

SUBMISSION No. 35
Inquiry into the Australian forestry industry



Timber Communities Australia Ltd

National Office
24 Napier Close
Deakin ACT 2600
PO Box 289
Deakin West ACT 2600
Ph: 02 – 6282 2455
Fx: 02 – 6282 2314
Email: jim.adams@tca.org.au
<http://www.tca.org.au>
ABN 33 008 665 736

25th March, 2011

The Secretary
House of Representatives Standing Committee on Agriculture, Resources, Fisheries
and Forestry
Parliament House
CANBERRA ACT 2600

March 2011

Dear Committee Secretary,

**Inquiry into the current and future prospects of the
Australian forestry industry**

Timber Communities Australia wishes to lodge a submission for consideration by the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry into the current and future prospects of the Australian forestry industry

A copy of the submission is attached.

Yours faithfully,

Jim Adams
Chief Executive Officer
Timber Communities Australia

**House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry**

**Inquiry into the current and future prospects of
the Australian forestry industry**

*Submission by Timber Communities Australia
March 2011*

About Timber Communities Australia

Timber Communities Australia was founded in 1987 and is the peak national grassroots community support group for people and communities who depend upon Australia's sustainable forest-based industries. TCA's members include forest growers (native and plantation), timber processors, forest harvesting and haulage contractors, forest nurseries and their staff and families. In addition, TCA's membership includes people from the broader community who support or indirectly benefit from a strong, sustainable and wealth-creating forest sector.

Specifically, TCA aims to:

- promote the sensible, balanced multiple use of our forests for the benefit of all Australians;
- improve the public's knowledge, awareness and understanding of forest issues;
- provide a national grassroots voice for people associated with or supportive of Australia's forest-based industries;
- help ensure government decision-making processes are aware of the facts and the benefits generated by forest industries, so that well-founded decisions can be made;
- ensure ecologically unique areas of Australian forests are properly managed;
- support the establishment of hardwood and softwood plantations to provide an additional, high quality wood resource for Australia.

Introduction

In the last few years, there have been some significant developments which have had an impact on Australia's forest industries. These developments include:

- the emergence of climate change and carbon emissions as a major international issue;
- changes in world markets for wood products, particularly woodchips;
- a greatly expanded plantation resource in Australia;
- the emergence of "social licence" as an issue for Australian forestry and forest industries.

It is therefore an appropriate time to consider the challenges and opportunities facing the industry. TCA welcomes this opportunity to participate in the Standing Committee's inquiry.

Opportunities for and constraints upon production

(i) Introductory comment

Australia has a trade deficit of over \$2 billion per annum in forest products. The continued development of an environmentally-sound, sustainable and value-adding forest products industry in Australia is vital if we are to reduce this deficit. Reducing the deficit will not only benefit Australia financially; there will be huge social benefits from the jobs created, particularly in rural areas.

A strong Australian forest industry will also assist in protecting the world's forests by reducing pressure on overseas forests which are almost certainly not as well managed as Australia's forests.

(ii) The native forest sector

Perhaps the biggest constraint on the production of forest products from Australia's native forests is continuing uncertainty over access to wood supplies, an issue which has had an adverse impact on the sector for several decades.

In a commendable attempt to resolve this issue, the Commonwealth and State Governments in the early-1990s agreed on the National Forest Policy Statement (NFPS). Key features of the NFPS include:

- comprehensive scientific assessments of Australia's forests, on a regional basis, to identify the environmental, economic, social and heritage value of the nation's forests;
- the development of a comprehensive, adequate and representative reserve system which exceeds international standards to ensure that all forest values are fully represented in the reserve system;
- identification of forest areas where timber production can continue on a sustainable basis;
- the development of codes of forestry practice, based on sound science, to ensure that Australia's forest are managed on a sustainable basis, taking into account the full range of forest values;
- continuous research and monitoring to ensure that Australia continues to be a world leader in forest management.

Arising from the NFPS, ten Regional Forest Agreements (RFAs) were negotiated by the Commonwealth and relevant State Governments to provide resource security for the native forest sector while ensuring the highest standards of forest management based on sound scientific data. Despite the fact that some Governments, for political reasons, have failed to honour the commitments of the RFAs, the agreements have provided the forest industry with considerably more certainty than previously existed in relation to access to forests and have encouraged investment by the industry. This investment has provided new and more skilled employment opportunities, particularly in rural areas, and has led to increased domestic processing of our native timbers.

