Submission to House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry Australia's Forest and Forest Products Industry

Forest's Taskforce
Port Macquarie-Hastings Council

PO Box 84, Port Macquarie NSW 2444

PORT MACQUARIE
HASTINGS

Please find attached a submission to the Inquiry into the Australian Forestry industry.

The submission addresses:

- Opportunities for and constraints upon production and
- Social and economic benefits of forestry product.

22 March 2011

The forests and forest products industry is an important contributor to the Mid North Coast regional economy, offering significant potential for future growth, particularly in regard to value- adding and the utilisation of wood-waste for energy generation. Currently this growth is being constrained through:

- Prevalent misunderstanding about the many benefits that flow on from a well managed forest system
- Low levels of resource security and high levels of Sovereign risk
- Difficulties in attracting and retaining skilled workers
- Difficulties faced by the industry in 'staying ahead of the game' in a rapidly changing forest sector
- An intensive regulatory regime that is not outcome focused

This submission, by Port Macquarie- Hastings' Forests Taskforce, provides a local perspective on the key elements of a successful industry growth strategy

Background

Port Macquarie-Hastings Council (PMHC) has identified a number of industry development priorities based on sector competitiveness, value-adding potential, existing infrastructure and the availability of a sustainable resource. Following this process the forests and forest products industry was identified as a primary economic priority for Council.

Council's economic data indicates a total direct and indirect value-added of $91m for the Port Macquarie-Hastings area alone. Total employment is estimated at 372 jobs. The industry employs around 7,200 workers throughout the north-east forestry region of NSW.

Forests based tourism and recreation are other important contributors representing an estimated 2.1 million forest-based visits per year and growing at a rate of between 2% and 3% per year. Mineral resources, including construction material and aggregate, the apiary industry and cattle grazing on Forests NSW land also contribute.

Given the importance of the forests and forest products industry and the specialist nature of the task ahead, Council appointed an industry based taskforce comprising industry representatives with a strong understanding of local, national and international trends. The charter of Council's taskforce (referred to in this submission as the Taskforce) is to prepare a key strategic issues report and undertake an implementation plan, with challenging milestones, covering at least the next 3 year period. This report is now complete, adopted by the Taskforce and implementation is well underway.

Key elements of a successful forests strategy from a local perspective

Both the private sector and Government have an important role to play in achieving a prosperous industry with a sound long term future. Regarding the private sector, the Taskforce acknowledges the local industry is characterised by small production scales and relative fragmentation. Accordingly it has set out to facilitate collaboration between businesses in a number of key areas as identified in its strategic issues report. There remains much to be done.

Regarding the Government sector, the Taskforce acknowledges that success in the industry will largely be determined by the policy setting – that is the laws and conditions as set by Government. It is these policy related matters that the submission deals with.

1. Resource Security

An overwhelming response form interviews undertaken by Taskforce representatives is that greater resource security and a 'more streamlined' regulatory environment is essential for industry development. Investment is also being constrained by a tightening Regional Forests Assessment deadline, high capital costs and imposing licensing requirements governing some activities.

The Taskforce acknowledges that achieving a sustainable timber resource and industry is likely, following the expiry of the existing contracts may require a reduction in harvesting volumes for some decades beyond the period of the current Regional Forest agreement. With this in mind:

It is a recommendation from the Taskforce that Government:

- ***Legislates 'evergreen' forest agreements, subject to standards, and any reduced and sustainable volumes as determined by Government, in consultation with the Forest Industry.***
- ***Builds the resource through additional plantation forestry.***
- ***Promotes private forest management of existing forests.***

2. Plantation Timber

A carbon scheme is also likely to have a positive impact on plantation management as the sale of carbon offers potential to make plantations financially viable in locations they may not otherwise be so. At the moment, only plantations planted post–Kyoto protocol are accepted. Native forests are also excluded. In the local context, this means that plantations, including State Forests such as the local Cairncross State Forest are exempt from carbon credit sales.

