



Submission No. 19

Hon Dick Adams MP
Chair
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Hon Adams

Thank you for the opportunity to provide input into the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry Inquiry into the Prospects of the Australian forestry industry.

For your information, the Tasmanian Forests and Forest Industry Council (FFIC) was established in 1990 and represents the broad cross-section of forestry-related interests, including forest workers, contractors, sawmillers, beekeepers, local government, indigenous groups, recreational users, furniture manufacturers, timber companies, private forest growers and farmers as well as Forestry Tasmania and the State Government. The FFIC provides expert advice to the Tasmanian Government and the forest industry on forest related matters.

This inquiry is appropriate given that 2011 is the United Nations International Year of Forests which promotes "... the management, conservation and sustainable development of all types of forests...".

The United Nations Forum on Forests reflects international trends in forest management which is increasing acknowledging that previous policy objectives that were designed to restrict the use of native forest resources were misdirected and have lead to perverse social, land use and economic outcomes. There is now an acceptance that sustainable forest management and utilisation policy must encompass all forest types and tenure, and that native forests are part of an integrated solution to meeting national social and economic development needs.

A number of Environmental Non-Government Organisations (ENGOS) have also adopted a more pragmatic approach to the management and utilisation of native forests. For example, the WWF "...understands the threats facing forests today. But trying to prohibit the use of forest resources isn't a viable solution".

The inquiry is also pertinent, as Australia's forest industry has been growing steadily over the last decade, although the recent challenges associated with the Global Financial Crisis have curtailed this growth, especially in Tasmania.

The attached submission provides information relevant to the terms of reference (TOR) of the inquiry, and provides information which will address many of the questions raised.

The FFIC submission must be read in conjunction with four detailed reports commissioned or prepared by the FFIC. These provide independent and comprehensive information that address issues central to the TOR of the inquiry. I have attached copies of these reports which are also available on the FFIC web site at: www.ffic.com.au. These reports are:

- *Innovation within Tasmania's forests and wood products industry;*
- *Markets and Market Prospects for the Forest Products Industry in Tasmania;*
- *Global Climate Change and the Tasmanian Forest Products Sector; and*
- *Economic Impacts of Potential Forest Industry Developments in Tasmania.*

These reports note that:

- Worldwide demand for forest products is forecast to increase and Australia's proximity to the rapidly growing Asian economies provides an opportunity to expand growth and output.
- Forest processors require expanding resource, and long term security in supply at suitable levels in terms of quality and quantity, to support investment decisions critical in maintaining competitiveness and to develop new processing capacity;
- Continued investments in R&D, training and re-skilling will be required to provide ongoing adaptive support across supply chains;
- Private native and plantation forest resources will become increasingly critical to supply models; and
- Managed forests provide the most cost effective and environmentally sustainable approach to forest management and addressing the challenges associated with climate change.

It is clear that appropriate, supportive and consistent government policies will be required if the full potential of the Australian and in particular the Tasmanian forest industry is to be realised, and in doing so maximise its contribution to local and regional communities, and to meeting the economic, social and environmental challenges facing our nation.

I trust the information provided in this submission will assist Committee Members to recommend policies and approaches which achieve the above objectives. For further information, please contact Aidan Flanagan, General Manager, on 036233 8221 or aflanagan@ffic.com.au.

I welcome an opportunity to provide further information to the Committee.

Once again, thank you for the opportunity to make this submission. I trust the information will be valuable to members of the Standing Committee and provide confidence that the Tasmanian forest industry, as part of the wider Australian sector, is innovative, progressive, responsive, and worthy of the Australian Governments continuing support.

Yours sincerely



Rob Woolley
Chair

Worldwide demand for forest products is forecast to increase and Australia's proximity to the rapidly growing Asian economies provides an opportunity to expand growth and output.

The forestry and forest products industries (collectively termed 'forest industry') make an important contribution to Australia's economy, supplying both domestic and international markets with a range of products from sustainably managed and diverse private and public native forests and plantations.

According to the Department of Agriculture, Fisheries and Forestry's web site, in 2008-09, Australian forests produced 25 million cubic metres of logs which had a forest road side value of \$1.7 billion or an average price of \$68 per m³. After processing, the value of this resource averaged \$920 per m³ (an increase of 1320%). The industry is collectively Australia's second largest manufacturing industry and contributes around 0.7 per cent to Australia's Gross Domestic Product and 5.8 per cent of manufacturing output.

The forest industry is also regionally a critical employer, with 76,800 people directly employed across supply and value chains.

In Tasmania, the forest industry is a critical and fundamental part of the economy, and the social fabric which makes this island State unique. The industry has a long history of effective innovation and was one of the original colony's success stories. It remains an engine for advances in improved technology and management systems, and a driver of regional economies and establishing social bonds that make it a special feature of our way of life.

Until recently, Tasmanian forest industry directly employed more than 6,000 people and over 10,000 across the supply and value chains (using a conservative employment multiplier of 1.5). The industry has focused on adding value to a diverse range of products, which contributed up to \$1.6 billion in total expenditure to Tasmania's annual economy. Of this growers and processors generate \$940 million to \$1.02 billion while contractors, consultants and nurseries generate \$480-\$580 millionⁱ.

However, in recent years the forest industry has had to respond to a number of unique circumstances, many associated with, or compounded by, the Global Financial Crisis (GFC). These pressures have reduced employment by around 30%ⁱⁱ and depressed production by a similar amount. Four factors have been identified which have led to a significant decrease in employment across all supply and value chains between 2008- late 2010. They are:

- 1 **GFC:** significantly, many financial institutions reviewed lending practices, restricted lending criteria, withdrew credit, and broadened their risk profiles.
- 2 **High Australian dollar:** the strong Australian dollar further reduced export competitiveness, and, in combination with increased interest rates, placed further debt servicing pressure and reducing cash flow on export focused businesses.
- 3 **Amalgamations and business rationalisation:** Two main factors decisions have contributed to around half the estimated job losses which was independent of the GFC, employee skills and productivity, and supply quality or quantity issues:
 - a. The amalgamation of Neville Smith, Auspine and Gunns which resulted in rationalisation of assets, closures of mills and efficiencies which require less staff; and

- b. The decision taken by Tasmanian Paper to close their two mills.
- 4 **ENGO campaigns:** many consider the continuing undermining of Tasmania's wood products in markets by ENGO's as a contributing factor which is restricting the sectors ability to recover.

Appendix A: Background paper on Impact GFC on the Tasmanian Forest industry provides information on the impacts of the GFC on Tasmania's forest industry.

However, forest operations around the world have gone through dramatic changes over the past 20 years and have adapted and responded positively to change, and Tasmania is no exception. Gone are the days when forestry was considered to be a career for males with a high level of physical fitness and a low level of skills who were content to work in dangerous situations. Many modern jobs involve operating computer-controlled forest harvesting and mill processing equipment which requires highly skilled personnel. The 21st century forest industry is a safe, modern, capital-intensive, state-of-the-art and high-tech industry that continues provides career opportunities for many Tasmanians, and has the potential to do so in the future.

Australia's forest industry is underpinned by a number of competitive strengths and attributes which make forestry profitable for investors and communities while enhancing environmental outcomes. These include:

- relative low sovereign risk: Australia is a safe place to invest with a politically and economically stable economy, and a business environment which supports competitiveness;
- available arable land: providing opportunities to expand the established hardwood and softwood plantation resource;
- established and integrated infrastructure: including a modern national and regional road and transport system and efficient deep water ports;
- a biophysical environment yielding good growth rates: supported by extensive experience and expertise in forest management;
- diverse and effective research and development network that provide links national and international links;
- access to the latest available and most efficient technology and techniques that assist foresters in developing the best possible plant breeding techniques which maximise growth and quality of the wood produced;
- environmentally sustainable practices;
- innovative technologies supporting diversified processing facilities and specialised, high-value, kiln-dried processing capacity;
- internationally cost-competitive forest industry providing opportunities to access emerging markets for environmental services, including carbon credits;
- strong demand for plantation and native timber products; and
- a sound community planning process that establishes long term social, economic and environmental benchmarks through the RFA.

However, the Tasmanian and Australian, forest industry face many challenges, including:

- **competition from cheaper imports**, usually from countries that do not practise the same high level of forest and environmental management as we do, or have the costs associated with such practices;
- **restrictions to markets** by both discriminatory practices, including trade barriers and exclusionary procurement policies;
- **environmental campaigns**, in which sustainable forest management and certification are increasingly used to stop development, restrict market access, or undermine business opportunities; and
- **substitute products**, which can include both alternatives products such as steel, or import petro-chemical products such as plastics.

Committee Members should note that if the forest industry is to remain competitive and have the opportunity to expand its contribution to the Australian economy, the rural and regional communities in which they operate, and to provide future career opportunities, it must;

- **attract** more investments to use our increasing fibre resource.
- **add** value to its resources and products;
- **provide** the products consumers want and respond positively to changes;
- **address** our trade deficit in forest and wood products by consolidating existing and developing new markets;
- **maximise** and promote the environmental, social and economic benefits of managed native and plantation forests;
- **engage** the community and provide confidence the industry is worthy of their continuing support; and
- **provide** career opportunities and promote the sector as an ‘industry of choice’.

These seven actions can be supported by government policies and initiatives which:

1. **Promote and support investment forest resource and downstream processing** throughout the entire supply and value chains that maximise value while promoting resource security and increasing the capacity to sustain growth.
2. **Develop integrated and efficient world class infrastructure linkages** that support the capacity and efficiencies along the logistic supply chain to meet the needs of an increasing manufacturing base and enhance the competitiveness of all regional industries.
3. **Provide comprehensive resource and industry information** to improve information for investors regarding the industry at the State and regional level.
4. **Continue to develop and attract an educated and skilled workforce** which provide real and valued career opportunities by supporting accreditation, skills enhancement and training while maximising productivity and maintaining viable regional communities.
5. **Strengthen Branding awareness and market acceptance** by promoting public information about the RFA, industry value, community support and sustainability of forest management and wood.
7. **Continue to support Innovation through Research, Development and Extension** to deliver coordinated solutions to current and emerging challenges, including preparing for future changes in resource characteristics, while promoting the adoption of latest technologies and approaches, and ensure advances are disseminated and understood.
8. **Promote and enhance environmental values** of forest management and products, recognising the contribution of private forest managers and farmers to biodiversity, and natural and cultural values and processors.