However, the RFAs are 20-year agreements and most are now in the second half of their lives. Thus the native forest sector generally has less than ten years of resource security and as a consequence industry is increasingly reluctant to invest in maintenance, upgrades and new value-adding opportunities.

TCA recommends that the Commonwealth and State Governments immediately begin the process of renewing the RFAs to provide a more favourable climate for investment. TCA also recommends

that the new RFAs should be rolling evergreen agreements so that at any time the industry has at least 15 years of resource security.

The Commonwealth commendably took the lead in the negotiation of the current RFAs and, given that the agreements have national implications and in some cases may transcend State borders, TCA suggests that the Commonwealth should initiate the renewal process as a matter of urgency.

As the RFAs are renegotiated, greater effort must go into getting wide community support. They must also be backed up by legislation, perhaps with penalties, at both the Commonwealth and State level to minimise the risk of breaches. Ideally, they will be signed by Governments, industry groups and environmental groups who will agree to support the RFAs and not undermine them. TCA recognises that this was the intention of the original RFAs but that for various reasons environmental groups in particular refused to support the final agreements, despite being part of the negotiation process. However, recent developments on Tasmania whereby industry, community and environmental groups are working together to try to agree on the future of the industry suggests that agreement by all parties is not just a dream – it could be a reality.

The RFAs should also recognise that simply banning timber harvesting will not protect native forests. The costs of managing fire, weeds, pests and the impacts of tourism and recreation must be recognised so that the new RFAs not only provide security for the timber industry but also recognise the need to manage all native forests, whether timber-producing or in reserves, in a sustainable manner.

Further the “review” mechanisms within the current RFA’s are hopelessly inadequate as they go only to the reviewing of the implementation processes and not to the actual impacts and outcomes achieved through their implementation.

TCA recommends that the State and Federal governments should conduct detailed and meaningful reviews of the social, economic and environmental outcomes actually achieved by the RFA’s to date and that the outcomes of those assessments should be used to inform and as required modify the structure and operation of the current RFA’s as they are renewed or rolled over.

Much has changed since the signing of the NFPS in 1992 – for example, concerns about carbon emissions and climate change were in their infancy in 1992 but have now assumed far greater urgency. It may therefore be opportune to review the NFPS to take into account new challenges and opportunities. However, the core principles underlying the NFPS should remain unchanged.

(iii) The plantation sector

The plantation-based sector is not directly affected by the RFAs but resource security issues of a different kind face the plantation sector.

Plantations for Australia – The 2020 Vision,¹ which is a partnership between Government and industry, has been a major factor in the significant expansion of the plantation resource in Australia. The 2020 Vision is to increase the area of plantations to three million hectares, representing a tripling of the one million hectares in 1997. *The 2020 Vision*, coupled with appropriate taxation arrangements by Government, led to a rapid expansion of plantations in the decade after 1997. The rate of expansion has now decreased, due in part to the global financial crisis and the collapse of some plantation companies. Nevertheless, the current area of plantations (nearly 2 million hectares) provides a valuable opportunity to develop an internationally-competitive plantation-based sector.

¹ *Plantations for Australia – the 2020 Vision*. Ministerial Council on Forestry, Fisheries and Aquaculture, Standing Committee on Forestry, Plantations Australia, Australian Forest Growers, National Association of Forest Industries. October 1997

Some commentators have suggested that the plantation resource in Australia is now large enough to supply all Australia's wood requirements without the need to harvest wood from native forests. TCA rejects this argument for the following reasons.

