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Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE

Reference: Plantation forests industry

FRIDAY, 11 OCTOBER 2002

ALBANY

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE
Friday, 11 October 2002

Members: Senator Ridgeway (*Chair*), Senators Buckland, Heffernan, McGauran, O'Brien and Stephens

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Harris, Hutchins, Knowles, Lightfoot, Mason, Sandy Macdonald, Murphy, Payne, Tchen, Tierney and Watson

Senators in attendance: Senators Eggleston, Murphy, O'Brien and Ridgeway

Terms of reference for the inquiry:

To inquire into and report on:

The findings of the Private Forests Consultative Committee's review of the 'Plantations for Australia: The 2020 Vision' which is due to report to the Primary Industries Ministerial Council in November 2002:

- (a) whether there are impediments to the achievement of the aims of 'Plantations for Australia: The 2020 Vision' strategy;
- (b) whether there are elements of the strategy which should be altered in light of any impediments identified;
- (c) whether there are further opportunities to maximise the benefits from plantations in respect of their potential to contribute environmental benefits, including whether there are opportunities to:
 - (i) better integrate plantations into achieving salinity and water quality objectives and targets,
 - (ii) optimise the environmental benefits of plantations in low rainfall areas, and
 - (iii) address the provision of public good services (environmental benefits) at the cost of private plantation growers;
 - (d) whether there is the need for government action to encourage longer rotation plantations, particularly in order to supply sawlogs; and
 - (e) whether other action is desirable to maintain and expand a viable and sustainable plantation forest sector, including the expansion of processing industries to enhance the contribution to regional economic development.

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Committee met at 8.33 a.m.

CHAIR—I welcome everyone and declare open this public hearing of the Senate Rural and Regional Affairs and Transport References Committee. This is the committee's first hearing to consider matters in relation to its inquiry into the plantation forests industry and the 2020 vision strategy. The matter was referred to the committee on 27 June this year for report by 12 December this year. That reporting date has now been extended to August 2003. I should also mention that submissions will still be received for some time, given the extended reporting date. To date, the committee has received 36 written submissions. As a preliminary matter, I need to go through some formalities. Is it the wish of the committee that submissions 8 to 36 be authorised for publication? There being no objection, these submissions are authorised for publication. I inform those of you who would like copies of the submissions that they are available from the secretariat.

Today's hearing is public and open to all. A *Hansard* transcript of proceedings is being made available. *Hansard* in hard copy form will be available from the committee secretariat next week or via the Parliament House Internet home page. It should be noted the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given before it. Any act by any person which may operate to the disadvantage of a witness on account of evidence given by him or her before the Senate or any committee of the Senate is treated as a breach of privilege.

While the committee prefers to hear all evidence in public, if the committee accedes to a request to hear evidence in camera, the committee can record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Senate. The Senate also has the power to order production and/or publication of such evidence. Any decision regarding publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing. Before we commence with the first witnesses, I ask everyone present to turn off their mobile phones—I will lead by doing the same. I thank those that have done that.

[8.36 a.m.]

BUTCHER, Mr Gavin, Divisional Manager, Plantation Operations, Forest Products Commission Western Australia

CHAIR—Welcome. Mr Butcher will give a presentation and will then take questions from the committee. Mr Butcher, I invite you to commence proceedings by making some opening remarks. At the conclusion of those remarks, I will invite members of the committee to ask questions and engage in discussion with you about your submission.

Mr Butcher—First off, I am going to provide a potted history of plantation development in Western Australia. For those members of the committee who are familiar with these matters, I hope to make it fairly brief but give some sort of background to the overall importance of the plantation industry and how it has got to the point it has today. That may provide some helpful bearing as to how it can contribute into the future and to achieving vision 2020.

A PowerPoint presentation was then made—

Mr Butcher—Plantation development in this state began in the 1890s with some experimental plantings. Like all Australian states, we had a wealth of hardwood timbers but softwood timbers were almost nonexistent, certainly in Western Australia, and the need for the development of a softwood industry became apparent. From the 1920s onwards, intensive planting of pines began. We also started with eucalypts in the 1930s with brown mallet for tannin production. But the real growth in the softwood industry began in the sixties with the Commonwealth softwood agreements and, I suppose, people seeing that the potential of the native forest industry was declining even then. Since the 1980s, we have seen a second boom with the blue gum industry. It began with experimental plantings and small-scale plantings, but there was very rapid acceleration of that industry in the 1990s. To stylise that recent growth in the last 30 years, the first 100,000 hectares of plantations in this state was probably in the late eighties and, since then, it has effectively trebled. So in some ways we have gone a long way to achieving our goal, a nominal sort of area based goal for the vision, in terms of trebling our plantation area from the mid-1990s.

To give a quick statement as to the nature of plantation management, with pines you are looking at a 30-year rotation. All your effort and intensive activity occurs at the front end of that process, where you prepare land, grow seedlings and control insects and pests. Once the plantation is established there is a degree of pruning, but ultimately you put all your capital in at the front end and you wait 30 years to get the greater part of your return. The sorts of yields you get are progressively through thinnings in pine plantations, but the highest value and the greatest volume of that production comes at the end of the 30-year process. The sorts of yields, on average, across most states range from 16 to 22 for reasonably good plantations.

For the blue gum plantations, you are basically talking about a much shorter rotation—about a 10-year rotation. Again, there is intensive activity at the front end of the process—pest and weed control, planting, perhaps some fertilisation and further pest control in the middle of that rotation, and a single crop at the end. So there are no thinnings in that process, and you get a

wide range of yields, from 100 to 300 tonnes per hectare probably, depending on site and management history.

My next slide shows the changing face of the timber industry in this state over 40 years. The pie charts are nominally to scale. In the 1970s we were very heavily dominated by the native forest sawlog industry, and you can see there has been a rapid turnaround in terms of where the timber is going to be coming from in the future. It is moving across to a plantation pulpwood industry and growing quite rapidly. At the moment, that plantation pulpwood industry is looking like it is predominantly an export industry, although there is obviously some pressure and hope for local processing and development of pulp mills.

Looking at how that has affected the landscape of the south-west of Western Australia, the hotchpotch of colours on my chart represents different ownerships. The greens and the pinks are effectively the new plantations that have been put in in the last 10 years. So in the zone where 600 to 800 millimetres of rainfall predominantly occurs, there has been a major change in the landscape. That has been driven by the commerciality of those timber products.

Looking into the future, to achieve the rest of our objectives in expanding the plantation industry under vision 2020, ultimately we are talking about a much wider landscape—a lower rainfall area, heavily cleared. Western Australia's agricultural region is very intensively cleared and, as you are no doubt aware, it is facing a major crisis in terms of salinity, with up to one-third of the landscape at real risk of being lost from production over the next period. So moving out of that high-rainfall commercial belt into the lower rainfall less commercial belt is the real challenge that will face us.

Looking at the different species that can take that challenge, obviously we are trying to develop as many options as possible. You cannot put all your irons in one fire. We cannot necessarily rely on blue gums. Obviously they are a high rainfall species, as is *Pinus radiata*. Western Australia has grown maritime pine for a long time, which is a species that grows on sandy soils, so it does not compete with the highly productive agricultural soils. We are starting to look at developing a hardwood sawlog industry for the lower rainfall area, based on reasonably widely spaced planting so that agriculture can work with it. Oil mallees have the potential for producing eucalyptus oil, biomass, activated carbon and other products which can again be integrated in with agriculture. Sandalwood also has potential, and there are probably other boutique industries like sandalwood. Again some of those boutique industries are not necessarily going to provide a large number of hectares but they will all add to the value of the sort of production we can expect.

The state government has prepared and issued an action plan. The polyglot of colours on my chart is looking at different strategies for each region. We cannot proceed with a bland strategy for the whole state. We are talking about several hundred thousand hectares of replanting. We want to ensure that each of these areas has its own strategy mapped to its own circumstances and focused on developing particular industry objectives within each of these areas.

The sorts of issues we face in the development of the industry across that time frame and area include the fact that, whereas the industry's recent history has been that it has been commercially driven and timber products have competed quite effectively with agriculture, as we go into the drier areas we are going to be faced with more integration with agriculture and we will be working in with farmers more. It is not an issue of taking over the land and replacing

agriculture. The trees are not going to be sufficiently commercial by themselves to do that. So we have to ensure that the systems do work for farmers as well as for the timber producers.

The issues in the low rainfall area are that you are facing lower growth rates—clearly, you have not got as much rainfall—you are more remote from the marketplace, it is not as commercial. The potential we see is in issues such as adding some water-environmental value. We can increase our rates of return from less than five to at least six or seven per cent in terms of the benefits we can get. If we can get a carbon value, if we can become an effective carbon market, we can look to potentially getting rates of return of 10 to 20 per cent, depending on the sort of price you can expect for carbon. There is a potential for having commercial drivers. The water-environmental values are being negotiated at the moment with the Commonwealth in the National Action Plan for Salinity and Water Quality. Obviously, that is only a four-year program, but it presents the potential for recognising those values in the production of a system and getting a return for those sorts of benefits.

The potential has to be focused on some sort of industry. Another option is export. Countries like New Zealand basically export all their resources—or do we want to focus on an industry that is going to potentially produce regional processing and regional employment to a far greater extent, at least to the extent possible? I suppose we would vote for the latter.

Obviously, there are emerging markets with a great deal of uncertainty, which is going to deflect people from undertaking these sorts of investments. We do not know about the carbon market—obviously, there is great potential, and a lot has been spoken about it. Biomass energy is in that same ballpark—there is a lot of potential, and a pilot plant has gone in in Western Australia, and I am sure in other areas of Australia, in terms of developing renewable energy credits. Oils from products like oil mallees obviously have environmental value. So certainty over those marketplaces will help secure the long-term future of the investment required.

In this state, we certainly face issues in terms of infrastructure to develop the industry. These issues are now being gone through because of the large escalation in the rate of development of the blue gum industry. The road, rail and port infrastructure to support that industry lags behind to a degree in terms of the investment in the plantations themselves. There are legal issues on the right to harvest. There is some concern about securing that right—particularly where plantings may have been done for an environmental purpose, their commercial values can come out. There are also issues to ensure that tree title is separated from land title and that carbon title is separated so that they can become commercial products and traded effectively. There is also some concern locally about consistency of standards of planning. Each shire does things differently, and certainty for the industry probably needs a broader view.

CHAIR—Thank you. You probably have not had an opportunity to look at what has been put forward by the Conservation Council of Western Australia. One of the things they say is that—more as an historical result of the establishment of the WA Forest Products Commission, as a follow-on from CALM and whatever agencies existed prior to that—in relation to the native forests logging industry and the plantation based forests approach there seems to be an imbalance or a different emphasis in relation to their treatment of the two of those. Do you have a response to that?

Mr Butcher—Could you clarify the different emphases they were suggesting?

CHAIR—It was more in the context that there seems to be an approach taken that focuses more on looking at the logging of old growth forests or native forests as opposed to the emphasis being put more on providing the incentives and encouragement for the plantation based industry to become more prominent. I notice that in your pie charts you say that by 2015 a significant part of at least the Western Australian industry and the change in the timber industry here would reflect an emphasis that perhaps refutes what they might say. Here you probably have a better relationship than you do with your counterparts in other states, but it is really a question of responding to that perception, that concern being expressed.

Mr Butcher—I suppose initially it needs to be said that since the 2001 election of the Labor government all old growth forests in Western Australia have been set aside from harvesting and are proposed for inclusion in the reserve system under the forest management plan or under a formal and informal reserve system to protect them from harvesting. Perhaps they are talking about a historical perspective in terms of the emphasis. But clearly there is a very large emphasis from the current government in terms of developing the plantation industry, in terms of continuing and expanding its investment in the plantation industry into low-rainfall areas and achieving the maximum benefit for Western Australians in terms of the level of processing and downstream benefits for the industry as a whole. We certainly have a very positive view for the future of the industry in terms of there being an ongoing native forest industry which achieves the acceptable land use management objectives for native forests. Those objectives are defined through a forest management planning process, which is currently underway.

In terms of the future outlook, I do not think there would be a dispute in terms of the plantations and the level of emphasis and the role that we see plantations adopting. Certainly plantations will play a significant part in the land care problems in the state. Part of that land care is helping protect areas of biodiversity which will be threatened by the rising water tables. The sorts of roles that plantations can play in protecting those areas and protecting general land values, I think, are not disputed.

CHAIR—Just moving to an issue in relation to infrastructure—it is one you have raised—a clear statement of concern in many of the submissions has been the extent of support provided in terms of both political will and resources to deal with questions of roads, rail, port development and so on. Do you have a comment specifically in relation to that, particularly in the context of the vision strategy and what was anticipated or expected as an end result?

Mr Butcher—Certainly as part of our submission we put forward that the vision cannot just be about putting the trees in the ground; it has to be about developing whole dimensions of the industry that is going to be associated with it—that is, the processing and the transporting and dealing with the products of the industry. So we would certainly endorse the need for a comprehensive planning framework which looks at the full dimensions of the industry, what we are trying to achieve out of it and the implications for other parts of the investment. You cannot just talk about the tree investment; you have to talk about the entire development that will underpin that process.

CHAIR—An issue that has been raised in relation to the tax system in terms of both incentives and impediments that might currently exist. Do you have a view about that? Are the right types of incentive being provided here? Is a national approach being taken to provide the right approach here in Western Australia, or is that something again that does need to be taken up by the Commonwealth government?

Mr Butcher—Looking backwards, you could hardly say that in the last 10 years the tax system has been an impediment. There are strong economic drivers for short-rotation crops. In this state, we have not seen much investment in long-term crops. There is a distinction between what you can get out of a pulpwood crop versus a 30-year sawlog rotation crop. In fact, the private investment in long-rotation crops is going backwards, and the state government is effectively the only major investor in that area.

I understand that elsewhere it is only private companies with a significant cash flow and an existing large plantation estate that continue to invest in plantations. By and large, certainly in this state, it is only the state government that is developing and investing on that long-term basis. Whether or not that is an indicator of a tax issue, I am not sure, but there are clearly issues in terms of the large capital investment up front and the long time to get a return. Whether the tax system can resolve those issues, I do not know, but there are clearly limitations in the way the matter is being dealt with at the moment to attract private investment.

Senator O'BRIEN—That is interesting. On the issue of the management of hardwood plantations for sawlog, you have just told us that the private sector is involving itself in developing plantations and in managing them not for sawlog—in other words, for longer term rotation—but for short-term rotation. Are there any measures that have been drawn to your attention by the private sector which would improve the chances of management of hardwood plantations for sawlog?

Mr Butcher—The main measure that is talked about is basically being able to trade, gaining some sort of tax advantage mid-rotation—effectively, being able to trade in that investment and the new purchaser being able to get some sort of tax advantage at the time of trading so that they can re-invest in the process. Other than that, I have not heard much talked about in terms of the opportunity.

Senator O'BRIEN—So that is not an issue that the industry is discussing with the Forest Products Commission?

Mr Butcher—No. There have been small, local investments in longer rotations—that is not to say that there has not been anything, but there has not been investment in that on a large scale at this stage.

Senator O'BRIEN—When you say that the state is the only body investing in those longer rotation plantations, what sort of investment is the state making in those and what sort of area of forest would you expect to be developed as a long-rotation plantation?

Mr Butcher—The Forest Products Commission have to borrow their funds for investment. Our capability is probably limited to, and will depend upon, the level of funding we are able to gain through the national action plan to support that process. We are looking at a plan that is probably going to plant between 5,000 and 10,000 hectares a year, depending on those outcomes—the state manages a softwood estate of about 80,000 hectares at the moment, to put some sort of scale on it—and I suppose the extent to which that can go into the future is going to depend on our own commercial circumstances.

Senator O'BRIEN—What work, if any, is being done on developing some of Western Australia's well-known hardwood timber species for plantation?

Mr Butcher—The well-known hardwood species—karri, jarrah and blackbutt—tend to grow in the very high rainfall areas. They have not been developed as a plantation species in the past, and certainly that is not within our zone of highest priority for action; that is the lower rainfall areas. We are looking at some of the less well-known species—flat top yate and other species—which may have the potential to be used in those areas. We are looking a lot at species which have the potential within the environment they are growing in. The development of the high-rainfall species is more problematic because the land is very competitive in terms of pricing. It is even difficult to get *Pinus radiata* onto that land in terms of it being able to compete with blue gum, vineyards and other high-value land uses. In Western Australia there is a very small area of high-rainfall land, and it is very competitive. It is very difficult for long-term tree crops to compete in that environment.

Senator O'BRIEN—In terms of the dryland initiatives that the commission is pursuing, you talked about hardwood sawlog plantations being developed where there would be integration with more traditional agricultural operation. What time span would the commission envisage for a hardwood sawlog plantation in the drier parts of the state?

Mr Butcher—We are hopeful that with the practices of, effectively, wide spacing and pruning we can get to sawlog sizes in 20 to 25 years.

Senator O'BRIEN—Which species are you relying on?

Mr Butcher—We started off by planting some species which have got reasonably good indications that they are going to be valuable products—that is, *Eucalyptus saligna*; *Eucalyptus cladocalyx*; spotted gum, which is *Eucalyptus maculata*; and *Eucalyptus botryoides*, which is swamp mahogany—in areas down to about 500 millimetres rainfall.

Senator O'BRIEN—Down to?

Mr Butcher—Down to, in most instances. But we are also searching for other species which can grow in drier country.

Senator O'BRIEN—I take it that in the drier country at the moment you are looking at the oil mallees and the sandalwood?

Mr Butcher—Yes, and we plant a little bit of maritime pine into that also, down to 400 millimetres.

Senator O'BRIEN—What sort of area is sandalwood plantation, to the knowledge of the commission?

Mr Butcher—There have been some private prospectuses of sandalwood planting. The sandalwood we are talking about here is the Western Australian sandalwood. It is an endemic species. It is a parasite, so it requires a host. You have a plantation of acacias or other species which it can easily parasitise and you plant the sandalwood next door to it. We have planted several hundred hectares, but we are aware of in excess of 1,000 under private prospectus plantings.

Senator O'BRIEN—That is a commercially viable—

Mr Butcher—There is a known market. Western Australia—and Queensland, I think—export. Western Australia is the major producer of Western Australian sandalwood, whereas Queensland has a different species and it is a relatively small market. It is processed and exported for both oils and joss sticks. It is quite a valuable industry for the state. Some say that that can produce a product in 10 to 15 years; we would probably say a little bit longer—probably 20 to 25 years—to get a product. But the key thing in it is the development of the oil in the heartwood. That is a little bit unknown. It is known that it grows, obviously; the key factor there is the oil content of the wood.

Senator O'BRIEN—Who does the research? Is there a formal research project on some of these initiatives?

Mr Butcher—Yes; we are undertaking active research into sandalwood.

Senator O'BRIEN—What sort of research budget does the commission have?

Mr Butcher—On sandalwood?

Senator O'BRIEN—Generally, not just on sandalwood.

Mr Butcher—Of the order of \$1½ million to \$2 million overall.

Senator O'BRIEN—And in relation to other crops? I know CALM is working on development of plantings of a species. I cannot remember the name of the species, but it is planted for brush fencing in some of the drier country—the eight- to 10-inch rainfall country. Has the Forest Products Commission been involved in that at all?

Mr Butcher—They have not been directly involved. CALM has got funding—I think through the Natural Heritage Trust—for a search program looking at a wide range of native species for potential commercial development. It would be for exactly the same purpose. So they are exploring a lot of different species and looking at their potential to integrate onto farms and to do the sorts of work we are talking about, particularly to find commercial crops for drier and more difficult country.

Senator O'BRIEN—How much of Western Australia's share of the national action plan does the commission hope will be used to develop some of its salinity mitigation measures together with plantation projects?

Mr Butcher—The Commonwealth offer was of the order of \$158 million for Western Australia. We are probably in a position for the commission to be able to match something like \$20 million to \$30 million. There may well be other sources which are going to match for allied projects—but it would be of that order.

Senator O'BRIEN—So \$20 million to \$30 million of the Commonwealth's contribution matched by \$20 million to \$30 million from the state, through the commission.

Mr Butcher—Yes.

Senator EGGLESTON—I would like to ask about salinity. We know the Blackwood is becoming more saline, and you talked about planting in the low rainfall areas where some of the headwaters of the Blackwood are. What long-term impact do you feel your schedule of planting might have on salinity problems in the south-west rivers?

Mr Butcher—The level of resources required to achieve the goal quickly would be massive, so part of our program is to prioritise areas of high value. One of the highest values is going to be water resources, where those water resources are going to be a community asset. The Water and Rivers Commission have identified the catchments where they have a particular objective to achieve. They are the Collie River, the Wellington catchment, the Warren-Tone catchment, the Denmark and the Kent catchments, which are all high priorities for protecting public water resources. To the extent that is possible, when the catchment councils, the NRM Councils, are developing these plans, a priority will be set on the public values at stake. But, even so, it is going to take a massive effort to turn the situation around.

The figures from the Water and Rivers Commission for the Wellington show that, to achieve half the salinity benefit that they need to get, there has to be in the order of 20,000 hectares of plantings to help recover that catchment to drinking water quality. That would be half the action through tree planting and half through other measures, whether they are drainage or other allied measures. Those figures were aimed at achieving water quality by 2015—that is to get about 600. I cannot recollect the current salt content of the water. That action has to happen relatively immediately to achieve that. To achieve it on the broad scale, across 18 million hectares of rural land, you cannot do it in a short time frame. You have to do it in a targeted and prioritised way. In a similar fashion, the conservation authorities have identified those catchments where biodiversity is most at risk, and again the attention, given access to land, can be concentrated in those catchments where those public values are recognised.

Senator MURPHY—In the second paragraph of your submission, you say:

The Plantations 2020 Vision has recently been reviewed across jurisdictions and the results of this review are available to inform the inquiry.

What is your view, if you have one, of the way in which the review was conducted? Was the conducting of the review useful?

Mr Butcher—The review of the 2020 vision?

Senator MURPHY—Yes.

Mr Butcher—As we sit on the group that reviewed the vision, obviously we were able to have access to that and to have input into the process, so we were quite happy.

Senator MURPHY—With regard to that, you then point to some characterisations that can be drawn. You say:

- by far the largest proportion, particularly in the southern states, has been in species planted for paper manufacturing rather than solid timber products;
- much of the investment has been through prospectus or through overseas paper companies rather than on-shore corporate investors; and
- development of processing industry has lagged behind the development of plantations.

Do you think the review of *Plantations for Australia: the 2020 vision* has addressed those matters?

Mr Butcher—They will be in the review. As I understand it, the committee has not seen the review today. Those matters, as I understand, are addressed in the final review and the proposals will be coming forward to you in, I think, December.

Senator MURPHY—You also say on the second page, referring to the ongoing plantation development:

Without this alignment, there is an increased risk of plantation investors being left without markets.

You then say:

Through an effective partnership of government, plantation industry, processing industry and community, a higher degree of direction should now be brought into the development of plantations as a mature industry sector.

You then have a number of dot points. That is why I asked you the question with regard to the review and whether or not you feel the review is going to take account of that.

Mr Butcher—We are focusing on issues that we see as being important in terms of the focus for the future and being able to help drive the development of the 2020 vision. They are the key elements, from our perspective, that we want to highlight. Whether the review gives them the same emphasis that we do, I am not sure, but certainly our emphasis is that it is an integrated process; you have to look down the line and you cannot just look at putting the trees in the ground. We want to build an industry and get full value for the state and the nation out of that.

Senator MURPHY—Insofar as a prospective investor might look at building an onshore, downstream processing industry, what are some of the important things that an investor might look for to develop a pulp and paper mill or a laminated veneer lumber mill or some other form of solid timber processing plant?

Mr Butcher—In terms of our recent experience in negotiating and winning the development of a laminated veneer lumber plant, the key issues for those investors were that it is a relatively new product and it does not have a particularly high profile in Australia, whereas it is reasonably widely accepted in Japan and the United States. So they were a little nervous that the product might be totally dependent on exports. They certainly are looking for a proportion of the domestic marketplace. Obviously, the availability and security of resources is a key issue. Because all that resource was owned by the state, it was able to effectively provide its guarantee that that company would have access to sufficient resource to sustain the plant for a long period of time, so that they were not going to be held at gunpoint by private growers or small growers who wanted premium prices or whatever.

They certainly are going to be very competitively focused. None of these industries are going to be totally focused on the domestic marketplace, so their cost structures will have to be based on a competitive output price. Obviously some things we can do are reasonably low cost, but others are relatively high cost. We tend to be a reasonable distance from the core markets if they are going to be export based, so effectively they have to be able to sell a significant proportion of their product into those sorts of marketplaces.

Senator MURPHY—Is their resource being drawn from plantations or from native forests?

Mr Butcher—The LVL plant will be drawing from plantations.

Senator MURPHY—In the long-term planning for that, did you work on a yield from an area of plantations based on the output of the plantations?

Mr Butcher—We have about 30,000 hectares of plantation in that region supporting that investment so, yes, the resource on which to base that decision was in hand and available.

Senator MURPHY—On a sustainable basis?

Mr Butcher—For the first rotation of that crop—for the first 25 years. It is complicated by the fact that that resource is immediately to the north of Perth. The Gngangara pine plantation, which forms a large part of the resource, is on Perth's water supply. About 40 per cent of Perth's water supply comes from that area, and that will not be replanted. The state has committed to at least starting the program of new plantings to replace that resource on farmland in the hinterland of Perth.

Senator MURPHY—But the plant's output would be based on volume, wouldn't it?

Mr Butcher—Yes.

Senator MURPHY—So you have to have a plantation somewhere that is going to deliver the volume—that is what I am asking about.

Mr Butcher—There is a mature plantation in existence to supply it for the first 25 years.

Senator MURPHY—But, if we superimpose on that new plantations and new developments, how do we assess whether or not it is viable to put another LVL plant or another development in a particular area? What is the basis for that? Is it sustainability of yield, is it volume output—how does it work?

Mr Butcher—You cannot guarantee that someone is going to come in and invest in 20 years time when your resource has matured—unless they are going to be the investor, presumably. If you can attract corporate investment with those sorts of visions that is a good first step, but you can certainly have the settings in the right directions to make it a competitive resource. You can obviously select species which are known in the marketplace and plant trees in a way that allows them to be harvested and delivered in an economic fashion. There is no point planting them all over the landscape hundreds of kilometres away. Wood is a pretty heavy commodity, and you are carting a lot of water around; if you do not plant them reasonably close to where you think they can be processed, you are not going to get paid much money for them.

Senator MURPHY—That is right. My question is really about the sustainable yield of plantation developments anywhere, not just in Western Australia. In particular I would be interested to know what the Forest Products Commission is doing about analysing the sustainable yield, particularly of the private plantations that are being put in the ground. Your graph shows that that putting trees in the ground is where all the development has taken place.

If you were going to build a \$1 billion or \$2 billion pulp and paper plant requiring, say, two million green tonnes of woodchips per annum, I guess you would want to know whether or not that would be sustainable. What research has the Forest Products Commission done in respect of getting that sort of information?

Mr Butcher—The pine industry—

Senator MURPHY—I want to put the pine industry aside for one moment; I want to look at the hardwood sector.

Mr Butcher—Looking at the blue gum industry, as with all areas when you go into greenfield sites, there are certainly some areas which have not gone as well as and some which have gone better than predicted. There has been a fairly steep learning curve in regard to the suitability and productivity of the area, and with the first rotation there will be a bit of sorting out of the boundaries of the industry. In some areas at the drier end of the planting regimes, a significant part of the growth is probably attached to stored water rather than annual rainfall. Ultimately these systems have to be able to run on annual rainfall, so you would expect at that end of the regime a decline in yield from the second rotation compared with the first. As to whether that has a major implication for sustainability, the sustainable capacity of the blue gum sector is well above that required for a pulp mill at present, nominally. The availability and certainty of a marketplace would equally be a driver for further plantings. The certainty of having a market is a key issue in ensuring that you have a sustainable industry. So it is a bit of a catch-22 and cuts both ways.

Senator MURPHY—I have a question in regard to the graphs that you have put in your presentation folder. On the pine outputs, you have noted some figures, firstly, for pine at 80 to 150 cubic metres—and I assume that is a per hectare ratio—

Mr Butcher—Yes.

Senator MURPHY—For the second thinning, it is 80 to 150, and for clear-fell it is 280 to 360, an average yield of 16 to 22 cubic metres per hectare per year—which is somewhere between 160 and 220.

Mr Butcher—That is for *Pinus radiata*, yes.

Senator MURPHY—If we go to blue gum output, you show for clear-fell 100 to 300 tonnes, or an average yield of 10 to 30 per hectare per year. I assume that is over a 10- or 11-year rotation that you are talking about.

Mr Butcher—We have based it on a 10-year rotation, yes. That is pretty standard, I think, across the industry.