9. **Promote the benefits active forest management and use of wood products** provide in meeting economic, social and environmental bottom lines, as well as carbon reduction targets.
10. **Strengthen our world class regulatory systems** to ensure they are consistent across all land tenures and at all levels of governments, provide mandatory requirements that triple bottom line assessments are undertaken in an equitable manner and ensure a balance is maintained as to eliminate unfair and unsustainable costs associated with the provision of public good outcomes.

Attachment A: *National strategies, actions and outcomes to support a stronger forest industry* provides further information which the Committee may find beneficial when considering the above points.

Over recent years, the FFIC has focused on these challenges. A major role of the FFIC has been to facilitate opportunities to attract new investments, promote the adoption of new technologies, promote better management practices, and identify impediments which restrict these initiatives being achieved. It has also played an active and central role within the community by funding a communications program.

During 2009 and 2010, the FFIC commissioned URS Forestry to prepare a number of key documents which provide comprehensive assessments of Tasmania's, and in more general terms – Australia's, opportunities and challenges in developing a future forest industry.

These reports are available at our web site, www.ffic.com.au, and are titled:

1. *Markets and Market Prospects for the Forest Products Industry in Tasmania;*
2. *Global Climate Change and the Tasmanian Forest Products Sector;* and
3. *Economic Impacts of Potential Forest Industry Developments in Tasmania*

Hard copies of these reports have been attached.

Of particular relevance to this inquiry is the development of the *Tasmanian New Forest Industry Plan*, which was launched in February 2010. This Plan was developed after 12 months of extensive consultation, which included NGO's, environmental and community groups, and members of the forest sector in Tasmania.

A copy of the plan is attached, and an electronic version is available on our web site.

Importantly, and relevant to this inquiry, the process identified:

- key components of an *industry vision* of what the industry should look like in 10+ years time;
- existing *impediments* to forest sector investment and growth; and
- an *action plan* to address impediments which highlighted industry and government actions to coordinate follow-up activities in conjunction with other stakeholders.

This Plan has been endorsed by the Tasmanian Government and the major opposition party. The then Australian Government Minister for Agriculture, Forestry and Fisheries, the Hon. Tony Bourke noted that the "plan strongly aligns with my own views".

A copy of the Plan is available at our web site, and a hard copy is attached. Attachment B: *Tasmania's New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry* provides a summary of the key actions within the Plan.

This Plan is designed to provide a catalyst for positive government and industry programs and policy initiatives. It provides a sound basis for delivering future planning and investment decisions that promote growth and innovation and support profitable businesses.

This Plan recognizes that the full potential of the forest industry can only be achieved through new investments in technologies and in the skills people will need as the industry transitions to a more plantation and native forest regrowth focused future.

The key focus on actions outlined in this plan is the removal of impediments that act to constrain forest sector development and investment. To assist implementation and facilitate ready assessment of progress, actions are identified under six elements:

1. **Wealth creation** – maximising the value of forest products and delivering positive economic benefits to regions
2. **Industry of choice** – delivering rewarding careers for our children by developing and promoting the sector as a healthy and supportive work environment
3. **Community engagement** – creating stronger links and responding to community concerns to improve and maintain broad community support
4. **Healthier environments** – continuously improving forest practices across supply chains to minimise our impact on the environment
5. **Climate change** – positively adapting to climate change and actively contributing to its mitigation
6. **Monitoring and reporting** – a framework for demonstrating progress and measuring success.

The Plan provides a strong basis for the development of balanced forest policy with initiatives that will help deliver stability, encourage investments and drive innovation.

Our plan identifies new investment opportunities requiring \$2.5 billion in private capital. These opportunities would create 2,000 highly skilled careers and, combined with existing businesses, generate over \$4 billion in revenue annually - doubling the industry's current contribution to the State

These opportunities include:

- **expanding** our existing pulp and paper production and restructuring existing hardwood sawmilling capacity to include greater utilisation of plantation resources;
- **establishing** engineered wood product production facilities, an ongoing focus on high value products for domestic and export markets and the establishment of sustainable bio-energy production; and
- **increasing** supply chain efficiencies, enhancing forest management, reducing the threat of wildfire and increasing the use of wood products.

Table 1 provides a summary of the main potential investment requirements and benefits.

Table 1: Income and employment impacts of new processing investment opportunities within Tasmania¹.

Investments ²	Minimum capital investment ³ (\$ million)	Annual direct income (\$ million)	Long term employment (number of jobs)	Input volume of wood required (million m ³ or t pa)
Plantation hardwood sawmilling:				
three reciprocated mills or one linear mill	60	50	200	0.24 Mm ³
	65	50	65	0.25 Mm ³
Softwood sawmilling	10	30	30	0.165 Mm ³
Engineered strand lumber plant	225	290	150	0.55 Mt
Hardwood plywood ⁴	15	20	50	0.25 Mm ³
Hardwood pulp mill	1,450	750	290	4 Mt
Bioenergy – (based on indicative three bioelectricity plants and one export wood pellet plant)	370	120	165	1.15 Mm ³
Harvesting and transport equipment	365	240	650	-
Additional support and service investments	-	1,000	1,000	-
Total	2495	2500	2,400 to 2,535	6.355

² Based on Table, 1 of the URS Forestry report, 2009, *Economic Impacts of Potential Forest Industry Developments in Tasmania* and current economic data

³ This level of investment relates only to capital costs. It does not include other costs such as planning, site preparations, and service connections. When you include these, the level of investments required will be far greater.

⁴ Hardwood plywood production based on using output from existing veneer mills. Input volume represents log input to exiting veneer mills. Income and employment represent additional impacts compared to veneer production.

The Tasmanian plan recognises the importance of developing new approaches to provide solutions to environmental challenges facing Tasmania, including climate change.

It also highlights the need to integrate and improve the health of the urban and natural environments and requires changes in practices to reduce forest impacts on the community's health and lifestyle and by promoting independent, voluntary certification schemes.

Importantly, this Plan recognises that over the next decade the forest industry will be required to adapt to changes and overcome challenges associated with the transition to a native regrowth and plantation focused industry. It also recognises the future success of the industry incorporates native and plantation forests and private and public forests.

Achieving the full potential identified in the Plan will require governments, at all levels, to continue to support the forest industry. Indeed, the opportunities and benefits identified in the Plan will only be achieved through strong and cooperative partnerships between industry and Governments. This plan recognises the pivotal role governments play in facilitating investments and ensuring the right framework is in place to drive innovation.

Consequently, it will be critical that the inquiry consider the role of governments in supporting, but not directing, industry driven development. Support can be through the removal of impediments and streamlining decision making processes, and, where appropriate, direct financial or policy contributions to address market failures and encourage investment and innovation. Examples of the role of government include:

- reducing or removing sovereign risk (including that associated with resource supply/expansion);
- providing support during change;
- supplying/providing infrastructure and utilities;
- promoting balanced labour market controls;
- funding training and education providers;
- supporting generic marketing/branding initiatives (including promotional and embassy/commissioner resources); and
- enacting fair and balanced policy/legislative settings as they relate to tax, trade, R&D, and regulations.
- ensuring a level playing field is maintained domestically and internationally
- facilitating and support the development and delivery of regional employment and community infrastructure and services
- and ensuring businesses have access to markets.

This level of support must be consistent across all agency initiatives and underpin government policy, especially in areas such as:

- national competition principles to address monopolistic powers and unfair practices;
- reforms to taxation laws to reduce the burden of tax compliance;
- transparency and consistency in business operations as administered through such agencies as ASIC;
- directly funding infrastructure;
- innovation through R&D, and ongoing support for CRC for Forestry, Universities, FWPA and concessions;
- enforcement of intellectual property rights; and

- international agreements (such as the WTO), bilateral and multi-national trade agreements (such as Free Trade Agreements or Closer Economic Relations) which are designed to remove discriminatory trade measures and promote market access, particularly discriminatory tariff and non tariff trade barrier.

It is also important that the inquiry recognise that Australia is increasingly linked to international markets and if our forest and wood products industries are to remain competitive, then we must be aware of, and participate competitively in, these markets.

Australia's forest industry must also be positioned strategically and build on our natural and regional strength, so we can respond to challenges in order to maintain existing and develop new markets.

While Australia's domestic market is strong and robust, we are no longer isolated from international trends and our industries can no longer remain solely domestically focused. Australia's domestic market will no longer support companies who are internationally uncompetitive, and future industries will have to integrate export opportunities within their business plans to remain competitive.

Of competitive concern is that domestically, the forest industry is facing increased and discriminatory regulatory controls on forest management, production and within markets. At the same time, competition from substitutes such as steel and plastic composites is increasing.

The industry is also facing increased competition from imported wood products. And not all of these are from Asian countries, as the rise of European Baltic Pine sales highlights.

While the international trading environment is not an equal one, multilateral and bilateral trade negotiations provide opportunities to reduce these inequities and therefore provide opportunities for companies to pursue.

It is important to note that unless the Australian Government continues to actively identify and remove Non Tariff Barriers imposed or endorsed by our trading partners, then the Australian forest industry will continue to be disadvantaged and face major restriction to market development. Examples of such trade barriers include:

- **building standards and codes**, which, for example, may exclude Australian softwoods, but allow North American softwood
- **Environmental standards** or certification systems, which are often promoted by environmental groups and may be adopted by governments
- **Shipping** issues such as port charges or cartels
- **Phytosanitary measures**, including inappropriate or excessive quarantine measures
- **Exclusionary business practices**, such as restricted supply chains, cartels or price fixing; and
- **Subsidies**. Either direct (such as cash incentives) or indirect, such as tax concessions, noting that Australia's tax system does not provide concessions or incentives. However it does contain corrective measures which address inequities within our tax system.

Committee Members should note that Tasmania's success, and that of the Australian forest industry, in the competitive global economy depends on the professionalism and skills of the people employed, and their daily interactions in workplaces. The Tasmanian Plan recognises that skills shortages are becoming apparent as we enter 'the age of the aging' and there are demographic challenges associated with an aging population that are impacting on the forest industry's ability to attract and retain workers at all levels of the labour force – constraining development and restricting investment by increasing costs and uncertainty.

Over the next 10 years, the forest industry will change to largely using native regrowth forest and plantation resources which will require increased automation in processing and mechanisation in harvesting. These changes will encourage further investment and innovation in manufacturing, and generate new career opportunities associated with pulp, paper, reconstituted wood products, bioenergy and others.