- (a) Some estimates of plantation production are highly optimistic and do not take into account the effects of poor soils, pests, diseases and the recent decade-long drought.
- (b) There is only a limited range of species grown in plantations in Australia, and plantation timbers cannot always be readily substituted for native forest hardwoods. For example, it is simply not possible to replace hardwood timbers with plantation-grown softwoods in many outdoor applications where durability and resistance to decay are essential. In addition, plantation-grown softwoods generally do not have the same aesthetic qualities as hardwoods.
- (c) Many of Australia's plantations are managed on short rotations for paper production. It is not possible simply to leave the trees in the ground for a few more decades to produce sawlogs because sawlog production requires different management regimes.
- (d) A significant percentage of the plantation estate is owned by companies who have based their investment decisions on the short-term return from pulp. If governments demand that the companies leave the plantations unharvested for several more decades there could be huge compensation claims and there would almost certainly be no further investment in plantations.
- (e) No other industry is told that it must supply only domestic markets and must not seek export markets. Why should forestry be treated differently? Australia's forest industry is one of the most sustainable in the world and, as mentioned above, exports of Australian wood products reduce the pressure on forests in areas where management practices are less sustainable.
- (f) Australia has an annual trade deficit of over \$2 billion in forest products so there is clearly potential for a greatly expanded forest industry in Australia.

(iv) Social licence and certification

Social licence is the permission that the community gives an operator (public or private) to use a community resource either for profit or not for profit, once it (the community) has reached a level of comfort that the costs to the community associated with that use are acceptable to the community relative to the benefits. The concept of social licence recognises that, in addition to all the necessary government licences and approvals, an industry needs broad community support if the industry is to proceed and prosper.

It is fair to say that in recent decades Australia's forest-based industries have often failed to achieve a social licence, despite the industry having all the necessary government licences and despite the fact that Australia's forests are amongst the best-managed forests in the world. As mentioned above, the National Forest Policy Statement and the Regional Forest Agreements, for all their sound science, have to a significant extent failed to provide the necessary social licence for Australia's forest-based industries. The consequent uncertainty in the industry has led to a lack of investment and the failure of the industry to achieve its potential of creating employment and economic prosperity for Australia, particularly in rural areas.

As mentioned below, recent discussions in Tasmania involving industry groups, environmentalists, the CFMEU and TCA, are aimed at achieving a social licence for Tasmania's forest industries and create an environment where industry can invest with confidence in value-adding and job-creating projects.

Certification schemes are also an important part of the industry's quest for social licence.

There are two certification schemes operating in Australia at present – the Australian Forestry Standard (which has obtained international endorsement through the Programme for the Endorsement of Forests Certification Schemes) and the Forest Stewardship Council (FSC) standard. TCA does not favour one standard over the other – both have the same objective of ensuring that the world's forests are managed sustainably in accordance with sound science to maximise the environmental, economic and social benefits of forests for current and for future generations.

Endorsement under either of these schemes and chain-of-custody assurances allow manufacturers and sellers of forest products to attach the scheme's logo to its products, thereby assuring the purchasers of the products that the goods have come from sustainably-managed forests. There has been some conflict between the two schemes in the past but TCA (which is represented in the Social Chamber of the FSC) believes the two standards should not be in conflict but rather should complement each other.

Retailers and consumers are increasingly seeking forest products that have received endorsement under a certification scheme, and the prominence of either the AFS or FSC logos on forest products, from furniture to paper, indicates the important role that certification can play in obtaining a social licence for the forest industries.

Opportunities for diversification, value adding and product innovation

Rising concern nationally and internationally about carbon emissions and climate change provides one of the biggest opportunities for Australia's forest-based industries. On the negative side, the industry also faces some uncertainties if, as predicted, temperatures rise, rainfall becomes more unreliable and the violent storms become more common.

The 1997 Kyoto Protocol assumes that when a forest is harvested the carbon in that forest is released into the atmosphere. The Protocol does not recognise that carbon remains stored in wood products after trees are harvested. For example, the timber in house frames and furniture can store carbon for decades or even centuries and even paper can store carbon for many years in books, magazines, newspapers and in landfill. As forests are regenerated, more carbon is sequestered from the atmosphere. This process of tree growth, harvest, and regeneration can continue in perpetuity, providing a continuing source of carbon removal and greenhouse gas abatement.

The Forest and Wood Products Research and Development Corporation and the CRC for Greenhouse Accounting have concluded that forestry is the only carbon-positive industry sector in Australia when the full life-cycle of wood products is taken into account². Alternative products such as concrete, steel, aluminium and plastic have their uses but they cannot compete with wood when it comes to renewability, sustainability and greenhouse gas emissions.

