

SUBMISSION No. 110
Inquiry into the Australian forestry industry

VicForests

Our Ref: CB/30/503/09
Your Ref:

Level 7, 473 Bourke Street
Melbourne Vic 3000
GPO Box 191 Melbourne 3001
Telephone (03) 9608 9500
Facsimile (03) 9608 9566

23 May 2011

www.vicforests.com.au
ABN 7684 6538 543

Committee Secretary
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
CANBERRA ACT 2600



Dear Sir

SUBMISSION – INQUIRY INTO THE AUSTRALIAN FORESTRY INDUSTRY

Thank you for the opportunity to provide a submission to the House of Representatives Standing Committee's Inquiry into the Australian Forestry Industry.

VicForests believes a vibrant and robust forestry industry in Australia is vital in meeting a range of economic, environmental and social outcomes. We also recognise that active Federal and State Government support for sustainable native timber harvesting is crucial for ensuring the long-term viability of this industry. As such, we welcome the Committee's work in relation to this issue.

VicForests is pleased to submit the enclosed submission, which offers our perspective on many of the major issues and challenges faced by the industry. We would be happy to meet with the Committee to discuss this submission further. VicForests would also like to extend an offer to the Committee's members to visit our operations to gain an even stronger understanding of the issues at hand.

Yours sincerely

David Pollard
Chief Executive Officer

Encl.



HOUSE OF REPRESENTATIVES STANDING COMMITTEE
INQUIRY INTO THE AUSTRALIAN FORESTRY INDUSTRY

SUBMISSION PREPARED BY VICFORESTS
MAY 2011

1. Introduction

The timber sourced from native forests and plantations in Australia is vital in helping to meet Australia's existing and future demand for wood and wood products. The current demand for timber in Australia far exceeds the volume than can be supplied domestically. This has resulted in Australia's \$2 billion trade deficit in wood and wood products. The failure of Managed Investment Schemes in recent years has further highlighted the need to support the existing timber industry in Australia and also to look at ways of developing the industry in the future in order to enhance its global competitiveness.

Australia's forest practices are among the best in the world which gives us a degree of obligation in ensuring the supply of sustainable timber products for both local and international markets. Far from being a "sunset industry", the timber industry in Australia continues to have a vital role to play in meeting the demand for wood, while managing our forest resources in a sustainable and responsible manner.

2. Opportunities for and constraints upon production

- **Resource security**

The biggest constraint and risk for timber production in Victorian State forest over recent decades has been a reduction in the area available for native timber harvesting operations. Guaranteeing access to timber resources is the key issue which must be dealt with to enable further investment within the timber processing sector. Any initiatives, developments and opportunities clearly rely on the guarantee of access to resources to encourage investment from both within and outside the industry.

VicForests encourages the Committee to investigate this issue closely and look to encourage States to develop legislative mechanisms which are designed to provide for improved resource security.

- **Active forest management**

In addition to the timber products produced from our forests, opportunities exist to expand the use of active forest management and silvicultural systems to enhance a range of other values.

These include:

- water production,
- biodiversity values,
- the enhancement of old growth characteristics, and
- fire management.

The benefits which can be achieved through applying alternative management regimes across the broader forest estate (including reserves) have been recognised elsewhere in the world.

VicForests would encourage the implementation of forest management practices which can expand the range of environmental, social and economic values generated from our forest resources.

- **Certification**

VicForests encourages the Committee to promote the mutual recognition of both independent forestry certification schemes in Australia – the Australian Forestry Standard and Forest Stewardship Council certification.

This approach from the Committee would be in line with Victoria's Timber Industry Strategy 2009 which states:

“both schemes offer competitive, world-class certification options to the Australian marketplace, certifying timber against clearly defined environmental, economic and social criteria that support sustainable forest management”.

For the moment, the Committee should consider how insistence on PEFC certification (in Australia, the Australian Forestry Standard) can be used to ensure that all Australia's imports of timber products are certified.

- **The 'Plantations-only' debate**

VicForests believes it is vital for the Committee to recognise and acknowledge that wood from Victoria's plantation estate cannot meet all our current demands for timber.

A report commissioned by the Australian Conservation Foundation and The Wilderness Society has been used as the basis for Environmental non-Government Organisations to claim that Victoria can transition to a plantation-only timber industry. However, plantation timber has different properties and is used for different purposes from the wood supplied from our native forests. These two sources complement, not replace, each other.

Misinformation from environmental groups engaged in anti-forestry lobbying has the potential to affect severely the forest and wood products industry in Australia. To ensure a well-informed debate, it is important that the community is presented with accurate information and is able to form a view from facts, not assertion. While VicForests recognises the right of these groups to express their views, we believe that misleading information presented as fact serves to stifle realistic debate around forestry issues.

