

# CHAPTER THREE

## Impediments to Achievement of 2020 Vision Targets, Economic and Regulatory Issues

### Introduction

3.1 The Committee's terms of reference require it to establish if "there are impediments to the achievement of the aims of *Plantations for Australia: The 2020 Vision* strategy".<sup>1</sup> In addition it is asked to comment on whether elements of the strategy require alteration "in light of any impediments identified".<sup>2</sup>

3.2 In this Chapter the Committee examines the evidence provided during the inquiry to identify whether there are impediments to the Vision and, if so, what they are. The question of whether the strategy needs to be altered is also addressed.

3.3 In Chapter 2 the Committee outlined the 'impediments' to the development of plantation forests identified in the 1997 *2020 Vision*. These impediments or challenges included land availability and commercial incentives (see paragraph 2.16). The strategies outlined in the 1997 *2020 Vision* were aimed at addressing these challenges. The revised *2020 Vision* accepted that impediments to the development of plantation forest remain but focuses action on the industry's capacity "to maximise economic, environmental and social opportunities".<sup>3</sup> In so doing it is not clear whether the impediments identified in 1997 continue to operate in the forest plantation industry or whether these have been replaced by a new set of impediments.

3.4 The Committee has therefore made its assessment as to what impediments continue to operate in the forest plantation industry. To undertake the task before it the Committee had to define not only what should be considered as an impediment but also clearly focus on understanding the aims of the *2020 Vision* strategy.

### Impediments – a Definition

3.5 In definitional terms, the Committee considers the word 'impediment' to mean something - an action or prevailing situation - that does or has a potential to impede an activity or course of conduct either by way of hindrance or obstruction. In this context, the term can be interpreted in two different senses.

3.6 The first sense is as an *obstacle* which acts to prevent achievement of a pre-determined or a planned goal. In this sense factors such as regulatory and planning

---

1 Terms of Reference, *Journals of the Senate* No. 21, 27 June 2002.

2 Terms of Reference, *Journals of the Senate* No. 21, 27 June 2002.

3 *Submission 29*, Department of Agriculture, Fisheries and Forestry, covering letter, p. 2.

restrictions, which are broadly described in the *2020 Vision* as 'impediments' can be viewed as *obstacles* if they have the effect of causing stated *2020 Vision* targets and aims to be frustrated or prevented.

3.7 The second sense in which the term impediment can be used is as an externally imposed requirement intended to moderate, allow assessment, delay or even prevent a proposed course of action. In this sense 'impediment' means a *restraint* or a *restriction*.

3.8 The Committee notes that 'impediment' was used in the 1997 *2020 Vision* the first sense. That is it applies to an obstacle or challenge which is something that must be overcome or set aside if the aims of the Vision are to be achieved.

3.9 However, in some submissions and evidence the word refers to the second usage. That is, a range of restrictions and mechanisms aimed at achieving a balance in land planning, environmental, resources and land use. This approach includes the view, often put to the Committee by regional and rural communities, as to what 'impediments' should ideally govern, limit or control future plantation development.

### **Aims of the *2020 Vision* Strategy**

3.10 The overarching aspect of the revised *2020 Vision* is the statement of broad goals. These have three parts: 'Vision', 'Target' and 'Strategy'.

3.11 The following aims are outlined by the 'Vision':

The sustainable expansion of the plantation forest estate will be achieved with significant private sector investment. By 2020 the expanded plantation forest estate will provide Australia's plantation-based processing industries with the capacity to:

- operate in the global marketplace;
- be internationally competitive; and,
- be commercially oriented – market driven and market-focussed in all their operations.

Returning trees to the landscape as a profitable crop can also significantly benefit rural and regional communities and the environment.<sup>4</sup>

3.12 A major focus of the 1997 *2020 Vision* was the 'Target' - to "treble the acreage goal". In the revised *2020 Vision*, the 'Target' is:

The Vision has a notional target of trebling the effective area of Australia's plantations between 1997 and 2020. This does not necessarily mean each region must treble its plantation area. Different regions will make different

---

4 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 5.

contributions to achieving the target, in line with the availability of suitable land and prevailing market opportunities.

It is noted that plantation area is only one measure of the success of the Plantations 2020 Vision. The quality, product mix, location and effective management of the plantation resource will also be vital to the delivery of maximum social, economic and environmental benefits to Australia.<sup>5</sup>

3.13 The goal statement of 'Strategy' strives to achieve an investment environment that will result in achievement of the acreage target:

The vision Partners will collaborate in facilitating an environment that will attract the private investment necessary to develop a significant plantation resource ...<sup>6</sup>

3.14 The general direction of the goal is that the 'Vision' and the 'Strategy' will be directed to support achievement of the 'Target'.

3.15 Underpinning these objectives are the Strategic Elements which, with the exception of Strategic Element 5 (Monitoring and Review), outline actions to be taken to achieve the goals. The Strategic Elements also allocate responsibility for carrying out the actions and a summary of 'Expected Outcomes' for each.

3.16 The first three Strategic Elements relate to aspects of policy and regulatory regimes, including investment growth. While the three separate Elements are clearly defined there is also some overlap between the Actions allocated to each Strategic Element. Strategic Element 2 – the regulatory framework – in Action 4 for example, proposes the development of structures to encourage investment. Strategic Element 3 proposes a further five Actions to provide for investment growth. The Committee therefore considers the first three Strategic Elements as interrelated. This Chapter focuses on these Strategic Elements and highlights the associated impediments. Chapter 4 examines Strategic Element 4, which relates to social and environmental factors and considers the socio-economic or community and environment impediments. Strategic Element 5, relating to monitoring and review, is considered in Chapter 9.

### **Possible Impediments**

3.17 Before discussing the issue of possible and continuing impediments to the achievement of the revised *2020 Vision* in detail, the Committee should make an important observation. That is, the 'impediments' raised during this inquiry and which are discussed here have been identified gradually over the period since the creation of the *2020 Vision* process in 1997.

---

5 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 5.

6 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 5.

3.18 The Committee accepts that one central idea underlying the drawing up of the *2020 Vision* was, amongst other matters, to identify where impediments to a larger scale development of forest plantations in Australia were and are, and to provide some systematic way of addressing and, where appropriate, removing them. In that context, the Committee's observations on the impediments to the achievement of the *2020 Vision* will be part of a continuing process of fine-tuning the operation of the scheme.