Senator MURPHY—Can you tell me why there is such a significant difference?

Mr Butcher—Blue gums have been planted across a wide range of environments and a wide range of rainfalls. Some plantings are going down to probably something in the order of 500 millimetres of rainfall and across a wide range of soil types. Because it has been a greenfields industry in terms of establishment, people have accepted some sites which were probably not as

productive as they had anticipated, because there had been no previous experience. Blue gum is an exotic in this state, and so there has not been a wide range of experience. Whether that will be rationalised to some degree in the less productive areas and not be replanted will be a commercial decision about the options for that land.

Senator MURPHY—Would it be correct for me to assume that you inherited CALM's previous information database in respect of forests—plantation information?

Mr Butcher—Yes.

Senator MURPHY—If possible, could you provide the committee with some further figures in a more finite way with regard to average yield, particularly taking into account plantations harvested currently?

Mr Butcher—We could certainly provide the actual yields we have from the areas we have harvested. That will include some sites which, clearly, were not viable for blue gums and others which are very viable. It is a range, and we certainly can provide that data.

Senator MURPHY—Could you do that with regard to the rainfalls and demonstrate why some plantations have failed? I think that would be useful.

Senator O'BRIEN—Your web site talks about the ability for up to 20 per cent of farmland to be planted to trees without loss of traditional agricultural production or agricultural jobs. What is the basis for that statement?

Mr Butcher—Various research has been done. Obviously it has been contended to some degree as to the extent to which tree planting can have an impact on agriculture. Clearly, when planting trees you do lose access to the land for cropping and for grazing. Trees, though, can equally provide protection from wind for stock and some degree of protection to the actual pastures themselves, depending on the conformation of planting—block planting or alley planting or some other forms of planting. Those results have come from anecdotal sources and to a degree from experimental work. We have various people who swear that they have not lost anything, whereas others will obviously say that their tree planting has had a major significant impact on their farmland. It really does depend upon personal circumstances.

Senator O'BRIEN—In terms of the processing sector, you were speaking in answer to questions from Senator Murphy about the location of processing and plantations. What role do you see for the Commonwealth in encouraging perhaps a more patient corporate investment in the processing industry, given the conversation I had with you about long-term rotation of hardwood plantations? Is it simply a tax regime role, or is there anything else that the Commonwealth could do?

Mr Butcher—I must admit I have not really thought about particular roles in the process. We certainly are working with some corporate investors to encourage investment, and they have not sought any particular other forms of relief. People are investing to a small extent in prospectivity for carbon. Maybe signing the Kyoto protocol or something like that might help; I do not know.

Senator O'BRIEN—I thought that was a given with the carbon sequestration argument, and raising a financial return from it. Are you saying that you have sought assistance or sought to work with corporate investors for long-term rotation?

Mr Butcher—Yes. They have not mentioned anything in particular from the Commonwealth. We are working with foreign investors. At this stage they are willing to invest speculatively in pilot plantings for carbon value. That is the primary reason they are here investing in trees. Whether they will sustain those investments, I do not know. Clearly, in a plantation, planting a few trees in one year is of no value in terms of an industry; you have to sustain that effort over a long period of time.

Senator O'BRIEN—Would the legislative right to trade plantations—that is, the right to the trees but not to land—be something that would be a matter for a state government or for a federal government?

Mr Butcher—At this stage it is clearly an issue of land which is managed by the state governments, and most states have legislation which separates title.

Senator O'BRIEN—So has that been attended to in this state?

Mr Butcher—Currently, legislation is before parliament.

CHAIR—Thank you, Mr Butcher. Before we conclude questions, I want to advise you that the committee may seek further answers to questions in writing. I believe that Senator Murphy may also want to ask some questions on notice now.

Senator MURPHY—With regard to the graph that you had in your presentation, could you give me some information about the state plantings, both in softwoods and hardwoods, on a sustainable basis? Going from 1970 to 1990 there looks to have been a reasonable increase and then it seems to have flattened out. Can you give me the long-term projected statistics both for plantings and for harvest—your planned harvesting and your planned planting?

Mr Butcher—Yes, we can provide that information.

Senator MURPHY—Additionally, could you inform me, please, of the principles that you apply in terms of ecologically sustainable forest management in all native forests operational activities? For instance, do you take a native forest once it has been harvested and turn it into a plantation? Is that a practice that you apply as part of the ESFM practices? You can take it on notice.

CHAIR—Thank you again, Mr Butcher, for your assistance to the committee and for appearing today.

[9.29 a.m.]

FRITH, Mr James, Director and Secretary, Western Timber Cooperative Ltd

CHAIR—Welcome, Mr Frith. Do you appear in any other capacity?

Mr Frith—I am also a private tree grower.

CHAIR—I understand that you have provided the committee with a written submission today.

Mr Frith—I am sorry that my written submission has only just been presented. I had a lot of difficulty getting it done.

CHAIR—That is fine. As there is no objection, the committee authorises the submission for publication. I invite you to make some opening comments and, at the conclusion of your remarks, I will invite members of the committee to submit questions to you.

Mr Frith—I will talk to some of the dot points in my submission. My first point is that the plantation industry and the native forest based industry cannot be considered in isolation, reasonably. Plantation is in very tight competition with native forest. I will skip the historical perspective, because you are probably all familiar with it. You were concerned about limitations to the realisation of a 2020 vision. Again, that competition with native forest very much comes into it. In particular, jarrah in WA is extremely undervalued. In the calculation of its stumpage by CALM, they do not allow a rent factor; they do not value the initial asset, the timber itself; and they do not revalue the land for the loss of log forest. None of that is accounted. All those factors operate in a plantation, and that immediately places plantation under very severe competition. I make the point here that jarrah is the equivalent of mahoganies and teak internationally and that these sell in the round, on board ship, for between \$400 for mahoganies and \$3,200 for the upper classes of teak. The gross stumpage for jarrah is about \$57 per metre. You could put it on a ship for less than \$100. In New Zealand, pine stumpages are higher than those in Australia. In the eastern states, they are higher than in Western Australia. Pine stumpages in Western Australia are higher than those for jarrah. That is an intolerable situation for anybody trying to grow plantation privately on a farm.

There has been a long history of a shortage of processing capacity for plantation sawlog in this stage. We have a lot of difficulty selling it. Occasionally, we have got sawlogs into the big Dardanup mill, Wespine. We cannot get there directly at the moment; only through an intermediary who, for some reason, is especially favoured. We cannot get into the pine-chip market at all, and so Western Timber has no ability to market pine at the moment. Pempine, a medium-sized mill at Pemberton, was our only pine sawlog market for a while. It went to the wall financially and closed down. It had suffered several accidents. It had had a couple of kilns destroyed by fire on two occasions—one on each occasion. It had been struggling, but it was basically a profitable operation. Western Timber offered to take it on, with government assistance to the extent of a loan of \$200,000. This was ignored. The fire sale of Pemberton Pine took place, and we have lost processing capacity there.

We attempted to provide a market outlet for our members' timber by a proposal for a furniture factory at Northcliffe. In fact, the Commonwealth provisionally agreed to a grant of nearly \$500,000 for that. We also secured pledges locally for \$250, 000 and we had \$100,000 or so ourselves to put into it. The state government turned that down without a great deal of explanation and certainly with no negotiation. It would have employed 35 people, had we got it going. We were negotiating with a Tanzanian furniture manufacturer who wanted to set up here. There was a developed market for period furniture—chairs, in particular—to go to a large hotel chain. The Laminated Veneer Lumber plant that the government is pursuing to use the pinaster at Gnangara is all very well, but it concerns us that it ignores the developing blue gum resource and is going to use pinaster that I think has been high pruned. It should be high value pine used for appearance purposes, but it is just going to go into laminated veneer lumber, which could use an inferior grade of pine.

The whole timber industry is in turmoil because of the reduction in native forest cut and the retrenching of timber workers. But, at the same time, workers are finding places in the plantation industry. In fact, Western Timber Cooperative has a subsidiary, Western Plantation Timber Ltd, which is a harvesting company that has a staff of 14 people, two harvesting teams, two harvesters, two forwarders and two trucks. That sort of transfer should be taking place, but it has been quite remarkable that, although there is talk of \$100 million being available for timber industry restructuring in the state, it has all gone into paying people to stop milling native forests and to compensating displaced timber workers, without finding them another job in the plantation industry; and no assistance at all has been given to the plantation industry for either growing or processing. This means that certain opportunities for plantation establishment have not been realised. Principally, the planting industry that has been established has mainly been on the basis of taxation concessions and has been dominated by prospectus companies.

A big opportunity to distribute particularly blue gum plantation, throughout the cereal and sheep areas—at least, in the higher rainfall cereal and sheep areas—has been missed. There is about 800,000 hectares of land on the wet side of a 600-millimetre isohyet in Western Australia. Quite a deal of that is subject to salinisation, and a lot of that could be arrested and ameliorated by tree planting. Ten or 20 per cent of that area covered in trees in an agroforest configuration would produce almost as much wood as we have now from blue gum plantations—which largely cover whole farms and have just substituted directly for the prior wool and grain production. Agroforested trees—that is, alley farmed trees—tend to grow at about twice the rate of fence-to-fence plantation, and so there is an opportunity there. I think the previous speaker alluded to this. Yes, you lose on some grain and livestock production and you lose on area of trees, but the trees grow a lot faster. I think I should stop talking at this stage. If you have any questions I would be happy to answer them.

CHAIR—At the end of your submission, you talk about the regional plantation committees and the issue of interaction with local government, principally in relation to infrastructure or transport needs. Not a lot has come through all of the submissions in relation to whether the committee processes work well in terms of trying to convey a message that you put before us. Do you think that the idea of setting up these committees has worked successfully so far, and are they working well here in Western Australia?

Mr Frith—There are two main RPCs that I have to deal with: Timber 2002 here and Trees South West—of which I am a member of the management committee—based in Bunbury. Yes, they have been very useful and they have facilitated a lot of interchange between government—

local government particularly—and the growers. Things were bad, transport-wise, when plantations started to be harvested. They are still not good, and that is what I am saying here. We have had to wait three months for a permit to transport timber at Busselton. We give our quotes for three months. By the time we got the permit, the quote had run out and we had to start again. It gets a bit ridiculous from time to time. The other thing is that timber is very heavy. It is also not very valuable per unit weight compared with a lot of other commodities. Therefore, efficient transport—in terms of big transports—is desirable. Unfortunately, a lot of roads will not take it. There needs to be a lot of expenditure of money on roads. There is a conflict there that will be a continuing source of irritation, probably on both sides, for some time to come. The RPCs are important in facilitating and smoothing that.

CHAIR—In general though, in terms of the RPCs and dealing with the local issues, particularly relating to local government infrastructure and so on, is that the most effective means to be able to communicate the views that you have expressed here in relation to the WA timber industry? What I am trying to get at is: what is the most effective way of being able to communicate the issues that you are highlighting here, where you do get a response? Historically speaking, you have highlighted some changes in terms of emphasis—in 1999, the regional forests agreement and what that meant in terms of reduction of the jarrah cut. How are you going about dealing with these issues? I get the impression from your submission that you have raised these things with the WA government in a number of forms in terms of historical issues, the issue of a furniture factory in Northcliffe and even issues in relation to the RPCs.

Mr Frith—Yes.

CHAIR—What I am trying to find out is: what is it that is not getting through?

Mr Frith—What is not getting through and has not got through either to the Commonwealth or the state government, it seems to me, is the fact that plantations can substitute for—not complement, but substitute for—native forest timber. I have grown a lot of different timbers on my farm, largely in an agroforest configuration, but there are basically two timbers to grow in the high rainfall agricultural area: *Pinus radiata* and *Eucalyptus globulus*. They blend well with sheep and wool production, or with cattle for that matter, and both produce a variety of product. They can produce poles, chip and sawlog.

We have actually produced blue gum sawlog. I did not bring it in here this morning, but in fact I do have furniture components made from a 12-year-old blue gum grown on my property. I am at the moment selling 10- and 12-year-old sawlogs—not for a lot of money but, because they compete unfavourably with jarrah. That is possible. Those species are very fast-growing compared to native forest. Jarrah grows at 0.8 cubic metres per hectare per year on average. Blue gum, in an agroforest situation, can grow at up to 50 cubic metres a hectare a year in the tree belts. It is silly to grow anything else.

Senator MURPHY—I do not want to take issue with this, but I am curious as to the stumpage you mention for jarrah, which is \$57 gross stumpage with an FOB equivalent of less than \$100. I am curious as to how you arrive at those figures. I think your figures for the equivalents are probably about right, but I am not sure that I could buy jarrah for an FOB of \$100.

Mr Frith—You probably would not be allowed to put jarrah on a ship. All I am saying is that that is physically possible. It will only cost you \$40 to take it from the jarrah forests and get it on the ship.

Senator MURPHY—But you are talking about in a log form.

Mr Frith—Yes, in a log form.

Senator MURPHY—But your other prices here would probably be in a KD form, I suspect.

Mr Frith—The equivalents for teak and mahogany? I can tell you where I got those. In the round they are logs. You can get those from the web from the International Tropical Timber Organisation, ITTO.

Senator MURPHY—I know. You say in one of your dot points:

There is a shortage of processing capacity for plantation sawlog and an apparent unwillingness by Governments to assist its development.

Would you like to elaborate on that view? I know you have been talking about and you outline some issues with regard to the Dardanup mill, but, in terms of what you believe is an unwillingness, is there anything that you think the Commonwealth could do to encourage that? That is something that ought to be part of the 20:20 vision strategy, in my view. Do you think there is anything that can be done from a Commonwealth point of view to encourage greater processing capacity for plantation timbers?

Mr Frith—I do not have my finger on any initiatives to start milling blue gum at the moment, but I think if any government were to put it about that it was anxious to assist anyone who wanted to start milling blue gum you would probably get some takers. The thing is possible. People are doing this in a small way. One person in particular, the guy at the Appadene Mill just outside of Manjimup, which mills my young blue gum logs, does keep on milling consistently a small amount of *Eucalyptus saligna*, *Eucalyptus globulus* and a few other exotic eucalypts like that, and he does it very skilfully. He has specialised equipment and he has a few solar kilns, but it is very small. Similarly, Auswest, who have just recently taken over the karri mill at Pemberton—I may say with a \$2.5 million grant, about \$50,000 per worker for a native forest operation—have taken my sawlogs recently. They take blue gum sawlogs at chip price because they can get as much of that as they want from WAPRES.

I think that if the same sort of offer of assistance that has been proffered to Auswest recently—as I say, about \$50,000 a worker, the same as the \$50,000 a worker, in total a \$5 million grant, provided by the previous state government for the revival of Whittakers at Greenbushes near where I live—were put about, I am sure that you would have people setting up specialised mills to mill blue gum, and we could do with a bit more pine milling as well.

Senator MURPHY—You might like to take this on notice: your organisation could, perhaps, give some thought to what things the Commonwealth might be able to do, in conjunction with the states, to encourage downstream processing. You could give us your ideas in writing, including dealing with the pricing structure for some of the state-owned plantation timbers.

Mr Frith—I will endeavour to do that.

Senator EGGLESTON—You talked about grants being given to various people. The Commonwealth, as I understand it, has committed \$15 million to industry development in the south-west forests. Are people accessing those grants? What is happening with that Commonwealth program?

Mr Frith—We have just received a letter written about the furniture factory from Senator Macdonald apologising for his delay—I think it has only been about 18 months or so—pointing out that that \$15 million is not going to be released by him to the state unless it decides to increase the amount of jarrah that it proposes to make available for logging. I would be fairly certain that the state Labor government, having just been elected on the basis of what it has done to jarrah forests, will not do that. I would certainly be very anxious, as a plantation grower, that it did not do that. The best thing that the Commonwealth could do to promote the establishment of the plantation processing industry and farm forestry would be to encourage the sequestration of jarrah timber and keep the jarrah forests to look at.

Senator EGGLESTON—But the state government signed a regional forest agreement which provided for 286,000 cubic metres of jarrah to be available for logging annually from the period 2004-18 and around 46 per cent of public forests to be available also. Are you saying that the state government is not meeting its requirements, or what it is signed off to do, under the regional forest agreement?

Mr Frith—I would have to say thank heavens the state government is not meeting the RFA. I think it was a very flawed assessment that supported it. I spent a bit of time looking at it and computer modelling, and it just came up with a lot of ridiculous answers. The timber that it proposes to use is just not there. If you were to talk to some of the Forest Products Commission planners—and oddly, it seems, CALM do not have much in the way of planners; the planners are with forest products—they have private concerns about where the wood is coming from. Admittedly some of that is because the state has put more jarrah and karri forests into reserves in the southern half but it has not put enough from the central forest region, which is largely just jarrah and marri, into reserves. There is a great dearth of reserves in the central forest jarrah region. If you want plantations to go then you have just got to get rid of that very unfair competition with native forest.

Senator O'BRIEN—On page 2 of your submission you talk about a proposal by Western Timber Cooperative Ltd for a furniture factory. When was that?

Mr Frith—That was a couple of years ago now. I cannot give you the exact date, but we probably made a submission in early 2001.

Senator O'BRIEN—Did that federal government money include the offer by Mr Tuckey in lieu of funding the RFA to come up with some direct funding of projects by the Commonwealth? I know he did some of that; I was wondering if this was one.

Mr Frith—If you like, I can research that and come back to you in writing. There was a committee set up in Manjimup about the time of the Ferguson report on Karri, and there was a bit of gloom coming out of that. There were six projects selected as part of the timber industry restructure to start with, and the furniture factory was one of those. It was a local committee that

gave it approval, then we had more approval from Commonwealth officials. It was eventually killed by the state Department of Commerce and Trade, as it then was.

Senator O'BRIEN—In terms of your statement about the variability of outcomes in the 650-750 millimetre rainfall zone, can you give us any reason as to why some of the production rates were higher than others in that zone? Is it that at the top of the rainfall level you get a better result and at the lower level you get a worse result?

Mr Frith—The more rainfall you get, the less likelihood there is of drought deaths. There are plantations in the Chowerup area south of Boyup Brook and north of the Muir Highway and in places like Rocky Gully. The west part of Cranbrook shire has a number of blue gum plantations and Plantagenet shire has a lot of blue gum plantations and tends to be fairly concerned about them. They are the sorts of areas that I am talking about here. I have been on several plantations concerned with marketing their product and so on, and they have a problem. These have not been prospectus plantations; they have been private investors—mostly well-to-do Perth based people who have sought and received competent forestry advice and so on. The plantations are now approaching 10 years old. A considerable portion of them are good—25 MAI or something like that. Another proportion is so-so and may break even, so it is worth harvesting, but on a lot of them there are drought deaths and there are areas that are not worth harvesting because the trees are too thin and it would cost more to take them down than you would get from selling them.

The reason, in some cases, may be nutrition—the soils are sand over clay and sometimes deeper sands. Also, I think there is a bit of plain drought death on soils with low water holding capacity. Trees will grow all right for four years, they use up the stored moisture but then they feel it and die—too much drains away and they cannot manage through the summer. In an agro-forest conformation—that is, an alley farming situation where you have three rows and then a big gap filled with annual pasture that dies off in the summer—trees use that moisture because those roots run for miles. They run for 20 or 30 metres anyway, and they use that water. You do not get drought deaths, generally, in an agro-forest.

Senator O'BRIEN—So essentially farm forestry is a solution for that type of land?

Mr Frith—I see it as most appropriate for that type of area.

Senator O'BRIEN—Do you manage the 10- to 12-year-old blue gums, the sawlogs, in any special way?

Mr Frith—You want to thin them early and space them widely, but otherwise no.

Senator O'BRIEN—What about pruning?

Mr Frith—You certainly need to prune them, yes. One usually does that too late, you lose by it and so on. You must prune and you must thin.

Senator O'BRIEN—Is that cost-effective at the rate of return you are receiving?

Mr Frith—Yes. An agroforest is lovely, really; it is like a magic pudding. Because it grows faster, you can thin early, and in fact mine was thinned at year six for pulp. It was thinned again

at year 10 for pulp and sawlog. Those trees now will grow on, and they will be very big by 15 years. We might take another cut when we are halfway there. When you take some out, the rest fill out to occupy the space.

Senator O'BRIEN—So for sawlog it is conceivable that a 15-year rotation is all that is required?

Mr Frith—I would think so, yes. The 12-year-old trees that I sold were 450 to 550 millimetres small in diameter. They really do grow fast.

Senator O'BRIEN—Thanks.

CHAIR—Thank you, Mr Frith, for appearing before the committee and providing evidence.

Mr Frith—Thank you for the opportunity.

[10.03 a.m.]

ELLIS, Mr Gavin, Executive Director, Great Southern Plantations Ltd; Chairman, Australian Forest Growers Commercial Plantations Western Australia

CHAIR—I now welcome Mr Gavin Ellis. I understand that you are providing us with a written submission this morning. Is it the wish of the committee that the submission be accepted and authorised for publication? There being no objection, that is so ordered. I now invite you to make an opening statement.

Mr Ellis—Thank you for the opportunity. I am here in my capacity as Executive Director of Great Southern Plantations Ltd, which is a publicly listed company that establishes plantations on behalf of investors, through an annual prospectus. We have done that since 1994 for the Tasmanian blue gum. We have had around 13,500 investors in various projects over that period. We have 41,000 hectares of blue gum and *Eucalyptus grandis* and *Eucalyptus dunnii* plantations throughout Australia, including the south-west of Western Australia, centred in Albany, the Portland region of Victoria and the region between Bundaberg and Gladstone in Queensland. I am also here in my capacity as Chairman of Commercial Plantations WA, which is a branch of the Australian Forest Growers and represents a number of the plantation companies, including the Forest Products Commission in Western Australia. It was basically a group put together to provide a forum to discuss common issues and generate common good outcomes for the industry.

I guess the third and most minor capacity in which I appear is that of a private grower in my own right. I have a small plantation of blue gums and also some blue gums that I am looking to manage for sawlog production. I have had a range of experiences with plantation forestry. I started in this region about 16 years ago, really before any plantations were established down here. I was to review the performance of the *Pinus radiata* estate—or the capacity, at least, to develop an estate down here—and part of that review looked at the performance of trial plots of radiata. It involved seeking out whatever was around, measuring it, and trying to put some sort of productivity estimates on what softwoods would do in the region. Subsequently, a softwood share farming scheme was promoted in the region, and about 5,000 hectares of radiata were planted, after which time the blue gum industry became more popular. Blue gums have basically dominated since about 1992.

In my submission I have tried to concentrate on some of the issues in your terms of reference; I make the point that many of them are connected, so some of them are addressed individually and others will be addressed as a collective. The first couple concern the integration of plantations to achieve various benefits, and the provision of public good services at the cost of private growers. I had a few comments to make which are in the submission. Part of my history involved working with the national afforestation program, a Commonwealth initiative, back in 1989 and 1990. The role of that project was to demonstrate the integration of fast-growing eucalypts into farmland. What came from that was government funding to progress that program into farmland and essentially try to develop an industry along the lines that I guess everybody, if they had the opportunity to create an ideal world, would want to see—that is, the integration of plantations and the carrying-on of traditional farming activities, with cows and

sheep grazing, the green grass there, the vista maintained, water levels dropped and shade and shelter provided, as well as timber being produced.

The real issue with that program, and the question that was asked on a weekly basis, was: 'How is the land acquisition going?' It was very difficult to encourage farmers to plant trees in that way. Either they did not want to be encumbered with the relevant government department—for which I was working at the time—and share their land and their enterprise with a government department and have its trees on their land, or they did not have the expertise to plant the trees themselves. Or, if they were going to go with trees, maybe they were looking to reduce their workload, and broadscale plantations became a better option for them. The development of the industry involved the payment of a lease or rent to the farmer, and they negotiated good and hard for those rent payments—as you would—to the point where the returns from leasing your land for trees were much greater than the returns you had to work hard for from traditional agriculture. Of their own volition, with some encouragement from financial advisers, they decided that they could not necessarily afford to lease a portion in an integrated fashion and work hard on the rest of it to make half the return, so it made more economic sense for them to go broadscale.

The other impediment to broadscale plantations, if you look at land purchase for the purpose of plantation establishment, is that buying land and planting only half of it essentially doubles the cost of the land that trees are planted on and also diverts the attention of the grower from trying to do something else on the remainder. For a number of reasons, in my view, integration is a fantastic outcome if it heads that way, but to try and overlay that or impose that on a landowner is very difficult to achieve and probably not fair in the sense of the landowner's ability or right to do what they choose rather than what other people would choose for them to do.

The integration issue heads on to the development of plantations for the public good. I have some examples, which I guess is the best way to put the story across, of where the government has in some cases tried to overlay its idealism of plantation development on landowners in the form of conditions that can be placed on a development through the planning process. The example that I have given in the submission is the Waters and Rivers Commission imposing a restriction on a plantation—that if it were grazed after planting there was a requirement to fence off the native vegetation and the creek lines and re-establish native trees along the creek lines, and all of this on a property that had been grazed without any management of those sorts of systems for 30 years. Those sorts of things, as you could imagine, do not augur well for trying to achieve what you are trying to achieve with the plantation. It is better achieved through the development of partnerships and maybe a better understanding of what the bigger picture is and what the greater benefit is of doing those sorts of things. I go on to give an example of how that has in fact been done. Again with the Waters and Rivers Commission, incentives have been provided and a partnership has been developed on a plantation where the less productive areas along the creek lines in the salt-affected country have been able to be planted with salt-tolerant species. The trees were planted, both parties were happy, and there was no encumbrance on title, and that was a good outcome and maybe a good example of how things are best achieved other than through regulation.

I mentioned earlier the planning approval process. I have concentrated a bit on that in the submission in relation to impediments to plantation development. A lot of impediments to plantation development in my mind come from the need for various groups, government

departments or bodies to want to take control. It is particularly dangerous when the control mechanisms are in place and the planning approval process provides those sorts of mechanisms. Again, I have given some examples of planning conditions that have been overlaid on approvals, and they include approval of a plantation development but restricting it with time. It was silent, in fact, in terms of what happened to the approval or whether they would be carrying on the business of a plantation development illegally after that time had expired. That was one example. Another example is harvesting during the fire season having to occur in accordance with the requirements of the council, not necessarily in relation to the fire danger that was posed. Again, that was rather open-ended and possibly giving the local government authority any right to impact on the harvesting operation. Another condition—and all three conditions were in the same approval—was that, following harvesting, all waste had to be disposed of, including any surplus tree branches on the site, if it were deemed to pose a fire hazard.

There is a range of other conditions documented in the submission. I will not read them all out, but they do make for interesting reading. They also impose impediments that I think are brainstormed, possibly over a cup of coffee, because the opportunity exists. In most cases, we have appealed those conditions and they have been overturned. In fact, some planners cannot understand why other planners have imposed those conditions. This all links to the right to plant trees on your land—providing you comply with a code of practice—as you decide. That can range from an integrated plantation development, as I and others have done, to some broadscale plantation areas and some other cropping, grazing and aquaculture areas through to broadscale plantation development across the board.

The other thing I want to comment on quickly is the integration issue. If you talk ‘integration’, you really need to start with a definition of integration—and there are many and varied definitions of what it actually means. Depending on who you are and how well you argue, you can justify integration, or not, if you need to. The other issue that I have talked about in the submission is the right to harvest. I have made the point there that it is fundamental to provide an unambiguous and guaranteed right to harvest plantations that have been established for that purpose. The committee may be interested in impediments to long-term crops and sawlog development. In the absence of the right to harvest and the security that one would need to value add and, therefore, cost add and extend a rotation length, the easy way out, or maybe the logical way out, is to go for the least cost in the shortest possible rotation. That is the sort of thing that I think is being seen in the plantation development, particularly with Tasmanian blue gum.

The final comment I would make is about understanding what we mean by ‘supporting plantations and wanting to encourage plantations’. The best example of that that I can give is a member of the Greens in WA who has been against—for all the right reasons—the native forest industry and who has been part of the process that has seen the jarrah and the karri cut reduced. She has also been relatively vocal in being against broadscale plantations, monocultures, the use of herbicides and the use of insecticides. She is not in favour of log trucks on roads and is against the development of a chip mill to be developed specifically to process plantation wood. She is against the right to plant, the right to harvest and the right to offset the costs against one’s income. It was interesting when the first woodchip ship came to Albany a couple of months ago and she had an advertisement in the paper which said, ‘We support plantations but we need our own pulp mill.’ You really have to ask with that sort of support why you would want to invest in a pulp mill development.

Other issues that I have not elaborated on include national research, road and infrastructure funding, the removal of impediments to allow infrastructure and processing developments to occur. In a general sense, I see the role of government to allow certain processes with stakeholders to take place, to make some decisions and then to get on with it. Finally, I took the opportunity to provide you with some pictures, rather than words. There are some photographs of the impact of fire on Tasmanian blue gum from a couple of years ago, which was rather a revelation of how those fire activities impacted on native vegetation as opposed to plantations on farms. Thank you.

