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Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Reference: Employment in the environment sector

THURSDAY, 13 FEBRUARY 2003

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Thursday, 13 February 2003

Members: Mr Billson (*Chair*), Ms George (*Deputy Chair*), Mr Barresi, Mr Cobb, Mr Hunt, Mr Jenkins, Mr Kerr, Mr Lindsay, Ms Livermore and Mr McArthur.

Members in attendance: Mr Barresi, Mr Billson, Mr Cobb, Ms George, Mr Jenkins and Mr McArthur

Terms of reference for the inquiry:

To inquire into and report on:

- The current contribution of environmental goods and services to employment in Australia;
- The future potential growth, including barriers and opportunities for growth, of environmental goods and services and impact on employment;
- Current status and future requirements for an appropriately skilled workforce;
- Appropriate policy measure that could encourage the further development of the environmental goods and services sector; and
- Information and reporting systems that would support the uptake of environmental goods and services to enhance overall business performance and development of the sector.

WITNESSES

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TOWNSEND, Mr Phil, Deputy Executive Director, National Association of Forest Industries..... 71

Committee met at 11.04 a.m.

CARNELL, Ms Kate, Executive Director, National Association of Forest Industries

TOWNSEND, Mr Phil, Deputy Executive Director, National Association of Forest Industries

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Environment and Heritage inquiry into employment in the environment sector. This is the fifth hearing of our inquiry. Today, we are delighted to receive evidence from the National Association of Forest Industries and the support team at the back. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are formal proceedings of the parliament and, consequently, warrant the same respect as proceedings of the House itself. It is customary to remind witnesses before they provide testimony that the giving of false or misleading evidence is regarded as a serious matter and it may constitute a contempt of the parliament. Do you wish to make a brief statement in relation to your submission?

Ms Carnell—Thanks very much. We would like to make a brief statement to supplement our submission that you have already received. Substantive regulatory requirements are currently driving the activities of sustainable forest and plantation management. Each state has a code of practice for forest management which details the practice to be followed in order to meet the requirements for sustainability.

Matching the government's environmental objectives and industry strategic direction is one of our key considerations at present. Future planting and management of trees in rural and regional Australia could lead to between \$15 billion and \$25 billion of new investment in commercial tree crops alone over the next 20 years. That can deliver significant environmental benefits in those areas and, of course, significant jobs as well.

Estimates indicate that new commercial environmental forest investments have the capacity to treble the size of the current industry and keep us at the forefront of international competitiveness. However, the new investments will require a strong industry focus to ensure that the right trees are planted in the appropriate locations to give the best array of timber products and environmental services. Directly, this new investment will provide employment and training opportunities in a broad range of areas including: forest establishment and management; nurseries; land conservation and stewardship; forest and water resource monitoring and evaluation, including the assessment of carbon sequestration and the trading of environmental credits; certification, including third-party auditing of environmental practices; research and development; education and extension services and so on, as identified on page 3 of our submission. Then the real flow-on benefits from investment in the environmental sectors will be felt by regional communities.

If there is additional investment in secondary and tertiary processes in timber resources—that is, once you have planted the trees—the flow-on into other industries is quite significant. As you will note, forest resources, apart from the raw material exports, are all processed in the locations where they are harvested. These opportunities exist across the full spectrum, from using low-grade materials to produce renewable energy through to the production of high-value structural and appearance-grade timber products. We are saying that this is one of the few

industries where the tertiary manufacture of the product tends to be done in rural and regional areas, so we do not ship the raw product to the cities for manufacture.

To achieve these outcomes, the forests and timber industry is developing a strategic framework for the future, which takes into account the possible significant planting of tree crops for multiple purposes. While we have identified a number of impediments in our submission that need to be addressed in order to attract investment on the scale that is required for timber supply and to repair the environment, the key difficulty for all of us to overcome is making the information available to institutional investors for forestry opportunities; in other words, how we encourage commercial investors to be able to link with the very real opportunities that exist in rural and regional areas to minimise the risk that currently exists due to lack of information—not due, in normal terms, to commercial risk.

This is an important step if we hope to address all of the issues that we have put in our submission. We—the government and industry—must overcome the gap between government policy objectives and attracting private sector investment. The information base is therefore an essential component for attracting commercial interests into the development and funding of environmental solutions.

What we are saying, I suppose, is that the private sector is interested in investing. They are keen to go ahead. They are keen to plant trees, to plant plantations in areas that have already been identified as being appropriate for planting by people such as the Murray-Darling Commission and also by BRS. They have suggested that somewhere between three million and 5.5 million hectares of land that is saline affected at this stage could be planted commercially for forests, which they believe would have great benefits for salinity and also for greenhouse. The industry is saying, 'Hey, yes, we are interested in planting.' The external market—that is the international market—is saying, 'We have a gap in supply of wood products.' So the market is there; the investors are there; the need is there; but the links between all three are simply not there.

Other key factors include: the provision of effective rules for trading environmental services, including carbon and greenhouse credits; consistency in the tax rules applying to investors and the treatment of those rights; government regulations, such as state based codes of practice, that are over-prescriptive—you will hear this from everyone; and, of course, making sure that renewable energy regulations allow the use of timber waste to produce renewable energy out there in the forest where those wastes exist and where currently they are being burnt in significant bushfires.

CHAIR—Mr Townsend, would you like to add anything?

Mr Townsend—The only thing to add to what Ms Carnell has just said is that the Australian timber industry is an international leader both from the environmental perspective and from the timber production perspective. We are international leaders and we want to maintain that position. We see that there are opportunities for those numbers of jobs through the environment industry.

CHAIR—The RFA process was designed to bring together some of those links that you are talking about. Has that not delivered on that expectation or is there an RFA mark 2 or 'son' of

RFA that needs to be more specific about some of the information and the strategic direction that you refer to?

