

SUBMISSION TO THE INQUIRY INTO THE AUSTRALIAN FORESTRY INDUSTRY FROM DR DOUGLAS HEAD

Background:

I make this submission as a series of observations following 25 years of direct involvement in the hardwood milling industry in NSW. During this period I have been active on industry issues including serving as President of NAFI for 2 terms, being on the founding Board of the Forest and Wood Products Research and Development Board for 2 terms (6 years), serving as Deputy Chair of the CRC Wood Innovations for over 5 years and this month I was invited by ABARES to address their Canberra Conference on “The Future of the Australian Hardwood Industry”.

I am also the principal of Australian Solar Timbers (AST), a hardwood flooring company based in Kempsey, NSW, employing over 80 people. AST was formed by my grandfather after WW1 and has been a brushwood (rainforest) sawmiller, a brushwood veneer mill, a hardwood veneer mill, a hardwood sawmill and now the most advanced hardwood flooring processor operating in the Southern Hemisphere. This adaptability is typical of surviving companies in the hardwood sector.

With a personal past of involvement in the world’s first green ban, at Kelly’s Bush in Sydney, I have endeavoured to stay engaged with environmental approaches ever since and I take pride in AST’s pioneering and innovative approach over the past decades.

The current position:

Greg McCormack, current President of NAFI, late last year described the hardwood industry as being in a “perfect storm”. He was wrong in that 2011 has delivered even worse conditions. Factors involved include:

- Unprecedented interest from overseas suppliers due to the collapse of the housing market in the USA.
- Prolonged high Australian dollar reaching new records this week.
- Key costs for the industry (logs and labour) rising well above inflation at a time of prolonged downward pressure on prices due to cheap imports. Electricity, fuel and insurance are in the same category as is internationally high interest rates prevailing in Australia.
- OH&S laws in NSW, recently described in a High Court Judgement as “absurd, oppressive and unconstitutional” being an unmanageable risk to investors.
- Suppressed demand for housing, despite continuing underbuild of housing stock, due to multifactorial dysfunction of planning, approval and release systems, exacerbated by interest rate increases, further highlighting our two speed economy.

This conjunction of negatives is unprecedented and significantly beyond much of manufacturing industry’s control. The position is one that requires the prolonged attention of industries best management skills. Regrettably this cannot occur due to industries ongoing requirements to be managing its ‘social licence’ issues. This ongoing diversion of management skills and resources has

the potential to break the hardwood industry...this is well demonstrated in Tasmania but applies elsewhere.

Key Observations:

1. Industry is currently under extreme short term pressure from imports, especially at the value added end. To deal with these business pressures, social licence needs to be rapidly established so that industry management skills and resources can be applied to dealing with these threats. Much of the loss of social licence can be attributed to recent decades of political involvement at all levels. Currently there is a complete disconnect between the desires of the green politics to reduce carbon dioxide emissions and entrenched anti-forestry rhetoric which precludes forestry based actions to reduce CO2 emissions. Government should use its push to introduce carbon pricing to rectify anomalies of anti-forestry policy, such as use in cogeneration, to not only bring CO2 policy into a coherent logic but also scientifically clarify forestry's potential to assist in emissions reductions and carbon sequestration.
2. Australia's existing hardwood supply plan is one of ongoing contraction. Taking NSW as a typical example, the current Wood Supply Agreement Model has current High Quality Log production falling from current levels of 290,000m³ per annum to 170,000m³ (minus 41%) at the end of the RFA in 2023. This then slowly rises to 190,000m³ as some plantations come on stream, meaning that 50 years from now our supply of hardwoods will be 31% less than today if we do not change behaviour. Of course recent history, with regular new politically driven reserve determinations, means this may be an optimistic outlook. In fact, the Tasmanian process underway has the potential, as far as the Greens are concerned, to force a total closure of native forestry, that is the Australian hardwood industry. This is an impossible environment to continue to invest in. To work for honestly four generations and be at risk of instant bankruptcy is inhuman.
3. Australia is actually confronting the real and immediate prospect of saying: that with an entire continent at our disposal roughly the size of the USA, with this continent being the birthplace of the eucalypt (a species superbly suited to forestry), and with the expertise of some of the world's best foresters available in our State based forest agencies.....we were unable to work out how to be self-sufficient in hardwoods. This would be an inexplicable failure and legacy of shame to future generations. It would mean we expected future generations to use non-renewable carbon emitting substitutes or import wood from less well managed forests overseas with the consequence of lost Australian jobs and further pressures to urban migration in Australia....hardly a logical environmental outcome!
4. Australia must establish social respect for our current native forest processes and give industry a growth profile to invest towards, by producing supplemental sawlogs through plantations and agro-forestry. We do not have a current viable model for this to happen. The solution lies within private capital being encouraged, the increased commercial use of credible expertise in State forest agencies and government involvement to tap multiple social benefits from expansion of our managed forest estate. This may involve government consideration to long term (superannuation) incentives.
5. We must remove the anti-forestry green -tape so that logs certified as legally and sustainably managed (e.g. Australian Forestry Standard) can be utilized to maximum

economic use. Specifically such timber and its residues should logically, scientifically and economically, be available for biomass uses as occurs elsewhere.

I thank you for considering this input to your inquiry and extend an invitation to Committee Members to visit AST at Kempsey, either collectively or individually. I suspect our leadership in solar kiln drying and computerized scanning would be of interest.

Dr Douglas Head