

March 25, 2011.

The Secretary,  
House of Representatives,  
PO.Box 6021  
Parliament House,  
Canberra  
ACT,2600

### **Inquiry into the Australian Forestry Industry.**

My submission to the inquiry is specifically concerned with the future of the native forest industry in Tasmania and is based on my experience in the industry.

#### **Background Experience.**

I was raised on a farm near Smithton, attended the local State primary and High Schools, followed by Devonport High, Uni. of Tas. and the Australian Forestry School, Canberra from which I graduated with a B. For. and Dip For.

My professional experience includes : 3 years With Tas. Forestry Commission, 3 Years with Kilndried Hardwoods P/L, 32 Years with Australian Newsprint Mills and 10 years as a consultant. I retired from ANM in the position of Forests and Wood Products Manager.

I am 83 years of age, a fellow of the Institute of Foresters of Australia and a life member of the Consulting Foresters of Australia.

#### **Introduction.**

##### **A brief history of the Tasmanian timber industry.**

Over the last fifteen years more than 180,000 ha of eucalypt plantations have been established in Tasmania, mainly under MIS schemes on private land. The trust deed for most of these schemes identifies short rotation pulpwood as the target market.

Tasmania also has a comparatively small area ( about 70,000 ha) of pine plantation which is mainly owned by two organisations, namely FT/GMO joint venture and Norske Skog. These pine plantations serve two customers, Gunns mill at George Town and Norske Skog at Boyer with smaller quantities going to a Longford preservation plant.

It is the ongoing threat to the future of crown native forest industry in Tasmania to which I am most concerned and to which this submission is directed.

Following WW11 there was a boom in hardwood sawmilling during the 1950s with the annual cut from Tasmanian State forests up to around 900,000 m<sup>3</sup>. The Forestry Commission lobbied for years to reduce the cut and succeeded in the mid 1970s to reduce the cut to 400,000 m<sup>3</sup>.

It should be noted that no compensation was paid to the sawmilling industry in recognition of their loss in log allocation.

There followed a series of inquiries, beginning with the Helsham Commission into the Lemonthyme and Southern Forests in 1987, followed by the Labor/Green Salamanca Agreement which gave rise to the Forest and Forest Industry Strategy ( FFIS) in 1990, (Endorsed by all parties with the exception of the Green representatives ).

In 1981, less than 600,000 ha or 8.5 % of Tasmania was in reserves. Following the Helsham Inquiry and the FFIS, over 1.6 million ha or 24 % was in reserves. Then followed the negotiations involved in the signing of the Tasmanian Regional Forest Agreement which resulted in the further loss of 487,000 ha to reserves and 48,000 of forest on private land.

The Federal Government made substantial payments of compensation to the State on each occasion. ( \$50 million for the Helsham agreement and \$110 million for the Regional Forest Agreement ).

Arising from the Forest and Forest Industry Agreement the sustainable yield of sawlogs was calculated by Forestry Tasmania to be 284.000 m3 per annum.

The sawmillers were successful in lobbying the Tasmanian Government in legislating an annual supply of 300,000 m3 of sawlogs.

Negotiations which lead to the signing of the Regional Forest Agreement involved expert analyses of all the forested land in Tasmania, including private land, to identify all areas which qualify for a Comprehensive and Adequate Reserve" system.

The resulting RFG included the following undertaking

#### ***"Future Listings***

***12. The Parties note that the Commission has agreed not to undertake any further regional studies of Forests in Tasmania.***

***13. The Parties note that the Commission has confirmed that, based on the Joint Study, there is no evidence to identify additional large areas with National Estate Values in the Forest Estate and that it therefore will not, subject to statutory provisions, list additional large places in the region.***

***14. The Parties note that the Commission has agreed that future nominations will be referred to them, and agree to work in a cooperative and timely fashion when considering whether such nominations will be recommended to the Commission for listing. As part of this process the Parties will compare the nominations with the existing Tasmanian Forest National Estate database and to consider any new research or information provided.***

***15. The Parties will jointly agree on any future forest related recommendations to the Commission for listing. The Parties note that the Commission has agreed to work cooperatively with them on the detail of any consequent listings that may arise. "***

In November last representatives of the timber industry, unions and conservation groups signed the following **"Statement of Principles"**.