Ms Carnell—Regional forest agreements did a very good job in identifying a significant amount of new reserves in Australia and identifying the areas that should be available for commercial forestry. The RFAs are progressing well in some places and not so well in others, and Phil might like to comment on this.

Probably what we are talking about now is almost a mark 2. We have now had identified a significant amount of land that needs to be planted for saline purposes. These are not our comments—the Murray-Darling Commission and BRS have made those comments. To plant these areas with trees will provide lots of jobs, will provide obviously carbon credits and salinity credits, if we want to call them that at the moment.

To make this somewhat unique, I suppose, there is also an international market that is crying out for an increase in the amount of wood products. In places like China and India, as they increase their standard of living, their usage of a whole range of timber based products from paper all the way through is escalating exponentially. They simply cannot provide those products. The good news about Australia is that we are in the region, so our transport costs are low. Also our approach to forestry with things like the RFAs and the Australian forest standard means that our approach is significantly more environmentally sound than that of some of our competitors in the region. So it is a bit of a win-win situation. Phil might like to comment further on the regional forest agreements.

Mr Townsend—The regional forest agreements give us a good indication of how to roll out the environmental programs in the future. Resource security for the industry was one of the key issues out of the RFA. What do we find? We find states fiddling with the resource security for the industry in order to win green preferences.

As we start to draw investment to regional Australia, we will be asked questions about repairing the environment and about what security is there so that we will be able to harvest that material in the future. I know that that is not a Commonwealth issue; it is a state right. But somehow we have to build this into the program so that states cannot at some stage in the future, as they have done in New South Wales in the last 12 months, declare national parks on what was plantations established in the 1950s because some koalas moved into them. We need to protect the environment; we are not saying that we are not concerned about the animals and the flora as such; but we have to realise that basic rights are required to protect investors.

CHAIR—So there are four areas you would say would make sense in an RFA mark II. First, you talked about the industry value adding in its region, and I guess some of us would like to see more of that here, so a greater emphasis on the value adding. Second, we need highest and best use principles whereby, if you have A-grade timber, you do not chip it and ship it.

Ms Carnell—Absolutely.

CHAIR—Third is the new value out of ecosystems and carbon credits—I guess you are implying that to get people to invest they actually want a return.

Ms Carnell—Yes.

CHAIR—If we are redeveloping land and renewing land, then there should be some value on that. The fourth is economic security. They are the four elements that you talk about. I am sure there are a lot of other questions around what you said but I just wanted to be clear—

Ms Carnell—Very much so. The vast percentage of the land we are talking about planting on is private property. So unlike the RFAs, where a very large amount of it was state forest or became national park areas, as you would be aware the areas that have been declared saline affected or are at risk of being affected by saline issues are on private property. So this is a whole new approach, shall we say.

The figure from the Murray-Darling Commission on what it would cost the government to plant trees in these areas that have been identified to be planted is in excess of \$17 billion. We all know that the government is never going to have \$17 billion to plant trees on private property. If they have to buy the property, you end up with a whole range of other issues that you only have bad dreams about.

CHAIR—But your ecosystem service is really about a value to the land remediation effort so that that adds to the proposition of the investor.

Ms Carnell—That is very true. We believe that, if you plant the right trees and you have the right silvicultural approaches for those trees and you have addressed things like right to harvest and so on before you go, then probably, with a bit of help from carbon credits—if that happens—there is a very good chance that a lot of these areas are actually commercial when it comes to planting. They do not require government handouts; they are actually commercial now if we get all of those bits right. The problem for industry is that that is not happening at this stage. Phil, this is your area of expertise. Do you want to add anything?

Mr Townsend—Yes. We are putting a submission to the government at the moment. A lot of research has been undertaken over the past five to six years—pockets of research answering particular questions. People are saying, ‘All right, we can plant trees. We can generate environmental solutions, employment,’ and so forth out of that. But it has not come together. There are so many risks for the commercial sector at the moment that they are not interested in being involved in planting the trees unless the government gives them a huge contribution. It is a really significant contribution on a per hectare basis.

Ms GEORGE—Has there been any economic modelling done that you are aware of?

Mr Townsend—There certainly has been some economic modelling done but, again, it has not been drawing together the appropriate pieces of research to ask all of the right questions. They will ask a bit of a question and answer a bit of that question. We need to bring together a lot of the research that has been completed in Australia now, identify the gaps within it and then identify the solutions that will really attract the commercial sector.

In general, with these sorts of plantings, most of the money will not come through the managed investment schemes or the tax based approach which is delivering a good resource to the industry at the moment—that is too expensive. The regulatory cost is about \$500 to \$1,000 a hectare and there is just no margin to make that up, unless the government is willing to make a \$500 to \$1,000 per hectare donation on the other side. We must have another way of drawing in the institutional investors. There are a lot of issues that we have to address. These will be

things such as: if we plant trees in certain locations, what is the salt benefit, what is the carbon benefit and also—

CHAIR—How you trap it.

Mr Townsend—what impact we are having on water and hydrology in that region to ensure that we do not have a gross negative impact, which could occur if we plant trees in the wrong location? We need the industry driver behind it to make sure we get the right species. The timber is then managed so that the industry can use it. Then it is utilised and sold off into a whole range of markets.

Ms Carnell—And that we maximise the return; that is, we do not use, as you say, good quality logs for low value returns. But, again, that is what will happen if we encourage the wrong sort of investment. The other issue that is a real problem for the industry at the moment is that, because all of this land tends to be on private property, to plant a resource that is big enough to warrant all of the spin-offs—the roads, the sawmills and the manufacturing entities—you have to have a big enough area. You are potentially going to have 200 land-holders involved. You can understand that, from an industry perspective, trying to talk to every single one of them individually will be very costly and will potentially undermine any capacity to make the thing work in the longer term.

