

The Senate

Rural and Regional Affairs and Transport
References Committee

Australian forest plantations

*A review of Plantations for Australia:
The 2020 Vision*

September 2004

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RECOMMENDATIONS

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.

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.

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.

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.

Recommendation 5

4.29 The Committee therefore recommends that funding for Private Forestry Development Committees (PFDCs) be made over a 3 year period, subject to the delivery of outcomes against Action 13 of the *2020 Vision* for plantation forests.

Recommendation 6

4.31 The Committee recommends that the following matters be included in any report prepared by the Coordinator:

- Actions under Strategic Element 4 be reported against expected outcomes with regard to involvement of stakeholders in achieving the Strategic Element

goals. Each report by the Coordinator should provide detail of how stakeholders have been involved in each year's goal achievement and a measure of stakeholders' satisfaction.

- **Assessment or report on Actions – especially Action 13 under Strategic Element 4 – should give details of consultation, contact or involvement with local governments and Regional Catchment Management Authorities in achievement of expected outcomes under the Action.**
- **Details of current and proposed reviews and/or studies of social and community responses to further plantation development to be conducted by the Bureau of Rural Sciences and other bodies such as the Forest and Wood Products Research and Development Corporation.**

Recommendation 7

4.32 The Committee recommends that research and other studies to be carried out under Action 13 of Strategic Element 4 (which involve consultation with Catchment Management Authorities) be the subject of specific report by the Coordinator.

Recommendation 8

5.38 The Committee therefore recommends that the plantation industry establishes joint ventures to encourage research to examine the environmental benefits that may be delivered by plantation forests, particularly in relation to the availability of water, salinity and water quality, and plantations in low rainfall areas.

Recommendation 9

5.39 The Committee recommends that the Commonwealth urgently funds the conduct of a water audit in both the mainland and Tasmania, to assess the impact of plantation forests on both water quantity and quality.

Recommendation 10

5.40 The Committee recommends that the government review the application of the Mandatory Renewable Energy Target (MRET) legislation as it applies to the plantation woody crop industry.

Recommendation 11

6.36 The Committee recommends that the government investigate the possibility of introducing a taxation incentive related to the period of time a plantation is grown, however urges the government to keep in mind the necessity for the industry to meet environmental goals without significant subsidies and tax benefits.

Recommendation 12

8.205 The Committee recommends that the Minister for Agriculture, Fisheries and Forestry, as a matter of urgency, finalise and publish the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress and Implementation of the Tasmanian Regional Forest Agreement (1997)*.

Recommendation 13

8.206 The Committee recommends that, within 12 months of the publication of the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress with Implementation of the Tasmanian Forest Agreement (1997)*, that this Committee conduct a review of operations under, and the enforcement of, the Forest Practices Code. The Committee should be able to seek expert advice in the conduct of its inquiry and the Committee would expect the immediate co-operation of both State and Commonwealth Governments. In the absence of full co-operation, the Committee foreshadows that it will recommend an immediate independent review with more compelling and drastic powers.

Recommendation 14

9.24 The Committee recommends Strategic Element 5 be amended to provide that the National Plantation Strategy Coordinator prepare an annual report detailing the plantation industry's performance against the expected outcomes of each of the 14 principal Actions required by the *2020 Vision* program.

Recommendation 15

9.25 The Committee recommends that the National Plantation Strategy Coordinator's annual report also indicate the extent of research and/or assessment work (and results) carried out by the Coordinator, industry and other agencies, applicable to plantation development.

Recommendation 16

9.26 The Committee recommends that the National Plantation Strategy Coordinator's report is presented to the Minister for Agriculture, Fisheries and Forestry, and to the Minister for Environment and Heritage, and to the Ministers equivalent in each State.

Recommendation 17

9.27 The Committee recommends that the National Plantation Strategy Coordinator's report is tabled in the Commonwealth and State Parliaments within a month of the relevant Minister receiving it, so as to allow scrutiny by the parliament and the community of the achievement of *2020 Vision* goals.

TERMS OF REFERENCE

The following matter was referred to the Rural and Regional Affairs and Transport References Committee for inquiry and report:

Taking into account the findings of the Private Forests Consultative Committee's review of '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.

GLOSSARY AND ABBREVIATIONS¹

ABARE	Australian Bureau of Agricultural and Resource Economics
AFG	Australian Forest Growers
ALGA	Australian Local Government Association
ATO	Australian Taxation Office
Biodiversity	Biological diversity is the variety of all life forms – the plants, animals and micro-organisms – their genes and the ecosystems they inhabit.
Buffer	A strip of land (often including undisturbed vegetation) where disturbance is not allowed or is closely monitored to preserve or enhance aesthetic and other qualities along or adjacent to roads, trails, watercourses and recreation sites.
Carbon accounting	Estimation of the amount of carbon in an ecosystem and changes in the amount stored. Carbon accounting in forests refers to estimating changes in carbon stored arising from activities such as reforestation.
Carbon sink	Components of the land and biomass where carbon is held in non-gaseous form for substantial periods of time.
CAR Reserve System	Comprehensive, Adequate and Representative Reserve System
Catchment	The area determined by topographic features within which rainfall will contribute to runoff at a particular point under consideration.
CIE	Centre for International Economics

1 Definitions in glossary were obtained from a combination of sources, including: *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003; *Sustainable Forest Management Report 2001-2002*, Forestry Tasmania, 2002 and the Department of Agriculture, Fisheries and Forestry's RFA Glossary, located at www.affa.gov.au.

Clearfelling	The process of removing all trees, large and small, in a stand in one cutting operation.
Coupe	A small management area of a forest in which harvesting and forest regeneration may occur.
CRA	A Comprehensive Regional Assessment (CRA) is a scientific assessment of the environmental, social and economic values that forests provide.
DAFF	Commonwealth Department of Agriculture, Fisheries and Forestry
Deforestation	Deforestation is the permanent removal of forest. The forest is cleared and the land is then used for other purpose, such as agriculture or urban development.
DPIWE	(Tasmanian) Department of Primary Industries, Water and Environment
EA	Environment Australia
Ecosystem	A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. (<i>Environment Protection and Biodiversity Conservation Act 1999</i> definition).
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
Exotic	Species of plant or animal found in a region where it does not occur naturally.
Forest	An area incorporating all living and non-living components, dominated by trees having usually a single stem and a mature (or potentially mature) stand height exceeding 5m, with existing or potential projective foliage cover of overstorey strata, about equal to or greater than 30%. This definition includes native forests and plantations, regardless of age, and areas of trees sometimes described as woodlands.
Forest Estate	All forests growing on public or private lands.
FPB	(Tasmanian) Forest Practices Board

Forest Practices Code	Guidelines and standards used in planning forest operations to ensure environmental protection. This code is required under the <i>Forest Practices Act 1985</i> .
Forest Practices Plan	A plan for forest operations, specified in Section 18 of the <i>Forest Practices Act 1985</i> .
FT	Forestry Tasmania
Fuel reduction burn	A fire of low intensity carried out under closely controlled conditions to reduce the quantity of accumulated dead fuel from the forest floor, without damaging standing timber. Also called low intensity prescribed burn.
FWPRDC	Forest and Wood Products Research and Development Corporation
Hardwood	Timber from flowering trees, such as eucalyptus, irrespective of the physical hardness of the timber; also used to refer to the trees that have such timber.
IFA	Institute of Foresters of Australia
MCFFA	Ministerial Council on Forestry, Fisheries and Aquaculture
MinCo	Ministerial Council
Monoculture	A large area of a single species.
NAFI	National Association of Forest Industries
Native forest	Any local indigenous community, the dominant species of which is trees and containing through its growth the complement of native species and habitats normally associated with that forest type or having the potential to develop these characteristics. It includes forests with these characteristics that have been regenerated with human assistance following disturbance. It excludes plantations of native species and previously logged native forest that has been regenerated with non-endemic native species.
NCC	National Competition Council
NFPS	National Forest Policy Statement

NHMB	Natural Heritage Ministerial Board
Non-wood products	Non-wood products are of biological origin other than wood derived from forests, other wooded land and trees outside forests. Examples include products used as food and food additives (edible nuts, mushrooms, fruits, herbs, spices and condiments, aromatic plants, game), fibres (used in construction, furniture, clothing or utensils), resins, gums, and plant and animal products used for medicinal, cosmetic or cultural purposes.
Old-growth forest	Ecologically mature forest where the effects of disturbances are now negligible.
Peeler log	A log for rotary peeling for structural-grade plywood.
PFCC	Private Forests Consultative Committee
PFDC	Private Forestry Development Committee
PFE	Private Forest Estate
Plantation	Intensively managed stands of trees either native or exotic species created by the regular placement of seedlings or seeds.
Private forest	Private forests are on private property. They are owned and managed by individuals or companies.
PTAA	Plantation Timber Association of Australia
Public forest	Public forests are forests managed by the government on behalf of the people. These forests include State forests, national parks and many other types of reserves (any forest on Crown land for which management responsibility has been delegated to government agencies, local governments or other instrumentalities).
Pulp	Material made up of separate fibres that is used to make paper.
Pulpwood	Pulpwood is logs not of suitable quality or size for sawing that instead are processed into woodchips, mainly for the production of paper.

Reserves	Reserves are forests that are set aside from timber production, either by formal [legal] means, as in the case of national parks, or by informal means, such as management decisions in a management plan.
RFA	Regional Forest Agreement – an agreement between the Commonwealth and Tasmanian government about the long-term management and use of forests in a region.
Riparian	The riparian zone refers to the area directly adjacent to a waterway.
Rotation	In forestry, the planned number of years between regeneration and final harvesting of a stand of trees. Rotation length is used in forest management planning to determine sustainable yield.
Roundwood	Sawlogs, pulpwood, poles, etc, in round form.
RPC	Regional Plantation Committee
Salinity/salinisation	The level of salt in water or soil. Salinisation is the process of increasing salinity levels.
Sawlogs	Sawlogs are logs of suitable size and quality for milling into sawn timber, veneer, poles or sleepers.
Sawn timber	Solid timber that has been cut into boards for use in construction or furniture.
Sawnwood	Timber produced by sawing logs into particular sizes for uses such as building.
SCF	Standing Committee on Forestry
Selective logging	Felling and removing part of the forest crop, usually according to a specified silvicultural prescription.
Silviculture	The science and technology of managing forest establishment, composition and growth.
Slash burn	Burning material left on the ground after harvesting operations, including tree heads, shrubs and other non-merchantable woody material. Usually done in the late summer or early autumn.

Softwood	A softwood is the wood from a conifer, such as a pine tree. Tree species defined by anatomical characteristics that commonly (but not always) produce softer, lighter timber. Pinus is the principal softwood plantation genus in Australia.
State forest	(Tasmania) Land managed by Forestry Tasmania under the <i>Forestry Act 1920</i> , including purchased land.
Sustainable yield	Sustainable yield refers to the amount of timber that may be harvested from a forest without the forest qualities declining in the long term. It varies over time, as forests grow and change, and is not constant.
TIMA	Treefarm Investment Managers Australia
TIRES	Timber Industry Road Evaluation Studies
Veneer log	A log for producing veneer, either by slicing or peeling, for panel products.
VIC	Vision Implementation Committee
Water quality	Water quality refers to the amount of nutrients, particles and chemicals contained in the water.
Water yield	Water yield from a forest is the amount of water that comes from the forest into a water catchment.
Wilderness	Land that, together with its plant and animal communities, has not be substantially modified by, and is remote from, the influences of European settlement or is capable of being restored to such a state.
Woodchipping	Producing small pieces of wood from pulpwood. This is the first stage of processing pulpwood into paper and fibreboard.
Woodchips	Woodchips are small pieces of wood used for making paper and composite boards like medium density fibreboard (MDF) and particle board, as well as garden uses.

CHAPTER ONE

INTRODUCTION AND INDUSTRY OVERVIEW

Terms of Reference

1.1 On 27 June 2002, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 12 December 2002:¹

Taking into account the findings of the Private Forests Consultative Committee's review of '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) optimize 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.

1.2 On 25 September 2002 the Senate agreed to extend the time for presentation of the report until the last sitting day in August 2003.² Subsequent extensions to the reporting date were provided by the Senate, with the final reporting date being 2 September 2004.

1 *Journals of the Senate*, 27 June 2002.

2 *Journals of the Senate*, 25 September 2002.

Conduct of the Inquiry

1.3 In July 2002, advertisements calling for submissions to the inquiry were placed in *The Australian*, *The Sydney Morning Herald*, *Queensland Country Life*, *The Mercury* (Hobart), *The Examiner* (Launceston), *The Land* and the *Stock Journal*.

1.4 The inquiry was also advertised in the national press, as well as the *Albany Advertiser* and *The West Australian*, in September 2002, prior to the Committee's hearing in Albany on 11 October 2002.

1.5 Advertisements were also placed in *The Advocate* (Burnie), *The Examiner* (Launceston) and *The Mercury* (Hobart) in November 2002, prior to the Committee's Launceston hearing on 29 November 2002.

1.6 In addition to advertising in the press, the Committee also wrote directly to a number of interested persons and organisations advising of the inquiry and inviting submissions. The Committee also extended the date by which submissions would be received to allow all parties the maximum opportunity to contribute and respond to the issues raised. Submissions continued to be received throughout the inquiry.

1.7 The Committee received 90 written submissions³ on the reference. A list of submissions is provided in **Appendix 1**.

1.8 Approximately half of the submissions received were from organisations, groups and individuals in Tasmania. Submissions were also received from Western Australia, Victoria, New South Wales, Queensland and the ACT.

1.9 Following referral of the inquiry, the Committee held a series of eight hearings in the following locations:

Albany	11 October 2002
Launceston	29 November 2002
Canberra	20 February 2003
Canberra	21 February 2003
Canberra	5 March 2003
Hobart	29 April 2003
Launceston	6 August 2003
Canberra	8 October 2003

3 This number includes Supplementary Submissions.

1.10 The Committee notes that a hearing in Launceston on 6 August 2003 had to be abandoned due to a lack of cooperation from the public, including a member of the Tasmanian House of Assembly. The Committee took a decision to hold the hearing in camera to receive the evidence from one witness, Mr Bill Manning. The Chair informed the hearing of this decision and Senator Brown indicated his objection. The Chair's request to vacate the hearing room was met with resistance. The Committee believes that such disorder detracts from its work and is therefore regrettable.

1.11 Mr Manning gave evidence in public in Canberra on 8 October 2003.

1.12 The Committee anticipated completing its hearing program following the hearing held in Hobart at the end of April 2003. However, following the Committee's consideration of further submissions to the inquiry and the response to these submissions by the Tasmanian Government, the Committee decided to pursue those matters as part of its inquiry.

1.13 This part of the Committee's inquiry process proved to be a lengthy procedure. As a result, the Committee did not complete its hearings and various follow-up inquiries until the end of 2003.

1.14 The Committee worked with draft versions of the *Plantations for Australia: The 2020 Vision* document until July 2003 when a copy of the final pre-print draft was made available to the Committee. A final version of the *2020 Vision* was released on the Plantations 2020 website in November 2003.

1.15 The *Hansard* transcript of all public hearings is available on the Hansard website at www.aph.gov.au.

1.16 The Committee took evidence from 52 witnesses, including individuals with an interest in the plantation forestry industry, representatives of industry organisations, conservation groups, local councils and community organisations. The Committee also took evidence from representatives of government bodies – both Commonwealth and State. A list of witnesses is provided in **Appendix 2**.

1.17 During the inquiry, the Committee undertook several days of inspections and briefings in Tasmania. On 28 November 2002, the Committee's inspection tour included: forest operations at Ulverston; a meeting with members of the Preolenna community at the Preolenna Hall; a visit to a Timber Veneer Mill at Somerset and a guided tour of the Moorleah, Preolenna and Meunna areas. Part of the Committee's tour was hosted by representatives of Timber Communities Australia, Private Forests Tasmania, Gunns Plantations, Forest Enterprises Australia and Forestry Tasmania. The afternoon's inspections were hosted by Ms Colleen Bibley and Mr Malcolm Ryan.

1.18 The Committee notes that Mr Alistair Graham, who appeared before the Committee in Hobart on behalf of the Tasmanian Conservation Trust, suggested that

the residents who met the Committee on its visit to Preolenna had been bussed in. He indicated that only "three were residents; the rest were not."⁴

1.19 The Preolenna community responded to Mr Graham's comments, and the Committee subsequently took evidence on the matter. It was assured that "the 13 community members that were here [in Preolenna for the Committee's visit] were not bussed in and we are certainly not play actors".⁵ The Committee is satisfied by these assurances and places no reliance on the initial evidence in this regard.

1.20 On 30 April 2003 the Committee, hosted by Mr Frank Strie and Ms Margy Dockray, toured areas of Tasmanian forestry operations. The itinerary involved travel via Nunamara, Patersonia, the Lisle Valley and Scottsdale. The Committee inspected a second-rotation pine plantation, a former cable logging coupe on the eastern side of Weld Hill and several areas that had been converted from native forest to plantation forestry coupes.

1.21 On 1 May 2003, the Committee undertook an inspection tour of areas between Launceston and Lorrina, accompanied by Ms Geraldine de Burgh Day. During this tour, the Committee inspected a number of coupes that had been clear-felled for plantation conversion, as well as an area of forest that had been selectively logged in 2000 for use in the construction of a residence.

1.22 The Committee also visited the University of Melbourne's Forest Science Centre at Creswick (Victoria) for an inspection and briefing on 21 March 2003.

1.23 The subject of the Committee's inquiry – the plantation forest industry – is one which is emerging as a significant contributor to the world's increasing requirements for wood and non-wood forest products. A recent research report prepared for the Australian Bureau of Agricultural and Resource Economics (ABARE) indicated that plantations represent less than 3 per cent of the world's forest resources. Yet it is estimated that plantations supply approximately one-third of the world's supply of industrial roundwood⁶ and approximately 10 per cent of the global fuelwood resource. The report also acknowledges that despite the increased importance of plantations as a focus for international forest policy, the exact role of plantations is not well understood.⁷

1.24 It is a complex industry with some marked regional differences. This section provides the context of the Committee's inquiry – an overview of the industry in Australia – and highlights significant recent trends.