**General wood supply.**

Provide a sustainable resource supply to industry based on an agreed minimum. quantity and quality requirement. This will be underpinned by legislation.

**Native forest wood supply.**

Subject to the provisions of the transition, as legislated native forest entitlements are handed back, ensure these entitlements will not be allocated nor licensed to new players.

**High-conservation-value forests:**

Immediately protect, maintain and enhance high-conservation-value forests on public land identified by environment parties to this agreement.

**Transition:**

Transition the forest industry out of public native forests into suitable plantations.

**Industry/pulp mill:**

Create a strong sustainable timber industry including the development of a range of plantation-based timber processing facilities, including a pulp mill. There will need to be stakeholder consultation and engagement with the proponent, environmental groups and the community.

**Specialty timbers:**

Provide for ongoing specialty timber supply including eucalypt for our Tasmanian high-value furniture and craft industries through a negotiated plan and timeline.

**Private Forests :**

Encourage and support, but not mandate, private forest owners to seek assistance for certification, and protect, maintain and enhance high –conservation value forests on their properties.

**Impacted Communities :**

Support impacted rural and regional communities, workers, contractors and businesses through a range of economic development, financial assistance, compensation and retraining measures.

**Tourism :**

Develop Tasmania's nature based tourism industry in line with these principles.

**Community engagement :**

Engage and involve the broad Tasmanian community in the development and implementation of a durable solution to the Tasmanian forest conflict.

**Biomass :**

In Tasmania, only permit plantation forest processing and plantation harvesting residues to be used as biomass for Renewable Energy Certificates.

**Certification :**

Encourage Forestry Tasmania to firstly obtain Controlled Wood accreditation on delivery of the moratorium, secondly, obtain full FSC certification on resolution of an FSC National Standard.

**Legislation :**

Require State and Federal legislation to implement agreed outcomes arising from these principles including appropriate review mechanisms, milestones and sanctions.

It should be noted that it is an all or nothing heads of agreement.

The genesis of the process was Gunns' announcement that the company proposed to cease all native forest operations in order to win a "social licence" and finance for the building of their proposed kraft pulp mill at Longreach.

Gunns currently has a contract with Forestry Tasmania to purchase 220,000 m<sup>3</sup> of high quality sawlogs from State Forest together with all of the pulpwood arising from FT operations.

FT has a statutory obligation to supply a total annual supply of 300,000 m<sup>3</sup> of sawlogs to the industry.

Gunns have indicated that its agreement to relinquish its native forest timber rights is conditional on the Statement of Principles being fully implemented and a payment to the company of compensation by the Commonwealth Government of more than \$200 million. Both major State and Commonwealth political parties have indicated strong support for the Gunns pulp mill proposal and the mill has passed all environmental hurdles.

**Implications of a successful implementation of the Principles.****A. Short term.**

- \* Gunns may obtain a partner and finance to build the pulp mill.
- \* the remaining family based sawmillers and some of the "Country" sawmillers will have a guaranteed supply of about 150,000 m<sup>3</sup> of quality sawlogs from native forests until 2027.
- \* Malaysian company Ta Ann will have a guaranteed supply of logs until 2027.
- \* Up to 572,000 ha of forest identified by the conservation groups as possessing "high Conservation values" will be withdrawn from timber production and placed in National Parks.
- \* What happens to native forest pulpwood arising from timber harvesting and sawmilling is not clear.

**B. Longer term.**

- \* in the extremely unlikely possibility of a move out of native forests into plantations is achieved the remaining 720,000 ha of State Forest will be taken out of production and placed into National Parks.

The reason for scepticism on a transition out of native forests to plantations is that

- (a) Only a small area of young plantation is currently targeting sawlog and
- (b) CSIRO sponsored sawing and drying trials of plantation grown *E. globulus* and *E. nitens* have not indicated the possibility of a viable industry.

### **Implications for Tasmania and Australia.**

These trade offs to get a pulp mill will have short and long term costs in terms of investment in the forest industry, particularly in down stream processing and employment, and in rural areas such as Circular Head and the southern forest, where communities are so reliant on native forests and where there is little scope for plantation expansion.

