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Inquiry into the Australian forestry industry

IFAWA Submission

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by

Institute of Foresters of Australia Western Australian Division

Summary

The Institute of Foresters of Australia Western Australian Division calls for the following outcomes from the inquiry into the Australian forestry industry:

- maintain a balance between use of native forests for production of wood and water, conservation of biodiversity, livelihoods, tourism and recreation;
- recognise opportunities that active forest management provides to reduce the vulnerability of forests to a drying climate,
- remove impediments to, and encourage use of wood residue products from properly planned and managed silvicultural operations in native forests,
- provide incentives through the taxation system and support through research and development for continued expansion of the plantation estate, particularly for solid wood products.

Introduction

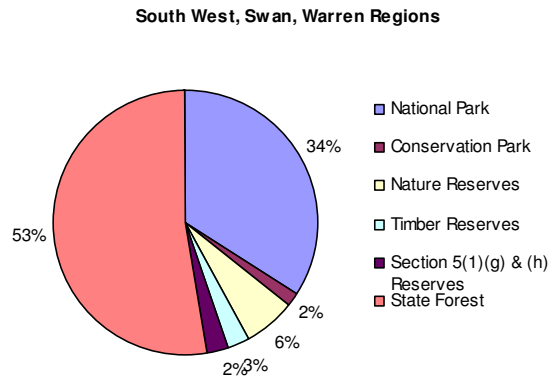
The Institute of Foresters of Australia Western Australian Division (IFAWA) welcomes the opportunity to provide a submission to the inquiry regarding the Australian forestry industry, initiated by the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry (2011). IFAWA would be pleased to make a member, or members, available to discuss the submission and any other issues of relevance to your inquiry.

IFAWA is a division of the Institute of Foresters of Australia with around 120 members who are engaged in all aspects of forest management and conservation, forest industry, academia, research and sustainable natural resource management in Western Australia.

1) Opportunities for and constraints upon production;

The native forests of WA cover an enormous diversity of landscapes from tropical woodlands in the Kimberley to tall closed forests in the south west. Approximately 18 million hectares or 7% of WA is covered by forest of which 3.8 million hectares (22%) is in nature conservation reserve and 1.2 million hectares (7.1%) is in multiple use forest available for harvesting¹.

Public native forests are managed by the Department of Environment and Conservation. In the south west of WA 47% of the 3.2 million hectares of forests are in conservation reserves which will never be logged². The 1.3 million hectares of multiple use State Forest includes Faunal Habitat Zones and extensive reserves prescribed by the Forest Management Plan 2004-2013.



The Forest Management Plan should be a holistic plan covering the conservation reserves and mining tenements as well as the State Forests.

The IFA WA is concerned that the management of the large area of conservation reserve is inadequately resourced. Under resourcing of conservation reserves poses an increasing threat to ecosystem health through spread of diseases such as dieback and myrtle rust when it reaches WA. Conservation reserves require greater resourcing to manage fire hazard and suppression to protect human life, surrounding forests and community assets and to avoid intense ecosystem destructive wildfires.

In the south west multiple use forests are managed in accordance with the Forest Management Plan 2004-2013 (FMP). The Forest Products Commission is a government trading enterprise which sells native forest timber and manages government plantations.

The FMP sets out the objectives of ecologically sustainable forest management in the multiple use forests of WA. The objective of the plan is for biodiversity to be conserved, the health, vitality and productive capacity of the ecosystems to be sustained and the social, cultural and economic benefits

¹ Bureau of Rural Sciences, 2010. Australia's forests at a glance 2010.

² WA Department of Environment and Conservation Annual Report 2009-2010 p 47.

valued by the community to be produced in a manner taking into account the principles of ecologically sustainable forest management. The FMP does not cover conservation reserves or mining tenements within the RFA area.

Timber harvesting is allowed in public native forests at levels calculated to be sustainable under the FMP process.

Old Growth Forest (approximately 330,000 hectares) have been entirely reserved from harvesting since 2002. In addition, 60,000 hectares of multiple use forest is allocated to Faunal Habitat Zones excluded from logging. This has contributed to declining log quality mix supplied to WA sawmillers.

Harvesting of plantation forests is controlled by the individual managers. There is no overall strategic plan for the development of productive capacity in WA forests.

Timber imports of mainly softwood timber from interstate, New Zealand and Europe and tropical hardwood timbers supplement output from public and private native forests and softwood plantations. There is global tightening of supply of timber and any action which increases our dependence upon imports is likely to result in cost escalations and lessens control over the sources of our resources.