- **Skills**

VicForests encourages the Committee to acknowledge and address a pending skills shortage in forestry and related industries.



VicForests believes that there is a need for Government to support and encourage education programs and training in these areas to ensure prospective students have the opportunity to develop the necessary skills required to work in the forestry industry.

- **Research**

Research into the flora and fauna found in our forests generally occurs in areas of State forest which are available for timber production.

VicForests encourages the Committee to recognise that it is vital this research is expanded to take in all forest types and all forest tenures. This includes National Parks, conservation reserves and all areas of State forest. We believe this is the only way we can gain a full understanding in relation to any changes in the structure and biodiversity of Australia's forests, as well as develop a stronger awareness of the status of our endangered species.

3. Opportunities for diversification, value adding and product innovation

- **Government support of industry**

Active Federal and State Government promotion and support of Australia's sustainable forest management practices in both plantations and native forests are crucial in enhancing the confidence of the private sector to invest.

VicForests believes the Committee should endorse Australia's forest management practices and encourage the Government to offer the industry further public support.

- **Resource security**

To enable investment in product innovation and the development of a wider range of value adding wood products from Australia's forests, there is a need to establish and maintain legislative and regulatory models which promote long-term forest resource security. It is well known that sovereign risk is the greatest threat to further investment within the native forest sector, and mechanisms that mitigate this risk are urgently required.

VicForests encourages the Committee to look in detail at ways to minimise this sovereign risk through legislation and regulatory models.

- **Bioenergy**

Bioenergy production is an important opportunity for the native forest industry. Increased participation in the bioenergy sector by the forestry industry will allow for a diversification in the product base generated from existing operations, while also improving the silvicultural management of our forests. To enable opportunities related to bioenergy to be recognised fully, the impediments found within the National Renewable Energy Target scheme that relate to native forests need to be removed.

VicForests encourages the Committee to investigate the most efficient ways of removing any impediment to the development of renewable energy.



- **Support new development opportunities**

VicForests encourages the Committee to support new development opportunities and research, particularly in the area of engineered wood products for native forest species. It is vital this is done in a way which also acknowledges and supports the existing customer base in established forestry areas.

4. Environmental impacts of forestry, including the development of win-win outcomes in balancing environmental costs with economic opportunities

- **Regional Forest Agreement process**

VicForests calls for continued support of the Regional Forest Agreement process. Key to this support is the need to develop a process for the continuation of these agreements beyond expiry. This should include a rolling five-year review and revision process to keep Regional Forestry Agreements up-to-date and ensure they assist in providing long-term resource security.

- **Forest Management Planning process**

VicForests believes that it is vital for the Committee to acknowledge the balance achieved by the Forest Management Planning process in relation to economic, environmental and social outcomes. It must be recognised that this planning process is adaptive and operates under a framework of continuous improvement.

- **Balance of conservation and timber production objectives**

The current legislative framework to govern native timber harvesting balances a range of economic, environmental and social outcomes. However, it should be acknowledged that a balanced approach that enables both conservation objectives and timber production from public forests is unlikely to satisfy all interest groups.

VicForests encourages the Committee to ensure that an evidence-based approach to management is maintained so that the community understands the sustainability of timber harvesting operations in Australia.

- **Recognition of AFS**

VicForests calls for further recognition of the high standard of forest management in Australia through increased awareness of certification under the Australian Forestry Standard. The Australian Forestry Standard is the only forestry standard specifically developed for Australian forests by community, industry, scientific and government representatives. It is recognised by the Programme for the Endorsement of Forest Certification (PEFC) - the world's largest forest certification organisation.

The relevant and detailed nature of this Standard should be used to increase further public confidence in Australia's sustainable timber harvesting practices.

- **Improved community understanding**

VicForests encourages improved community understanding of forestry issues. This includes the need for Australians to recognise our international responsibility to provide sustainably harvested timber products.

Ensuring Australia has a high level of self-sufficiency in terms of wood and wood products is the most direct and effective method of reducing pressure on developing nations to produce timber for our own consumption.

Further to this is the need for improved community awareness around the important role played by a small percentage of our forests in meeting a range of economic and social needs, as well as achieving the desired environmental outcomes. Particular emphasis should be placed on the large area of forest already protected in the National Park and conservation reserve system and the fact that almost 90% of forest in States such as Victoria is either unsuitable or unavailable for timber harvesting operations.

- **Develop criteria to demonstrate the sustainability of the industry in Australia**
Demonstrating the sustainability of the forestry industry in Australia is crucial to improving the public's understanding around its role.

VicForests encourages the development of more sophisticated measures to monitor criteria indicating the sustainable forest management of our entire National forest estate. These measures could be used to provide further evidence of the sustainability credentials of forest management within Australia.

