

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

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Australia's Forestry Industry

Background

Australia's native forests and wood-based industries are at a crossroad. There is continued pressure to totally close production from the largest organic solid wood and fibre production system in Australia. The ongoing NGO campaigns seek to stop all harvesting in publicly and eventually privately owned native forest.

These campaigns play on the general apathy of Australian consumers, who have been falsely lead to believe that the timber and paper products currently sourced from native forests can **all** be sourced from plantations.

This claim by academics, politicians and NGOs is false and misleading, as plantations cannot supply the full range of products or the volumes currently available from native forests. A closedown of all native forest harvesting will not be felt in any meaningful way by consumers, as "the market" will source alternative products from overseas forests or non-wood products produced from higher embodied energy and lower carbon storage goods.

1. Opportunities for and Constraints upon Production.

Globally and in Australia, demand for solid wood and paper products continues to increase and projections indicate this trend will continue, as housing demand for timber and increasing literacy rates in developing nations, in particular, underpin higher levels of global demand.

The major constraints on production in Australia include:

- Ongoing uncertainty of resource availability from native forests and concerns about reinvestment in later rotation plantations;
- Price competitiveness with imports, currently exacerbated by high exchange rates; and
- The willingness of Australian consumers to shift the impact of their forest product consumption off shore.

2. Opportunities for Diversification, Value Adding and Product Innovation;

As a relatively small player in the global forest products industry, Australia will generally be an adopter of major overseas advances in value adding and product innovation. Major opportunities appear to lie in the use of by-products for higher value or beneficial uses.

The opportunities for industry sectors based on native forest resources are impacted by the ongoing demonization/bastardisation of the industry by those groups referred to in the third paragraph of the background section above. Specific examples are available on request.

3. Environmental Impacts of Forestry

a) Impacts of Plantations upon Land and Water Availability for Agriculture

The recent collapse of managed investment schemes will reduce price competition between plantation developers and traditional agricultural users of land. The conversion of some plantation land to other agricultural uses has already commenced.

The impact of plantation water use pales into insignificance when compared to the effects of increased water use by native forest regrowth resulting from major wildfires in 2002/03, 2006/07 and 2009. If this regrowth issue is not addressed by government, then any reforms impacting on plantations will provide no significant improvement on overall catchment water yield, particularly in the Murray Darling basin.

Any reforms proposed to manage the impact of plantation development on catchment water yield must be applied to all other agricultural land uses.

b) Development of Win-Win Outcomes in Balancing Environmental Costs with Economic Opportunities

While the demonization the commercial use of native forest continues, the ability to provide economic opportunities while balancing environmental outcomes will generally be ruled out.

The basis for balanced outcomes must be understood by having a thorough understanding of the overall populations of a range of key flora and fauna species across the entire native forest estate, not just that part of the estate potentially subject to timber harvesting.

State and Commonwealth governments must fund significantly expanded fauna and flora monitoring programs to provide the base data needed to ensure species in parks and reserves do not die out due to the lack of active conservation programs, as has been the case in some instances.

Research is also needed to allow commercial operations to help with some habitat management programs, where currently tax payer funds are used for ecological thinning.

There are an increasing number of situations in the United States of America, where thinning is also being used to help manage wildfire risks. These types of programs should be investigated to determine if there are situations in Australia where similar multiple benefits can be derived.

4. Creating a Better Business Environment for Forest Industries

a) Investment Models for Plantation Saw Log and Pulpwood Production

New investment models for sawlog and pulpwood production need to be developed. These new models must have an administrative structure that provides a lower overhead base (cost of funds collection) than has been the case with past models.

These models must ensure that there is more transparency around the assumptions used in the valuation of plantations. The impact of Self Generating and Regenerating Assets (SGARA) valuations on company financial results must be clearly explained to potential investors.

The current standard for SGARA appears to be effective in accounting for relatively liquid assets such as livestock. The SGARA accounting standard for long lived and illiquid assets must be reviewed to determine if a different accounting standard needs to be developed for this class of assets.

b) Superannuation Investment in Plantations

Superannuation investment in plantations has generally been focussed on brown field operations. It is likely that this focus will continue, while cheap timber and paper imports affect the prices local producers can pay for logs and until the impacts of a carbon price flows through to high embodied energy alternatives to timber products.

5. Social and Economic Benefits of Forestry Production

In past decades many of the social and economic benefits of forestry production have flowed to relatively small and at times remote rural communities. As timber and paper production processes have become larger in scale and more technically sophisticated, these industries and the associated benefits have moved to larger regional centres.