The change in the resource base will require a fundamental shift in the skill requirements within the industry. It will also require a considerable investment in identification of skills gaps in relevant regional communities to assist in the prioritisation of training efforts. Skill development will involve ongoing promotion, support and closer alignment between the forest industry, apprenticeship centres, employment and training providers and organisations associated with skill development in Tasmania and Australia.

There are further opportunities for the industry to actively attract new people into the industry by promoting career awareness within schools and vocational and tertiary institutions.

This approach will help the industry to respond to increased market demands by targeting training to develop the skills necessary to support investment decisions. It will also provide employment and training providers with opportunities to deliver the skills necessary to support future investments identified earlier.

Tertiary qualified employees are also required to support the forest industry. Currently there is a national shortage of professional foresters. From an industry perspective it is unclear whether existing tertiary institutions are positioned, or appropriately resourced, to provide the qualified and skilled people sought by industry. It is also unclear if institutions are providing the skill set required to plan, monitor and evaluate forest operations to ensure the highest standards of sustainable forest management.

The National Masters Program provides an example of a flexible training initiative. This model should be examined by the Committee when examining opportunities to promote and extend programs to attract new students and support forestry focussed courses within tertiary institutions.

It is also critical the Committee recognise the training and development opportunities provided under the Cooperative Research Centre (CRC) model. The CRC for Forestry and others are recognised as being a quality provider of training for forest scientists. It is clear that continued support by the Australian Government is required to support these organisations and to promote forest science as an attractive career.

This is why Government support for, and funding of, industry based skills, training and education is an important element to realising the potential of the forest industry which can be achieved by focusing on three key objectives:

1. building enterprise capacity;
2. enhancing education and training delivery systems; and
3. developing attractive careers and pathways.

Education and training providers must build a greater understanding, and meet the challenges, of the emerging technical and professional skill requirements across supply and value chains which are essential to support new enterprises such as pulp and paper producers, reconstituted wood products manufacturing, bioenergy and other energy producing systems. There is a clear case for greater co-operation across all education and train providers and agencies to establish closer partnerships to ensure they:

- accurately reflect current and emerging industry needs;
- enhance the skills required in the harvesting and haulage sector whose employees require advanced mechanical operator skills and additional training in information, technology and communications as they transition to mechanisation; and
- improve the skills of people employed in sawmilling and advanced processing manufacturers as advances in technology and increased automation in this sector require a more highly skilled and adaptable workforce.

This partnership approach would assist the industry to develop initiatives that respond to the increase in demand for skilled workers associated with an improved economy and increased demand for wood products. This approach is also critical for the development of the potential benefits identified under the Tasmanian New Forest Industry Plan.

This is why ongoing support and government funding for all training and education providers associated with the forest industry is necessary if we are to maintain the skill development initiatives associated with, and supported by, the industry as it adapts to changing markets requirements. Withdrawal of support could undermine the potential benefits identified under the New Forest Industry Plan, and hinder its focus on developing and promoting the sector as a healthy and supportive work environment.

However, at the end of the day, private individuals and companies make commercial decisions and these decisions require certainty.

Therefore, ultimately, the success of the Tasmanian forest and wood based processing industry will be determined by investment decisions made outside government.

Irrespective of the individual views of Committee members, I encourage members to ensure policy recommendations or initiatives apply the following objectives:

- **Maintain open, competitive and non-discriminating markets** – competitive markets for forest products are vital for facilitating new investment that responds to fundamental economic drivers.
- **Promote and support internationally competitive industries** – increasing globalisation of forest product markets, expanding international trade in forest products, and open and competitive markets means there is ongoing pressure on Australia's forest industry to remain internationally competitive if they are to attract new investment.

- **Promote private sector driven investments** – while government ownership of forest resources means that they have a direct role in forest sector investment, it is clear that the private sector will be the primary source of new investment in the forest industry in the future. In addition to direct investments where they manage resources, there is a role for governments in maintaining an environment that is conducive to investment and in addressing specific market failures.
- **Promote ecologically sustainable development** – the forest industry provide renewable resources that have economic, social and environmental impacts. Forest investment needs to be seen and delivered in this “triple bottom line” context.

These principles aim to establish an environment in which the public and private sectors work together to promote sustainable economic development, and at least recognise and preferably removed any unintended impacts of government policies and/or legislation.

Committee Members should consider the 2009 FFIC report, *Innovation within Tasmania's forests and wood products industry* which documents the Tasmanian forest and wood products industry's long culture of adapting to change through innovation. This paper highlights the strong links between innovation within forest management, harvesting and logistics, processing, market development and research; links which provide natural pathways for the transfer of knowledge across and within the supply chain. It also highlights the opportunities for further innovation which, if realised, will ensure that Tasmania's forest and wood products industry continues to adopt new management techniques and technologies. Innovation will be required to respond to emerging markets for new products which contribute to mitigating the impacts arising from climate change. A copy of this paper is attached and an electronic version is available on our web site.

While there is debate on the use of Australia's native forest resource, it is important to note that 30% of all timber produced from Australian forests is sourced from native forests. This resource is predominantly value focused, targeting appearance grade and associated products.

In Tasmania, and since the signing of the RFA, the area of native forests available for wood production has decreased by almost 50 per centⁱⁱⁱ: from around two million hectares to just over one million. The majority of public forests are now managed as conservation reserves from which timber production is excluded. In terms of production, since 2001 the supply of native forest logs for all products has declined by 24 per cent: from 5.1 million tonnes to 3.9 million tonnes in 2008. This trend is projected to decline a further 25 per cent to under three million cubic metres by 2020.

It is critical that Committee Members note that our native forests' ancient origins influence their unique characteristics and make them highly valued for a wide range of uses which plantation grown forests cannot replicate. Tasmania's native forests produce some of the strongest, most beautiful and valuable timbers in the world, renowned for their texture and character. In addition to the versatile eucalypts (dominated by *E. delegatensis*, *E. regnans* and *E. obliqua*), other important species include blackwood, myrtle, sassafras, celery top, Huon and King Billy pine.

There are no substitutes for these timbers, and the only species of similar characteristics are found in the tropical forests of the Asia-Pacific region whose forest management and sustainability criteria are lower than those employed under Tasmania forest practices system.

An analysis of trade and consumer data clearly shows there remains a high demand for these timbers, and imports from regional forests are acting as direct substitutes for Australian timbers. This perverse outcome has led the Australian Government to introduce measures to combat illegal wood imports^{iv}. However, there remains a clear consumer demand for these products and unless they are provided from Australian forests, imports will continue to rise and in doing so place further pressure on the sustainable management of regional resources.

When considering issues of legality and sustainability, the Committee Members should note that Tasmania’s forest practices system is recognised internationally as a benchmark for best practice in forest regulation and is regularly used as a model for the improvement of forest regulation in many countries.

In 2008 researchers from Yale University and the Australian National University independently compared environmental forest practice policies in Tasmania against the policies of 38 other jurisdictions from 20 countries worldwide. Assessments were based on five criteria: riparian zone management, clearcut size, road culverts and decommissioning, reforestation requirements and annual allowable cut.

The researchers found that:

A fundamental underlying component of the RFA is the Forest Practices System. Compliance is detailed in the Forest Practices Code, which has been assessed to be comprehensive and amongst the most prescriptive in the world.^v

Forest regulatory processes in Tasmania are embodied in the only system in Australia that has been developed for, and applied equally to, both private and public forests. However the forest industry also operates within a broader regulatory framework (as detailed under Table 2).

Table 2: Major Tasmanian Acts which regulate the forest industry

Forestry Act 1920 & Regulations	Threatened Species Protection Act 1995
Forest Practices Act 1985 & Regulations	Nature Conservation Act 2002
Private Forests Act 1994	Environmental Management and Pollution Control Act 1994
Forestry (Fair Contract Codes) Act 2001	Aboriginal Relics Act 1975
Forestry Rights Registration 1990	Land Use Planning and Approvals Act 1993
Timber Promotion Act 1970	Crown Lands Act 1976
Regional Forest Agreement (Land Classification) Act 1998	Historic Cultural Heritage Act 1995
Public Land (Administration and Forests) Act 1991	State Policy on the Protection of Agricultural Land 2009
Fire Service Act 1979	Agricultural and Veterinary Chemicals

	(Control of Use) Act 1995 and Regulations
Weed Management Act 1999	Workplace Health and Safety Act 1995

While uninformed academics and other who do not understand the nature of wood may argue that Australia’s total timber needs can be met from plantations, it is clear that plantation grown logs are not a direct substitute for logs sourced from native forests; just as white table grapes are not substitutes for high-quality red wine grapes; nor beef for dairy cattle.

The transition to using regrowth and plantation wood with fundamentally different qualities is posing significant difficulties as traditional sawing technology and drying processes are unsuited to the production of appearance-grade timber sourced from plantation hardwoods.

Separate trials of 26-year-old eucalypt plantation logs found that about 40 per cent of the recovered boards were downgraded from high-value *select* grade to lower valued *high feature* or structural material due to internal check⁵. Downgraded boards can only be sold below the traditional market price when used in floors, finishes and furniture⁶. Internal check also remains a significant reason for degradation of native forest regrowth logs.

This loss of value resulted in marginal returns to forest growers and processors, and suggests this timber is unlikely to be economically harvested and processed into high-value hardwood products using current sawing technologies effectively making it unsuitable for use within traditional markets.

As noted earlier, Australian forest management policies, especially those in Tasmania, provide a robust framework, which protects cultural and environmental values within managed forests while creating career opportunities and supporting forest based communities. The *National Forest Policy Statement*, *Regional Forest Agreements* (RFA), the *Plantations for Australia: the 2020 Vision* (Vision 2020), and the *Tasmanian Community Forest Agreement* have been critical elements within this framework and must continue to be the basis under which future policy is developed.

Australia’s favourable economic and political environment makes it an attractive place to invest and is illustrated in the increasing globalisation of Australia’s forest industry. The increasing availability of resources has seen substantial new investment in the forest sector in Australia.

Security provided under the RFA has underpinned investments in the Tasmanian industry which has diversified rural economies by injecting substantial capital into the state. Investment and confidence in Tasmania’s forest industry is strong. Since the signing of the Tasmanian RFA in 1997 a total \$2.34 billion has been invested by the forest industry in

⁵ Internal check is a serious and persistent wood quality and drying defect with fast growing eucalypts from southern Australia. While internal checks do not affect structural performance significantly, they are a particular problem with high-value applications, such as furniture making. The check is often invisible until the timber is finally shaped and finished, and, when it is revealed, it renders the piece unusable

⁶ Internally checked boards may only have a value around \$350/ cubic metre. This value level will only support low-cost commodity production and growing high-value sawlogs will become economically unsustainable unless value is achieved.