5. Creating a better business environment for forest industries

VicForests encourages the Committee to investigate the creation of a business environment in Australia that enables the development of a wider range of sustainable products from Australia's forests. The development of new products and new markets is vital as a result of a decline in the availability of wood products from native forests over recent decades and the need to maintain a forest industry on a scale that is internationally competitive.

6. Social and economic benefits of forestry production

- **Importance of forestry industry in regional communities**
VicForests encourages the Committee to recognise the importance of the forestry industry as a major employer in regional Victoria.

The broader industry employs more than 25,000 in Victoria across the sectors for growing, services to forestry, primary processing and secondary processing. VicForests' native timber harvesting operations alone currently supply timber to approximately 40 sawmills throughout Victoria. These mills provide employment to almost 2,500 people in rural communities across the State. Added to this figure is employment generated in harvest, haulage, silvicultural, road management and associated jobs reliant on the industry.

However, as a result of the integrated nature of the industry, native timber employment cannot be viewed in isolation from plantation or agro-forestry figures. The overall forestry industry relies on the scale and size generated by all of its components to allow it to remain competitive in the international market.



The economies of many smaller regional towns are heavily dependent on the forestry industry, particularly in relation to employment and business spending. Research commissioned by the Victorian Department of Primary Industries, incorporating previous work undertaken by the Australian National University, indicates these towns are not well placed to adapt readily to changes to the structure of the forestry industry. This research suggests that even a number of towns which do not have a strong reliance on the industry for employment still rely on forestry production as an important way of ensuring diversification in their local economy. The diversification provided by the forestry industry makes a range of regional towns more resilient to financial changes in other industries.

7. Potential energy production from the forestry sector, including biofuels, biomass, biochar, and cogeneration

VicForests encourages the Committee to acknowledge that wood from existing native timber harvesting operations could be used to generate all of the alternatives to fossil fuel driven energy listed above. VicForests believes these opportunities should receive similar funding support to other alternative energy production methods. This would enable further development and progress.

8. Carbon sequestration

VicForests believes there is a need for greater recognition of the role played by sustainable forestry practices in carbon sequestration. Land use change, in particular deforestation, contributes significantly to global greenhouse gas emissions¹.

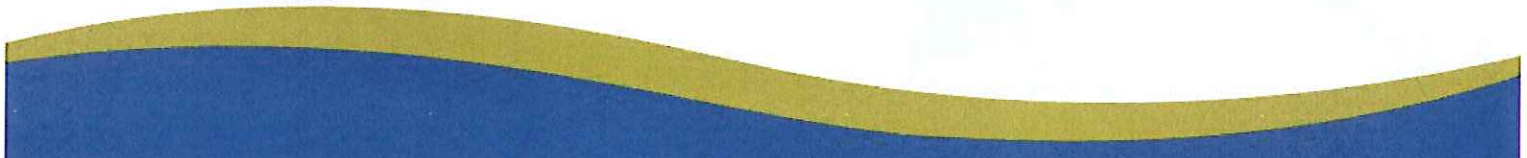
VicForests would like to see the Committee draw a clear distinction between the deforestation and sustainable timber harvesting. This includes acknowledging that deforestation does not occur in Australia as a result of native timber harvesting. Wood products store carbon for the life of the product. The trees planted following harvesting operations then soak up even more carbon as they grow.

Recognition by the Committee that the production and use of products such as steel, aluminium and concrete emits more carbon than the use of comparable wood products would further enhance the community's understanding around this issue.

¹ *Climate Change 2007: The Physical Science Basis* ('Working Group I Contribution to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change' 2007)

9. Land use competition between the forestry and agriculture sectors

VicForests encourages the Committee to develop mechanisms to promote investment in the plantation and agro-forestry sectors. Increasing timber supply is vital to maintaining the scale of industry required in Australia to remain competitive in the global market.



Background regarding VicForests

VicForests is the State-owned enterprise responsible for the sustainable harvest, regeneration and commercial sale of timber from Victoria's State forests. There are 7.8 million hectares of native forest in Victoria and VicForests harvests approximately 5500ha, or less than 0.1%, of this area each year. The timber harvested by VicForests is used to produce high quality furniture, flooring and other building materials as well as high quality writing and office paper.

VicForests re-seeds all areas it harvests to ensure forests regrow and are available for use by future generations.

VicForests plays an important role in helping to meet the community demand for wood and wood products by supplying timber from local and sustainably managed sources.

Enquiries:

Mr Nathan Trushell
Director Strategy and Corporate Affairs
VicForests
G P O Box 191, Melbourne Vic 3001

Ph: 03 9608 9517

This submission authorised by:

David Pollard, Chief Executive Officer, VicForests

Dated: 23 May 2011