Remember we are asking industry to pay to plant trees in areas that are not high rainfall, that are low to moderate, and that will have potentially lower rates of growth—all those sorts of things. So you cannot end up with big costs anywhere in your equation. We have to find a way to minimise that risk of the uncontrolled costs that can be fixed. All of this is quite fixable. This is not primary research stuff. The research has been done. The Murray-Darling Commission has done a huge amount of this work but, just at the moment, it has not linked the commercial sector and also the superannuation funds, who are quite interested in 20- to 30-year investments, into the equation.

CHAIR—So something robust enough to be almost a prospectus for private investment in forestry?

Mr Townsend—Yes, drawing the money through different means, through real institutional funds investing—

CHAIR—No other risks.

Mr McARTHUR—I do not know whether you have mentioned bushfires. I am sorry I was a bit late. There are three issues I would like to raise, and we are concentrating on employment opportunities. Can I raise the issue of the recent bushfires in northern Victoria and Canberra. It has been suggested in a number of quarters that the personnel in the national parks were not able to manage the parks very well and that the change of policy in reducing the roads that the former logging industry used made it very difficult to handle the bushfires. So it raises the issue that the people employed in the logging industry were able to, in a de facto manner, look after the forest areas, whereas the locking up of the parks, to use an emotional term, meant that there was nobody there to maintain the parks. There were fewer jobs and fewer resources. Would you care to comment on that assertion by certain people?

Ms Carnell—It is probably worth giving some statistics to show that what you said is certainly true. On the Saturday afternoon of the electric storms up in Kosciuszko when the lightning strikes hit, one of the pine plantations up there that is owned by Weyerhaeuser got 11 hits that afternoon while State Forests got 19 hits. I think Weyerhaeuser lost two hectares, State Forests lost three and Kosciuszko lost 330,000 hectares. That is because both in the State Forests and in the Weyerhaeuser plantations they had people on the ground, they had fire trails, they had people to go in and put them out—so they did. With Kosciuszko, they did not have that sort of infrastructure that you are talking about.

Mr McARTHUR—Can you substantiate that?

Ms Carnell—Absolutely. Those are the figures from State Forests and Weyerhaeuser, and we certainly know about the 330,000 hectares of Kosciuszko.

Mr McARTHUR—So you would support the argument quite strongly that because they had people on the ground, they had access and they were trained, those are two very clear examples of fire control that worked?

Ms Carnell—Absolutely. I think you would be aware that in Victoria it has been the workers in the timber industry who have been out there on their bulldozers fighting the fires over the last number of weeks. The reason they are there is that there are simply not the people who work in national parks to do the job.

Mr McARTHUR—But this Canberra national park one is very interesting because you actually have a side-by-side example. Has that been documented so that the committee could have a look at it?

Ms Carnell—I am happy to give you the documentation that we have. We just approached all the people in the industry, like State Forests and Weyerhaeuser, to get some feedback on what their experience was.

Mr McARTHUR—It might be quite helpful, Chairman, because it does demonstrate this quite substantial argument relating to personnel. It would seem to some of us that all the personnel have been taken out of the national parks, the roads have been blocked and some of the bridges have been pulled up. That is the evidence put forward, so there is virtually no access for anyone, let alone the firefighters. Would you confirm those observations?

Ms Carnell—That is certainly our view and our observation. I think the figures from Kosciuszko show just what a dramatically different outcome you get with active management versus just letting the fire burn. So we can certainly provide the information that we have on those.

Mr McARTHUR—Would it be your observation there are fewer people in the national parks controlling bigger areas?

Ms Carnell—Absolutely. It is true that the rules that a lot of the states have are to allow the fire trails to grow over, and that is how they do it. So they just do not have the fire trails available.

Mr McARTHUR—They have taken a deliberate policy of denuding the fire trails.

Ms Carnell—That is right.

Mr McARTHUR—Have you taken a position on the fires? It is not quite related to our current inquiry but do you have a view—

Ms Carnell—We very much support a national inquiry, not to find out who is responsible or whatever but to look to set minimum standards for national park management in Australia. A lot of these national parks run over borders. Fires certainly run over borders, as we have seen. I do not think we should be having a scenario where new national parks are declared regularly with virtually no budget dollars that go with them to actually manage the things.

Mr McARTHUR—From your association's point of view, what would you be recommending if governments take over national parks? Do you have a minimum management standard and personnel that you would like to see in there?

Ms Carnell—We have not at this stage. There are different views in different places. That is the reason we believe there needs to be a national inquiry, to get evidence from the various states and to be able to come up with a standard that does have buy-in from the various stakeholders.

Mr McARTHUR—As a broad observation, would you say that, once you create a national park, you lose a lot of jobs?

Ms Carnell—There is no doubt about that. You just have to look around Australia at the experience of the timber industry generally. There have been huge losses of jobs and, of course, all of those jobs are in rural and regional Australia.

Mr McARTHUR—Is there a direct relationship regarding the creation of national parks or just cutting down the amount of timber available for logging after the RFA?

Mr Townsend—Both of them run into each other. A most recent example is in the Victorian highlands where they shut down the logger access and resource for some of the mills up there, but fortunately the people are still around with bulldozers and they can go out and fight the fires. So they were unemployed a week before the bushfire started but they were able to start up their bulldozers and go out and cut fire trails. So we have the industry running—

Mr McARTHUR—With the next fire in 15 years, what will happen, in your judgment?

Ms Carnell—In 12 months they will not be there because they do not have jobs when the fires stop.

Mr McARTHUR—So there will be no jobs, no bulldozers and nobody in the national park, you are saying, with skills to fight the fire.

Ms Carnell—That is true.

Mr Townsend—Skills and equipment. There are 120 bulldozers operating to cut fire trails in Victoria at the moment, and 85 of those belong to contractors in the industry.

Mr McARTHUR—If they were taken out of the fire zones?

