working towards registration and special permit holders (i.e. for overseas practitioners working for a fixed period in New Zealand)/
29. Provision would be made for the mutual recognition of members of the Institute of Foresters of Australia that meet equivalent standards. Australia's voluntary scheme has close parallels to the current New Zealand voluntary scheme. Mutual recognition would assist in encouraging closer collaboration in forestry management between the two countries.

30. Closely related to this registration process will be the licensing of entities purchasing or trading logs in New Zealand which will also be undertaken by the licensing and registration body. Entities that wish to be licensed will need to employ or contract individual forestry practitioners to support their operations and meet licensing standards, which will be established in regulation.
31. A forestry practice definition defining the services that will be covered by the registration scheme will be established in regulation and reflect local service requirements. It is, however, expected to reflect definitions used in overseas jurisdictions which operate mandatory registration systems, such as British Columbia. The definition will need to have the flexibility to incorporate new and emerging areas of advice, for example, carbon assessment and ecosystem services and restoration.
32. Log buying and trading entities will only be able to purchase logs in New Zealand if they are licensed. Receiving and maintaining a license will come with obligations, which will be established in government regulations, and/or in the rules of a licensing and registration body. These obligations are expected to include:
 - a. Meeting background check requirements;
 - b. Providing a licensing application bond (the amount of which will be determined through further consultation), based on the size and nature of the operation;
 - c. Adherence to an industry code of practice; and,
 - d. Engagement of registered forestry practitioners to conduct those elements of its business that are subject to regulation.
33. Compulsory registration will allow individual forestry practitioners that provide log buying, trading and other advisory services with an exclusive 'right-to-practice' and the ability to charge for services. Maintaining this right to practice will come with obligations, which will be established in government regulations, and/or in the rules of a licensing and registration body. Those obligations are expected to include:
 - a. Subscribing to a code of ethics;
 - b. Meeting professional practice standards;
 - c. Undertaking on-going professional and technical training; and
 - d. Only operating in those fields that they are qualified (and registered) to perform in.
34. Towards these ends the registration system will encompass:
 - a. Procedures to assess applications and verify the qualifications and the industry experience of new members;
 - b. Professional development programmes to ensure members remain up to date with 'industry good' practices';
 - c. Standing committees to review standards and practices (e.g. valuation practices);
 - d. Auditing and licence renewal procedures; and
 - e. Complaint and disputes resolution structures.

The licensing & registration body

35. The legislation would enable MPI to administer the entire licensing and registration scheme. In these circumstances MPI would manage the licensing and registration system through a Licensing and Registration Office established as part of Te Uru Rākau. MPI would also have regulatory oversight on behalf of the Minister of Forestry.
36. There is a case for MPI to appoint an established professional association as the compulsory licensing and registration body, if they are prepared to take on the role.
37. The New Zealand Institute of Forestry (NZIF) already administers a voluntary registration system (with approximately 90 members), Commercial sensitivity
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39. Commercial sensitivity
[Redacted] I propose the legislation empower MPI to be the licensing and registration body, but provide for any or all of the statutory functions to be transferred to a third party.

Regulatory Roles and functions

40. The Bill will enable the licensing and registration body to:
- Develop rules providing it with the power to establish and enforce licensing and registration standards;
 - License log buying and trading entities that meet specified industry standards
 - Register individual forestry practitioners (including log buyers and traders) that meet specified competency requirements;
 - Ensure that the registers of licensed entities and registered forestry practitioners is maintained, updated and made publically available;
 - Develop practice rules for the Minister's approval and maintain these rules for licensed practitioners, including ethical responsibilities;
 - Set fees and levies;
 - Promote the value of using registered forestry practitioners;

- h. Provide professional development programmes; and
 - i. Establish a complaints and disputes resolution service.
- 41.** The Act will empower MPI to perform the functions of the licensing and registration body, but it will also allow these functions to be undertaken by another suitable organisation.
- 42.** If an organisation other than another department is selected to provide the licensing and role of the licensing and registration body, the Act will set out a regulatory oversight role for the Minister of Forestry and MPI. MPI will be required and empowered to monitor and report on the performance of the licensing and registration body and the compliance framework. The Act will enable the Minister of Forestry to appoint a Commissioner to fulfill the functions of the licensing and registration body, in the event that the licensing and registration body fails to fulfil its statutory functions.
- 43.** The Act will also enable MPI to:
- a. Approve or amend practice rules for licensed log buying and trading entities and registering forestry practitioners;
 - b. Approve recommendations to exempt any person/entity or class of persons/entities from the requirement to be licensed or registered under the Act;
 - c. Conduct a review of the licensing and registration system every five years; and
 - d. Appoint a commissioner to oversee the entity if it is not suitably managed.