4 *Evidence*, Mr A Graham, RRA & T, 29 April 2003, p 447.

5 *Evidence*, Mrs Pinner, RRA & T, 8 October 2003, p 553.

6 The term 'roundwood' refers to sawlogs, pulpwood, poles etc. in round form.

7 *Global Outlook for Plantations: ABARE Research Report 99.9*, prepared by Jaakko Poyry Consulting for Australian Bureau of Agricultural and Resource Economics, June 1999, p. 1.

Australia's Plantation Estate

1.25 The majority of Australia's plantation resource is concentrated along the southern and eastern coasts, Tasmania and Western Australia.

1.26 Commercial plantation forests have been established at an average 87,000 hectares per year over the last five years, with the majority of this new development happening on land that was previously used for agriculture.⁸ Australia's plantation estate (as at December 2002) totalled 1,627,800 hectares of which 987,900 hectares (61 per cent) are softwood species and 638,300 hectares (39 per cent) are hardwood species. Note that WA (37%), Victoria (23%) and Tasmania (22%) have the majority of Australia's hardwood plantations.

Table 1: Total area of plantations by State, December 2003

State	Hardwood	Softwood	Unknown	Total
Australian Capital Territory	65	5,264	0	5,329
New South Wales	50,977	280,251	0	331,228
Northern Territory	4,448	3,817	0	8,265
Queensland	30,520	181,088	1,247	212,855
South Australia	37,119	120,493	261	157,872
Tasmania	146,641	76,104	0	222,745
Victoria	154,650	211,961	0	366,611
Western Australia	251,542	109,246	0	360,788
Total	675,962	988,233	1,508	1,665,693
	41%	59%		

National Plantation Inventory Australia, 2004 Update, Bureau of Rural Sciences, Canberra, March 2004, p. 2.

8 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. iv.

1.27 In Tasmania:

The reduction in the native forest estate over the six year period from 1997/98 to 2002/2003 amounts to approximately 80,000 ha (2.55 of the estimated 1996 native forest estate) as a result of conversion (mainly for plantation or agriculture).⁹

1.28 Over half the wood supplied to Australian industry is currently sourced from plantations. Significant increases in plantation wood supply are projected over the next 20 years, particularly in relation to hardwood and pulpwood. Mature softwood plantations are currently supplying large-scale domestic processing facilities.¹⁰

1.29 Two-thirds of the wood produced in Australia now comes from plantations (18.4 million m³ from softwood and hardwood plantations compared with 10.1 million m³ from native forests in 2002/03).

1.30 Most plantation wood is milled for sawntimber and veneer (9.5 million m³ or 57% of softwood produced in 2002/03 was sawntimber or veneer, 4.9 million m³ was pulpwood, and 2.3 million m³ was used for other purposes). Most native forest wood is chipped. In 2002/03, 6.7 million m³ (66%) was chiplogs and 3.0 million m³ (30%) was sawlogs and veneer.¹¹

1.31 Plantation wood production (softwood and hardwood) totalled 18.4 million m³ in 2002/03 compared with a projected availability for the period 2001-04 of 17.7 million m³.¹² For the five years beginning in 2005, plantation wood supplies are projected to increase by 33% to 26.2 million m³ per annum. Supplies of plantation hardwood pulplogs will increase by 250% to 8.3 million m³ per annum, far exceeding the woodchip volume currently taken from native forests.¹³

1.32 Although softwoods still make up the majority of Australia's total plantation resource, the area of hardwood species has expanded rapidly. The hardwood proportion of the plantation estate now stands at 41 per cent.¹⁴

9 Forest Practices Board, 2002-03 Annual Report, p 23.

10 *Water Use by Australian Forest Plantations: Pre-publication – Draft Final Report*, prepared for the Forest and Wood Products Research and Development Corporation by the Bureau of Rural Sciences, 2004, p. 12.

11 *Australian Forest and Wood Products Statistics*, September and December Quarters 2003, ABARE, Table 47, p. 56.

12 *Australian Forest and Wood Products Statistics*, September and December Quarters 2003, ABARE, Table 47, p. 56.

13 *Plantations of Australia: Wood Availability 2001-2044*, Department of Agriculture, Fisheries and Forestry – Australia, p. 5.

14 National Plantation Inventory Australia, 2004 Update, Bureau of Rural Sciences, Canberra, March 2004, p. 2.

1.33 The volume of timber harvested from Australian plantations has increased during recent years, as large areas of softwood planted during the 1960's and 1970's reach maturity. Plantation softwood is the dominant raw material in many commodity and wood products that traditionally used native hardwoods.¹⁵ Substitution of plantation timber for native timber has become a feature of the domestic market and this trend is likely to continue into the future as the plantation resource continues to develop.¹⁶ Softwood plantations are currently producing both sawlogs and pulp logs. These are processed into products which include:

- structural grade timbers;
- appearance grade timbers;
- industrial grade timbers;
- treated products;
- wood-based panels (including plywood, particleboard, MDF and LVL); and
- pulp and paper.¹⁷

1.34 *Pinus radiata* constitutes approximately two thirds of Australia's total area of softwood species. In Queensland, other softwoods, including *Araucaria cunninghamii* and *P. caribaea* and *P. elliottii* have also been planted, and Western Australia has a considerable *P. pinaster* resource.¹⁸

1.35 Australia's hardwood plantations are primarily planted with *Eucalyptus* species, supplemented by a small proportion of tropical rainforest and other hardwood species. *Eucalyptus globulus* makes up over 60 per cent of plantings of hardwood species. Other eucalypts make up approximately 19 per cent.¹⁹ These hardwood plantations have primarily been planted for the production of pulpwood. However, higher grade logs are being grown in several locations and being used in the solid wood industry. The majority of Australia's hardwood plantations are still in the early

15 *Water Use by Australian Forest Plantations: Pre-publication – Draft Final Report*, prepared for the Forest and Wood Products Research and Development Corporation by the Bureau of Rural Sciences, 2004, p. 12.

16 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 227.

17 *Investment Opportunities in the Australian Forest Products Industry*, Department of Agriculture, Fisheries and Forestry Report prepared by Jaakko Poyry Consulting, October 2001, p. xi.

18 *Plantations of Australia 2001: A report from the National Plantation Inventory and the National Farm Forest Inventory of Australia*, Bureau of Rural Sciences, 2001, p. 12.

19 *Plantations of Australia 2001: A report from the National Plantation Inventory and the National Farm Forest Inventory of Australia*, Bureau of Rural Sciences, 2001, p. 12.

stages of development. These volumes of fibre will not be available for a number of years.²⁰

1.36 During the early years of the plantation forestry industry, many of the major costs associated with establishing and managing plantations were met by governments. More recently, however, there has been an increasing trend in Australia toward the commercialisation or privatisation of government-owned assets. More than 80 per cent of plantations in Australia are currently owned and/or managed by approximately 16 organisations, including both state government agencies and private sector businesses.²¹

Supply and Consumption of Wood and Wood Products

1.37 Domestic supply of wood and wood products has increased over the last decade. Despite cyclical variations, there has also been a slight increase in the total consumption of wood and wood products during the same period. At the same time, however, the *per capita* consumption of wood products has declined over the past 20 years. A recent BRS *State of the Forests Report* attributes this decline to population growth and some substitution of wood products in the construction industry (largely with non-timber products that offer a range of advantages other than price).²²

1.38 The report also argues that there is a clear trend towards import replacement in relation to the consumption of sawn timber and wood-based panels. However, high value paper and paper products continue to provide a significant share of domestic consumption. In 2001-02, the total value of imports was \$3578.4 million with 68 per cent attributed to paper, paperboard, paper manufactures, wastepaper and pulp imports. Australia's importation of paper and paper products in 2000-01 was more than double that in 1990-91, and it is expected that consumption will increase in the near future – in line with rising incomes.²³ However, it was argued that even if consumption of paper products was to increase, it does not necessarily mean increased consumption of wood or wood fibre because the industry is investing strongly in wood-saving technologies. For example, in 1970, the global paper industry used an average 0.8 tonnes of wood pulp to make a tonne of paper; today it needs only 0.5 tonnes of wood pulp per tonne of paper.²⁴

20 *Investment Opportunities in the Australian Forest Products Industry*, Department of Agriculture, Fisheries and Forestry Report prepared by Jaakko Poyry Consulting, October 2001, p. xi.

21 *Australian Forest Plantations: Sustainable Returns in the New Century*, Plantations 2020 Publication, paragraphs 1.1-1.5.

22 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 227.

23 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 228.

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

1.39 Since Regional Forest Agreements were implemented in 1997 and controls on the export of woodchips lifted, exports of native forest woodchips, whole logs and plantation logs and woodchips has increased.

1.40 Domestically, there has been an increasing supply of sawnwood over the last ten years. There has also been a trend towards import replacement; the proportion of demand met by domestic supply rose from 56 per cent in 1990-91 to 79 per cent in 2000-01.²⁵ There has also been an increase in Australia's production of wood and wood-based panels during the last decade. Primarily, this increase has been brought about by an expansion of exports, particularly of particleboard and medium density fibreboard. In 2000-01, domestic supply of wood and wood-based panels accounted for 83 per cent of domestic consumption, following a peak of 87 per cent in 1997-98.²⁶

1.41 Exports of wood-based panels have increased by approximately 100 per cent since 2001. It is anticipated that any further increases in the domestic demand for wood-based panels are likely to be met by imports, because the size of mills required for economic production may exceed the likely requirements of Australia's small market.²⁷

1.42 Paper and paperboard production has also increased gradually during the past 10 years, but was outgrown by consumption. The proportion of domestic supplies consumed locally was 70 per cent in 1990-91 and dropped to 62 per cent in 2000-01. In 2000-01, printing and writing paper accounted for about half the total volume of paper and paperboard imports. The proportion of printing and writing paper imported (as a share of total paper and paperboard imports) increased from 58 per cent in 1991-92 to 61 per cent in 2000-01.²⁸

Changes within Australian Forest Industries

1.43 There have been several major changes in Australian forest industries since the early 1990's. The changes include an increasing use of plantation timber (as an alternative to native forest timber) for commodity wood products, a shift toward the privatisation of public resources and an increase in both domestic and foreign investment (amounting to more than \$6.5 billion) in the forestry industry –

25 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 229.

26 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 229.

27 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 229.

28 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. 230.

particularly the plantation sector.²⁹ The clearing of native vegetation to establish plantations is a major issue, especially in Tasmania.

1.44 New investment in forest establishment and wood-processing has occurred in each State and Territory and it is the further expansion of Australia's processing capacity which, it is argued, has the potential to have a positive impact on regional and economic development:

Australia's plantations are distributed across 15 regions and provide a wood resource for decentralised industries as evidenced by established softwood processing industries in a number of regions. Although eucalypt plantations grown on short rotations (10-15 years) are currently the major component of new plantations development, there is relatively little associated processing capacity, apart from chipping for export. Expansion of softwood processing, and development of hardwood processing industries could stimulate regional development and reduce the national deficit in forest products trade currently running at approximately \$2 billion p.a.³⁰

1.45 Australia's forest industries have undergone sweeping changes in the last ten years and the potential exists for even more radical change during the coming decade. The Forest and Wood Products Research and Development Corporation's latest Research and Development Plan (2003-2008) outlines the factors which will impact the development of forest industries. These include:

- Market Dynamics – the need to address the needs of customers; to maintain existing markets and create new ones (particularly with increased competition from other suppliers and non-wood products); to promote the sustainability of wood products and to develop non-wood markets (including salt, carbon, energy and biodiversity).
- Industry Competitiveness/Image – issues to be considered are the globalisation of the industry, the scale of production and global sourcing, capital investment opportunities and new technology, infrastructure development and supply chain solutions, resource expansion (including access to land, finance and genetic resources) and human resource issues (ie. attracting people with appropriate skills).
- Demand/Supply Balance – the industry will need to be mindful that there is an increasing softwood supply and an increase in the number of hardwood plantations, that there is declining access to native forests (and highest quality hardwood resources), that there is a higher proportion of juvenile wood (which raises issues of fitness for purpose for current and future products) and that there will also be competition from non-wood products.

29 *Australia's State of the Forests Report 2003*, Bureau of Rural Sciences, September 2003, p. vii.

30 *Plantations of Australia: Wood Availability 2001-2044*, Consultant's Report for the National Forest Inventory, Bureau of Rural Sciences, August 2002, p. iii.

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- Developing Products – it will be important to improve the performance and promote the quality of wood-based composites; to optimise product performance and processing and to understand, evaluate and control wood and fibre properties for current and future products.
 - Changing Wood and Fibre Uses – the uses for wood and fibre have changed. The use of recycled fibre (paper and solid wood) has increased and there is an increased availability of high performance paper and paperboard.
 - Resources and the Environment – there has been considerable change in this area: forestry is now being integrated with traditional agriculture, there is increased land use planning to achieve commercial and environmental benefits from planted forests and forestry is seen as having the potential to deliver environmental services (including amelioration of land and water degradation, carbon sequestration and biodiversity enhancement).³¹

1.46 The Research and Development Plan also argued that, as part of the inevitable, ongoing changes within Australia's forest-based industries, the factors listed above need to be considered as part of a framework that includes the overarching principles of environmental and social sustainability. Issues such as sustainable forest management, certification, labelling and chain of custody, increasing consumer awareness, more efficient use of energy, reducing waste and increasing recyclable products have also become important considerations.³²

1.47 In addition to environmental and social sustainability, the forestry industry has also been examining ways to become economically sustainable. Historically, the expansion of plantation forests has primarily been driven by domestic demand. Export opportunities to Asia, carbon sequestration and land rehabilitation now have the potential to influence the further development of the industry.

The Committee's Report

1.48 The focus of the Committee's report is the *Plantations for Australia: The 2020 Vision* (2020 Vision or 'the Vision') document. The Committee's terms of reference requires it to address a number of questions and these questions form the basis for the structure of the report.

1.49 The preparation of the revised *Plantations for Australia: The 2020 Vision* in the period 2001-03 is detailed in Chapter Two. The discussion includes an analysis of the review undertaken by the Private Forestry Consultative Committee in redrawing

31 *Investing for Innovation and Growth: Research and Development Plan 2003-2008*, Forest and Wood Products Research and Development Corporation, pp. 8-9.

32 *Investing for Innovation and Growth: Research and Development Plan 2003-2008*, Forest and Wood Products Research and Development Corporation, pp. 8.

the 1997 *2020 Vision* at the request of the Forestry and Forest Products Committee. It also outlines the Primary Industries Ministerial Council's consideration of the *2020 Vision* and its approval in late 2002.

1.50 In Chapter Three the Committee defines the impediments to achieving the *2020 Vision* strategy and examines the related vision targets and economic and regulatory issues.

1.51 Impediments are further considered in Chapter Four. The focus of this discussion is on the environmental issues and social and community issues that emerged during the inquiry.

1.52 Chapter Five examines the question as to whether there are further opportunities which would maximise the potential for forest plantations' to contribute to environmental benefits.

1.53 Chapter Six examines the future of plantation-sourced sawlog, including the impediments to future investment in longer rotation plantations.

1.54 The future viability and sustainability of forest plantations is considered in Chapter Seven. The Committee notes the link between the investment environment and markets and processing industries.

1.55 Chapter Eight examines the impact of the plantation industry in Tasmania. The Committee's decision to devote a chapter to Tasmania was made in the light of the substantial evidence received during the inquiry relating to Tasmania.

1.56 In Chapter Nine, the Committee separately discusses Strategic Element 5, particularly the issue of how the accountability of the proposed review process in *2020 Vision* might be monitored and makes recommendations for the monitoring of the overall revised *2020 Vision* achievement.

Acknowledgements

1.57 The Committee acknowledges the participation and contribution of all those individuals and organisations who prepared submissions or who appeared as witnesses during the hearing process.

1.58 In particular, the Committee acknowledges the assistance provided to it by the Bureau of Rural Sciences, the Co-operative Research Centre for Sustainable Production Forestry, and the Forest and Wood Products Research and Development Corporation, and to those individuals and organisations who provided material to the Committee in response to questions taken on notice and subsequent correspondence with the Committee.

CHAPTER TWO

2001-2002 REVIEW OF THE *2020 VISION* AND THE OUTCOMES OF THAT REVIEW

Introduction

2.1 Plantations have existed as part of Australia's forest landscape for more than a century. However, the plantation forestry industry commenced major plantation development and growing programs in the 1950's. The area dedicated to plantations increased rapidly between 1950 and 1980, largely as a result of government investment designed to establish a domestic softwood resource. Since 1990, the plantation estate – largely funded by private investment – has increased by more than 50 percent and currently totals 1.6 million hectares. *Plantations for Australia: The 2020 Vision* outlines a shared government and industry goal to further expand Australia's plantation forests to 3 million hectares by the year 2020.¹

2.2 The revised *2020 Vision* can be regarded as a specific response to the changes that are taking place in the industry and the challenges the industry faces. A recent Jaakko Poyry report prepared for DAFF describes it as a "practical charter endorsed by both the public and private sectors" that is designed to:

... attract commercial investment from the global capital market and domestic investors to treble the nation's plantation estate by the year 2020.²

2.3 The Committee was asked to take into account the findings of the Private Forests Consultative Committee's review of the *2020 Vision* when considering its terms of reference.

2.4 The revised *2020 Vision* strategy entitled *Plantations for Australia: The 2020 Vision* was provided to the Committee in July 2003. The document is referred to as the *2020 Vision* throughout this report. A copy of the *2020 Vision* document is included at **Appendix 3**.

2.5 This Chapter sets out the genesis of the 1997 document and the revised document. It also outlines the principles of the two documents, highlighting the differences between them.

1 *Water Use by Australian Forest Plantations: Pre-publication – Draft Final Report*, prepared for the Forest and Wood Products Research and Development Corporation by the Bureau of Rural Sciences, 2004, p. 12.