3.19 The Committee also notes that the final version of the revised 2020 Vision was not made publicly available until November 2003. It has therefore been possible for the revision process to avail itself of the evidence made available to the Committee during the initial stages of its inquiry.

### ***The Target***

3.20 The initial target of trebling the acreage of plantation forests by 2020 is expressed in the revised *2020 Vision* in less prescriptive terms – as 'a notional target'. The evolution of the target goal reflects comments received by the Committee during the inquiry. Initial comment on the acreage target indicated success but cautioned the need for the revised *2020 Vision* to be broader than target acreage.

3.21 In a covering letter that accompanied the DAFF submission, the Secretary stated that on current indications - principally the planting record for 1997-2001 - the acreage target "...will be easily achieved".<sup>7</sup> Additional relevant comment by the DAFF was on the need for 'refocusing' of the *2020 Vision*:

Instead of focussing action on the removal of impediments, the revised *2020 Vision* recognises that the future of the industry lies in its capacity to maximise economic, environmental and social opportunities.<sup>8</sup>

3.22 This note of caution was echoed in other evidence. The Institute of Foresters of Australia (IFA) also noted that, whilst the stated target acreage could be achieved by 2020, the strategy of the *2020 Vision*:

... may not be sufficiently sharply focussed to ensure that it achieves the desired outcomes in regard to the development of efficient forest industries, the production of the quantities and types of forest products that will be needed, the delivery of appropriate environmental benefits and the achievement of the desirable outcomes in rural communities.<sup>9</sup>

3.23 The National Association of Forest Industries' (NAFI) view of the revised *2020 Vision* is similar. NAFI commented at length on the necessity for the *2020 Vision* to be wider and more comprehensive in its nature and that it should include elements of forest planning to increase not only economic, but social and environmental benefits to communities.

---

7 *Submission 29*, Department of Agriculture, Fisheries and Forestry, covering letter, p. 1.

8 *Submission 29*, Department of Agriculture, Fisheries and Forestry, covering letter, p.2.

9 *Submission 11*, Institute of Foresters of Australia, p. 2.

3.24 NAFI noted that when measuring the success of the *2020 Vision*, the planting record for 1997-2001 "...modestly exceeds the target of 80 000 hectares per annum".<sup>10</sup> According to NAFI, the significance placed on the acreage achieved by the *2020 Vision* has been over-stressed and that:

As the annual audit of responses to the 2020 Vision actions indicate, a number of impediments to investment in the sector have been addressed, while other actions are on-going and some new issues requiring action have arisen. These matters are reflected in the revised 2020 Vision's content, which is designed to balance resource security and a supportive policy framework for timber growers, timber processors and others in the community that benefit indirectly from the growth of the timber industry.<sup>11</sup>

...

With Australia's plantation estate expected to reach 1.6 million hectares by the end of the planting season in 2002, there remains a substantial amount of interest in the future investment in plantation resources. A further 1.4 million hectares of trees would be required to fulfil the 2020 Vision alone. Given the nature of the existing plantation and native forest resources, it is possible to see the need for a further permanent increase in the pulpwood plantation resource of approximately 200,000 hectares. Beyond that, there is a great deal of uncertainty over what species should be planted and the combined rotation length, location and management regimes that should be applied to those trees.<sup>12</sup>

3.25 Several submissions to the Committee's inquiry observed that it may be difficult to achieve a trebling of plantation acreage each year (which occurred between 1997 and 2003) from now until 2020. In its submission the Tasmanian Department of Infrastructure Energy and Resources (DIERR), for example, indicated that:

It is noted that the area of land that is available and suitable for plantations in Tasmania is naturally limited by factors such as soil, rainfall, slope and existing forest cover. It is also limited by competition from other rural land uses. For these reasons, Tasmania is not expected to triple its 1996 area of plantations by 2020.<sup>13</sup>

3.26 This concern that land availability (in the face of increased competition for land) will act as a brake on acreage achievements was also a growing concern expressed in other submissions.<sup>14</sup>

---

10 *Submission 32*, National Association of Forest Industries, pp. 5-6.

11 *Submission 32*, National Association of Forest Industries, p. 6

12 *Submission 32*, National Association of Forest Industries, p. 6.

13 *Submission 46*, Department of Infrastructure Energy and Resources, p. 11.

14 See, for example, *Submission 49*, Victorian Association of Forest Industries.

3.27 Further, the distractive nature of the "trebling target" cannot be discounted. In evidence to the Committee, the Executive Director of Treefarm Investment Managers Australia (TIMA) noted the focus of attention on the acreage target:

... for the last several years I have seen so much attention focused on trebling the plantation estate but very little attention given by its critics and others in the community to all the things that it is trying to achieve and to the strategy that actually underpins the target. The target is the thing that gets mentioned over and over again and, while it has been valuable, there is a downside to it. It can be a distraction from the real game, which is about developing a viable, vigorous plantation growing and processing sector.<sup>15</sup>

3.28 This comment was supported by Ms Judy Clark:

Driven by a plantation target obsession, the 2020 vision has become in my view insensitive to changes in the environment, be they market, social or ecological. The planting target should be scrapped and replaced by a more flexible and comprehensive approach....<sup>16</sup>

3.29 The Committee notes that the revised *2020 Vision* describes the trebling of acreage as a "notional target".

3.30 In seeking to clarify the nature of a 'notional target', the Committee sought advice from the then National Strategy Coordinator of the *2020 Vision* on how the idea of the national target for trebling of the plantation acreage should be considered. In his reply the Coordinator advised:

The notional area target is designed to provide a 'headline' figure, or a 'call to action' for the Vision partners. Of importance to the industry is not only the notional total area target, but the quality, scale and location of these plantations with regard to proximity to markets.

The Vision's structure is one where Government partners aim to provide an enabling environment for plantation development, and industry partners aim to provide capital and expertise for plantation development. Using such a market-based mechanism for plantation development means that trees will generally be grown where it is most profitable to do so. As the structure of regional areas changes over time, for example competition for land increasing due to high prices for alternative agricultural activities, other regions may become commercially attractive for tree growing. It is not the role of the Plantations 2020 Vision, or the Coordinator, to identify preferred plantation areas, but to support processes which will do this in a rational way.<sup>17</sup>

---

15 *Evidence*, Mr Alan Cummine, Treefarm Investment Managers Australia, RRA & T, 21 February 2003, pp. 299-300.