Ms Carnell—There would have been a lot more loss of property and loss of life possibly.

CHAIR—So you see a coming together of asset protection for timber and habitat protection for biodiversity?

Mr Townsend—It is very hard for our industry as well because they can see the fires raging through the national parks. They can quite easily get out into what forest resources we have left to utilise.

CHAIR—Can you give us some maths in terms of area of forest timber potential loss from the fire compared with harvesting activity?

Mr Townsend—In Victoria, the industry guys were telling us that they cannot use much of the resource that was burnt in the recent fire, which is still going. But if that was wood that was available for industry, it is 90 years worth of resource. That was up until a week ago and the fires are still burning. So we will be approaching, if not exceeding, 100 years of timber resource.

Mr McARTHUR—Do those critics of the RFA understand the particular figures?

Mr Townsend—They do not understand any of the particular figures.

Ms Carnell—They do not want to know.

Mr Townsend—We talk about renewable energy and we have a case in New South Wales—

Ms Carnell—It might be of interest to know that, as of yesterday, 2.93 million hectares of forests have burnt in this fire season. So to back up that view, that is by far the greatest loss that we have ever had in this country.

CHAIR—Do we know the extent to which those areas that have burnt have contained listed or endangered species, communities and the like? That is the frustration I have as someone who likes to see biodiversity conservation sit alongside sustainable use of our resources. I am troubled about the story of loss of habitat and endangered species. There are listed flora and fauna all the way through this area that have not got much—

Ms Carnell—The problem at this moment is that people have not been back into the forests to identify. We have certainly been back into Namadgi, which has basically been totally lost. Namadgi is a disaster. There is no doubt about that. Namadgi has lost virtually all of its biodiversity because more or less all of it is gone. Namadgi makes up 50 per cent of the area of the ACT, and about 90 per cent of the national park area was burnt. I think the figures that we have at the moment indicate that 28 per cent of reserved forest area in New South Wales—this is national parks and so on—and 35 per cent of reserved areas in Victoria have burnt. Those

areas supposedly are reserved because they have got areas that need to be protected. If those sorts of percentages are burnt, you assume—

CHAIR—So a national inquiry that looked at management of the asset for harvesting as well as at sensible measures to protect biodiversity would be a sensible, rounded kind of inquiry, in your view?

Ms Carnell—Absolutely. We do not see this inquiry as trying to look at the balance between working forests and national parks; we look at it as a management issue so that we do not end up with this sort of disaster.

CHAIR—If the forest is there, you do not have too many choices about how to manage that—

Mr McARTHUR—We would have the relativity of the jobs, would we not?

Mr BARRESI—Have you finished giving evidence, Stewart? Getting back to your submission, what is the overall reaction or response that you have seen from the mainstream enviro groups to your proposal?

Mr Townsend—It is quite positive and very strongly aligned with the Australian Conservation Foundation approach. You will remember from our submission that it was the Australian Conservation Foundation with the National Farmers Federation that put forward the \$65 billion plan to repair the environment. That is exactly in line with the sorts of things they are suggesting.

We run into some difficulties though with the environmental groups who come up with the most obtuse cases for promoting and then detracting from environmental investment activities. A very good example is the recent Greenpeace report—my apologies, I did not bring it with me. In this Greenpeace commissioned report called *Putting renewables on target*, section 2.4 is about using wood waste for bioenergy production. It says in one paragraph that the Tumut mill, which is quite a good set-up in terms of using plantation pines to reduce renewable energy, is a good outcome. A similar proposal is being put in place in the Mount Gambier region. That is a bad outcome because it is using plantation pine.

CHAIR—Why is plantation pine waste?

Mr Townsend—It is exactly the same material. They could be the same trees just transferred about 2,000 kilometres west.

CHAIR—Because if you are using waste, you are already paying the carbon bill under Kyoto for harvesting so you may as well burn it and get some energy. But if it is being harvested expressly for energy, then that eats into your carbon budget.

Mr Townsend—My apologies, Chair. In both cases, it is part of an integrated operation to produce the full range of high value products, but what do you do with the residue? So this is the duplicity we run into all the time.

Ms Carnell—The economics of cutting a tree down to use it for bioenergy are just not there—not even close. There is no chance anyone is going to do it, because they would go broke really quickly. They would not do it for long.

CHAIR—So you would be happy not to have that included in the mandated renewable energy target framework?

Ms Carnell—What we want in the mandated renewable energy target is the capacity to use wood waste.

CHAIR—Waste.

Ms Carnell—To be able to use the branches, the tops and the bits that come off the sides. We do not want to use the sawlogs.

CHAIR—I am with you on waste.

Mr BARRESI—You mentioned it being worthwhile for private industry to get into such things as superannuation funds. What about from the point of view of the landowner? Do they need incentives in order to get into this, apart from doing the right thing for the environment? Are they basically going to lock up part of their land for diverse tree growth, which means the land is out of circulation for 20 or 30 years? Are you getting a feeling about compensation and immediate pay-offs that they are after?

Mr Townsend—Not so much compensation but the immediate pay-off is that they will not have a declining asset base. Banks which hold mortgages over that land have a declining asset base. They are really worried about what will be the value of these assets in 20 or 30 years. So currently where we may establish plantations landowners may be paid, say, an annuity as rental for the land of \$200 per hectare per year.

In the case of these environmentally based projects where the farmer is getting big returns in terms of repairing either their landscape or preventing any further decline in its value, they are mostly going to be looking at an annuity value of \$60, maybe \$80 or \$100. This would be another area where the value will be coming back in, without there actually being a market for trading in environmental services, but there will be a trade-off with the landowner. They cannot afford \$1,000 to \$1,500 a hectare to plant trees and revegetate, but they can bring in somebody who can and they will get the environmental benefits in two ways: firstly, directly through the benefits to their other farming practices; and, secondly, through maintaining the value of their asset.