2 *The Need for Change – Positioning Australia's Forest Industry for the Changes/Opportunities for Tomorrow?*, prepared for Agriculture, Fisheries and Forestry Australia by Jaakko Poyry Consulting, February 2000, p. 11.

Background to Preparation of 2020 Vision

2.6 The *2020 Vision* strategy arose from a decision taken at a meeting of the Ministerial Council on Forestry Fisheries and Aquaculture (MCFFA) in July 1996. At that meeting, the Ministerial Council endorsed the plantation industry's stated aim to increase Australia's plantation estate and agreed to the setting of national goals aimed at trebling Australia's plantation forest estate by 2020.

2.7 Following the Ministerial Council's endorsement of the industry goal, the Standing Committee on Forestry (SCF) was requested by them to develop an appropriate strategy to implement the Vision.³

2.8 The Standing Committee on Forestry (SCF) obtained funding assistance from Australian Forest Growers (AFG), Plantations Australia, and the National Association of Forest Industries (NAFI). In November 1996, the SCF engaged the Centre for International Economics (CIE) to prepare a report and to assist in developing the strategy. The report, completed in March 1997, provided the basis for the strategy subsequently developed by the Plantation 2020 Vision Implementation Committee (VIC) and published as *Plantations for Australia: The 2020 Vision*.

2.9 The VIC was representative of both government and industry bodies, and included:

- Ministerial Council on Forestry, Fisheries and Aquaculture;
- Standing Committee on Forestry [now the Forestry and Farm Products Committee];
- Plantations Australia [now the Plantation Timber Association of Australia];
- Australian Forest Growers; and
- National Association of Forest Industries.

2.10 The *2020 Vision* was launched by the then Minister for Primary Industries, the Hon. John Anderson MP, in October 1997.

The Aims of the 1997 2020 Vision

2.11 The principal target of the 1997 *2020 Vision* was for a threefold increase in Australia's forest plantation estate by 2020. In 1996, the total area of Australian forest plantation was 1.1 million hectares – including 964,000 hectares of softwood and 155,000 hectares of hardwood. The target for 2020 was accordingly set at 3.3 million

3 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997, p. 1.

hectares of forest plantation. The achievement of this goal would require plantings of 90,000 hectares per year.⁴

2.12 The 1997 *2020 Vision* strategy was based on an expectation that by 2020, plantation forestry in Australia would be a sustainable and profitable long rotation crop with significant private sector investment.⁵

2.13 It was argued that global market conditions appear favourable to the achievement of this goal and that global market assessments "point to faster wood demand growth relative to supply over the next 25 years".⁶ This argument is based on:

- a substantial decline in industrial wood production in traditional, large production, northern hemisphere countries;
- the projected growth in production in Australia, New Zealand, Chile, Brazil and South Africa is not going to be enough to make up the shortfall;
- the shortfall of production relative to demand is projected to be large;
- the global wood fibre deficit will be closed by upward pressure on wood fibre prices; and
- the market price will be supported by a continued decline in wood supply from the world's native forests.⁷

2.14 While economic forecasts are positive, it is argued that in order to achieve the principal target of the *2020 Vision*, Australia's plantation and processing industries will require the capacity to:

- operate in global markets;
- be internationally competitive; and
- be commercially oriented, market driven and market focused in their operations.⁸

2.15 The Vision is also described as "a working partnership between the plantation growing and processing industries and Commonwealth, State and Territory

4 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997, p. 2.

5 Draft 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 1.

6 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997, p. 2.

7 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997, p. 3.

8 Draft 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 1.

Governments (the Vision Partners)".⁹ The purpose of this collaboration is to attract the significant levels of private investment needed to develop a plantation resource and ensure accelerated plantation development by:

- boosting availability of suitable land;
- providing commercial incentives through a global focus and supportive commercial and regulatory frameworks;
- establishing a commercial plantations culture;
- improving the provision of information to farmers and growers on the benefits and resource potential of plantations; and
- creating initiatives through a suitable taxation environment, greater market access and economic information.¹⁰

2.16 In addition to outlining the actions to be taken to achieve the strategy, a primary focus of the original *2020 Vision* was identifying and overcoming (or removing) 'impediments' to the development of plantation forestry. The challenges identified included:

- Land availability:
 - local government planning restrictions;
 - taxation issues and legal questions over ownership; and
 - critical mass concerns;
- Commercial incentives:
 - attitudes and government policies;
 - lack of transparency in pricing and uncompetitive processes;
 - agricultural land use procedures;
 - access to native forests;
 - information base for potential investors;
 - past practices and failures; and
 - research and development (R&D) performance.¹¹

2.17 The structure of the 1997 *2020 Vision* revolved around a number of major strategies:

9 Draft *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 1.

10 Plantation 2020 Vision Implementation Committee, Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997.

11 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997.

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- increasing the availability of suitable land;
 - identifying the most appropriate and effective commercial incentives;
 - establishing a ‘plantations culture’; and
 - ensuring information flows.¹²

2.18 The 1997 *2020 Vision* also outlined the potential benefits to the Australian economy, rural communities and regional development in terms of economic potential and the environment:

- Economic benefits:
 - more than \$3 billion to be invested to establish new plantations by 2020 (mainly through private investment);
 - farm incomes would increase by 20%;
 - the trade deficit in wood and wood products would be converted to a surplus; and
 - an increase of up to 40,000 jobs in rural areas in plantation forestry and logging, wood products, transport, and flow-on from exports and local processing.
- Environmental benefits:
 - CO2 sequestration benefits through the planting of additional trees and varieties, resulting in less carbon tax;¹³
 - reduction in salinity and costs through plantation revegetation; and
 - other landcare benefits through reductions in wind and soil erosion.¹⁴

The 1997 2020 Vision - Progress Reports

2.19 Reports on progress made under the 1997 *2020 Vision* were produced in June 1999 and October 2000. The progress reports recorded that plantation areas had significantly increased in all states and territories, with the primary new planting being blue gum hardwood varieties. Western Australia was identified as a major growth area, with an increase in plantation areas of 89 percent. An increase in hardwood

12 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997.

13 Carbon tax refers to a levy imposed on carbon dioxide emissions aimed at discouraging fossil-fuel use and reducing carbon dioxide emissions. Carbon taxes have not been introduced in Australia, but have been introduced in a number of other industrialised countries, including Finland, Norway, The Netherlands and Sweden.

14 Plantation 2020 Vision Implementation Committee, *Plantations for Australia: The 2020 Vision*, October 1997.

plantations generally was reported, with an increase from 15 percent of the total in 1994 to 29 percent in 1999.¹⁵

2.20 The progress reports also identified a number of issues that required change to maximise plantation development, including taxation, environmental and local government issues.

Taxation

2.21 The October 2000 Progress Report noted that there was a "generally accepted view amongst industry and government in Australia that direct financial incentives should not be used to encourage plantation expansion".¹⁶ The report states that this view is based on the belief that a 'free market' or 'level playing field' would result in the most efficient allocation of resources.

2.22 The report also referred to government and industry concerns about direct financial incentives for plantation establishment having the potential to attract inferior operators "and allow the establishment of plantations in inappropriate locations or with sub-optimal management practices".¹⁷ It also referred to continuing perceptions held by some sections of the community that the immediate tax deductibility provisions for plantations could provide an unfair advantage for those investing in plantations.

Environment

2.23 Since the release of the 1997 *2020 Vision*, a number of concerns have been raised by local governments and community organisations in regions where major plantation development has occurred. Issues raised include the possible adverse impacts of plantation forestry on the environment including net loss of biodiversity. The use of chemicals, the control of animal pests and noxious weeds and soil productivity are cited as possible problems.¹⁸ While the 1997 *2020 Vision* anticipates potential environmental benefits from plantations such as a reduction in salinity, concerns were also raised in relation to water resource issues. Based on assertions that plantation trees absorb more water than other crops, water resource concerns focused on whether there is adequate water to support both sustainable agriculture and forestry plantations.

15 *Plantations 2020 Vision*, Progress Report, June 1999, p.1 and *Plantations 2020 Vision*, Progress Report, October 2000, pp.1-2. Full statistics on plantings to date are set out in the National Forest Inventory publication *Plantations of Australia 2001* and *Plantations of Australia: Wood Availability 2001-2044*, published by the National Forest Inventory, Bureau of Resource Sciences.

16 *Plantations 2020 Vision*, Progress Report, June 1999, p.1 and *Plantations 2020 Vision*, Progress Report, October 2000, p. 24.

17 *Plantations 2020 Vision*, Progress Report, June 1999, p.1 and *Plantations 2020 Vision*, Progress Report, October 2000, p. 24.

18 *Plantations 2020 Vision*, Progress Report, October 2000, p. 5.

2.24 Whilst most state governments have conducted some preliminary studies in relation to plantation suitability and capability, the need for additional research and a more co-ordinated, national, approach to data collection is acknowledged. A recent Bureau of Rural Sciences (BRS) report – *Plantation potential studies in Australia: an assessment of current status* - identified gaps in the coverage of plantation potential studies and argued that consideration needs to be given to how these gaps should be addressed.¹⁹

Role of Local Government

2.25 A Conference – sponsored by Plantations Australia and the Australian Local Government Association (ALGA) – was held in Canberra in May 1998. The Conference agenda focussed on forestry issues, with representatives from more than 40 local government bodies, the plantation growing and processing industries, state and Commonwealth bodies as well as Regional Plantation Committees (RPCs) attending the conference.

2.26 The October 2000 Progress Report documented issues raised – both during the Conference and subsequently – by local governments and community organisations, particularly those in regions where plantation development has been expanding rapidly. The concerns included:

- impacts on road and bridge infrastructure (particularly local roads and bridges);
- demographic changes (including depopulation and movement from rural areas to regional centres);
- changes to the nature of fire fighting, and the capacity of rural fire brigades to cope;
- impacts on tourism and regional amenity values;
- environmental costs and benefits of plantations, including the application of chemicals, plantation water use, control of pests and noxious weeds and soil productivity; and
- changes in land use impacting on traditional agricultural industries.²⁰

2.27 Delegates noted that, as a result of these issues, there has been some opposition from within communities to land which has traditionally been used for agricultural production being used for commercial timber production. It was argued that such concerns have resulted in a range of statutory planning restrictions, and in some local government areas has reduced the availability of suitable land for plantation development. The report noted that these concerns were not shared by all delegates, with some local government representatives expressing strong support for

19 *Plantations 2020 Vision*, Progress Report, October 2000, p. 6.

20 *Plantations 2020 Vision*, Progress Report, October 2000, pp. 4-6.

land owners being able to make their own choices in relation to land use – provided it was sustainable and did not lead to land degradation.²¹

2.28 The 1997 *2020 Vision* stated that one of the first steps in responding to such concerns is to develop an information package and consult with local governments. Reference is made to the study entitled *Local government's role in Plantations for Australia: The 2020 Vision: Issues and Directions*, which asserted that local governments "are only marginally interested in plantations as they form a small proportion of their work program".²²

2.29 As a result of the October 2000 Progress Report, the Plantations 2020 Implementation Committee agreed to facilitate local government participation in the further planning, development and implementation of the *2020 Vision*. The Commonwealth also provided funding for an ALGA project to establish a network of local councils with interests in the future expansion of the plantation timber industry.²³

2001-2002 Review of the 1997 2020 Vision

Decision to Review the 1997 2020 Vision

2.30 In October 2000, the Forestry and Forest Products Committee (FFPC) – formerly the Standing Committee on Forests – called for a major review of the *2020 Vision*. The review was a response to the requirement that the 1997 *2020 Vision* be evaluated after five years. The review was also required to address a number of issues that had arisen since the implementation of the Vision and the expansion of Australia's plantation estate, including:

- issues relating to the social and environmental changes being experienced by communities in areas where plantations developed rapidly;
- maximising the potential economic and environmental benefits of plantations through market development, and integrating growers and processors;
- the change in the plantation estate from public to private ownership (only 25% of the resource established since 1990 is wholly publicly owned); and
- the contribution to the resource by farm foresters.²⁴

21 *Plantations 2020 Vision*, Progress Report, June 1999, p .4.

22 *Plantations 2020 Vision*, Progress Report, October 2000, p .5.

23 *Plantations 2020 Vision*, Progress Report, October 2000, p. 4.

24 *Draft 2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 2.

2.31 The Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF) told the Committee that an additional objective of the review was to "ensure that the *2020 Vision* maintained its relevance to the changing needs of the industry."²⁵ The resulting review, conducted by the Private Forestry Consultative Committee (PFCC), was aimed at:

- providing a strategy that is more relevant to the emerging needs of the industry;
- ensuring that a variety of factors [other than taxation incentives], such as regional development, environmental benefits, and an appropriate regulatory environment, encourage investment in plantations;
- removing impediments that remain, particularly with regard to uncertainty over rights, to plant, manage, harvest and trade plantations; and
- providing a role for community participation in the ongoing development of the plantation resource.²⁶

Conduct of the Review

Consultation

2.32 As an initial step, a national stakeholders' workshop was held on 15 February 2001. A 'national consultation' process was undertaken between November 2001 and March 2002 to obtain public input into the revised *2020 Vision* document.

2.33 The PFCC subsequently organised a number of public forums in each of Australia's major plantation-growing regions, both to raise awareness of the review being undertaken into the *2020 Vision* and to actively seek comment on revisions that might be necessary to the 1997 *2020 Vision*.

2.34 The Committee was advised by the then National Strategy Co-ordinator of *Plantations for Australia: the 2020 Vision*, Mr Rod Bristow, that:

- over thirty meetings and presentations were conducted in both capital cities and regional areas – all organised with the assistance of relevant Regional Plantation Committees, State co-ordinators and members of the PFCC;
- representatives of a wide range of interest groups (approximately 1,000 people) were invited to attend such meetings;

25 *Submission 29*, Department of Agriculture, Fisheries and Forestry, Covering Letter, pp. 1-2.

26 *Draft 2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 2.

- some 430 people accepted invitations, participated in meetings, raised issues of concern, and provided comment on the updated draft of the *2020 Vision*; and
- the PFCC received some 54 written submissions from community groups, government agencies, industry groups and government agencies.

2.35 The timetable followed in conducting the review of the 1997 *2020 Vision* is as follows:

Timetable Followed in the Vision 2020 Review Process

Date	Activity
October 2000	The Forestry and Forest Products Committee (formerly the Standing Committee on Forestry) requested the Private Forestry Consultative Committee to undertake a review of <i>Plantations for Australia: The 2020 Vision</i> .
15 February 2001	National Stakeholders' Workshop, Melbourne Workshop was facilitated by Professor Peter Kanowski. During the workshop, a number of versions of the revised <i>2020 Vision</i> document were circulated amongst government and industry stakeholders.
November 2001 – March 2002	Process of national consultation undertaken Consultation process undertaken seeking public input into a revised draft strategy. 33 public hearings held in 29 locations in capitals and plantation-growing regions in all States and Territories. Meetings were organised with the assistance of relevant Regional Plantation Committees, their State co-ordinators and members of the PFCC Written submissions (54) received from individuals, communities, organisations, forestry companies and government agencies. PFCC further review the content, structure and direction of the <i>2020 Vision</i> document.
May 2002	PFCC approved the Revised <i>2020 Vision</i>

	Industry Vision partners also give 'in-principle' support to the revised Vision, subject to minor changes being made.
July 2002	Forestry and Forest Products Committee endorsed the revised Vision document
October 2002	Primary Industries Ministerial Council endorsed the revised <i>Vision 2020</i>
14 March 2003	Private Forestry Consultative Committee approved minor amendments to <i>2020 Vision</i> Minor amendments made at request of industry to convert 'in-principle' support to 'full' support.
Post 14 March 2003	Consultation undertaken by Department of Agriculture, Fisheries and Forestry DAFF consulted with: Department of Environment and Heritage Department of Finance and Administration Department of Education Science and Training Department of Transport and Regional Services Treasury; and Department of Industry, Tourism and Resources
10 October 2003	Meeting between Industry and Government stakeholders in the <i>2020 Vision</i> Final wording to be included in the revised <i>2020 Vision</i> was agreed.
November 2003	Revised <i>2020 Vision</i> released on the Plantations <i>2020 Vision</i> website

2.36 The Committee was advised by the Forestry and Forest Products Committee (FFPC) that this consultation process revealed the following key issues:

- a need for more effective communication about the plantation sector;
- a need for greater certainty about the plantation sector's future direction;

- stakeholder participation and ‘ownership’ of the Vision should be broadened;
- better mechanisms to enable local government engagement in the *2020 Vision* and both the Commonwealth and the States to respond positively to local government needs;
- a revised *2020 Vision* should contain actions with more emphasis on present and future needs (if it is to maintain its relevance and value). For example, enhanced community benefits, environmental services, the contribution of farm plantations and the development of markets and market access; and
- criteria are needed to demonstrate whether the responses to the *2020 Vision* actions are delivering effective outcomes for stakeholders.²⁷

Review of the Role of Regional Plantation Committees (RPCs)

2.37 In 1996, Regional Plantation Committees (RPCs) were established by DAFF as part of its Farm Forestry Program. The RPCs, based in the main plantation regions, were developed to promote wood production on cleared agricultural land, to integrate commercial tree growing with other agricultural land uses and to promote tree planting for production of wood and non-wood products.²⁸

2.38 In November 2001, the PFCC appointed a working group to review RPCs. The review group was asked to:

- (a) identify whether there was a need to maintain a network of plantations and private forestry committees; and
- (b) to identify future funding options for the national framework of RPCs.

2.39 The RPC review was finalised in June 2002 with the release of *Regional Plantation Committees: Review of Rationale and Options for Future Funding*. It argued that RPCs have a central role to play in the future development of the plantation industry and that they are integral to the "achievement of regional and community focused outcomes".²⁹ The review also acknowledged that RPCs are important for providing a national industry co-ordination network dedicated to increasing the potential for economic development in regional areas and increasing the commercial plantation estate enabling industry to expand and remain world competitive.

27 *Submission 12*, Forestry and Forest Products Committee, p. 2.

28 *Regional Plantation Committees: Review of Rationale and Options for Future Funding*, Private Forest Consultative Committee, Regional Plantation Committees Review Group, June 2002, p. 6.