16 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2003, p. 313.

17 Correspondence to Committee, Mr R. Bristow, 1 March, 2004, p. 2.

3.31 During the inquiry, the Committee also received evidence from Ms Judy Clark, a Postdoctoral Fellow from the Centre for Resource and Environmental Studies, Australian National University, arguing that:

... [the] target be scrapped and replaced by a more flexible approach at the regional and national level, where market trends, the existing plantation estate, manufacturing competitiveness, environmental issues and social requirements can be truly and jointly considered.<sup>18</sup>

3.32 Later in her evidence, Ms Clark added:

... some people may wish to downplay the importance of the target, but when you look at media releases, press statements, monitoring and performance, the planting target is king.<sup>19</sup>

3.33 The Committee notes that the May 2004 Communiqué of the Primary Industries Ministerial Council does indeed address plantation forests in terms in increased acreage and that there was agreement to investigate any further actions that could be taken "to maintain progress towards the Plantations 2020 Vision target of 3 million ha".<sup>20</sup>

3.34 The Committee agrees that such a focus compromises other aspects of the work of the 2020 Vision. Further, it fails to recognise complex factors that must be taken into account if the industry is to develop in the rational way described in the then National Strategy Coordinator's letter. The Committee finds a "notional target of trebling acreage" no different in its impact than an actual target and believes it acts as an impediment. It presents obstacles to the plantation industry achieving the type of efficient and market oriented industry providing social, environmental and community benefits envisaged by the revised strategy.

### **Recommendation 1**

**3.35 The Committee therefore recommends that the revised 2020 Vision be amended by deleting all references to trebling the acreage by 2020 or plantation acreage of 3 million hectares. This should be replaced with the target of increasing the acreage of plantation forests at a sustainable and economic level.**

#### ***Strategic Element 1- the Policy Framework***

3.36 Strategic Element 1 relates to the policy framework and provides for two Actions relating to regional planning for plantation expansion and a comprehensive policy approach to support development. The responsibility for undertaking these actions lays mainly with those in the industry. All levels of government have a role in

---

18 Evidence, Ms Judy Clark, RRA & T, 21 February 2003, p. 310.

19 Evidence, Ms Judy Clark, RRA & T, 21 February 2003, p. 312.

20 Primary Industries Ministerial Council, Communiqué, 19 May 2004, p. 2.

supporting industry development and identifying development needs, in terms of both physical and social infrastructure.

3.37 The reintroduction of a 12 month prepayment rule for plantation forestry in October 2001 allows investors to obtain an immediate deduction for funds contributed in one financial year for activities undertaken the following year. Minister Tuckey announcing the decision explicitly tied the initiative to support for the *2020 Vision*. Many of the comments from submitters to the inquiry regarding the acreage target are explicitly or implicitly also directed to the way tax effective investment schemes promote increased acreage, rather than a viable, vigorous plantation growing and processing sector.

3.38 Ms Clark commented:

Encouraged by the 2020 plantation vision and tax effective investment schemes, Australia's eucalypt plantation industry has, in my view, planted a wood glut.<sup>21</sup>

3.39 Ms Naomi Edwards noted that there is now more than \$2 billion invested in the plantation prospectus industry and warns that prospectus assumptions appear to be set outside currently achieved price levels and that the discrepancy between prospectus promises and eventual returns may have serious consequences for the savings of plantation investors. She stated that prospectuses in 2001/02 quoted returns of \$32 to \$50/m<sup>3</sup> for plantation hardwood, compared with current prices in the order of \$18-\$30/m<sup>3</sup>.<sup>22</sup>

## **Recommendation 2**

**3.40 The Committee recommends that the government commission an independent assessment of how the plantation prospectus industry relates to the 2020 Vision, including an evaluation of prospectus assumptions against returns likely to be achieved.**

3.41 Evidence provided to the Committee indicated that the policy framework does require more coherence to allow all levels of government, industry and the community to participate in a consensus on a policy framework.

3.42 An example is the analysis by NAFI, which emphasises the combination of rapid and significant structural changes in the forestry industry, during the period between 1996-2003, having given rise to a new set of considerations. These will need to be integrated in policy planning to achieve an holistic approach to further development. The actions, responsibilities and outcomes set out in this Strategic Element can operate to achieve this as a goal.

---

21 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2003, p. 301.

22 *Submission No 42*, Ms Naomi Edwards, p. 2.



3.43 Further, the creation of a position of National Strategy Coordinator would be a positive step to developing a strong policy framework which integrates the plantation industry with the aspirations of the existing rural communities. The Committee urges the industry to appoint a person to the position as a matter of urgency.

3.44 The rate of new plantation establishment in Tasmania exceeds that in all other states (10 881 hectares in 2003, and an average of 13 500 hectares per annum during the last five years).<sup>23</sup> In addition, most new plantations in Tasmania, on both public and private land, are established by clearing native vegetation. Because Tasmania has such a large proportion of Australia's plantations, including 22 percent of hardwood plantations, its situation is a significant contributor to the national success or failure of plantation policy and the *2020 Vision*. Forestry and logging generally and plantations in particular are so controversial in Tasmania that the Committee has prepared a separate chapter for the state (see Chapter 8).

3.45 Strategic Element 1 requires a 'comprehensive policy approach' to support the Vision. Evidence to the inquiry noted inconsistent policy approaches in some areas.

3.46 Ms Judy Clark, noted that there are two options to ensure that the plantation sector is not commercially damaged:

The first is by playing in the physical market in terms of wood volumes from native forests and secondly by playing in the price market. I am not making a recommendation about which market the government should play in. I am suggesting that the committee should consider both options.<sup>24</sup>

3.47 In Tasmania the problem is exacerbated by the ability to subsidise plantation establishment through clearing native forests (see Chapter 8).

3.48 Finally, the Committee has not identified any impediments and therefore has no recommendations to alter Strategic Element 1. However, the Committee believes that the growth of the industry is best achieved in an environment where the plantation industry's infrastructure needs are considered in the context of the overall development of the rural communities and regions in which they are developed.

