We request that the Standing Committee supports a strong policy framework to encourage investment in this industry and assist it to raise its value to our economy and communities.

This submission to the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry: Growing Australian Forestry is provided by ForestWorks, the education, workplace skills and training organisation of the forest, wood, paper and timber products industry.

This paper has three sections – an overview, detailed recommendations and a single appendix which is a profile of our organisation.

Overview

ForestWorks recommends to the Standing Committee:

- A comprehensive plan for the industry to ensure investment into a secure forest resource supporting investment via training for a skilled workforce
- Acknowledgement that the industry across all sectors is struggling to provide secure and viable employment under the current policy settings and therefore changes need to be made
- Effective anti dumping legislation to be developed and enforced to protect employment and investment from unfair competition

The Industry Skills Scan (February 2011), produced by ForestWorks on behalf of the industry describes the industry as operating in an era of rapid transformation and structural change with changing market configurations. This inevitably influences industry growth, the structure and capacity of its skilled workforce and the frameworks for future employment, education and training.

Markets, investment in trees and a social licence to operate are the key components of the current and future challenges for the forest and timber products industry.

ForestWorks continues to actively interact with the industry and government to find ways to engage all parties in playing a significant role in fulfilling the innovation and adaptation needs related to skills development.

The forest, wood, paper and timber products industry and the skills utilised by it will continue to have importance above and beyond its traditionally recognised products and benefits as it evolves from and is affected by the consequences of a society with increased socio-environmental values and a carbon constrained economy.

ForestWorks wishes to convey to the Standing Committee:

- The forest, wood, paper and timber products industry is the only industry that naturally captures and stores carbon. Thus, it has the potential to make a major and sustainable contribution to the national and global carbon-constrained economy.

- To fully realise its potential, this nationwide ’carbon-storage industry’ needs major and immediate reforms. However government, regulators and influential community groups need to be prepared to support this industry to the degree necessary to increase its capacity to store more carbon and reduce Australia’s carbon footprint

- The industry understands the need to continue to work with the community and government to build well-informed policy directions and roadmaps for a sustainable industry

- Over recent decades, this industry has experienced ongoing and disruptive structural changes that have significant ramifications for those people and communities who rely upon the industry.

- The adoption of new technological and material design developments, in the medium to long term, is strategically important for the industry’s future growth, competitiveness and sustainability objectives. This will require new skill demands for the industry at all levels.

- The evolving structure of the industry and any revitalisation of its potential are likely to progressively introduce new opportunities and capacity for new groups of highly skilled workers.

Detailed Recommendations

1. The forest, wood, paper and timber products industry is the only industry that naturally captures and stores carbon. Thus, it has the potential to make a major and sustainable contribution to the national and global carbon-constrained economy

   We live in a carbon-constrained environment and economy. The forest, wood, paper and timber products industry’s key assets – forests and wood – are renewable, ’carbon sink’ resources, making the industry unique in its potential to both respond to climate change challenges and deliver significant carbon reduction outcomes to society.

   For years, forests have been at the forefront of climate change efforts governed by the Kyoto Protocol and undertaken by the majority of the world’s nations. Despite this, the forest, wood, paper and timber products industry in Australia remains an industry with great potential but with a weak stimulus from regulators and some community opposition that influences and often restricts its development.

<u>Recommendation:</u>

The Standing Committee recommends the adoption of policy to increased the stimulus provided to industry for investment by recognising the carbon capture made by the industry and having a mechanism for this value to be attributed to the industry

2. Globally, this industry has received limited recognition for its unique ability to store carbon in its forests and wood products, or for its capacity to sustainably produce both renewable energy and low-carbon alternative products[1]. At one stage, Europe made a distinction in this regard by introducing local policy incentives to create renewable energy from biomass, which rapidly increased the production, consumption and trade of wood for energy (UNECE and FAO, 2010). Canada and Japan have also responded, establishing government-led campaigns to promote wood as the first choice for public buildings (FP Innovations Wood Products Division and Ministère des Ressources Québec, 2008; Umeda, 2010).

Recommendation:

The standing committee recommends procurement policy of the government to drive product selection towards low carbon materials such as timber and forest products

3. Global forest and timber products industries recognise that a full and widespread credit for the significant amount of carbon that this industry removes and has the potential to remove from the atmosphere can only be achieved through enhanced communication and well-informed, constructive relations with policy-makers, communities and marketplaces (UNECE, 2007; ForestWorks, 2010a).

