

Submission No. 116
Inquiry into The Australian Forest Industry

LONG-TERM FOREST GROWTH:

AUSTRALIAN FORESTRY REVIEW

By:

GRAHAM PROCTOR

JULY 2010

SUBMISSION

Background:

There is a close relationship between the rates of timber extract and the growth of new timber within Australia. This submission try's to point towards the needs of a balance against trade payments and keep pace with the timber requirements of the nation.

For too long the nation ruthlessly exploited its native forests with no thought towards the future and has not replanted trees for many years. Replanting new timber is, in historical terms, a recent event that has still not kept pace or reflected national requirements. This valuable national asset has been regarded as a resource to be exploited at will by the timber industry and governments. Exploitation was almost all at a state level, and constitutionally the issue responsibility is at their level. This Constitutional aspect needs some examination by the Committee before a final recommendation is made.

The Commonwealth's enquiry is welcome and long overdue. Limited activity in the past has helped to solve some short-term issues. The cost in import/export terms is excessive and unnecessary but little regarded has been given to this problem. Decent planning and controls on timber extraction and growth and the need for large-scale investment over many years will go a long way to resolving the question. For too long low value wood exports has cost the nation dearly. Wood chipping is of low value, and the prices has not reflected the full cost of extraction, processing and environmental impact. The royalties charged by the States are far too low, almost a giveaway price, while environmental costs are not counted in the final product price. Planting of new replacement timber is limited and is expected to be provided by the State for the exploiter. The recent Tasmanian Agreement on Timber is a step in the right direction. It came after many years of almost continual warfare between the two sides and as the environmental movement started to win since when it changed tactics and began to attack the financial sources of private enterprise both externally and in Australia. This is the correct way to deal with an intractable industry supported by the State and its subsidies.

The issues affecting timber are quite clearly set out on page 9 of *Around the House*, May 2011.

Issues:

There are clearly too few and insufficient number and size of timber plantations across Australia to cope with continuing and expanding use. The problem is there are few long-term incentives for the timber industry to establish their own timber plantations and forcing them to no longer use state owned forests for which they pay the States a totally inadequate price (another hidden subsidy). Timber plantations take a long time to grow. Twenty years waiting for work to begin, plantations are expensive to maintain with no return and are too few in number. Most is *Pinus Radiata* a few are hardwood and far fewer still are set aside for specialised timber type like veneers or high value timber for furniture. As a result we import

timber of suspect conservation values at a high cost that adds to the price of housing, other products and furniture. The industry, on the other hand, exports low value timber such as wood chips.

The industry is comparatively unregulated and grows and collapses like topsy, depending on supplies, price and conflict. People become unemployed and the conservation movement gets the blame for what is essentially industry and government incompetence. The Commonwealth needs to urgently step in and properly regulate the industry. It needs to ensure proper management of a valuable national resource. It needs to plan for future development of an extensive national plantation system that keeps pace with national requirements and regular employment security. There needs to be long-term agreements' signed with the States that ensure continuity within all agreements in plantation planting and management. Employment opportunities and gradual withdrawal from old growth and native forests is essential in all agreements that the longer term while slowly changing over to plantation timbers. Any tripartite agreement should last for at least twenty years to prevent signatories or any future government (Commonwealth or State) from reneging. Private enterprise and the States should form part of all agreements. It is silly to suggest that timber cutting should stop immediately in all old-growth forests, while timber stocks are mostly limited to state owned forest and a few private plantations. There should be as part of any agreement that the withdrawal of commercial extraction from State owned forests will cease when alternative plantation timber becomes available. This does not mean that non-commercial extraction like firewood and burns will not occur as some will be necessary to ensure proper management of state forests.

The National trade figures demand that home-grown planting of timber is essential. Similarly, the national need for home grown exotic timbers not normally grown in Australia should be encouraged with timber such as Walnut, Mahogany or Teak. This will help to reduce the trade deficit over time and over reliance on some imported timbers. We must also help preserve overseas endangered timbers that are not subject to rigorous conservation values. Fair Trade (rather than Free Trade) agreements to import such timber can be entered into with other nations that practice adequate conservation values. Equally, Australia can export high value timbers if an internal surplus develops. It should not export low value timber products if the full price is not paid, including the environmental costs of extraction, processing and shipping and storing.

