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17th March 2011

Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam,

RE: **Sale of timber assets by the South Australian Government.**

TABMA is a group of member-based industry associations operating in New South Wales, Queensland, Western Australia, South Australia and Tasmania representing timber and building material merchants, suppliers, manufacturers, wholesalers and timber importers.

Through information, advice and services, TABMA provides its members with practical solutions to improve their business management, growth and profitability. TABMA members receive access to a range of benefits including government representation at State and National levels, industry representation, networking opportunities, development of labour resources through Group Training divisions, group buying discount arrangements and also permanent and part-time staff placements through recruitment divisions.

TABMA is recognised as one of the peak bodies for the timber and building materials industry and uses our resources to represent and assist members in the improvement of their businesses and the promotion of the industry. We continually monitor our performance as an association and as individuals to ensure we live up to our high standards and ideals.

One of the major activities of our members is the supply/processing and sale of timber products to the wholesale and retail markets in South Australia. Every one of TABMA's members deals with timber in one form or another with a vast majority purchasing softwood and hardwood timber supplied from the South East of South Australia.

The Timber And Building Materials Association Pty Ltd is extremely concerned at the planned decision of the South Australian State Government to forward-sell the state's \$2.8 billion timber assets. We believe that this is a short-sighted decision with no long term benefit to the state's economy.

The viability and profitability of many South Australian businesses is under threat as a result of the planned decision of the South Australian State Government to sell off forward rotations of timber products harvested from the softwood plantations managed by Forestry SA. This will have an enormous impact on the economy of South Australia, TABMA and the South Eastern regions or the 'Green Triangle.'

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The following figures quoted are extracted from the Forestry Industry Development Board and the annual report of Forestry SA (FSA)

- FSA produced **1,880,000 cubic metres** of timber last year. This is 78% of the total harvested logs in SA and 16% of Australian total.
- The return to Government was **\$45 million (93% increase on 08/09)** and a return of **11.5% on funds invested (up 23% on 08/09)**

Industry Contribution:

- **\$2.6 billion** of goods and services were produced by the forest and forest products industry in 2006-07 (11.3% of Australia's total).
- **13,000 people** are directly and indirectly employed in timber and wood processing activities (**10.8% of Australia's total**)
- Forest industries play an important role in the development of regional communities (**e.g. 28% of Limestone Coast's Gross Regional Product is attributed to the forest and forest products industries**)

The timber that originates from the South East not only provides local jobs it also provides thousands of jobs in the Hardware and Building Industries in South Australia. The timber our members sell would very likely be for the houses we build across the state. The immediate threat that is foreseen would be:-

- Shortage of product,
- Poor quality timber being available to the industry and the consumer due to all higher quality product being exported.
- Loss of self-sufficiency in the supply of timber,
- Increased costs,
- Reduction in member numbers for TABMA,
- Apprentice & Trainee positions disappearing,

All these immediate issues would result in increased costs that will flow through to the everyday consumer, crippling the affordability of housing even further in a market that is already considered to be flat. Confidence has already been shattered due to this issue and has caused the State's business community to become overly cautious moving forward and slowing the industries' progress causing a reaction of no confidence in South Australian Government.

(a) The likelihood of regional job losses.

While the regional job losses in the forestry industry have been well detailed by the relevant parties within the South Eastern region, by way of local processing and production reductions.

TABMA has members in all towns in the South East. If the supply of timber is restricted then this will affect the viability of these businesses. If timber becomes more expensive this will mean that consumers will not purchase timber and will turn to other products like steel to undertake their construction. This will again affect the viability of the individual hardware stores.

Steel is a very high carbon producing source with approximately 30% of the housing industry currently using this product; this will force consumers to head towards using a less environmentally friendly product to construct homes and make it more expensive to construct 6 star rated homes.

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(b) The flow-on effects to communities in timber-reliant regions.

Another concern for TABMA and its members is a flow-on effect to local business owners and population. If the local supply of timber is restricted then this will affect the viability of local and general South Australian businesses.

If there is a large reduction in foreseeable employment opportunities including Apprenticeships and Traineeships then this will be unattractive for people to invest and live there if there is a deflated timber industry then there will be no incentive for succession into this industry.

(c) The potential for the private buyer not to consider local impacts.

The current situation is that the timber plantations are owned by Forestry SA on behalf of the State Government. This effectively means that the timber plantations are owned by each and every South Australian for the benefit of them.

This is reflected in the fact that the return to Government was **\$45 million (93% increase on 08/09)** and a return of **11.5% on funds invested (up 23% on 08/09)**.

Industry and the community are most concerned that a buyer will come from outside of the state and/or from overseas. This will effectively eliminate the South Australian community as the owner of the timber.

If the demand for timber were to increase in interstate or overseas the new owner would not have the same loyalty to the South Australian market as Forestry SA.

There would be a strong likelihood that time normally destined for the South Australian market will be sold interstate or overseas leaving the market in South Australia short of timber.

To meet the demand South Australian timber merchants would have to import timber from overseas at a higher price resulting in additional costs to both the merchants and the consumers.

(d) The potential for reduced value-adding locally and increased off-shoring.

The majority of potting mixes within South Australia use pine bark as the base ingredient. Much work has been done by industry over many years to prepare high quality potting mixes based on pine bark. Manufacturers have invested in the technology to produce potting mixes that suit the local environmental conditions.

If harvested logs are sent off overseas untreated ie. the bark not removed, this will dramatically reduce the availability of pine bark for use in the production of potting mixes and as landscape materials.

(e) Any other related matters.

The scenario of a monopoly of timber by an overseas owner is of great concern to the industry.

If the buyer of the South Australian timber is also a major importer of other timbers into Australia then the industry could be faced with a monopoly on the supply of timber for the South Australian market.

A monopoly is not within the best interests of South Australian consumers and the ACCC should investigate the impact this could also have with fair pricing if we are at the mercy of overseas concerns only.

Further to the above, selling off tangible Government assets has often proven in the past to be an incredibly dangerous and expensive exercise. Other "Government Owned" assets have been privatised, and have often ended up costing the State Government (and all South Australians) more

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money than first estimated due to the mismanagement and of these privately owned concerns that now hold contracts to service these assets. An example is the current .

If you require any additional information please contact me

The Timber And Building Materials Association would welcome the opportunity to discuss these issues openly within the Committee forum if required.

Yours faithfully,

Jason Howse
State Manager SA/Vic/Tas
TABMA (Aust) Ltd