



Senate Rural Affairs and Transport Legislation Committee
Inquiry into the Exposure Draft and Explanatory Memorandum of the
Illegal Logging Prohibition Bill 2011

16 MAY 2011

Mr Chairman

On behalf of the Australian Forest Products Association (AFPA) we welcome the opportunity to address the Rural Affairs and Transport Legislation Committee *Inquiry into the Exposure Draft and Explanatory Memorandum of the Illegal Logging Prohibition*.

AFPA was formed by the recent merger of the National Association of Forest Industries (NAFI) and the Australian Plantation Products and Paper Industry Council (A3P) and the association looks forward to providing a single national voice on behalf of the Australian forest, wood and paper products industry.

From an international perspective, illegal logging is a serious economic, social and environmental issue. AFPA supports efforts by the Australian Government to address the issue of illegal logging, as it:

1. Threatens the viability of Australia's own sustainable forest industry and the livelihoods of employees and communities that depend on the industry; and
2. Undermines international efforts to address climate change, good governance and the stability of regional ecosystems.

It is important to note that the forest, wood and paper products industry make a significant contribution to the Australian economy, employing some 120,000 people with a total sales turnover of around \$23 billion per annum. Paper and wood products are internationally traded commodities and Australia is a price taker with respect to forest products.

Australian paper and wood product manufacturers already face significant international competition, and illegally sourced products from overseas simply distort the market and place Australian producers at a competitive disadvantage.

The Australian industry also operates within a strict regulatory and compliance regime, which acts to ensure the legality and sustainability of its operations. In addition to government regulation, approximately 90 per cent of timber produced in Australia is accredited under internationally recognised voluntary third party certification schemes, which include sustainable forest management standards and chain of custody legal verification requirements. These voluntary standards and verification processes are in addition to federal, state and territory compliance requirements for the growing and harvesting of wood from public and private forests.

It is therefore essential that the illegal logging policy be effective in restricting the importation of illegally logged products while, at the same, recognising the compliance regime already operating in Australia. The mechanism must not impose any unnecessary and costly requirements on domestic industry.

The mechanism used to address illegal imports should be risk based and flexible with respect to the treatment of imported products and any associated requirements for domestic producers under World Trade Organisation rules.

It is for these reasons that AFPA has significant concerns regarding the illegal logging Bill. Key deficiencies include:

1. a heavy reliance on a licensing and industry-wide code of practice system, that is complex, bureaucratic and inflexible; and
2. potential duplication of voluntary third party certification processes for domestic producers, which would only increase costs and add additional complexity.

As an alternative, we would suggest a more flexible and risk-based approach that would allow the relative risks of different imported and domestically produced products to be assessed and evaluated with respect to the degree of likely risk. Rather than a rigid industry-wide Code of Conduct, it would be far simpler, cheaper and more effective for companies to develop, as required, their own situation specific 'due diligence' systems and for these to be randomly audited by Government.

For example, such a risk based system would recognise the low level of risk and high degree of legal verification required as part of third party Chain of Custody certification in Australia. Such certified products could be recognised under the illegal logging regulations as meeting the 'legal requirements' at negligible cost.

AFPA maintains that it is essential that any efforts to stop the import of illegal timber products do not disadvantage Australian industry and, as much as possible, place the responsibility on the exporters of timber products to Australia to ensure they are legally compliant.

The forest industry supports an effective policy on halting trade in illegally logged products and is committed to working with the Australian Government and other members in developing such a policy.

We would be more than happy to take questions and elaborate on these issues.

Thank you Mr Chairman.