### ***Strategic Element 2 – The Regulatory Framework***

3.49 Strategic Element 2 of the revised *2020 Vision* addresses the question of regulatory issues and impediments. Strategic Element 2, headed 'The Regulatory Framework' has as its overarching aim:

A consistent regulatory framework is essential to deliver long-term certainty for plantation investors, growers and processors. The Plantations 2020 Vision will promote the continued development of a regulatory

---

23 National Plantation Inventory 2004 Update, Bureau of Rural Sciences, p. 3.

24 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2004, p. 316.

framework that supports and complements the policy framework to maintain investor confidence and encourage plantation sector investment.<sup>25</sup>

3.50 The actions under the strategy (Actions 3-7) are directed at securing plantation development by legislative protection under the regulatory (legislative) structure. The responsibilities for achieving outcomes under the Strategic Element are largely directed to the Commonwealth, State or Territory governments, in conjunction with the Coordinator. The actions required by Strategic Element 2 read:

- Action 3** Promote development of legislation covering the rights to plant, harvest and trade plantations and their products.
- Action 4** Promote the development of appropriate structures to encourage investment in the plantation sector.
- Action 5** Promote the development of guidelines and codes of practice that support sustainable plantation development.
- Action 6** Work with State and Territory forestry organisations in terms of National Competition Policy and developing transparent and competitive markets.
- Action 7** Promote the development of State, Territory and Australian Government legislation that complements plantation establishment.<sup>26</sup>

#### *Regulatory Impediments – State and Local Government Regulatory Framework*

3.51 The Committee has received considerable comment on the impediments placed on the achievement of the *2020 Vision* aims by regulatory frameworks.

3.52 NAFI noted that:

There is some concern that particular pieces of State legislation discriminate between plantation forestry and other landuse activities. For example, plantation forest managers may be required to meet the specifications of State-based codes of practice or face particular planning approvals, water resource management, land rates, infrastructure provision, fire fighting guidelines, biodiversity conservation constraints or regional vegetation management guidelines. These regulations place an additional burden onto prospective plantation growers and this has been recognised as reducing the level of new investment in some States.<sup>27</sup>

3.53 As a broad issue, the role of the regulatory environment as an 'impediment' to the rate of plantation development envisaged by the *2020 Vision* has focussed on

---

25 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 12.

26 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, pp. 12-14.

27 *Submission 32, National Association of Forest Industries*, p. 14.

various state and local government plantation, forestry and planning requirements. For example, the NSW *Plantations and Reafforestation Act 1999*<sup>28</sup> contains detailed arrangements for the development of forestry plantations. Compliance with the terms of the Act and approvals granted to plantation development companies have, on occasion, been advanced as a significant impediment.

3.54 In evidence to the Committee, NAFI told the Committee that:

We run into a number of risks that face investors. New South Wales is a prime example: without a plantation strategy, or a way to deal with impediments to plantation establishment, no new trees are being established in New South Wales—or very few. I think less than five per cent of the establishment of new plantations occurs in New South Wales. Risk to investors is the major concern as well as the complex regulatory framework. They need to start dealing with these sorts of issues to attract investors and take away the risks and concerns.<sup>29</sup>

3.55 A similar comment has been made with regard to local government planning and infrastructure requirements. The NAFI submission to the Committee summarised the points made in several submissions:

As identified in a number of submissions raised during the 2020 Vision review process, local governments have the jurisdictional control over certain aspects of plantation forestry. However, they may not have the capacity to resolve a number of difficult issues associated with plantation forestry or the understanding to balance the needs of the plantation sector against the other priorities they face. In general, there is no adequate mechanism currently available for those local governments to raise their issues, concerns or difficulties with other local government authorities, State governments or the Commonwealth.<sup>30</sup>

---

28 The objects of the Act (section 3) are:

- (a) to facilitate the reafforestation of land, and
- (b) to promote and facilitate development for timber plantations on essentially cleared land, and
- (c) to codify environmental standards, and provide a streamlined and integrated scheme, for the establishment, management and harvesting of timber and other forest plantations, and
- (d) to make provision relating to regional transport infrastructure expenditure in connection with timber plantations.

consistently with the principles of ecologically sustainable development (as described in section 6 (2) of the *Protection of the Environment Administration Act 1991*).

29 *Evidence*, Mr Phil Townsend, National Association of Forest Industries, RRA & T, 20 February 2003, p. 229.

30 *Submission 32*, National Association of Forest Industries, p. 14.

3.56 In comment to the Committee, NAFI noted that:

There needs to be a way for local governments who have a concern or issues about plantation forestry to talk to one another and then go back and be able to talk to both state and Commonwealth governments about how they resolve their issues—down into areas like transport and infrastructure, planning approvals processes and understanding where the industry might be headed across time.<sup>31</sup>

3.57 Views from the plantation industry, in this case the Plantation Timber Association of Australia (PTAA), have identified impediments likely to be posed by local government:

Local Government in some States is responsible for implementing some aspects of the legislative land-use planning framework and has the capacity to frustrate plantation projects through its role in planning approvals and conditions imposed on the management of the plantations and harvesting of plantation products. Plantation growers generally operate across a wide area and may be required to deal with several local governments all imposing different regulatory conditions and significant additional costs on plantation growers. There is a need for across region consistency in approaches (a form of mutual recognition or broader legislative backing) so that investors are not trying to meet differing requirements when they move across larger areas.<sup>32</sup>

3.58 This view that governments are not pursuing their obligations under the strategy was also voiced by the Commonwealth. DAFF told the Committee:

The *revised 2020 Vision* ... has suggested actions for State and local Governments. State and local Governments now have to demonstrate their support for the *2020 Vision* and the plantation industry, and commit to meeting their agreed obligations.<sup>33</sup>

3.59 In its submission, DAFF addressed specific areas of state and local government responsibilities that required action:

... State and local governments still need to make a concerted effort to address the uncertainty over rights to plant, manage, harvest and trade plantations and preferably achieve a level of consistency across the industry.<sup>34</sup>

---

31 *Evidence*, Mr Phil Townsend, National Association of Forest Industries, RRA & T, 20 February 2003, p. 230.

32 *Submission 9*, Plantation Timber Association Australia, p. 5.

33 *Submission 29*, Department of Agriculture, Fisheries and Forestry, p. 1.

29 *Submission 29*, Department of Agriculture, Fisheries and Forestry, p. 3.