It is a recommendation from the Taskforce that Government:

- ***Establishes a method of effective investment in plantation timber to help address the shortfall in the availability of sawn timber to meet the Australian housing market.***
- ***That Government proceed quickly to apply an economic value to carbon so as to provide an additional commercial opportunity beyond the growing of timber.***

3. Value-adding

Competitive value-adding to timber sourced from this region has high multiplying consequences. Data obtained from Council's input/ output tables shows that the multiplying effect of forestry is 1.6 compared to the processing of sawmill and other wood products of 1.8. This means that for every $1m of direct output an additional $800,000 is achieved throughout the rest of the economy as servicing sectors increase output to meet the additional demands and also the expenditure of additional wages and salaries, a proportion of which is typically spent locally.

It is a recommendation from the Taskforce that Government:

- ***Facilitates competitive value-adding by supporting private sector investment in the domestic processing of Australian hardwood, including residues and thinnings, as well as existing and new, high value sawlog processing facilities.***

4. Residue to Revenue

Local mills are continually constrained by poor services (electricity, haulage routes, dual consent mechanisms [Council and DECCW]) and the lack of opportunities to utilize valuable by-product resources such as sawlog waste for energy production, which are currently curtailed by legislation. The disposal of sawmill residue, especially sawdust, is an ongoing problem for smaller mills and processors in the Region as comparatively low returns make the transport and on-selling of this potential resource, unviable. The use of mill timber waste and other forest derived bio-mass provides outstanding fuel for renewable energy production. While the technology is well developed there are political impediments. Local sawmills believe they could generate much if not all of there energy requirements through the use of wood waste, representing a considerable reduction in greenhouse gas emissions.

It is a recommendation from the Taskforce that Government:

- ***Facilitate the recognition of the utilisation of wood waste from both forest and milling operations as being a desirable renewable source of energy.***
- ***Recognise the removal of waste timber and thinnings from forests increases forest productivity.***
- ***Supports the commercialisation of energy generation from forest residue by actively working with providers and suppliers.***

5. Informed Consumers

Consumers are becoming increasingly aware of the importance of sustainable harvesting and production systems   The Taskforce considers that market opportunities will multiply considerably when environmental credentials are promoted.

To address this issue on a local scale, the Taskforce is implementing a ‘labeling’ scheme where products produced in accordance with the Australian Forestry Standard and supplied through the Chain of Custody Standard (AS4707) are distinguished at the retailer level, and on the trucking fleet, as a demonstration of environmental responsibility.

It is a recommendation from the Taskforce that Government:

- ***Supports and promotes the introduction of ‘green labelling’ schemes that enable consumers to distinguish between timber that has been grown, and products manufactured, from sustainable production and supply systems.***

- **Implements awareness programs that commence at the 'ground level' to inform about timber and wood awareness through primary and secondary schools and by educational packages to teachers.**

6. A skilled and safe workforce

A skilled workforce is and will remain essential to the future of this industry. Most firms interviewed by Taskforce representatives indicate difficulties in attracting and retaining skilled employees, from machine operators through to sawyers, saw doctors, mechanics, fitters and skilled general tradesmen.

It is a recommendation from the Taskforce that Government:

- ***Continues to fund Forestworks to develop and implement career and skills initiatives that focus on the increasing need for skilled workers in all aspects of the industry.***

- ***Continues to support programs such as the Critical Skills Investment Fund that are aimed at training potential employees in skill shortage areas.***

7. Conclusion

Future opportunities in the forests and forest products industry will be challenged by its capacity to adapt rapidly to changing circumstances and new opportunities for value-adding and investment.

In this context, policy settings will be very important. If they are correct, the industry can expect to create many thousands of additional jobs and generate billions in new investment while reducing carbon emissions by 80 million tonnes per year.

Contact details:

Trevor Sargeant
Economic Development Manager
Port Macquarie-Hastings Council
PO Box 84
Port Macquarie NSW 2444

Ph: (02) 6581 8660
Email: trevor.sargeant@pmhc.nsw.gov.au