CHAIR—I gather from your submission that you think the document—the 2020 vision statement—has hit the mark in what it is trying to achieve. But you also highlight problems with uncertainty in relation to what local government bodies do and the relationship between them and the state government, in some of the codes of practice, for example. You mention the review of the code of practice for plantations in Western Australia. Can you talk a little about that in the context of the issues you have raised? Are there difficulties in relation to how the industry is supported or obstructed or anything of that sort? What is it that is being done to try to deal with that question, particularly in relation to local government?

Mr Ellis—You might read that and think I am a bit harsh on local government. We get on very well with local government, but there have been those particular issues I have mentioned. To be fair, local government have had to grapple with plantation development because it is quite new for them, not only where we operate in WA but also in Queensland. If there is something new in town you have to plan for it, and you have to impose conditions, and that is where some of the issues come from, again from people who are not necessarily experienced in that area.

There have been issues with town planning schemes and individual planners. I should say that some local government authorities are very reasonable and tuned in to what is fair and reasonable—obviously those two words are from my point of view. There have also been individuals on councils or as planners who are easier to work with and more pragmatic and realistic about their requirements. To try to provide some guidance to these new land uses that are occurring there has been a farm forestry policy in draft form for maybe two or three years in Western Australia. The objective of that was to provide the right to harvest providing there was compliance with the code of practice that we have in draft. As far as I know, that policy is still in the freezer somewhere and I am not really sure why it has not got out. It could be because some people do not support the right to harvest. It is not asking for a right to do whatever you want; it is asking for a right to exercise your right to plant trees on your farm providing you do it according to an acceptable code of practice that has had the input of stakeholders. That is the position that we believe we are in.

In relation to codes of practice, compliance with codes of practice and the need to regulate compliance with the code, it always tends to come from the point of view that plantation proponents are going to be out there wanting to do the wrong thing. I am not sure why that is the case or whether that is a fair comment. I should make the point that I am talking about plantation development on agricultural land as opposed to harvesting native forest and replacing native forest with plantations, which I think is quite a different issue and should be treated separately for planning and management. In relation to plantation development on agricultural land, it is interesting why there is seen to be a need for almost all and sundry to have some input into how it is done when other forms of broadscale agricultural land use are essentially carried out by the land owner with no interference.

To sum up, local governments have been grappling with this. There are a range of people involved from council through to planners and they have the opportunity through town planning schemes—sometimes they do not but they do not realise that. They can impose conditions on us. There is a requirement to have a more structured approach and maybe that comes from education or the release of the farm forestry policy. It is important that the right to harvest and the right to plant exist to provide confidence that the industry can get where it needs to go and that processing and infrastructure development are going to be worth pursuing.

CHAIR—I gather from what you are suggesting, if it is not already the case, that there needs to be a clear line of demarcation or policy development on the plantation industry, as opposed to the native forest based industries, particularly as it relates to what you talk about being impediments. Is the current regime a one-policy or one-attitude approach to fit the lot? Are you highlighting that it does not work and that there is a need to clarify some of the differences?

Mr Ellis—I was thinking outside the state of Western Australia. In Western Australia to my knowledge—and there are two good reasons for it—native forest is not cleared for the development of plantations, not least because the growth of plantations on ex-native forest areas is shocking—that is a word that springs to mind, but it certainly far below what you can get on cleared agricultural land.

Senator MURPHY—You obviously have not been to Tasmania.

Mr Ellis—I made the point thinking of another state.

Senator EGGLESTON—One of the matters you say you have addressed is the issue of salinity. You say:

1. Integration of plantations to achieve salinity and water benefits and

Provision of public good services (environment) at the cost of private growers

The above two objectives of plantation development are idealistic in their intent yet can be somewhat dictatorial in their delivery when imposed on private land owners (large or small) who are striving to ensure plantation operations are economically competitive and in turn, sustainable.

That is the first paragraph of point 1. We, in Western Australia, have to be very concerned about the salinity issue. I asked a previous witness about whether or not plantations could be helpful in reducing salinity in the catchment areas. Do you see some value in the need for overall coordination and planning of the location of plantations with the objective of reducing salinity in mind? Is there any such body doing that?

Mr Ellis—I think planning and coordination of location of plantations for salinity purposes sounds good. That is really what it means when you say to somebody, ‘We don’t want you to plant there but here for these purposes.’ In relation to the use of plantations or the benefit of plantations for salinity, there is a really good live and breathing example in the Upper Denmark catchment where there have been measured reductions in salinity over a very short period of time.

Ironically, that target area was an area that I was involved in in the establishment of integrated plantations according to quite elaborate farm plans on those properties, and that was being

carried out reasonably successfully. As I have mentioned before, there have been some fantastic examples over here of integration for those sorts of benefits. But, with either a change in land ownership or a change in the prosperity of the farmer, some of these properties have been subsequently filled in with additional trees such that you end up with broadscale plantations rather than the integrated plantation that commenced.

I have also made the point in the submission that if you go out and plant trees for salinity purposes, watertable purposes or whatever, or if you go out and plant the same property with the sole purpose of timber production, it is difficult not to achieve those other outcomes. They are a fairly flexible beast and lots of other benefits come, whether or not you have consciously planted trees to achieve them.

Senator EGGLESTON—I understand that. You mentioned local government and local government planning. Have the local government wards taken salinity issues into consideration, or do they see salinity as an important point in terms of giving planning permission for plantations?

Mr Ellis—They could do so, but I do not have any good examples of that. I guess that might be a function of the local governments that we deal with. In the drier zones where rising ground water tables are actually affecting local government buildings in town, I think they would certainly be encouraging plantations. It is interesting that a local government authority near the Albany area requires trees. They are in a lower rainfall zone. Trees are new to that local government authority and yet they had some sorts of restrictions like no planting within X hundred metres of the drainage line. If you mapped all the drainage lines, it would put all the country out of the picture. I think one of the witnesses today will probably talk a bit more about that. As I said in my submission, I think we need to be really clear on what we want to achieve, what we mean by supporting plantations or supporting salinity objectives or other objectives, and then go and do it.

Senator O'BRIEN—I notice from the AFG web site that the AFG sees the establishment of secondary markets as being important to the growth of the long rotation plantation forest sector. Do you know, and can you tell us, how the AFG sees these markets functioning?

Mr Ellis—I do not have a lot of information on that, other than an overview. I am not totally sure whether or not it exists. But there has been talk in the past of one person being able to establish a plantation, offset that against their income in that year, then perhaps sell that existing plantation sometime down the track, with the purchaser again being able to offset the purchase of the tree portion of the plantation against their income—and so it goes on.

Senator O'BRIEN—Have AFG had discussions with the ATO on this, or is it just their theory at this stage?

Mr Ellis—I am not aware of the workings of the upper echelons of the AFG other than our local branch. But there is a group called Treefarm Investment Managers Australia, and I would suggest that if those discussions had taken place it would have been through that body.

Senator O'BRIEN—I think you were here when Mr Frith was talking about sawlogs from blue gum plantations. What is your experience?

Mr Ellis—It waxes and wanes. There are experiences with the sawing of Tasmanian blue gum logs and the production of furniture from those logs. Again, it depends a bit on whom you talk to. The recovery of suitable material from a log to produce a piece of furniture might be very low. It really depends on the management regime that has gone into the production of the sawlog. To try to generate sawlogs from a pulpwood crop without the pruning and thinning over time may pose issues. The CSIRO has done a lot of work on the sawing of blue gums for sawn material, but I think that work has been generally done on logs that were available for sawmilling studies rather than on logs that have been grown for the purposes of sawlogs. So you can become a little confused about what the real situation and potential is in relation to, say, Tasmanian blue gum for sawn production. Great Southern were in fact looking at a sawlog production prospectus. We acquired land for that initiative. But, again, the uncertainty that existed not only with the management regime but also with the cost inputs over time—the uncertainty about the right to harvest, the uncertainty about the market and the actual sawing capacity of the logs—led us to plant those properties for pulpwood rather than for sawlogs. But we are certainly interested in going that way.

Senator O'BRIEN—Why was it that uncertainty about the right to harvest was an issue yet you still planted for pulpwood?

Mr Ellis—I guess that the longer time goes on, the more you are exposed. There is less risk involved in going for a shorter rotation and with less capital inputs into the plantation. On the scale of risk, it is an increased risk with increased investment and longer term rotations. But that still exists for the pulpwood crops.

Senator O'BRIEN—Were the timber sizes that Mr Frith talked about consistent with your understanding of growth rates of the species?

Mr Ellis—Yes, as I said, I am a small grower in my own right. I established a couple of hectares three years ago. The objective there was basically to plant initial stockings that would give selection pressure to get the best trees. You can walk through an unthinned blue gum plantation and see a number of very good trees in the stand, but to allow them to grow into sawlogs you would have to go and thin them. What I was trying to achieve was to try and select early, non-commercially thin and then prune from age 2 to try and essentially grow open grown trees, if you like, but en masse. That process is continuing. I do it because I am a forester and I am interested in the process. I am not necessarily convinced about the economics of doing it, but I am doing it anyway.

Senator MURPHY—With regard to some of the points you make about integration, I am interested that you say there are impediments to this and you cite a number of impediments with regard to planting approvals such as:

Planting of trees requires a large up front investment that may be beyond the financial resources of the landowner ...

What do you think is the up-front cost of putting a hectare of blue gums in the ground?

Mr Ellis—It depends on who you are and what expertise you have. For the trees that I planted, I had to buy the seedlings and organise—

Senator MURPHY—I guess I am asking the question based on broad-scale plantation development.

Mr Ellis—The on-ground cost is probably around \$1,500 a hectare.

Senator MURPHY—You also say:

If financing of the planting enterprise is an impediment, then the landowner may seek to integrate trees through a lease arrangement, with a plantation company who pay an annual rental. When the landowner has negotiated good and hard to achieve the best rental possible (as is their desire), they generally can't afford to simply integrate trees into a portion of the property and take rent for the planted portion only ...

Are you talking about the remainder of their property—that is, the part of their property that has not been planted with trees?

Mr Ellis—Again, I guess an example is the best thing. A guy in Albany has put belts across his property, and for that he gets around \$300 a hectare per year, indexed to CPI. He grazes and manages cattle in between and maybe makes \$150 per hectare. I think a number of farmers have been through that sort of exercise. When you do the numbers, you can make \$300 per hectare per year, indexed to the CPI, and stay in bed all day, or go travelling, play bowls or do whatever you want. So it was really to say that they can make double the return by growing trees that they can make by working hard on the unplanted portions.

Senator MURPHY—The opposite could be the case, couldn't it? There might be some areas of land and some farming practices that might be exactly the opposite.

Mr Ellis—Yes, that is a good point. The program that I was involved in in 1990 to 1992 in Albany on the integration of plantations was under a crop share arrangement, and the land that was offered and available for plantation development did tend to be the poorest land, which was not good for grazing. So you end up getting the sorts of bottom ends of the yields that have been talked about today by some of the other witnesses. On the contrary, the best trees will grow on the best grazing land.

Senator MURPHY—To go back to the question Senator O'Brien asked you with regard to the issue of the right to harvest, I would have thought that most local government authorities—indeed, most state authorities—would have proceeded to put in place a mechanism whereby a person who is going to put a crop of trees in the ground acquires that right to harvest, and if there is any doubt over that then it would be a matter that needs legislative attention at a state level. What is the situation in Western Australia? You talked about some act that seems to have been put in the bottom drawer somewhere. I recall that in your submission somewhere you talk about a piece of legislation.

Mr Ellis—To answer that question, I will talk about the situation which led up to it. There was a seminar four years ago at the agriculture department here where the Commissioner for Soil and Land Conservation encouraged us to seek the right to harvest. That may have been because of the concern he had that the right would not be there if there were powers available to people who could overlay their ideals on you when you wanted to harvest your trees. There was also a town planner at that same seminar who suggested that maybe they would think about imposing restrictions on harvesting if they did not like the look of the plantation after it had

been harvested and that they might impose restrictions on the timing of the portions of the property that could be harvested.

Senator MURPHY—It was the Tree Plantations Agreement Bill.

Mr Ellis—Yes.

Senator MURPHY—Has that passed?

Mr Ellis—No. It has had its second reading in parliament. The industry has become aware of the bill. I have received correspondence from all the major growers in WA, who have said they had no input into the drafting of the legislation.

Senator MURPHY—Have you approached the government with regard to the concerns that you seem to outline here?

Mr Ellis—Yes.

Senator MURPHY—What has the government response been to that?

Mr Ellis—I am a member of the Plantations Industry Ministerial Advisory Committee, which is a very good initiative, and we had our first meeting only a couple of weeks ago. We are able to meet with the minister about those particular issues and discuss what our issues are in relation to the drafting of the bills and what we think any changes should be.

Senator MURPHY—So if it came to pass—and I say, if it came to pass, because we do not know yet—that tree plantations agreements legislation was passed and it provided the security that you talk of, what impediments do you see then to developing plantations for the purposes of, say, the production of sawlog resource?

Mr Ellis—From my point of view, it really goes back to knowing what sort of species should be planted, what sort of regime should be applied in terms of management and costs over time, what sort of rotation length should be applied and, probably most importantly, knowing that those species are capable of being sawn with recoveries that would make it economically viable. As you would be aware, the discipline of young eucalypts after sawing and in relation to drying is variable—they suffer from collapse and movement of the timber. I guess it is always easy to say that we need more research, but either we do need more research or we need what has been done to be written up and made available so we are all brought up to speed with what the possibilities are.

Senator MURPHY—I will leave it to another day to debate the drying issue with you.

CHAIR—Mr Ellis, thank you for appearing before the committee today. The committee may well seek further answers to questions in writing.

Proceedings suspended from 10.47 a.m. to 11.01 a.m.

PEACOCK, Mr Ian, Chairman, Albany Port User Liaison Group**WILLIAMSON, Mr Bradley, Chief Executive Officer, Albany Port Authority**

CHAIR—Welcome. I invite Mr Peacock and Mr Williamson to make an opening statement. At the conclusion of those remarks I will invite members of the committee to submit questions to you. I understand you have provided us with a submission.

Mr Peacock—I am here this morning as Chairman of the Albany Port User Liaison Group. I also wish to address the committee for a few seconds as a farmer who has an interest in sawlog production. I am currently working with CSIRO and the National University to establish sawlog species.

I just have some brief points on your terms of reference. I would like to run through those quickly with a minimum amount of elaboration. This morning I provided Robina with a letter to the state government regarding state government costs—charges against regional ports. Maybe we can start there with some comments about the taxes and charges on regional ports, or ports in general. These charges are generated by the national competition policy which is a federal policy that is handed to the states in making state owned organisations such as ports pay various dividends and act in a corporate manner. That is fine. We would argue as a group that ports are not like other state entities and that they should be treated as trade facilitators and not necessarily as state revenue raisers. Having said that, we understand that what national competition policy has done, to some degree, is to make port authorities and other state entities more corporate, more responsible for their actions, and they have put in place better management regimes than they probably had before national competition policy was introduced.

However, to go back to the point, I think ports are different. They are, as I said, trade facilitators and should be exempt from some of the state taxes and charges. They should at least be looked favourably on, because anything that is put on to a port authority in the way of dividends, rates and other charges is passed on, particularly as they are charged in Western Australia. In particular, in the case of Albany, the port rates are worked out on land values adjacent to the port. When you have a very high land or rental value on land adjacent to the port, that pushes those rates to the port authority up, which is then simply passed on to the exporters.

We are competing here in an international environment where our exports need to get out of the country as cheaply as possible—particularly in regional ports, where you are dealing with low-priced commodities. In your case, you are looking at woodchips, or plantation timber. But there are a lot of other commodities which are fairly low-priced in most years—such as grain, wool, meat et cetera—which this sort of area relies on. It is in that letter that I have given the committee, so I do not want to spend too much time on it. There is a letter there to the state treasurer outlining our concerns on those issues.

The other one is the national tax equivalent regime, which was brought in under national competition policy. Once again, we believe that the same thing applies to national tax equivalents as applies to the state taxes and charges on ports. We believe that ports should be

treated somewhat differently in the way that they are taxed by the Commonwealth. They are trade facilitators; they are not necessarily there to be revenue raisers for government.

The other point that I have put in the brief submission is about road and rail transport. This pertains particularly to this area, as your committee is looking at the Great Southern. We have recently had our road budget withdrawn in this state. The previous moneys allocated by the previous state government have been withdrawn, which means that the roadworks that we thought were going to be put in place this coming year or two—that is, 2003 or 2004—are not going to happen. In the forward estimates for roadworks in the Great Southern of Western Australia, there is no money for the next four years. We believe this will hamper the woodchip industry and other industries substantially. We were looking for some bypass roads to take transport off some of the busier streets that they now use in Albany and Mount Barker, where the major timber resource is planted. This is now not going to happen. I believe about \$120 million has been withdrawn. There is nothing in the forward estimates to say that these works are going to go ahead in the foreseeable future—at least in the next four years. We see that as a substantial setback to the plantation industry and to the region in general.

You would be aware, of course, that the existing woodchip mill is using rail to bring its product into the port. We have nothing against rail, although there is only the one railway line, which comes in from the west. A great deal of the plantation resource in this area is to the east and relies on one single highway for its transportation. You will hear later in the day, no doubt, and you probably have heard this morning, about the TIRES program and its aims with regard to transport.

The other issue that we focus on as a group is port access. I do not want to go into a lot of detail about it, but it is important that access to our ports is not blocked off by housing developments or other such developments that could take place and make transport of commodities—particularly the cheaper ones, like woodchips—unviable. In part (b) of your terms of reference, you ask about how to remove those impediments. The federal government could probably go back and have a good close look at its national competition policy requirements on the states. It is really up to the federal government to see what it can do about making us able to export from the regional ports on a world-competitive basis.

If you look at a port like Albany, for instance, 50 per cent or better of employment revolves around agricultural exports and the timber industry. Forty-five per cent of the gross income for this region revolves around agriculture and now the timber industry, or things that are exported out through the port of Albany. So it is a substantial issue for us in this area if we become uncompetitive in the slightest manner, and taxes, charges and other imposts all add up to doing that.

In part (c) of the terms of reference, you ask about the opportunity for value adding and for sawlog production in the drier regions. We have some problems, and I believe you heard this morning about the shire adjoining Albany, Plantagenet, where the shire has put a ban on planting trees within half a kilometre of a gully or a drainage line—and that is the shire I come from, by the way—which flies in the face of sound environmental practice. Most gullies need to be replanted for salinity reasons, but because one or two of our shire councillors in the past have wanted those gullies to flow they do not see the reason. It affects their enterprise so they do not want the gullies planted. If you stop one gully being planted you stop the lot, and you do it through the local shire. But there is potential in the drier regions for 350- to 450-millimetre

rainfall in the Jerramungup shire and further out off the coast for sawlog production. It is a matter of finding the right species, and that is what we are working with the CSIRO now to do. It could well be a major export for this region in years to come if we can find the right species.

I believe that blue gums in the areas that we are looking at now are having a major environmental effect on salinity. For the 10 or more years that they might be there, they will continue to have the effect of reducing the water table and, in the next 10 or 15 years, they will succeed in bringing back to where it was before it was cleared originally some land that might have gone salty.

As far as sawlogs go, there is a potential but there is also a potential to have other value added industries come in on the back of the woodchip industry. There is any number of industries, and I am sure you have heard of them before. Obviously there is pulp, and there is also the possibility of prefab manufacturing, particle board and all the other sorts of industries that can and will flow on if the environment is right for them to be able to export that product out of the port of Albany. There will need to be encouragement for containerisation and those sorts of issues.

CHAIR—Do you want to say anything very briefly in relation to your own experiences as a farmer as well? I note that you have said that in the submission. I am also mindful of time constraints and that Mr Williamson might also want to add to what has been said, leaving sufficient time for the committee to be able to ask some questions.

Mr Peacock—There is just one point. I think as a farmer we have been through a decade of Landcare. We have seen a lot of federal money spent on land care and, having been involved for 10 years with the Landcare movement here in Western Australia and through the LCDC movement, and as chairman of the Farmers Federation land use committee for a period of two or three years, I would have to say that I believe some of that money has been misdirected at state level and has gone into employment programs for university graduates to come out and tell people like myself that I need to plant a tree or that I need to do something that we have actually been doing for 30 years. They obviously learned from the same textbook that I learned from. There has not been a lot of new development. I think I have seen a lot of money wasted on employment programs by the state agriculture department to put 18-year-old teenagers in cars to come and tell farmers what they should or should not be doing when I really believe federal money could be better spent if it could be put on the ground somewhere.

I know a lot of my co-farmers have spent an enormous amount of money over the years on trying to correct things like salinity on our own properties, with some success depending on where you are. The only way we are going to address the issue of land degradation in general is to get some more dollars on the ground. I am not talking about giving farmers money; I am talking about encouraging farmers to spend their own money on land degradation and salinity issues, and that is not happening.

There is no real incentive out there for farmers to spend more than they are. One of my colleagues said to me not too long ago, 'It's cheaper to buy another farm than it is to fix the salt.' That is not to say that you cannot fix it, but his statement is right: you can spend a million dollars buying the next door neighbour's farm and it is cheaper than fixing up the salt. There is no incentive for farmers to do more than they are doing. I do not think that giving handouts is the answer but neither is taxation relief. When you are paying no tax or 16c in the dollar, a 150

per cent tax deduction does not mean a lot. I will just leave it at that. We will answer any questions. I do not know whether Brad wants to make some statements about the port's capacity to handle the upcoming woodchip trade.

CHAIR—I was going to ask Mr Williamson if he would care to make any comments in relation to road and rail transport, access to the port, as well as the issue of federal and state government taxes to supplement what has already been said.

Mr Williamson—The issue of road and rail access is absolutely critical for the port. It should always be maintained and not inhibited by urban residential issues. It is a common problem in other ports, where you have urbanisation around the port and changing community expectations, people get upset about the port operating as a port, which is a contradiction in itself. They get concerned about noise and dust issues et cetera. Those things need to be managed but there always needs to be a realisation by the community and the government that a port has to operate effectively. It is a challenge for the port to link in with the community to manage that.

The other issue is the capacity of the port to handle the timber industry. The port has sufficient land and has built a new berth at a cost of about \$20 million to handle the new woodchip industry. We are well set up to handle the new industry and are in the process of negotiating with various woodchip entities to secure themselves land and access to the loader so that they can export. The port is in an adequate position to handle the woodchip trade.

Senator MURPHY—With regard to the letter you sent to the state treasurer on 10 October, I would have assumed that the issue of tax as it related to the port would have been around for a little while.

Mr Peacock—Yes, it has been. We were able to negotiate with the previous state government and have some of those taxes not taken away but watered down and not charged at as high a rate. We believe the port dividend for instance is going from 30 to 50 per cent. You just heard Mr Williamson say, in the case of Albany, they have just spent \$20 million on building new berths. If you add another \$400,000 a year to that, it starts to become a significant burden when you not only repaying debt and interest but you are also giving the government a half million dollar dividend.

Senator MURPHY—I do not want to enter the debate about that. I assume this has been a long-time problem rather than one that came to be on 10 October.

Mr Peacock—Yes.

Senator MURPHY—Have the Albany Port User Liaison Group been around for awhile?

Mr Peacock—About 10 years or so.

Senator MURPHY—Have you had cause to raise these issues—and I understand from what you just said that you have—in the past? The port authority is made up of whom?

Mr Williamson—The port authority is governed by a board which is made up of local people. They have governance over me and my staff. It is a very similar structure to a public company.

Senator MURPHY—Has the port authority made any submission to the state government or state governments over time with regard to putting in place a more equitable taxing arrangement?

Mr Williamson—I have been in the position a month so I do not know the extensive history of what has gone on prior to that but I am quite confident that it would have been raised by the board previously.

Senator MURPHY—It might be useful to have some understanding of that. Who constitutes the port liaison group?

Mr Peacock—The Albany Port User Liaison Group is now a separate entity. We are an incorporated body with a membership of about 33 exporters, importers and service providers—which are the stevedores, the unions, the trucking companies et cetera. We have a broad base, including members of the community, which includes me. On whether we have raised this with previous governments in previous years, the answer is yes. As a port user group we have continually raised the issue of taxes and charges and, as I indicated earlier, have had some success in talking to previous governments about how these charges should be levied or to what extent they should be levied. We have had some recognition that ports are there as trade facilitators.

Senator MURPHY—I am not disputing that; I am just trying to understand the process in terms of the role of the port authority versus the role of the users liaison group and how you actually get to run an argument up to the government. I would have thought your port authority, in the interests of the port users, might take up some of these issues.

Mr Williamson—Just to clarify that, the port authority is ultimately under the direction of the minister.

Senator MURPHY—Absolutely. I understand that.

Mr Williamson—It is the government's right, naturally, to set policy and we naturally respond to that policy. I guess the vigour of the argument might come from the port users group than the port, which has to respond to the government of the day—naturally.

Senator MURPHY—I just want to ask one question of you, Mr Peacock, with regard to sawlog production. I understand from your earlier comments that you have had some personal experience in the growing of trees?

Mr Peacock—Yes.

Senator MURPHY—What has your experience been in growing eucalypt or hardwood species for sawlog production?

Mr Peacock—We are currently working with the CSIRO. We have some trials going on various species of hardwood eucalyptus and selected providences from across Australia. We are trialling them in this area to see which ones are the most likely. That is in the Jerramungup shire, which in my case has about 450 millimetres of rainfall—when we get it. That trial is in the early stages. That is two years in now so the trees are just over a metre in height. I also have about 80 hectares of *Pinus pinaster* which is share farmed with the Forest Products Commission, I think, which is a division of CALM here in Western Australia—the state department.

Senator MURPHY—I will just go back to the hardwood, which interests me more than the pine. What approach has been taken with regard to the plots that you have put in as trial plots? Have you put them in in a particular way?

Mr Peacock—The CSIRO planted them. They are in replicas of six planted on a typical site for the area.

Senator MURPHY—How many hectares?

Mr Peacock—It would be 10 hectares.

Senator MURPHY—In total?

Mr Peacock—In total. It is an extensive research project. That is on my land. I believe there are two or three other sites closer to Albany which are replicating that again. They are in a higher rainfall area—probably 500 to 550 millimetres—on the edge of the blue gum area.

Senator O'BRIEN—You have mentioned your involvement in the research project with CSIRO. What division of CSIRO is involved?

Mr Peacock—That is a good question. Off the top of my head I cannot tell you. It is being run through the Australian National University. Dr Ewan Barty seemed to be heading it up when he was over here two years ago.

Senator O'BRIEN—Is there a time frame for the project?

Mr Peacock—No. I have made that land available for the duration of the trial so I expect that we will still be looking at those trees and evaluating them on a yearly basis for the next 25 years or so.

Senator O'BRIEN—Are you aware of the current funding bid by the Cooperative Research Centre for Forest Tree Technology?

Mr Peacock—No.

Senator EGGLESTON—I have not read your submission—you might have covered this in it—but what percentage of the port's income do you expect woodchips to represent over, say, the next five years?

Mr Williamson—That is an interesting question because there are different projections on how much this area will produce in woodchips and there is quite a divergence in the projections. If we took a very conservative estimate I think it could constitute a little bit less than half the port's income. I caution that you get different figures from different sources, but we could say slightly less than half. It is very significant.

Senator EGGLESTON—How does that convert into tonnages?

Mr Williamson—It would be around a sustainable two million tonnes a year. That will peak in 2007-08. The port is very seasonal—if we have a bad grain year then tonnages go down, naturally—and we are slightly under two million tonnes at the moment. The woodchip industry is absolutely critical for this port to get over the risk of seasonality.

Senator EGGLESTON—The other point that you mentioned was that the port authorities are all under the direction of the minister. Therefore are they Crown entities?

Mr Williamson—Under the Port Authorities Act 1999—it is a new act—they are not agents of the Crown, so the directors do not have the shield of the Crown, as they would under the Corporations Law. But we report to a minister. It is a very corporatised body, basically, but ultimately all the assets are owned by the Crown. Our debt is with state Treasury, although we could have gone somewhere else to get the money, but ultimately there is a minister that we report to.

Senator EGGLESTON—You are still liable for local government rates, one gathers from what you have said, whereas the Commonwealth government is exempt. Is a state government instrumentality also exempt from local rates?

Mr Williamson—We are certainly not; we pay rate equivalents. I am not sure but other state entities might be exempt. We pay the same taxes that any public company would pay.

CHAIR—Thank you for appearing here today and for providing assistance. The committee may well seek further answers to questions on writing on some of the issues that you have raised.

[11.30 a.m.]

WALKER, Mr John, Plantation grower; Chairman, Timber 2002; City Councillor, Albany City Council

CHAIR—Welcome. We have received your submission, as well as addenda today. I ask you to make an opening statement. At the conclusion of your remarks I will invite committee members to submit questions to you.