TCA believes that it is vital that any future national and international agreements on climate change recognise this fact. In this regard, it is encouraging to note that Australia's *National Climate Change and Commercial Forestry Action Plan 2009-2012*³ states that "while the carbon stored in harvested wood products is not currently counted under Kyoto Protocol accounting rules, the concept is increasingly accepted by policy makers, and countries are now able to include carbon in wood products in their UNFCCC national inventories. The possible inclusion of accounting for

² *Wood and Australia's Carbon Balance*. FWPRDC and CRC for Greenhouse Accounting, Forests. 2006

³ *National Climate Change and Commercial Forestry Action Plan 2009-2012*. Natural Resource Management and Primary Industries Ministerial Councils. 2009.

harvested wood products is being considered as part of international negotiations for a post-2012 international climate change agreement.”

The *National Climate Change and Commercial Forestry Action Plan* also commits governments in Australia to work with industry to identify and implement a range of carbon-positive policies, including building codes that recognise the true impact of alternative materials based on full life-cycle analysis and review of government purchasing policies.

While the Action Plan contains some commendable initiatives, TCA is concerned that it is now two years into its three-year life and some of the good intentions in the Action Plan appear to have fallen by the wayside.

Other opportunities for innovation in the forest industries are discussed below in relation to energy production and biofuels.

Environmental impacts of forestry

Conflict between environmentalists and the forest industry over the use of native forests has been well publicised over recent years. TCA does not accept many of the unsubstantiated claims about the environmental impact of forestry. Indeed, forestry is part of the answer to the world’s biggest environmental challenge, namely climate change.

But TCA accepts that the forest-based industries have often failed to obtain a social licence. In an attempt to reach agreement and obtain widespread social acceptance for forestry and the forest industries, industry groups, TCA and environmentalists in Tasmania have recently been involved in discussions seeking to agree on principles through which a potential restructuring of the Tasmanian forest industries could occur, leading to new investment and a secure future. A gradual reduction in native forest harvesting, accompanied by the development of a plantation-based pulpmill, is being considered as part of this restructure.

Professor Rod Keenan (Professor of Forest and Ecosystem Science at The University of Melbourne) pointed out in a recent discussion paper⁴ that a major unresolved issue in the Tasmanian agreement is the timetable for the gradual contraction of the native forest sector. There are currently insufficient plantations to meet wood supply commitments or replace the level of industry activity and employment from native forests. Further, many of the existing plantations were established for pulpwood, either for export or for use in the proposed pulp mill. They are generally not of the right species or varieties nor have they been managed to produce products for construction, flooring or joinery.

In 1999 a similar agreement between government, industry and conservation groups in south-east Queensland envisaged a gradual transfer of the forest industries from native forests to plantations. Unfortunately, a lack of government commitment to the agreement means that there are still not sufficient plantations to offset losses in timber production from native forests. Indeed the Queensland Government has now sold its plantation assets, thereby effectively removing the government from the agreement which was hailed just ten years ago as a model for other States.

TCA recognises that governments change and policies change, but industry needs an assurance that governments will honour their commitments. Any agreement in Tasmania, if it is to be effective, must have Government support at all levels and include funding commitments into the future.

⁴ “A New Deal for Tasmanian Forests?” Professor Rod Keenan. See <http://www.abc.net.au/unleashed/40346.html>. October 2010

Despite the discussions in Tasmania, TCA considers that Australia's native forests remain a very important part of our forest industry. Further research will be required to support their management and new types of processing will be required to produce higher value products from smaller and younger logs than those to which the industry has traditionally had access.

Forest and Wood Products Australia (FWPA) is undertaking some valuable research on forest growing, timber processing, marketing, training needs and sustainability issues to assist the continued development of Australia's forest industries. TCA encourages the Australian Government and industry to maintain their commitment to FWPA.

Creating a better business environment for forest industries

Plantation establishment should be based on sound forestry and business principles, taking into account species, site, markets, transport, ease of harvesting, labour availability and other factors. It is unfortunate that some plantation establishment companies have failed in the last couple of years, but the plantations remain in the ground and other companies are purchasing these valuable assets.