Verification

- 44.** Forestry practitioners, including those providing log buying and trading services, will need to meet and continue to demonstrate compliance with the licensing and registration body's registration requirements. This will primarily occur through:
- a. The periodic auditing, and license renewal, of registered members;
 - b. Monitoring of the professional development undertaken by registered members; and
 - c. Decisions by the licensing and registration body's Complaints Panel on the professional conduct of members.

Compliance & Disputes Resolution –including offences and penalties

- 45.** A comprehensive compliance management, complaints and disputes resolution regime will be enabled by the Act.
- 46.** The licensing and registration body would be charged with administering a complaints and disputes resolution system for licensed log buying and trading entities and registered forestry practitioners. They would also have the power to sanction members.

47. The licensing and registration body (supported by the empowering legislation) would set out the system for receiving, and independently assessing complaints and resolving disputes. These systems would include feedback provisions to provide an assurance that the complaints have been treated in a transparent, fair and robust manner.
48. The proposed dispute resolution mechanism would provide a structure to hear issues without going to the formal recourse of laying a complaint with the registration body's disciplinary panel (and incurring the full cost of litigation). Complaints would be heard by an independent adjudicator, who would hear evidence from the complainant and the forest practitioner. This system would handle smaller claims, and provide a mechanism to work through situations that may relate more to changing market conditions and site conditions than substandard advice.
49. Formal complaints will be heard by a constituted disciplinary panel, which will be comprised of qualified senior practitioners, with legal support. Where complaints are upheld, the registration body's disciplinary panel will have determination powers that reflect the seriousness of the claim. Subject to parameters established in the Bill these can range from fines, and corrective actions to the partial suspension, revocation or non-renewal of registration.
50. I propose that the Act make it an offence for anyone to offer specified forestry services for which they are not licensed or registered in return for financial compensation. It would be an offence, for example, for anyone to claim to be a registered forestry practitioner and provide services for financial compensation when they are not registered with the recognised professional association. It would also be an offence for an entity to buy or trade logs without being licensed.
51. MPI would be responsible for taking cases involving buying or trading without being licensed or practising without registration or misrepresentation to court. This responsibility will apply whether or not MPI is undertaking any or all of the licensing and registration body's functions.

Cost recovery

52. I propose that the Act establish a principles-based framework to enable cost-recovery using a range of methods including levies and direct charges for services. The details of cost recovery, including fees and levies, will be established in regulations and – in the event another body is recognised as the registration body – it will have the power to establish fees through bylaws. Those regulations and any bylaws will be subject to public consultation prior to being finalised and gazetted.

53. Provision should be made for MPI as the administering department to cost recover some costs from industry for its ongoing regulatory stewardship role if required and cost-effective to do so because the forestry industry will benefit from it. This is common for regimes that MPI administers and will be shaped by the same principles that guide MPI's general cost recovery process: equity, efficiency, justifiability and transparency.
54. The actual quantum of any fees and levies will be established during the regulatory service design phase.
55. Looking at the international experience, annual registration fees in British Columbia for individuals are \$580 Canadian and in Alberta the fee is between \$460 and \$680 Canadian. In California the application and registration fees are based on the number of certificates of specialization. On top of this, there is a fee to register each certificate of specialization (and a renewal fee).
56. These professional registration fees are in line with the existing registration costs for the New Zealand Institute of Forestry. Registered members currently face an annual fee of \$460 and a five yearly review period.