3.60 Other submissions, particularly those from bodies representing forest agencies and/or industry and plantation timber companies, suggested adherence to the Strategic Elements of the *2020 Vision* as they were approved by the Ministerial Council.<sup>35</sup>

3.61 While the Committee recognises this evidence does outline impediments to achieving increases in plantation forest acreage it believes that many are impediments that act as a restraint. It is therefore reluctant to make any recommendations to alter Strategic Element 2 in light of these comments. It notes that Action 5 and Action 7 under Strategic Element 2 have some internal tensions and believes that these are best resolved 'on the ground'. In Australia's federal system that level is frequently the local government.

3.62 Finally, where the *2020 Vision* operates, not only economic considerations must be borne in mind, but also social, environmental, community, indigenous and the most intrinsic values of the landscape. These issues now have a direct impact on an increasing number of regional communities in Australia. It is therefore important to examine how changes brought about by plantation forestry are achieved. The Committee's view is that if the plantation industry is to develop as a sustainable industry it must engage with local communities in genuine partnership arrangements.

#### *Regulatory Impediments – National Competition Issues*

3.63 Action 6 under Strategic Element 2 specifically mentions compliance obligations under the National Competition Policy Agreement. The Committee received a number of submissions which addressed competition issues for plantation forestry. The Committee sought advice from the National Competition Council (NCC) on the specific question of how the NCC views the forest plantation industry.

3.64 The NCC advised that:

The Council has reported on the competitive neutrality and legislation review activities of governments with respect to forestry in its last two annual assessments of government's progress in implementing the national competition policy and related reforms.

....

To date, the Council has not made any recommendations to the Commonwealth treasurer on jurisdictions' application of CN [ie, competitive neutrality] to forestry because a number of complex issues are yet to be resolved. Some of this complexity was discussed in the 2001 and 2002 assessments.<sup>36</sup>

---

35 See for example, *Submission 9*, Plantation Timber Association Australia and *Submission 58*, Australian Forest Growers.

36 *Submission 64*, National Competition Council, p. 2.

3.65 The NCC's own comment on how its assessments will, or may, affect forest plantation activity focussed on legislative review (as well as pricing policy review) and was characterised as follows:

The [NCC 2001] assessment referred to the impact of restrictions on competition in native forests and plantation forestry. The impacts would interact across two segments of forestry. Restrictions on competition in native forest exploitation include entry requirements (including licences, permits leases). Environmental planning restrictions can affect competition between plantations and may also affect plantation forestry's capacity to compete with production from native forests.

And:

Outside national parks and reserves the assessment suggested that the least restrictive approach to meeting these objectives in public native forests is to define and allocate tradeable rights to delineated areas of forest. Such rights (or forest leases) would oblige holders to protect specified non-tradeable forest values (with the potential for cancellation should holders not meet those obligations), and be long term to encourage right-holders to maintain forest productivity.<sup>37</sup>

3.66 The NCC noted that the guiding principle of the Competition Principles Agreement (CPA) between the Commonwealth and the States and Territories was that:

... legislation ... should not restrict competition unless it can be demonstrated that the benefits of the restriction to the community outweigh the costs and the objectives of the legislation can only be achieved by restricting competition. Since 1995, governments have reviewed around 1800 pieces of legislation and most have reviewed their forestry legislation.<sup>38</sup>

3.67 The Committee notes that the revised *2020 Vision* provided for a review of forestry obligations under the National Competition Policy Agreement and would encourage state governments and forestry agencies to undertake the reviews as soon as is practical.

#### *General Comment on Strategic Element 2*

3.68 Although the inquiry revealed two major issues (which can be considered as impediments) with aspects of Strategic Element 2, the Committee has not proposed any alterations to the Element or its Actions.

3.69 It is the Committee's strong view that the expected outcomes under Strategic Element 2 can be, in the majority of cases, the subject of objective assessment and reporting. However, matching outcomes under this Strategic Element will require

---

37 *Submission 64*, National Competition Council, pp. 3-4.

38 *Submission 64*, National Competition Council, p. 1.

some flexibility in deciding whether particular goals are reached. A detailed account of what stage each expected outcome has reached should be included in the Coordinator's report.

### **Recommendation 3**

**3.70 The Committee recommends that research and other studies to be carried out under Action 5 of Strategic Element 2, relating to codes of practice to support sustainable plantation development be the subject of a separate public report by the Coordinator, to be presented to the Primary Industries Ministerial Council and Federal and State Parliaments.**

#### *Strategic Element 3 – Investment Growth*

3.71 Strategic Element 3 reads:

Private sector investment is essential in delivering the objectives of the Plantations 2020 Vision. Information is required at several levels to enable transparent and repeatable assessment of the plantation sector as a destination for investment capital. This complements Strategic Element 2, and includes information on Australia's international competitiveness, investment and environmental regulatory systems, and market access, plantation valuation and trading mechanisms. Research activities aimed at delivering a long-term competitive advantage to the plantation sector and market transparency for growers are other important priorities.<sup>39</sup>

3.72 Strategic Element 3 includes Actions 8 to 12, which are:

**Action 8** Provide better information to maintain foreign and local investor confidence in the plantation sector and build on existing investment levels.

**Action 9** Improve grower and investor access to markets.

**Action 10** Inform farmers of the profitability of plantations as part of an on-farm production system.

**Action 11** Identify research and development priorities for the plantation sector to complement the industry's potential growth.

**Action 12** Improve skills and safety of commercial tree growers through extension, education and training.<sup>40</sup>

---

39 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 15

40 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, pp. 15-17.

---

*Investment Impediments – Lack of Sufficient Market Information*

3.73 The Australian Bureau for Agricultural and Resource Economics (ABARE) is a principal analyst and adviser on agricultural and resource economics to the Commonwealth government. In its submission to the Committee, it noted that:

Impediments can be caused by institutional factors such as property rights, taxation and environmental regulation that alter the private returns from plantations relative to other investments. Private investment may also fall below socially optimal levels if plantations generate significant environmental, amenity or other positive externalities not fully captured in private investment decisions. They can also arise from the structure of the industry if monopoly power creates barriers to the entry of new private investment.<sup>41</sup>

3.74 ABARE also identified (based on a major study of the plantation forestry industry, The Abareconomics-Jaako Poyry 1999 Study) nine specific "potential impediments to private sector investment in plantations" which covered a range of high risk factors in plantation investment from capital availability to the possibility of sovereign risk.