Tasmania, the majority in rural and regional areas.⁷ Acquisitions and major new processing investment in the forest sector has been more than \$1.4 billion. In addition around \$800 million has been invested in new greenfield plantation establishment (nearly 150,000 hectares hardwood and 6,000 hectares of softwood plantation) and around \$140 million in research and development.

While outside the scope of the FFIC to monitor, national industry organisations indicate that over a similar period, national private investments across the forest industry supply and value chains have averaged over \$1 billion annually, with around 65% in plant, acquisition, mergers and new capacity.

This investment has been associated with considerable domestic industry restructuring including the entry of international forest sector specialist companies, as well significant new processing investment and acquisitions.

These investments offer scope to extend and enhance our international competitiveness through both replacing imports as well as export growth and thereby offer potential to significantly reduce Australia's forest products trade deficit. They also offer opportunities for ongoing growth in regional incomes and employment generated by the forest industry.

Examples of the range of potential investment opportunities is outlined in the URS reports *Markets and Market Prospects for the Forest Products Industry in Tasmania*, and *Economic Impacts of Potential Forest Industry Developments in Tasmania*. These reports also acknowledge the proposed \$2 billion Gunns pulp mill which would underpin future investments in Tasmania's plantation estate, generate 4,000 jobs during construction, support over 300 direct high tech careers when operational, provide stability for forest contractors, underpin future investment confidence and generate an additional 2% to economic growth in Tasmania.

However, investments on this scale require clear and tangible government support and commitment. A failure in policy to support such projects is likely to undermine the plantation forestry sector, putting at risk further investments and re-investments and potentially leading to the resource being exported, with major benefits in employment and economic growth being lost.

Importantly, these investments would continue to support the estimated 4,000 farmers nationally (and around 1,600 in Tasmania) who have integrated forestry, either as plantations and/or by managing their native forests into their farm operations and business plans for commercial returns and environmental outcomes. The supply of fibre from these farms are not sufficient to independently support processing competitiveness, but nonetheless provide an important supplementary and diverse source of timber.

To date, governments have imposed significant forest management and conservation restrictions which have increased costs to land managers and reduced the working capital value of farms. While obligated to adhere to legislative restrictions, the ongoing management

⁷ Estimated from various public records (including annual reports, media reports) and commercial-in-confidence advice.

of these values are largely voluntary and requires the good will of the land owner to fund conservation through commercial activities which include wood harvesting.

The private environmental contribution of forest management is highlighted in Tasmania where private forest owners and managers are required to set aside, on average, around 20% of their forest land to meet environmental criteria.

The impacts of this regulatory requirement is considerable. For example, plantation companies estimate their environmental contribution over the past 10 years at more than \$350 million in direct lost opportunity costs with 68,000+ hectares of all land managed privately by plantation companies being unavailable for timber production. The loss of use associated with this land includes the financial costs associated with purchase, and the productivity loss by being unable to manage the land for a commercial return. Importantly, more than 50 % (600,000+ hectares) of state multi-use native forests and 40% (300,000 hectares) are now managed for non-commercial returns.

There is clear indication that most forest owners can only afford to maintain biodiversity values within forests that also provide some level of commercial return. The removal of capital value within forests is likely to remove incentives to maintain such services. This is likely to increase the rate of degradation within such forests (through increased weed infestation, increased fire regimes, cessation of ‘policing’ in regards to firewood collection, hunting or other recreational activities). It is therefore critical that the Committee consider the impacts of any future policy recommendation on private forest managers and forest-farmers.

There is also no doubt that investments across supply chains have been supported through the expansion of the plantation resource since the RFA and Vision 2020 initiatives were announced. This expansion has been assisted by the Australian Government addressing inequities within the investment structures and implementing corrective measures through areas such as taxation.

A continued expansion of the plantation estate is necessary to supply the critical mass necessary to meet and maintain the international competitiveness of our existing processing businesses. Increases in resources are also required to develop new processing capacity to supply future domestic and regional consumer demands. Facilitating an investor-friendly environment will help maximise benefits from investment opportunities.

While the introduction of taxation measures to support inequitable treatment of plantation investments has been controversial, there is clear evidence that recognises the economic and environmental benefits associated with the model developed.

It is the only model that has demonstrated effectiveness in attracting city based equity, and transferring it directly into rural and regional communities at an average rate of around \$500 million annually. The impact of this investment on the Australian Government’s budget has been around \$25 million per year (as estimated by URS Forestry in consultation with the Department of Agriculture, Fisheries and Forestry, and Treasury). This level of public/private leverage is unprecedented and unmatched by any alternative industry support program to date.

However, it is clear that large scale conversion of land for plantations is not sustainable. Consequently, future capital is likely to be focused on replanting existing plantations and expanding the resource by integrating traditional farm and plantation management objectives and, in doing so, appropriately manage potential impacts associated with forest operations and plantation developments.

To attract ongoing capital into plantation investments will require current structures, policies and systems to be enhanced to address failures associated with the management of past investment schemes. To achieve this will require innovative approaches to plantation ownership and investment structures.

Structures would include an integrated approach to family farm forest management focusing on carbon capture and improved capital growth, in both plantation and native forests. For example as traditional agricultural activities become subject to scrutiny in terms of their on-farm carbon footprint the expansion of existing or new plantations or improved management of existing native forests may provide opportunities for farmers to offset carbon produced through other activities. This approach also provides opportunities for farmers to diversify value of their forest resources and income by supplying the wood processing industry.

Incentives which provide real financial returns to family farmers are needed to offset current regulatory costs associated with the commercial management of private native forests (such as those under the Forest Practices Act) that may limit potential carbon capture opportunities.

Further research is required to improve our forest and farm carbon cycle knowledge and in doing so improve management practices to maximise the carbon absorbing capacity of Tasmania's forests.

However, there is considerable potential to capitalise on carbon stored in forests through enhanced management of native forests and increased storage capacity through integrated plantation development and realisation of this plan's investment opportunities in domestic wood processing.

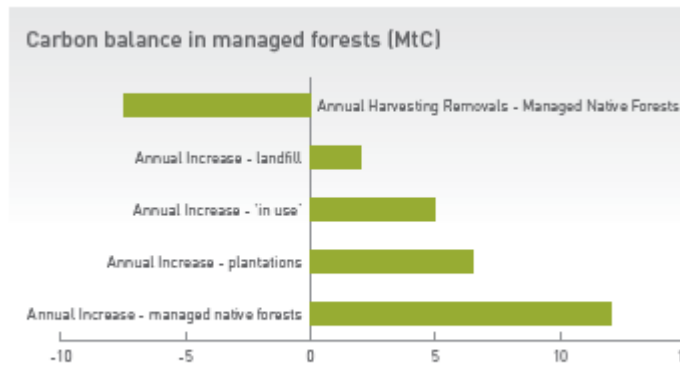
Key international and domestic climate change policies recognise the positive role that active forest management, combined with an increased use of forest products, plays in reducing the impacts of climate change by providing long term storage benefits.

Australian Government, and independent, research has shown that while losses are incurred through the harvesting and processing of wood, the off-site storage capacity in wood products results in a net gain in carbon storage capacity when compared to unmanaged forests which are still subject to disturbance events such as fire or pests^{vi}. These reports also recognise there are significant environmental benefits if harvested wood and residues are used for energy production that substitutes for fossil fuel use.

Government policies which support the increased use of wood products are desirable to assist in maintaining and further increasing the long term carbon storage in both managed forests and wood products. This approach will also assist in strengthening Tasmania's economy.

National research shows the total annual increase in carbon stored in managed native and plantation forests is greater than that lost through decay of slash produced during harvesting. Figure 1 is an estimate of annual carbon balance associated with managed forests, based on research undertaken by Forests and Wood Products Australia^{vii viii}, Australia’s National Greenhouse Accounts (2006) and Australia’s *State of the Forests Report* (2008).

Figure 1. Carbon balance in managed forests (MtC).



Further reduction of Tasmania’s carbon emissions could be assisted by government developing and adopting a ‘carbon impact’ assessment policy for public infrastructure works. An increased use of wood products in building and construction projects would create long term carbon stores.

The New Zealand Government is leading international efforts in this area and, in response to climate change, has introduced a purchasing policy which is increasing the use of wood in government buildings. This is being achieved through the introduction of a standard clause within all government building contracts along the lines that: *“All government-funded building project proposals for buildings up to four floors (including the ground floor) shall require that, at the initial concept stage with sketches and price estimates, a build-in-wood option (with the main structural materials being wood or wood-based materials) must be submitted, along with any other options using alternative materials”*^{ix}.

The FFIC recommend that government at all levels adopt a similar procurement policy to maximise long-term carbon storage capacity opportunities. This approach has the real potential to further decrease the state’s carbon footprint and to increase investments in high value wood products.

Tasmania’s forest industry is also reducing the state’s total carbon dioxide emissions by nearly 30%, and our managed forests contributes to mitigating the impacts of climate change. However, with support government policies, Tasmania has the potential to become a ‘carbon neutral’ state by building on its forest resources, its scientific and technical forest management and its processing expertise.

While, information on the impacts of climate change on forests are yet to be fully understood recent research modelling carried out by CSIRO researchers indicates that: *“Climate change is predicted to have a generally positive outcome for all of E. globulus, E. nitens and P. radiata plantations in Tasmania”*^x. The modelling also predicted that Tasmanian plantations

productivity would increase. This places Tasmania in an advantageous position when compared to plantation areas in Western Australia, the Green Triangle and NSW where no such benefits are predicted. In 2009, modelling for the Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS) significant agricultural areas of Tasmania were identified as economically viable for tree planting.

The financial and environmental advantages of using wood are likely to increase as carbon mitigation initiatives are developed further. While the development of a carbon-trading/mitigation scheme is still to be finalised, the potential to increase the forest industry's carbon storage contribution is real. Afforestation of unproductive cleared lands, and as part of an integrated approach to agricultural business, should be promoted as one of the solutions to reducing the impacts associated with climate change and to facilitate active forest management. A greater use of wood products and a real financial return along supply and value chains is required to fully achieve this potential.

Increased use of wood products will also reduce carbon emissions when used in place of energy intensive products such as steel, aluminium and concrete. Renewable bioenergy generated from forest and mill residues would displace fossil fuel used in electricity generation and contribute further to greenhouse reduction.