Mr Walker—I have been a farmer for 40-odd years. During those 40 years I have enjoyed that life but, in the last 10 years, farming has not been what I expected. We were offered the opportunity to go into timber. As one of the previous speakers said, it was so much better for us financially that we could not resist it. We have always looked at timber. Having listened to one of the previous speakers, we can say that the quantity of timber coming off the trees is what we expected. On my place we planted the trees on the worst possible ground that we could find, because I was not going to give an inch of ground to trees when I wanted to farm. They did not plant the trees the way that they do it today. There was no ripping. Trees were put in the ground with a little fertiliser and virtually left. Today they come in properly and pick the good ground, rip the country, mound it, plant the trees and look after them. I can see a huge difference between the results from poor, sandy country and from good country.

As I said, it was a financial decision by me. I have timber on shares with the timber company, I have leased some of my country to the timber companies and I also have my own private timber plantation. I look at this timber as a crop. It takes a bit longer to grow than a wheat crop, but it is still a crop. If I were carting wheat into town, I would cart it straight to the port and I would have no problems. I believe that, as a primary producer, I have the right to cart my woodchips into the port to be exported to wherever. I believe that that is the right of every primary producer. The port is a regional port; it is for the whole region. We must remember that, and it must be kept open.

Looking at the timber industry, I wonder whether it is sustainable. I have written down five headlines that I want to address. When I look at the impact on the existing infrastructure, I think five headlines: local government, main roads and the community; the capacity to pay for damage; the impact that we have on road users; an inland port; and sustainability through alternative processing. I will address each of those five headlines.

Regarding the impact on the existing infrastructure, the existing roads have felt relief from the growing period. As I have said, the roads that we presently have in the country are maintained for the use of farmers. The roads are not what you would call 100 per cent by any means, but they are suitable for the farmer with his trucks to cart his fertiliser et cetera. For farmers who have gone into trees, that road will not have the same use for 10 years, but when they start harvesting, instead of two tonnes per hectare coming off the property, there will be 200 tonnes per hectare coming off and that is a great difference. There will be more trucks on those roads.

The road pavements are designed for grain, cattle and sheep. The roads are flexible and they just hold up. Sometimes they do fail in the harvest period. Being a farmer, I can guarantee that

they do fail when the peak of the harvest is on. Harvest campaign hauling leads to destruction of pavement entirely. The cost is estimated at approximately \$68 million in the next 10 years alone. That is for the south-west and the Great Southern region. I think you have the reports that would support that. The impact on our bridges and local roads has not been assessed. Load limits currently exist and they will increase. A lot of these bridges were made many years ago, virtually for the horse and cart. We will be putting the timber-carting trucks over them. I think we have to look at that.

With regard to the capacity to pay for damage, the city has a 15-year forward plan that will take 60 years to fund without the impact of the blue gums—that is \$600,000, including the Roads to Recovery money. Industry has claimed that it cannot afford to subsidise joint use roads and long haul routes. I can understand that. Why do we say that timber should subsidise when we let other groups—grain, wool and other road trains—run freely on the roads?

The federal government has not provided any direct funding at this stage. State government has paid \$800,000 in the last three years. Industry has resulted from federal and state initiatives and incentives. I believe the timber industry would not have got off the ground if it had not been for the federal and state government incentives and encouragement. All of a sudden when it gets off the ground, we feel that we are holding the baby. We are taking responsibility ourselves; local government and the timber industry are left holding the baby.

In respect of the impact on road users, local government has not the planning control to put growers on major arterial roads. This has been part of the problem that I see with the timber industry. I believe it has to be like this; we cannot change things. You will see on the maps that I have given you that the plantations are scattered all over the area, from as far up north as Bridgetown, Boyup Brook, right around to Esperance. It is a farmer's prerogative—if he wants to grow timber, that is his right. I do not believe we can say that area should be timber and that area should not. We have these plantations scattered throughout the Great Southern and the south-west and we must provide the roads for them.

The impact is real and it is happening right now; harvesting is starting now. The impact can be minimised but not removed through risk control. Looking at that issue, the timber contractors in the south-west have radios and they talk to the school bus drivers. The contractors will not be on the road at the same time as the school buses for the sake of safety. I believe they are moving every stone to ensure safety.

I can honestly say without external assistance that local government roads are going to fail, because we cannot afford to keep them at the standard they are at now. There are road safety issues with failed roads, and I say again that there are the tourists, the school buses and the general farm traffic. As of right, vehicles, including semis, can only control permits for road trains. So if we say, 'You can't use a road train,' anybody can say, 'Well, that's all right; I'll put two semis on the road.' Doing so only makes the situation worse.

The fourth point I would like to talk about is an inland port. The city looked at this and came to the conclusion that it would remove only 0.05 per cent of the traffic on city roads—a minute amount. Would it take on the diverse grain, legume and oil products? I am told there are 36 different varieties of grains, oils and legumes. Many millions of dollars have been spent on the port already. Again, there is the safety aspect. Accident statistics do not support this now, but

increased future traffic and haulage are expected to increase the accident rate. In the last five years only one accident involving road trains has been reported.

There is a very real need for substantial investment to resolve this issue. I think—and I know others do too—that an underpass at the big roundabout coming into Albany would solve a lot of the problems. We have looked at the planning involved in managing it, and it is possible. But, again, without financial assistance from the federal government we cannot manage it. I cannot count how many times I have gone up there and seen two or three road trains queued up to get onto the roundabout to go to wherever they intend going. Most of the traffic comes in from the Chester Pass Road, which is 75 kilometres east of Albany. That is where my property is. A lot of timber comes in from that area. More timber has been planted out in that area, because of the summer rains, than has been planted to the north. This, I believe, is why there is so much traffic there. The traffic it has got to go half the circle of the roundabout. I believe that if we could have that underpass under the roundabout we would save a terrific number of problems. We have talked about a ring road. I cannot remember the exact price, but my officers tell me that the underpass would be a lot cheaper than a ring road around Albany. Also, it would save a fortune in fuel over the years for the carriers.

I have been told that if we had an inland port it would add about \$9 a tonne to the cost of handling the woodchips. Would this make the woodchip industry viable? I have my doubts. It is a very competitive industry. If we put up the cost, I believe we would be going in a downward direction. The inland port would address just the inner-city movements. It would not even touch the \$68 million problem we have with the local roads out where the farms are; it would not address that problem at all. I believe it would be a big mistake for us to go down that path.

In relation to sustainability through alternative processing, the timber industry is, I believe, here to stay. But we have to look at sustainable industry and at value adding. We have to look at synergy. We have the water treatment plant and we have the Down Road heavy industry area. We have port access. We can use all these to manufacture wood products. We have had a number of companies inquiring, but state and federal support is non-existent. We are only asking for help to further this industry. Capital investment in the woodchip industry in this region is over \$150 million, plus there are annual management and maintenance fees. It is a business that goes on and on. One little industry feeds off another, as you would know.

Plantations in the region at this stage cover 125,000 hectares, with the potential for gross revenue of \$1.25 billion. It is a big industry and it is well worth looking after. I know from my own position that the federal government will make a fortune out of the wood industry in taxation, because it will be a good industry if we let it happen. I would like to finish off by reading a couple of quotes from a draft report by the Department of Planning and Infrastructure of the government of Western Australia. We have been trying to get finance from the state government for roads and infrastructure. The draft report by the working group recommends:

That the state government continues to seek direct funding contributions from the Commonwealth Government for road improvement needs generated by the plantation industry.

The report also says:

By 2007/08, the industry is forecast to generate a transport task of around 4 million tonnes per annum. This task would equate to approximately 687,000 B-Double truck movements between 2001-2007 ...

... ..

With the State Government unable to meet the local and state timber road funding shortfall and attempts at securing Commonwealth funding being unsuccessful, attention was shifted to identify alternative funding options.

We have not been able to get any of that at this point. On local government contributions, the draft report says:

The rationale for this position has been that the Commonwealth Government encouraged the development of the plantation industry in the South West and Great Southern. Therefore, the Commonwealth Government has an obligation to contribute funding towards providing the necessary supporting road infrastructure to make the industry sustainable.

However, in the absence of sufficient funding specifically for timber roads from the State Government and Commonwealth, Local Government reported to the Working Group that they already contribute significant funds to timber roads.

I know, speaking for the Albany Council, that we have spent quite a bit of money on timber roads to try to keep the timber that has been cut at this point getting to the port. Thank you.

Senator EGGLESTON—You are obviously looking for additional, special funding—a special road funding grant of some sort. Is there any way you can access funding under the state road grant system or do you have to seek special funding?

Mr Walker—We have to seek special funding. We have used some of our Roads to Recovery funding on the plantation roads. They do give us special funding—as I said, they gave us \$800,000 in three years—but you would know, Senator, that \$800,000 does not go very far on roads today.

Senator EGGLESTON—No, it does not.

Mr Walker—Especially when you are talking about money for the south-west as well as the Great Southern.

Senator EGGLESTON—Are you talking about major trunk roads, though, like the Great Southern Highway and so on?

Mr Walker—No, I am not talking about them so much, because they are main roads. We are talking about local roads and access to the port for the farmers themselves.

Senator EGGLESTON—So rather than their being a federal responsibility, as they would be under the national roads program, you probably have to turn to the state government, do you?

Mr Walker—We have turned to the state government, but again, as I said, this was a federal government exercise to start with, and we feel that we have just been left holding the baby, with nothing coming from the federal government.

Senator EGGLESTON—You mean it was the federal government that initiated the industry?

Mr Walker—Yes; the federal and the state governments together initiated it.

Senator EGGLESTON—I take that point. Thank you.

Senator O'BRIEN—Mr Walker, I am not clear what you mean by an 'inland port'. I can imagine what you mean, but perhaps I should ask you precisely what you do mean.

Mr Walker—Sorry, Senator. I think a lot of people do not realise what 'inland port' means. Some people think that we make a big dump somewhere and then just cart it to the port when it is ready. I do not think that is the way it goes, because it is excessively costly. As I said, we are primary producers, the port is a regional port, and I believe that we should have access to that port at all times. As I said, it is double handling and we could not afford the cost.

Senator O'BRIEN—Are we talking predominantly about unsealed roads or sealed roads?

Mr Walker—A bit of both. Most of the sealed roads were sealed in earlier times and they are not very wide. We looked at making them wider, but we realised we just did not have the funding. So we came to the conclusion that we would try to make bypasses on the sealed roads, where you could pass another vehicle. We looked at making the crowns of hills safe. We are very conscious of school buses on their runs and things like that. I must say that I admire the timber companies and what they are doing in this respect.

Senator O'BRIEN—Thanks very much.

Senator MURPHY—With regard to your comment that the state and federal governments created the industry but have not underpinned that with any funding for infrastructure, I think it is an interesting view which implies that the taxation treatment that the government at the Commonwealth level offered up was the wrong thing to do, in one respect.

Mr Walker—Could I have that question again?

Senator MURPHY—If you say that the Commonwealth should step up to the gate with a bucketful of money to fund the infrastructure, such as roads, to allow this industry to develop without creating a hindrance to other people—that is, people who are not involved in the industry—I am not sure that I would accept that as an argument. What the federal government said was, 'We'll create a tax environment that will allow private investment to take place.' And that is pretty much what has happened.

Mr Walker—That is what has happened, and I could not agree more. The government gave the investors taxation help so that the investors could come in and start the timber industry, but it has left us in a bit of a hole here. We have a big industry on our hands—a huge industry—and we as a community are finding it very hard to control and look after in a way that is accepted. I am not talking about just the timber; I am talking about the safety of the roads. We nearly had to close some roads down because we had a wet time and we felt that they were not safe. And this is the problem we have.

Senator MURPHY—But I am not sure that you could say that it is the federal government's responsibility to rectify that problem by just coming up with a whole heap of money for road development. There is an industry being developed, and it should be the local government's responsibility to manage the industry development in its region, as much as it is the responsibility of anyone else.

Mr Walker—I would have to disagree with you on that one. It is a huge impost to put on a local government to say, ‘You are responsible for thousands of kilometres of roads in your area because of the new industry that has started up.’ It is so difficult. You talk about money being short in the federal government. We try to get it out of the state, the state tries to get it out of you people over there, and we all have our hard jobs. We are at the bottom of the pile, if you like.

Senator MURPHY—Yes. But I think it is the case—I will have to check this—that there are often road levies put on certain industries at a local level, not at a federal level. Has local government—

Mr Walker—We have thought along these lines. As I said, I have been very impressed with the timber companies and the way they have been doing this. In the south-west, the engineer that we have in the local city council was over there, and he worked out this program where the timber company executives and the local government will inspect the road. The local government will get it up to standard. The timber company will come in and cart their timber, and when they are finished it must be returned to that standard. That is very good if there is one timber company on the road, but when you have one company cutting in 2003 and another one in 2004 and another one in 2007, it makes it very difficult. But it is a start and I think we are getting somewhere.

Senator MURPHY—I do not want to have a discussion with you about this, but you could apply a levy on a tonnage basis so that it would not matter who was carting what and when.

Mr Walker—I can see where you are coming from, but where do we draw the line on this one? Do we do the same for the wheat cocky? Where do we draw the line on this sort of disagreement with the timber companies?

Senator MURPHY—I am giving you an example of what I know happens at least in my state. It is a matter for local government to determine what you charge farmers or what you charge a timber-producer or harvester.

Mr Walker—Thank you.

CHAIR—I had a quick look at the TIRES document that was put forward—the log haul road transport study—and the emphasis you put on infrastructure was more in the context of roads. Is there a reason why, given that you have an existing rail network, that that has not been looked at as an option? Has research been undertaken to look at the feasibility of both being options or one being more cost-effective?

Mr Walker—That is a good question. If you open that document at one of the maps in there, you will see where Albany is. If you were to go east, right out, that is where I was saying that a lot of the timber is being planted now. From ‘Many Peaks’ to my farm there were 12 farms, all around 2,000 to 3,000 acres. Out of those 12, only three are left farming; they are all into trees. That is a little bit of what I know about that area. There is no railway line there. The closest railway line that we have is at Albany. So, unless someone is going to put a railway line there, we have no choice but to cart by road. The same applies to most of this area out west; there is no railway line. There is only one railway line and that is from Albany to Perth, and rail cartage is very difficult, isn’t it?

CHAIR—You are not aware of any other research being done to discount rail as a possible option—for example, over the longer term so that the cost-effective benefits can be realised?

Mr Walker—No, I have not heard of anything. There is nothing in the pipeline that I have heard of. That is why I think we must look at keeping the port open for road trains at this stage until—or if—something does happen with that line. But to put a railway line, say, 80 kilometres to 100 kilometres out towards Esperance would just cost the world, wouldn't it?

CHAIR—I do not know the answer to that. Are there other things you want to say?

Mr Walker—I have said enough.

CHAIR—Thank you for appearing before the committee and providing your assistance.

[11.59 a.m.]

WETTENHALL, Mr David, Consultant, Plantall Forestry Consultants

CHAIR—Welcome. I invite you to make an opening statement, which we will follow by questions from the committee.

Mr Wettenhall—Thank you, and congratulations on coming to Albany. It is good to see this sort of important inquiry getting out into the regions. It is not common, and I appreciate it. As my printed submission outlines, I am a professional forester with a wide range of experience in forestry around Australia, covering everything from native forest woodchipping through to poplar plantations and more recently as a consultant to mainly the blue gum industry. I am involved in the Regional Plantation Committee here in Albany as deputy chairman and I am on the committee of the Australian Forest Growers, the Institute of Foresters and the Association of Consulting Foresters of Australia—the AFG and IFA being the local branches. As an independent forester for managed investment schemes, I cover about 90,000 hectares of managed investment scheme plantations, the majority of which is blue gum pulpwood plantations but which also include, importantly, hardwood solid wood plantations and sandalwood plantations up in Kununurra.

Forestry is principally influenced by the state governments. It is principally a land based activity under the domain of the states. As this is a Senate inquiry, I have attempted to identify those issues which are relevant, in my opinion, to the federal sphere rather than wander off into an abyss of issues that affect the states.

Plantations continue to be viewed differently from other crops. The community and governments feel the need to regulate plantations. There is a lack of commitment to promoting commercial tree farming. It is very popular to promote planting trees, but we do not see much backbone in the promotion of commercial tree plantations. That is something that we need to think about as a community. It is all very well to have the warm and fuzzy feeling that nice tree things are happening out there, but you have to pay for it. It can be paid for in two ways: private investment, which will require a commercial return, or public investment, which, based on the scale of things under the vision 2020 statement, we will never be able to afford.

Let us assume that we are trying to increase the area of plantations substantially as per the vision 2020. What do we need to do? I have identified four areas in my original printed submission, and I have given the committee a supplementary submission, which includes a fifth area addressing the Kyoto protocol and greenhouse issues. Firstly, I believe R&D is a very important area. We have some excellent work going on through the CRCs, CSIRO, RIRDC, the Joint Venture Agroforestry Program, the states, universities and private research. The plantations industry is a very substantial industry which warrants probably even more research than it is currently doing. However, the problem I see is with the allocation of those research resources. At the moment the allocation of research effort is a political process and is naturally biased towards the more popular, populated areas—for example, the Murray-Darling Basin is the subject of a massive research effort, particularly in tree growing.

That type of effort generates a lot of excellent work but unfortunately it is not directly relatable to all regions of Australia. My suggestion is that we put in an increased effort to adapt those good findings to local situations. When something like the farm forestry tree modelling work was done in Tasmania, it was necessarily restricted to the Tasmanian situation. A terrific software package was developed that allows people to pop in the size of their trees or the situation that they are growing trees in and work out how much they have and how much wood they are likely to get. It is a very good program, but it has been specifically developed for Tasmania. I would dearly love to see that sort of work developed—and for lesser programs to be developed—so that it applies to other tree growing regions in Australia. There has been some work done and the latest version of that model has oil mallees for Western Australia included in it. Unfortunately it still has not got blue gums or radiata pines for Western Australia included in it.

Another issue, particularly for Western Australian research and development, is getting the findings of the research and development out into the public domain. Quite often the research is developed by commercial participants. As well as that, public institutions are developing the research findings and covenants to make that research publicly available. That is somewhat disarming for private foresters—small growers in particular—who do not have access to this best technology. I think that there needs to be more effort in transferring the technology and getting it out there so that the real tree growers can use the information which is developed.

I noted a number of questions to earlier speakers about long rotation crops and what we can do to support sawlog rotation forestry. In my opinion, one of the best things that we could do would be to take away some of the uncertainty of growing sawlogs in forestry crops and to underpin that silviculture with better research and better knowledge—so that, having grown your trees for 15, 20, 25, 30 or 35 years, you know that you are going to end up with a marketable product that will have certain properties which will be of interest to the marketplace—and then allow people to make up their minds as to how much they are prepared to invest in producing those products.

The second area that I refer to in my submission is coordinated marketing. A large proportion of the new plantations that I deal with—particularly the blue gums—will have to find overseas markets. It will have to find markets which go beyond the Japanese pulpwood market, which we have grown accustomed to. A number of papers have been developed recently highlighting opportunities to capture markets in China in particular. I would like to see a great effort put into developing a national marketing strategy and coordinating our marketing efforts to develop the China market. I think that it would be a mistake for us to go over company by company and let ourselves be picked off as individuals by what is obviously a very savvy state when it comes to buying raw materials.

Senator O'BRIEN—A woodchip single desk.

Mr Wettenhall—Well, that is a term that I have used. I am not quite sure that that would be the solution, but certainly I think that something along those lines has merit. At the moment, we are seeing what amounts to almost anticompetitive practices in the industry. The buyers are predominantly coming from Japan, and the Japanese paper companies seem to have a geographic market separation where there is only one Japanese buyer operating out of each port. I think we need to be very careful that that does not work to the disadvantage of, and therefore becomes a disincentive to, investors in forestry in Australia.

An issue that I do not have in my original submission but which I talk about in my supplementary paper is the desirability of Australia ratifying the Kyoto protocol. I think that will support the value of carbon credits to Australian forestry. I also think that we should amend the renewable energy act so that there is no doubt that all sustainably managed plantations' products are able to be freely used for biomass energy. Forestry's greatest contribution to greenhouse gas reduction will not be in carbon trading; it will be in using forestry biomass for generation of energy, therefore substituting out fossilised fuel energy sources. So I think that creating every opportunity for plantations to find markets as biomass is a logical thing to do, whereas at the present time there are a number of impediments which disqualify plantation products as renewable energy sources.

The fourth point I would like to address was addressed thoroughly by the previous speaker. That is, in infrastructure development, the industry has for a long time recognised the need to develop local road infrastructure in particular. I was personally involved in the early 1990s in the north-east Victorian TIRES group. The industry has in fact been quite proactive in drawing to government's attention the need to address this road infrastructure prior to it becoming a real problem—a disaster area, if you like.

John Walker was talking about an inland port. In Albany, we have a group which is opposing trucking woodchips to the port. It almost seems bizarre that somebody would try to stop you from trucking commodity products to the port, but that is the case in Albany as we speak. That group is promoting the concept of what is called an 'inland port' whereby woodchips and grains would be unloaded from trucks and reloaded into rail wagons for the last 25 kilometres of their journey into the port of Albany. That imposes a double handling cost which makes our products less competitive on the international market. It has been the subject of a detailed study and a consultant's report, but the issue is still going on.

The point that John Walker was making is that the local government authorities face extraordinary increases in their local road funding costs. A rail system would solve the problem for the state roads, for the major roads, but it still would not solve the problem for the dirt roads which lead to the farm or the plantation. Rail is not going to address that problem. Those local roads are going to be under a lot of pressure and it is a system that has been suffering a decline in real funding over many years. I am not quite sure who is accountable for the reduction in funding going to local roads, but you only have to have been driving around Australia for the last 20 years to realise that the local roads are deteriorating.

My final point is a plug for the regional plantations committees. They have been quite an effective mechanism for communicating the federal government's strategies in farm forestry over the years. I cannot think of a better model, although there are some weaknesses in the regional plantations committees. I am concerned by their current capitulation in addressing low rainfall area issues and almost turning their backs on industrial and high rainfall forestry, but I still think they have an important role to play in providing a meeting point between the industry, the government and the community. I really think that is an important role worthy of continued public support.

CHAIR—I have a quick question which is more a formality: do you wish your supplementary submission to become a substitute for the earlier one? From my reading of it, it is pretty much the same with a fairly substantial additional item included.

Mr Wettenhall—Yes, that is right. I can give you a marked up copy if you would prefer. It has one extra section entitled, ‘Kyoto Protocol and Greenhouse Initiatives,’ and then there is an extra sentence in the third paragraph under road infrastructure.

CHAIR—If you are happy for it to be a substitute submission, I will ask the committee whether they wish for that to happen and for it to be authorised for publication.

Senator O’BRIEN—In your submission you mention research and development into the risk minimisation of pests and diseases amongst other things. Are you familiar with the cooperative research centre for tree technology bid for funding for a research project in that area?

Mr Wettenhall—No, I am not.

Senator O’BRIEN—Given the need for large scale investment from patient capital and the sensitivity in some areas about the use of chemicals in plantation forestry, how much focus should be given to lines of research which are significant in relation to the use of chemicals and other substances to do with pests and diseases in plantation forestry?

Mr Wettenhall—There has been a very effective group in Western Australia called the Industry Pest Management Group. Unfortunately, it has dissipated in the last 12 months. It did some very good entomological research for a number of years funded by CSIRO and the local industry. I think it is fair to say that it addressed and broke the back of the issue of insect pest management for the blue gum industry, although there are still a number of issues outstanding. One of their great successes, which will be presented in a paper at next week’s AFG conference, was the development of a non-chemical means of protecting blue gum seedlings from the African black beetle. The African black beetle kills recently planted blue gum seedlings. First of all they played around with various levels of application of insecticide, but then they found—and Timbercorp’s James Balinski deserves the major part of the credit here—that, if they put a plastic mesh a bit like a small onion bag over the seedling, it was much more effective than any chemical application.

Other research going on which I am aware of is examining at what level of defoliation do you have that impact on the final growth outcomes of blue gums. That particular plantation manager has a very green outlook and avoids using pesticides as much as possible. So there is an area of ongoing research. It is probably not the most important area of research; the most important determinants of the productivity of plantations are site selection, species selection and genetics. Nutrition would probably follow next and then the protection from insect pests, so you are getting down on the priority list a little.

Senator O’BRIEN—I know that in Tasmania there is a lot of debate about the use of chemicals and their impact potentially on water catchment. The CRC I mentioned is proposing to look at the control of pests using what I understand are described as infochemicals—that is, they are naturally occurring and environmentally benign. Is any work being done on that here in Western Australia?

Mr Wettenhall—No. As I understand it, CSIRO were looking for natural predators and fungi that attack various insects. I am not aware of that happening here, but others may be. I am not right up to speed on that.

Senator O'BRIEN—Were the Farm Forestry Toolbox and ProMod you referred to prepared in Tasmania for Tasmania or was it CSIRO? Who launched that?

Mr Wettenhall—Thank you for reminding of that name—Farm Forestry Toolbox. It was developed by the Hobart CRC and Private Forests Tasmania and funded by the Joint Venture Agroforestry Program. The early versions were only applicable to Tasmania. ProMod is the model at the heart of the growth models in the program. In later versions, ProMod has adaptations which take into account the Western Australian situation, although I am not sure whether that version of ProMod is in the publicly available versions of the Farm Forestry Toolbox. In fact, I do not know what version of ProMod is in the Farm Forestry Toolbox.

Senator O'BRIEN—Is it something that government should be focusing on in terms of improving that tool?

Mr Wettenhall—Yes.

Senator O'BRIEN—Which government should do that and is it a matter which is critically important to the development of the industry here?

Mr Wettenhall—It is probably not critically important to the development of the industry because many in the industry would have access to ProMod as participants in the CRC. It would be of more advantage to those people outside the mainstream players.

Senator O'BRIEN—I am being encouraged not to ask you any more questions. I might put some on notice for you later.

Senator MURPHY—With regard to your own work, have you had cause to do any analysis of the harvesting of plantations to date?

Mr Wettenhall—Not in this region. This week I have been measuring plantations that are to be harvested in the next 12 months, but I have not had any work in harvested plantations or in looking at the actual yields from plantations harvested.

Senator MURPHY—Are you aware of what stumpages are being paid?

Mr Wettenhall—I am aware of the published mill door price here in Albany.

Senator MURPHY—What would that be?

Mr Wettenhall—As I understand it, it is \$47.30 per green metric tonne of delivered log. You may note that I am also a plantation owner in north-east Victoria, so I have some reflections on alternatives to that value too. In recent conversations with Midway Wood Products at Geelong, they were offering me an equivalent price of \$62 per tonne delivered to Geelong.

Senator MURPHY—When you said \$47 delivered, is that delivered at port in log form?

Mr Wettenhall—That is delivered to the woodchip mill 25 kilometres north of Albany.

Senator MURPHY—What is your considered view of the per hectare establishment cost of a blue gum plantation?

Mr Wettenhall—The on-ground costs obviously depend on scale and a number of factors: stems per hectare that you plant is quite an important issue, as is the quality of the seedlings that you plant. A farmer can do many of the operations himself using existing farm equipment and he can do it quite cheaply. For an industrial operator it would be in the region of \$1,500 to \$2,000 per hectare to establish the plantation and for the first nine months.

Mr MURPHY—In your submission you say:

Today the expansion of Blue Gum plantations has slowed and there are multiple government efforts to encourage tree planting in the 400 mm to 600 mm rainfall zone.

Why do you think the expansion of blue gum plantations has slowed?

Mr Wettenhall—Clearly, the investment industry shied away from blue gum investments in the year 2001, shortly after Australian Plantation Timbers went into receivership and there was some adverse publicity given to market prospects and yields, so there was a loss of confidence. In the year 2000, there had been an artificially high level of plantation established as it was the last year of the 13-month rule. In effect, two years planting occurred in one: there was the carryover from the previous year and all that investment which went in in 2000. Blue gum investments were very popular in that year.

Senator MURPHY—In your submission, under the heading, 'Future developments', you say:

There will be a number of wood panel mills.

What is the basis for that view?

Mr Wettenhall—That was a vision rather than a statement of fact.

Senator MURPHY—What is the basis for your vision?

Mr Wettenhall—We are aware that there is some interest in, or that there is to be developed in Western Australia, an LVL mill. We think that there would be good potential for reconstitutable wood products to be processed here in relatively small mills of maybe 200,000 or 400,000 tonnes per annum. That sounds like a pretty big mill, really, but that is relative to the large numbers that people talk about when they are talking about building a new KRAFT pulp mill. I might just comment on the scale of KRAFT pulp mills, too. Everybody talks about international scale KRAFT mills as being in excess of one million tonnes per annum nowadays, but the last two developments in Australia have been much smaller than that—Maryvale No. 5 and the Visy plant at Tumut have both been substantially smaller than one million tonnes.