The area of softwood plantations in medium to high rainfall areas has been static for more than a decade. Along with reductions in native forest timber quantity and quality and increasing population in WA, this will push demand for imported timbers and substitute construction materials including concrete and steel.

The IFA WA recommends that a strategic plan for timber supply be developed for Western Australia.

2) Opportunities for diversification, value adding and product innovation;

Jarrah is a world class timber with outstanding properties of durability and workability. WA also has some excellent high strength and durable timbers available in the low rainfall woodland regions (Goldfields) which have potential for development although there is no active programme to do so. WA sandalwood grows naturally through much of WA and has recently been the subject of plantation development. Sandalwood attracts a high price in Asian markets and has been harvested from natural populations for more than 150 years, particularly in the semi-arid pastoral zone. Continued supply of sandalwood will rely increasingly on plantations as natural populations are

slow to regenerate, and land use changes will further constrain harvesting in the wild. These timbers are suitable for development as specialty timbers with high value adding potential at small scales.

Development of markets for specialty timbers would be compatible with expanded tourism in regional destinations.

3) Environmental impacts of forestry, including:

Forest management over the past 90 years has reserved forests from alienation for agricultural clearing. The remaining public forests are in such condition that they are sought after for reservation as nature reserves and National Parks. There is no evidence that native forest harvesting in accordance with the FMP is a threat to conservation of biodiversity. For the last 50 years a programme of prescribed burning has been diligently pursued in public forests in the south-west and has so far effectively avoided repetition of the devastation caused by mega-fires witnessed in other states. This is even more important as the effects of a drying climate increase the risk of wild fire.

There is significant pressure upon the forest estate which lies over valuable mineral resources and/or close to urban developments. Proposals for expansion of bauxite mining in the area between Greenbushes and Manjimup could lead to further loss of productive native forest.

Impacts of plantations upon land and water availability for agriculture; and,

Widespread clearing of native vegetation through the low and medium rainfall areas of southern WA has resulted in land degradation and loss of biodiversity. These landscapes desperately require more deep rooted perennial plants and shelter to protect the catchment and soil resources of the agricultural zones.

WA has extensive areas of agricultural land (up to 6 million hectares) under threat of reduced productivity due to the effects of rising water tables and subsequent salinisation of soils. Salinity will also cause pollution of water supplies, loss of vegetation along drainage lines, selective loss of habitat for flora and fauna, riparian erosion and damage to civic infrastructure. Planted forests have been effective in reducing groundwater recharge and recovery of water quality in the Collie, Wellington, Denmark and Kent River catchments in WA.

The development of win-win outcomes in balancing environmental costs with economic opportunities;

The northern jarrah forest are very valuable for domestic water supplies, bauxite resources and tourism/recreation as well as the conservation of biodiversity. Historical logging (early in the 20th century) has resulted in high stocking of regrowth in these forests. These over-stocked forests are now suffering severe stress under the influence of a drying climate.

Trials in the Wungong catchment trials have demonstrated the potential of silvicultural thinning to relieve stress in densely stocked stands, while at the same time making more moisture available for groundwater recharge and run-off. Active management of stand density in State forests offers the potential to simultaneously improve productive capacity, water yield and conservation of groundwater dependent ecosystems under threat from a drying climate. Sustainable harvesting by thinning 100,000 hectares of forest will reduce the cost of the required thinning, making the log products available for milling and biomass fuel, creating employment and generating renewable energy. The run-off into Perth's water supply dams is anticipated to increase at least 25 billion litres annually.



Mature jarrah forests suffering severe drought stress. April, 2011

4) *Creating a better business environment for forest industries, including:*

Confidence in plantation investment for small investors has been undermined by successive failures of plantation investment managers. These failures have occurred regularly over the last 40 years since governments have been trying to encourage private investment in forestry. Failure of private plantation schemes has generally resulted from inappropriate financial arrangements, rather than poor management of plantations.

Investment models for saw log production;

Plantations grown for solid wood products typically have require a rotation length of 20-30 years, and some native species would require considerably longer to produce quality wood products. The long term nature of this investment is a disincentive to private growers, particularly those operating at a small to medium scale where initial costs cannot be offset against other

areas of an enterprise. Incentives are required to attract private investment in sawlog plantations. Government may have a role in supporting research and development into utilisation and marketing, and in developing an inventory of the resource to allow orderly and efficient wood flow scheduling to industry.

Softwood sawmillers are concerned about future ability to grow to meet domestic demand and maintain international competitiveness. Maintaining viability and security of local employment requires additional resource for expansion.