3.75 A summary of the range of potential economic impediments to private sector investment in forest plantations drawn from the Abareconomics-Jaako Poyry research report include:

- the high risk of investment loss: as a result of fire and disease;
- the high cost of financing the investment;
- the need for a critical mass of wood availability before processing facilities can be developed;
- the long period of investment, whereby high initial costs are needed for establishment but revenue is only received on harvest;
- the lack of information on appropriate species, establishment and management techniques;
- the lack of regional infrastructure to support plantation development;
- the high risk of marketing products especially for small wood from thinnings;
- the lack of secondary plantation markets to allow the sale of plantations before harvesting; and

---

41 *Submission 26, Abareconomics, p. 1.*



- the limited rights to harvest or other government restrictions that may be perceived as sovereign risk.<sup>42</sup>

3.76 In specific terms, the Abareconomics-Jaako Poyry study identifies the principal 'paradox' of the plantation timber industry:

A paradox in the plantation industry is that its most efficient economic structure may be responsible for one of the most important perceived impediments to additional private investment. A recent ABARE survey of 20 industry leaders confirmed that log prices are difficult to obtain in the forest industries. Log prices play an important role in the analysis of new plantation investments, and without this data, capital may flow to alternative investments for which information is easier to access.

Log prices are difficult to obtain in Australia because the industry is dominated by a handful of large processors and growers in each region. The need for a large scale resource to support an internationally competitive processing industry means this is the most efficient structure of the industry. Investment in large scale processing requires secure access to a long term supply of wood, encouraging long term supply agreements. Long term supply agreements between a small number of large scale growers and processors effectively means there is no spot market for logs, making it difficult for new growers to enter the market.<sup>43</sup>

3.77 NAFI identified economic and associated factors which it considers impediments to the *2020 Vision* in a related point. In a discussion of the difficulty of limited market information NAFI noted that:

The lack of regularly supplied market information for timber and timber products is an impediment to the attraction of patient capital investment to the plantation sector. Institutional investors, such as superannuation companies, have suggested that they would show a greater level of interest in plantation forestry projects if they could monitor the resource and final product markets on a regular basis, with a sophisticated approach for assessing the long-term changes in the value of their forestry assets. The supply of regular market information would also be needed to support an active and effective market for trading immature plantations.<sup>44</sup>

3.78 In its submission to the inquiry, the PTAA also supported such a view. Its submission noted that one of the two major factors limiting further investment in plantation expansion is the lack of complete knowledge of the "current low level of investment in longer rotation plantations".<sup>45</sup>

---

42 See *Submission 26*, Abareconomics, pp. 1-2 for summary; (and also *Global Outlook for Plantations: ABARE Research Report 99.9*, prepared by Jaakko Poyry Consulting for Australian Bureau of Agricultural and Resource Economics, June 1999).

43 *Submission 26*, Abareconomics, p. 3.

44 *Submission 32*, National Association of Forest Industries, p. 16.

45 *Submission 9*, Plantation Timber Association Australia, pp. 7 and 13.

3.79 In evidence, the Executive Director of AFG also remarked on the limitation and impediment placed on further plantation expansion and development in the context of the *2020 Vision*:

We also look to the vision to help facilitate the development of market access for small parcels of product that will stand alongside larger production units as a diversified resource. We have identified one of the major mechanisms that will assist this process is to ensure transparency in log pricing and in other market indicators, at least on a national basis. As a former agriculturalist, I am constantly bewildered by the lack of market information available. The solution to this that seems to have little opposition is to have nationally significant data collected and made more widely available as the first step towards injecting greater transparency into an opaque market.<sup>46</sup>

3.80 The Institute of Foresters of Australia (IFA) noted that, without a better level of market understanding and appreciation, it will continue to be a major impediment to the expansion and development of plantations.<sup>47</sup>

3.81 The importance of market information and an understanding of prices that may be obtained for wood, both currently and in the future, has led to comment and analysis of estimated returns on plantation investment. In the course of the Committee's inquiry, it heard evidence from witnesses claiming that the price estimates for future cropped plantation timber were either impossible to forecast, or were incorrect.

3.82 In evidence to the Committee, Ms Judy Clark pointed out the central importance of market information to investment decisions in managed investment schemes in plantations. She stressed that the basis of her submission was partly based on market information on supply and demand for wood commodity material widely available:

Wood growers are at the bottom of the commodity production pile. I do not think most prospective investors would have this understanding; most farmers do. The key market trend for wood growers is that, globally, manufacturers of wood products—producers of sawn timber, pulp paper and wood based panels—are using less wood to make their products.<sup>48</sup>

3.83 In a submission to the Committee which addresses similar issues of market behaviour and market forecasting, Ms Naomi Edwards put to the Committee that forecasts contained in at least one prospectus for plantation investment indicated that realisable prices for wood were higher than the market was returning.<sup>49</sup>

---

46 *Evidence*, Mr Warwick Ragg, Australian Forest Growers, RRA & T, 21 February 2003, p. 296.

47 *Submission 12*, Institute of Foresters of Australia, p.3.

48 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2003, p. 312.

49 *Submission 42*, Ms Naomi Edwards. p 2.

3.84 In fact, forecasting wood prices in either a local or international market (particularly stumpage prices) present considerable difficulty. For example, the *ANU Forestry Market Report* on stumpage prices for the future concludes that inconsistent predictions on market conditions and price are a major impediment to the achievement of certainty in the Australian forestry market. That finding is summarised as:

Not knowing what the next 10, 20, 30... years hold [for stumpage prices] adds significantly to the problems of large risks inherent in the decade(s) long activity of forestry. Regrettably, there is not (*sic*) simple solution for the problem...<sup>50</sup>

3.85 The Committee agrees that the lack of market information can act as an impediment to growth in investment from the private sector. It notes that the Disclosure Code for Afforestation Managed Investment Schemes has been finalised by the industry but market information remains a concern.

#### *Investment Impediments – Taxation*

3.86 A principal impediment identified to the Committee, and a factor that has been suggested as an impediment to plantation development for some time, was the impact of current taxation policy and tax ruling interpretation on plantation investment. The Committee anticipated this concern and invited submissions to the inquiry by both the Commonwealth Treasury and the Australian Tax Office (ATO).