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

2.40 Importantly for a future consultation/promotion process, the review also concluded that:

The RPC's continue to be important delivery agents for the Farm Forestry Program, and are key collaborators in the implementation of the Plantations for Australia: the Vision 2020. Their activities are consistent with the objectives of the Forest and Wood Products Industry Action Agenda and they have the potential to further contribute to activities under the Action Agenda. They have been pivotal in the collection of data for inventory compilation to meet regional development needs and the Commonwealth's reporting obligations.³⁰

2.41 The review finally noted that with the increasing regional focus of natural resource management programs, the National Action Plan for Salinity and Water Quality and the Natural Heritage Trust, RPCs are providing a much needed regional presence.

2.42 Also highlighted was the problem of long-term funding support for the national RPC network. In 2002-03 the Commonwealth funded RPCs under the interim arrangements of the Natural Heritage Trust (NHT) Extension.

2.43 Following the review the RPC's became the Private Forestry Development Committees (PFDC).

The Revised 2020 Vision

2.44 By May 2002 the PFCC, which includes representatives of Commonwealth, State and Territory governments and the plantation forestry industry (Plantation Timber Association Australia (PTAA), Australian Forest Growers (AFG) and the National Association of Forest Industries (NAFI) had completed their work. The industry commenced consideration of the revised *2020 Vision* document. In principle support, subject to minor amendments being made was given by Industry Vision Partners in May 2002. The plantation industry endorsed the 2002 review of the *2020 Vision* on 29 July 2002.³¹

Ministerial Council Adoption of Revised 2020 Vision

2.45 The Primary Industries Ministerial Council endorsed the revised *2020 Vision* document on 10 October 2002.³²

30 *Regional Plantation Committees: Review of Rationale and Options for Future Funding*, June 2002, p. 3.

31 *Submission 12*, Forestry and Forest Products Committee, p. 2.

32 *Primary Industries Ministerial Council, Record and Resolutions*, Second Meeting, Sydney, 10 October 2002, p. 34.

2.46 The Record and Resolutions of the meeting on the *2020 Vision* document noted:

Over half a million hectares of new plantations have been established since 1996, over 70% with private capital. This increase in private ownership has significantly increased investment opportunities and developed a more competitive industry. Of the total plantation resource, 5% is now contributed directly by farm foresters, and around 20% by farm foresters participating with industrial growers through leasehold and joint venture arrangements.

The vast expansion of plantations has brought a number of matters to the forefront which the Vision partners will be required to address including social and environmental changes, market development, the transition from public to private ownership, and the contribution by farm foresters. One role of governments has been to remove impediments that discriminate against forestry development when compared with other agricultural land uses.³³

2.47 The 2002 review indicates that under the *2020 Vision* the following has occurred:

- over half a million hectares of new plantations have been established;
- over 70% of all new plantations have been established with private capital; and
- the increase in private ownership of plantations has significantly increased investment opportunities and developed a more competitive industry.

2.48 Whilst maintaining that impediments remain, the revised *2020 Vision* takes a positive view of the future potential of the industry. Forecasts include:

- A total of \$3 billion of mainly private capital is anticipated to be invested to establish plantations between 1997 and 2020;
- Farm incomes are anticipated to increase by 20%, and farm forestry in high rainfall zones could contribute up to \$664 million annually to farm incomes;
- With appropriate follow-on investment in processing infrastructure, the current \$2 billion trade deficit in wood and wood products could be converted into a surplus;
- Positive environmental outcomes are anticipated to emanate from well-planned and implemented plantations, comprised of a mix of farm forestry, joint venture plantings and broad scale activities; and
- Up to 40,000 jobs are anticipated to be created in rural areas, including:

33 *Primary Industries Ministerial Council, Record and Resolutions*, Second Meeting, Sydney, 10 October 2002, p. 33.

-
- jobs in plantation forestry and harvesting;
 - jobs from a 50% expansion in domestic processing of wood products;
 - jobs in transport; and
 - jobs from the flow-on effects of overall growth in exports and local processing of wood.³⁴

2.49 The PFCC approved minor amendments to the *2020 Vision* in March 2003. Further consultation was undertaken with Commonwealth government departments following the approval of the amendments. The final wording to the document was agreed between industry and government stakeholders in October 2003.

2.50 The Committee was provided with a pre-print of the Draft in July 2003. The final *2020 Vision* document was available on the Plantations 2020 website in November 2003.³⁵

Structure of the Revised *2020 Vision*

Difference from 1997 2020 Vision

2.51 DAFF told the Committee that the review of the 1997 *2020 Vision* has resulted in a refocusing of the Vision's approach: "the revised *2020 Vision* recognises that the future of the industry lies in its capacity to maximise economic, environmental and social opportunities".³⁶

2.52 In line with the change in focus, the format and content of the revised *2020 Vision* varies considerably from the original 1997 *2020 Vision*. The revised *2020 Vision* placed an increased emphasis on the 'vision' element of the strategy and is much less prescriptive than the 1997 *2020 Vision*. The goals outlined in the revised *2020 Vision* are very general in nature.

2.53 The working structure of the revised *2020 Vision* (which is outlined on page 7 of the Vision document) includes a set of seven overarching 'principles': statements that outline the Vision's values in relation to issues such as business principles, competitive neutrality, state financial involvement in plantations, microeconomic and macroeconomic reform and industry competitiveness, particularly at a global level.

2.54 The revised *2020 Vision* places particular emphasis on the Vision as a national strategy, with shared responsibilities for its implementation. It is proposed that overall co-ordination of the Vision strategy will be the responsibility of the National

34 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 6.

35 <http://www.plantations2020.com.au/>

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

Plantations Strategy Co-ordinator, a position that is supported by the Vision Partners. The Commonwealth's role is described as "primarily one of providing leadership and clear and consistent policies that support plantation development".³⁷ Industry and State governments have a specific role to play in working with stakeholders (particularly those in plantation growing and processing regions) in order to determine the most appropriate structures for implementing Vision actions.

2.55 The Vision's management structures are clearly outlined as part of the Framework. The PFCC of the Forest and Forest Products Committee is responsible for overseeing the implementation of the strategy (in consultation with other stakeholders and experts).

2.56 The issue of accountability is given greater emphasis in the revised *2020 Vision*. The Framework outlines responsibilities in relation to accountability, monitoring and evaluation as follows:

- industry is accountable to the executives and boards of the major forest industry groups – PTAA, AFG and NAFI – for implementing the Vision strategy;
- each year industry will report on its progress through these industry groups;
- the Commonwealth and State governments will report to the Primary Industries Ministerial Council on progress towards the Vision;
- the National Plantations Strategy Co-ordinator will prepare an annual report as soon as possible after 30 June each year, reporting on progress in relation to implementing the Vision actions;
- progress towards the notional plantation area target will be reported through the National Plantation Inventory's annual tabular reports and major five-yearly reports on Australia's plantation resource; and
- the *2020 Vision* Framework will be reviewed every five years and revised as considered necessary, with the next review and revision to be completed by the end of 2007.³⁸

General Goals of the 2020 Vision

2.57 The revised *2020 Vision* includes a number of generalised goals to support the overarching principle of the Vision strategy to:

37 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 7.

38 2002 Revision, *Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 7.

... enhance regional wealth creation and international competitiveness through a sustainable increase in Australia's plantation resources, based on a notional target of trebling the area of commercial tree crops by 2020.³⁹

2.58 The *2020 Vision* states that "returning trees to the landscape as a profitable crop"⁴⁰ will provide significant benefits to rural and regional communities as well as the environment. It is also argued that there has been an increase in investment in forest-based processing industries which has, in turn, had a positive impact on rural and regional communities. An underlying goal of the Vision is an attempt to maintain the levels of plantation establishment to enable investment trends to continue, and to deliver benefits to rural and regional communities (including employment growth).

2.59 However, the *2020 Vision* also notes that an increase in plantation area is only one measure of the success of the *2020 Vision*. It argues that:

The quality, product mix, location and management of the plantation resource will also be vital to the delivery of maximum social, economic and environmental benefits to Australia.⁴¹

2.60 The Vision strategy acknowledges the role plantations play in communities and encourages those involved in the Vision partnership to address issues relating to the social and environmental changes being experienced by communities, particularly those where plantations have developed rapidly. The Vision's goal also includes providing a role for community and stakeholder organisations in the on going development of the plantation resource.

2.61 The PFDCs have maintained responsibility for regional liaison. In addition to consulting with industry and local and state governments on regional planning, the PFDCs are also responsible for the collection and dissemination of information.

2.62 Vision Partners are also encouraged to take a "proactive role in developing plantation solutions that balance environmental issues with the needs of industry and the community to deliver sustainable outcomes for the future".⁴²

39 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 1.

40 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 5.

41 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 5.

42 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 3.

Specific New Strategic Elements Making up the Revised 2020 Vision

2.63 The revised *2020 Vision* contains five 'Strategic Elements' which represent the primary targets and actions required to implement the Vision strategy.

2.64 Each 'Strategic Element' has a principal goal under a set of specific headings, which are:

1. The Policy Framework
2. The Regulatory Framework
3. Investment Growth
4. Social and Environmental Factors
5. Monitoring and Review

2.65 Listed under each 'Strategic Element' are a series of detailed strategic statements. Each strategic statement incorporates a list of 'Actions' and list of specific activities or initiatives to be carried out.

2.66 Each set of 'Actions' has accompanying information regarding 'Responsibility' and 'Expected Outcomes'. The National Strategy Co-ordinator is shown as having principal responsibility for the implementation of each of the 'Actions' (acting unilaterally or in conjunction with others). 'Responsibility' for particular 'Actions' has also been devolved to various organisations including:

- Commonwealth, State and Local government bodies;
- Private Forestry Development Committees (PFDC's);
- Research and Development organisations;
- Catchment Management Authorities and Catchment Management Boards;
- Industry organisations (including AFG, PTAA, NAFI); and
- Forestry, farming and landcare representative bodies.

Conclusion

2.67 The Committee notes the long and ongoing process that has resulted in the revised *2020 Vision* document. The revised document seeks to build on the 1997 version and focuses on the future the industry rather than on impediments to its development. It also provides accountability, monitoring and evaluation mechanisms. This framework, if actively implemented, will strengthen the further development of the industry. The Committee notes that there has been an exponential growth in the forest industry and that this rate of growth is not be sustainable in the long term.

2.68 The Committee also notes the work of the PFDCs envisaged by the revised *2020 Vision* may be interrupted if further funding is not forthcoming. The Committee was advised that the Natural Heritage Ministerial Board (NHMB) made a decision regarding RPC (the predecessor bodies) funding (for the financial year 2003-04) in September 2003. At that time, the NHMB allocated \$1.235 million to RPCs under the national component of the Natural Heritage Trust. The Committee notes that the Commonwealth is yet to determine the most appropriate funding model for PFDCs (formerly RPCs) in the longer term.

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".¹ In addition it is asked to comment on whether elements of the strategy require alteration "in light of any impediments identified".²

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".³ 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.⁴

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.⁵

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 ...⁶

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".⁷ 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.⁸

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.⁹

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".¹⁰ 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.¹¹

...

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.¹²

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 2020.¹³

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.¹⁴

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.¹⁵

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....¹⁶

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.¹⁷

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.¹⁸

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.¹⁹

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".²⁰

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.²¹

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/m³ for plantation hardwood, compared with current prices in the order of \$18-\$30/m³.²²

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).²³ 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.²⁴

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.²⁵

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.²⁶

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.²⁷

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*²⁸ 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.²⁹

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.³⁰

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.³¹

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.³²

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.³³

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.³⁴

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.³⁵

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.³⁶

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.³⁷

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.³⁸

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.³⁹

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.⁴⁰

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.⁴¹

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.⁴²

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.⁴³

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.⁴⁴

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".⁴⁵

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.⁴⁶

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.⁴⁷

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.⁴⁸

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.⁴⁹

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...⁵⁰

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 sectors⁵¹ 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.⁵²

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.⁵³

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.⁵⁴

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.⁵⁵

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.⁵⁶

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.⁵⁷

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.⁵⁸

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.⁵⁹

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.⁶⁰

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.⁶¹

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.⁶² 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.

CHAPTER FOUR

Impediments to Achievement of the 2020 Vision – Environmental Issues and Social and Community Issues

Introduction

4.1 In the previous Chapter, the Committee discussed the views put to it on two categories of 'impediment'; namely, a) impediments inherent in the Principal 2020 'Vision Goals'; and, b) commercial, economic and/or regulatory impediments to Strategic Elements 1, 2 and 3.

4.2 In this Chapter, the Committee considers possible impediments to Strategic Element 4 of the revised *2020 Vision*. That Strategic Element – Social and Environmental Factors – seeks to address issues arising from the range of environmental issues resulting from plantation forestry. The Strategic Element states that:

The growth of Australia's plantation resources and timber processing industries is linked to strong community support and low environmental impacts of the industry. Rural communities are concerned about the impacts of changing land-use, and better interaction is required to build community support for the plantation sector. Where there is concern in the broader community about the sustainability of land-use, plantation forestry can be developed as a partial solution to region-specific environmental initiatives while acting as a catalyst for regional development. Furthermore, commercial tree crops can provide a long-term solution to a range of land management issues in the Australian landscape, including climate change and salinity.¹

4.3 Three actions designed to improve rural community awareness of plantation issues and manage environmental services are outlined under this strategic element. These are:

Action 13 Improve stakeholder engagement in plantation industry expansion and inform communities about the strategic role of plantations in wood and fibre supply and environmental service delivery.

Action 14 Review and promote opportunities for environmental services to enhance plantation forestry.

1 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 18.

Action 15 Promote the natural resource management benefits of commercially planted trees.²

4.4 During the inquiry, the Committee received a significant level of comment on both environmental and social issues and community views on plantation forestry development. These issues and the question of whether alterations are required to the Strategic Element are considered in this Chapter.

Environmental Issues

4.5 The submission made to the inquiry by Environment Australia (EA) provided the principal comment on how and why environmental issues present possible impediments to achievement of the *2020 Vision* goals. The Committee also received comment from industry, state government and others as to how, and to what degree, environmental factors and environment protection issues act as an impediment to the *2020 Vision*.

The Environment Australia (EA) View

4.6 In its submission, EA dealt with the issues it raised under the following headings:

- Alteration of surface and ground water availability;
- Clearance of native vegetation for plantation establishment³

Alteration of Water Availability

4.7 EA's central comment, on how the alteration of water availability might constitute a possible impediment to achievement of the *2020 Vision* goals, was that:

Environment Australia notes that long rotation plantations can, depending on location and management, help to significantly improve water quality. At the same time, water availability could be a potential impediment to achieving the Plantations 2020 Vision where there is competition for the resource from downstream users, including the environment.

...

In many situations, groundwater and surface water are interconnected systems. Where groundwater discharges into streams, afforestation will affect base-flow volumes as well as seasonal flow volumes of the interconnected surface water system, due to the reduced availability of the groundwater resource. The impacts of plantations on water resources will vary according to ecosystems and depend on a number of factors. These will include the physical location of the plantations, the plantation size,

2 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, pp. 18-19.

3 *Submission 50*, Environment Australia, pp. 1-4.

density of the planting and species in relation to available water resources, the regional climate and plantation management and rotation length.⁴

4.8 The impact on the local environment of plantation forests and the possible alteration of water availability is further explored in Chapter Five in the context of water-related issues. The Committee also considers the recently published paper by the Forest and Wood Products Research and Development Corporation (FWPRDC), *Water Use by Australian Forest Plantations*.⁵

Clearance of Native Vegetation for Plantation Establishment

4.9 EA's submission also canvassed the clearance of native vegetation. The two principal concerns (shared by other submissions) are: broad-scale clearing, and, as a corollary, the need to provide biodiversity outcomes when designing plantations to replace existing native vegetation. The active – and increasingly legislative – discouragement and/or prohibition of large scale clearance of native vegetation in most (though not all) jurisdictions, and hence most plantation regions, was noted by EA, and led to the following comment:

Plantations can provide good biodiversity conservation outcomes where they are designed as a mosaic consisting of plantation stands and remnant native vegetation. This can avoid monocultures of lower biodiversity value. Importantly, links between native vegetation remnant along vegetated gullies and streamlines appear to be critically important for many native species surviving in a plantation-modified agricultural environment, and these remnants should be a priority for conservation. Away from streams, the plantations matrix could provide vital cover for the movement of native species across the landscape, providing the native vegetation remnant patches remain intact.⁶

4.10 EA officers told the Committee that the gradual, but significant, changes in practices involving broad-scale clearing were now having an impact in all states that observed the terms of the National Framework for the Management and Monitoring of Australia's Native Vegetation issued by EA.⁷

4.11 During the inquiry the Committee has perceived a growing awareness of, and at times concern for, environmental issues within the communities that have plantation forestry developments. This perception has been supported by evidence to the inquiry and relates to the other aspect of Strategic Element 4.

4 *Submission 50*, Environment Australia, p. 2.

5 *Water Use by Australian Forest Plantations*, Forest and Wood Products Research and Development Corporation, Victoria, Australia, April 2004.

6 *Submission 50*, Environment Australia, pp. 3-4.

7 *Evidence*, Dr Rhondda Dickson, Environment Australia, RRA & T, 20 February 2003, p. 277.

