

MINORITY REPORT

Timber plantations are environmentally friendly, sustainable production systems for farming wood – a renewable, recyclable and biodegradable resource (2020 Vision – commitment to sustainability)

Australia's plantation industry and the 2020 Vision cannot achieve their goal of sustainability unless they face up to two key issues – the plantation wood glut and the disgraceful state of Tasmania's forest management system.

1. Plantation wood glut

Australia's supply of plantation wood will increase by 33% from 18 to 24 million m³ per annum in 2005. The extra 6 million m³ is hardwood (eucalypt) pulpwood. Australia does not have the capacity to process this quantity of plantation wood. It is competing directly with (subsidised) native forest woodchips, 6 million m³ of which continue to be exported annually, mostly from Tasmania. If native forest woodchipping continues, prices for plantation hardwoods are likely to fall, reflecting the supply glut not just in Australia but around the Pacific Rim.

Within three to five years, large areas of Australia's eucalypt plantations will mature. The wood volumes projected to come on stream are likely to generate a hardwood woodchip glut, if native forest resources remain in the supply equation.¹

The international market for plantation wood products is extremely competitive, and forecast to become even more competitive. Pacific Rim timber prices are expected to fall in response to increasing plantation production, and continued profitability depends on increasing productivity.²

The expansion of hardwood plantations is mostly driven by special tax concessions, justified by the government as supporting the 2020 Vision. These concessions enable investors to claim a tax deduction in any one year for plantations to be established in the next year. As Alan Kohler points out, 'the companies are selling trees, but their customers are buying some thing else – a tax deduction'. With no new planting, hardwood pulplog supplies, currently 2 million m³ per annum, will stabilise at around 10 million m³ per annum by 2010. With forecast new planting, they will increase to 14 million m³ by 2010 and 18 million m³ by 2020.

¹ Dr Judy Clark, submission, p.1

² ABARE Economics, submission, p.6

These phenomenal quantities of wood will undermine the international competitiveness of Australia's plantation industry rather than underpin regional wealth creation as envisaged by the 2020 Vision. Removing the explicit target of trebling the extent of plantations is not sufficient to solve the problem; the tax deductions and subsidies for native forest logging have to be addressed.

Recommendation 1

Abolish special tax deductions for plantation establishment by managed funds (12 month prepayment rule).

Note. The deductions cease on 30 June 2006. They should preferably be abolished before the 2005-06 planting year but at minimum should not be extended or renewed.

2. Subsidised native forest wood

Native forest wood remains in the supply equation because it is subsidised.

According to Evan Rolley, the managing director of Forestry Tasmania, the average price for chip logs from public native forests is \$11 to \$12 per tonne. I do not think this committee will find any mainland plantation grower that can compete at such low stumpages.³

Ms Naomi Edwards gave evidence that the price premium for plantation wood over native forest wood is being 'very much squeezed...so the substitution and competition effect between native and plantation wood is becoming more raw and exposed'. She recommends in relation to the issue of native wood subsidy that –

...the committee consider whether the actions of government in selling the wood stumpage at 11 to 12 bucks is really hurting an industry which is promising growers \$32 to \$50 a tonne for the same product.⁴

Recommendation 2

Ensure that private sector investment in hardwood plantations is not commercially undermined by state government subsidies on chiplogs from native forests.

3. Tasmania's forest clearance for plantations

Tasmania planted more new plantations in 2003 than any other state, and already has 22 percent of Australia's hardwood plantations. The high rate of planting is partly explained by the ability to subsidise plantation establishment through clearing native forests, on both public and private land.

³ Dr Judy Clark, evidence, Friday 21 February 2003, p.312

⁴ Ms Naomi Edwards, evidence, Tuesday 29 April 2003, p.401

The Forest Practices Board calculates that about 80 000 hectares of native forest on public and private land were cleared for plantations in the six years to 2003. This 'forest mining' advantages Tasmanian plantation growers –

Senator HEFFERNAN —Would it be fair to say that Gunns are subsidising their plantation operation from forest mining?

Ms Clark —That is a very good point and I would like to widen it out to Australia. Whilst in Tasmania you can establish plantations through large clearing of native forests and earn the cash flow on that business and then replant and enjoy that configuration, other eucalypt plantation growers in Australia do not enjoy that benefit.

Recommendation 3

That the Commonwealth act to bring Tasmania into line with other jurisdictions by prohibiting broad-scale clearing of native vegetation for plantation establishment.

4. Tasmania's corrupt forest management system

There is an almost complete absence of regulation of plantation establishment in Tasmania. Former Forest Practices Board auditor Mr Bill Manning⁵ and numerous others gave evidence of a weak and unenforceable Code of Forest Practices, a fraudulent audit system set to mislead the Tasmanian parliament, inability for local communities to have a say over plantation establishment or clearing of native vegetation, chemical pollution from aerial spraying, use of 1080 poison to kill native wildlife and serious and costly impacts of plantations on water quality and supply.

There is a widespread community backlash against the spread of plantations and the failure of Tasmania's forest management system.

Recommendation 4

That the Commonwealth Ministers for Agriculture, Fisheries and Forestry and Environment and Heritage commission an independent review of Tasmania's

5 Evidence of Mr Bill Manning

Regrettably, the committee's Launceston hearing, where Mr Bill Manning was scheduled to give evidence, was abandoned. This situation arose when, on a motion moved by Senator O'Brien, the large public gallery was asked to leave without explanation. The purpose was to hear the witness, Mr Manning, in camera. No reason was provided. Moreover, Mr Manning, who had not been consulted, did not agree to be heard in camera. It was his refusal and not the lingering public or MP which led to the suspension of the hearing.

It should be noted that the committee later heard Mr Manning in open session in Canberra, with the Tasmanian public effectively prevented from attending.

It is regrettable that the decision to have Mr Manning denied a public hearing in Launceston was not made until after the hearing began and a large number of citizens had come along with a number of journalists. I apologise for the inconvenience which resulted.

forest management system, with the power to subpoena witnesses and evidence; it should be completed within 12 months.

A handwritten signature in black ink, appearing to read 'Bob Brown', written in a cursive style.

**Senator Bob Brown
Australian Greens**