Regulation making powers

57. I propose a range of regulation making powers be included in the Act in order to develop a licensing and professional registration system that is flexible and durable, including:
 - a. The appointment of a suitable third party to perform any or all of the functions of the licensing and registration body in place of MPI, if required
 - b. The establishment of licensing and registration standards;
 - c. Oversight of the professional licensing and registration body;
 - d. Cost recovery; and,
 - e. Any other matters relevant to the provision of assurance and the establishment of a cost-effective regulatory system.
58. The Act would also enable the licensing and registration body to establish rules covering:
 - a. Skills and qualification requirements for registration by specified service;
 - b. Professional development requirements;
 - c. The Code of Ethics;
 - d. Cost recovery through fees in accordance with the Bill's cost recovery provisions;
 - e. Complaints and disputes resolution policies and processes; and,
 - f. Compliance management, including disciplinary arrangements and sanctions.

Timing

- 59.** The establishment of a compulsory licensing and registration system will be a significant undertaking. I propose a staged approach to implementation that allows for:
- a. MPI to consider the most suitable body to be the licensing and registration body including consulting with NZIF;
 - b. A communications programme to raise forest owner awareness and understanding of the licensing and registration system;
 - c. The development of relevant regulations;
 - d. The development of the licensing and registration body's governance structures, capability and capacity, including rules;
 - e. A development phase that enables:
 - i. The licensing of log buying and trading entities over a 12-18 month period following the passage of the Act and gazetting of regulations;
 - ii. The registration of forestry practitioners over a 12-18 month period following the passage of the Act and gazetting of regulations; and
 - iii. Forestry companies and entities to embed registration requirements into their human resource management systems and operating practices.
- 60.** I anticipate that MPI will work with the NZIF to enable the Institute to determine whether it is interested in administering the compulsory licensing and registration system, and if so commence the process of identifying and addressing the implementation issues.
- 61.** The workload will be significant. Based on international experience, approximately 10-15 percent of forestry professionals register voluntarily. This means that if the Institute is appointed as the compulsory registration body it will need to register between 600 and 900 forestry practitioners providing log buying, trading and other advisory services. It will also need to establish and manage the licensing process for around 300 log buying and trading entities operating in New Zealand.
- 62.** I understand the NZIF is commencing its own initiative to encourage members to apply for registration and to think of registration as a normal part of career progression. I propose inviting MPI to support this initiative. Encouraging early, voluntary registration will help reduce bottlenecks in transition to a compulsory system.
- 63.** A capability development and transition plan will need to be worked through with a sub-committee of the Institute's executive and approved by members.
- 64.** In the event that MPI needs to undertake the licensing and registration role, a longer implementation period may be required, as officials would be starting from scratch, rather than building on an existing professional structure.

65. The transition period will provide time to build grower, industry and consumer awareness and recognition of compulsory licensing and registration. Priorities will include demonstrating to smaller growers the value of contracting professional advice, and how registration can help to maintain New Zealand's reputation as a source of sustainable and professionally managed timber.

Impacts

66. This section provides an overall assessment of the net benefits of the proposals as well as an assessment of the costs and benefits of the proposed approach on each of the major stakeholders in the forestry supply chain. A more detailed assessment can be found in the attached Regulatory Impact Assessment.
67. I will provide further detail to Cabinet on the impacts when approval is sought to introduce the draft Bill to Parliament and also when required regulations are developed.
68. A cost-benefit analysis of introducing a compulsory licensing and registration system has been undertaken by an experienced forest economist, covering monetary and non-monetary factors, (including improved environmental outcomes for properties). The analysis has shown a strong net benefit across the supply chain, including improved returns for smaller growers, reduced environmental effects from forestry operations, an improved social licence to operate by practitioners and increased taxation returns for the Government.
69. Appendix One provides a summary assessment of the impact on key stakeholders.

Consultation

70. The proposals in this paper have been developed in discussion with the forestry and wood processing industry.
71. MPI has undertaken a targeted engagement process that has involved:
- Ongoing engagement with the Forestry Ministerial Advisory Group on registration issues and options;
 - A Ministerial Hui held in Kerikeri on 22 November 2019;
 - Regional stakeholder workshops held in Kerikeri, Rotorua, Balclutha, and Gisborne over December 2019 and January 2020 to provide feedback on a registration options paper;
 - Input from an industry technical working group to support the further development of operating models that underpin the proposals outlined in the paper and the Regulatory Impact Assessment;
 - A national workshop with leaders of key industry associations to test the emerging preferred approach based on stakeholder feedback; and,
 - Consideration of twelve written submissions.

