

**SUBMISSION No. 103**  
**Inquiry into the Australian forestry industry**



**Boral Timber**

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**House of Representatives Standing Committee on Agriculture, Resources, Fisheries  
and Forestry**

**Boral Timber Submission**  
**Inquiry into the Australian Forest Industry**  
**April 2011**

**Introduction**

Boral Timber is pleased to have the opportunity to provide input to the Inquiry into the Australian Forest Industry. The inquiry comes at a time where there have been significant changes within the forest industry landscape resulting in a number of areas where the government needs to provide a platform from which the forest industry can use as a springboard for strong sustainable growth.

Boral Timber is part of Boral, the ASX100 building products and construction materials company. Boral employs around 15,000 people across its operations in Australia and overseas and generates around \$5 billion in revenue. Boral Timber supplies a full range of high quality timber products in the hardwood, softwood and plywood segments, employing around 650 people across Australia. Boral Timber has the majority of its operations in NSW where it has been part of the hardwood industry for over 100 years. In NSW alone, Boral Timber employs more than 400 people across 11 wholly owned sites, nearly all of which are in rural areas. In addition Boral Timber is a 50% owner in Highland Pine Products which at its Oberon site employs more than 200 people. We estimate that in addition to these direct employees Boral Timber and Highland Pine Products provide employment for around 1,500 people as our contractors and suppliers. Boral Timber's plywood operation is located in Ipswich, Queensland employing 160 people.

Boral Timber processes close to 250,000 m<sup>3</sup> pa of hardwood logs with Highland Pine Products processing in excess of 700,000m<sup>3</sup> pa of pine sawlogs and the Plywood facility processing 80,000 m<sup>3</sup> pa of a mix of pine and Araucaria.

**Executive Summary**

Boral Timber strongly endorses the submission to this inquiry from the National Association of Forest Industries (NAFI). The purpose of this submission is to provide the Inquiry with some specific examples of how the concepts contained in the NAFI submission impact on the operation of one of the larger Australian timber processors.

Resource security is a major concern to Boral Timber, particularly in its hardwood businesses. The developing uncertainty is already starting to prevent Boral from being able to justify major capital projects that have a longer term pay back. There is real concern that the growing level of uncertainty around the outcomes of the Regional Forest Agreement (RFA) process will result in an inefficient, short term focused, industry. There can be little doubt that those groups that are ideologically opposed to any native forest harvesting, will use the lack of a strong, vibrant industry as a reason to justify their often hidden agenda.

Boral's softwood operation is constrained from further growth due to the lack of any increase in available sawlog plantation resources. In general, this situation is replicated in most areas of the country. There is not enough resource to meet Australia's current domestic market and given the long lead time required to bring sawlog plantations to harvest, this situation will continue to get worse for a number of decades. It is vitally important that the government work to address this issue by creating an investment opportunity that incentivises the plantation of long rotation sawlog resources.

There is a clear need for a public education and awareness campaign to show the true sustainable nature of the Forest Industry. Any campaign must be run by a clearly independent body, fully funded to be able to review all relevant information, direct research where required and, most importantly disseminate the information in a way that the general public can be fully informed. In addition there needs to be a clear, enforceable standard in regards to the measurement of carbon which covers the full life cycle, including carbon embodied in finished products.

There are currently a number of legal impediments in the use of native forest wood waste as biofuel. It is difficult to reconcile this approach when compared to the active encouragement and subsidies paid by most countries in the developed world. Good silvicultural practice requires the removal of non-commercial species during harvest and much of this material is currently left to rot. There needs to be a clear direction from the Government that endorses all commercial forest products regardless of end use.

Boral Timber proposes the following action points for review by the inquiry:

- **Boral Timber strongly endorses the NAFI proposal for an RFA renewal process that provides rolling 20 year resource security.**
- **Boral Timber strongly endorses NAFI call for the Government to establish an effective mechanism for developing long rotation sawlog resources.**
- **Boral Timber strongly endorses the NAFI proposal for the Government to provide the lead in better communication and awareness in the benefits of the renewable and sustainable nature of the forest industry.**
- **Boral Timber calls for the Government to define clear, scientifically defensible, guidelines in the measurement of carbon. Any measurement system needs to capture the full carbon life cycle including the carbon embodied in final products.**
- **Boral Timber calls for the Government to follow international best practice and actively encourage the use of wood waste as legitimate biofuel.**

## **Resource Security**

Resource security is fast becoming one of the major issues impacting on the ability of Boral Timber to invest in major capital projects. Boral Timber's current hardwood supply agreements expire between 2020 and 2023, more importantly the NSW Regional Forest Agreements (RFA) expire in 2018. There is considerable uncertainty in what level of native forest harvesting will be allowed under a revised RFA system, particularly when considering the massive reduction in the availability of harvesting areas that has taken place since the previous RFA process. Even if a new RFA process results in no further reduction of harvest areas, Forest New South Wales (FNSW) have already indicated that the availability of sawlogs will decrease by 30% compared to pre 2023 levels. While Boral is able to continue to make minor capital improvements at the moment, the requirement for project paybacks to be achieved within the current term of the agreements is already starting to limit the type of projects that can be undertaken.