It is clear that private and public organisations are increasingly using woodwaste and forest residues for industrial energy generation and for heating commercial buildings and schools, as well as considering alternative, sustainable uses. Wood fibre is now the fourth largest energy source after oil, coal and gas and integrating the use of low value wood within climate change initiatives will reduce smoke impacts by encouraging the adoption of emerging and innovative technology which increases the use of harvest residue, including renewable power generation capacity (the combustion of biomass to create energy) and other alternative products. . As the costs of fossil and other non-renewable fuels increase, so does the opportunity to grow the wood energy industry. Additional opportunities have also been identified by URS Forestry^{xi} and include:

- specialised biomass generators and co-generation facilities (within existing mills and new facilities);
- activated carbon (valued for its ability to purify liquids and gases);
- industrial carbon (used in steel manufacturing); and
- biochar (improves the structure and fertility of soils).

It is clear that there are real and tangible benefits associated with using wood products, including the:

- Role plantations and managed native forests play in absorbing carbon dioxide from the atmosphere. Actively growing trees absorb carbon from the atmosphere at a greater rate than mature trees.
- Long term storage role associated with wood used in building products or furniture. Carbon accounts for up to 50 per cent of the weight in wood products, and these products can store carbon for hundreds of years.
- Renewable capacity of our forests. Unlike steel, concrete, aluminium and plastics, forests are replanted after harvesting – providing sustainable products indefinitely.

- Contribution to international conservation. Using sustainably sourced Tasmanian wood can reduce illegal forest clearing and habitat destruction in the Asia-Pacific region, and reduce Australia's \$400 million imports of illegal timber annually.
- Versatile, flexible and attractive nature of these products. Wood can be used to create a wide range of products from innovative furniture and craft designs to multi-story commercial structures.
- Economic and cost-effective benefits. Wood is 400 times more thermally efficient than steel, 1,770 times more than aluminium and 15 times more than concrete.^{xii}

While the URS report, and international and Australian government research recognise the benefits of managing forests for multiple use within the debate on climate change responses, it will be critical for Committee Members to differentiate between 'voodoo' science and credible, peer reviewed science when considering the role of managed forests, and the forest industry, in the carbon debate. As such, I am confident the URS report, *Global Climate Change and the Tasmanian Forest Products Sector*, and the New Forest Industry Plan, both of which are well referenced and rely on credible scientific based assessments, will provide valuable and factual information for Committee Members.

Research, development, extension and innovation (RDEI) is critical in supporting ongoing industry development and investment. Australia spends around \$70 million pa on forestry and forest products related research and development. The Australian Government contributes 45% of this expenditure, State governments 32%, the private sector 15% and universities 8%. Around 72% of research and development expenditures are directed towards forest production while around 28% are directed to forest products research.

There remains a clear demand for government support to maintain research capacity to address current technological limitations and training deficiencies, and develop innovative solutions to the challenges created through a transition from older native forests to regrowth and plantation resources.

Our industry is unique in that forest and forest products provide quantifiable net benefits for the environment, can offset and repair negative impacts arising from alternative land use practices and can provide tradable environmental outcomes associated with carbon capture, salinity mitigation and habitat enhancement.

There is clear recognition that managed native and plantation forests provide a range of environmental benefits which can address land degradation and habitat loss created through alternative land management activities and improve water quality. Nationally, 35% of all farmers have planted trees for shade, shelter, land rehabilitation, agricultural production gains, or for commercial returns. This broad adoption recognises the multiple purpose and benefits that forestry, in whatever form, offers.

It is clear that wood production can be compatible with provision of environmental services that integrate forest management systems that minimise environmental damage. There is a growing body of research which indicates that for most species of fauna, plantations contribute to enhanced biodiversity by improving connectivity, providing supplementary habitat and resources, and lessening the physical and biological edge effects of fragmentation.

It is important to note that leading scientists recognise that many of Tasmania's natural eucalypt forest-based biodiversity values can only be maintained by harnessing fire as a tool. Fires in these situations may provide appropriate 'ash beds' which promote ecological benefits through the germination of seeds in natural forests following the harvesting of wood. The challenge for land managers is to balance responsible management of fire and the smoke generated with air quality management and biodiversity outcomes

People working in and reliant on forest products are committed to continuous improvements in forest practices and enhancing environmental and cultural values at appropriate levels.

International assessments have shown that the debate on the need to extend reservations or further restrict access to forest resources is no longer relevant to the wider community as a balance has been achieved.

The Tasmanian forest industry makes significant investments in improving practices to benefit Tasmanian communities and their environments. In 2005/06 more than \$12.3 million dollars was expended on forest research which contributed to the employment of 147 fulltime equivalent researchers.

Importantly Tasmania has developed strong expertise in forest sector research. In partnership with private forest industry organisations and companies, significant research is undertaken by a wide range of public organisations including:

- Cooperative Research Centre for Forestry
- Commonwealth Scientific and Industrial Research Organisation
- Forestry Tasmania
- Forests and Forest Industry Council
- Forest Practices Authority
- University of Tasmania (and other universities)

The industry's partnership with government, educational and research organisations and other industries has provided opportunities to develop solutions to a range of environmental challenges facing Tasmania. They include:

- Maintaining and enhancing biodiversity and threatened species recovery outcomes.
- Improving soil and water quality.
- Reducing the use of chemicals. 1080 is no longer used to control damage by animal browsing in state forests and its use on private land has also decreased significantly. In 2008/09 the use of 1080 by the forest industry was less than 6.4 per cent of that used in 1998/99:^{xiii}
- Reducing the risk of wildfire and smoke impacts.
- Protecting and conserving forests across all tenures. Conversion of native forest to plantation by the state's major forest managers has now ceased, and the industry's reliance on clear felling of old growth forests has been reduced as new ecological based forest management and harvesting techniques (aggregated retention) are being developed.
- Training in cultural awareness and forest practices. The industry achieves a very high rate of compliance (93 per cent) with the Forest Practices Code provisions^{xiv}. More than 500 European and scientifically cultural heritage sites and a similar number of indigenous heritage sites have been identified and protected.^{xv}

However further research is required to clarify the complex environmental relationships within forests and the services they provide. Government in partnership with industry will need to develop and regulate systems to ensure national and international consistency is achieved. Standard cost-effective administrative approaches are required to provide tradable rights which are quantifiable.

RDEI will remain critical to addressing knowledge gaps, driving ongoing innovation and supporting investment decisions.

Tasmania's forest industry remains a leader in innovative research and RDEI is important to ensure the ongoing competitiveness of Tasmania's forest industry and to secure long-term career opportunities for Tasmanians. The successful implementation of RDEI will also require a commitment to transfer outcomes into operational practice and to support professional and technical training and skill development initiatives.

Tasmania's forest industry continues to invest in RDEI to better understand and enhance the biodiversity and carbon values of forests, as well as the value of forest products.

Research outcomes will need to be promoted and disseminated in a clear, concise and timely manner that supports investment opportunities and encourages the uptake of new approaches and technologies.

The benefits of a partnership approach to RDEI is demonstrated by the Forestry CRC Harvesting and Operations research program which works with forest harvesting contractors and processors to improve value by developing computer aided calibration tools to maximise recovery.

RDEI will assist in the response to challenges associated with adapting to changes in resource characteristics; increased competition from imports and substitutes; increasing community demand for improved environmental outcomes; and the development of markets for new products, through a focus on:

- reducing log defects such as end splits and outer surface compression – often increased within younger smaller diameter wood
- reducing log handling damage
- Improving saw (sawmills) and knife (veneer mills) efficiency by reducing the incidence of imbedded impurities (such as gravel) associated with log handling
- improving recovery in processing
- developing and adopting emerging products such as functional biofibres, advanced composites, bio-adhesives and chemical lubricants.

RDEI will also be required to:

- address the socioeconomic impact of land-use change
- manage native forests and plantations for multiple benefits such as carbon capture and storage water yield and
- develop strategies to optimise supply chain profitability by focusing on harvesting and operations and areas such as genetics, silviculture and stand management transport strategies and value adding opportunities

- develop life cycle inventory and assessment systems, recognising the carbon storage and energy embodied in wood
- maximise value recovery from the existing plantation estate, establish parameters for future wood products focused plantations, and encourage processing initiatives which support economically viable production.

In conclusion, Committee Members should avoid developing a single approach or vision statement for what Australia's forest industry will look like in 10+ years.

It is however clear that, over the next decade, the forest industry will be required to adapt to changes, and overcome challenges, associated with the transition to a native regrowth and plantation focused industry. It is also clear that Australia's natural strengths rely on a forest industry accommodating native and plantation resources, as well as private and public forests.

However, it is important that the Committee Members recognise that the full potential of the forest industry will not be achieved without investments in new technologies and in the skills of people for the future. Further, the range of opportunities available to strengthen and expand the contribution the forest industry makes to the Australian economy, and its support within rural and regional communities, will ultimately be determined by investment decisions which are driven by innovation, influenced by government policies and regulations, financed by private investment, and responsive to market and community signals.

Appendix A: Background paper on Impact GFC on the Tasmanian Forest industry.

Background

The following has been prepared by to highlight the impact of the GFC, and other factors, in regards to employment in the Tasmanian forest industry.

It has been developed after extensive consultation with forest based business owners and representative organisations. It also draws on work undertaken by the CRC for Forestry.

Four factors have been identified which have lead to a significant decrease in employment across all supply and value chains between 2008- late 2010. They are:

1. **GFC:** significantly, many financial institutions reviewed lending practices, restricted lending criteria, withdrew credit, and broadened their risk profiles.
2. **High Australian dollar:** the strong Australian dollar further reduced export competitiveness, and, in combination with increased interest rates, placed further debt servicing pressure and reducing cash flow on export focused businesses.
3. **Amalgamations and business rationalisation:** Two main factors decisions have contributed to around half the estimated job losses which was independent of the GFC, employee skills and productivity, and supply quality or quantity issues.:
 - a. The amalgamation of Neville Smith, Auspine and Gunns which resulted in rationalisation of assets, closures of mills and efficiencies which require less staff; and
 - b. The decision taken by Tasmanian Paper to close their two mills.
4. **ENGO campaigns:** many consider the continuing undermining of Tasmania's wood products in markets by ENGO's as a contributing factor which is restricting the sectors ability to recover.