72. Industry stakeholders hold a range of views on whether the compulsory licensing and registration of forestry practitioners will deliver the intended benefits. They are, however, agreed that quality information and advice is required. They also agree that if the government does decide to introduce a licensing and registration system, a phased implementation period is required to support its successful implementation.
73. Some industry members did not believe registration would increase the amount of logs available for domestic processing. While there is no guarantee that registration will result in more log availability for the domestic market, officials believe it will improve the impartiality of advice on the full range of sale options of harvested logs, including to domestic processors.
74. Further detail on the outcome of the stakeholder engagement process to date and how it has shaped the proposals in this paper is included in the regulatory impact assessment.

Departmental Consultation

75. The Treasury, State Services Commission, the Ministry of Foreign Affairs and Trade, the Ministry of Business Innovation and Employment, Ministry of Justice, Ministry for the Environment, Department of Conservation, New Zealand Customs Service, Land Information New Zealand, Te Puni Kokiri, Inland Revenue, and the Department of Internal Affairs were consulted on this paper. The Department of Prime Minister and Cabinet was informed.
76. Government agencies were generally supportive of the policy proposals outlined in this paper. MPI will continue to work closely with agencies on points of common interest. This will include engaging with MBIE on the development of the occupational regulation elements associated with registration and with the Ministry of Justice on offences and penalties.

Financial Implications

77. The cost of undertaking the policy work to support the development of the associated regulatory system will be met from MPI's baselines. The Act will enable the recovery of direct and indirect costs associated with implementing the Act.
78. There are likely to be financial implication for MPI associated with developing and implementing the licensing and registration system and I will report back to Cabinet on these.

Legislative Implications

79. I propose the development of new legislation in the form of amendments to the Forests Act 2019.
80. I propose the new legislation covering licensing and registration be passed through all stages and enacted under urgency conjunction with Budget 2020. The overall proposal is currently Priority 5 on the Government's Legislative Programme but will need to be reprioritised to enable introduction in May. The Bill will be of medium length and complexity.
81. Given the short timeframes for progressing the Amendment Bill, I propose that the draft Bill be referred directly to Cabinet on 11 May for approval to introduce it to Parliament and have it passed under urgency, rather than have it considered by Cabinet Legislation Committee in the first instance.
82. Once the Bill has been introduced to the House, work will begin on the development of enabling regulations, which will be subject to separate public consultation and regulatory impact assessment processes.
83. The proposed Act will bind the Crown.

Regulatory Impact Analysis

84. A regulatory impact assessment (RIA) has been prepared by MPI and accompanies this paper.
85. The MPI Regulatory Impact Analysis Panel has reviewed the Regulatory Impact Assessment "*Strengthening the integrity of the forestry supply chain: licensing and registration*" produced by MPI and dated February 2020. The review team considers that it **partially meets** the Quality Assurance criteria.
86. The analysis is clear and concise, despite the limitations in a number of key areas. Overall, we are convinced that the problem should be addressed by the preferred option.
87. The RIA notes that consultation was constrained by the timeframe for MPI to report back and the impacts on key groups affected such as forestry practitioners and Māori are not fully known. Nor have the impacts on sectors beyond the forestry system (e.g., the building industry) been identified. Those gaps could have been addressed by a Select Committee consultation process. However, this is not currently proposed as the Bill will be introduced under urgency, and therefore will not be referred to Select Committee. We note, nevertheless, the efforts made by MPI to consult with industry stakeholders and some Māori through workshops and other meetings.

88. The RIA provides an honest assessment of its evidence base relating to the scale and magnitude of the problem. For example, the RIA notes that a detailed, longitudinal study would have been preferable to define the magnitude of the problem for growers, and to explore the nature of the issue.

Human Rights

89. None of the proposals in this paper appear to be inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993. Formal Bill of Rights vetting will be undertaken as part of the process of developing the bill.

Gender Implications

90. The proposals in this paper have no gender implications.

Disability Perspective

91. The proposals in this paper have no disability implications.

Climate Implications of Policy Assessment

92. The Ministry for the Environment has been consulted and confirms that the CIPA requirements do not apply to this proposal as the emissions impacts are indirect.