Senator MURPHY—But they have a more specific focus.

Mr Wettenhall—Yes.

Senator MURPHY—A niche market focus.

CHAIR—Thank you for assisting the committee today in its hearings. You may want to take on notice one question from me. I wanted to follow up on the issue of marketing. Can you provide any information in relation to whether that is an oversight in relation to the Plantations for Australia vision strategy, because it does not appear from any of the submissions that any effort has been taken to look at creating the market opportunities. Thank you again for appearing.

[12.33 p.m.]

GEORGE, Mr Peter, General Manager, Chipmill and Harvesting Division, Albany Plantation Export Co. Pty Ltd

CHAIR—Welcome. I invite you to make some opening remarks before the committee asks questions.

Mr George—I have come today mostly to answer questions. I have only a brief preamble on the numbers and our actual experiences. APEC started chipping about 12 months ago after building a new mill and starting harvesting operations. We have underwritten the capital cost for the new booth, the woodchip receiving and ship-loading facilities and the rail facilities. We also used our shareholder funds to build the mill itself. We have harvested 1,794 hectares to date. That is from land from our sister company, APFL, from purchasing logs through the Forest Products Commission and from private growers. The average tonnes per hectare from all of those sources has been 99 tonnes per hectare after 10 and in some cases more years.

The maximum tonnes per hectare that we have been able to harvest to date is 249 tonnes per hectare, which was on a good water recharged, very fertile farming site just north of Albany. The fewest tonnes per hectare we have harvested has been 56 tonnes. There was one experience where the tree growth rate was even less than that, but the cost of harvesting and transporting meant that the tree grower would have had to give us money rather than us giving them money, so they were left standing.

If we exclude the private property plantations and just do a combination between APFL and the Forest Products Commission's plantings, we have done 985 hectares since we started operations. The average tonnes per hectare from those sources is 122 after at least 10 years. The maximum range runs from 249 down to 56. Average harvesting costs over that time, from both APFL and the Forest Products Commission's plantings, is \$15.84 per tonne. The average hauling cost is \$6.31 per tonne on an average kilometre haul distance of 52 kilometres.

That basically sums up, from APEC's operational point of view, what our experiences have been. From an industry point of view, we believe—obviously because we have either spent or underwritten more than \$50 million worth of capital in this region—that this is a sustainable business provided some of the basic fundamentals are kept in mind. Those basic fundamentals include that this is a commodity and that the world market dictates the value of that commodity. From that world market value you deduct costs obviously through the processes which APEC does—which is to put it into ships and take it to the port to chip it, to chop it down and bring it in to the mill. Therefore, the amount of money which is available to the grower of the trees in the first instance is the residual left from the international price minus costs.

This industry, economically, is only sustainable if the input costs of the fundamental resources are kept in line with the market value of the commodity it is producing. If we stick with those fundamentals—the technology to grow them, to harvest them, to process them, to put them into vessels—then Australians and Western Australians are as good as anybody else in the world, and we would like to think we are probably better. There is no reason why we cannot hold our place in the world market provided that there are realistic input costs to the basic

commodity and its creation. If not, people will not invest in it. If they will not invest in it, the resource is not grown and you are in trouble as a sustainable industry on what people forecast to be the future values.

As for the resource which has been grown by APFL—which is 100 per cent Japanese owned by four shareholders—the second rotation investment to that is committed and so that land will go into a second rotation. The question still begs to be answered for the rest of the estate. Basically I will now give you guys time to ask me questions than tell you what I think you want to know.

CHAIR—I do not think you were here earlier when the Albany Port Users Liaison Group appeared.

Mr George—No, I was not.

CHAIR—One of the documents tabled was a letter from that group to the Western Australian treasurer talking about the issues of financial viability and the cost involved in running the port itself. Do you have a particular view in relation to the number of issues that they raised? They included land tax, local government tax equivalents that are levied by the Department of Finance and Administration, and dividends under the Port Authorities Act. Would you be in agreement with that as a customer, basically?

Mr George—First, I am going to declare a vested interest: APEC is a member of the Albany port users group, and I am its deputy chair. So I declare that up-front. Yes, as a company we do support that, in terms of just maintaining economic competitiveness. The woodchip industry in Western Australia is not in competition just between the players in the state; it is in competition with every other supplier of the same commodity—wood fibre—on the Pacific rim. Every incremental cost which goes on to this industry potentially makes it less viable. We have a point of view that the government really needs to make a decision as to whether its ports—particularly its regional ports—are facilitators of trade or whether they are cash cows. If they are there to make profits for the government then those charges, I guess, are reasonable—that is what a private enterprise owning and operating a port might consider. If the objective of the government is to have regional ports that facilitate and promote trade then we would argue that those charges are not necessary.

Senator MURPHY—I refer to stumpage rates and the costs. The current stumpage rates that are being paid in this area, we heard just a moment ago, are around \$47.

Mr George—That is the mill door price.

Senator MURPHY—And that is per tonne. Then we have to take our costs out of that to get a net return figure to the grower.

Mr George—Yes.

Senator MURPHY—I do not have my calculator with me. But if we take out the type of cost that you have referred to, would that return us about, say, \$6,000 per hectare?

Mr George—I do not have my calculator here either, but my mental arithmetic tells me no, on this 12 month's experience, not given the yields of tonnes per hectare times the residual price.

Senator MURPHY—In terms of the market value, you said that we have to keep the input costs to the base commodity down relevant to what the market is prepared to pay. In terms of your research and the fact that you have made a significant investment here, what is your view with regard to the future market price? Is it likely to go up, is it likely to remain static or is it likely to follow the trend of the last 25 years and continue to decline?

Mr George—Before I can give you an answer about the future, let me explain the history. Hardwood woodchip prices in Australia historically look to have been rather stable and steady. In real terms, of course, they have been declining over time. Historically, the reason that those prices stayed rather stable and steady is that the federal government controlled the price through its export licensing. In a previous life, I was selling hardwood woodchips in large quantities—about 800,000 tonnes a year—and I was responsible for the production and marketing of that. One of the issues was that, if the market wanted to buy our woodchips, the price had to be approved by the federal government's department. That tended to incredibly stabilise the hardwood woodchip price. It did not fluctuate and jump around, as did the softwood price, which was not regulated and was basically controlled by the US.

For the future, unless there is a shift in the markets which affects companies which typically are producing a three to five per cent return to their shareholders—unless there is a significant improvement in the price of pulp and paper—I think that the price for hardwood woodchips will probably increase, but at a steady and very conservative incremental rate over time. There are new and emerging markets which we are aware of, such as the South-East Asian and the People's Republic. The majority of the People's Republic paper production, for example, is from non-wood sources. For them to be able to buy virgin wood fibre sources, in my opinion they would be more likely to be paying a lower price than the existing market, because they have to produce it cheaper, to be able to put it into the markets where existing conversion facilities apply so that they can take some market share.

Senator MURPHY—Regarding the input costs—you may like to take this on notice and provide it in writing to the committee—what is your company's assessment of input costs and what might they need to be kept down to to make a viable proposition out of growing, for instance, blue gums?

Mr George—If we take the world experience in foresting and forestry investment, at best you are looking at an internal rate of return of about five to seven per cent. You need a substantial amount of capital invested over a very long time. No chief executive of a publicly listed company in Australia would want to run such a company because of the amount of tied up shareholder funds in the resource base. The return on shareholder funds invested is abysmal by comparison, so they are not going to want to run it and hold it within their own corporate accounts. If you work across this region as yielding an average return of about 150 tonnes per hectare—which are the figures that the printed research papers are indicating are most likely to come—and you work on the fact that you will probably get five to seven per cent EBIT from that type of investment, it is not hard to calculate back down to what your input costs should be.

Senator O'BRIEN—I understand the expected costs of the Albany ship-loader. A joint venture between your company and John Holland was \$10 million. How did it work out?

Mr George—It is a joint venture between Toll and Itochu Corporation. APEC has no shareholding in it at all. Itochu is a shareholder of APEC, but APEC is not a shareholder of Albany Bulk Handling. It worked out to about \$12 million.

Senator O'BRIEN—Was all the investment private? Were there no Commonwealth or state funds involved?

Mr George—No. Of the actual woodchip receipt, stockpiling and ship-loading, it was all private funds. The dredging and the building of berth No. 6 and the ship-loader platform, which forms part of the berth, was done by the Albany Port Authority, which of course has state funds.

Senator O'BRIEN—What was the cost of that? Do we need to ask them?

Mr George—I would have to ask the port authority on that. I cannot recall. They ran into some very unexpected problems, which they claim are the federal government's responsibility. During dredging they found very large amounts of unexploded World War II armaments lying on the seabed, which created quite a cost blow-out. I am not sure what their end figure was.

Senator O'BRIEN—Other than attending to the munitions problems, there was no Commonwealth funding of the project.

Mr George—Not that I am aware of.

Senator O'BRIEN—Given the statistics that you present about average yield and returns, do you expect the industry to have a long and fruitful future in this region?

Mr George—As a representative of APEC, all I can say is that really depends on how the investors, other than those in APFL, feel about what their investment in reality turns out to be, as opposed to any expectations they have to have. I could personally speculate but APEC is not into the speculation business of what people think about their investments.

Senator O'BRIEN—You have given some numbers which add up to a return of lower than \$6,000 per hectare.

Mr George—Yes. That is in the initial 12 months. It must be understood that some of the early plantings were not very well done. I can tell you that, for the investment which it has made, APFL expects to get about 180 tonnes a hectare from the later and better established plantations. We will see how that goes. A paper has been put out which is the end result of looking at a large number of plantations of blue gums in Western Australia going from the north right through down here to Albany, and the projection for this area for longer-term sustainability is around 150 or a bit under.

Senator O'BRIEN—In terms of a view of the industry you may care to speculate in writing later without attribution.

Mr George—That would be fine.

CHAIR—Mr George, thank you for coming along today and providing assistance to the committee. As I have said to the others, a copy of your evidence will become available.

Mr George—Could I just make one last departing comment? I understand from the earlier discussion that it was suggested that with the road situation in the Great Southern perhaps the timber industry could be levied. I think this committee would be well served to know what is actually happening here.

Our company, as a precursor to accepting any bids for the transport, insisted that the trucks have central tyre inflation, weight scales over all their axles, and data loggers in the prime movers. We told people we would look very favourably at any other suspension modifications. One of our contractors has airbag suspension. We insist that they retract wheels back up off the road for the return trip so that it minimises bounce. Our industry advises all local governments in advance what roads we expect to use, how many tonnes and when we expect to use the roads. We communicate with school buses to tell them what roads we are going to be on and when we expect to be on them, and we do that weekly. We levy from our growers a fee so that when we finish using a road we repair any wear and tear above fair wear and tear. We already do that as an industry. We are the only industry that does that.

With regard to a levy, if the timber industry were required to pay a levy we would happily do so provided every other single road user pays the same levy. The problem we have here in the Great Southern is that we have a local government road estate which is insufficient for the amount of work it is doing now. It is insufficient for any future loads, whether they be from forestry or from any other land use which requires road transport. The problem is not the timber industry. The problem is the neglect of our infrastructure, our road network, which has occurred over the last 20 or 30 years. If you bring the infrastructure up to scratch, to where it should be in an important region for the 21st century, road damage and road impacts would not be an issue.

The timber industry here has taken a very proactive stance to try and minimise impacts. It should be put on record that it is the only industry and the only road user that has done that. Therefore, this industry is already doing more than its fair share compared to any other user. You should also bear in mind the comment about how many tonnes per hectare come down a road and how that compares with other land uses. That is a very simplistic argument because if the land use is 10 to one—forestry is one hectare and the other land use is 10 hectares—you should multiply out any tonnes per hectare down a road by ten per annum to give an equivalent comparison. You should also bear in mind that is every year, not once every 10 years. Thank you very much.

CHAIR—Thank you for that. I should say that you might care to provide a submission on the matters that you have raised. One of our difficulties is that we do not have a submission from you, and that might be useful as a follow-up.

Mr George—That will be fine. We will try and get one to you.

CHAIR—Thank you for appearing.

Proceedings suspended from 12.56 p.m. to 1.47 p.m.

FORBES, Councillor Kevin, Shire President, Shire of Plantagenet

CHAIR—Welcome to the hearing. Do you have any comments to make on the capacity in which you appear?

Councillor Forbes—I am also involved in several committees through to the state level, as I noted in the brief resume I gave you, including the state TIRES—Timber Industry Road Evaluation Study—committee. I have also been involved in plantation fire issues as the chairman of one of those groups and I was a member of Timber 2002 for a considerable time. I have a fairly broad background in the industry and all its implications.

CHAIR—I invite you to make some opening remarks before I invite members of the committee to ask questions.

Councillor Forbes—I was at the launch of 2020 and since that time we have had massive growth in the industry and in this district and community. From our shire's perspective, we have had a lot of social change and a lot of work type change. Our population has not decreased—it has not had that effect. We have lost a lot of people from one side of the equation and gained a lot of others. We are coming under constant pressure and I think the biggest pressures on the industry and on our shire now, even though we have had some fairly disruptive issues over planning, relate to transport and road infrastructure. All of the roads in our shire were built back in the sixties or before. The roads that were bitumened during that time are getting to the end of their useful life and are in fairly bad shape. The gravel surface roads, once again, are not up to the standard that is going to carry log haul traffic for very long. It is a massive issue for us and one that we cannot address.

CHAIR—I will start the questioning off in terms of infrastructure, particularly in relation to the impact on roads. One of the issues that has been raised concerns whether there has been any commitment by governments, particularly at state and federal levels—the federal level more so in terms of showing leadership and the allocation of resources. I wanted to ask you, through your involvement both in putting the strategy together and on various timber industry committees, whether these issues have been raised and, if so, in what form and what the response to date has been.

Councillor Forbes—Starting off with the road infrastructure: through the TIRES Great Southern group, we have put together two reports. We have looked at every road and every plantation and the tonnage by year that will be hauled on all those roads. We have looked at the need to upgrade to a satisfactory route for haulage and we have all the figures to justify that. Through the state committee, we have been to the state government, and they have made a \$10 million allocation over the next 10 years—it is now over the next eight years, because we have had a small amount of it over the previous two years. We have twice gone to Canberra and lobbied the current government on the transport problem and the road funding issue. They claim that it is a road funding issue and that it is outside the current road funding agreement so we are not eligible for any funding, but we have claimed it is an industry issue, not a road issue, because without some road funding the industry is going to fall over in about four years time when the peaks hit the roads. The roads will fall apart, and we will have to close them. Then what happens to the export industry?

So we have done all that we can do from this end. We have no more money than any other local government through Roads to Recovery or any other funding source. We are putting as much money as we can, through our own revenue as a local government, into roads. Our shire has some 60,000 hectares of plantation, and that has all been planted in the last 10 years—just to give you an indication of the rapid growth.

CHAIR—I understand that the Plantagenet shire currently contains 50 per cent of the plantation forest industry in Western Australia; is that correct?

Councillor Forbes—No, it would not be in Western Australia; it would be in the Great Southern area.

CHAIR—One of the questions I asked Mr Walker earlier on—who also spoke about the *Log Haul Road Transport Study*—was whether any research had been done into the option of rail transport. If you are aware of any, has that been costed out?

Councillor Forbes—The issue with rail transport is that the timber has to either come from farm to rail to get to a woodchipping mill or to get from farm to an on-site chipping plant and then get to rail to get to the port. Whichever way you do it, the local road network is going to be used for transport, because you cannot get it from farm to rail without using the local roads. You may save some state roads from being used, by using rail and double handling, but you will not avoid the local road network. We have been through that with our own state minister, because she came up with that very suggestion, and we said, ‘If you are going to run a rail spur to every property where there is a plantation, you would be better off spending some money on roads.’

CHAIR—The representative from the Albany Plantation Export Company, Mr George, spoke about his knowledge of what the industry currently does in relation to transport arrangements and specifications to deal with this particular issue, including a suggestion that was put forward about some sort of industry or transport levy being imposed. Are you aware of the arrangements that have been put in place in terms of communication of use of roads with councils, schools and other interested stakeholders?

Councillor Forbes—Yes, I am. We work very closely, through our works area, with APEC in relation to road usage and we are in contact with school bus operators with regard to repair to damaged roads. We know that they are using centrally inflated tyre equipment to keep their loading on our roads to the minimum and that they have a policy of not overloading and not paying for overloading. So they are doing the best that they can do to save on road damage because they know that we, through our local government act, can charge them for excessive road damage. We cannot charge anyone to upgrade a road, because we have nowhere to go on that issue, but we are working closely with them and cooperating very well in relation to maintenance and repair of damaged roads, particularly on minor roads.

CHAIR—One of the things you just said in relation to use was that it was an industry problem, not a road problem. If that is the case, should the industry be doing more? And, if so, what should they be doing more of? Is there a need for the federal government or state governments to come on board in a much greater way?

Councillor Forbes—I think it is as I stated in my written submission. Part of the 2020 document was clearly infrastructure in relation to the industry. In this part of Western Australia,

we have seen nothing from the federal government. The federal government is the one that is very clearly going to collect the tax from this industry. The federal government has a role to make an export industry viable. If it does not happen and we have to close a lot of roads within the Great Southern, there will be a lot of boats that will not be loaded with woodchips and an industry will fall over.

Senator MURPHY—With regard to federal government input, I do not want to run an argument on behalf of the government but they might like to say, ‘Look, the Commonwealth is probably the largest investor in the plantation industry per se on the basis of tax deductibility for investors going into the plantation sector.’ Given that the 2020 strategy did develop over some period of time, was it ever the case that local government was involved in the development of that strategy to really take account of the problems insofar as infrastructure, such as road infrastructure, might become an issue?

Councillor Forbes—We were never involved in the development of the 2020 structure. We were invited to the launch of it—I was invited to it particularly—and I did a presentation on plantation fire at that launch. As far as your comment about the government goes, they have put a lot of money into tax deductibility for the industry, they have encouraged the industry, but they have failed at the other end now to back the industry up with infrastructure.

Senator MURPHY—In light of the review of the 2020 vision strategy, has it been the case that local government have addressed these questions through that process?

Councillor Forbes—We have not had any invitation at this point to get involved in the 2020 strategy review, and we look forward to that opportunity.

Senator MURPHY—I noticed that you said you have been appointed by the Western Australian government to the Plantation Industry Ministerial Advisory Committee. Has that met?

Councillor Forbes—It has had one initial meeting.

Senator MURPHY—Do you know what its schedule is for other meetings?

Councillor Forbes—The schedule is for the third Monday of each month.

Senator MURPHY—As the only local government representative, what is the process for you to be in touch with other local government representatives in other states or regions to address what, it would seem to me, would probably be a common issue?

Councillor Forbes—I guess there is no formal process in place. I have a close working relationship with all the other local governments in the Great Southern as the zone president of the Great Southern Zone of WALGA—the WA Local Government Association—and through my chairmanship of the TIRES group. We come together quite regularly and issues are discussed. Through the TIRES group, we also meet regularly with their representatives from the south-west, so I have a fair communication channel there as well, but there is nothing formal.

Senator MURPHY—The PIMAC is just a state advisory committee.

Councillor Forbes—That is right. For Minister Chance, yes.

Senator MURPHY—Does the PIMAC have any input into the national advisory committee at a Commonwealth level?

Councillor Forbes—Not unless Minister Chance chooses to discuss issues further with his federal counterparts.

Senator EGGLESTON—One of the things that has happened in the Pilbara is that, in the state agreements that have been set up for the mining industry—most recently with the HPI plant in Port Hedland and, I suspect, with the petrochemical development in Karratha—a community service element has been included. Have you any sort of agreement overarching the plantation industry under which you might be able to divert some sort of funds for a community service payment?

Councillor Forbes—The only agreement local government has is what is empowered under the act, and we have negotiated with them through the fire advisory side of it for them to contribute to equipment for fire protection through the brigade and shire system, but there is no other community agreement with them.

Senator EGGLESTON—That does not have the capacity to be expanded to cover funding for roads or anything like that?

Councillor Forbes—No, it does not.

Senator EGGLESTON—I am interested in the salination side of this issue. We have been told several times that your shire has specifically precluded plantations close to creek beds. Why was that policy adopted and when was it adopted?

Councillor Forbes—That is not a shire policy as such, but it is something we picked up—and have been asked to implement—from the Water and Rivers Commission, because they do not want planting or the disruption of harvesting next to creek beds. We have been asked to put in approvals to plantation companies from them.

Senator EGGLESTON—Thank you for clarifying that. I think two previous witnesses said that you, as a shire, adopted a policy of not permitting plantation down to creek beds. It is good to know that it came from the—

Councillor Forbes—It is state policy.

Senator O'BRIEN—You mentioned in your submission, and again today, that the federal government has done nothing about the provision of infrastructure even though the provision of infrastructure is part of the 2020 strategy. What is your understanding of the commitments, if any, of the federal government in relation to the provision of infrastructure in the Plantagenet shire?

Councillor Forbes—There is a very clear overall statement in the original 2020 document of the provision of infrastructure for the industry by the federal government. As I said, I have seen

nothing in this region that indicates any commitment by the federal government. Whether it be for roads or for anything else, it has not happened. As stated earlier, there have been tax concessions for the companies to help get the industry up and running—and that is fair enough—but, if it is going to die because the infrastructure is not here to support it in later years, is that a good policy or not? I do not think it is.

Senator O'BRIEN—How does Plantagenet shire fund its road work at the moment?

Councillor Forbes—Our road work is funded through our own shire rates, our normal statutory grants, some regional road group funding, which was allocated to the regions by the state and spread for projects in the region, and through the current round of Roads to Recovery funding. That money is allocated over the whole shire whether it be for grain haul roads, tourist roads or log haul roads. We are committed to all people in the shire equally and we cannot be specific and put all our money in 'timber' roads for five years and leave the rest of the shire high and dry. I do not think that is the logical or appropriate approach.

Senator O'BRIEN—Have you estimated the cost of providing the road network necessary to service this industry?

Councillor Forbes—This study clearly refers to about \$36 million for the Great Southern and at least half of that is in our shire. That is not including basic maintenance where damage is done to roads and repairs have to be done. That is for roads that need to be upgraded—local roads, not main roads.

Senator O'BRIEN—In relation to that damage, we heard evidence today that there is a specific contribution from hauliers to the timber industry. Is that so? Do they make a contribution to council for road maintenance?

Councillor Forbes—They either do the work with a private contractor or they pay council to do the work, depending on whichever option is negotiated and who is available to do the work.

Senator O'BRIEN—If it is going to cost \$18 million to do the necessary road work in your shire, what is the value of the industry in your shire?

Councillor Forbes—That is a good question, and one which you would have to ask the industry. With 60,000 hectares yielding 200 tonnes per hectare, they would know the current price better than I would, spread over 10 years.

Senator O'BRIEN—Presumably the ratepayers of the shire own the properties on which the resources exist?

Councillor Forbes—That is a big mix now; a lot of the properties have been purchased by the plantation companies, particularly prospecting companies and some—including a Japanese organisation—through the WA government. A lot of them are not locally owned any more.

Senator O'BRIEN—But do they pay rates?

Councillor Forbes—Yes, they pay rates, but the same rates. We have looked at differential rating and it is not an option because some of the plantations have direct access onto state roads so we have no way that we can differentially rate those properties whereas, with the one that is coming onto one of our roads, we have looked at what we might pick up out of it with the allowances that are made with differential rating to your standard rates and it just is not a workable option. That was also looked at by the state TIRES committee and they have come up with the same result.

Senator O'BRIEN—I see. So in your mind the only solution is for direct federal funding?

Councillor Forbes—I believe it is the most practical option and it relates more directly to the income source from the industry.

Senator O'BRIEN—Thank you very much.

CHAIR—I am curious about one of the points that you make in your submission under point (d) where you talk about the issue of longer rotation plantation for sawlogs being a major concern and about the real need to progress into timber production that is of greater value than woodchips. I think you had in mind employment and processing activity and so on. Is that something that is being actively pursued by the Plantagenet Shire Council?

Councillor Forbes—We have been negotiating with a couple of interested parties to come into the region. In both cases they have come up with the issues that I have raised there of infrastructure, water power and road access. Those types of issues have been detrimental to this region in attracting those industries. There is plenty of resource here and that is very attractive to them, but at this point in time, with power and water being two very major concerns to them, together with the cost of getting them on-site, it has made it very unattractive.

CHAIR—So you have got the interest being expressed but the impediment is infrastructure in the broader sense?

Councillor Forbes—That is correct.

CHAIR—What sort of industries are expressing an interest in it?

Councillor Forbes—As I said, particularly further processing of timber and particleboard type manufacture and using woodchip to create structural type timber.

CHAIR—Thank you.

Senator MURPHY—I want to go back to the question I asked you in regard to the review of the 2020 vision strategy. If I understood you correctly you said that you had not been contacted by the reviewers. I understand that in Western Australia the review is being undertaken by the Forestry And Forest Products Committee which is chaired by Dr Paul Biggs, who is also the head of the WA Forest Products Commission, if my information is correct. I would like it confirmed in writing that you received no advice from the reviewing committee with regard to the conduct of the review and that you received no invitation to make a contribution in terms of the discussion or to have input into the review process.

Councillor Forbes—To the best of my knowledge it has not come to our offices at the council. If it has, I have not seen it. It has never been brought to the attention of my council. With all the things I am involved in I have not been asked or contacted at any point.

Senator MURPHY—That will not be the first case of that, I can tell you. Do you have a local government association in the south-west?

Councillor Forbes—No, only at state level now. I am the chairman of the Great Southern Zone of WALGA and it has definitely not come to our secretary.

Senator MURPHY—I would appreciate it if we could get some confirmation of that.

Councillor Forbes—Okay.

Senator MURPHY—Thank you.

CHAIR—Mr Forbes, thank you for appearing before the committee today and for providing your assistance. If there are any other questions that we might need to pursue they will come in a written form.

Councillor Forbes—That is all right. Thank you very much.

[2.09 p.m.]

BRAY, Mr George, Planning Consultant, Timbercorp Ltd

CHAIR—Welcome. We invite you to make an opening statement and then—as you would know, having been here all morning—we will ask you some questions.

Mr Bray—As you are aware, I have already submitted some documents. I would like to refer to some of the summary points that are contained in our representations to you. Timbercorp, through managed investment schemes, manages 74,000 hectares of plantations in Western Australia, Victoria and South Australia. The company is an active member of Treefarm Investment Managers Australia, which deals with federal issues such as taxation and securities and investment legislation.

Timbercorp would make the following summary points. Without private investment in plantations, the 2020 vision target will not be realised, bearing in mind that managed investment schemes account for nearly 80 per cent of plantations established since the 2020 vision target was agreed. In both a commercial and a policy sense, plantations have to be treated in exactly the same way as any other dryland crop. This is not currently the case. The plantation sector does not enjoy any taxation benefits that are not available to any other industry sector. Agroforestry cannot deliver the 2020 vision target and, in most cases, is not commercially viable. Regional plantation committees in the regions where Timbercorp has its operations have been totally ineffective in assisting major blue gum growers in resolving critical impediments to plantation development at any level of government.

Water issues including water trading have the potential to bring new plantation development to a complete halt in South Australia in the next two years and are likely to become a national issue in a very short time. Whole of government plantation strategies need to be developed as a matter of urgency in each region to facilitate new plantation investment and value adding. Major growers and not RPCs should play a primary role in developing these strategies. The existing sunset clause on the 12-month rule, which I understand is four years, should be deleted immediately and taxation incentives given serious consideration in developing regional plantation strategies, particularly for longer rotation crops in low rainfall areas. Costs of production have to be contained within viable parameters to maintain a world-competitive plantation industry. I would also be happy, after I have addressed some of these points, to address the road and rail issue and Timbercorp's infield chipping system, which is different to traditional logging methods, and also to comment on the road maintenance issue.

One of the papers that was submitted to you was an address by Mr Tim Browning, who is the General Manager of Forestry at Timbercorp, entitled *Western Australia's native forests and plantations—2002 to 2013*. In that document we outlined the relevance of private investment and the importance of ensuring that private investment remains competitive in a market where there is a variety of products and where competition is very stiff. I have made the point that, both in the commercial and the policy sense, plantations have to be treated exactly the same as any other dryland crop. In dealing with that, I would make reference to the Conservation Council of WA's policy on plantations, which they adopted on 27 April 2000. It is attachment 3 to their submission in your second volume of submissions. There is a whole list of issues, and

the policy says that ‘new plantations should be encouraged’ provided that they meet certain requirements. I would suggest to the committee that if any other crop had to comply with four of the 20 dot points they would be out of business. The points are simply completely unrealistic, but they give a clear indication of how, on the one hand, there is this feeling that somehow plantations can replace native timber but, on the other hand, the constraints that are placed on plantation development are impossible.