Social and Community Views on Plantation Forestry Development

4.12 In its submission, the Bureau of Rural Sciences (BRS) "addresses socio-economic aspects of plantations" and "draws from the findings of recent socio-economic studies examining the Australian plantation sector".⁸

4.13 BRS noted that socio-economic factors were clearly identified as impediments to achieving the *2020 Vision*:

Recent socio-economic studies have identified negative perceptions of plantation expansion in several regions where this expansion is currently occurring. These perceptions are of sufficient scale and intensity to affect the future development of tree plantations. Clearly, community views that plantations have negative impacts are an impediment to achieving the aims of the *2020 Vision*. Perceived negative impacts include:

- Reduced population in rural communities, and associated loss of services and sense of community;
- Declining quantity and/or quality of available employment;
- Impacts on the environment (not reviewed further here as this submission focuses on socio-economic issues);
- Impacts on neighbouring landholders such as fencing issues, shading and other plantation management practices;
- Use of chemicals thought to be potentially harmful to the health of residents in local communities;
- Impacts on rural roads requiring upgrading/maintenance for which funding has not been provided, and road safety concerns for other road users; and
- Impacts on other businesses in the region, such as tourism.⁹

4.14 The BRS submission, in drawing attention to these categories of possible difficulties, also stressed the more positive feedback from an established plantation community in NSW. However, such findings may not show negative impacts in the wider geographical area of the town involved:

To date, only one regional study has adequately assessed the social and/or economic impacts of plantations (for example, whether plantation expansion has been directly responsible for population decline). Dwyer Leslie *et al.* (1995) examined employment and population impacts of plantations, particularly plantation processing development, in Oberon, NSW. This study found that plantations had mostly positive impacts,

8 *Submission 86*, Bureau of Rural Sciences, p. 1 (the Bureau of Rural Sciences' submission supplements the DAFF submission; see BRS submission, p. 1, para. 2).

9 *Submission 86*, Bureau of Rural Sciences, pp. 1-2.

particularly in terms of expanding employment and population associated with establishment of processing infrastructure in the town.¹⁰

4.15 Clearly, community views can and do act as an impedient or obstacle to the growth of a plantation forestry industry, and therefore the achievement of the *2020 Vision*. The consensus of findings to date on community opposition to plantations indicates that opposition groups are regionalised, with little or no interaction with other groups in the wider area. Objections are voiced through "public meetings, writing letters to media and politicians, and using available regulatory and planning mechanisms."¹¹

4.16 Further, this study confirms evidence to the Committee from a number of community sources that community attitudes in regions affected by plantation development may oppose either individual plantation schemes, or plantation development in general, and that conflict arises between opponents and supporters:

Advocates of plantation forestry commonly felt the concerns raised by individuals objecting to plantation forestry were not legitimate. Where concerns were considered as being potentially valid, both objectors to and advocates of plantation forestry reported a lack of independent scientific information with which to evaluate the possible impacts of plantation forestry at local and regional levels.¹²

4.17 The BRS submission pointed to another study conducted by the same researcher that suggests a way to address this problem:

Schirmer (2002, 2003) found in Western Australia that community concerns were resolved by improving communication between plantation companies and local communities, and by increased willingness by plantation companies to change some of their practices to address community concerns. In particular, consulting neighbouring landholders before undertaking planned activities, and making changes to lessen the potential for negative impacts, has improved relations. Discussions about appropriate road use practices with local community members, coupled with changes to road use in some cases, have also defused conflict.¹³

4.18 A review of studies of the socio-economic impact of forest industries – including plantation forestry – identified a number of areas that have also been the focus of submissions to the Committee, namely:

10 *Submission 86*, Bureau of Rural Sciences, p. 3.

11 See *Plantation Forestry Disputes: Case Studies on Concerns, Causes, Processes and Paths Toward Resolution*, J. Schirmer, Australian National University Cooperative Research Centre for Sustainable Production Forestry, Canberra, 2002. p. 2.

12 See *Plantation Forestry Disputes: Case Studies on Concerns, Causes, Processes and Paths Toward Resolution*, J. Schirmer, Australian National University Cooperative Research Centre for Sustainable Production Forestry, Canberra, 2002, p. 2.

13 *Submission 86*, Bureau of Rural Sciences, p. 2.

- That regional communities dependent on native forests were deeply concerned with resource security and the high level of risk associated with future investments;
- The forest industry is interlinked with the rest of the economy. Its non-timber inputs represent the outputs of other industries, and its timber outputs represent the inputs of arrange of industries;
- ...
- The role of plantations as a major contributor to regional and community development through social, economic and environmental benefits is now widely recognised. However, in addition to a range of positive outcomes, the changes that new industry activities provide have brought their own level of uncertainty; and
- The recent investment in hardwood plantation development has taken place across a number of regions, against a backdrop of the long-term social trends in real communities. Trends include ageing populations, diminishing interest in family members remaining on farms, and a significant increase in the size of farms.¹⁴

4.19 These studies and the submissions made by BRS are reflected in the submissions made by the plantation industry, and those interested in the importance of community acceptance and support for plantation development.

4.20 In its submission, NAFI, when addressing the issue of "the changing nature of Australia's forest resources and rural communities", noted that:

Substantive changes in the native forest and plantation resources available for harvesting have had numerous effects on Australia's timber communities. In some cases, there have been job losses as native forest access was withdrawn and mills closed down. In other areas, jobs have been created to support the recent growth in Australia's plantation estate.¹⁵

4.21 NAFI continued by acknowledging that the increased investment in the plantation forest industry has coincided with changes to local communities. Further, the viability of the industry has led to it being "concentrated in those areas, which also happen to be relatively productive farming land, with good soils and moderate to high annual rainfall". However, it commented that:

Unfortunately, the changes to regional communities resulting from the new investment in plantations has been extremely difficult to differentiate from the long-term and underlying trends of change in rural Australia.

14 *Review of Studies of the Socio-Economic Impact of Forest Industries in Australia*, Forest and Wood Products Research and Development Corporation, Victoria, 2003, pp. 1-2.

15 *Submission 32*, National Association of Forest Industries, p. 7.

A common concern raised in regards to the expansion of plantation forestry is that the new investment has led to an accelerated decline of many smaller communities.

....

While it is difficult to determine whether the changes in any one rural community are the result of the underlying trend or the growth of a visible new industry, other factors need to be taken into account when determining if plantation forestry is beneficial for Australia's rural communities.¹⁶

4.22 The difficulties which are causing concern about large scale plantation development, particularly in rural and regional communities are becoming increasingly well recognised. The Committee's inquiry, for example, has shown that a number of communities are concerned, not only with the issues highlighted above but also with wider issues such as reduction in water catchment flows, or a relatively sudden and apparently irrevocable alteration of an agricultural community to a plantation community.¹⁷ It is these concerns that, if not addressed, will act as impediments to the growth of the plantation forest industry. Community views have the potential to act as both as obstacles and restraints. For example, local communities can act to ensure that more rigorous and possibly 'anti-plantation' planning requirements are enacted or enforced.

Alterations to Strategic Element 4

4.23 The Committee notes that Strategic Element 4 has been cast so that such concerns can be considered. Action 13, in particular, is formulated to address the major element in these concerns, principally the involvement of 'stakeholders' (which the Committee considers should include the widest group possible) and communities in the strategic role of plantations in wood and fibre supply and environmental service delivery. This community consultation will be vital to any achievements to be made under the *2020 Vision* strategy. The Committee believes that the consultation should be transparent and be able to deliver recognisable results to all involved. Without such results the rural communities may ultimately withdraw their participation in the process.

4.24 Therefore, the Committee supports the clear identification of outcomes under Action 13 against specific matters. For instance, it will be important for the annual report from the Coordinator, recommended by the Committee in Chapter Nine (see paragraphs 9.24-9.26), to identify how and to what extent the expected outcomes have been achieved in each of the plantation regions, and to identify those regional, local government and community bodies that have participated in the actions envisaged in Action 13.

16 *Submission 32*, National Association of Forest Industries, pp. 7-8.

17 See for example, *Submission 87*, Mr Glen Perkins of Delegate, NSW.

4.25 The Committee suggests the following as two examples of assessment that need to be undertaken, and the information reported on, by the National Strategy Coordinator in reports on the *2020 Vision* goals. How, for example, further reviews of social and community responses to plantation development are to be set up and carried out by the BRS and others; and how the Coordinator and other bodies (such as PFDCs) work with local government and with catchment management authorities.

4.26 Further, the Committee has concerns about the continued funding of the Private Forestry Development Committees (PFDC, formerly the regional plantations committees – RPCs). The Committee notes that these bodies have:

... established links variously to the forest industry, regional development groups (e.g. agribusiness fora), regional transport infrastructure initiatives, local government and revegetation initiatives, and, in some cases, directly with landholders, the RPCs are significant players in regional investment and in delivery mechanisms. Further as conduits and facilitators for farm forestry, the RPCs will continue to be effective in promulgating the benefits of a commercial approach to revegetation and linking environmental planting with existing industry structures to promote economically viable solutions to the challenges of natural resource management.¹⁸

4.27 PFDCs are therefore important and can contribute to achieving successful outcomes under Action 13. The Committee notes that funding for the RPCs for the 2003-2004 financial year was provided under the national component of the Natural Heritage Trust. The Natural Heritage Ministerial Board (NHMB) made a decision regarding RPC funding in September 2003. The NHMB allocated \$1.235 million for the 2003-04 financial year to RPCs.¹⁹

4.28 The Committee notes that the Commonwealth is yet to determine the most appropriate funding model for RPCs in the longer term. The Committee believes that the contribution that could be made by PFDCs to the outcomes sought under Action 13 could be greater if funding to these organisations was not subject to yearly review.

Recommendation 5

4.29 The Committee therefore recommends that funding for Private Forestry Development Committees (PFDCs) be made over a 3 year period, subject to the delivery of outcomes against Action 13 of the *2020 Vision* for plantation forests.

4.30 In addition to Actions 14 and 15, the Committee believes that an assessment or report by the Coordinator should identify weak points or contradictions in achieving Strategic Element 4. This is particularly important because, in the

18 *Regional Plantation Committees: Review of Rationale and Options for Future Funding*, Private Forest Consultative Committee, Regional Plantation Committees Review Group, June 2002, p. 3.

19 *Regional Plantation Committees: Review of Rationale and Options for Future Funding*, June 2002, p. 18.

Committee's view, there are inherent contradictions within that Strategic Element. Accordingly, the Committee makes specific recommendations on these matters.

Recommendation 6

4.31 The Committee recommends that the following matters be included in any report prepared by the Coordinator:

- **Actions under Strategic Element 4 be reported against expected outcomes with regard to involvement of stakeholders in achieving the Strategic Element goals. Each report by the Coordinator should provide detail of how stakeholders have been involved in each year's goal achievement and a measure of stakeholders' satisfaction.**
- **Assessment or report on Actions – especially Action 13 under Strategic Element 4 – should give details of consultation, contact or involvement with local governments and Regional Catchment Management Authorities in achievement of expected outcomes under the Action.**
- **Details of current and proposed reviews and/or studies of social and community responses to further plantation development to be conducted by the Bureau of Rural Sciences and other bodies such as the Forest and Wood Products Research and Development Corporation.**

In addition, the Committee makes the following recommendation on the role of Strategic Element 4 in achieving the *2020 Vision* goals.

Recommendation 7

4.32 The Committee recommends that research and other studies to be carried out under Action 13 of Strategic Element 4 (which involve consultation with Catchment Management Authorities) be the subject of specific report by the Coordinator.

Conclusion

4.33 The Committee has provided an analysis of Strategic Element 4 under the *2020 Vision* required by term of reference (b). The recommendations anticipate that the Committee's recommendations in Chapter Nine will be accepted and implemented. It identifies those actions under Strategic Element 4 which will require specific detailed reporting by the Coordinator to give effect to that Strategic Element and the identified expected outcomes.

CHAPTER FIVE

MAXIMISING THE POTENTIAL FOR FOREST PLANTATIONS' FUTURE CONTRIBUTION TO ENVIRONMENTAL BENEFITS

Introduction

5.1 The third question considered by the Committee is posed by paragraph (c) of the terms of reference:

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;

5.2 General comments made to the Committee on this issue highlight the emphasis that the revised *2020 Vision* gives to strategies aimed at achieving the goals inherent in this term of reference. For instance, DAFF told the Committee that the *2020 Vision* recognises the role that can be played in the possible amelioration of land and water degradation and the delivery of environmental services for private and public good.¹ However, comments made in other submissions queried whether any such benefits have been realised, or whether in fact plantation forests have contributed to further environmental degradation.

Plantations and Water Quality as an Environmental Benefit

5.3 The matters that the Committee addresses in this Chapter in relation water quality are:

- salinity and water quality objectives and targets; and
- environmental benefits of plantations in low rainfall areas.

5.4 These issues are addressed together in the following section for two reasons. Firstly, most submissions made to the Committee on the matter addressed them together (though not as single issue); and, secondly, the Committee has been able to

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

consider and use the major study, published in April 2004, of the issues raised by this question.

5.5 That study was prepared and published by the Forest and Wood Products Research and Development Corporation (FWPRDC) and is entitled *Water Use by Australian Forest Plantations*.² For ease of reference, the Committee will refer to the study as 'the FWPRDC Water Study'.

Water Use by Australian Forest Plantations – Water Quantity

5.6 In its executive summary, the study notes that the water use issues it addresses have arisen as a forestry-related matter principally as a result of the rapid rate of plantation expansion on agricultural land that followed the setting up of *2020 Vision*. The rapid expansion rates have in some plantation regions given rise to increasing concern:

One area of concern is water. Recent government initiatives to reform water allocation arrangements and increase environmental flows in regulated river systems have highlighted the potential for conflict between the benefits of plantations and their potential to reduce streamflow and groundwater.

The quality and quantity of streamflow is the result of a complex interaction between rainfall, climate, soils, geology and land cover. All those factors must be considered in order to assess the hydrological effects of plantation development in a particular location. It is also important that social and economic implications are considered so that impacts, if any, on other water resource users can be weighed against the socio-economic benefits of increased timber production.³

5.7 The relationship between the increasing conversion of agricultural land to forest plantation is taken up by the study so as to define the research needed to better understand this process:

This review revealed that there were relatively few studies comparing water use, run-off and streamflow by different types of agricultural vegetation cover. Studies of water use by agricultural plants generally aimed to explore water use efficiency in relation to crop or pasture yield. Forest hydrology studies have generally investigated impacts on erosion, streamflow and water quality.⁴

5.8 Clearly, without such studies it is difficult to make an assessment of any environmental benefits that may be gained from plantation forests. During the course of the inquiry the Committee sought to establish what, if any, work was being

2 *Water Use by Australian Forest Plantations: Pre-publication – Draft Final Report*, prepared for the Forest and Wood Products Research and Development Corporation by the Bureau of Rural Sciences, 2004 (FWPRDC Water Study).

3 *FWPRDC Water Study*, p. 3.

4 *FWPRDC Water Study*, pp. 4-5.

conducted by state governments on these issues. While supportive of such research, responses did not generally provide examples of work being undertaken. However, the Committee notes and commends the work being undertaken in Western Australia by its Department of Environment.⁵

5.9 The limitations of current research into the effect of forest conversion studies on all types of plantation development, including native forest conversion, has also been noted in the FWPRDC Water Study:

A deficiency in most forest conversion studies is that results describe changes in streamflow rather than changes in evapotranspiration. Streamflow is the residual of rainfall minus evapotranspiration and can vary widely year to year. Evapotranspiration is less variable and more directly related to the vegetation changes because it is driven by solar radiation and vegetation attributes.

...

Models developed to analyse impacts of plantations on stream flow are based on studies of catchments with relatively stable vegetation cover. They may not accurately reflect 'transitional' effects, where a proportion of the forest area is in younger age classes. They also assume a relatively simple break up into forest or non-forest vegetation cover. Forest structure can vary greatly between catchments and regions. Thus, models may not represent actual impacts on water use accurately in catchments where the forest structure differs significantly from the average of the studies used to develop the model.

...

Many research results are based on studies in small catchments. Extrapolating results from these small research catchments to larger-scale catchments may introduce bias. In larger catchments there are areas that do not contribute to streamflow. Catchments with different size, topography or geology will have differing proportions of these areas. Afforestation impacts derived from small experimental catchments may therefore overestimate impacts at larger scales.⁶

5.10 The central relevance of water studies and hydrological studies in relation to plantation forestry are, as the study explains, as follows:

The hydrological effectsmean that, as well as potentially reducing streamflow, reforestation has the potential to help control erosion, reduce salinity and improve water quality. For example, reforestation of catchments with blue gum plantations is reducing salinity in the Collie and Denmark Rivers, Western Australia. Initial analysis indicates that there may be 1.38 million hectares of agricultural land in the Murray-Darling Basin

5 Correspondence from the Western Australian Minister for the Environment, regarding current hydrology monitoring and research programs, 16 March 2004.

6 *FWPRDC Water Study*, p. 6.

with moderate or high salinity hazard and suitable for commercial plantation development.

The available data shows that the forestry and forest products industries contribute substantially to regional economies and communities. Estimated direct employment in the five regions studied ranges from over 1 700 to nearly 3 800 and averages more than 2 800 people per region. There is also considerable indirect employment. Estimated gross value of production ranges from \$300 million to \$1.5 billion and is increasing as plantations mature and production increases. These benefits must be considered in context with any affects of plantations on other land uses and water resources.⁷

5.11 These views describe a potential problem which a number of submissions raised with the Committee. In addition to indicating the water use issue as a possible problem which may result from large-scale plantation development, these submissions also stressed that there is a need to initiate research.

5.12 The FWPRDC Water Study suggests a number of areas where research might initially be warranted by currently available data:

- long-term monitoring of water and salt balance at catchment and regional scales;
- comparative water use by different agricultural and forest vegetation types;
- catchment modelling and analysis;
- effects of plantation management practices, such as thinning, on water use;
- socio-economic and institutional analysis; and
- environmental benefits and impacts of plantations.⁸

5.13 The Committee recognises that further research is required before plantation development can be appropriately targeted to achieve environmental benefits in water usage. The Committee notes that the Commonwealth government currently funds the National Land and Water Resources Audit. Phase 2 of the audit, which includes the collection of comparable data from all States and Territories, is underway. This phase will provide information about the natural resource condition (the state of native flora and fauna and water and soil quality) for catchments and regions. While the Committee welcomes the audit, it believes that there is a need to ensure that the terms of reference are sufficiently broad so that the impact of plantation forests on water catchments can be ascertained.⁹

7 *FWPRDC Water Study*, p. 7.

8 *FWPRDC Water Study*, p. 7.

9 Joint Media Release, Minister for the Environment and Heritage and Minister for Agriculture, Fisheries and Forestry, 22 October 2003.