The financial stress of contractors is recognised. However, it has not been addressed in detail as it involves a number of financial and commercial relationships which are complex and difficult to assess.

Impact on employment within the Tasmanian Forest Industry

The Global Financial Crisis (GFC), combined with other factors, has had an unprecedented impact on the forest industry.

Tasmania's forest industry has historically shown resilience to changes influenced by the cyclical characteristics of Australia's building industry, exchange rate fluctuations, general market movements, and those challenges related to operating within a small island economy.

The GFC resulted in a number of unprecedented market changes which were not fully realised across Tasmania's forest based industries until 2010.

While the early impacts of the GFC manifested in a dramatic reduction in demand for forest products, especially commodity and export based products, forward orders, existing contracts and stock provided cash flow support across the supply chain during 2009.

However, the GFC reduced demand for new orders as purchasing companies reduced stock and sought alternative, cheaper, suppliers as a means to reduce costs: this was particularly evident in commodity export markets with demand for woodchip decreasing significantly. This led to a reduction in harvesting and contracting services and placed many forest based businesses under further financial stress.

In response to the GFC, many financial institutions reviewing lending practices, restricted lending criteria, withdrew credit, and broadened their risk profiles. During this period, interest rates have also increased significantly, placing further debt servicing pressure and reducing cash flow.

In response, forest based companies have employed different strategies to maintain markets and retain skilled staff.

Many have accessed the working capital essential for investments in new technology, market promotion and development, servicing and maintenance by increasing personal guarantees (such as equity in their houses), drew down savings, reduced stock or reduced employee costs (reduced shifts and/or hours worked).

Some processors have sought niche or alternative markets. Where supply is a critical issue, some have sought alternative wood supplies, including experimentation with lower quality native logs or plantation timber: albeit with very limited success. Others have sought to change the focus of their business to further utilise by-products and develop alternative markets for products such as kindling and sawdust. While others have sought to differentiate by focusing on higher quality products.

A number of contracting businesses have shifted their focus away from the forest industry in response to the downturn. In particular, some silvicultural contractors reported shifting into landscaping or other alternative industries. Road construction and engineering contractors and service providers have increased employment by being able to work on major government capital work programs.

Many harvesting businesses reported that as their equipment was largely customised for forestry, and had few if any other uses, their ability to generate alternative sources of income was limited. Consequently, they tended to downsize their operations as far as possible in the hope of 'riding out' the downturn with as little loss as possible, or have taken on work that has lower returns (with some reported that they were working at a loss) in anticipation of a future upturn in business:

While these responses had been successfully applied in previous downturns, current responses highlighted a mix of outcomes: some businesses have maintained employment and a small number increased it, particularly those reporting utilising these strategies, while others have seen significant decline in employment.

Recent closures has highlighted that industries cannot compete on price alone. The loss of around 700 jobs in association with the closure of the two Tasmanian Paper mills showed that successful businesses must continue to invest in new technologies and efficiencies if they are to remain competitive. These jobs losses is due to a business decision taken by Tasmanian

Paper which was independent of the GFC, employee skills and productivity, and supply quality or quantity issues.

The job losses in Tasmanian Paper's Burnie and Wesley Vale mills contrast with the native solid wood processing sector, which has undertaken significant investments in new technologies, and has shown a high level of resilience compared to other areas or the supply and value chain.

It is also clear that as the GFC deepened, the traditional responses employed by businesses has been generally unsuccessful. By early 2010 many forest based businesses were under significant financial stress. The strong Australian dollar further reduced export capacity and financial institutions placed many businesses in receivership or businesses applied for bankruptcy.

It is important to note that while the demand for housing has been strong, stimulated by the First Home Owners Grant and government stimulus packages, this has not provided the level of support for wood-based building products experienced traditionally. This is because these stimulus initiatives have generally required the rapid supply of cheap construction material and techniques (favouring steel, aluminium, etc) and not innovative and/or high value/quality wood products.

The reduced demand for wood based building material further reduced processing activity, contributing to further loss in contracting harvesting and haulage, and silviculture services.

The unprecedented long term and broad national and international impacts associated with the GFC have been identified by forest based businesses as the major factor in leading to the an estimated loss of 2,000 jobs across the forest supply and value chains in Tasmania. However, many also consider the continuing undermining of Tasmania's wood products in markets by ENGO's as a contributing factor which is restricting the sectors ability to recover.

Currently, the demand for Tasmanian forest products appears to be recovering, although the export focused sector continues to adjust to reduced demand associated with slower international economic activity, higher exchange rates, and uncertainty in supply.

By contrast, demand for high value, solid wood and veneer products is strong. However, supply issues have restricted this sectors ability to increase production, particularly in native hardwood products. The reduction of export markets for mill waste has also impacted on the competitiveness of the solid wood sector.

ⁱ CRC of Forestry, Forest Industry Employment and Expenditure in Tasmania, 2005–06, viewed at <http://www.crcforestry.com.au/publications/downloads/forest-industry-survey-report_download.pdf>.

ⁱⁱ *Tasmania's forest industry: Trends in forest industry employment and turnover, 2006 to 2010.*
<http://www.crcforestry.com.au/publications/downloads/Schirmer-Tas-forest-industry-WEB.pdf>

ⁱⁱⁱ Tasmanian Public Land Use Commission, 1996. Socio and economic report Vol 11: Background report part D, Tasmanian– Commonwealth Regional Forest Agreement.

^{iv} DAFF. (2010). "Australian Government's illegal logging policy", from <http://www.daff.gov.au/forestry/international/illegal-logging>.

^v McDermott, L et al, 2008, A Global Comparison of Forest Practice Policies using Tasmania as a Constant. , viewed at <<http://www.yale.edu>>.

^{vi} Woods, T 2009, Sustainable Forest Management – Part of the Global Climate Solution, FFIC 'Climate Change & Forestry' Forum, Fitzpatrick Woods Consulting, viewed at: <<http://www.ffic.com.au>>

^{vii} George, A Impact of carbon trading on wood products, prepared for Forest and Wood Products Australia, viewed at <http://www.wpa.com.au/content/pdfs/new_percent20pdfs/PR07_1059_carbontrading_web.pdf>.

^{viii} http://www.fwprdc.org.au/content/pdfs/Leading_percent20Edge/2006_percent20December.pdf

^{ix} New Zealand Wood, viewed at <<http://www.nzwood.co.nz/>>.

^x M. Battaglia, J. Bruce, C. Brack and T. Baker, 2009, Climate Change and Australia's plantation estate: analysis of vulnerability and preliminary investigation of adaptation options, viewed at: http://www.fwpa.com.au/Resources/RD/Reports/PNC068-0708_Research_Report_Climate_Change.pdf?pn=PNC068-0708

^{xi} URS Forestry, 2009, Forestry, Markets and Market Prospects for the Forest Products Sector in Tasmania, viewed at <<http://www.ffic.com.au>>.

^{xii} Wood Naturally. Sourced at http://www.chhwoodproducts.com.au/userfiles/6/file/Wood_Naturally.pdf, and www.howarth-timber.co.uk/timber-merchants/environmental-timber-factfile

^{xiii} DPIPW, 2009. Sourced from information provided by Alternatives to 1080 Poison section.

^{xiv} Forest Practices Authority 2008, Annual Report, viewed at <<http://www.fpa.tas.gov.au>>.

^{xv} Forest Practices Authority, 2008, Sustainability Indicators for Tasmanian Forests 2001-2006, viewed at <<http://www.fpa.tas.gov.au>>.

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Recognising environmental values of forests and forest products

The forest industry are unique in that during their life cycles they provide a range of net benefits that are measurable, and have the potential for developing tradable values. However, ongoing conflict over environmental issues adversely impacts on investor interest and community support for new investment. A more holistic approach to investment in sustainable forest management promotion and benefits can help address these issues. Ongoing research and development to identify complex environmental relationships is also important to clarify impacts.

STRATEGIES	ACTIONS	OUTCOMES
<ul style="list-style-type: none"> • Improve understanding of the environmental (including carbon cycle) benefits of forests and forest products. • Improve understanding of the potential benefits of establishing markets for carbon services. • Build cooperative approaches to assessing environmental benefits of forests and forest products based on sound science and stakeholder involvement, and an understanding of the relationships between all products produced from forests. • Actively promote the positive carbon and environmental impacts of sustainable forest management • Develop consistent, non-discriminatory and competitively neutral approaches to managing land for forests. 	<ul style="list-style-type: none"> • More extensive and effective reporting of the sustainable use values of forests, including wood and non wood products and environmental services. • Undertake research and development, combined with an educational program to articulate findings, into embedded energy and carbon benefits throughout the life cycle of forest products, and communicate outcomes to increase understanding by communities of the environmental characteristics of forest products. • Support the development of consistent national approaches to the separation of carbon rights from tree ownership by preparing relevant legislation in those states that still have not done so. • Support the development of models to assess the potential for a national carbon trading scheme though investigating impacts on forest owners and forest product manufacturers. As part of this, develop clear standards for measurement and recognition of sequestered carbon, with consideration of specific procedures to facilitate involvement of smaller growers. • Promote relevant research and development findings to improve understanding biodiversity benefits of forests. • Continue to support and promote certification for sustainable forest management of public and private native forests and plantations. • Develop and assess land use impact models on a holistic basis rather than sector based approaches. • Redress legislation to ensure the potential use of forest and processing residues in bioenergy production is not disadvantaged relative to other industries. 	<ul style="list-style-type: none"> • Triple bottom line frameworks recognised by the community. • Clear separation of ownership rights to trees and environmental services in all states. • Clear demonstration of the potential impacts of a national carbon accounting scheme. • Better coordination of environmental management practices. • Clearer understanding of the role of forests in providing environmental services. • Equitable treatment of forests in implementation of the national land use policy.