3.87 The Committee sought ATO advice in order to clarify a number of continuing concerns over the ATO approach to plantation forestry, particularly in the area of managed plantations. In its submission the ATO told the Committee – in summary - that it classified forest industries as follows:

The plantation forests industry in Australia consists of two distinct sectors. Although there is some crossover between these two sectors<sup>51</sup> it is important to distinguish between these two different parts of the plantation industry because it provides an understanding of which entity the relevant taxation laws and taxation rulings will apply to.

The first category is comprised of what might be described as the 'traditional' plantation industry.

In this sector large companies, in their own right, carry on the business of planting, tending and felling trees in their own plantations in various parts of Australia. Companies in this category include Harris Daishowa, Gunns and Midway Forest Products. Companies such as these usually also have licences to log and process timber from native forests under Regional Forest Agreements.

---

50 'Stumpage prices over the next 10, 20, 30... years', *ANU Forestry Market Report*, September 2002. Number 21, School of Resources, Environment and Society, Australian National University, Canberra, pp.1-2.

51 For example, a company such as Gunns would fall within both sectors.

The second category is comprised of the managed plantation industry.

In this sector, a management company with forestry expertise contracts with a number of smaller entities, often individuals, to establish a plantation, to maintain the plantation during a defined growing period and, at the end of that period, harvest and sell the trees or wood produce on behalf of those participants. In summarising current taxation rulings, the ATO advised the Committee:

The tax laws and rulings that apply to the afforestation industry can be categorised as:

- those that apply to primary producers generally;
- those that apply to the afforestation industry specifically; and
- those that apply only to participants in the managed plantation industry.

Taxation laws and rulings that fall within the first two categories apply equally to both companies in the 'traditional' plantation sector and to the individual participants in the managed plantation sector.<sup>52</sup>

3.88 In relation to the first two of these categories, the ATO noted that *Taxation Ruling TR 95/6* addresses the taxation treatment of primary production and forestry.

3.89 In relation to managed plantations, the ATO advised that:

From a taxation administration perspective, it is the managed plantation sector that has received most of the ATO's focus in recent years. This focus has mainly flowed from a need to address concerns relating to tax minimisation in the wider managed investment industry, but to do this in a way that did not adversely impact on legitimate arrangements, including legitimate afforestation projects, that were within taxation law, Corporations Law and related common law.<sup>53</sup>

3.90 In its approach to the plantation industry, the ATO also indicated that it had implemented two 'major initiatives'. They are:

- A Taxation Ruling covering afforestation schemes
- Product Rulings which are ... a recognition that the private rulings system was not designed to adequately meet the needs of ordinary taxpayers who may be considering investing in a managed project and wished to ensure that their investment complied with the law.

Product Rulings are a form of public ruling (as distinct from a private ruling) that allow the ATO to provide a clearly defined 'class of persons' with **certainty** by ruling publicly on the taxation aspects of specific projects.

---

52 *Submission 40*, Australian Taxation Office, p. 3.

53 *Submission 40*, Australian Taxation Office, p. 3.

---

The Product Ruling describes an arrangement in which a number of taxpayers individually enter into substantially the same transactions with a common entity or a group of entities. It provides certainty to potential investors by confirming that the tax benefits set out in the Ruling part of the Product Ruling are available, provided that the specific Arrangement described in the Ruling is carried out in accordance with the information provided by the applicant.<sup>54</sup>

3.91 The final aspect of taxation treatment of the managed forest plantation industry dealt with by the ATO submission was in relation to the so-called '13 month rule'. The ATO told the Committee that:

Legislation removing the '13 month rule' was enacted from 11 November 1999. The new provisions applying to managed projects required that an immediate deduction could only be claimed if the services were supplied in the same year as that in which the expenditure was incurred.

If the services were not fully supplied in the expenditure year the deduction was apportioned over the period during which the services were to be supplied. Where expenditure was incurred towards the end of a financial year this had the effect of pushing most of the deduction into the year after year in which the expenditure was incurred.<sup>55</sup>

3.92 The Committee received several submissions from plantation industry participants which view the taxation provisions as a major impediment to the achievement of the *2020 Vision* goals. NAFI's submission noted that, after the ending of the '13 month rule' in November 1999:

... investment in the sector had delivered an annual plantation establishment rate approaching 95,000 hectares, compared to less than 30,000 hectares per annum being established at the start of the decade. The 95,000 hectares planted in 1999 were established primarily using funds that had been collected prior to 30 June 1998.

In 2000, the plantation establishment rate exceeded 135,000 hectares, although that area included the establishment of plantations based on funds collected up to June 1999 and a second set of funds collected prior to 30 June 2000. If the level of funds collected in June 1999 had been equivalent to the level of funds collected in June 1998, it is reasonable to suggest that around 70% of the plantations established in 2000 were funded by investments made in 1999. For 2000, the actual level of investment in the sector may have only been enough to support the establishment of approximately 40,000 hectares of plantations. On that basis, the withdrawal of the 13-month rule had a significant impact on the collection of investment funds for supporting plantation establishment.<sup>56</sup>

---

54 *Submission 40*, Australian Taxation Office, pp. 3-4, *Author's emphasis*.

55 *Submission 40*, Australian Taxation Office, p. 8.

56 *Submission 32*, National Association of Forest Industries, p. 15.

3.93 Following representations by the managed plantations industry, the ruling was reinstated:

Managed plantation companies believed that these changes adversely affected their ability to forward plan their activities because expenditure had to be committed before they knew how many participants would invest in their projects.

.....

In October 2001 the government responded by introducing a new 12 month rule for prepaid expenditure in the managed plantation forestry sector where that expenditure was for 'seasonally dependent agronomic activities'.

The government also amended the non-commercial loss provisions to correct an unintended impact of those provisions on afforestation projects.

....