The importance of resource security on the native forest sawmilling industry can be demonstrated by reviewing the impact of the signing of the previous hardwood agreements. Boral Timber immediately undertook the largest capital injection into native forest sawmilling ever seen in NSW. This included investing over \$100 million in capital projects, upgrading sawmills and building a new state of the art engineered flooring plant. This plant enabled the utilisation of previous low quality lumber into a high value product that significantly extends the overall market for high quality hardwood flooring.

As with all industries, investment in new technologies is critical in ensuring a strong, competitive, vibrant industry. A major concern is that the inability to gain any certainty around the level of supply post the RFA process will result in an industry that is inefficient and short term focused. If this situation is allowed to develop, it is certain that those groups who wish to end native forest harvesting will use the lack of a vibrant, cost effective, industry as a prime reason to move to ceasing all native forest harvesting.

- **Boral Timber strongly endorses the NAFI proposal for an RFA renewal process that provides rolling 20 year resource security.**

In the softwood industry the resource concern is less around security and more around the lack of ability for the softwood industry to grow. Investment in the planting of long rotation forests has been stagnant for a considerable period of time. The recent boom in short rotation crops propagated by the Managed Investment Schemes (MIS) is producing a resource that is not suitable for the sawmilling segment of the industry. The current softwood sawmill capacity is matched to the long-term resource availability, preventing the industry from meeting the growing gap between lumber availability and market demand. This constrains existing sawmillers from being able to increase throughput through existing plants, making it more difficult to compete with imports from countries with growing resource availability.

- **Boral Timber strongly endorses NAFI call for the Government to establish an effective mechanism for developing long rotation sawlog resources.**

## **Improving Public Information and Awareness**

Boral Timber is proud that it produces some of the most sustainable building products on the market. Native Forest products in particular have demonstrated their sustainable nature over decades, with current harvest areas being harvested and regenerated between two and five times over the past hundred years. Unfortunately many of these forests have been locked away from further harvest, often because the harvesting management of these areas has been so successful that the areas have now been considered iconic. The public perception that has led to many of the decisions to remove forests from productive harvesting has been based on distorted representations of scientific data. There is an urgent need for clear, unbiased public information on the true sustainable nature of the forest industry.

Unfortunately the climate of suspicion that has been created by many of the groups ideologically opposed to forestry, has resulted in a public unwilling to believe any contrary information unless it comes from a completely unbiased organisation. In a world where sustainability has become a world wide driving force, there is an absolute need for the Government to fund and support a public education campaign which truly shows the world class forest management that is undertaken in Australia.

In tandem with this effort is the need to provide a clear and unambiguous message regarding the measurement of carbon that encompasses the complete carbon lifecycle, including carbon that is embodied in finished products. Currently there are some many different claims around carbon that the public are unable to make any informed decision. There is a need for a standard that can be measured against current Fair Trading legislation so that the public can be confident around the choices they are making.

- **Boral Timber strongly endorses the NAFI proposal for the Government to provide the lead in better communication and awareness in the benefits of the renewable and sustainable nature of the forest industry.**
- **Boral Timber calls for the Government to define clear, scientifically defensible, guidelines in the measurement of carbon. Any measurement system needs to capture the full carbon life cycle including the carbon embodied in final products.**

## **Biomass**

The current impediments on native forest residues being used as biomass is difficult to understand when compared to what is best practice in most developed countries. Wood waste as a biomass fuel is not only permitted in most countries, it is actively encouraged and in many cases subsidised. It appears that Australian decisions around the use of wood waste as a legitimate biomass fuel have been influenced by a misconception that the use of wood as fuel will lead to unsustainable harvest practices.

In a native forest operation, it is obvious that the removal of only certain species during a harvesting event will lead to the eventual change in the species composition. To prevent this undesirable outcome, the current practice is to fall a portion of the non-commercial species to waste. The ability to find a commercial use for these species not only provides improved forest health; it improves the economics of existing operations. Australia already has some of the most stringent regulatory environmental safeguards, designed to ensure that harvesting can only occur in a sustainable manner. There is no justification to exclude the legitimate use of a forest product, purely on the basis that it will be used as fuel. This is particularly true when you consider the carbon offset gained between having to leave the material to rot in the forest and the use of this material to offset electricity generated from coal.

- **Boral Timber calls for the Government to follow international best practice and actively encourage the use of wood waste as legitimate biofuel.**