Publicity

93. I propose issuing a press release to inform key industry stakeholders and the public of Cabinet's decision to strengthen the integrity of the forestry supply chain by requiring the compulsory registration of forestry practitioners.
94. Given that there has been considerable media attention on forestry and impacts of COVID-19, these proposals will likely be of strong interest to the sector.

Proactive Release

95. Following Cabinet consideration I propose releasing this paper in conjunction with Budget 2020 papers in May.
96. I will also consider the release of the associated Regulatory Impact Assessment and Cost Benefit Analysis to provide context to the decisions reached in this paper at that time.

Recommendations

The Minister of Forestry recommends that the Committee:

1. **Note** that in September 2019 the Cabinet Environment, Energy and Climate Committee directed MPI to confirm the case and requirements for introducing a compulsory professional registration scheme for log buyers (and options to consider wider forestry advisers), and work with potential providers on a registration scheme (Env-19-Min-0052 refers).
2. **Agree** that new legislation is required to strengthen the integrity of the forestry supply chain by enabling:
 - a. The compulsory licensing of log buying and trading entities
 - b. The compulsory registration of forestry practitioners providing log buying, trading and other advisory services.
3. **Agree** that a Bill to license log buying and trading entities and register individual forestry practitioners be introduced and passed through all stages and enacted under urgency in conjunction with Budget 2020.
4. **Agree** that the draft Bill be referred directly to Cabinet on 11 May for approval to introduce it to Parliament and pass it under urgency, rather than have it considered by Cabinet Legislation Committee in the first instance.

Licensing & Registration

5. **Note** that the outcomes of the licensing and registration system are intended to:
 - a. Ensure forestry practitioners meet professional standards of practice;
 - b. Foster a more transparent market, encouraging greater communication between growers, processors and exporters;
 - c. Improve grower confidence in the integrity of the log supply market, and the quality of the advice from forestry advisers and intermediaries in the market;
 - d. Provide greater investor certainty in current and future investment;
 - e. Increase confidence to undertake new forestry planting and replanting;
 - f. Improve environmental performance including attention to sustainable land use, biodiversity protection and eco-system services;
 - g. Strengthen the sector's social licence to operate (with practitioners working to best practice standards, and being able to demonstrate how practices are responding to societal expectations); and,
 - h. Support less experienced and new growers (including iwi), to ensure that owners have a greater appreciation of the value, composition and opportunities for their crop.

6. **Agree** the legislation will establish a compulsory system for licensing log buying and trading entities and registering individual forestry practitioners involved in the log harvesting, sales and purchase process in a manner that improves the transparency and integrity of the forestry supply chain in New Zealand.
7. **Agree** compulsory licensing will apply to entities purchasing or trading logs in New Zealand who will need to meet licensing requirements, which will be established in regulation.
8. **Agree** compulsory registration will apply to individual log buyers, traders and other forestry practitioners delivering one or more specified services related to the management, harvesting or sale of forest resources or forest land, which will be set out in regulation.
9. **Agree** that the Act will enable a forest practice definition that defines the services that will be covered by the registration scheme to be developed in regulation.
10. **Agree** that the obligations associated with licensing will be established in government regulations and/or rules of the licensing and registration body and should include:
 - a. Meeting background check requirements;
 - b. Providing a licensing application bond (the amount of which will be determined through further consultation), based on the size and nature of the operation
 - c. Adherence to an industry code of practice; and,
 - d. Engagement of registered forestry practitioners to conduct those elements of its business that are subject to regulation.
11. **Agree** the obligations associated with registration will be established in government regulations and/or the rules of the licensing and registration body and should include:
 - a. Subscribing to a code of ethics;
 - b. Meeting professional practice standards;
 - c. Undertaking on-going professional and technical training; and,
 - d. Only operating in those fields that they are qualified (and registered) to perform in.
12. **Agree** that the Act mandate the functions and responsibilities of the licensing and registration body and set out the regulatory oversight role of the Minister of Forestry and MPI.