The next point relates to the plantation sector not enjoying taxation benefits that are not available to any other industry sector. My understanding is that Mr Alan Cummine sent copies of a paper he has prepared for next week’s AFG conference entitled *Plantations in the landscape—tax is not the villain* wherein he goes into complex detail to explain quite clearly that the taxation rules as they apply are no different to those applied to any other industry. Yet, even this morning, we have this view constantly expressed that somehow plantations get a free ride at the expense of everybody else. But, as I say, this paper hopefully puts those comments into some sort of context.

Agroforestry cannot deliver the 2020 vision target and in most cases it is not commercially viable. The point here is that agroforestry tends to be small clumps of trees not necessarily of a commercial stand. Quite simply, when you take account of the very high costs of maintenance and of harvesting and processing, in most cases it is not possible to make these stands viable. Over many years—ever since its inception, going back to the early 1990s—Timbercorp has encouraged the idea of working with farmers and taking leases on land within their properties and it has been successful to an extent in doing that. But, certainly, the areas that we are talking about are what we would call commercial plantation in size and not agroforestry size.

With regard to regional plantation committees, we are essentially saying that the membership of these committees is very broad. Virtually anybody with any remote association with government or with the industry, whether it be people who drive trucks or who grow the odd tree, can be part of the membership of these organisations. The fact is that when there is an issue of a conflict across any of the membership the committee becomes ineffective. The best example I can give you of this is when the government set out a draft forestry policy which in effect advocated that in WA most plantation development should be as of right; many local governments were opposed to this, so the committees made no response. That is fairly indicative. They also lack expertise in representing views in that in a lot of cases when they do make representations they get it wrong. Because of underresourcing and other factors, in many instances they become a voice for a special interest group who may provide them with funding or something else. To give an example: in the Green Triangle, the committee does rely heavily on funding from Forestry SA, which is essentially a pine lobby, and in the case of blue gum we find it very difficult to get the committee to provide a balanced view.

With regard to the water issues in South Australia, I have tabled a submission from TIMA, Treefarm Investment Managers Australia, to a select committee which looked at this issue back in July 2001. It has put up an interim report but, because of the last state election, the committee has not been re-established. Also, today I have tabled a document dated 13 June from the minister for the environment in the new South Australian government. In the document the minister advises of his intention to introduce a bill to amend the South Australian Water Resources Act 1997 and then sets out the detail that is to be contained in this bill.

The bill is defined in the context of a 26-point plan. That plan is, in effect, a requirement for a water licence which new plantation development will require within a very short period of time. In Timbercorp's estimation, Timbercorp will have to obtain a water licence within a period of two years in order to plant new plantations. In the area in question, we even doubt whether water licences will be available. If you read our paper you will see we argue that, as a dryland crop grower, we should not be subject to, effectively, an irrigation requirement in any event, and we would ask the committee to seriously look at these issues. If there is a need for us to report further to you on those issues, we would be quite happy to do that.

The next point is in relation to whole of government plantation strategies and the need for these to be prepared for each region in Australia. You heard earlier from the Forest Products Commission that obviously the characteristics of areas vary. The sorts of opportunities also vary and the sorts of species and so on that might grow are different. I would like to table today a document that was prepared by the Green Triangle Regional Plantation Committee entitled *South-east forest industry development strategy*. This was prepared in response to the South Australian government initiative to require plantations to have a water licence. Importantly, this document goes back to the right starting point and says, 'Look, the starting point here is to look at the capability of your land, the rainfall requirements and all the other factors which are going to have a clear influence on whether or not you can grow trees at all and what sorts of trees you might grow.' The next step with a strategy like this would be to then say, 'Well, having established what level of resource we are able to accommodate, how are we then going to be able to put in place a strategy involving both state and federal governments to achieve whatever the value-adding opportunities might be?' In other words, we are looking for a framework in which communities, the industry and governments can move together to attract the level of investment and to provide the incentives that will be necessary to achieve growth or plantation development, particularly in areas which might be salt-affected or where there is low rainfall and they require extra time to grow.

A point I will add in simple terms is that the main attraction in investment terms for blue gum is the fact that it has basically a 10-year cycle. If you are going into an investment market and you are asking people to contribute, the very first question they will ask you is, 'Okay, when will I get my money back?' In the case of pine, you are having to say, 'In 35 years time,' which means that you are not going to get an investment, whereas the attraction of blue gum is that you basically have a 10-year horizon where you can grow the trees and get a return. Again, earlier the Forest Products Commission mentioned this point: if you want to go past 10 years, you probably have to look at some mechanism which enables the first-time grower, once the timber reaches a 10-year growth stage, to be able to on-sell that and for another investor to take up the second period. That way there is an ability to bring the investment back to a realistic time frame, given that most people now see a year as a long time, and certainly 10 years for most people is as far as they would want to go.

In terms of the 12-month rule, which is referred to in Mr Cummine's paper, there is a sunset clause which applies and which comes into being in four years time. In relation to the development of the resource and the continual building-up of the resource to levels where it will be sustainable over time, and where we are able to look at the 20- or 30-year horizon that any major secondary processor or value-adder would need, we need to maintain the momentum of the money that is already coming into the area now. As you know, we had a huge problem over the last 12 to 18 months which was created by these sorts of product ruling based investments

being caught up with those that did not have one. That had a marked effect on the level of investment in new plantation development.

The last point, which relates back to the competitiveness of the investment which was referred to by Mr George, is that the costs of production have to be contained within viable parameters. We do work in a world market; we do not work in a market based on region to region. We are competitive and we can maintain our competitiveness, provided we are treated in exactly the same way as any other crop. No other crop is asked to contribute towards roads; no other crop is required to go down the track of providing all these extra benefits in terms of environmental safeguards and what have you. I say that within the context that all these trees are established on previously cultivated land.

I would also be happy to address the road-rail issue which was raised earlier. Regarding Timbercorp's infield chipping system, I have provided the recorder with a copy of the video, which will give you a clear indication of how the infield chipping system works. In closing, I make the point that we do not see this specifically as a road issue; we see it as a regional infrastructure issue. It is about how you maintain employment in regional areas and how you promote very efficient, sustainable, long-term rural activities that can compete, maintain and operate next to traditional agricultural activities.

CHAIR—Thank you, Mr Bray. I want to ask one very quick question in relation to regional plantation committees. Your submission talks about the RPCs being totally ineffective, particularly in relation to assisting major blue gum growers. The dot point at the bottom of page 1 states:

Major growers and not RPC's should play a primary role in developing these strategies.

You no doubt heard some of the comments that were made this morning, and it did not appear to be an issue for many others that RPCs were either ineffective or not playing the roles that they were set up for. Would you care to respond to that?

Mr Bray—I think that if you go back over the transcript you will see that they referred to their role in a more generalised sense, perhaps dealing with the small private growers. One witness did suggest that they had perhaps looked at that aspect without adequately accommodating the needs of the major growers. The point that Timbercorp would make is that it is the major growers that are driving the industry. They are the ones who are providing 80 per cent of the plantation development. The RPCs actually publicly claim that they were the architects of the achievement of this development. The point we are making is that any strategies that we develop have to take account of those who are actually out in the industry and are driving this—literally driving it. They have to have a significant involvement, together with federal and state government, in developing the strategy, because that is where the investment has to come from. It will not come from anywhere else.

CHAIR—One of the other issues you raise is taxation incentives. I have had a look at the Alan Cummine paper as well and, from what I can gather, he seems to be talking about not so much identifying that the industry is getting any special or favourable treatment but removing the impediments that currently exist in the tax system in this country. Do you want to expand a little more on that?

Mr Bray—I do not claim to be an expert on tax. As I read it, he was really giving a clear explanation about how the system developed. He said that it does not in its present form constitute a benefit. He said that what we have here is simply analogous to what would occur in any other sector of industry. He does talk about the impact of the removal of the 13-month rule, which virtually brought development to a halt. He explains how that rule came about and the importance of it and says that the parliament recognised that in effect by replacing it with the 12-month rule. He then goes on to look at what else might happen. But the simple point I set out to make is that this whole idea that somehow this industry is living off the taxpayer is not true.

CHAIR—Thank you.

Senator O'BRIEN—Mr Browning, in his 2002 World Forest Day speech, which was submitted to the committee, talks about the Forest Products Commission. He says:

... the Forest Products Commission ... is promoting foreign investment interests which only produce a base commodity, at the expense of Australian investment that would lead to value adding investment in Western Australia in the medium to long term.

I am interested to know how the Forest Products Commission can alter its operation to attract investment in the secondary processing sector for the industry.

Mr Bray—I will answer part of the question in terms of what that was referring to. The fact it is that the Forest Products Commission actually grew trees for the Japanese interests out of Albany. So its interests were closely aligned with that of the people to whom it was virtually contracted. That was really the point that was made here—that is, that being contracted to actually manage trees for export for woodchip meant, to our mind, that it was not necessarily interested in promoting long-term value adding. Even if you look at the action plan that FPC has produced, you see that it has no time lines and no objectives. It does not say what it hopes to achieve or in what time frame it intends to achieve it. They are the sorts of issues we believe need to be addressed through this whole of government approach.

Senator O'BRIEN—The Forest Products Commission tells us that it is the only significant plantation manager that is managing plantations for longer term rotation and potential sawlog rotation. Is that so?

Mr Bray—They may well be, but I have explained that the reason for that is that at this stage there is no alternative to the way the investment money actually comes into private growing. If you are going into the market and you are looking at selling an investment, the term of the investment is 10 years. The Forest Products Commission is looking at a far longer rotation, which more than likely would be difficult to create a market for without having all these issues resolved in relation to, for example, the right to harvest—you heard Gavin Ellis from Great Southern Plantations talk about the security—and whether you will be able to cut down the trees. All of these issues are up in the air.

Senator O'BRIEN—What role do you see for the state and Commonwealth governments in bringing more local investment to the development of the plantation forestry processing sector?

Mr Bray—The way I see it occurring is that there needs to be a document which, first of all, identifies the capacity of land match with rainfall. In other words, you need to first of all look at what your potential is. You then need to decide what it is you want to do with that potential and

look at how you would go about achieving that potential. In other words, there are certain things that you will need to happen. If we are talking about value adding, we are talking about ensuring that there is a far bigger area of land under plantation than is there now. So we have to ask what the constraints are in expanding that area. Then, if we get to that area, we need to think about what sorts of industries that could support and how long we have to leave the trees in the ground. There are certain things the state can do in terms of expediting the right to plant and right to harvest—itsself giving support, if we are talking about areas of high salinity or whatever. Given the point I raised in relation to ownership periods, we may have to realise that at the end of a 10-year period we have to offer the initial investor some return on their money, which will require changes of federal law to enable that transfer to take place. The nature of any further assistance that may be necessary to induce another investor to take on the trees until the end of the rotation also needs to be considered.

Senator O'BRIEN—Would that be what Mr Browning meant when he said that there is a need for some additional monetary incentive to attract private investors to invest in longer rotation crops?

Mr Bray—Yes.

Senator O'BRIEN—Do you have any specific examples from overseas or elsewhere within this country of incentives that have worked well to bring private investment into long rotation timber crops?

Mr Bray—If we can take the question on notice, I can check with Timbercorp.

Senator O'BRIEN—I would be happy if you would. It would be of great assistance if there was something that you could draw to our attention. Mr Browning talks about the Forest Products Commission operating outside most of the regulatory framework through state agreement acts and other loopholes to the benefit of foreign investors.

Mr Bray—As a state agency, the Forest Products Commission is not necessarily bound by the same controls that the private sector is. You are probably aware that in Western Australia there are state agreement acts which cover the operations of some Japanese companies.

Senator O'BRIEN—So we should be focusing on the legislation that applies to the Japanese companies.

Mr Bray—What we are saying is that we have to meet far more stringent requirements under state law than some other companies.

Senator MURPHY—Can you give me some examples of that?

Mr Bray—As we understand it, in relation to the state planning system, while these Japanese companies may seek planning approval, they are not necessarily obligated by law to comply with what they are given. Under the provisions of prospectus companies, where there are quite rigid controls under ASIC, the companies are duty bound to honour every condition and every approval that is placed on them. So you may well find, as we have found, that if we have not agreed with requirements which are a condition of local government approval—for example, in respect of the requirements of upgrading roads—then we have had to appeal. I would also make

the point that, after some considerable cost and time, we have won every appeal that we have made. But a lot of these conditions have been unreasonable.

Senator MURPHY—I am not sure that that is an example of where a state authority, in conjunction with an overseas company, is not required to meet the same sort of legislative requirements of plantation development as a private company is.

Mr Bray—Let me put it another way. Under the state agreement acts the state is bound by law not to place any obstruction in the way of the company that operates out of Albany. This means any obstruction in the conduct of their business in transporting their wood from the farm from wherever to the port. They have a protection under state law against any obstruction or any interruption to their business. In respect of the plantation companies, they are subject to planning approvals where conditions can be applied and they are subject to other aspects of state law which can, at this stage, even stop the trees being cut down. If they are cut down, they can be subject to orders from the Soil and Land Conservation Commission. So there are conditions that would impact on the ability of prospectus companies to operate which do not apply to the companies that come under the state agreement acts.

Senator MURPHY—I thank you for that example and we will have to check that with the state authorities. You made the statement that the plantation sector does not enjoy any taxation benefits not available to any other industry sector. As I recall, the 12-month rule does not have application to any other agribusiness investment scheme.

Mr Bray—I refer to Cummine's paper where he takes about two pages to explain why, because of the time between when the trees are planted and when they are harvested, this needs to be seen in the context of a crop which is, in the most part, annual. In other words, it is not unreasonable to apply the 12-month rule in the context of the longevity of that rotation.

Senator MURPHY—I do not want to have a debate about this, but I could suggest that there are a number of other crops—for instance, coffee, olives or truffles—subject to long time frames which do not have the application of the tax treatment under the 12-month rule that the plantation industry does. So I understand Alan Cummine's view of the world, but it is not necessarily one that I share.

Mr Bray—He explains the analogies that you are giving there. For example, if you are developing an olive project, you are looking at a return in three years. You are looking at a situation where you have simply got one piece of land. What we are talking about with these projects in the context of the 2020 vision is thousands of hectares of land which have to be put together in a relatively small space of time. For example, in the olive context, you could identify a piece of land well ahead of time. Before you even engaged in the process of putting a prospectus together, you would be in a position essentially to tie up a piece of land if you wanted to. The nature of this investment is that you do not know how much you are going to get in. If you are looking at the whole gambit of managed investment schemes, you are looking at thousands of hectares of land spread over the whole of Australia. You could not possibly go down, in terms of a commercial transaction, to sort out the land. You could not secure all that land in a reasonable period within the context that you gave of olives.

Senator MURPHY—A lot of people have tried. A lot of people have paid too much for land, which they now regret. We will not have that debate now.

Mr Bray—Take it up with Alan.

Senator MURPHY—I guess I will at some point. In his speech, Tim Browning says:

Yet the plantation industry, which will export over 2.5 millions tonne of woodchip through the Albany port alone in 2007 ...

Given the nature of this process—and there seem to be few customers for the end product of a lot of trees that have been put in the ground—what happens in 2007 if there are not sufficient customers for 2½ million tonne of woodchip?

Mr Bray—For a start, we think there will be. Timbercorp and ITC—who now manage all of APT's land—and this comprises over 60 per cent of the total blue gum plantation estate—have in fact formed a joint marketing company, which is now in place. That company is well advanced in negotiations with Japanese buyers and they would expect to have a market for all of their wood.

Senator MURPHY—Yes, but I am just asking you the question, even if it is hypothetical: what happens if there is not?

Mr Bray—I can only comment on behalf of Timbercorp. As far as we are concerned, we believe we have buyers for our wood.

Senator MURPHY—I repeat the question: what happens if, at the end of the cycle of rotation, there are only customers for 1 million tonne of woodchips or logs? What do you do with the trees that are still in the ground at that point in time that you expected to harvest on the basis that you thought you had a customer for them? Do you leave the trees in the ground?

Mr Bray—It is a hypothetical question.

Senator MURPHY—I know it is.

Mr Bray—I am not prepared to say what will happen. I am prepared to say that Timbercorp is confident that it has markets for its trees. The trees can be harvested at any time between eight years and 12 years. Probably they could stay in the ground after that period. I am not a forester but my understanding is that they do reach a point where they stop growing. Presumably they can stay in the ground.

Senator MURPHY—This is fundamentally important, even if it is hypothetical at this point. It may become a reality. I would have hoped that some companies involved in the management of tree farms would be giving some thought to this. What happens if we do not have the market? What happens if there is a market collapse?

Mr Bray—Let me put it into another context. I made a point in the submission which says that we have to keep our costs of production within commercial parameters.

Senator MURPHY—I want to come to that.

Mr Bray—It gets to the point you are talking about. By Timbercorp using infield chipping, the profit that would normally go to the processor actually comes back to the grower because it is a vertically integrated system. Because of savings in the amount that you cart—that is, it is 10 per cent less because when you chip a tree you reduce its volume—and because you cut out all the double handling, the differential between that and the conventional model of operation, which is to log and cart to a static mill and then chip and cart somewhere else, is at least \$10 a tonne. We are saying that, if anyone is going to be competitive when the market is down, it will be companies like Timbercorp who use infield chipping.

Senator MURPHY—Are you saying that you will be able to take a price reduction and stay in the marketplace?

Mr Bray—I cannot answer your hypothetical question.

Senator MURPHY—What you just said is exactly that.

Mr Bray—I told you how we intend to maintain our competitiveness. We do not expect the market to go down, and we believe we will be in a position to remain world competitive, provided we are treated like any other crop.

Senator MURPHY—Just quickly, as it is an important issue with regard to this whole strategy, in terms of the cost of putting plantations in the ground, what is the current price that Timbercorp charge an investor per hectare?

Mr Bray—I do not have that figure. You asked that question earlier. I am quite happy to take that on notice.

Senator MURPHY—Thank you. Can you also take on notice and provide the committee, in-confidence if necessary, with a per hectare cost of putting blue gums in the ground in this particular region?

Mr Bray—I will provide that in writing.

CHAIR—Thank you for your assistance to the committee, Mr Bray.

Mr Bray—I would like to table the report entitled *South-east forest industry strategy* that I mentioned earlier.

CHAIR—Thank you.

[2.47 p.m.]

BOWLES, Mr Murray, Estate Manager, WA Plantation Resources Pty Ltd

CHAIR—Welcome. Mr Bowles, would you like to make some opening comments?

Mr Bowles—Thank you for the opportunity to address the committee. I would like to focus my comments on the issue of availability and access to suitable land and perhaps, if time permits, move on to the commercial incentives. In opening, I would like to make the point that this will probably seem a bit repetitive as I have heard a lot of things throughout the day that I have in my notes.

WA Plantation Resources was formally known as Bunnings Tree Farms. We have been leasing land in the high rainfall area of the south-west of Western Australia since 1990. I have been the land officer involved in the leasing program, so I have had the opportunity to go out and do deals with landowners. We have currently got about 350 leases in place. The current estate is about 34,000 hectares, made up of about 14,000 hectares of resource owned by our own company and about another 19,000 hectares of resource managed for clients.

In the time that we have been developing that estate, I have to say that it has largely been achieved against a backdrop of what I call disincentives—other people have called them impediments—from local government in particular but also from state and federal government. Our company took a decision very early on that it wanted to concentrate on leasing land rather than moving into the purchasing arena. We always argued that leasing land was entirely compatible with farming on an integrated basis.

A fundamental of our program was that the farmer landowners retained the freehold title of the land and the equity that that bought. It provided a diversification of income, which was important in times when there have been rural downturns. A secure cash flow generated by tree farm leasing was very important to the landowner. It obviously provided commercial benefits for both parties, but along with that came environmental benefits for the land itself. Overarching that was a company decision, and basically a company desire, not to tie up huge amounts of capital in land. We would rather have the capital involved or invested in the actual growing of the product, so we concentrated solely on leasing land.

During that time we have had the opportunity to work with 21 different local authorities. I want to go back to what I said about our estate being developed against a backdrop of disincentives. With 21 different local authorities, we have essentially had 21 different attitudes to the tree farming industry. I have often likened it to the need for vertical integration. Our company is vertically integrated to the extent that we grow our own seedlings, lease our own land, harvest our own trees, process them in our own chip mill and then have a market through the Port of Bunbury. Whilst there is one federal government and one state government, it is increasingly difficult to work in local government areas where there are potentially 21 different set of rules.

I just want to clarify that we dealt with 21 local government areas at the height of our land leasing program, when we were working throughout the south-west and Great Southern areas.

With site selection techniques improving, we are not working in some of those shires now, so the number at the minute would be fewer than the original 21. It has been difficult to get what we would call commonsense planning and regulation in relation to local authorities. Having said that, we took a very proactive approach and actually invited local government to come to field days organised by us so that they could go away and objectively think about the issues that might have arisen in the early nineties and come up with some regulation that was fair and reasonable in our estimation.

We have a very good relationship with local government. I think it has all been built on the fact that we were open and accountable from a very early stage. But we have had to face up to a whole raft of different things. Planning approval for a change in land use was one of them. There was the fire management issue, with widths of firebreaks, standards of equipment and amounts of equipment that had to be supplied. It became difficult in some cases where a particular farm that we might have been working on was located in two adjoining shires and we had to comply with two sets of rules on the one property.

There was a time restriction in that, in some cases, the planning approvals did not reflect the duration of the lease, so we had to face up to that. There were harvesting regulations, waste disposal, aesthetics, tourism and there were zones in some local authority areas where they prohibited the development of tree farms. As a result of all of those issues, we have been to the state government on appeal seven or eight times when we felt aggrieved by the regulations that have been put in place by a particular local government. I am happy to say that we have not lost an appeal yet, because we have been able to put together a constructive and reasonable argument that the state government has seen fit to approve.

In relation to availability and access to suitable land, the key points we would like to stress are that there needs to be a recognition of plantations as agricultural crops; a coordinated planning approach between all levels of government; an understanding of the objectives—that is, commercial versus environmental—and some infrastructure support in terms of road and rail systems. Some of those have already been well discussed today, and I thought I would take the opportunity to focus on suitable soil types. I have no trouble admitting to you that WA Plantation Resources have made some mistakes in the past in the sort of land that we have leased, and we are facing up to those now. Rainfall is a key ingredient—as is haulage distance, as is plantable area—but, if you plant shallow soils, the end result is that you get no trees at all, regardless of rainfall. We planted some soils in the very early days that, if we had our time over again, we would not have planted.

There has been a very necessary tightening of selection criteria in relation to land to the extent that I do not know how many hectares we originally thought were available, but there are significantly fewer hectares in terms of land that is suitable for growing trees. Then we have to go and talk to the landowners and convince them that they should lease it to us. Having done that, we have to get local government approval to do it. So trying to lease land is a complex issue. I have often been envious of the managed investment schemes where they have been able to go and buy land, because it comes easier from where I sit. I reiterate that our company policy is that we will continue to lease land.

With respect to the current issues, we have, as I mentioned, different local government planning approaches. We sympathise with local government; they have a difficult role to play. Having said that, we have always been proactive and open in our approach to them and we

strongly believe in—and we have advocated for many years—commonsense planning approval, and we will continue to argue for that. In terms of the plantation development approval requirements through local government planning processes, the inadequate road infrastructure to support plantation expansion has been mentioned before. Our company has been proactive in our approach to the issue, and we initially developed what we call a five-year haulage plan. For every tree farm, we have developed a five-year haul plan and given it to the local authority for the area the tree farm is growing in so that the local authority knows which roads we will be using five years in advance of harvest. That plan is revised with two years to go and again with 12 months to go to make sure that it is accurate and reflects the harvesting—bearing in mind that harvesting may need to change due to seasonal conditions. That has been well received and has become a bit of a benchmark in the industry.

There has been a lack of a strategic planning approach towards market requirements and critical growing zones. In some areas I have already mentioned, we were precluded from being able to lease land because it was deemed too good for growing trees—intensive horticulture, viticulture and other intensive land uses were seen as more appropriate for those areas. We countered that on the basis that it was the landowner's right to make a choice as to which way he would earn a commercial return on his investment in his land, and if he thought that trees were going to provide that return then he should be allowed to go ahead and lease some land. There are varying expectations of plantations within the community and within government, including environmental amenity and commercial demands. Again, there is a huge raft of issues in the marketplace, and we deal with them as they come.

Regarding commercial incentives, the recognition of the right to harvest has already been mentioned. Whilst our company has been involved in managing the development of tree farms for managed investment schemes as a commercial part of our business, it sees an opportunity, or incentives, for plantation investment on a long-term basis, rather than a continuing reliance on managed investment schemes. The MIS schemes have certainly played a significant role. That point has been well made. But the time is now right for the future maturing of our industry for alternative long-term investments. We see incentives for landowners to integrate commercial plantations as a tree crop.

It is interesting that I had a visitor from South Africa a few weeks ago. He works in the plantation industry in South Africa, and his role in the company that he works with is to source product from private owners. On his books he has individual landowners who collectively own 80,000 hectares of plantation-grown hardwood. I have often thought that every landowner, particularly those in the higher rainfall areas of Western Australia, could integrate some trees onto their property and make a passive income, as distinct from labour intensive horticulture, for instance. Another key point of commercial incentives is obviously a coordinated research and development approach. I note with disappointment the recent withdrawal of CSIRO Forestry and Forest Products from the proposed Cooperative Research Centre for Forest Tree Technology.

Restrictions on harvesting will undermine any incentive to establish commercial plantations. Local government planning requirements that treat harvesting as a development is an issue that we have had to deal with. One of the shires that we had to liaise with as we developed our estate was more than happy to give us approval to plant the trees without requiring any establishment or development application, but they then wanted to control the harvest. We saw that as far too great a risk. They were saying, 'Plant the trees,' but we were not sure that we were ever going to

be able to harvest them. We had to negotiate our way through that. I have to admit that I do not know that we ever achieved as much as we wanted to in that. Suffice to say that we continued to advise the shire what we were doing up front. We thought that was necessary in case we needed to come back to it later on.

There is an expectation on the level of returns to growers reflecting the cost of entry for MIS investors, relative to the industry capacity to ensure international competitiveness. There is no mistaking that we are in an international marketplace. I have already made the point that WA Plantation Resources, and in our past life as Bunnings Tree Farms, has made mistakes in land that we have leased. One of the things that concerns us greatly is that in some quarters there is still a tendency to paint blue sky and blue sky only about this industry. We would rather be a little more conservative than that. It is a solid industry, and it will be around for a long time yet. There is some future maturing of our industry to come, but if we do not keep the costs of input down, like any other agricultural pursuit in Australia then it is going to hurt. We also need to be able to attract long-term, stable investment bodies, such as superannuation funds, into plantation investment. The point has already been made about having to compete against state government investment in essentially a private investment field.

Senator EGGLESTON—I am quite interested in the fact that you have had so much difficulty with local government. I am somewhat surprised that a local government's planning authority can extend to dictating the crops that a farmer can grow—legal crops, of course. Could you expand on the legal basis for that particular kind of decision?

Mr Bowles—Various shires have town planning schemes throughout the south-west, and they have identified areas where you are not permitted to grow trees. As I alluded to, we have taken the opportunity to challenge that, and so far we have not had a failure. Nonetheless, there are still shires that are trying to preclude the planting of trees in certain areas.

Senator EGGLESTON—On what grounds are they seeking to do that?

Mr Bowles—I am not sure that I know. There is a whole range of issues.

Senator EGGLESTON—Can you give us the most common three?

Mr Bowles—Aesthetics would be one. Fire was a significant issue earlier on, but we have been able to demonstrate that fire management is well and truly under control. So that problem has gone. Roads are probably the biggest issue.

Senator EGGLESTON—Fire is a reasonable issue, isn't it—until it is demonstrated that it is not a problem?

Mr Bowles—Absolutely. I hasten to add that in the early 1990s, when most of our applications were going in front of local government, they were on probably as steep a learning curve as we were. The reason we took such a proactive approach was that we both needed to get it right.

Senator EGGLESTON—I suppose roads is a reasonable issue too, given that the kinds of roads we are talking about are local roads that are the responsibility of local government to provide, maintain and repair. You have addressed that issue in various ways?

Mr Bowles—Yes. The situation with roads at the minute is that we do the inspections prior to harvest. There is a difference between fair wear and tear on a road and damage, and we have basically agreed that we fix damage that is above normal wear and tear. That has been well accepted by local government.

Senator EGGLESTON—As time has gone on, are you still encountering as much difficulty or resistance to tree growing from some shires?