Ms GEORGE—The submission seems to imply that there are constraints at the level of state regulation regarding the use of woody biomass and the gas. From my personal experience on the board of Delta Electricity, it was not so much the constraint of regulation but the constraint about the impact that that would have, mixed with coal, on the production process. Could you expand on your concerns in that area?

Mr Townsend—We are told that wood would be a good contributor with coal in coal firing activities. It is on a relatively minor scale compared with the coal component. We are told that that is not too much of a problem. But some of the new turbine technologies that are coming

through, moving grate technologies, can utilise wood fibre on their own quite well and have a relatively low capital investment cost.

This can go right down to micro turbine scales, which may just utilise the wood waste from a single mill. That can run the drying kilns for that mill or the saw for that mill rather than tapping into the grid. In some cases, even using just the wood waste that they produce themselves, they can feed the electricity back into the grid.

Ms Carnell—CSIRO has done a lot of work on micro turbines that just use wood. They certainly indicate that they are now very efficient. As you have already said, there is no greenhouse impact at all because you have already lost the carbon on felling the tree. So this is absolutely greenhouse neutral in its production of electricity. The good news is that little micro turbines—they are not that little—can be used in parallel or in series to produce enough energy for a small factory, for a part of a town and those sorts of things in these areas that have lots of wood waste or biomass generally.

Ms GEORGE—Would you argue the need for change to renewable energy regulations?

Ms Carnell—New South Wales has actually regulated to suggest that waste from native forest operations cannot be used, full stop. The logic is a bit hard to work out. In the run-up to the last Victorian election, Steve Bracks indicated that he was planning to do the same. The problem comes when, if we can do nothing with the waste, we leave it on the forest floor and we end up with bushfires.

CHAIR—We will have mulch coming out of our ears!

Mr JOHN COBB—Mr Townsend, your organisation is involved in the natural harvesting of native timber as well as plantations?

Mr Townsend—Yes.

Mr JOHN COBB—In terms of employment, the environment, the timber industry and sustainable logging, either in plantations or more particularly in natural situations, certainly given the fire risks that we find exist these days, would you comment on this: where sustainable logging is done on a rotational basis, would that make that environment—certainly the biodiversity in the lower ground—more protected where it is done on a sustainable basis than where it is left alone?

Mr Townsend—Yes. I will give two good examples. There was a series of fires in the Mount Barker area close to Albany in Western Australia during the Christmas before last. The plantations actually saved the town. What we can see from the photos today is that the edges of the plantations were scorched, but any remnant vegetation that sat around the plantations was turned to ash, completely destroyed. That is a very good indication of how plantations can be of assistance if they are well designed and managed.

With a native forest, the advantage is that, when you do exactly what you talk about—have a mosaic of different age classes around, instead of letting the fire get in under the canopy, burn rapidly on the ground and then shoot back up into the crown—then you have different levels of humidity. This is generally why you see gullies protected. Better humidity within the gullies

protects the vegetation and prevents them from being burnt out, except in the most intense fires where the fuel loads have built up.

If you manage the fuel loads and the forests properly under this sort of mosaic approach, and you have the different humidity levels and you have the different heights of vegetation, that limits the potential for the fire to get in onto the ground, build up its capacity and take off again. Our biggest concern is for those areas that have been locked up in the past 20 years in reserves. The trees are magnificent, yes, but they have no understorey; they are beautiful regrowth forests and regenerated forests worked through by the timber industry. In 20 years time, they are just going to be massive fire hazards. They are just sitting there asking for it because they will be that far off the ground, there will be no understorey and there will be a heap of fuel to burn.

CHAIR—Are you taking that in, Mr Jenkins?

Mr JENKINS—Mr Chair, I am not going to attempt to feign any false diligence on this occasion. However, I undertake to analyse the association's evidence this day and the evidence of the honourable member for Corangamite.

CHAIR—Thank you, Mr Jenkins. In terms of the planning issues though, coupe selection and the like, are micro climate issues factored into that at this stage? My understanding is there is a great degree of potential sophistication in these management arrangements but it is not always exercised. To some extent, that undermines the best management practice because you can always find an example where someone has not done the right thing. What is the industry, NAFI and your players doing to pull everybody up—some by the boot straps? What about cases where even your own people are letting the whole side down?

Ms Carnell—As you would be aware, we have just recently launched something called the Australian forestry standard, which is a standard that the industry, along with the federal government and state governments, have worked together on over a number of years in order to put together a standard for sustainable forest management, covering both plantation and native forests. We now have interim certification with Standards Australia, so it has gone through that process as well.

As an industry, we are encouraging all of our people—whether it be plantations, softwood, hardwood, or State Forests with native forests—to become certified and that means third-party accreditation, as you can imagine, and third-party certifiers. What you are saying is absolutely right. The industry has had its good people and its bad people, as all industries do. But it is essential that we are seen by third parties to be doing the right thing and to be operating to world standards.

CHAIR—Is the ecoSelect branding part of that or is that the Forest Stewardship Council? The committee would probably be aware that there are different forestry standards. The US have one, the Europeans have one and now we have our own, which is just dandy. Where does that branding, ecoSelect and generally the consumer information, sit in that process?

Ms Carnell—EcoSelect is a Victorian approach. Basically, to be able to use an ecoSelect label, it means that the company has complied with the Victorian code of practice. Now, as the AFS gains numbers of people who are actually certified, ecoSelect will embrace the Australian forest standard as well.

EcoSelect was a method of having a label while the Australian forest standard was getting its feet on the ground, basically. The AFS now is seeking mutual recognition with PEFC, which is the Pan European Forest Certification Council. So, over time, hopefully there will be a mutual recognition approach worldwide for all of the standards that exist. But we have just had the AFS benchmarked against both FSC and PEFC, the European one, and it comes out very well.