With a full implementation of the plan 60% of the State will be in reserves.

Our native ash eucalypts compare favourably with the best hardwoods in the world in applications such as solid furniture, strip and floating floors, construction grade plywood and LVL and fancy veneer.

However it must be recognised that if the "Principles" are achieved the Tasmanian native forest resource has critical limitations in terms of :

- \* its small volumes does not justify major investments in the production of bulk commodities.
- \* a relatively small proportion of the timber is of select grade. Therefore a market must be available for lower quality timber and
- \* the current sawmilling industry has largely been reduced to small family based companies which lack the scale or finance to pursue downstream processing.

One exception to this lack of scale is the recent arrival of the Malaysian based company Ta Ann. Ta Ann has built two modern rotary veneer mills, one in the Huon Valley and the other at Smithton.

Its product has been enthusiastically received by Asian buyers. The mills use short regrowth logs and can tolerate internal defects such as small knots and gum veins.

The product is being exported in dried leaf for downstream processing in Asia. There would appear to be little incentive for the company to further value add in Tasmania.

### **Unnecessary consequences**

Why is it necessary to destroy the profitable native forest industry as a trade off to get a pulp mill ?

Transferring 1.3 million ha of State Forest to National Parks will have the following deleterious effects.

- \* the demise of FT and its highly trained work force, several thousand contractors and associated businesses.
- \* the loss of a profitable \$700 million industry.
- \* maintenance of many thousand km of the road network in State forests. It will not be financially possible to maintain these roads with no income generation and will result in a loss of access for fire protection and tourism.
- \* a substantial increase in cost to the State and Commonwealth taxpayers for administering 60% of the State in reserves.

In spite of the fact that the major wood producing countries in the northern hemisphere source most of their timber from native forests the Australian environmental movement believes that our native forests should not be professionally managed and harvested in a sustainable way.

An argument commonly made for the protection of native forest is their value as a carbon storage. It cannot be denied that an oldgrowth forest does store a lot of carbon but it is equally true that such a forest is at best in carbon equilibrium and gradually gives up carbon in senescence or when destroyed by fire or storm.

The rate at which a forest store carbon is directly proportional to its net growth rate. Thus a regenerated forest rapidly puts on wood (carbon storage ) until growth rate peaks at about 20-30 years and thereafter gradually declines until it reaches a steady state at maturity. Thereafter the growth of the forest is concentrated on fewer tree while the rest die through competition.

In a well managed forest for timber production the trees which would die naturally through competition are thinned and converted into products which store carbon including furniture, building material and paper.

The result is that a well managed forest for wood production will, in the long run result in the storage of more carbon than a forest allowed to grow without thinning to over maturity.

### **High Conservation Forest.**

572,000 ha of "High Conservation Forest" has been identified by the Conservation NGOs for a moratorium on logging. No criteria has been provided for the inclusion of forest in this category. This contrasts to the strict assessments previously employed by scientists in identifying the 487,000 ha of crown forest and 48,000 ha of private property which qualified as CAR reserves during the long negotiations leading to the Tasmanian Regional Forest Agreement.

Withdrawal of this forest from potential wood production comes at a cost of future management of a non productive asset and also in terms of forgone opportunity for wood production. Not all of the 572,000 ha carries forest but let us assume that only half is suitable for wood production. A conservative annual growth rate of about quarter of that which is achieved in a plantation, say 6 m<sup>3</sup>/ha/year would provide a annual yield in perpetuity of 1.7 million m<sup>3</sup> or tonnes.

### **Conclusions.**

The long term prospects for employment in the Tasmanian timber industry will be directly related to the area of suitable land available for growing of trees.

Without a market for pulpwood the native forest sawmilling industry is not viable.

*The Statement of Principles is not in the best short or long term interests of the people of Tasmania and in particular the future employment and career opportunities of rural Tasmanians.*

Implementation of the Principles will incur a substantial and ongoing tax burden on the Tasmanian communities and the Australian Government.

There is no factual evidence that the locking away of 1.3 million ha of forest in National Parks will yield a greater net benefits in carbon sequestration than by managing the forest for multi-use wood production.

Don Frankcombe.