Sawmilling enterprises have been hesitant to invest directly in plantations due to the different investment horizons between manufacturing and plantation growing industry sectors.

The time horizons required for plantation sawlog growing put off many private landholders, as do the significant upfront costs. The government plantation sharefarming schemes and MIS blue gum plantations have created expectations by WA landowners to receive generous annual returns in the form of lease rent, rather than as a partner in the crop.

A model that has worked well in fostering R&D has been the ability to claim a 125% tax deduction on applicable R&D expenditure, in the year of the expenditure. It is proposed that providing this sort of concessional deduction for corporations or direct investors in plantations that have a time to maturity of greater than 15 years be considered.

New business and investment models for plantation production;

It is noted that in New Zealand, small investors are frequently syndicated by small forest managers. We are not aware of this model failing frequently. The investors become shareholders in a land owning company and form a partnership which establishes and maintains the plantations.

Superannuation investment in plantations;

The time horizons of superannuation and plantations are complementary. Even more complementary are the regular and predictable cash flows once a plantation estate has been established. Investigations should be made into how long term superannuation funds can contribute to the development of local industry, sustainable rural development and environmental results. Further, the investment returns are counter-cyclical or at least out of phase with many other investment vehicles.

5) Social and economic benefits of forestry production;

As the conservation estates expanded, timber harvesting from WA public native forests has been reduced by nearly 75% over the last 20 years. There

have been extensive sawmill closures, most recently the sawmill at Deanmill owned by Gunns Limited. Promises of expanded tourism have most often failed to materialise especially for inland communities. This has been devastating for forestry dependent communities such as Rocky Gully and Deanmill.

6) Potential energy production from the forestry sector, including:

Biofuels;

Subject to conservation of forest soil resources and maintenance of forest productive capacity, we look forward to the development of wood based biofuel technology and manufacturing capacity in WA. This may be integrated with grains and agricultural residues generated in regional WA.

Biomass;

WA already has a wood pellet plant using plantation harvest residues operated by Plantation Energy Australia. The pellets are exported to the northern hemisphere. There must be potential to transport these pellets for domestic use if local financial incentives and regulations are as favourable as those prevailing in the overseas markets.

Biomass burning for electricity production has been successfully piloted at the Integrated Wood Processing plant in Narrogin, WA. This type of facility has the potential to improve regional power supply quality with renewable energy through growing trees on farms.

Biomass co-firing with coal for electricity generation has been successfully trialled at the Muja power station. This provided an additional market for forest residues while reducing the use of coal.

Biochar;

Process Heat;

The burning of timber residues for the purposes of timber drying operations (without generating electricity) is not considered applicable for the attainment of renewable energy credits. This creates a barrier for mills to switching from burning natural gas for process heat to burning wood residues.

Cogeneration;

Co-generation of electricity and process steam is a compatible development for modern sawmills which utilise steam for timber drying operations using milling residues for fuel. This is a logical and environmentally positive use which should be encouraged by government.

Carbon sequestration;

Growing trees sequesters carbon dioxide from the atmosphere through the process of photosynthesis which converts carbon dioxide into wood and other components of the tree (leaves, branches, roots, bark). Utilisation of trees for wood products stores the sequestered stem wood carbon as timber products of various durability. The gap created by removal of the harvested tree is filled by replacement and/or expanding trees.

7) Land use competition between the forestry and agriculture sectors:**Implications of competing land uses for the cost and availability of timber, food and fibre;****Harmonising competing interests; and,****Opportunities for farm forestry.**

WA Government forestry agencies have been promoting farm forestry for several decades. The CALM Sharefarms programme was quite successful in promoting softwood plantations on farms but was somewhat overrun by the Managed Investment Schemes (MIS) since the mid-1990's. Recent focus has been on low to medium rainfall landscapes unsuitable for short rotation pulpwood plantations where hardwood and softwood sawlog plantations have been promoted.

The IFA WA Division would support a review of the industry development plans drafted by the Forest Products Commission. There is an urgent requirement for expanded softwood plantations in the medium and high rainfall zones to meet the predictable future demand for timber in WA. Primarily, the industry plans should discourage a piecemeal approach to a multitude of trendy species that are unlikely to ever attain enough planted hectares to stimulate an associated processing industry, and encourage a focus on the softwood species that represent existing, stable markets for which there is a strong and demonstrated local market demand. Farm forestry has a positive role to meet this requirement while diversifying farm enterprises and complementing agricultural land use.

There is a requirement to promote softwood plantations to the community. Pines are frequently despised by landowners and conservationists in spite of their potential to efficiently meet essential timber requirements.