CHAIR—The reason I ask is that we have had evidence that a very high proportion of consumers are concerned about issues of sustainability when asked but, when they front up to the cash register, there are other values that seem to dominate the selection of suppliers and the like. It was put to us that, given that reality, the business-to-business relationship seems to be a key driver where you will have your major members' customers saying, 'We are not going to take your stuff unless,' and that that has been a faster way of bringing about a shift to a greater sustainability in many industries. Is that your experience?

Mr Townsend—Yes, worldwide that is the case. It is business-to-business interaction that is driving the change.

Ms Carnell—What is driving it in Australia is that some of the Japanese paper manufacturers are saying that they want certified woodchips, so that means that the Australian producers have to become certified. It is that simple. I think what you are saying about consumers is right. Right around the world, every survey that has ever been done shows that everyone would like it but they are not willing to pay for it. However, the industry believes that, even though that is the case, we have to go forward anyway with certification. It is expensive; it is a new cost; and we know the consumer will not pay for it. But, for the industry's credibility with government and with the community more generally, the industry believes that we have to go down this path.

CHAIR—What is the agenda of NAFI for value added paper and greater take-up in hardwood quality?

Ms Carnell—We think it is a fundamental tragedy—and Phil will follow up on this—that Australia exports the amount of woodchips it does.

CHAIR—So do we. What are you guys doing about it?

Ms Carnell—With the government, we have put together an investment roundtable to identify the impediments to investment in paper and pulp mills in Australia. It is fundamental to the country, to regional development and to regional jobs. We could easily build two or three significant paper and pulp mills in this country. We have the resources to do it—virtually no-one else has—and we have the markets. These are significant jobs. The green triangle in Western Australia and Tasmania all have the capacity. Phil is the expert.

Mr Townsend—Three different pulp mills could be built on the resources available in Australia. One in Tasmania would be built on native forests and plantation hardwoods; one in Western Australia more likely would be built on plantation material alone.

CHAIR—The blue gums.

Mr Townsend—And blue gums. Those are both hardwoods mills producing the highest quality printing and writing papers. The third one would be more than likely built somewhere around the green triangle area between Mount Gambier, Hamilton and Portland.

CHAIR—Mr McArthur would have a pulp mill.

Mr Townsend—That one would produce a different grade of paper. It would be a blend of pine and hardwood to produce things like the *Woman's Day* magazine. So there would be three different pulp mills and three different grades of paper. We are able to address the \$1.5 billion to \$1.6 billion trade deficit in paper products here but also we have a significant proportion of the market for each of those here where they will not be directly competing and they will be able to access the international market. The impediment?

Ms Carnell—The Chinese figures.

Mr Townsend—To give you a rough indication—

CHAIR—They are not written in Chinese. They are figures from China.

Mr Townsend—Just as an example, on per capita consumption as to where it can go?

Ms Carnell—Yes.

Mr Townsend—Chinese consumption has gone up to around 30 kilograms per person per year; Australia is 200-odd; the US is over 300; and Japan is 275. So you can see developed countries are way up in the high 200 kilograms per person per year. China is around 30 and I think India is three.

Ms Carnell—These guys are increasing their paper consumption. They are doubling every two or three years. If you multiply 30 kilograms per person by 1.2 billion people, you can see that the Chinese requirements for paper are just extraordinary.

CHAIR—What is the most useful thing we can do?

Mr Townsend—The main problem for us at the moment is that the international community is looking to build 10 world-scale pulp and paper mills somewhere in the Asia-Pacific in this decade. We have to get the message out to the international community that Australia is open for business. The environmental assessment approach is not going to be a toing-and-froing process; it is going to be clear. It is going to be telling them exactly what they have to do, what limits they need to meet to invest in Australia. Now we are talking about what are called closed loop technology mills, zero effluent mills. So it should not be a problem. The international community is scared to death of spending \$60 million to \$80 million.

Ms Carnell—But they always say, 'But what about Wesley Vale?'

CHAIR—Is it worth us putting out some guidelines to pre-empt the assessment process and say, 'Here is the stuff that matters. If you cannot get a closed loop system, it is going to be tough.' Is that a way forward?

Ms Carnell—That is what we have asked for.

Mr Townsend—That is what we have asked for through the investment roundtable. We are trying to make it really clear to people—not members of the government necessarily but people who run government programs and government activities in the departments—that these are real impediments.

The best example we can give at the current time is a project on the Tiwi Islands off Darwin to plant acacia to go to Indonesia for supplying their pulp mills. It went through a three-year process. What kept happening was that they would say, ‘Yes, this is fine, you have done what we want. Now answer this question.’ It even got to the point where they said, ‘Answer this question about the white goshawk,’ which is not a native of the island. The Indigenous people do not even have a name for it because it does not taste any good. It is not even from there, but they had to go out and do this environmental report. They said, ‘You use this assessor to get the report done.’ But when the report came back saying everything was fine, they said, ‘We disagree with the assessor we said to use.’ And this went on and on.

Ms Carnell—Remember the Tiwi islanders are partners in this.

CHAIR—They are not happy.

Mr McARTHUR—I have two brief questions on the blue gum plantations and job opportunities. First, there is a suggestion that the blue gums in western Victoria have taken jobs away from the rural community. Would you care to comment on that? The second one is that, as I understand it, 50 per cent of Australia’s timber harvesting goes in firewood. If that was restrained, as some state governments are looking at, what view would you have in terms of jobs that might be affected in the firewood chain?

Mr Townsend—On the first one with the blue gum plantations, it is very hard at the moment to pick up how many jobs have been lost in many of those rural communities, particularly in Victoria. There was a very good study entitled ‘Towns through time’, I think it was called, that showed the range of people that were leaving country towns. There is no indication that the timber industry is actually accelerating the rate at which people are leaving these rural communities.