The plantation sector has changed dramatically in recent years. State governments are fast withdrawing from the establishment, ownership and management of plantations, with many government-owned plantations being sold to private enterprise. The rise of managed investment schemes coincided with the withdrawal by governments and enabled the continued establishment of plantations to give the timber processing industries some degree of assurance that plantation timber will continue to be available in the future.

The failure of some plantation companies has led to calls from some quarters for a major overhaul of tax laws relating to plantations. TCA does not want to see plantations established solely for tax concessions, but the tax system needs to recognise that forestry is a long-term business and that returns on investment might not occur for many years.

The 2020 Vision and appropriate taxation arrangements which recognise the long-term nature of forestry investment have supported the establishment of nearly one million hectares of plantations in Australia since 1997. However, the majority of these plantations are of hardwood species destined for the woodchip and paper market. Many of Australia's softwood plantations are now approaching maturity but without suitable taxation arrangements there is a risk that many of these softwood plantations will not be replanted after harvesting. Should this occur, major processing industries in all States will be at risk and huge job losses will occur, particularly in rural areas where there is often little alternative employment.

There is also a risk that some of the recent short-rotation plantations for woodchips will not be replanted after harvest. The proposed new pulpmill at Penola in South Australia and other plantation-processing investments will not proceed unless there is long-term resource security.

The exact form of support for plantation establishment and replanting needs further consideration. TCA suggests that any support mechanism should include a thorough assessment process so that all the costs and benefits (environmental, social and economic) are fully assessed before any government support is provided.

Governments and financial institutions also need to recognise the increasing environmental significance of forestry and the potential benefits arising from markets for carbon and biofuels. While the carbon benefits of new plantations are clear, the potential carbon benefits of phasing out

native forest harvesting are highly uncertain in the face of increasing fire risks and other impacts of climate change. When the full life-cycle of native forests is considered, it may well be that from a carbon storage point of view, some native forests should be harvested and the timber converted to long-life products which will store the carbon for many years or decades. The regenerating forest will then absorb more carbon in a process that can continue in perpetuity.

In Europe the government and industry are investing in research into new timber products such as laminated beams. Australia also needs investment so that we can maximise sawlog production from young trees and to add value to our timber resources. However, such investment will not occur without an assurance of resource security and a long-term future for the industry.

New markets and new technologies will require a review of research, training and development in the industry to ensure that we have the skills and knowledge to take full advantage of the new opportunities. As mentioned above, continued support for Forest and Wood Products Australia is vital if our forest industries are to realise their full potential.

Social and economic benefits of forestry production

The forestry and wood products sector in Australia employs over 120,000 people and has an annual turnover of around \$19 billion.

Many of these jobs and much of the investment are in rural areas, where they contribute significantly to the economic well-being of rural and regional areas where employment opportunities would otherwise be limited. This enables young people to stay in rural areas rather than having to move to big cities when they leave school.

Dr Jacki Schirmer of the Fenner School for Environment and Society at the Australian National University has undertaken some valuable research on the socio-economic impacts of plantations in several regions. She found that plantation establishment on a large scale does have some social impacts in the short term but this has to be weighed against the fact that rural populations are declining in many areas, regardless of the establishment of plantations. Significantly, Schirmer found that in south-western Western Australia, forest industry workers are younger than the average for the State-wide workforce, with a higher proportion of workers aged under 45 than the Western Australian average, and fewer aged 45 years and over.⁵

Where plantation establishment is accompanied by wood processing industries, the socio-economic benefits to the region can be significant. Schirmer has identified the timber industry as a significant factor in population increases in Tumut and Adelong, at a time when many other towns in the region are suffering declines.

Potential energy production from the forestry sector

There is much discussion about the potential for wind and solar power to replace, at least partially, coal-generated energy. To date Australia has largely ignored the important place that wood can play in energy generation.

The Intergovernmental Panel on Climate Change 2007 states that “In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while

⁵ *Socio-economic Impacts of the Plantation Industry on Rural Communities in Western Australia*. Technical Report 198 of the Cooperative Research Centre for Forestry. June 2009

producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.”⁶

In Europe, Scandinavia and America a significant amount of electricity is produced from biomass, much of it wood waste from forestry (in Sweden and Finland, for example, wood-based biofuels provide around 20 per cent of energy). In Australia, the forest industry can play a major role in the production of energy through the use of silvicultural residues, sawmill residues, and other timber which would otherwise go to waste.