   This report from the committee has the potential to enhance communication about carbon capture and should be promoted widely

   In Australia, legislation regarding national greenhouse gas emission targets has brought new hope for the forest, wood, paper and timber products industry although bioenergy does not appear to be considered a key option for cutting emissions (Department of Climate Change and Energy Efficiency, 2011a). The federal and state governments are yet to develop transparent plans and directions for meeting these targets.

Recommendation:

The standing committee recommends that all Australian Governments work together to develop plans to meet targets and include expansions of forestry and the industry towards meeting these targets.

4. With a carbon-offset scheme (the Carbon Initiative Farming) to be rolled out in the second half of 2011 (Department of Climate Change and Energy Efficiency, 2011b), it is becoming clear that ’carbon sink’ farm forests will increasingly become a prime emission-offsetting option for large polluting industries. However, the forest industry’s potential for ‘sinking’ greenhouse gases is much larger than that of farm forestry. Involving the operation of the entire supply chain of the industry, this industry can generate a growing

[1] Refer to Appendix I for key details about the low-carbon advantages offered by the forest, wood, paper and timber forest products industry.

pool of wood and recycled wood products which store carbon[2] and realise a greater utilisation of woody residues from plantations and wood processing for alternative electricity and fuel products[3]. While in other countries bioenergy production and other new environmentally friendly initiatives are being actively promoted and implemented, in Australia, the ongoing uncertainty about precise policy directions, which normally underline these developments, only continues to stall important initiatives in this area for the local forest and timber products industry.

For many years, the industry has been exposed to global phenomena, but the industry continues to operate as a largely integrated whole with a reasonably close relationship between the resource sectors (Forest Growing and Management, Harvesting and Haulage), the processing sectors (Sawmilling and Processing), manufacturing sectors (Wood Panel and Board Production, Timber Product Manufacturing, Pulp and Paper Manufacturing) and the market and services sector (Timber Merchandising).

The impacts have mainly been felt from the development of global production networks and markets for the forest resource and wood products, increased wood fibre costs globally due to the rapid increase in consumption of wood energy in Europe, the introduction of new legislative and customer/socially-driven frameworks with stricter requirements to demonstrate due diligence in purchasing wood, and the recent global financial crisis with its consequences.

The land use decisions made nationally in 2010 for a decreased access to native forests, and a significant reduction of investments in plantation forests have also affected the industry by reducing its supply of forest resources. It will be 15 years or more until some of these resources will be replaced and reach maturity for being used again in manufacturing.

Recommendation:

The standing committee investigates how the continued short-term uncertainty over land use policy exacerbates the future of manufacturing sectors, causing serious impacts on the industry and the Australian economy and look at approaches to address this.

5. With the current historically high value of the Australian dollar, the industry is also faced with increasing challenges from significant volumes of cheaper imports of a range of timber and manufactured goods from countries with lower manufacturing costs and subsidies from governments. It is expected that this could further reduce demand for local products and therefore investment, leading to more capacity reductions, plant closures and reduced employment options.

   Corporatisation and privatisation of previously government-owned commercial forests and the formation of regulatory organisations and third-party auditors to oversee codes of forest practices and certification schemes are other examples which demonstrate the changes occurring in this industry. New institutional frameworks will continue to evolve in

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[2] Ibid.

[3] NAFI (2008) estimated that around three million megawatt hours of electricity per annum can be generated from utilisation of woody residues from wood processing in Australia.

the new climate in which the industry operates. For instance, industry economists (Ferguson, 2010) predict that different institutional arrangements are likely to develop as larger organisations merge for economies of scale and scope. Also, there is no doubt that a much larger ’carbon sink’ farm forestry sector is going to develop in the near future and that smallholder farmers will make adjustments to their businesses to improve their economic and environmental value through tree farming and recreational diversification.

The scale of change and uncertainty in the industry has resulted in a reluctance to invest and a relatively low-level adoption of advanced technological solutions to improve production efficiency and capacity.

Recommendation:

The standing committee recognise that the uncertainty in the industry as a result of current policy settings is reducing investment and therefore the creation of more interesting, higher skilled and attractive jobs.

6. Native forestry and economic development in northern Australia is inextricably linked to indigenous land ownership and management.

Employment via work with both native forests and plantations can lead to economic sustainability in local indigenous communities that supports local skilled work.

The industry and indigenous community partnerships can lead to businesses contributing to the national economy with local indigenous employment solutions though the creation of relevant timber products –from growing trees, sustainably managing trees, milling, and production for housing and so on.