Water Use by Australian Forest Plantations – Salinity and Water Quality

5.14 The major focus of studies on reforestation is to determine its potential for helping to control land and water salinity. The FWPRC Water Study addresses this issue in the context of:

... studies that indicate that about 1.38 Mha of the Murray-Darling basin has high, medium or moderate potential for commercial plantations and medium or high salinity hazard.¹⁰

5.15 The Murray-Darling Basin was used as the example of how and/or whether forest plantations would be suitable for the purpose of reducing the effects of salinity. The FWPRDC Water Study, using material generated from studies in New South Wales and north-east Victoria, aimed at an evaluation of the following factors:

The potential for developing plantations in New South Wales was assessed in three stages: land capability assessment, land suitability assessment and economic assessment. The plantation capability assessment mapped growth for softwood (based on radiata pine) and hardwoods.

North-east Victoria - aimed to evaluate the socioeconomic suitability of new plantations in areas assessed as capable of growing commercial plantations and to evaluate the opportunities for expanding the region's plantation resources and associated industries. *Eucalyptus globulus* (Tasmanian blue gum) and *Pinus radiata* (radiata pine) were considered.¹¹

5.16 The following climatic rules were employed in the FWPRDC Water Study to identify areas of commercial plantation land capability study:

- Exclusion of areas with 6 or more consecutive months with rainfall less than 40 mm.
- Exclusion of areas with average annual rainfall less than 600 mm.
- Commercial plantation capability is high if average rainfall is greater than 1 000 mm, moderate if rainfall is 800 to 1 000 mm and low if average annual rainfall is 600 to 800 mm.¹²

5.17 The net result of research to date on the potential for plantation development as a means to reduce salinity effects has highlighted the current low potential of plantations to fulfil this aim. When using data defining salinity hazard and plantation suitability, the total area of land in the Murray-Darling Basin with high, medium and moderate potential for commercial plantations and medium or high salinity hazard is estimated to be about 1.38 Mha.

5.18 The FWPRDC Water Study concludes that:

10 *FWPRDC Water Study*, p. 45.

11 *FWPRDC Water Study*, p. 45.

12 *FWPRDC Water Study*, p. 45.

The majority of the Murray-Darling Basin is capable of low or very low growth rates and is not suitable for conventional commercial plantations. Suitable areas are concentrated in the higher rainfall areas in the Monaro region south of Canberra, around the existing plantation estate in Bathurst-Oberon and in the headwaters of the Namoi, Gwydir and Border Rivers catchment areas in the northern tablelands of New South Wales. Further analysis is required to identify specific locations within these broad areas that will contribute to salinity mitigation.¹³

5.19 In Albany, the Committee heard evidence from Mr Bartle, Manager, Farm Forestry Unit, Science Division in Western Australia's Department of Conservation and Land Management (CALM). Mr Bartle's work with CALM involves a joint project with the Oil Mallee Company on mallee as a new crop in Western Australia. The project combines work to address salinity issues with work to produce activated carbon.

5.20 Mr Bartle talked about the potential to use *Acacia saligna* in moist areas where CALM believe a four or five-year crop rotation would help to dewater salinity affected dry lands.

5.21 Mr Bartle indicated that as well as the potential for the crops to produce paper or panels boards and eucalyptus oil there was also the potential for "the waste, the leftover material, ... [to] go into electricity generation."¹⁴ The potential had been identified but further work was required. He pointed out that the government's Mandatory Renewable Energy Target (MRET) legislation required clarification to facilitate greater public good from plantations.

5.22 Mr Bartle said:

There is a 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 can be done over and over again should qualify and there should be no lack of clarity on that score.¹⁵

5.23 Further, he identified the need for a strategic plan:

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

13 *FWPRDC Water Study*, p. 48.

14 *Evidence*, Mr J Bartle, RRA & T, 11 October 2002, p. 83.

15 *Evidence*, Mr J Bartle, RRA & T, 11 October 2002, p. 87.

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.¹⁶

5.24 The FWPRDC Water study addresses in detail the matters canvassed in submissions to the Committee on the contribution that plantations might make to satisfy the requirements to reduce salinity and improve water quality. In considering how further research might be applied in answering the questions arising out of salinity and water improvement issues, the Committee notes that industry, environmental and research bodies put suggestions and recommendations to the Committee which rely substantially on the need for continuing and further research.¹⁷

5.25 Having considered the submissions, evidence taken during the Committee's inquiry and other research and background material, the Committee is satisfied that the material in the study provides a significant pointer to the issues requiring further examination. The Committee notes that, at this stage, the FWPRDC Water Study suggests research is needed to identify how specific locations might contribute to any level of salinity mitigation.

Environmental Benefits of Plantations in Low Rainfall Areas

5.26 Any assessment of the opportunities to maximise the environmental benefits of plantations in low rainfall areas also appear to require further research. The Committee notes that the FWPRDC Water Study applied climatic rules in identifying areas of commercial plantation land capability, effectively ruling out areas of low rainfall.

5.27 Further, NAFI stated in its submission that:

It has been crucial to ensure that the future competitiveness of the sector is improving and this has required the establishment of new plantations within discrete regions, where the regions may be defined as areas between 200 and 300 km across. So, in physical terms, it has been essential to have the emerging plantation resources concentrated in those areas, which also happen to be relatively productive farming land, with good soils and moderate to high rainfall.¹⁸

16 *Evidence*, Mr J Bartle, RRA & T, 11 October 2002, p. 84.

17 *Submission 32*, National Association of Forest Industries, pp. 17-18.

18 *Submission 32*, National Association of Forest Industries, pp. 7-8.

5.28 Evidence provided to the Committee on the possible effects of plantations in low rainfall areas did not suggest that environmental benefits will be forthcoming:

With regard to the establishment of timber plantations in low rainfall areas, the DEC [Denmark Environmental Centre] notes that the harvesting of timber from low rainfall areas leads to a rapid depletion of soil fertility. In areas where rainfall is less than 800mm per annum, perennial vegetation is of high value.¹⁹

5.29 The Committee also queries the investment potential of plantation forests in areas where growth is likely to be less than optimal. Lower rainfall suggests lower growth rates resulting in extended periods prior to any return on investments.

5.30 Without further research work it is difficult to make confident assessments of the environmental benefits of plantations in low rainfall areas.

Provision of Public Good Services (Environmental Benefits) at the Cost of Private Plantation Growers

5.31 The opportunities for the provision of public good services by private plantation forestry have several aspects. One view put to the Committee by ABARE is that:

It is important that economic policy instruments designed to enhance the environmental services provided by plantations, are targeted to provide well defined environmental outcomes. For some environmental services to be efficiently provided, such as salinity mitigation, plantation establishment must be targeted to very specific recharge areas of catchments. For biodiversity purposes, wider plantings of mixed species may be preferred over industrial monocultures.

Policy initiatives to create markets for environmental services need to consider which investors can most efficiently provide the required environmental outcomes. Economies of scale in the forest industries mean that the most efficient structure of the wood products industry is one or two dominant growers and processors in each region. Policy initiatives designed to provide environmental services through small holder plantations or farm forestry may expend resources altering the structure of the industry by attempting to increase the economic viability of smallholder forestry versus large scale industrial forestry. Resources expended to alter the economic viability of smallholder forestry are not necessarily the most efficient method of purchasing environmental services.²⁰

5.32 In its submission to the Committee, NAFI provided some concrete examples of how environmental services could be optimised within plantation forestry projects and investments. It indicated that the industry is interested in "supporting plantation

19 *Submission 34*, Denmark Environmental Centre, p. 2.

20 *Submission 26*, Abareconomics, pp. 4-5.

forestry projects that can deliver environmental benefits".²¹ NAFI believes that a co-operative approach is required to encourage tree crops where returns will not only include the sale of timber, but also returns providing a value on the environmental benefits:

For example, to off-set a reduced land rental payment, farm owners could receive carbon credits from the trees planted on their property under joint venture arrangements or the environmental rehabilitation of their land may be reflected in the land's value and the borrowing rates applied to any future loans obtained from lending institutions.²²

5.33 NAFI also indicated that a wide group of stakeholders is required "to monitor the on-ground environmental outcomes derived from plantations as the means for supporting competitive markets for trading those services."²³ Such a group is currently being drawn together under the Environment Industry Action Agenda. It aims to provide "tangible values for what are currently intangible benefits."²⁴

5.34 Ultimately, NAFI can see a shift to plantations where the dominant return is in environmental services and suggest that there:

... may be an increasing requirement for some form of government subsidisation to be incorporated into the investment structures. This requirement would become increasingly apparent where the environmental protection or rehabilitation benefits have a large public good component that can not be captured through competitive markets.²⁵

5.35 The Commonwealth Government perspective on the opportunities for provision of environmental services through plantations was described by the DAFF submission to the Committee as:

The Commonwealth has and will continue to support extensive R&D into the delivery of environmental services through plantation and farm forestry activities and the establishment of a sustainable low-rainfall farm forestry industry, for example through the Joint Venture Agroforestry Program supported by the Rural Industries Research and Development Corporation, the Forest and Wood Products Research and Development Corporation, Land and Water Australia and the Murray-Darling Basin Commission, and the activities of AFFA's Bureau of Rural Sciences (BRS) and the Australian Bureau of Agricultural and Resource Economics (ABARE).²⁶

21 *Submission 32*, National Association of Forest Industries, p. 19.

22 *Submission 32*, National Association of Forest Industries, p. 19.

23 *Submission 32*, National Association of Forest Industries, p. 19.

24 *Submission 32*, National Association of Forest Industries, p. 19.

25 *Submission 32*, National Association of Forest Industries, p. 19.

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

5.36 The need for research in this area before any real assessment can be made is again evident to the Committee.

Conclusion

5.37 The Committee has considered whether there are further opportunities to maximise the environmental benefits that may be delivered by plantation forests and has concluded that without further research any such opportunities are difficult to recognise.

Recommendation 8

5.38 The Committee therefore recommends that the plantation industry establishes joint ventures to encourage research to examine the environmental benefits that may be delivered by plantation forests, particularly in relation to the availability of water, salinity and water quality, and plantations in low rainfall areas.

Recommendation 9

5.39 The Committee recommends that the Commonwealth urgently funds the conduct of a water audit in both the mainland and Tasmania, to assess the impact of plantation forests on both water quantity and quality.

Recommendation 10

5.40 The Committee recommends that the government review the application of the Mandatory Renewable Energy Target (MRET) legislation as it applies to the plantation woody crop industry.

CHAPTER SIX

FUTURE PLANTATION-SOURCED SAWLOG SUPPLY

Introduction

6.1 Paragraph (d) of the Committee's terms of reference requires it to ascertain whether there is demonstrable need for government action to encourage long rotation plantations, particularly in order to increase the supply of plantation sawlogs. It is issues arising from this paragraph of the terms of reference that are addressed in this Chapter.

6.2 The Committee, in examining this issue, sought to establish the demand for longer rotation plantation timber, the extent of that demand, and the extent of any shortfall. It also examines actions that the government might pursue to encourage longer term rotation plantations.

Longer Rotation Plantations?

6.3 Evidence provided to the Committee suggested that there is general agreement regarding the need to develop longer rotation timber plantations and, as a consequence, an unmet and increasing demand for sawlogs. Sections of the Australian plantation forestry industry told the Committee that the need for longer rotation plantations had been acknowledged and that serious consideration was being given to facilitating the expansion of this sector of the industry.

6.4 The Australian Forest Growers (AFG) suggested that planning longer rotation plantations can ensure supply of logs for sawing and veneer. AFG argued that the expansion of Australia's longer rotation plantations is necessary in order to replace the declining resource available from public native forests as more of that resource is reserved from production.¹

6.5 By way of example, AFG pointed to the need for softwood plantations specifically to expand existing resources in regions where current supply is insufficient to support sustainable long-term integrated processing industries: in south west Western Australia, south east NSW, northern Tasmania, northern and south eastern NSW and northern Queensland. AFG also stressed the value of longer rotation plantations in terms of their landcare and conservation benefits, such as soil binding, nutrient recycling and habitat creation.²

1 *Submission 58*, Australian Forest Growers, p. 7.

2 *Submission 58*, Australian Forest Growers, p. 7.

6.6 The National Association of Forest Industries (NAFI) argued that future investment prospects for short-rotation pulpwood crops are positive but limited, given the current resource base and future market opportunities. As a consequence, "any additional growth in the industry would rely on investment in longer-rotation crops to produce material for sawing, peeling and slicing".³

6.7 NAFI drew attention to the West Victorian Regional Forest Agreement, which makes specific reference to the removal of export controls from unprocessed wood and woodchips sourced from Victorian plantations. It also noted agreement by parties to the West Victorian RFA, that the current scale of hardwood sawlog plantations will not be adequate to provide an alternative source of supply to native forest hardwood sawlog resources in the West Victoria region.

6.8 Signatories to the West Victoria RFA also agree that a significant expansion of both hardwood and softwood plantations (on previously cleared land) in the West Victoria Region would be advantageous to the industry. The fact that "governments recognise the need to facilitate product diversification in the plantation sector" is also seen as being beneficial to the industry.⁴

6.9 In a submission to the inquiry, Saltgrow Pty Ltd – a horticultural company with offices in New South Wales and Queensland – highlighted the fact that that some RFA agreements (particularly in Queensland) are based on the transition from native forest logging to plantation hardwoods over a 25 year period and argued that the achievement of this target will require immediate investment in long rotation hardwood plantations.

6.10 The Saltgrow submission expressed qualified support for the *2020 Vision*, describing it as both "commendable and necessary".⁵ However, the company's criticism of the current Vision strategy centred on what it described as its overly simplistic analysis in relation to the geographic and demographic distribution of plantation development; and the Vision's failure to "maximise the potential social and environmental benefits from co-ordinated and targeted plantation resource developments".⁶

6.11 It highlighted several serious impediments which need to be addressed in order to encourage private investment in longer rotation plantations, and more specifically to integrate this type of operation into agricultural enterprises on a fully commercial basis. These impediments include the long term investment required for hardwood plantations for solid wood production. The time period of approximately 20

3 *Submission 32*, National Association of Forest Industries, p. 19.

4 *West Victoria Regional Forest Agreement*, pp. 15-16.

5 *Submission 21*, Saltgrow Pty Ltd, p. 1.

6 *Submission 21*, Saltgrow Pty Ltd, p. 1.

years is greater than the seven to ten year horizons expected in the mainstream investment community.⁷

6.12 In support of longer rotation plantations, the Plantation Timber Association of Australia (PTAA) argued that they have the capacity to supply a range of logs suitable for a number of end products. They also claim to have a greater potential to supply fully integrated processing operations which have the capacity to maximise income and employment outcomes for regional communities.⁸

6.13 It was further argued that the current softwood plantation resources in Northern Tasmania, South West Western Australia, South East NSW, Northern NSW and North Queensland are not of sufficient size to support internationally competitive processing operations in the long term. They indicated that the existing longer rotation plantation resources – those that are located in regions which have not yet reached critical mass – should be expanded to enable their full potential to be realised.

6.14 However, the Institute of Foresters of Australia (IFA) argued that sawlogs are essentially no more economically valuable than other forms of wood production such as pulpwood, and that any decisions regarding longer rotation plantations should be left to the market. Nonetheless, the IFA stated that if there was a possibility for a substantial increase in public good benefits from encouraging longer sawlog rotations then government should examine this on a case by case basis:

For example there may be a case for subsidising longer rotation plantations, at least for an initial establishment period, where it can be clearly demonstrated that it would assist in smoothing industry adjustment arising from reductions in the availability of native forest sawlogs or would lead to substantial economic development outcomes. In a similar vein, there may be a rationale for government to encourage longer rotations on the basis of delivering improved environmental, especially biodiversity, outcomes in some situations. This would depend on a number of factors such as species planted, landscape context, silvicultural management regime and where it is proposed to manage surrounding land for conservation purposes. It may be that establishing an investment framework which fosters the development of secondary markets for longer rotation crops is the most efficient means of encouraging such tree crops.⁹

6.15 The IFA submission also stressed the importance of determining the types of wood processing industries that are going to be developed in specific plantation zones and then ensuring that the *2020 Vision* includes strategies aimed at facilitating the appropriate mix of short and long rotation plantations to provide the necessary resources for these industries.

7 *Submission 21*, Saltgrow Pty Ltd, pp. 1-5.

8 *Submission 9*, Plantation Timber Association of Australia, p. 12.

9 *Submission 11*, Institute of Foresters of Australia, p. 6.

6.16 In addition, the IFA suggested that, given Australia's traditional reliance on larger native forest sawlogs, the development of appropriate technologies for converting smaller diameter hardwood logs into high value products is as important as an adequate supply of sawlogs from longer rotation plantations. It argued that:

There may be a case for increasing funding for research and development into the efficient processing and marketing of products from smaller logs. Without building the expertise to commercially process and market products from small hardwood sawlogs, there may not be sufficient incentive to encourage a widespread expansion of plantations for sawlogs.¹⁰

6.17 The Committee notes that the argument that longer plantations rotations are necessary rests heavily on the view that it will be required to fill a shortfall resulting from decisions to wind down harvesting from native forests. While there are suggestions that more environmental benefits may flow from longer term rotations than short term rotations, these seem to be speculative. As outlined in the previous chapter, further research is necessary to establish what, if any, environmental benefits will result. However, what is clear is that investment for longer plantation rotation is difficult to attract. The general view is that one of the major factors creating the difficulty is the time required for investors to get a return on the investment.

Government Incentives

6.18 During the inquiry the Committee received evidence from a number of organisations outlining proposals to encourage longer term plantation rotation. These included:

- Taxation incentives;
- Harvest guarantees; and
- Research and development.

Taxation Incentives - Secondary Markets

6.19 The proposal that had the greatest support, and requires government action, was the proposition of the introduction of tax arrangements for secondary markets for longer plantation rotations. The Saltgrow submission, for example, argued that a viable solution to the problem of encouraging long term investment is the development of a secondary market for plantations. This would allow multiple investors to derive returns from the growth in asset value over the period of a solid-wood rotation – or at least provide the option of exiting from an investment prior to maturity.¹¹

6.20 The current tax arrangements were outlined by the Executive Director of Treefarm Investment Managers of Australia (TIMA):

10 *Submission 11*, Institute of Foresters of Australia, p. 6.