Prior to the enactment of these new concessional provisions the ATO's Product Rulings area and the Tax Value Method Centre of Expertise worked with the managed plantation industry to ensure that boundaries of the new legislation were understood.<sup>57</sup>

3.94 NAFI noted that:

It is too hard to tell if the introduction of the 12-month rule has had an impact on investor sentiments as there are other changes being introduced by ASIC that could have positive or negative impacts on investor confidence.<sup>58</sup>

3.95 In evidence to the Committee, and in answer to criticisms of taxation treatment of plantation proposals, Treasury officials advised that:

... My understanding is that the issue they have raised is basically access to the five-year averaging provisions that are available to primary producers. I think that is my understanding of the issue they are raising. My reading of the submissions is that they are saying that, assuming that they are not connected to any other primary production business, the nature of forestry is such that they might get a large amount in one year, when the timber is cut, or whatever the circumstances. The first time I saw that issue raised was in the context of these submissions. I have not seen that issue raised before. Once again, it would not be high on the agenda because, as far as we were aware, the averaging provisions were operating okay for primary producers across the board. Whether they have a valid argument is difficult to answer because, as I said, it would depend on their circumstances.<sup>59</sup>

---

57 *Submission 40*, Australian Taxation Office, p. 9.

58 *Submission 40*, Australian Taxation Office, p. 9.

59 *Evidence*, Mr Peter Mullins, Department of the Treasury, RRA & T, 5 March 2003, p. 372.

3.96 On the general issue of perceived taxation disincentives, representatives of the Treasury also put the following view:

**Mr Mullins**—Regarding disincentives, we are aware of the ones that have been flagged in some of the written submissions. It would be fair to say that we have not had a lot of representations on these issues. That may be because there is this committee. The issues around the rights issues, the profit a prendre, are probably the only ones we have had much feedback on. Even then, there has been very little. I am not sure what you would specifically like to know about the broader tax issues and primary producers. It is a big area.

**CHAIR**—Does Treasury have any involvement at all? If so, can you explain that in terms of investment in plantation industries, but more particularly from the point of view of the tax regime's interaction with the tax office for certain types of investment schemes being put in place?

**Mr Mullins**—We do not have a lot of involvement with the ATO on these issues. Certainly from our group's perspective, if there are issues or concerns raised in the work the ATO does they will be flagged with us. From the revenue group perspective, we do not have an active involvement; our fiscal group may. Mike's unit handles primary producer issues in general and, obviously, there are issues on the public agenda around things such as farm management deposits and so on, but certainly the forestry issues have not been a big issue.

**Senator MURPHY**—In terms of policy formation with regard to the application of taxation measures, do you give any thought to how taxation measures might be applied to plantation forestry or, indeed, to other agricultural businesses of that nature?

**Mr Mullins**—It depends on the measure. We have a broad range of tax measures that we consider, and if it appears that the measure does have an impact, for example, on the primary production sector then we will consider those impacts.<sup>60</sup>

And:

**Senator MURPHY**—From an equitable taxation point of view, if a decision—political or otherwise—is taken at government level to allow for certain deductibility activities to take place in respect of plantation forestry on the basis of seasonal problems, so perceived, what have you done about other seasonal agribusiness activities that, as far as I can see, confront the same seasonal problems? Surely, some assessment ought to have been made about the equitable application of tax law. I am not arguing against what happened in regard to plantations; I am just wondering how we got to a point where it was found that we ought to do it for plantation forestry but not for other agribusiness sectors.

---

60 *Evidence*, Mr Peter Mullins, Department of the Treasury, RRA & T, 5 March 2003, pp. 368-9.

**Mr Mullins**—As I said, the government have made a decision about that issue. I do not think it is for us to argue whether they should have granted it to plantation forests or granted it to other types of business.<sup>61</sup>

3.97 The Committee considers that the current taxation arrangements for the plantation industry should be given a period to operate before the efficacy or otherwise of the arrangements are assessed. It notes that the Commonwealth government is not currently considering further alterations to incentive arrangements for plantation investment. The impact on investment of the introduction of the '12 month rule' should be examined. Following this assessment it may be opportune for the industry to reconsider the issues and for government to consider any proposals industry may make.

3.98 The Committee notes that the AFG/TIMA representatives, who appeared before the Committee and discussed this issue, reinforced this view.

3.99 It is clear that private investment is essential to the growth of plantation forests if the level of investment is to increase, as opposed to being maintained at the current level. The taxation incentives for such investment have been under regular scrutiny and the Committee notes that a period of time is required to test new arrangements.

3.100 The Committee notes that the identified 'impediments' are largely to be addressed by the Actions in Strategic Element 3. Of particular interest is the problem for investors (particularly smaller investors) and industry addressed by Action 8 ie, the level of market information. The Committee believes there is a need for a better, up-to-date and more comprehensive market information source with regard to Australian timber prices.<sup>62</sup> In relation to the current wording of Action 8, the Committee considers that there is a need for a specific outcome, under the Action's stated 'expected outcomes', for a clear statement on this issue.

#### **Recommendation 4**

**3.101 The Committee recommends that Action 9 under Strategic Element 3 be amended to include as an expected outcome the establishment of a Market Information Centre, based on the model of the current New Zealand body (or service), which will make available full and up-to-date information on current and projected prices and returns on various types of timber, including plantation timber.**

3.102 In relation to other matters to be covered by this Strategic Element, the Committee considers that its recommendations in Chapter Nine should be adopted. The Coordinator's report envisaged in Chapter Nine's recommendations is capable of producing useful and up-to-date information on the goals of Strategic Element 3.

---

61 *Evidence*, Mr Peter Mullins, Department of the Treasury, RRA & T, 5 March 2003, p. 369.

62 *Submission 26*, Abarecomics.



---

## Conclusion

3.103 The Committee has considered the views and perceptions of impediments and how Strategic Elements 1, 2 and 3 should be amended in light of these views. The Committee is of the view that, in general terms, these Strategic Elements are clear and comprehensive. While they are designed to address the concerns that emerged during the inquiry, they can also be regarded as directed at reducing the impact of an excessive degree of regulatory control or a lack of planning on future plantation development.

3.104 One of the major impediments to achieving the aims of the *2020 Vision* is the target, albeit notional, of achieving a certain number of hectares under plantation forest by 2020. The Committee agrees that it acts as a distraction from the aims and has therefore recommended that it be amended.

3.105 The other recommendations made by the Committee relate to the Actions outlines under Strategic Elements 2 and 3. In relation to Strategic Element 2 the Committee has sought to increase accountability rather than amending the actions.

3.106 The final recommendation relates to market information available to investors. The Committee notes that the lack of such information can impede investment and therefore recommends that a market information service be established.