One example is the Gumatj Corporation’s Yolngu Forestry project in northeast Arnhem Land, supported by Forestry Tasmania and Forestworks with the ongoing skills and training development of their workers.
The Gumatj Corporation, as part of the Yolngu Forestry project, employs indigenous locals to work in the mill, build the workers bunkhouse and other housing. The workers are learning valuable skills in forestry, harvesting and housing through on the job skills training.
The Gumatj Corporation's Yolngu Forestry project has achieved:

- Building a bunkhouse for indigenous workers on the project
- Operating a portable sawmill for timber harvesting
- Building a domestic house as part of the project
- Building quality furniture
- Delivering timber for decking in a new housing development at Nhulunbuy
- Increasing skills for indigenous workers

Recommendation:

The standing committee recognise the industry’s can make a significant contribution to ‘closing the gap’ and to provide support for sustainable land management with forestry and timber production, training, education and jobs for indigenous peoples.

7. ForestWorks' Skills Enhancement and Training (SET) project (2010b) and years of interaction with stakeholders reveal that many people working and learning in the forest, wood, paper and timber products industry find it to be rewarding. Satisfying the vocational skill needs in this industry is not driven by a workforce supply generated via the traditional, horizontally-connected government, Vocational Education and Training (VET) system, training provider and trainee system as it is for many other industries and economic sectors. In this industry, skilling, learning and further development of the workforce is generally attained effectively through an interconnected and interactive network where training delivery is focused on existing and new employees in the workplace (ForestWorks, 2010b)[4]. A shortage of people with technical skills and an understanding of timber and timber engineering will continue to affect the industry's ability to educate designers, architects and builders about timber and working with timber.

   Organisational changes and an advanced manipulation of forest and forest resources will introduce greater work and job diversity, but for the time being it is widely recognised that a broader sense of relevance about the importance of the industry for society and, implicitly, about working in this industry needs to be created. At the International Symposium on Forestry Education (2010), the common indicative view was that training and degree programs need to be aligned to the new industry paradigm and structures through further development of skills programs, career pathways, jobs and education options.

<u>Recommendation:</u>

The Standing Committee recommends that the government support or continue to support the strategies outlined below that aim to support the Australian forest, wood, paper and timber products industry's directions by enhancing recruitment, skilling and retention of a dedicated workforce in this industry. Please note ForestWorks is currently supported by the Government and Industry to work on a number of these important issues and we canvas on behalf of industry to maintain or grow the level of support for ForestWorks to continue to assist industry with these issues.

Skilling and retaining a dedicated workforce by:

- ForestWorks and its network working to assist enterprises and training providers to establish sound business cases for successful skill development as outlined in the SET Project Lesson 2 (ForestWorks, 2010b) through:
    - facilitating communication, learning, trust, collaboration and ongoing effective relationships through the provision of information and assistance as set out in SET Project Lesson 1 (ForestWorks, 2010b)
    - meeting the enterprises' training needs by establishing, nationally and regularly, a

[4] Refer to Appendix I for a graphical illustration of the forest and timber products industry's framework for sustainable workforce development.

coordinated critical mass of trainees

- Assisting enterprises to develop training plans to build the long-term skills of their employees including ’topping up the knowledge’ of the already-skilled workforce.
- Responding proactively to the emerging skills needs by:
  - continuously assessing the technical changes and developments undertaken, or likely to be undertaken, by the industry
  - evaluating the options for using cross-industry competency standards for those units with relevance for the new areas and trends emerging in our industry
  - developing new skill sets and qualifications as required to address skill gaps in fields such as strategic communication, community and customer relations, management of carbon-sink farm forestry, small business management, biofuels and bioenergy, mechanised plantation, and mechanised biomass harvesting.

Supporting recruitment by:

- Increasing community awareness about the industry and its contributions to society and the environment
- Assisting industry to acquire skills at enterprise level in strategic communication, community and customer relations
- Promoting the job opportunities available in the industry by:
  - enhancing formal connections between enterprises, industry associations, Registered Training Organisations (RTOs), universities, high schools, regional communities and career promotion experts
  - establishing links between vocational qualification programs, school programs and university programs
- Where greenfield site developments occur and/or regional skill shortages exist, promote and make use of the SET pre-employment training model (ForestWorks, 2010b) and other models applied with success in regional or remote areas.

Appendix 1: ForestWorks Profile

A Snapshot of our Organisation

- is a not-for-profit, industry owned expert organisation with respect to education, skills, training and workforce development in the forest, wood, paper and timber products industry

- has offices in Victoria, New South Wales, Queensland and Tasmania and coordinates industry committees in each of those states as well as a national Skills and Employment Council (SEC) covering all sectors of the industry

- is supported by industry and state and federal government funding

- performs a range of industry wide functions acting as the channel between industry, Government and the Australian Vocational Education and Training (VET) Sector

- sets skill and work standards for all of the forest, wood, paper and timber products industry (other than higher education based qualifications)

- has more than 50 member associations and companies nationwide, who collectively speak on behalf of more than 110,000 employees and 6000 enterprises

- has been in existence for over 25 years - providing industry skills leadership, training advice, information and related services

- works in an industry vital to Australia's future, Australia's only carbon negative wood and timber resource industry.