11 *Submission 21*, Saltgrow Pty Ltd, pp. 1-5.

... when you establish a plantation from the beginning, because it is an agricultural operation you are legitimately able to deduct the cost of that establishment. When you purchase a plantation that is already standing, the tax treatment is that that is a capital asset and, as a consequence, you cannot deduct the purchase price of that asset and you are not able to until you dispose of that asset later. The whole idea of having to hold on to an asset that is so illiquid for such a long time is the thing that has discouraged the people who would perhaps purchase such an asset. Without that, the people who are establishing the asset want to shorten the rotation link as much as possible so that they can get a return on their investment a lot sooner, rather than putting something in the ground that they could sell to somebody else, because the people are not there to buy it.¹²

6.21 The PTAA submission noted that ABARE was about to commence a study which is expected to identify the causes for the current low level of investment in longer rotation plantations – in comparison to the quite significant level of investment in shorter rotation plantations.¹³ It also anticipated such a study could identify reasons why a secondary market for immature plantations has not developed in Australia, particularly when such markets exist in other countries.

6.22 Without pre-empting the ABARE study, it was argued that:

... one possible means of increasing investment in longer rotation plantations would be through the development of secondary markets for immature plantations. The existence of such markets would allow investors to enter or exit the market at any time without waiting for a final harvest to realise a return on investment. Such markets would also allow different investors to specialise in managing the risks associated with different parts of the plantation investment cycle.¹⁴

6.23 The AFG submission also stressed the importance of developing a secondary market in order to encourage further investment, particularly in longer rotation plantations. It was argued that the capacity to trade in immature standing plantations and to freely sell out of and buy into this particular type of asset would overcome the long-term illiquidity which has made this type of investment unattractive to many investors in the past. AFG noted that while inappropriate tax treatment is often put forward as a major barrier to this type of investment:

... this has never really been tested, and the problem may indeed be one of perception. While tax is certainly an issue, there are enough alternative plantation-trading scenarios to indicate a rather more complex policy challenge.

12 *Evidence*, Mr Alan Cummine, Treefarm Investment Managers Australia, RRA & T, 21 February 2003, p. 301.

13 *Submission 9*, Plantation Timber Association of Australia, p. 13.

14 *Submission 9*, Plantation Timber Association of Australia, p. 13.

Other factors could well be part of the solution – eg, transparent and reliable market information – and alternative approaches could circumvent the 'tax problem' – eg, developing alternative investment vehicles, such as unit trusts, and trading rights to the trees.

Whatever the solutions might be, the pursuit of them must be taken seriously. The former Ministerial Council on Forestry, Fisheries and Aquaculture requested a study on this subject early in 2001. Completion of this work needs to be given a high priority, to inform the formulation of appropriate and effective policies. The importance of secondary markets for immature plantations increases to the degree that harvest guarantee loses its appeal to prospective investors.¹⁵

6.24 NAFI also pointed out that other factors may be required to be part of any equation that would include taxation provisions for secondary markets:

By improving log market transparency and access to overall market information, broadening the range of investment vehicles on offer and promoting a better use of the existing taxation provisions, it should be possible to encourage the development of active markets for buying and selling immature plantations. If those markets do arise, the level of uncertainty and illiquidity associated with long-rotation plantation investments should be reduced.¹⁶

6.25 The Executive Director of TIMA also informed the Committee:

It is not just a simple matter of a private grower to a possible private buyer later down the track; there are large corporations and state government forests are being sold. There are also problems with managed investment plantations where tax ruling TR 2000/8 on investment schemes specifically prohibits the selling of an immature plantation if there is a trail or evidence that you intended to get out before final harvest. There is a range of different scenarios for moving plantations and for buying and selling and they all have different tax consequences. Phil [Mr Phil Townsend, Deputy Executive Director of NAFI] was looking at all that and he pointed out that it was not necessarily only the conventional problem that has been viewed as the main reason for their being no secondary markets; there are other ways to look at it.¹⁷

6.26 Further, he told the Committee that as there was no chance the Commonwealth Treasury would respond positively to any request for changes to the taxation arrangements in relation to tradability of plantations, industry participants need to look at alternative ways of developing secondary markets:

15 *Submission 58*, Australian Forest Growers, pp. 9-10.

16 *Submission 32*, National Association of Forest Industries, pp. 19-20.

17 *Evidence*, Mr Alan Cummine, Treefarm Investment Managers Australia, RRA & T, 21 February 2003, pp. 301-302.

... I can tell you the Treasury has no interest in taking that seriously. I had similar discussions with the Treasury tax policy officers in 1994 and I have had several in the intervening period, and there is no traction in that argument whatsoever. They will not even countenance the idea that they would change that arrangement.

So we do have to look for alternative ways of starting those secondary markets. That is why the ministerial council in 2000 basically gave a direction to the industry to examine what the real impediments are to getting secondary markets in Australia.¹⁸

6.27 The Executive Director's view was reinforced by ABARE's submission to the inquiry; the submission focusing on economic issues affecting longer rotation plantations and the supply of sawlogs. It suggested that the decision to plant short rotation plantations to supply pulp logs or to concentrate on longer rotation plantations for the supply of sawlogs will be based on the relative returns from the two types of investment.¹⁹

6.28 Further, it commented that concerns over this issue emerge partly from the current expansion of blue gum plantations for pulpwood production, and partly from community pressure to reduce logging in native forests. It also argued that it is difficult to identify impediments that disadvantage other types of plantation investment relative to short rotation eucalypt plantations. Investment decisions for long rotation plantations are made under the same institutional conditions:

Government intervention to alter investment patterns away from short rotation into long rotation plantations needs to be clearly directed to overcoming market failures rather than simply altering the economic viability of the two types of investment. A shorter planning horizon for pulpwood plantations reduced risks for investors by reducing discounting of future returns at harvest, and reducing the risk of supply agreements with buyers. Pulpwood marketing depends more on volume and less on quality than sawlog marketing, reducing the risk to potential buyers entering into supply agreements.²⁰

6.29 The Committee notes the government's reluctance and believes that it would apply to a scheme proposed by Mr Robert Newman. Mr Newman proposed specific changes to the taxation arrangements in order to encourage long rotation species plantations that included the creation of a secondary market. His suggestions included:

- allowing an investor to sell trees which [he] originally established to a second owner at a taxation profit at the end of ten years; and then

18 *Evidence*, Mr Alan Cummine, Treefarm Investment Managers Australia, RRA & T, 21 February 2003, p. 303.

19 *Submission 26*, Abareconomics.

20 *Submission 26*, Abareconomics, p. 5.

- allowing the buyer of the ten year old plantation a tax deduction as a primary producer (on the value for which he purchased the trees).

6.30 Mr Newman told the Committee that his suggested changes to the taxation arrangements would:

... establish some interest by natural forest owners in maintaining their forests by valuing their forests at the start and end of the period and taking a taxable profit, and even enabling another member of the family to buy the interest as a primary producer. This system could be repeated on the same forest asset several times. You could have a plantation of 50-year-old red cedar with five successive owners.

...

Additionally, it would allow the creation of a secondary market for all investors, whether they have interests in 10-year-old blue gum currently growing, in eucalypt forests or in rainforests that are 100 years old. The method of calculating the profit over the 10-year periods would need to be established and the plantation blocks registered so that the tax system would receive its share each time. That would mean that the Commonwealth would get money over a shorter period than is the case now when people invest in radiata pine for 25 years.²¹

Taxation Incentives - Others

6.31 Other taxation incentives suggested during the inquiry included the proposal by the Vice President of the Conservation Council of Western Australia for 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.²²

6.32 The General Manager of Operations of Forestry Tasmania, Mr Paul Smith, told the Committee that Forestry Tasmania was very keen to see a taxation regime that would encourage longer term investment in plantations and suggested that the Commonwealth had a role to play in attracting investment to Tasmania:

Currently investors are reluctant to commit to 20 to 25 years for eucalyptus solid wood plantations and those longer rotations are required for pruning and to get the value. As I said before we are growing longer rotation hardwood crops for sawlog and rotary veneer production and we have the object of encouraging new industry to utilise these plantation products. It

21 *Evidence*, Mr Robert Newman, RRA & T, 20 February 2004, p. 287.

22 *Evidence*, Dr Beth Schultz, Conservation Council of Western Australia, RRA & T, 11 October 2002, p. 96.

would be good to see a resource grown on private property that complements that from state forests. In the expansion of processing industries, I guess the Commonwealth could assist in attracting timber investment to the state and in doing so expand the processing industry by compiling information on the comparative advantages in infrastructure, land and labour costs and make that available to potential investors.²³

6.33 In terms of current taxation arrangements, NAFI argued that in addition to the current range of managed investment projects, it is possible to use existing tax legislation for developing other project structures, particularly those that come under the Capital Gains Tax (CGT) rules and the rights provisions of the *Income Tax Assessment Act 1997*:

With the current managed investment projects, investors are in the business of growing trees for timber production. Alternatively, the investors could purchase an immature plantation (shortly after it has been established) with the intent of selling the plantation at some time prior to the clearfelling operation. Under those circumstances, investors would be in the business of buying and selling an asset and therefore come under the CGT rules and possibly the CGT exemptions.²⁴

6.34 Further:

... there is nothing to prevent plantation owners from selling the rights to the standing timber under a profit a prendre arrangement. In that case, the right becomes a tradeable commodity that can be traded like a futures contract. There is also the possibility of generating superannuation-based investment products. In those cases, the investors may be seeking to hold onto the assets for a specified period of time or liquidate their assets to fund retirement prior to the clearfelling operations.²⁵

6.35 The Committee notes that the reduction in logging native forests will create a need for longer rotation plantations. Such plantations are subject to the same taxation incentives as short term plantations and yet represent a much greater period of investment. The Committee considers that such investment may provide some security to regional communities and therefore makes the following recommendation.

Recommendation 11

6.36 The Committee recommends that the government investigate the possibility of introducing a taxation incentive related to the period of time a plantation is grown, however urges the government to keep in mind the necessity for the industry to meet environmental goals without significant subsidies and tax benefits.

23 *Evidence*, Mr Paul Smith, Forestry Tasmania, RRA & T, 29 November 2002, p. 140.

24 *Submission 32*, National Association of Forest Industries, p. 20.

25 *Submission 32*, National Association of Forest Industries, p. 20.

Harvest Guarantee

6.37 The Saltgrow submission informed the Committee that with any plantation investment and, in particular, long rotation investments, the issue of harvest security remains a significant risk in the minds of investors. It was argued that this perception needs to be addressed, and that it will require a uniform approach between states, and a clearly articulated policy at the federal level, to remove the current state of doubt and confusion.²⁶

6.38 AFG also argued that the development of workable guarantees to right of harvest remains a central objective of the *2020 Vision*. Whilst they acknowledged that states have moved, or are moving to, enact appropriate legal provisions, they added that:

Harvest guarantee will be more effective if it embodies the 'quality assurance' approach, relying upon self assessment, independent audit and penalty for non-compliance. And it is vital that provision be made for appropriately compensating the plantation grower if, ultimately, that right of harvest is withdrawn.

Since no government can make decisions that bind a future government, the security required for investment in a 30-year plantation will always be based on faith and trust. Future governments must be trusted to abide by the spirit and intention of a harvest guarantee.²⁷

6.39 The PTAA and NAFI shared similar concerns regarding harvest guarantees.

6.40 The Committee agrees that the inability to provide harvest guarantee on plantations is a factor that can act to discourage long term investment in longer plantation rotation. While it does not propose that governments legislate in an attempt to bind successive governments, it would encourage State governments to investigate the possibility of establishing shared risk proposals with the plantation industry.

Research and Development

6.41 Finally, AFG argued that additional research and new technologies are required in the area of plantation sawlog production. Examples of the type of research which is currently producing promising results were projects in relation to:

- 'high intervention' pruning and thinning silviculture to produce fat sawlogs faster, including in low rainfall environments;
- sawing and drying trials to minimise faults and maximise recovery in fast-grown young eucalypt sawlogs; and

26 *Submission 21*, Saltgrow Pty Ltd.

27 *Submission 58*, Australian Forest Growers, p. 9.

- innovative uses of small logs.²⁸

6.42 It was argued that more positive results from this type of work to shorten rotation length will provide encouragement to small-scale growers taking up a farm forestry enterprise. It will also assist those plantations managers involved in managed investment schemes to attract more growers into sawlog projects, as well as increase the possibility for successful commercial farm forestry in the lower rainfall regions where the environmental requirement for revegetation is more extreme.²⁹

6.43 The PTAA also referred to the management of existing short rotation hardwood plantations, and argued that while decisions about the marketing and use of plantation timber should be made by the owners on a commercial basis, it is:

... probably inevitable that some of these plantations will be grown on to produce larger logs for solid timber production. This will require research to identify the appropriate silvicultural systems and wood processing and marketing strategies. Research funding will assist this process but the imperative created by rapidly increasing resource availability will be a significant driver. Such a process was also undertaken for Radiata Pine, which has been transformed from a virtually unrecognised timber to a major player in the manufacture of a range of different products.³⁰

6.44 The need for additional research was also raised by ABARE as follows:

The decision to alter the supply of sawlogs from plantations requires an analysis of the lowest cost option of sawlog supply. With burgeoning plantation supply in the Pacific Rim, the lowest cost source of sawlogs could include imports, particularly from New Zealand. In other industries, the long term market implications of changing international supply are assessed using trade models that are not currently available for Australian forest products. Investment in this research would help to target the most efficient strategy for forest industry development.³¹

Conclusion

6.45 It is clear to the Committee that the industry believes that there will be a shortfall in the availability of sawlogs for the local market if strategies to encourage investment in longer rotation commercial plantations are not developed. The identified strategies that could be put in place by government were primarily investment driven. Harvest guarantees and research and development were also proposed.

6.46 The Committee has made a recommendation in relation to taxation incentives and has suggested State government action in relation to harvest guarantees.

28 *Submission 58*, Australian Forest Growers, p. 10.

29 *Submission 58*, Australian Forest Growers, p. 10.

30 *Submission 9*, Plantation Timber Association of Australia, p. 13.

31 *Submission 26*, Abareconomics, p. 6.

6.47 However, the returns on a locally grown sawlog product were less well defined. The Committee is of the view that the most significant benefits of longer rotation plantations may be environmental benefits. These, as was discussed in the last chapter, require considerable further research to understand the links between resources and plantations.

CHAPTER SEVEN

FUTURE VIABILITY AND SUSTAINABILITY OF THE PLANTATION FORESTRY SECTOR AND ASSOCIATED ISSUES

Introduction

7.1 The final matter the Committee was asked to consider is:

- (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 development.

7.2 This Chapter outlines the Committee's observations on what, if any, specific actions are desirable to further develop a viable and sustainable Australian plantation forest sector. The discussion includes consideration of whether an expansion of appropriate processing industries is required to enhance plantation forestry's contribution to regional economic development.

Background

7.3 As noted in the discussion in Chapter Two, forests have traditionally been a publicly owned and managed resource. In many countries, including the United Kingdom, Chile, New Zealand and Australia, plantations have been developed through direct government involvement or through government incentive schemes, including taxation incentives, loans against subsidised interest rates and other conditions and grants.

7.4 The Committee notes that in view of increased private sector investment, the appropriate role of government in Australian plantation forestry continues to be an issue of considerable public debate. The Australian Bureau of Agricultural and Resource Economics (ABARE) states that many countries are selling off their public plantation assets, and initiatives such as the *2020 Vision* have given support to this trend by identifying and addressing factors which have traditionally served to impede private investment.¹

7.5 At the same time however, ABARE argues that plantation development is one way for governments to meet specific economic, social or environmental policy objectives such as assisting forest industry development, increasing regional infrastructure and employment, and overcoming forest product trade imbalances.

1 *Global Outlook for Plantations: ABARE Research Report 99.9*, prepared by Jaakko Poyry Consulting for Australian Bureau of Agricultural and Resource Economics, June 1999, p. 7.

Government policy has been a significant factor in the expansion of the plantation estate over the past thirty years.²

7.6 To maintain and expand the plantation industry providing a viable and sustainable industry in Australia depends on a number of interconnected factors. Some of these have been identified and are discussed below. However, it is impossible to accurately forecast the future of the industry due to such imponderables as the long lead times, risk in the industry from fire and disease and the vagaries of the world market.

7.7 The IFA submitted that because of the inherent risks and uncertainties associated with plantation development, there may be a role for government in supporting the development of viable and sustainable regional plantation based industries. The IFA suggested that this is particularly the case:

... in circumstances where regional industries and communities need to deal with the problems of fragmented supply and achieving economies of scale (eg aggregating woodflows from many growers over long timeframes), or where the development of new 'greenfield' industries may be desirable for natural resource management purposes.³

7.8 The PTAA indicated that it is developing a plantation industry development strategy designed to guide the industry's development and provide a basis for co-operation between industry and the government, with a view to maximising regional development outcomes.

7.9 It proposed the strategy will be compatible with the *2020 Vision*, but will go beyond the predominantly supply-side focus of the Vision. One of the key issues identified by the PTAA in the development of the strategy is the investment environment in Australia.

Investment Environment and Markets

7.10 Private investment is fundamental to the successful expansion of the plantation timber industry. The PTAA indicated that Australia's investment environment has been steadily improving over a number of years and this has assisted in continuing investment in plantation timber processing in Australia. However, it argued that a strong domestic market and investor confidence in Australia's economic and political stability will be necessary for this situation to continue.

7.11 The importance of markets (domestic and international) to both investment and the growth of the plantation industry generally was a view expressed by a number

2 *Global Outlook for Plantations: ABARE Research Report 99.9*, prepared by Jaakko Poyry Consulting for Australian Bureau of Agricultural and Resource Economics, June 1999, pp. 6-7.

3 *Submission 11*, Institute of Foresters of Australia, p. 6.

of industry organisations. Government assistance in securing these markets was sought at a number of levels.