Some environmentalists have argued against the use of wood waste as a biofuel. TCA strongly rejects such arguments which are not based on full life-cycle analysis of wood products. As discussed above, wood is a carbon-positive product when the full forest cycle is taken into account. Wood is also many times more greenhouse-friendly than alternative products, such as coal.

Australia’s *National Climate Change and Commercial Forestry Action Plan 2009-2012*, mentioned above, recognises the advantages of bioenergy and promotes the use of wood waste for energy production. The advantages include:

- the displacement of energy derived from fossil fuel;
- the avoidance of conflicts over the use of food products for fuel production.
- employment opportunities in regional and rural areas;
- ancillary benefits such as salinity mitigation, water quality improvement, erosion control, weed management, habitat protection and improved plantation profitability;

TCA urges all Governments in Australia, as they consider alternative energy sources, to recognise the potential greenhouse gas benefits in using waste wood to generate energy.

Land use competition between the forestry and agriculture sectors

TCA considers that the potential competition between the forestry and agriculture sectors, particularly for water, has been exaggerated by some commentators and that both sectors complement rather than compete with each other.

The National Association of Forest Industries⁷ quotes research by the former Cooperative Research Centre for Catchment Hydrology and ENSIS which indicates that plantations established over less than 20 per cent of the catchment area have little measurable effect on water yield. As no catchment in the Murray-Darling Basin has more than 5 per cent coverage by plantations it is hard to conclude that forestry competes significantly with agriculture for water in the Murray Darling Basin.

Further, much of the plantation estate is established on land that was once forested so the re-establishment of tree cover is simply restoring the original land use.

Despite this, the Murray Darling Basin Authority⁸ considers plantation establishment to be a significant “interception activity”, meaning that plantations intercept water that would otherwise flow into a watercourse, aquifer or dam where it could be used by other industries. Other land use changes, such as the replacement of dryland crops with horticultural crops, are not listed as

⁶ *Mitigation of Climate Change*. IPCC Fourth Assessment Report 2007 See http://ipcc.ch/publications_and_data/ar4/wg3/en/ch9s9-es.html

⁷ *Submission on the “Guide to the Proposed Murray Darling Basin Plan”*. National Association of Forest Industries. December 2010

⁸ *Guide to the Proposed Murray Darling Basin Plan*. Murray Darling Basin Authority. October 2010

significant interception activities. TCA suggests that plantation establishment should be treated in the same way as other crops and should not be singled out as a special case.

Nevertheless, TCA accepts that there is concern in some rural areas about the recent expansion of plantations. TCA therefore supports the project by the CRC for Forestry titled *Living with Plantations*⁹. This project, due for completion in 2011, seeks to understand the social changes that occur when agricultural land is converted to plantations in Australian rural communities. The research will help to identify the social changes arising from plantation establishment and will assist the forest industry and residents to live together in a harmonious relationship.

In this regard, TCA supports the development of “Good Neighbour Charters” by plantation companies. These charters are agreements by plantation owners to explain to neighbouring landowners and the local community how the plantation owners will address concerns such as shading, pest management, fencing and fire. By doing so, plantation owners can obtain the social licence they need for their continued prosperity.

Conclusion

TCA’s primary concern is for the economic and social well-being of rural communities that are dependent on the forest-based industries in Australia.

TCA strongly supports the underlying principle of the NFPS that all forests, whether in reserves or available for timber production, should be managed sustainably, taking into account all forest values – environmental, social and economic. The artificial separation of forests in “conservation” and “production” forests does not promote the development of truly sustainable forest management and will hinder the forest industry as it seeks to take advantage of emerging opportunities such as carbon markets.

Uncertainty over future access to resources is a major concern for the industry. Changes in international markets, particularly for unprocessed products such as woodchips, mean that the industry must look at new opportunities for investment to take advantage of developing markets that were not envisaged just a few years ago.

As the most greenhouse-friendly industry in Australia, the forest-based industries are uniquely placed to assist in reducing the nation’s carbon emissions and help Australia to meet its international responsibilities.

⁹ *Living with Plantations*. CRC for Forestry. See <http://www.crcforestry.com.au/view/index.aspx?id=65631>.