The economic and social benefits lost in more recent years have been exacerbated in the last 10 to 15 years by a combination of planned and politically opportunistic closures of numerous small hardwood sawmills located in remote regional communities. These mills were often the employment and economic hub of these small communities.

Unfortunately, the cargo cult promises of revitalisation of these communities through ecotourism have failed to materialise in most of these instances. These communities have become increasingly disadvantaged as private and public services are withdrawn and populations continue to decline.

6. Potential Energy Production From the Forestry Sector

a) Biofuels

Significant additional investment in research and development is needed before biofuels from woody residues are commercially available in large quantities.

b) Biomass and Cogeneration

Production of heat and electrical energy from biomass has been occurring on a commercial basis in many overseas countries for many years. There are limited examples in Australia, as the relatively mild climate does not present the range of opportunities for combined heat and power plants that are available in cooler northern hemisphere countries.

In addition, government renewable energy policy is less advanced than in many countries, particularly those of the European Union (EU). The EU provides numerous examples that Australian governments could draw on to advance biomass policy in this country.

A significant disincentive to both biomass policy and industrial development in this country are the policy positions of leading NGOs and a minor political party. These policy positions are backed by public scare campaigns and bullying of government agencies to deter proposed developments that don't fit the above policy positions. These anti biomass policies are out of step with overseas countries that have the most advanced biomass based energy industries.

7. Land Use Competition Between the Forestry and Agriculture Sectors

a) Implications of Competing Land Uses for the Cost and Availability of Timber, Food and Fibre

Given the current significant increase in prices for Australian food and fibre commodities, it would appear to the casual observer, that international demand for these goods is the major driver affecting the price of these outputs, rather than the marginal competition for land between traditional agricultural land uses and plantations. See 3a above.

b) Harmonising Competing Interests

As in all commercial and social situations, there will always be some level of tension. Coal exploration and mining is gaining prominence and has much longer lasting impacts on agricultural land than plantations. There may be lessons from these situations that can be used to help ease any remaining tensions between agricultural and plantation interests.

c) Opportunities for Farm Forestry.

The integration of farm forestry with other farming operations has proved problematic for decades. A lack of the necessary understanding of how integration can be achieved is not widely held in the broader farming community. An aging farming population exacerbates this situation.

Successful examples commonly involve landowners who have an enthusiasm for the diversification and integration of farming operations and who also establish alliances with likeminded farmers and with potential purchasers of the forestry outputs.

Government support for this sector of the industry has steadily diminished over the past decade and many of the networks that had been established have begun to disintegrate. It appears that farm forestry in Australia is unlikely to be a significant contributor to the Australia forest products industry in the short to medium term.

8. Legislative Reform

Over the past decade, a range of interest groups have increasingly exploited loopholes in both trade practises and occupational health and safety laws to undertake a range of campaigns. Tactics used in these campaigns include brand assassination, bullying and harassment of groups and individuals. During direct action protests, stunts often occur that risk the lives of activists and forest workers and police staff.

The groups and individuals organising and coordinating these actions are not subject to trade practices/competition and consumer protection and OH&S laws that regulate business to business dealings. There is an increasing number of campaigns by NGOs to destroy markets and brand name products which contain raw materials or are manufactured by companies which are not acceptable to these activist groups.

These campaigns are typically supported by media promotions that contain a mix of false and/or misleading statements. These promotions are used to garner broad public support and

to denigrate the reputation of the targeted businesses. These campaigns have had significant impacts on targeted companies and consequently share prices. The impact on share prices has a flow on effect to the value of superannuation funds.

Any business engaged in trade or commerce that ran similar campaigns, would be subject to action under the *Competition and Consumer Act 2010*. NGO, associations and charitable organisations are generally not constrained by the above Act and in fact, Section 45DD of the Act appears to specifically exclude groups and individuals engaged in conduct relating to “environmental protection.”

In many instances, so called environmental campaigns are nothing more than economic sabotage disguised as care for the environment. Analysis of the contents of web sites and other material from these “environmental” groups, reveal a range of themes that lie behind the “environmental campaigns.” These themes include anti development in general, anti capitalism, anti globalisation, pro anarchy and pro the rights of mother earth.

Environmental campaigns are the tread that connects these various interests to the broader community.

This issue extends well beyond the forestry industries, with mining and fishing industries being increasingly affected by this economic sabotage. Given the increasing number and the economic damage caused by these campaigns, it is strongly recommended that the commonwealth government amends the *Competition and Consumer Act 2010* so that any group or individual is subject to secondary boycott and other provisions of the Act.

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