- works across many challenging industry sectors experiencing ongoing VET market failure due to diverse, expensive and difficult to deliver skill areas often located in regional Australia

- amongst many roles and functions for different organisations, also performs the role of Industry Skills Council for the industry and the Federal Government.

ForestWorks Structures and Roles for Industry Engagement

"Designed to provide ForestWorks the capacity to speak with authority and accuracy on industry skill, learning, careers, training and development issues"

ForestWorks is a bi-partite, (i.e. owned by employers and employees via representative structures) expert research and representative organisation of the forest, wood, paper and timber products Industry with respect to education, workplace skills and training.

It is an industry owned Proprietary Limited (Pty Ltd) company registered with ASIC as a not for profit organisation with an endorsed appropriate not for profit constitution. ForestWorks has a broad membership base (every significant industry association is a member, and led with a Board of Directors elected by members and drawn from a cross section of industry sectors.

ForestWorks has a stakeholder engagement plan to support effective and interactive information and advice flow between ForestWorks and the industry. The plan is based around industry networks via regional industry committees in Queensland, NSW, Tasmania and Victoria to gather information and advice. The plan also relies upon company members, informal networks and state ITABs in Northern Territory, South Australia and Western Australia to gather regional information and advice.

ForestWorks engages with industry formally via its national Skills and Employment Council which meets two to three times per year. The council process is open to all industry leaders with responsibilities/interests in employment, skills and training. This formal structure also provides advice to ForestWorks outside of the meeting process via email and phone.

In addition to this structure, ForestWorks meets regularly with industry associations, employers, and unions and participates in industry organized gatherings such as conferences, workshops and seminars as part of its industry engagement and data collection processes.

ForestWorks has successfully conducted projects with support from industry over more than 25 years.

ForestWorks covers all industry sectors including:

1. Forest growing and management
2. Forest harvesting and haulage
3. Hardwood and softwood sawmilling
4. Panel and board products manufacturing
5. Timber manufacturing including, roof truss, wall frames, door and window manufacture
6. Timber Merchandising
7. Pulp and paper manufacturing.

ForestWorks key stakeholders are:

- Governments (State and Federal)
- Industry Associations including Unions
- Company CEOs and Senior Managers
- Site Managers and Supervisors
- Trainers and Assessors
- Registered Training Organisations
- Workers currently employed in the industry and potential new industry entrants
- Communities who are involved with our industry

ForestWorks Effectiveness

ForestWorks works in a small, but incredibly diverse industry. More than 500 units of competency describe a vast array of work functions, often carried out to enterprise and machinery process standards in regional and sometimes remote areas. The forest, wood, paper and timber products industry is a vertically integrated industry, in which the industry's resource sectors are closely linked with the processing, manufacturing, wholesale and retail sectors.

Wood is a natural carbon storing product, but as a product that takes years to grow, it is very unpredictable and variable. Employees working for enterprises in the industry are able to apply skills and knowledge to process logs into a wide range of timber, wood, paper and building products, with each type of product requiring a different manufacturing and development process. Skills and knowledge are complex and product specific, sometimes tree species specific and often take many years to learn and master.

The workload of an organisation such as ForestWorks cannot be measured by a simple counting of employment numbers or enterprise value or production figures. Workload is created by the volume of activity and by the diversity and dispersed nature of the industry. This means ForestWorks has to be able to work in most regions of Australia, with a wide range of stakeholders with vastly different needs and requirements.

In addition, due to the wide spread of skills used in the industry, ForestWorks operates with the challenge of a thin training market. A thin training market is a market that does not operate effectively, with weak signals, high costs, many challenges and low rewards for those willing and able to provide training services, particularly in this case, training providers. In fact ForestWorks operates in a training sector where few providers willingly deliver to, and where government funding for training does not meet the same level of costs as in other industries. This is a very different environment to some larger industries with well known static skills and large target audiences, for example hospitality, business services and tourism. Training to a certain extent is a volume exercise and the more volume you have in standardised skill delivery, the better the environment is to operate in as a training provider.

ForestWorks is only a recent addition to the group of industry skills councils. We have only been operating with that role for three years, with the first year of this period devoted to establishing the staff and business systems to appropriately deliver the ISC role.