13. **Agree** that the Act will enable the licensing and registration body to:
 - a. Develop rules providing it with the power to establish and enforce licensing and registration standards;
 - b. License log buying and trading entities that meet specified industry standards;
 - c. Register individual forestry practitioners (including those providing log buying and trading services) that meet specified competency requirements;
 - d. Ensure that the registers of licensed entities and registered forestry practitioners are established, maintained, updated and made publically available;
 - e. Develop practice rules for the Minister's approval and maintain these rules for licensed practitioners, including ethical responsibilities;
 - f. Set fees and levies;
 - g. Promote the value of using registered forestry practitioners;
 - h. Establish professional standards subscribed to by members;
 - i. Provide professional development programmes; an,
 - j. Establish a complaints and disputes resolution service.
14. **Agree** that the Act will empower MPI to perform the functions of the licensing and registration body, but enable any or all of those functions to be undertaken by another suitable third party organisation.
15. **Direct** MPI to further engage with the NZIF with a view to determining whether the Institute is interested in principle in being recognised as the licensing and registration body.
16. **Agree** that the Act will enable the Minister of Forestry to appoint a Commissioner in the event that the licensing and registration entity fails to fulfil its statutory functions.
17. **Agree** that the Act enable MPI, if it is not the licensing and registration body, to:
 - a. Monitor and report on the performance of the licensing and registration body and the licensing and registration system to the Minister of Forestry;
 - b. Conduct periodic audits of the licensing and professional registration body and the compliance framework;
 - c. Conduct a review of the licensing and registration system every five years; and
 - d. Appoint a Commissioner to oversee the licensing and registration body if it is not suitably managed.
18. **Agree** that the Act will make it an offence for:
 - a. An entity to buy or trade logs without being licensed;
 - b. An entity or an individual to offer specified forestry services for which they are not licensed or registered in return for financial compensation;
 - c. An individual to claim to be a registered log buyer, trader or other forestry practitioner and provide services for financial compensation when they are not registered with the licensing and registration body; and

- d. Not complying with legislative obligations related to registered forestry practitioners and licensed entities.
19. **Agree** that penalties for these offences will align with similar offences.
20. **Agree** that the licensing and registration body will have compliance powers that will include partial suspension, revocation or non-renewal of registration.
21. **Agree** that MPI be responsible for prosecuting offences with regard to the Bill, including cases involving buying or trading logs without being licensed or practising without being registered or for misrepresentation.
22. **Agree** the Act establish a principles based framework to enable cost recovery using a range of methods including levies and direct charges for services, with the details to be established in regulations.
23. **Agree** that the Act will enable the licensing and registration body to recover its costs by establishing fees through rules, which will be subject to public consultation.
24. **Agree** that the Act provide regulation making powers in order to develop a licensing and professional registration system that includes:
- a. The appointment of a suitable third party to perform any or all of the functions of the licensing and registration body in place of MPI, if required
 - b. Requirements and processes of the licensing and registration body;
 - c. Licensing and registration standards;
 - d. Oversight of the licensing and registration body;
 - e. Cost recovery; and,
 - f. Any other matters relevant to the provision of assurance and the establishment of a cost-effective regulatory system.
25. **Agree** that the Act also enable the licensing and registration body to establish rules, in accordance with the specifications in the Bill and regulations that cover:
- a. Skills and qualification requirements for registration by specified service;
 - b. Professional development requirements;
 - c. The code of ethics;
 - d. Cost recovery through fees;
 - e. Complaints and disputes resolution policies and processes; and,
 - f. Compliance management, including disciplinary arrangements and sanctions.
26. **Agree** that the Act and associated regulations provide for a staged approach to implementation.

Regulatory development

27. **Agree** the Minister of Forestry must be satisfied that there has been satisfactory consultation with affected stakeholders prior to any regulations being made.

28. **Agree** that Minister of Forestry may recommend minor and technical amendments to regulations without consultation with stakeholders.
29. **Agree** to enable the incorporation of material by reference into regulations.

Legislative implications

30. **Authorise** the Minister of Forestry to make final decisions on minor and technical policy changes consistent with the policy intent.
31. **Invite** the Minister of Forestry to issue instructions to the Parliamentary Counsel Office to give effect to recommendations 1 to 29.
32. **Direct** MPI to review the effectiveness of legislation relating to the establishment of a compulsory licensing and registration scheme five years after the related regulations come into effect.

Publication & Publicity

33. **Agree** that MPI may publish a copy of this Cabinet paper and the associated Regulatory Impact Assessment on its website having regard to the objectives of the Official Information Act 1982 in conjunction with the release of Budget 2020 papers.

Authorised for lodgement

Hon Shane Jones
Minister of Forestry