We have a difficulty at the moment in working out exactly what benefits will come from the timber industry because we are getting trees planted back into agricultural landscapes, and the real jobs have not come in terms of processing that wood and replanting it. That is when the real jobs and opportunities for the communities will come.

Just as an example in Victoria, if we do not get a pulp mill in the green triangle region to service south-east South Australia and south-west Victoria, we will be exporting about six million tonnes of woodchips a year. What we will need is a stationary chip mill somewhere in that area. More than likely it will go to a town called Heywood because it has rail links and then they can feed the resource into Portland. That town will quadruple in size to run the stationary chip mill. So we have not seen the jobs flow through from the processing side. We are just building the resource at the moment.

Ms Carnell—And our preferred outcome is we have the paper mill.

Mr Townsend—On the firewood side, it is really hard for us because a lot of opportunities are getting taken away by state regulations and states wanting to lock up national parks. The best example of job loss on the firewood side was a report put together by what we have called the Bush Users Group in Victoria regarding what was happening in the red gum area. In that area of the ironbark forests—

Ms Carnell—Around Deniliquin.

Mr Townsend—in northern Victoria and central and southern New South Wales, access was lost for people to go in there and harvest timber and a lot of jobs have been lost. There is a good report that documents the loss of the jobs there. We could forward that to you, if you want to look at it.

Mr McARTHUR—Do you have any data on the jobs lost?

Mr Townsend—There is out of that case.

Mr McARTHUR—Could you supply that to the committee?

Mr Townsend—We definitely can.

Mr BARRESI—I notice in your submission that you say there is a need to develop baseline data in order to develop a sustainable forest management plan. Can you tell me what kind of data you are after? Your other suggestion is that you believe it should be the role of the National Land and Water Resources Audit to collect that. Can you give us an idea of what kind of data that is?

Mr Townsend—It is actually an extension of the chair's comments earlier when we were talking about the sophistication of understanding these micro climates and micro environments. We have difficulty regarding a baseline of what the salinity impact is and what the biodiversity impact from our current land uses is. So if we are going to say we are generating environmental services and credits out of this, what is the baseline that we are starting from and where are we at in a particular region? If we are going to be selling credits to somebody, we have to be able to define those credits; therefore we need a good baseline. That is on the credit side itself.

For attracting investment, we need a good set of baseline data to say, 'This is what the problem looks like. This is where we should be planting in these locations. This is how we manage the plantations we establish as well as the native forests that exist there for a number of reasons.' Then we can make decisions about how to draw investment in and how we may pay for environmental services that are generated. We need to know that baseline information on the environmental services. It is greater sophistication in the National Land and Water Resources Audit information. Markets will really require tight information before they will buy a carbon or a salt credit.

CHAIR—How is the talent pool available to the industry looking? I was involved in a launch at the ANU a few years ago which had a sustainable forestry focus to it. Are you getting the silviculturists, the micro-climatologists and all the other folks that add value to the industry? Are you getting the talent you need coming through?

Ms Carnell—We would have to say not to the extent that the industry would like. The industry has been under a huge amount of pressure for a lot of years, as you would be aware, and that has meant some difficulties with skill bases. There are some very good forestry schools and some very good courses being run around the country, but the industry does have some significant problems with talent base and with future leadership positions. That is not going to be unique for us in an industry that is predominantly rural and regional. But there is no doubt it is a true statement. Phil, do you want to comment?

Mr Townsend—I would like to add that, in a number of the questions you have raised in discussions with other people, you have focused on middle management and what their understanding is of these environmental issues from an industry perspective. We are running along that line as well in that we want the industry to put together its own eco-efficiency agreement and adopt these eco-efficiency and global reporting principles in the way we operate so that it goes through all levels of management. It does not mean we are just meeting state codes of practice or the requirements of Australian forest standards; we are thinking hard at all levels.

CHAIR—The national action plan for salinity and a lot of the NHT work now focus on regional plans. I am wondering to what extent your industry and potential areas for plantations are canvassed as part of the development of those regional plans. Do you have a view on that?

Mr Townsend—The real sadness of the Farm Forestry Program and the work that was undertaken with the first round of the NHT is that it raised awareness in the community of how to utilise trees potentially in the landscape—that trees were an option. However, very little investment has flowed from that. The Farm Forestry Program sat over here and the mainstream of industry was here. What we are trying to work on really hard with the people within government agencies who design those programs is that they must have a very strong industry focus.

CHAIR—A disconnect comes through on this.

Ms Carnell—There is a huge disconnect. I have to be honest about this. The trees that have been planted in Australia over the past five years or so are tax-effective trees, basically. That is where the increase in plantations has come from, not from the farm forestry process. A lot of work has been done but it has been little regional stuff. We are talking about significant investment from the private sector in planting trees. It just is not happening off the back of NAP at the moment. We believe really strongly that there has to be a much stronger focus.

From our industry perspective, if we are really looking at outcomes, if we are really looking at getting trees in the ground that will deliver both from a salinity perspective and from a greenhouse perspective as well, we have to get rid of what is a gulf at this stage. If I were a sawmiller out there right now, saying, 'What I want to do is plant a whole lot of trees in saline affected areas because I am looking at where my business is going to be in 30 years time,' I would want to know where to start. If you were looking at trying to be part of the environmental solution, it would be really hard because there is not an obvious connection that exists.

Mr Townsend—We have here about another two- to three-year piece of work. We have to integrate and aggregate all of the information and understanding we have about trees and identify what are the gaps there from a commercialist perspective. Last week, we were in a

meeting where a superannuation company was really keen on planting trees in the Murray-Darling, and was asking, 'How do we do it? Where do we become involved?'

Ms Carnell—'Who do we talk to?'