Mr Bowles—Yes. I have often said that I consider local government to be a fickle workplace, and I do not say that in a disrespectful way. What I mean is that town planners are very portable and mobile, so you can get changing attitudes as town planners change. Council elections can change the whole thrust of a council's thinking. We have had examples where we have had approval for one property in a local government area and then a refusal three months later from exactly the same council because there had been an election in the meantime. That has not changed. What we would like to see filter down from federal government to state government and particularly to local government is a more coordinated approach to planning.

Senator EGGLESTON—How would you seek to do that—through the wards, the regional bodies, the regional associations?

Mr Bowles—I think we would have to start with a local government association and work upwards to the state level and then to the federal level. I think if you took it any lower than that, it would be too difficult to achieve anything, quite frankly.

Senator EGGLESTON—I know of a sheep farmer near Boyup Brook who turned to horticulture. Would he have had to sought permission to grow crops?

Mr Bowles—In the Shire of Boyup Brook?

Senator EGGLESTON—Yes, just as an example. I am astounded that planning requirements go to the kinds of agricultural crops that are grown. You can tell me afterwards, because the chairman is indicating that it is time to move on.

CHAIR—You might want to take the question on notice and come back to the committee with an answer.

Mr Bowles—Yes, fine.

Senator O'BRIEN—Your submission says:

The suggested R&D focus is particularly oriented towards tree breeding, wood quality and plantation management strategies.

From my understanding of the CRCFTT these are the tenets of the proposed research they are seeking funding for. Is that right?

Mr Bowles—I do not know specifically. I will take that on notice and clarify it for you.

Senator O'BRIEN—Whether that is their research or not, could you tell us what you think is the potential importance of that sort of research on the future of the plantation industry through increased yields, lower input costs and the ability to provide information to potential investors?

Mr Bowles—Our company has just been part purchased by Nippon Paper Industries in Japan, and I see that as an exciting development in that they will be able to tell us precisely what they want us to grow. Along with that, we will be able to do research to start growing precisely what the customer wants. Over lunch I was talking with Senator Murphy and I drew an analogy with the wool industry: you can grow lots of kilos of high micron wool but if the market really wants low micron wool and is prepared to pay for it then quantity does not necessarily answer your commercial question. Research and development in a coordinated sense on behalf of the industry is a key ingredient to its longevity. If we do not grow what the customer wants and what they are prepared to pay premium prices for then we are going to flounder.

Senator O'BRIEN—On that CRCFTT bid, given that you know of the withdrawal of the CSIRO FFP, is it fair to say that the common view of the industry is that that CRC bid is far less likely to succeed without CSIRO's involvement?

Mr Bowles—I have to admit that I do not have a close involvement with that, but I think it is a fair statement to make.

Senator O'BRIEN—You talked about your company's experience with establishing plantations in the wrong country. What happens to the plantations that do not make it, that are not commercially viable?

Mr Bowles—Under the terms of our lease we have legal obligations. I have the unenviable task of dealing with the termination of non-performing leases. We are dealing with several at the minute. There are legal obligations that we have to meet, and we meet those obligations.

Senator O'BRIEN—Do you have to clear the land?

Mr Bowles—We have to basically return it to its original condition.

Senator O'BRIEN—Thank you.

Senator MURPHY—I have a couple of questions you can take on notice. In your submission you say:

Consideration of strategies ensuring lower entry costs (to institutional investors) and 'more realistic' expectations as to long term financial yields is critical if sustainable plantation developments are to continue.

Could you provide to the committee, in confidence, an estimate of your company's costs of development on a per hectare basis of blue gum plantations? Could you also broaden out the point made with regard to lower entry costs for institutional investors and how you perceive that might work? Would your company express a view as to what cost structures ought to be applied for the development of the hardwood plantation sector in particular—but you can make it both softwood and hardwood—to assist the committee in forming a view as to this type of long-term strategy, which is very important for input costs versus market viability. I would appreciate getting your company's views on those matters.

Mr Bowles—I am happy to provide that.

CHAIR—Thank you for assisting the committee in its hearing.

Proceedings suspended from 3.15 p.m. to 3.30 p.m.

BARTLE, Mr John, Manager, Farm Forestry Unit, Science Division, Department of Conservation and Land Management

CHAIR—Welcome. I will ask you to make some opening remarks before I invite members of the committee to ask questions. I believe that you are going to show us a presentation.

Mr Bartle—Yes. I apologise for having been a latecomer in planning to address your committee. Thank you very much for the opportunity to address you—it was late in the piece that I was advised that I would have the opportunity. In particular, I want to consider the questions of the extension of wood production opportunities and vision out into the low rainfall country and wheat belt landscapes of Australia. In this respect, some of my presentation might be similar to that from Gavin Butcher, who addressed you first up this morning. I hope that I will not duplicate too much—we have had a quick chance to ensure that we coordinate our presentations. This presentation will take about 15 minutes or so. I will try to fly through quite quickly and then I would be happy to respond to questions.

A PowerPoint presentation was then made—

Mr Bartle—My intention is first to address item (c) in your terms of reference, which is on all of those issues to do with environmental benefits, with salinity in particular, low rainfall areas, the wheat belt areas of Australia and the public good. I think one of the fundamentally important aspects of the issue of salinity control in its association with tree planting as a treatment to relieve it and for it to be a commercially viable activity, which is a precondition to make it work on any sort of scale in getting access to land, is that we have to be conscious of the scale of what we are dealing with. Our hydrologists tell us that we probably need something like 20 to 40 per cent of agricultural landscapes replanted to trees. If we look across the low rainfall areas of Australia, there are about 60 million hectares in cultivation. If we use the biomass productivity, using what we see from mallee eucalypts—we have been working with them a fair bit in WA, where we achieve something like 15 tonnes per hectare per year—we can make a calculation of the yields.

Before I pass on and show you those, I would like to accentuate that the words in red are the beginnings of what I think has to become a new lexicon for the treatment of forestry and, in this new context, plantations. I think the old jargon of forestry is not appropriate to the scale and context of what we are doing in agricultural land. We tend to talk about crops, woody perennial crops, biomass, all of the parts of the plant being produced, and the yields we get—15 tonnes per hectare per annum is a sort of average—assume real, serious integration with the agricultural activities on the farm. In other words, the farmers help or even control the management of those crops in a way that maximises their access to water and maximises the benefit in terms of salinity control. That yield that we see—that 15 tonnes per hectare per annum—cannot be achieved in a plantation. I assume a plantation to be a large area of continuous trees. We talk about belts of trees; I will show you an illustration in a moment.

To go back to the total amount of material being produced, if you look at the 40 per cent row, under the percentage cover, that is about 24 million hectares of those 60 million hectares in the wheat belt. The annual yield, using that mallee yield rate, would be about 360 million green tonnes per annum. In terms of just the wood fraction, which we believe is prospectively sellable

as chip into some of the conventional wood markets that already exist, we are talking about 144 million tonnes per year. Maybe someone in the audience might be able to tell us, but that is probably as much chip as Australia has exported in its history. So we are talking about prodigious scales of production to achieve the environmental outcomes we would like to achieve.

In addition to the commercial drivers, we need other things. In other words, the specific question is: what industries could consume this sort of material on this large scale? Just in concept, one option is to extend existing industries. There will be some grazing options, but that is not an area of your concern. We can certainly extend conventional forestry for timber production out into this drier country using novel agroforestry techniques, where we systematically spread the trees around, get more water to the trees and maintain the yield so that they remain commercial. So extending the existing industries is one option that we have. The second option is to create entirely new industries. The front-runner there, I think, would be what we call low cost biomass crops. Short rotation crops are the future. As I will show you in a moment, I do not think the long rotation crops are going to be competitive. We can use the woody crop types—the short rotation crops like mallee—that can be harvested on a short cycle every two, three or up to five years and can regenerate straight back from the stump after harvest.

The other type, which is really quite novel—and only conceptually discussed at this stage, not operating anywhere on any scale—is what we call short rotation phase crops. They are perhaps direct seeded crops, because they are going to be harvested only once, and are cheap to establish. They would be grown for a two- to five-year period and then harvested for their biomass product. Long rotation crops, more conventional sorts of forestry, require 20 to 40 years, and out into the drier country up to 60 or 80 years, to produce a log. I think they have application in the higher rainfall parts of agricultural land but not in the main part of the wheat belt. Then, in faint print is fodder, which is not of interest to the committee.

I have some images to show you what we are talking about. This one shows a belt of mallees on a farm at Kalannie, which has a 300-millimetre rainfall. There is over 100 tonnes of green matter in that crop, which was planted six years ago on a soil that is conducive to the delivery of extra water to the crop. This was taken this winter and the wheat crop has not emerged yet—in fact, the crop there has been a complete failure this year. The land has surplus water moving through it and the agricultural crops cannot use all the water. The water moves laterally down and the trees can capture that surplus water. So those two crops together complement each other. We could not grow commercial yields of mallees unless we had them in this sort of situation. That shows a short rotation coppice crop.

This one shows a short rotation phase crop. It is one-year-old *Acacia saligna* on a moist area. We believe a four- or five-year run of a crop like that will dewater that area; it could then be returned to conventional use for several years and then we could go back to another phase of woody crops. Finally, this is a conventional tree crop, which we can extend from the adjacent forestry country—perhaps in Western Australia to around the 400 to 600 millimetre rainfall range.

The reason those types are quite important is because of the returns that can be expected. The hard black line shows the net present value of the returns that a farmer could expect from his farmland. The black dotted line is a short rotation phase crop. We assume all three crops will

have the same net present value as the agriculture; in other words, they are competitive with agriculture but you need to look at what it costs over time. The short rotation phase crop hovers around the long-term net present value return from that land. The green line for a coppice crop like mallee initially costs a lot to establish; even more than the blue line, which is a conventional log crop. The green line gets harvested from age four or five onwards and quickly gets back up towards the point where it is competitive with agriculture; whereas the blue line, the long rotation crop, has to carry an enormous debt burden—up to \$1,500 to \$2,000 per hectare for the entire duration of the rotation.

Very different industries would emerge using different crops like that. I submit farmers cannot use a blue crop; they would have to seek off-farm funding to do that and that might be an investor-driven scheme of some type. We believe the coppice type crops and the phase crops could be run by farmers much more directly. Of course, I believe with farmers running them they would do a much better job and get real integration and real use of surplus water.

The product options for this large amount of material we have systematically been through. We are coming to the concluding phase of a major investigation into our product options and I will give you a very quick summary of our work. We believe that there is very good potential for wood crops, both sawn wood, panels and processed wood for paper and things like charcoal. The markets are large for bioenergy; we need large markets of course for the volume of material we are dealing with. Chemicals are another big area. These are the areas that we think can drive things. I think food and flowers are very much an outside chance—though maybe some things like staple foods could work. But that market is dominated by a small range of well-entrenched food crops. Those other things are relatively trivial.

The big areas are in wood, bioenergy and in chemicals. If we look at our prospects for those areas of endeavour and what areas we might establish in those sorts of crops, we can do a systematic investigation and come to some conclusions. We have looked at what we might be able to achieve by 2020, being very ambitious—some would say ambitious to the point of silliness. But I think they are the sorts of areas that we could get cranking if we really put our minds to it over the next couple of decades. They still fall a fair bit below what we would need to achieve to get salinity under control across Australia.

I would like to go quickly now to a case study on what we have done with mallee in Western Australia because I think this illustrates the sort of promise that we see in these new crops. We have deliberately gone about doing mallee as it appears very promising. Our progress has not been good luck; it has been damned hard work. The fundamentals of what we have done we think can be applied more generically or generally in terms of area and across other crop types. The only constraint is that we will have to work very hard to develop the market outlets for this material.

If you look in the middle of the square box on the left, the Oil Mallee Company and the Department of Conservation and Land Management worked over a period of about a decade investing something up towards \$20 million. There are nearly a thousand growers and quite a large area of planting achieved on the ground. We then teamed up with a group that had got a licence from the CSIRO to work with some technology to produce activated carbon. We went to the Western Power Corporation and one of the R&D corporations in Canberra, the Rural Industries Research and Development Corporation, their joint venture agroforestry program,

and did a serious attempt at a feasibility investigation. We managed to do that quite successfully, and the publication is listed there in the corner. Enecon published that through RIRDC.

It showed that we believe that this sort of a plant, an integrated mallee processing plant, could be successful. It systematically brings in the whole wood on the left hand side and generates three products in an integrated process—electricity, activated carbon and eucalyptus oil. The feasibility study showed that we could pay the farmer a competitive price. In other words, we could pay a price for the mallee feedstock which would be competitive with anything else that he could do with that land and we could sell those three products also at competitive prices. Western Power would pick up the renewable energy credits.

I would say the Mandatory Renewable Energy Act was absolutely fundamental to making this happen. The obligation on electricity generators to increase their renewable fuel use, or their renewable electricity generation by two per cent by 2010 or 2012, was fundamental in making this work. Western Power were also very ambitious and very progressive and entrepreneurial in trying to make this thing happen, and they have made an excellent contribution in this area. I think the mallee growers and perhaps the determination of CALM were other fundamentals in making this work.

We believe this plant can deliver those levels of production which are all quite impressive and all hang together as commercially viable. The little bit at the bottom is the bit I want to accentuate. When we start looking at a whole biomass feedstock we can take out high-value fractions like the wood fraction, for example—in this case going into charcoal production. But if we are successful in our present investigations we believe we could put the same sort of material into production of paper or panel boards, both very big areas of international trade and production comparable to food crops in scale and of the scale we need to get on top of salinity. If we cost them at \$35 a tonne and the eucalyptus oil at about \$1,000—and this is the sort of incoming feedstock prices that those products could afford to pay—you can then see that the waste, the leftover material, the residue that might otherwise in industries past have been discarded, can go into electricity generation. It is only several dollars a tonne, certainly competitive enough to make the electricity generation people stand up and take notice, and we believe this is able to be done on a much larger scale.

There is great potential for these integrated mallee processing plants. Each one of these plants requires about 100,000 tonnes of feedstock or about 10,000 hectares of mallee. Each factory costs about \$45 million with its accompanying resource base of 10,000 hectares of mallee. That is nearly a half-a-billion dollar prospect we are looking at because Western Power believe there is immediate room for about nine of these plants. The very interesting thing is that this decade of endeavour and half-a-billion dollar potential investment meets about two per cent of Western Australia's tree cover requirement to control salinity.

I wanted to make that point because I think it is absolutely compelling: if we really seriously want to get on top of salinity through things like the 2020 vision and forestry and wood production we have to be thinking generically on a different scale. So where should the nation invest in these things? I think we need to look much more closely at the short rotation crops. I should also say I represent the salinity CRC. I run a subprogram in that CRC called the woody germplasm subprogram and this is some of the work we have done, trying to look generically at the relative allocation of resources into R&D. We believe we need to be putting a lot of work into the short rotation tree crop types rather than the long rotation crop types. With regard to the

site types, whether we plant on good agricultural land or the salt affected land, there is certainly potential and it is inevitably that there will be more salt land. Although I think the pessimists hold sway at the moment in the salinity issue, I think we can change that quite a bit in the years to come. We certainly need to invest something on using salty land. But the guts of our investment has to go up slope where we can be productive and we can make a real difference in preventing salinity rather than tolerating its symptoms.

In the area of the biological part versus the product part—in other words, how to grow the crops rather than process them and make money out of them—I think we need to start looking at a radical increase in the investment on the product side. We would look at something like a 50-50 cut in that area.

The key points I would like to make are that we need something like a woody crops 2050 vision and one that embraces woody crops as part of agriculture and sustainability as part of the culture of agriculture. I think the culture of the 2020 vision is too forestry oriented, too narrow and too wet in terms of rainfall. We need a radical advance on that sort of culture to fit into this new location if we are to pick up big public interest matters. We need many new species and many new products to build the woody crop industries with the capacity to control salinity. There is a bundle of work to be done there over the next 50 years. There is a very big body of work that needs to be done in what we call precommercial investment. This stuff is too complex for entrepreneurs and speculators. We need solid public investment for long period of time—perhaps a decade or two—to build the foundation of these industries so that commerce can take over and run them.

We will not be successful in large scale control of salinity without very large scale penetration of energy markets. That includes not only electricity generation but also transport fuels, liquid fuels. There is the big controversy at the moment with the sugar industry wanting to produce ethanol. Sugar is trivial compared to the scale on which we would need to operate to get sufficient of the transport fuels market for these sorts of crops. We do not mind the sugar industry starting the ball rolling with getting ethanol mixtures into transport fuels, but the vast bulk of our production would come from this sort of business in the future if we are to control salinity. Finally, I do not believe our policy is up to it yet, so there is plenty of work to be done. Thank you.

Senator MURPHY—Can I ask about the graphs that you have shown us about the results of studies so far with mallee. You talked about a reusable period. Have you conducted any trials to date after which you have been able to remove trees and then returned the land to other agricultural purposes?

Mr Bartle—We need to envisage things like a perennial coppice crop as a permanent crop, probably established in belts in select parts of the landscape. Phase crops would go in for a period, use the excess water and then we would switch out of them. We need to use those two in a coordinated way. I think we would need to envisage the coppice crops as being permanent. You can continually harvest off the same stump for many decades. There are eucalyptus oil production operations in the both New South Wales and Victoria where harvest of the same stumps has been going on for more than 100 years.

Senator MURPHY—I guess I was asking whether, in the trials you have conducted, you have developed any knowledge of how long, if you were to take the trees away, before you can

go back to what might be deemed as normal production of the land. For what period of time can that occur without you having to go back? Or will you just see that the crops are not growing as well as they were, therefore you know that salinity is rising again, so it is back to trees?

Mr Bartle—In the Western Australian context, we need a proportion of permanent trees and a proportion of intermittent trees to maintain the water balance. I think it is possible to restore an agricultural landscape in terms of pushing the ground water levels down and eliminating a salinity problem in the valley. We could then clear the land of these crops, just as we cleared the original land, and it would take another 10 or 20 years before the salinity reappeared. But because we know that is going to happen, we should never remove the trees. We must maintain and build a permanent part of our agricultural capability in woody perennial crops so that we can prevent the ground water accumulation.

Senator MURPHY—I am interested in the return to the grower insofar as the short rotation woody crops are concerned. In the graph you had the cost bearing and return to the grower of the long rotation crops on a per hectare basis over a period of time, whether over five or six or out to 11 or 20 years. Have you done any analysis of an average return to the grower on a per hectare basis with one versus the other?

Mr Bartle—Yes, we have a lot of careful measurement of the productivity of these crops.

Senator MURPHY—Could you provide those to the committee?

Mr Bartle—Yes.

Senator MURPHY—With regard to the costs of electricity production under your proposal at \$8 per tonne for the raw material, being the waste from your short rotation woody crop harvesting, have you done any work on the cost per kilowatt of power versus normal per kilowatt production costs?

Mr Bartle—In that feasibility study I mentioned, the production cost of the electricity was about 6.5c, which is competitive enough within the system. At that price it is not competitive with coal, but it was quite sound, especially with the renewable energy credit that accrues to that form of production. Western Power were very interested in that as part of their mix of electricity supply.

Senator MURPHY—Do you have that data?

Mr Bartle—Yes.

Senator MURPHY—Could you provide that?

Mr Bartle—I could provide that in the form of the feasibility report. It is a substantial document. I could get a copy and highlight the sections for you.

Senator MURPHY—That would be great. I want to make sure that I understand: that is with a raw material cost of \$8 per tonne?

Mr Bartle—No, not explicitly. The whole cost for the raw material coming into the plant will be \$30 a green tonne. If we infer a share of the cost to activated carbon and a share of the cost to eucalyptus oil, which we get nominally fair prices for, then we could say that the \$8 a tonne is all that the electricity generation would have to pay. That is conceptual because it is all bundled together in one plant.

Senator O'BRIEN—How much of the National Action Plan for Salinity and Water Quality money would CALM want to put towards projects such as the one you have just described?

Mr Bartle—I will be very bold and say that, unless the nation invests most of the money—three-quarters or so—in these sorts of developments, we are not doing the job properly and we are going to take much longer.

Senator O'BRIEN—The Forest Products Commission just claimed \$20 million to \$30 million this morning, so you want the rest?

Mr Bartle—If we are taking a national point of view, we should be looking at probably 60 or 70 per cent. The alternative uses for that money are building confidence, expectation, ethical commitment and so on, but they are creating no new capability to do anything different. The scale of what we need to do is so large that we need to be very hard nosed about the investments that we make. We have already done an excellent job of building up, through earlier versions of the Natural Heritage Trust and the preceding programs, the determination, the expectation and the ethical underpinnings to do what we need to do. We now need to build the infrastructure and the knowledge base upon which we will draw for these industries. I think it is inevitable. We should continue to spread some money around to maintain the ethic and to reward people who are conscientious and so on, but I think that the vast bulk of that money should be invested in the development of the infrastructure for new industries.

Senator O'BRIEN—You talked about \$1,000 per tonne of eucalyptus oil out of this project when it was at full scale. How many tonnes of eucalyptus oil would be created, and what effect would that have on the market price?

Mr Bartle—The market price of the present eucalyptus oil industry is about \$7 or \$8 a kilogram. That market will be overwhelmed by the production that we would be generating from our first full-scale plant—and we hope to do nine of them. The feasibility study priced eucalyptus oil production at \$3 a kilogram. At that price, we believe we can open vast new industrial markets for oil. It has very good natural solvent properties—I could bring you a paper describing those properties if you wish. Much more work needs to be done, but there is potential there to sell oil on that scale at those prices.

Senator O'BRIEN—Presumably, the renewable energy market that you want to target would be leveraged off the mandated renewable energy target legislation.

Mr Bartle—Yes.

Senator O'BRIEN—So I take it what you are saying is that that legislation must not exclude plantation products from eligibility to be counted towards achieving that target.

Mr Bartle—Absolutely not. I think we need to be open. There is lack of clarity in the renewable energy act. There is lack of clarity about what qualifies, but I believe that any cultivated crop that is obviously quite renewable and replantable and that can be done over and over again should qualify and there should be no lack of clarity on that score.

Senator O'BRIEN—In terms of the potential to use these technologies in other states—while I know it is not CALM's brief to look at that—can you assist us in regard to how we look at this in a national context?

Mr Bartle—Certainly; through the salinity CRC, we are already doing that. I lead a subprogram in the CRC where we have a project looking at extending these ideas nationally. In particular, in Victoria there is already a group with whom we have been liaising closely who presently have a pre-feasibility investigation under way to see if they can do the same things in the area of Bendigo in Victoria.

Senator MURPHY—I wanted to follow up on the question that Kerry was asking with regard to the use of renewable crops in the form of biomass for energy generation. I suspect, though, that you would want that to have some focus with regard to crops that are being grown, particularly, jointly for salinity reasons. You could have your woody crops growing somewhere but you could be pushed out of the market very quickly by biomass from other forms of forest plantations.

Mr Bartle—I do not think so. I think our costs of production will undercut conventional forestry plantations by such a margin that that is not a risk.

Senator MURPHY—I would like some information about that.

Senator EGGLESTON—One of the objectives of the brief of this committee is to determine whether there are further opportunities to maximise the benefit in terms of better integrating plantations into achieving salinity and water quality objective targets. Do you want to make any general comments for the benefit of the committee about how effective the plantations are in reducing salinity?

Mr Bartle—I did make some comments about the concept of the integration of the tree crops and their dispersal in ways which harvest the surplus water in the agricultural land that drives the salinity problem. That does require very clever distributions of trees and I believe it also requires active participation and active management effort by the farmer to make that work well. In that respect, the conventional large-scale plantation industry is ill-equipped in its culture to handle that sort of thing. So I think we need to be growing out and learning how to manage dispersed tree crops as part of agricultural systems. There is a big leap to be made there. Until we make that leap, we will not be using the tree crops efficiently.

We cannot solve our problems with plantations; that would effectively mean displacing agriculture. We do not need to do that, we would not get the yields that we require to be commercially viable and it would be overkill. We would be displacing agriculture and converting our entire agricultural land back to where it came from—a whole cover of perennial plants. We need to learn to use the trees in an integrated way, very much as part of the agricultural system. This has been talked about a lot as a concept in forestry circles for a decade

or so, but it has not been embraced. It has never really run, because we have not seriously addressed the issue of how we will manage our flawed system of agriculture in the future.

Senator EGGLESTON—How would you seek to achieve that objective? Through education or regulation or—

Mr Bartle—Through commercial success. Through making this integrated mallee processing demonstration plant at Narrogin work and then making the first nine plants in Western Australia run well and operate off dispersed tree crops, where we get maximum utility from the trees as part of a system of agriculture, so that we systematically harvest the water. Some entrepreneurs might be tempted, if this demonstration scale plant proves itself to be successful commercially, to say, ‘Why don’t we just buy the farm next door to the plant and plant the whole lot to trees?’ That would be a poor use of trees and it would also be poor economics, I believe. But it might be something that developers might be tempted by. But we will not get the yields that way and we will not achieve nearly as good a public benefit outcome if we go that way—I do not think it is viable anyway. We need to be thinking about wide dispersal of trees and the use of trees systematically as part of agricultural systems.

Senator EGGLESTON—Thank you.

CHAIR—Do you have any other questions, Senator Eggleston?

Senator EGGLESTON—No. I did ask you about regulation and so on but you obviously do not think that is a pathway to go down. You seem to be looking for a cooperative approach. I am not sure whether that will have a positive outcome because unless there really is a commercial gain people are not going to do it. But it seems to be a major means of dealing with salinity and it would be a pity if it was not followed. Perhaps sometimes a little bit of help is needed to encourage people to follow useful programs with a bit of government regulation and direction.

Mr Bartle—Thank you for the invitation to make further comment. I think you are right and that we do need some stick, but we need a good carrot. Our carrots are very underdeveloped at this stage. With pretty good commercial prospects out there, backed by good R&D and industry development so that these things are commercially viable, we have then got a justified position for coming in with a bit of stick to make sure they happen.

CHAIR—Thank you for appearing today and providing assistance to the committee. Do you intend to provide to the committee a copy of your PowerPoint presentation?

Mr Bartle—Yes.

CHAIR—That would be useful. Members of the committee may well want to ask further questions in writing and to seek further answers to issues that you have certainly highlighted this afternoon. On behalf of the committee, I thank you for appearing.

Mr Bartle—Thank you very much.

[4.04 p.m.]

VERSLUIS, Mr Rob, Affiliated Member, Western Australian Forest Alliance

CHAIR—Welcome. Mr Versluis, would you like to make some opening comments?

Mr Versluis—For your information, Wafa is an umbrella conservation group which represents some 30 or 40 organisations all over the state. I am an affiliated member of one of the groups which is one of the key stakeholders in the Wafa organisation. We have not prepared a formal, written submission, but we would like to bring to your attention a number of points.

Wafa supports an ecologically sustainable plantation industry and Forest Stewardship Council certification for the plantation industry. Wafa supports the establishment of a Western Australian integrated native forest and plantation industry policy. There is a linkage between the two that currently is not being applied and is detrimental to both these forms of industry.

The Wafa organisation encourages farm forestry where plantings of 15 to 20 per cent can be achieved without a loss of the traditional agricultural production. This was in fact the purpose of the creation of Timber 2002, which had the support of, and initial funding from, the Western Australian Department of Agriculture, the minister and the Great Southern Development Corporation as early as 1992. I was an inaugural member of that panel. The focus there was on farm forestry, not on the broad-scale plantation establishment in the high rainfall area, which is what my remarks are restricted to because our interest is in the plantation industry as we have it currently. Although we are aware of some of the future moves that are being made to go into the low rainfall areas, these projects have still not been established—they are still in the investigation stage—whereas the timber industry that was originally envisaged through Timber 2002 has been successfully established and is now at the point of actually exporting its product.

Wafa also has a number of concerns with the plantation industry when the ESFM principles are compromised and financial return to the plantation owner is the only bottom line. There are issues around aerial spraying of boundary to boundary plantations and the effect on the environment, the spray drift contamination of neighbouring properties and the pre-existing agriculture and silviculture production. This is very much the problem in this particular neck of the woods, where we have a highly diversified agricultural and silvicultural base and plantations have the potential in some cases to very negatively impact on our neighbours unless specific protocols are in place to avoid these conflicts from arising.

The infrastructure requirements of the plantation industry—again, we are speaking about the catchment area of the Albany plantation industry—the road network upgrading and its funding, as well as the impact of concentrated heavy haulage vehicle movements on the wider community, have been illustrated as becoming a problem. There is a disproportionate allocation of road funding required, for example, in the outer catchment of the Albany plantation industry—that is, the outer edge of the Denmark shire—because of the topography, the access to it and the condition of the road. The percentage of the road funding required out of the total package of approximately \$26 million was disproportionate to the amount of timber which came out of there, which illustrates that planning has a very major part to play at the local scene.