There needs to be considerable improvements in productivity. This was partly reached when some assistance was given to the industry by previous governments. The mode of extraction is still primitive in some instances such as hand cutting of timber and clear felling, the use of old style processing plant, although some work has been achieved. There should be an end to

short-term cost cutting measures such as the States and Territories assuming the full cost of timber roads construction and maintenance. Growth in timber use will continue in Australia, but it must be at full cost and be sustainable. The industry itself must be sustainable as well as the resource.

Structure:

A National Timber Authority (NTA) should be established whose prime function is to ensuring sustainable extraction, conservation and environmental values. In addition, ensure economic values associated with timber growth, variety of species and nationally established volumes of extraction and replacement. The aim is to supervise all States and Territories with new plantations, modes of extraction and efficiency of processing. To ensure long-term planning for new timber and extraction rates, the gradual reduction in exploiting timber in old growth and state forests and transfer most extractions to plantation timber while ensuring land is purchased or leased using excess farm land at rates that gives farmers an adequate rate of return. The key criteria are sustainability and adequacy. The NTA should be established by agreement with all States and Territory governments for a period of not less than twenty years with a sunset clause of terminating the authority after the period, unless all parties agree to extend its time.

The NTA should have not only a regular annual budget but an adequate annual capital fund to invest in plantations, their management and scientific investigations. It should not normally invest in the capital for companies set up for the sole purpose of making a profit, unless profits are subsequently ploughed back into the industry. The NTA should provide capital to restructure viable companies in the timber industry that comply with the aims and objectives of the NTA. The Parliamentary annual budget allocation should be of sufficient size to provide strong leadership to the timber industry guiding it towards sustainability and viability. The board of the NTA should consist of members from within the industry who comply with the objectives of the Government and the NTA. This includes Government representatives and the Trade Union movement. The Chairperson should be a person who fully supports the NTA aims and objectives and is an accepted leader in the field either from within Australia or overseas. The Chairperson shall be appointed for a period of not less than five years and subject to review and possible re-appointment. Each board member is also reviewed and subject to reappointment every three years but for two terms only.

The States have not performed at all well in managing their timber industries over the years. There is a little likelihood of much improvement. The Commonwealth has to intervene and assume the overall management of a valuable national resource. The States and Territories can continue their involvement through the NTA. They need to continue investing through an investment arm of the NTA and generate a reasonable rate of return. The NTA can own

new plantations, or it can contract out to either States or Territories or to private companies. The NTA can and must intervene in disputes of how forests or plantations are treated (or exploited) and can (re)assume control. By agreement or the passage of Commonwealth law, it can assume control, if required, of all or individual State and Territories plantations or forests where timber extraction is occurring until (by agreement) control is reassumed. By implication, it means assuming the management of all contracts and future possible contracts and employment of staff or the cancelling existing contracts, if they do not meet the requirement and objectives of the NTA.

Home Farm Timber growing:

Comments have been made regarding the use of farming timber on farms. There are serious economic consequences surrounding this question. Low value timbers will be quite useless, unless the product is used as firewood. What is required is a form of niche farming for high value timbers such as veneers. These are timbers that require close management and can only become profitable after a number of years, especially for slow growth timbers. It is recommended that while timber on farms might appear attractive, it is frequently a superficial question. It is recommended that the NFA be involved in high value farm timber by providing long term subsidies to farmers to grow veneer timbers such as Mahogany, Walnut or any other veneer timbers required by the furniture or a specialised industry. Only minimum sized properties should be selected, ones that can provide reasonable profits based on market price and volume forecasts and in sufficient numbers and land sizes. Otherwise, it would be foolish and uneconomical to be involved in lower-end value timber as these would be uneconomic to all parties.

Conclusion:

The intent of this submission is to provide Commonwealth leadership to a chronic and chaotic situation. This development came from poor governance by the States. It is the negative impact on the national balance of trade and the necessity of providing national leadership in a vital national industry. It led to the poor economic returns Australia was getting from its national resource, poor environmental inputs and outputs in some states that imposed un-necessary stress on the industry, workers and the taxpayer. It is imperative to resolve employment problems within the industry and deal with many uneconomic circumstances associated with few, if any investment in modern technology.

The NTA has a limited life-span as this situation is seen as a medium term issue. Timber takes many years to achieve maturity. It is expected the industry by then will have adopted modern practices and then sees itself as a modern thriving national industry that can function without extensive government involvement. Most of all, it is the hope of this submission that the industry will see itself as one that is self-sufficient, comfortable with the community and modern.