Mr Townsend—We are saying we really have to ask all of the commercial questions. Seeing that the national action plan runs out in another five years, we need 30 or 50 years of plant on the horizon. We just do not need it when the government program runs out; we need the commercial focus there now and that can guide mainly how the government pays for those environmental services through their programs, but then have that evolved and structured the right way the first time around, into a market for environmental services.

CHAIR—The forestry rights issue, where the asset and the chattel can be traded separately from the land itself, is a good idea that seemed to not really take off as well as it should have in Victoria in five or six years. But now that you have the Australian accounting standard for self-renewing assets, you should be able to bring growth to the balance sheet, which then should make some of the investment options more attractive. You laugh? I would love to know why.

Mr Townsend—I am smiling because I thought you were going to ask about one of the big bugbears for any future investment in the industry, which is the development of a secondary market for immature resource assets. It is exactly as you say: you can separate the ownership of land from trees and then carbon or salt from trees. So you can do that all under state legislation. It does not happen at the moment because we do not have transparency in the log markets and there are difficulties with people understanding the taxation options that are available to them.

CHAIR—Plus there is an asset management issue where you do not want to buy something, then it gets eaten by some herefords on the way through.

Mr Townsend—Yes, they are the sorts of risks we have to deal with from a rural farming perspective as to how these trees are looked after. However, from a rights perspective, it becomes a real issue for the industry as to how we build up the opportunity to buy and sell into and out of these assets.

CHAIR—What if governments in a regional forest agreement mark 2 came to your industry and said, 'Here is a package of measures, we will inject some energy into forestry rights, deliver you rights to harvest so long as plantation management meets a very stringent code. We will get the Office of the Supervising Scientist not just to see if there is any nuke coming from pulling uranium out of Central Australia, but an independent person to cruise around and make sure that those codes are being carried forward'? If the whole industry were elevated to a higher degree of rigour and certainty, is there a way forward there where you get the certainty but the rigour comes with it?

Mr Townsend—I think the rigour exists. We must have more regulation and focus on it—

CHAIR—The *Sunday* program last week did not help much.

Mr Townsend—If I can give you an example about the *Sunday* program: in 1,062 forest harvesting plans for the year, there were two that had a problem.

CHAIR—Two too many, some would say.

Mr Townsend—Definitely two too many from our perspective. For us, that is really bad to handle because we have so many people in the industry working the right way. Some contractor possibly got lazy on a Friday night.

CHAIR—You only need one dud and that makes the headlines. The only way forward, in my view, is the potential to do a really good job in a sustainable timber industry that generates employment, wealth and future prospects for our country. It is all there. The worry is you have to make sure the streams are protected and the habitat is right.

Ms Carnell—We would love an approach that was consistent. What we have at the moment is a moveable feast the whole time. We have state regulations; we have local governments; we have regulation everywhere having a go. The fact is they change all the time. So if you are saying that we will have a set of requirements and an independent auditor that will zoom around and that the requirements will be the same, hopefully, whether they are in New South Wales or Victoria—because our actual plantation runs over the border here—we would not like to have to manage our plantation differently for two different markets. And, guess what, the patient capital market will not understand different requirements in different places. This industry is so used to regulation it is not true.

You talked about the RFAs earlier. When we signed the RFAs we thought we knew the rules. But we did not know about buffers on buffers and drainage—there was a whole range of new requirements that have removed areas that used to be available for harvest but are not now because the rules have changed. If you could just have some rules that do not change every five minutes, then the industry would accept a level of extra third-party assessment.

CHAIR—That is good.

Mr McARTHUR—Do you think you would be able to harvest these plantations? Do you think you would be allowed to?

Ms Carnell—We have to be allowed to. To start upfront, one of the major things that industry will say to the 30-year investors is, ‘Are we going to be able to harvest them?’ So we have to have a right to harvest.

Mr Townsend—It has to be concrete.

Mr McARTHUR—How do you know it will be there in 20 years?

Mr Townsend—That is where it needs to be taken up to our next meeting. This is the problem that the RFAs ran into and that people are trying to grapple with now. We signed these RFAs and we made state-Commonwealth agreements. But they can just be walked away from at any level. We say that is a bit of tinkering around the edge but we cannot lose 1,000 hectares or 2,000 hectares in a region.

Ms GEORGE—Did I hear you say something, Mr McArthur?

CHAIR—This is ‘Lumber’ McArthur from the alpine region!

Mr Townsend—He is a good help to us.

CHAIR—It is a fascinating subject. Are there any other closing comments that you would like to leave with us?

Ms Carnell—I would like to leave you with the view that I think there are very few industries that can provide the numbers of jobs and the economic growth in rural and regional Australia that the timber industry can. The reason for that fundamentally is that there is a market and a very consistent and predictable market for timber.

Mr JOHN COBB—And sustainable.

Ms Carnell—Sustainable as well. We know what the needs will be for timber and timber products in the world in 20, 30, 50, 60 years time. We can even be pretty sure what the price range is going to be. So we have an industry that has a very predictable global market; we have an industry that produces greenhouse credits. In fact, if we planted the sort of areas we are talking about at the moment, it would significantly address Australia’s greenhouse issue and would certainly achieve the 108 per cent targets. We address that. The industry helps with salinity, and the jobs do not drift. The jobs cannot drift to the city. So it is a bit of a win-win situation. All that needs to be done is for a whole range of the money that governments at state and federal level have already spent being pulled together and for us to produce a set of models for investment. It is almost that simple.

CHAIR—Thanks for appearing today and good luck with your industry of delicious possibilities. If you could follow up with some of the data that we talked about or if you have any bits of information that come your way after reflecting on what we talked about today, we are always interested in those.

Mr Townsend—We are happy to talk to you again, if there are other things you would like clarified. That goes for you too, Stewart.

CHAIR—Thank you very much.

Resolved (on motion by **Mr Barresi**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.08 p.m.