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Infrastructure and economic development

Ongoing infrastructure development is vital to attracting investment and supporting competitiveness. There is a clear role for governments in providing infrastructure. A regional approach encompassing multiple industries to develop infrastructure plans will help clarify long term infrastructure needs. Governments also have an interest in promoting, and removing impediments to investment in the forest industry to generate sustainable economic development in regional communities. In addition to overall economic policy settings, governments can assist the development of vibrant regional economies through regional planning and ensuring that the forest industry are treated equitably compared to other industries

STRATEGIES	ACTION	OUTCOMES
<ul style="list-style-type: none"> • Ensure the forest industry is engaged with and by other industries, service and infrastructure providers, and all levels of government to clearly identify regional infrastructure needs. • Develop integrated industry approvals processes across all levels of government. • Improve resource and industry development information to facilitate more effective infrastructure plans. • Assist in the development and expansion of domestic and export markets for forest products. • Ensure relevant government policies are consistent with long term sustainable development of the forest industry. 	<ul style="list-style-type: none"> • Provision of forest sector information through preparation and update of industry capability statements and promotion to international and domestic investors. • Development of regional investor packages, detailing comprehensive information on resource areas, volume and characteristics relevant to processing options. • Engage with regional industries, local governments and regional development organisations to prepare coordinated regional infrastructure plans. The plans to be developed over 5-10 year timeframes on a rolling basis. • Quantify and promote economic and social benefits of investment in regional infrastructure taking account of industry development and investment. • Undertake investigations into infrastructure projects that span industries to create links and encourage synergistic integrated management eg. bioenergy and grey water treatment. • Review of the planning application processes at all levels of government to develop a more transparent approach which is readily demonstrated to be objective, non-discriminatory and timely. • Review regulatory frameworks for forestry to ensure that they do not have adverse economic, social or environmental impacts on potential forestry investments. • ensure that policy and legislative frameworks for forestry are consistent and fair. • Ensure provision of comprehensive resource information to facilitate clear identification of potential infrastructure needs for ongoing resource development, harvesting and processing. 	<ul style="list-style-type: none"> • Coordinated regional infrastructure plans in forest regions. • Regular and up to date information on investment potential and opportunities in the Australian forest sector. • Consistent and clear approval processes for new investment projects. • Practices of state owned agencies and corporations consistent with competition principles. • Consistent and fair approvals processes for forest sector investments.

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Resource information and resource security

In recent years the National Forest Inventory and the National Plantation Inventory have enhanced forest resource information available in Australia. The Australian forest & wood product statistics trade information is also a useful tool for decision making. However, there is considerable scope to improve the information available which will assist new investors further. Similarly, many governments in Australia have taken steps to enhance resource security for both native forests and plantations eg, by legislating for access rights for plantations and the completion of Regional Forest Agreements for native forests. However, considerable uncertainty remains over long term access to forest resources. There is scope to demonstrate that the existing frameworks practically deliver enhanced security and thereby contribute to attracting new investment.

STRATEGIES	ACTIONS	OUTCOMES
<ul style="list-style-type: none"> • Develop a clear and consistent national approach to the provision of information on the forest sector in Australia. • Build on the success of the National Plantation Inventory and the Australian forest & wood product statistics via continuous improvement of resource information. • Provide comprehensive and accurate resource information to potential investors. • Clarify access to planted forests and to both public and private native forests. • Develop more consistent approaches to right to harvest forests across the nation. 	<ul style="list-style-type: none"> • Ongoing development of the National Plantation Inventory and the Australian forest & wood product statistics publication to supply information in greater detail with higher confidence levels, including provision of information, such as estate age, species, ownership and silvicultural practice. • Develop approaches to provide information on the economic, social and environmental impacts of forest resources and their utilisation. • Develop approaches to facilitate assessment of private native forest resources and to establish a framework for sustainable forest management, and assessment of the associated social and economic impacts. • Clear recognition of harvesting rights for plantation forests in all States and Territories. Ensure that current legislated rights are implemented and applied in ways that ensure harvest rights are wholly enforceable and consistently applied across all levels of government. • Maintain forest agreements between all levels of government for access to forests for commercial wood production. • More effective communication of the right to harvest associated with plantations in those states that have developed policies. Develop right to harvest legislation in those States where it has not been implemented. 	<ul style="list-style-type: none"> • Enhanced information on regional forest resources, wood flows, and economic and social impacts. • Clear frameworks for provision of access to forests for commercial use appropriate to encouraging investment in the forest industry. • Improved certainty over right to harvest. • Clear understanding of Australian and State government roles in land use for forests.

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Forest education and skills development

The forest industry employ people across many different disciplines and provide valuable jobs in regional areas. However, difficulty in attracting appropriately skilled workers across all components of the forest sector and across all levels of the labour force can constrain forest industry development and investment by increasing costs and uncertainty for investors. This is not confined to the forest sector and skills shortages are becoming apparent in a number of industries. It is critical that the issue in relation to the forest industry be recognised and considered as part of wider national approaches.

STRATEGIES	ACTIONS	OUTCOMES
<ul style="list-style-type: none"> Support ongoing development of safe and secure work environments across the forest industry. Attract new workers to the industry through promoting a better image of the industry and by building understanding of lifestyle and career opportunities in regional areas. Build stronger links between industry and education and training organisations – recognising the differences in vocational training and higher education training. Provide more effective planning at the regional and national levels for forest sector skills development. Maintain forestry training at higher education and vocational levels consistent with international and national standards. 	<ul style="list-style-type: none"> Prepare information packages for prospective employees /trainees. Ensure these are available on the web. Where appropriate, nominate regional forest industry career coordinators/advisers. Continue to develop the national skills survey to highlight specific needs – building on the national vocational training strategy and extending to cover higher education. Undertake benchmarking of forestry occupational health and safety performance to assess performance against other sectors. Improve accessibility to relevant courses and encourage the contractor workforce to undertake management training. Provide more scholarships for industry training and development including funding for follow-up training for forestry graduates eg, in business planning and in certification standards. Identify funding to assist investment in more effective vocational training eg, simulators. Develop approaches to integrate forest industry understanding into high school curricula. Build on existing links between forestry education institutions eg, through industry advisory committees, and industry work experience programs - to ensure courses fulfil training requirements of industry. Build stronger links between graduate study research and industry needs though greater use of Linkage Grants for graduate forestry students. Increased flexibility in employment conditions eg, part time positions and crèche availability, to build community support for industry, while broadening available employment base. 	<ul style="list-style-type: none"> Information packages prepared in a number of regions and assessments of impacts undertaken over time. Forest and forest product industry skill needs identified on a national basis. More effective management skills for owners/operators of forest harvesting and transport companies. Professional foresters with more widely based industry relevant technical and management skills. More efficient and effective vocational training for machinery operators. Increased opportunities for graduate research driven by industry needs and priorities. Greater availability of skilled labour for the forest industry.

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry
March 2011

Information, communication and community participation

The forest industry is a major supporter of regional economies and infrastructure, and is also highly dependent on the support of rural communities and industry groups to be able to operate, invest and grow. The need for industry to engage community groups is seen as critical to maintain an operating environment favourable to development and investment. A greater understanding of the perceptions of the public with regards to economic, social and financial performance will assist in ensuring that development and investment in the forestry and forestry products industries are consistent with community needs and aspirations.

STRATEGIES	ACTION	OUTCOMES
<ul style="list-style-type: none"> • Build bipartisan political support for forest sector initiatives based on ecologically sustainable development. • Engage regional and national communities and stakeholders to build understanding and support for the forest sector. • Build understanding of the needs, aspirations and attitudes of communities, and community understanding of the forest industry and their value to regional communities. • Improve leadership of the forest industry to ensure clear and consistent communication across all levels of industry from national bodies to regional participants. • Engage local government on a national basis to develop consistent approaches to forest sector development. 	<ul style="list-style-type: none"> • Regions to conduct regular studies to clarify the economic, social and environmental impacts of the forest industry. • Establish fora for regional stakeholders and forest sector participants to consider industry development and investment issues. Where appropriate this may be extended to include the employment of community liaison officers as a focal point for community and industry interaction. • Ongoing research into community perceptions of forest industry performance and impacts on regional communities. • Develop approaches to the implementation of Good Neighbour Charters at the State and/or regional level with appropriate mechanisms for review and for facilitating accountability. • Active involvement in regional development organisations to build stronger links with other regional industries eg. agriculture. • Develop a set of national guidelines for forest sector development to assist local governments. • Implement schools programs to educate children and their families on the activities and impacts of the forest industry in their region. • Support forest industries associations to explore more effective mechanisms for developing and enunciating whole-of-industry views on relevant issues. • Support implementation of the National Indigenous Forestry Strategy to provide avenues for indigenous communities to benefit from forest sector development. • Develop a standard set of industry definitions to be incorporated into educational and promotional material for the industry. • Conduct regional forest development and investment workshops on a regular basis in major forest regions. 	<ul style="list-style-type: none"> • Consistent information on the socio economic and environmental impacts of the forest industries. • Improved links with regional communities. • Improved understanding of the forest sector by local governments. • More cohesive leadership of the forest industry.

Forests and Forest Industry Council of Tasmania Submission to the
House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
Inquiry into the Prospects of the Australian forestry industry

Attachment A

National strategies, actions and outcomes to support a stronger forest industry

March 2011

Research & development		
<p>Research and development is vital to ongoing industry investment. While there is already considerable investment undertaken by government and private sector industry participants, and research and development is coordinated through Forest and Wood Australia and the CRC for Forestry, there is potential to enhance this effort. In addition, there is the need to ensure that results from research and development are communicated widely to provide opportunities to generate investment. As research and development is undertaken by a variety of organisations the need for cooperation and coordination is paramount to ensuring it is directed at the most productive opportunities.</p>		
STRATEGIES	ACTIONS	OUTCOMES
<ul style="list-style-type: none"> • Ensure the level of investment in research and development reflects the economic contribution of the forest industry. • Continue to build research and development partnerships to respond to industry needs. • Improve communication of research and development outcomes to industry participants and communities. • Improved market and price data for forest industry. 	<ul style="list-style-type: none"> • Develop a national research and development strategy for the forest industry, building on the existing FWPA and CRC for Forestry research strategy. To include cooperative research and consideration of plans to promote new product development and investment in the forest sector. 	<ul style="list-style-type: none"> • Increased investment in research and development for the forest sector. • More coordinated research and development strategies for the forest industry. • More widespread and effective understanding of the results of research and development.
	<ul style="list-style-type: none"> • More effective coordination of research into hardwood sawlog plantations in Australia for the production of solid wood products. Facilitate appropriate research into solid wood production including investigating rotation optimisation, ideal species and site condition. 	
	<ul style="list-style-type: none"> • Benchmark investment in research and development by the forest industry against investments by other industries. 	
	<ul style="list-style-type: none"> • Better communication and application of research and development outcomes to encourage higher levels of adoption of technological advances. 	
	<ul style="list-style-type: none"> • Initiation of a research program on forest economics and forest product markets. To produce analysis of demand drivers, market trends and incorporating economic modelling of costs and returns. 	
	<ul style="list-style-type: none"> • Continue to support and fund FWPA, the CRC for Forestry, and other research and development organisations and agencies. 	