I firmly believe that, when a plantation is to be established in a well-established agricultural area—such as the area we are talking about here—the local government should have the opportunity to have a say in where they ought to be established. There have been a number of occasions relevant to this. For example, on a designated tourist route which was frequented by a very large number of tourists—where tourism is a major industry—the view from a viewing platform could have been blocked by the establishment of a plantation. When that particular application came before council, council actually refused it, but it subsequently was overruled and the plantation was established and it wiped out that particular section of a very highly productive tourist route. So there are conflicts of interest that need to be controlled.

We need to address the conflict of interest with other pre-existing farmers who have industries which are incompatible with or are considered to be incompatible with the potential damage that can follow the establishment of a plantation in their midst. It is currently being managed on the whole, but only just. There is also a real worry in the community that the contractual obligation of the plantation industry, especially the major players, is to supply woodchips only from their blue gum plantations, which are primarily what are established in this neck of the woods. This precludes that resource from being used for other purposes, including the establishment of an alternative hardwood industry, because the resource is committed in the form of woodchip. A fairly substantial proportion of the contractual obligations allows for no variation.

Government leadership is definitely required to establish an integrated plantation industry to avoid the plantation industry becoming an entrenched woodchip quarry operator, which is the last thing we want. We definitely want to see value adding. Value adding will come from the establishment of mills that use the product, alternative uses for that product, and possibly, downstream, the establishment of a pulp mill. I am happy to take any questions on the general issues that I have discussed because, as I have said, we have no written submission.

Senator O'BRIEN—Mr Versluis, we have written evidence from other parties that within government agencies and the private sector there is overemphasis on the blue gum for export woodchips, which will contribute to the worldwide glut of woodchips that is now predicted. Is your organisation of the view that there is going to be such a glut?

Mr Versluis—We certainly have reservations because there is ample evidence that the establishment of woodchip plantations in South America and China, when they come on stream, will have a detrimental effect, certainly on the areas of high value land, which will probably be related to rainfall. The area that we are talking about here, Albany, is a high rainfall area. It is a very small, green corner in Western Australia that has what is called a guaranteed rainfall. When I say 'guaranteed', it is at least as close as not having a drought. Therefore, this will probably price it out of the market in the long term. That is why, if we want to continue to have integrated farm forestry in this part of the world or this part of the state, it is essential that we have the opportunity downstream to process the wood in a form other than woodchips—that means sawmilling, veneer lumber plants et cetera—to use that resource.

Senator O'BRIEN—You talked about pulp mills. Would that be the sort of processing you envisage?

Mr Versluis—There are investigations being held into the establishment of a pulp mill but, because the bulk of the resource is committed, there is not enough left to support one. This is

the planning issue that comes to the fore: we do not have a long-term vision of what we do with the products that we establish. There might be an initial stage where we go for the woodchips for a quarry and then there is a long-term view. That is where the integrated policy is required, where government takes a lead in encouraging the establishment of an ongoing long-term investment in that industry, and that is to use the product for a value added source rather than for a raw woodchip product.

Senator O'BRIEN—If woodchips are in oversupply and the price comes down, that would be a fairly natural consequence, wouldn't it?

Mr Versluis—That would be, but the silviculture technique that one would employ in a plantation that is established to produce sawlogs is quite different from the one that is used to establish a woodchip industry. Therefore, if, in the initial establishment stage, in the early stages of growth—the first five or six years—you do not make the necessary silviculture moves in the right direction then you will not get what is called in the industry clear wood; there will be lots of knots in it. Therefore, that concept needs to be considered in the early planning stage rather than later. If you wait until you have a woodchip glut and you do not know what to do with it, it probably will not be much good as a sawlog either. It certainly will not deliver the optimum sawlog that you could have had if you had applied the correct silviculture techniques.

Senator O'BRIEN—Your organisation's web site forest update in May this year states:

Current prices for high grade sawlogs are estimated to be about one-fifth of their true value.

Can you tell me the basis for that view that your organisation has?

Mr Versluis—There is a direct link between the value of our timber plantation grown logs—whether they be softwood, pine or hardwood—and the production of the same product from our native forests. If the royalties from native forest timber products are too low, it can outcompete plantation grown timber in price. We get back to this integrated forest management because these two are linked: one, the government has control over; and the other, the commercial market very much dictates what is going to happen. Unless the partnership is linked, one affects the other. In the case of the native timber industry, with the royalties being too low in the past, it has had a negative impact on the plantation industry.

Senator O'BRIEN—It is native forest sawlogs you are talking about.

Mr Versluis—No. I am trying to explain to you the link between the two and that one affects the other. Commercial interests will take care of the price of woodchips. If you want to grow your plantation timber into sawlog quality, you are competing with the native timber industry, which is a completely different kettle of fish. That is why an integrated approach is required. The government needs to have a handle on that and be involved to make sure that that happens in the long-term so that we get to the value adding stage.

Senator MURPHY—There would be some who would argue that the plantation industry, in terms of woodchips for instance, would have a negative impact on the value of native forest resources.

Mr Versluis—If via the back door you are referring to marri timber, which used to be almost exclusively available as a by-product of logging operations and turned into woodchips, that is finished. As a product, native marri woodchips are inferior to blue gum chips, especially in regard to processing and the removal of impurities. Yes, that is a direct result of that. What to do with the marri that they currently have no other use for now poses a major problem in the native forest industry.

Senator MURPHY—It is not that I do not accept the argument that native forests that are grown for free do not have an impact on the financial viability of growing plantation timbers for sawlog resource. At the end of the day, in large part the industry—that is, the end users of the native forest sawlog materials—might argue that the price they pay for the raw material has to be such to allow them to be competitive in the marketplace. That they are then providing their materials either in sawn boards or in furniture is equally an argument. I am not saying that I do not accept the argument—I understand that there is an impact—but in part it has to come back to market reality.

Mr Versluis—I agree with you up to a point. That is why in my opening statement I said that we expect the plantation industry to get forest stewardship certification to ensure that we are looking at a bottom line that is other than financial returns. I would also like to point out to you that one company here in Albany has made its first move to try to get that certification in place. I was invited to a meeting by the managing director of the company. They realised the commercial implications of having their product internationally recognised and certified. Our native timber industry has no hope of meeting that criteria the way we operate currently, whereas the plantation industry is on the verge of being able to do that. That gives them a commercial advantage because it would prove that we are considering more than the financial return and that we do take into account our environment and the social impacts—a range of bottom lines, if you like: the triple bottom line—rather than purely the financial return.

That is why I said earlier that if you look at the history of the plantation industry as it was established in this part of the world—in the Albany-Denmark region, around Kojonup and that whole bottom corner—the fundamental idea was to have an integrated farm forestry, where 15 to 20 per cent of the land would be planted. It was never envisaged and it was never encouraged in the beginning to go any other way. Gradually the major players took over the way Timber 2002 operated and it turned from what was originally farm forestry into the plantation industry. Some of the comments that I made created some of the problems that initially we never had; however, that is water under the bridge. That is why it is now important that we have an integrated forestry policy from this government so that we can control some of these things to the benefit of the community at large and not just concentrate on the financial return and whatever the world market dictates in terms of finance.

Senator MURPHY—I have listened to you say that Wafa supports FSC certification for the plantation sector.

Mr Versluis—Yes.

Senator MURPHY—Does it support the same for the native forest sector?

Mr Versluis—Yes, if they ever get that far.

Senator MURPHY—Have you been pushing that issue?

Mr Versluis—We have pointed out that that would be the ideal solution because it would get to the point where we look at the triple bottom line and something that you mentioned, the original establishment capital of our native forests, which we have discounted—we simply have not taken that into account. If you grow a plantation, you buy the land and then you plant your plantation and then you harvest. What we currently do in our native industry is not harvesting; we are taking what was there before we got here. And we did not take into account the environmental capital—it has not been quantified. That is not reflected in the royalties, and that is why there is an unfair competitive advantage for the native timber industry. This is where this intergovernment link is required, to look at it as a whole rather than in bits and pieces.

Senator MURPHY—I presume you were here for the presentation from CALM?

Mr Versluis—Yes.

Senator MURPHY—What is Wafa's view on the proposals that CALM demonstrated to the committee today?

Mr Versluis—This is the first time I have seen the presentation in the form I saw today. It is certainly very teasing. There is a lot more detailed research to be done by our organisation and others like us that have the environmental issues very much to the forefront. To address the salinity problem, I agree with Mr Bartle that it is going to take an inordinate amount of time and capital to reverse it. As a community we have been mismanaging this nation's resources for a long time because we have not understood the climate or the soil conditions. It is the oldest continent on earth and it is virtually depleted of nutrients. We have a range of problems which are unique to Australia. I agree with Mr Bartle that it needs thinking outside the square, it needs a new concept and it needs an inordinate amount of time and money to achieve it. I applaud them for their work. You asked whether we have a stated position. The answer is no, we have not, but certainly we will develop one.

Senator MURPHY—I would appreciate it if you could get the CALM presentation and, if it is at all possible, give the committee some indication as to whether or not you believe that is the right road to go down.

Mr Versluis—I will take that on notice. It is probably one of several roads. If you start thinking out of the square, there probably are other solutions that will work as a package. I agree with you that this probably has great potential, but we do not have a stated position as yet. As soon as we have discussed it further, I will get in touch.

CHAIR—I have one final question in relation to the Forest Stewardship Council certification that you mentioned. I understand that that is part of a global initiative and particularly taken up by WWF. Are you aware of where it may have been adopted by other countries? If so, where and how successful has it been?

Mr Versluis—It has worldwide recognition as the certifying authority that is incorruptible. There are no mickey mouse solutions; it is fair dinkum. They apply their system consistently, they have benchmarks and there is follow-up to ensure not only that you get the initial certification but also that you continue to operate by the criteria that you have agreed to. There

is also a process to follow the end product from that certified source so that, as it gets processed from the plantation into a pulp mill or a wood processing plant, the certification follows. One of the reasons we cannot sell our native timber in Europe is that it has no certification, and Europe insists on that type of certification. They have been very careful of what certification they will allow to stand. The one from the UK, which is the Forest Stewardship Council certification, is recognised worldwide. It is certainly recognised in the UK, Germany, Holland, the Scandinavian countries, the US and in Japan. That is why the Japanese trading house is attempting to get the Albany plantation, where they control some 26,000 hectares of blue gum, certified so that their paper products are accepted in Japan and in Europe as stewardship council approved. So it has major implications. It is a tool for Australia as well to produce an export product that is widely and universally acceptable in the world, so it has benefits.

CHAIR—Could you refer the secretariat to where we might be able to obtain information? You have mentioned some countries. I am keen to look at those countries to see who is administering the schemes, at particular case studies and at how the whole system is implemented in other places to better understand what you are proposing, particularly since it is not something that has been adopted here, to my knowledge. Anything of that sort would be useful.

Mr Versluis—I understand there is one plantation company in the eastern states that is well along the line, if not already certified. The one I am talking about is the first one in Western Australia. As you quite rightly indicated, it is not universally used, but the need is recognised by the state government and the federal government by making their own attempts to get their products certified—that is from the native timber industry.

Senator MURPHY—There is a slight problem, of course, with regard to native forest certification under FSC here—that is that the environmental groups nationally are opposed to native forest FSC certification.

Mr Versluis—Because, in practice, it will never pass the test.

Senator MURPHY—That is not for the environment groups to argue. That is the position, and that is why it has not progressed. I attended the first FSC conference held in Australia, and that was the fundamental question for the environment—

Mr Versluis—That is in fact the position of the environmental movement—you are quite right.

CHAIR—On behalf of the committee, thank you for coming today.

[4.30 p.m.]

SCHULTZ, Dr Beth, Vice-President, Conservation Council of Western Australia

CHAIR—The committee welcomes Dr Schultz. I invite you to make some opening remarks. We have received your submission, and you may want to speak to that. I will then invite the committee to ask questions.

Dr Schultz—The Conservation Council became interested in plantations via its interest in native forests. We have been active in seeking better use and management of Western Australia's native forests certainly since my involvement with the Conservation Council, which began in the mid-1970s. Western Australia is only one per cent forested; it probably has less forest than any state except South Australia. We might have had two per cent forest at the time of European arrival, but now we are down to one per cent forest, so our native forests have a very special significance.

You will probably be aware that the state Labor government was elected with a platform of ending all logging in old-growth forest, which it is in the process of implementing. We are now at the stage where almost half of the karri forest and about a third of the jarrah forest will be protected in secure conservation reserves, which is quite an achievement. This means a scaling-down of the area available for wood production, so the plantation sector has taken on increased importance in this state.

My first point was that the logging industry has secured the very privileged position in the Australian community of having its resource provided by the state. I cannot think of any other industry that considers that the state has any obligation to provide its resource. We believe that the logging industry should provide its own resource and not look to the state to supply it. Native forests have uses that cannot be supplied or are less available from the plantation resource and they should be kept for those uses for which plantations are of less use. I think the Western Australian community has arrived at that position. It is moving more and more and you hear it more and more stated that virtually all logging should be removed from the native forests sector, which will make the plantations that much more important.

There are two competing logging industries: the native forests based industry and the plantation based industry. They compete in the marketplace for woodchips, and, as Mr Versluis stated, the Japanese no longer want the native forest marri resource—they refused to buy it. It is such a low-grade woodchip that they refused to buy it. On a scale of one to eight, the Japanese rated the karri-marri mix seventh. The only lower resource was mixed Indonesian mangroves. So they have now declined to take the native forest marri as a woodchip, although they still take karri.

In the building sector, plantation pine competes with jarrah and karri. It is unfair price competition, and I will give you a current schedule of prices for the native forest and the plantation resource. The native forest resource sells for approximately half the comparable plantation sawlogs. This is quite ridiculous. How do you put a price on a tree that has been given to us by nature and is 150 or 200 years old? You can put a price on a plantation sawlog because you know exactly your input. Another curious thing is that the state agency has sought

a rate of return for the plantation sector of about seven per cent and only five per cent for the native forests resource. We would like to see the plantation based logging industry encouraged so that it can meet virtually all Australia's needs for wood.

In the plantation sector we have a public sector and a private sector. It is unfair competition. The public sector has the advantages of being a government agency. We have never been able to find a true accounting of what it costs the government agency to establish and maintain plantations and they do not have a very good record of managing either the public plantations or the private plantations. I spent three days, some years ago, going around visiting sharefarmers with CALM and there were some very unhappy landowners who had been treated rather shabbily by this agency in its sharefarming agreements. So there have been huge problems with that. When they set out they kept upping the annuities to attract people to enter. If they had been in the private sector they would have gone broke but, because the public purse is very deep, they kept putting their hand further down in the pocket. I would like to see a proper accounting of the whole sharefarming system. There are problems with the public sector plantations. There is constant talk of privatising it. I think our organisation would have no objection to privatising the resource, but not the land, because the public plantation sector is scattered through the public estate. It is fragmented enough as it is without further fragmentation—but that is always on the agenda in privatising the public plantation sector.

In the private sector we often seem to be doing the right thing for the wrong reasons. Tax minimisation has been a driving force in the expanding privately owned plantations. Some of it has not worked too well. Some of the companies have not done too well and they give the whole sector a bad name. There has been clearing of native vegetation, to which we are opposed, and there has been overuse of a range of chemicals; Mr Versluis was alluding to some of that.

With the Regional Forest Agreement the state government has allocated \$121 million to restructuring the timber industry but it seems unwilling to put this money into the plantation sector, and a lot of it is going to prop up a declined and declining native forest sector, which seems rather foolish. The Commonwealth has said in the past that its \$15 million cannot be allocated to plantations, which also seems foolish. We are somewhat unhappy that the minister Senator Macdonald is now holding out this \$15 million and will not hand it over until the government allocates—what we consider to be a totally unsustainable volume—200,000 cubic metres a year of jarrah sawlogs. A conservative estimate for a sustainable yield might be 100,000. We feel that is being used as blackmail and that is not appropriate. In any event it should be able to be allocated to the plantation sector and not solely to the native forests sector.

One of the terms of reference was how to increase the growth of sawlogs as opposed to chip logs. It occurred to me that there should be a sliding scale of tax incentives. If you are going to grow your tree on for 30 or 50 years to produce a sawlog, your tax benefit should be greater than if you are doing it on a 15- or 10-year rotation for a chip log. I have not run that by an economist, but it should not be beyond the wit of economists to work out some way of giving better taxation incentives to people who are prepared to grow their crop for longer to produce sawlogs.

The other issues I have alluded to are the buying up of farms and the depopulating of the shires, which has made a lot of the shires very unhappy, and plantations—mainly blue gums—being planted beyond their climatic range. If you have been reading the local newspapers,

Western Australia has already suffered a 20 per cent decrease in rainfall since about 1970 and the CSIRO scenarios for Western Australia project further declines. The worst case scenario would be a 60 per cent decrease in rainfall by 2070. Let us hope that one is wrong. The best case scenario is a five per cent increase. Those are two of the nine scenarios. Seven of the nine scenarios foreshadow further decreases in our rainfall. This has to be taken into account in locating our plantations and in the choice of species. That is a very serious issue in Western Australia.

There is a lot of talk of engaging in planting for carbon credits. We would oppose any plantations being established which would require the removal of native vegetation. That was one problem with them, but the other is that, if the planting of trees is seen as an alternative to actual reduction of greenhouse emissions, it cannot be used as an excuse for the more important process of addressing the greenhouse problem by actually reducing emissions. We are concerned that somehow that is how it is being taken, but carbon credits especially must not be allowed to replace a reduction in greenhouse gas emissions.

Another point that I raised, which Mr Versluis alluded to, was Forest Stewardship Council certification of plantation timber. We have been approached by two plantation companies in the Albany region who are moving towards seeking FSC certification because their buyers are requiring that. I think the way of the future is for wood and wood products to have FSC certification. That is our preferred position. The WA Forest Alliance is a member of the Forest Stewardship Council and the Conservation Council is a member of the WA Forest Alliance. That is the sort of chain of command. We fully support FSC certification and we are working with these companies to help them achieve that for their product.

Something that I do not know that you have been made aware of is that there have been studies of the benefits of plantations for conservation and environmental services. I do not know whether you are aware of these documents. I can leave the references with you. One study is *Biodiversity conservation in plantation forests—a review with reference to Australia*. The lead author, Professor Richard Hobbs, emailed it to me yesterday. It has actually been submitted for publication, so perhaps you have not seen it. One of the terms of reference is how plantations can be incorporated or help to achieve biodiversity protection. That would be highly relevant to your deliberations. Another publication with which Professor Hobbs was involved is *Hardwood plantations: quantifying conservation and environmental science benefits*, which was done by looking at four plantations in the Albany area. I can leave the references for you. Having received them only yesterday, I have only just glanced through them. The message is that remnant vegetation is best, cleared paddocks are worst, and plantations are somewhere in between. With certain changes in management they can be used to maximise their conservation and environmental benefits—things like leaving the patches of remnant vegetation and leaving material on the ground. With a few management changes we can maximise the conservation and biodiversity benefits of the plantations. I think that should be drawn to the attention of the plantation growers. We will certainly be using it with the FSC process that we are going through with the two plantation companies near Albany.

CHAIR—I do not believe we have the two reports that you refer to. If you could provide them to the secretariat, that would be wonderful.

Dr Schultz—I would be very pleased to do so.

CHAIR—I would like to ask you about a matter that you raised concerning the private sector side of the timber industry and the government, and what appears in attachment 2. It is more in relation to where you talked about a contract being entered into for volumes to be met privately. Do you want to talk more about that? Is that a common occurrence?

Dr Schultz—Unfortunately it is. A government of the opposite persuasion has just done it again—entering into long-term contracts that tie up the resource to a particular buyer. The one that I was alluding to there was tying up the pine resource. The buyer did not take it, but other buyers were locked out. We were told, ‘There was no resource.’ But there was resource; it was out there growing in the plantations. But it was not being used, because the buyer chose not to take it. I do not know why they chose not to take it.

It was curious because, at that stage, the company involved was Wespine. Wespine was a joint venture between what was then Bunnings, the major native forest operator, and WESFI. Wespine was the company that had the contract, which had staged increments. It did not bother to take its staged increments, the state agency did not enforce the contract and we were left with plantations beyond their optimum harvest date. It was completely inexplicable. But the whole logging industry is full of contradictions and absurdities, and this was one of them.

They have done it again. This state government has locked up the Gngangara *pinaster* resource for LVL in a 25-year contract. I understand the *pinaster* were high pruned for sawlog. Because they are drawing down the water resource on the Gngangara water mound, there is some urgency and pressure to get them off there. But it seems to me that we have done the same thing again—that is, lock ourselves into selling a public resource at less than its commercial value and lock other people out. An accountant drew my attention to the fact that there was a clause in the first contract whereby the price was tied to an international index. As that international index fell, we lost money hand over fist. It was just insane that this valuable public resource was locked into being sold to a company for way less than its value. Then they locked it into not just a contract but a state agreement act.

CHAIR—Are you of the view that the reasons for these circumstances are more to do with economic outcomes and possible losses? How do you see this? Do you have any views or any understanding of the reasons why the state government may or may not enforce these contracts? My last question, following on from that, is: if it is a problem in the sense that it can be demonstrated that others are locked out of the process of being able to be bidders, for example, is it worth while to look at some sort of restructuring of it in such as a way as to have a ‘use it or lose it’ policy?

Dr Schultz—Yes, there should be a ‘take or relinquish’ clause. I cannot understand why it is happening. In 1993, the Court government had an inquiry into the public sector. The McCarry report found that our public pine resource was being sold for about 70 per cent less than its comparable resource in the eastern states was. Why it happens I do not know. It seems to be financial incompetence by the agency.

Senator O’BRIEN—You stated in the Conservation Council submission under recommendation 2:

The plantation-based logging industry must be encouraged to expand so that it can meet virtually all Australia’s needs for wood.

How should it be so encouraged? I take it that you mean the whole of the industry and not just that part which fells the trees.

Dr Schultz—Yes. One way would be to increase the price of native forest logs—they are now called stumpages. I have copies of a document which shows that about half of our native forest logs are sawlogs and about half are comparable plantation logs, which is ridiculous. A radiata pine, whether it comes from Western Australia, South Australia or New Zealand, is a radiata pine. Jarrah grows nowhere else in the world. It is a very slow growing species.

Senator O'BRIEN—Jarrah is not a plantation timber; I understand that. How do you encourage it in the sense that the private sector is growing a lot of the wood and you are going to have to rely on the private sector to deliver that? You are suggesting we somehow drive up the price of sawlog—

Dr Schultz—Yes, of course the price of the native forest resource must be significantly increased. One suggestion was a fivefold increase; we would be happy with doubling it. They are talking about a 35 per cent increase, currently, of the native forest resource.

Senator O'BRIEN—What do we do about the sawed timber that we import, which is also a competitor for the pine or hardwood plantation logs?

Dr Schultz—This is where the Forest Stewardship Council certification comes in so that the buyers can know whether the imported timber is coming from the destruction of rainforests by unscrupulous operators or whether it comes from a sustainably managed plantation in South Australia or New Zealand.

Senator O'BRIEN—So it is a market based strategy in that regard?

Dr Schultz—Yes, together with the certification to allow buyers to make a choice.

Senator O'BRIEN—I understand the argument about the comparable price of alternatives within the market, and that is why I am asking about imports—because they form part of the market as well and we are a net importer of wood and wood product.

Dr Schultz—It is mainly in the form of paper products that we import, isn't it?

Senator O'BRIEN—Certainly the bulk of it.

Dr Schultz—Not much construction timber is imported into Western Australia.

Senator O'BRIEN—Not into Western Australia but there is sawn timber coming in from New Zealand, for example, and timber coming from South-East Asia.

Dr Schultz—Yes. I would have no problem with plantation pine imported from New Zealand, preferably FSC certified. I certainly would have a problem if it were imported from tropical rainforests.

Senator O'BRIEN—I guess we are trying to encourage our plantation industry here. I was looking to see what solutions you have for that.

Dr Schultz—There are taxation incentives, and I would hope that they could be rejigged to give encouragement to the growth of sawlogs rather than chip logs, especially export woodchips.

Senator O'BRIEN—You talked elsewhere about increasing taxation incentives geared to the length of rotation. So there should be public funding of the development of the sawlog industry?

Dr Schultz—That is happening already.

Senator O'BRIEN—Are you saying that what is happening should stop and that we should go to a tax incentive driven model?

Dr Schultz—Not totally, no.

Senator O'BRIEN—So we should build on that?

Dr Schultz—We should build on what is happening already.

Senator O'BRIEN—In terms of the use of plantations for amelioration of salinity, I think you saw most of the presentation from CALM.

Dr Schultz—No, I was not here at all. I am sorry; I did not see it.

Senator O'BRIEN—That is a great pity.

Dr Schultz—Yes, I would have liked to hear it. We had a problem with that; you did not get one of my attachments because I could not email it. The maritime pine program is of some concern, because they have launched into it without prior research. The research was done on the Swan coastal plain, which has totally different soils and totally different rainfall. They have moved into a much lower rainfall area with completely different soil types without any prior research into the viability of this process. It seems to me that they are chasing funds for empire building—it is being done for the wrong reasons. I have the answers to questions in parliament—they are a little old, March 2000—and they had done no research; they had just launched into this much publicised program of maritime pine planting without doing the necessary research on the soils, rainfall and growth rates, let alone the market.

Senator MURPHY—The proposal that I think Senator O'Brien is referring to is the Mallee one.

Dr Schultz—That is a different one. I am not familiar with that one.

Senator O'BRIEN—We will come back to that. Thank you, Dr Schultz.

Senator MURPHY—I asked Mr Versluis about the issue of FSC certification. I understood that he and at least—I do not want to misrepresent him—the Western Australian Forest Alliance

supported certification for native forest logging, but that it is not supported nationally by the environment groups. I had hoped that they would, because I personally see it as fundamental to getting native forest harvesting into the right sort of context—I am a supporter of that industry. One of the issues you raised was the contracting of public resources to private companies for long periods of time, and you gave the example of pinaster and radiata pines. There is nothing necessarily new about that, because it does not only happen in Western Australia; it happens elsewhere.

Dr Schultz—There seems to be a pattern.

Senator MURPHY—One argument that has been used is that, if companies from the private sector are making a significant investment in plantations, they should seek long-term contracts—not that I agree with the process, but that would seem to be one argument. Do you believe that, from the point of view of value adding in this country, it is a fair proposition for a company making an investment not to have an expectation of some contractual arrangement on resource security?

Dr Schultz—I think they should have some, but they seem to get a much better deal than if it were private sector dealing with private sector. For some reason there seems to be a willingness to—

Senator MURPHY—But you do not object to some form of contractual resource security arrangement?

Dr Schultz—Over a period required to amortise the investment, but 25 years does seem rather a long time.

Senator MURPHY—I am not trying to propose a defence. I am trying to understand whether you are opposed outright to some sort of resource security arrangement, whether it be in a contractual form or other form. You raise an issue under paragraph 5 with regard to ‘concern for local communities or shires depopulated as industrial plantations expanded’. Have you had any feedback from any particular shire council where that has been an issue?

Dr Schultz—I knew of it in the Rocky Gully area, but I do not have personal knowledge of it. It is one of the issues that arises with industrial plantations. Farms are bought up and it becomes wall to wall monoculture and the farming community is decimated. It does not seem to be socially desirable. If we are looking at a triple bottom liner, this is not socially desirable. I cannot think of a way to prevent it. I have known of it in the Rocky Gully area.

Senator MURPHY—I was just wondering whether you were aware of some broad concern that existed across—

Dr Schultz—I know that it has been happening in the communities in the rural shires. I do not have a personal acquaintance with it.

Senator MURPHY—It is a very significant issue in my state. With regard to the CALM proposal that was presented here today, which you have not seen, would you avail yourself of it and provide the committee with some views. That would be appreciated.

CHAIR—I have one final question that you might like to take on notice. I note in your submission that you talk about the FSC standard in comparison with the Australian forest standards and say that that is an unacceptable substitute, but you do not spell out why.

Dr Schultz—Very briefly, there was no NGO input. We tried to have input through a representative and the representative was virtually locked out. Eventually he walked out. It has been developed without input from the non-government sector.

CHAIR—One of the things I am keen to have from a factual point of view is what is in the Australian standards or not in the Australian standards as compared with the FSC—where the gap is in relation to meeting what are acceptable standards in other countries.

Dr Schultz—We are developing a forest management plan for public forests at this very moment—submissions close on Tuesday. Our government is saying that what is being proposed is ecological sustainability. It will implement ecologically sustainable forest management. We say, ‘No, no, no, no—what you are saying is in no way ecologically sustainable.’ If it would, on the basis of this, give itself the rubber stamp that it had met AFS standards we would say, ‘No way.’ I am happy to have a look at that and respond to your question.

CHAIR—Thank you for coming along today and making the trip down—I know it has not been an easy one.

Dr Schultz—It sure hasn’t.

CHAIR—I thank all the witnesses who have appeared and the staff of the secretariat and Hansard for their assistance.

Committee adjourned at 5.04 p.m.