

**HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON INDUSTRY, SCIENCE AND
RESOURCES**

**INQUIRY INTO INCREASING VALUE-ADDING TO
AUSTRALIAN RAW MATERIALS**

**SUBMISSION BY THE PULP & PAPER MANUFACTURERS
FEDERATION OF AUSTRALIA**

The Pulp & Paper Manufacturers Federation of Australia (PPMFA) appreciates the opportunity to provide an initial submission to this Inquiry.

The PPMFA was established in 1981 and represents the interests of the five major companies which collectively produce 97% of the paper and paper products manufactured in Australia. Its member companies are Amcor, Carter Holt Harvey Tissue Australia, Kimberly-Clark Australia, Fletcher Challenge Paper Australia, and Visy Industries.

Key Industry Features

The pulp and paper industry has fixed capital investments of \$3.9 billion; annual sales of \$3.1 billion; directly employs approximately 8,000 people, and has a further impact on the employment of an additional 100,000 people. It is a significant employer in regional Australia.

The pulp and paper industry is the most capital intensive manufacturing industry in Australia. It is an integral part of a highly competitive, globalised industry.

The industry is committed to investing in high value-adding activities. Over the last three years fixed capital investment in the industry has increased by 32%.

It is a major import replacement industry. While the trade deficit in pulp and paper is currently \$1,418 million, if there were no industry in Australia, the trade deficit would be more than three times larger, at \$4,877 million.

Over the last two years, exports of pulp and paper have increased by 50%, and now account for 13% of total sales.

Value Adding Role

The pulp and paper industry adds substantial value to Australia's raw materials. A tonne of eucalyptus wood chips that is exported earns \$80. If that same tonne of wood chips remained in Australia, it could be converted into high quality office paper worth \$500 – more than six times the export value.

Need for Policy and Regulatory Change

Policy issues of prime concern to the pulp and paper industry centre on two areas:

1. Maintaining its competitive position as a major import replacement industry by achieving the lowest possible cost structure.
2. Improving the attractiveness of Australia as a destination for investments in the industry.

The PPMFA considers that there are a number of areas where changes to Commonwealth Government policies and regulations would improve the operating environment for the pulp and paper industry in Australia.

Foremost among these is reform of the business tax system, and the PPMFA has made a detailed submission to the current review of business taxation headed by Mr John Ralph. Other policy areas of concern include greenhouse, trade negotiations, research and development, and forestry.

Comparison with the Indonesian Industry

The Indonesian pulp and paper industry has grown vigorously over recent years, and is now a major player in the global industry. The PPMFA considers it is important to understand the factors underpinning this dynamic growth.

Consequently the PPMFA has commissioned the world's leading forest products consulting company, Jaakko Poyry, to undertake a study comparing the differences between the Australian and Indonesian pulp and paper industries in relation to cost and regulatory structures, business conditions, and environmental sustainability. The study will be completed by mid-August.

The Jaakko Poyry study will seek to identify areas in which changes to Commonwealth Government policies would improve the operating conditions for the Australian pulp and paper industry.

Presentation of Findings to the Committee

The PPMFA would be pleased to present the results of the study to the House of Representatives Standing Committee on Industry, Science and Resources, as we believe they are likely to be directly relevant to this Inquiry.