Attachment B

Tasmania's New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry

March 2011

Overview: Forest Industry Developments in Tasmania

The 2011 Tasmanian Forest Industry Plan identified a number of commercial opportunities which if realised by the Tasmanian forest industry can create community wealth, increased employment opportunities and security for the state's forestry employees and contractors:

- **New investments in wood manufacturing and waste minimisation**
More than \$2.1 billion of private investments in new processing opportunities is identified in the plan. These investments will benefit Tasmania by directly creating up to an additional 880 long-term highly-technical jobs and generating an extra \$1.26 billion annually for the state.
- **Increased security for contractors through new processing investments**
Investments over 10 years in new harvesting and transport machinery of \$365 million will support more than 650 careers and generate revenues of \$240 million annually.
- **New wood products**
An internationally competitive engineered wood products mill would require investments of \$225 million and by using utilising what to now has been pulpwood generate 240,000 cubic metres of product, provide 150 direct career opportunities and \$290 million in direct income annually.
- **Energy from biomass**
Opportunities include the use of biomass residues to produce bioenergy, wood pellets and briquettes. Biomass energy production creates wealth from waste products. Establishing three 30 MW bioelectricity plants and one export oriented wood pellet plant requires investments of \$370 million. A single 30 MW power plant will provide electricity for around 12,000 houses. These investments would generate \$120 million annually in revenue, support 165 direct job, and utilise over 1.1 million cubic metres of wood waste.
- **Expanded services**
Applying standard employment and income multipliers additional support and service investments would generate at least an additional 1,000 jobs and about \$1billion in income for the state.

Attachment B

Tasmania's New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry

March 2011

Commitment	Strategies	Actions
<p>Element 1: Wealth creation</p> <p>We are committed to working with government and the community to maximise wealth-creating opportunities for all Tasmanians. We will do this by innovatively adapting to new forest resources, embracing new technologies to maximise value and utility from existing resources and expanding the forest estate and manufacturing base.</p>	<p>1. Seek and support government regulations and policies which provide resource security and a positive investment climate.</p>	<ul style="list-style-type: none"> • Consolidate bipartisan support for the Tasmania RFA and a smooth transition to its renewal. • Engage with governments to encourage the development of consistent and equitable planning and approval processes. • Reduce excessive compliance costs by working with local governments to align their processes with state government regulations and independent certification requirements.
	<p>2. Increase the extent and quality of our native forest and plantation resources.</p>	<ul style="list-style-type: none"> • Enhance the long term commercial productivity of existing forest resources. • Invest in new hardwood and softwood plantations. • Improve the level of contribution to wood supply sourced from privately owned native forests . • Enhance the supply of high value native eucalypt and special species resources.
	<p>3. Maximise the value of forest products and profitable waste utilisation.</p>	<ul style="list-style-type: none"> • Invest in downstream processing and new product and market development to maximise the value of wood products. • Invest in harvesting and logistic systems which optimise productivity and profitability. • Implement and communicate regular reviews of wood resource availability and match to existing processing capacity and potential investments. • Invest in market development for Tasmania's wood products
	<p>4. Promote and facilitate efficient planning and investments in regional infrastructure.</p>	<ul style="list-style-type: none"> • Engage with governments and other industry sectors to encourage investment in infrastructure that will meet future industry needs. • Work with governments to promote efficient and fair access to and use of regional infrastructure and resource freight systems.
	<p>5. Maintain a world-class research, development and extension capability.</p>	<ul style="list-style-type: none"> • Support industry and government investment in maintaining a strong integrated research and development capacity within Tasmania. • Address major harvesting, haulage and processing challenges associated with the transition from older native forests to a regrowth and plantation hardwood resource. • Develop opportunities to export forest management knowledge and skills. • Establish closer links between research institutions and the forest industry.

Attachment B

Tasmania’s New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry

March 2011

Element 2: Industry of choice

A key factor in future success will be through career path information for current and future employees to enable them to develop a range of effective, flexible and relevant skill sets necessary to improve their employment opportunities. We will respond to this challenge by developing innovative approaches which continue to provide career opportunities. We will work with government, the community, trade unions and professional associations and training and education providers to encourage continuous investment in training and skill development and promote the industry as a healthy and supportive work environment and an attractive ‘industry of choice’.

Commitment	Strategies	Actions
To develop and promote the sector as a healthy and supportive work environment.	1. Create and promote valued and diverse career opportunities for men and women in the forest industry.	<ul style="list-style-type: none"> • Develop and provide career path information. • Work with governments to improve forestry training at the higher education and vocational levels to address national shortages. • Promote indigenous employment opportunities.
	2. Provide safe, healthy and supportive work environments and continuous improvement of work practices.	<ul style="list-style-type: none"> • Improve occupational health and safety performance across the industry. • Improve skill levels with a focus on safety, environmental and product care.
	3. Improve workforce skills and productivity.	<ul style="list-style-type: none"> • Work with governments to improve vocational training delivery programs and systems. • Encourage continued government funding of a representative, national forestry industry skills council. • Maintain the relevance of the Industry Skills Plan to reflect changing priorities in skill development needs. • Work with ForestWorks to provide flexible training and accreditation opportunities to meet evolving technological and environmental changes. • Develop strategic links with other industries where similar skills sets exist.

Attachment B

Tasmania’s New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry

March 2011

Commitment	Strategies	Actions
To improve and maintain broad community support.	1. Develop and maintain effective communications with the community.	<ul style="list-style-type: none"> • Engage with stakeholders and the broader community in a meaningful, frank and respectful manner. • Respond accurately and comprehensively to community enquiries and concerns in a timely manner. • Strengthen partnerships with communities and businesses to promote and maintain Tasmanian ‘brand’ values.
	2. Reinforce the sustainability of Tasmania’s managed forests and the underpinning science.	<ul style="list-style-type: none"> • Provide and support regular public reporting of our environmental performance and compliance against regulatory and sustainability criteria.
	3. Provide factual information on forests and the forest industry and their benefits.	<ul style="list-style-type: none"> • Seek and support regular reporting of our social and economic role in Tasmania, including a comprehensive assessment of changes since the commencement of the RFA. • Promote the use of wood as an environmentally friendly, renewable, low carbon product. • Provide comprehensive educational material on forests and forest industries to Tasmanian schools and students, and continue to support the role of the Forest Education Foundation.

Attachment B

Tasmania’s New Forest Industry Plan: Commitments, actions and outcomes to support a stronger forest industry

March 2011

<p>Element 4: Healthier environments</p> <p>We are committed to creating healthier environments for all Tasmanians by protecting our environmental assets in a balanced way. To achieve these outcomes we will incorporate evidence-based economically and environmentally sustainable approaches that are acceptable to communities</p>		
Commitment	Strategies	Actions
<p>To continuously invest in improving environmental outcomes.</p>	<p>1. Support and implement continuous environmental improvement in all activities.</p>	<ul style="list-style-type: none"> • Encourage and support regular reviews of regulatory standards to improve environmental outcomes and apply fair and equitable scientific, and evidence-based approaches. • Seek equitable, consistent and competitively neutral government regulations across all land management activities. • Support and implement research to improve environmental outcomes.
	<p>2. Minimise adverse social and environmental impacts associated with forest practices.</p>	<ul style="list-style-type: none"> • Continue to recognise and respect environmental values in forest planning and operations. • Develop innovative solutions to reduce adverse environmental impacts by: <ul style="list-style-type: none"> ○ reducing vegetation fire risks and community impacts associated with smoke areas ○ maintaining the water quality of our rivers and streams flowing through forested areas ○ reducing chemical use where alternatives are economically practical and effective ○ responding to other issues as they emerge • Participate in markets for environmental services that complement wood production activities.
	<p>3. Promote the adoption and recognition of international third party certification.</p>	<ul style="list-style-type: none"> • Promote government adoption, endorsement and support only for procurement policies, sustainability guides and construction regulations which recognise international third party forest certification systems and do not discriminate against the use of certified Tasmanian timbers. • Encourage forest management and chain-of-custody certification throughout the Tasmanian forest industry. • Facilitate cost-effective certification processes for small forest owners.

Element 5: Climate change

We are committed to positively adapting to climate change and actively contributing to its mitigation. This commitment will be achieved by investing in improved training and new equipment, working with government to identify risks and improve response strategies and promoting new processing opportunities which add value to and reduce forest waste.

Commitment	Strategies	Actions
<p>To positively adapt to climate change and contribute to its mitigation.</p>	<p>1. Increase carbon storage capacity within managed forests</p>	<ul style="list-style-type: none"> • Encourage governments to maintain and improve planning and regulatory policies to encourage active management of native forests and facilitate forest expansion on cleared lands to enhance the value of the forest estate. • Invest in new forest plantations for wood and carbon storage on cleared land. • Improve knowledge of the carbon cycles in Tasmania's forest estate.
	<p>2. Adapt to climate change.</p>	<ul style="list-style-type: none"> • Support research into the impacts of climate change on forests and forest productivity and incorporate findings into forest management. • Promote and contribute to the review and improvement of fire planning and protection, fuel management and biosecurity arrangements for Tasmania's forests.
	<p>3. Promote the use of wood to increase long-term wood carbon storage and reduce emissions.</p>	<ul style="list-style-type: none"> • Widely promote the benefits of using wood products. • Actively promote the adoption of carbon impact assessments in private and government building design and construction policies, and rating systems. • Encourage governments and the wider community to adopt policies which promote the use of wood as a construction and manufacturing material.
	<p>4. Increase the use of wood for generating renewable energy.</p>	<ul style="list-style-type: none"> • Promote a review of government regulations to ensure they actively support investment in the use of forest and mill residues in bioenergy production. • Invest in wood biomass energy capacity.
	<p>5. Reduce greenhouse gas emissions across supply chains.</p>	<ul style="list-style-type: none"> • Improve knowledge of carbon emissions throughout the industry supply chain and identify and implement appropriate reduction initiatives. • Invest in local wood processing capacity to reduce transport emissions.

Element 6: Monitoring and reporting		
Commitment	Strategies	Actions
The Tasmanian forest industry is committed to provide industry leadership and impetus for implementation for this plan	Maintain a forest industry council to foster implementation of the strategies and actions and monitor and report on the plan	Work with the State Government to review current industry bodies and establish a viable structure for ongoing strategic leadership and reporting.