7.12 NAFI argued that the development of export markets for Australian timber products will be a key factor in promoting the future growth of the timber processing sector. It suggested that investment decisions for the plantation industry should be responsive to the signals of the international timber markets.⁴

7.13 However, such responsiveness may reinforce the current trend to major companies being the primary investors in the plantation industry and does not encourage small-holder production. ABARE's submission noted the scale of production necessary to be internationally competitive in wood processing. It argued that it is an additional barrier to investment but one which can be addressed by collective management of small-holder forests.⁵ ABARE suggested that governments, in particular, have a role to play in encouraging a more consolidated approach to the management of small-holder private plantations to ensure a consistent quality and flow of wood to processors.

7.14 AGF also addressed the issue of small growers and co-operatives, reflecting that Action 9 of the *2020 Vision* seeks (among other things) to encourage the development of co-operatives to increase market strength and effective use of resources. It is argued that in order to fully participate in the market, small growers must be able to trust that they will be able to sell their wood for a reasonable price. Action such as that outlined in Action 9, or any other similar commitment to assist small-scale growers to accumulate marketable quantities of product deserves to be given priority.

7.15 The development of export markets for all industry participants is considered important. The PTAA explained that Australian companies have limited experience in relation to the export of plantation timber products (with the exception of woodchip exports to Japan). They argued that this situation is likely to change as production levels increase over coming years. They acknowledged that the economic performance of Australian plantation timber producers will be influenced by the success of other major producer countries such as New Zealand, Chile and South Africa, and suggested that the Commonwealth Government has a role to play, that being to facilitate free trade agreements in relation to timber products. The Committee agrees that the government has a role in facilitating free trade agreements in relation to timber products where it has been demonstrated that environmental standards have been satisfied and sustainability goals have been met over time.

4 *Submission 32*, National Association of Forest Industries.

5 *Submission 26*, Abareconomics, p. 6.

Processing Industries

7.16 As suggested above, one of the keys to strengthening the plantation industry in Australia is the successful marketing of all the industry's products. The ABARE/Jaakko Poyry study notes, for example, the high risk of marketing products, especially for small wood from thinnings, was a factor impeding investment in the plantation industry.

7.17 AGF informed the Committee that marketing products was of particular concern to private and small-scale growers.⁶ They argued that, in order for plantations to be more economically attractive, there needed to be markets for all products of the plantation rotation. In their view one way to establish such markets is the development of regional processing industries for the surpluses and residues of the industry. In particular, processing industries that utilise the large amounts of fibre-grade and fuel-grade material which is unavoidably generated in producing the main sawlog crop from conventional plantations.

7.18 Other evidence to the inquiry supported the expansion of the processing industry. Ms Judy Clark, a Postdoctoral Fellow from the Centre of Resources and Environmental Studies, Australian National University recommended that the Commonwealth government give priority attention to Australia's existing plantations and develop a policy aimed at processing on-shore as much plantation wood as is commercially viable.

7.19 Ms Clark put forward four 'public interest benefits' to support her recommendation:

- 1) Australia should be aiming at world competitive processing and growth through exports. The plantation sector is fundamental to achieving this goal because it provides scale economies and quality in its consistency and continuous improvement for competitiveness in a commodity, sawn timber, wood panels, pulp and paper industry.
- 2) Because plantation products can substitute for most native forest products they are the key to pragmatically resolving the conflict in relation to Australia's native forest log cut. Substitution can also increase competitiveness in the Australian wood products industry.
- 3) Processing wood into sawn timber, wood panels and paper generates about 15 times more jobs than exporting the same volume of wood unprocessed as chips or whole logs. In order to boost employment growth, the focus should lift to the next level of processing: converting commodity sawn timber, wood panels and paper into wooden components such as furniture and joinery products, roof trusses, paper containers etc.

6 *Submission 58*, Australian Forest Growers, pp. 10-11.

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- 4) Processing of wood products also generates considerably more wealth than exporting unprocessed chips and logs. Estimates indicate that processing sawlogs into sawn timber rather than exporting them unprocessed boosts income [that is, revenue less costs] per cubic metre of wood used seven times.⁷

7.20 Ms Clark argued that despite the public interest benefits she has identified, Australia's processing capacity is falling well behind the plantation wood supply. According to Ms Clark, in the early 1990's approximately 90 percent of Australia's plantation cut was processed domestically. This figure has since fallen to approximately 70 percent and Ms Clark argued that this decline will continue unless policy changes are made at both the state and federal level.

7.21 Ms Clark told the Committee that if Australia were just to maintain domestic processing at its current share:

... Plantation processing capacity would need to increase by 60 per cent to handle the resource that Ferguson et al project will be available from 2005 to 2009. More processing investment will be required as more plantations come on stream by 2010. This is without any more planting.

Attracting private sector investment in plantation processing should be the government's overriding forest industry policy goal. It has been for many years, but it is not now...⁸.

7.22 NAFI's submission and evidence to the Committee predicted that the forest and timber industry will soon have access to sufficient scale of resources to support investment in processing industries – including pulp and paper production. They argued that world-scale mills can be built in South-West Western Australia, the Greater Green Triangle Region and Tasmania, and that these mills would use three different sources of fibre input and produce three different grades of pulp and paper products.

7.23 NAFI forecast that the output from the new mills would replace a significant proportion of Australia's current imports of paper products and provide sufficient material for delivering a trade surplus. With only a limited proportion of the additional output from the mills replacing the timber products that are currently imported, a certain proportion of the additional output would need to be sold internationally.

7.24 The development of such processing industries would have implications for future plantations. According to IFA, the revised *2020 Vision*:

... is given a clearer focus on the need to achieve plantation expansion in a manner that facilitates the development of efficient internationally competitive processing industries. This is vitally important considering the growing supply of plantation wood in the Australasian region. To achieve

7 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2003, pp. 314-314.

8 *Evidence*, Ms Judy Clark, RRA & T, 21 February 2003, p. 315.

this goal for sawn timber industries, for example, plantations will need to be developed in regions to an extent that can ultimately supply 500,000 to 1,000,000 m³ of logs each year. This should mean that additional plantings should be focused in zones where existing plantations exist.⁹

7.25 The Committee notes that evidence provided during the inquiry highlights the need for Australia to be a strong competitor in international markets as critical to a viable and sustainable plantation industry. The next major step to achieve this is the development of processing industries in Australia. Government assistance has been identified as a major factor in assisting to achieve this development.

7.26 The Committee notes Ms Judy Clark's comments that the government's overriding policy goal for the forest industry should be the attraction of private sector investment to processing industries. However, it also notes the implications that such investment would have on the expansion of plantations.

Other Factors

7.27 During the inquiry the Committee was made aware of other factors that would contribute to the long term viability and sustainability of the plantation industry. These included:

- plantation protection;
- regional infrastructure; and
- management practices.

Plantation Protection

7.28 The PTAA, while encouraging free trade, also advised that the protection of Australia's plantation timber resource against exotic pests and diseases is critical to the industry. They indicated that the industry itself provides significant funding for monitoring and managing pests and diseases. However, they argued that despite recent improvements to border quarantine protection, adequate attention has not been given to post border surveillance. There is therefore a need for more consistent monitoring of vegetation surrounding points of entry (ports and airports) to ensure any incursions are identified and managed as soon as possible.¹⁰

7.29 This concern is supported by the ABARE/Jaakko Poyry study. It identified the risk of disease as contributing to the high risk of investment in the plantation industry.¹¹

9 *Submission 11*, Institute of Foresters of Australia, p. 7.

10 *Submission 9*, Plantation Timber Association of Australia, pp. 13-15.

11 *Global Outlook for Plantations: ABARE Research Report 99.9*, prepared by Jaakko Poyry Consulting for Australian Bureau of Agricultural and Resource Economics, June 1999, p. 48.

7.30 AFG also advised that the significant investments made in plantations require adequate protection. They argued that both government and industry need to be prepared to provide funding for fire management and for research into pest and disease management.

7.31 The Committee agrees that the plantation industry, as with all agricultural industries, should have the protection from pests and diseases provided by Australia's quarantine arrangements. It notes the PTAA's comment that more consistent monitoring is required and encourages the Commonwealth Government to investigate the need.

7.32 Further, the Committee notes the implications of forest plantations on fire management. Current climatic conditions have had an impact on fire management generally.

Regional Infrastructure

7.33 The ABARE/Jaakko Poyry study identified the lack of regional infrastructure to support plantation development as an impediment to private investment in the plantation forest industry.

7.34 The Committee received three submissions from local government councils indicating concern about the impact of plantations on infrastructure and the council's inability to meet the financial requirements to either upgrade or maintain the roads and bridges used in transporting harvests.

7.35 The Kentish Council of Tasmania indicated that one of their concerns over plantation forest developments is the "non-recognition of infrastructure cost impacts".¹²

7.36 This concern was shared by the West Wimmera Shire Council indicating that:

The impact of the timber industry on West Wimmera Shire's local roads and bridges is cause for increasing concern. There is a string need for the problem of funding requirements to be resolved. Council, the timber industry and other ratepayers who depend on these roads and bridges can have no confidence in the ability of this infrastructure to cope with current and future timber industry harvests.¹³

7.37 The question of funding was also addressed by Councillor Kevin Forbes from the Plantagenet Shire in Western Australia. In his submission he indicated that the:

Local Government in the Great Southern region has a proven need of \$36m for roads that will be used by the Plantation Timber Industry as haulage routes to mill and port.

12 *Submission 63*, Kentish Council, p. 1.

13 *Submission 55*, West Wimmera Shire Council, p. 1.

The State Government has a need for over \$50m in the same area.

Neither State nor Local Government have any possible hope of financing this deficiency.¹⁴

7.38 He continued by calling on the Federal Government "to meet the commitments it made in then 2020 Strategy documentation".¹⁵

7.39 PTAA indicated that the plantation timber industry has been involved in Timber Industry Road Evaluation Studies (TIRES), and road funding priorities have been identified in a number of key regional areas. However, they also called on the Commonwealth to provide additional funding for local infrastructure.¹⁶

7.40 PTAAA also identified adequate infrastructure as being central to the development of an Australian wood processing industry that is internationally competitive. Their concerns included roads and bridges, but also extended beyond transport infrastructure. They argued the plantation timber industry operates in, and makes a significant contribution to, regional communities. In order to encourage skilled workers to relocate to regional processing industries, governments need to ensure that medical, education, communication and other services are available in regional communities.¹⁷

7.41 The Committee notes these concerns relating to infrastructure, particularly transport infrastructure and the important role it has in the development of the industry. The Committee commends the work of government and industry in TIRES and encourages governments to investigate further programs to make funds available for transport infrastructure in plantation areas.

Management Practices

7.42 A sustainable plantation industry also requires appropriate management practices.

7.43 PTAA indicated there is considerable community and market pressure to ensure that the Australian plantation timber industry follow sustainable management practices. The PTAA (and its members) have participated in the development of the Australian Forest Standard (AFS) as well as a number of other certification systems. They believe standards such as AFS are regarded as primarily market driven mechanisms and governments should not become involved in these processes beyond their role as customers and market participants.¹⁸

14 *Submission 19*, Kevin Forbes, p. 1.

15 *Submission 19*, Kevin Forbes, p. 1.

16 *Submission 9*, Plantation Timber Association Australia.

17 *Submission 9*, Plantation Timber Association Australia.

18 *Submission 9*, Plantation Timber Association Australia.

7.44 However, the IFA argue that governments have a particular role to play in ensuring that the social and environmental dimensions of resource management and use are appropriately handled. For example, the IFA suggested that there may be value in reviewing developments in south west Western Australia, the Green Triangle and Tasmania, particularly in light of the large volumes of pulpwood coming on to the market and the scale required for viable pulp and paper manufacturing enterprises.¹⁹

7.45 The Committee is inclined to agree with the IFA position. The role of government in management practices of the plantation forest industry must, at a minimum, be proportional to its involvement in the industry. If significant government funding is being directed towards assisting the development of the industry, so that environmental and social benefits can be secured for rural and regional communities, then government has a vested interest in ensuring that these benefits are not compromised due to poor management practices. As a consequence of governments' investment, industry cannot legitimately claim that community and market pressure alone will be adequate determinants of management practice.

Conclusion

7.46 A viable and sustainable forest plantation industry will be secured by an expansion that provides Australia with internationally competitive processing industries. Other challenges that need to be addressed relate to the provision of infrastructure (particularly transport), protection from diseases and pests, and appropriate management practices.

7.47 NAFI's submission emphasised the significance of the very long time frames involved in forestry development, in initially building up the resources and then recovering the cost of investment in timber milling capacity. It was argued that rather than rely on any long-term commitments from government to support particular programs, policies or activities, it is important that the industry take responsibility for ensuring that the market is driving long-term investment decisions.

7.48 However, NAFI argued that in the short term, government policies may be able to provide the industry with sufficient impetus to meet those longer-term growth projections, for example:

A least-cost solution for the Commonwealth to support regional development while encouraging investment on the scale required for addressing environmental degradation may be to promote the development of export markets for timber products. It therefore seems apparent that the forest and timber industry should be working closely with the Federal and State governments to pursue the joint objectives. As an initial stage in this process, industry and governments have started to consider the project

19 *Submission 11*, The Institute of Foresters of Australia.

assessment and investment approvals processes to ensure that there are no unnecessary impediments to the growth of the forest and timber industry.²⁰

7.49 ABARE's submission to the Committee's inquiry argued that any specific action [on behalf of government] should be focused on overcoming those clearly identified market failures which are impeding private investment. However, ABARE also stressed that caution needs to be exercised to ensure policy initiatives designed to overcome impediments or create markets for environmental services do not represent subsidies to overcome what is essentially a lack of economic viability:

Provision of such subsidies would lead to a net economic loss by reallocating resources away from more efficient uses elsewhere in the economy. 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. Public investment targeted at wealth and employment creation are best directed to sectors of the economy in which Australia has a clear comparative advantage.²¹

7.50 The Committee is concerned that, in attempting to encourage a viable and sustainable industry, that every level of government does not inadvertently encourage the establishment of plantation industries other than for environmental reasons, in regions where such industries are neither viable nor sustainable. Research and planning strategies are requirements for any policy decisions.

20 *Submission 32*, National Association of Forest Industries, p. 21.

21 *Submission 26*, Abareconomics, p. 6.

CHAPTER EIGHT

THE CURRENT TASMANIAN FOREST PLANTATION PROGRAM: AN OPPORTUNITY FOR REVIEW?

Introduction

8.1 The Committee made the decision to report on its observations of the current Tasmanian plantation forestry program separately to the matters dealt with in previous chapters for several reasons.

8.2 Although the reference from the Senate did not specifically ask the Committee to address any questions relating to Tasmania's plantation industry, it does serve to illustrate the discussion in previous chapters. Further, the development of the industry in Tasmania is directly linked to the *2020 Vision*.

8.3 Moreover, a large number of submissions were received from Tasmania (48 of the 90 submissions received). Submissions were made by government, forest and timber companies, local government, groups associated with environmental issues, community organisations and a significant number of individuals. The views put in these submissions indicate to the Committee that the Tasmanian plantation forestry industry, and the nature of its recent growth, has caused a greater degree of debate and concern about the nature of plantation forestry under the *2020 Vision* than in other plantation regions.

8.4 As noted in Chapter 1, the Committee made several visits to Tasmania to hold public hearings and to make field visits to areas in northern Tasmania where plantation development has occurred. In addition to the Committee's Tasmanian hearing program (detailed in Appendix 2), the Committee also took evidence at a hearing held in Canberra on 8 October 2003 on matters relating to the administration of the Tasmanian Forest Practices Code and plantation forests.

Strategic Element 1 - 1997 Tasmanian Regional Forest Agreement (RFA)

8.5 Strategic Element 1 of the *2020 Vision* provides for the establishment of a comprehensive policy framework to develop the plantation forest industry.

8.6 The 1997 Tasmanian Regional Forest Agreement (RFA) was described by the Tasmanian Department of Infrastructure, Energy and Resources (DIER) as being one of the principal drivers of plantation industry growth in Tasmania.¹ In its submission,

1 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003.

DIER also acknowledged that in addition to the 1997 RFA, the strong growth in Tasmania's plantation estate has been facilitated by initiatives such as the State Policy on the Protection of Agricultural Land, and the Forestry Growth Plan:

Since the endorsement of the Plantations for Australia: 2020 Vision the Tasmanian Government has worked to facilitate its implementation within the Tasmanian context. The Tasmanian Regional Forest Agreement 1997 (RFA), the State Policy on the Protection of Agricultural Land and the Forestry Growth Plan developed by Forestry Tasmania have been particularly noteworthy initiatives that have facilitated increased plantation establishment. As a result of the implementation of these initiatives there has been a strong growth in the plantation estate in Tasmania.²

8.7 The RFA was signed on 8 November 1997. The Agreement, between the Commonwealth and Tasmanian governments (the Parties) established a framework for the management and use of Tasmanian forests for 20 years. The major components of the RFA were:

- a reserve system on public and private land. On public land the system comprises formal reserves, informal reserves and prescriptive management, and on private land the Private Forest Reserve program. These components provide the bridge to Ecologically Sustainable Forest Management;
- Ecologically Sustainable Forest Management encompasses integrated natural resource management, a policy on maintaining a Permanent Forest Estate and management based on sustainable yields. These elements provide the bridge to industry development;
- industry development comprises social and economic development at a regional level, a native forest-based industry and development of a plantation estate and associated industry.³

8.8 The RFA also provides, with respect to plantation forestry:

Attachment 12(14) – Both Parties agree to implement the national “Plantations for Australia: the 2020 Vision” for expanding plantations in the Tasmanian context.

Attachment 12(15) – Both parties will jointly facilitate development of the resource, on which the Forest industries and related employment depends, by the following actions for which specific funding will be provided by the Commonwealth under the Agreement:

2 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 2.

3 See, *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 1.

- Expanding the level of intensive management of hardwood Forests on Public Land, including:
- pre commercial thinning of very young eucalypt plantations and regrowth Forests;
- commercial thinning of young eucalypt plantations and regrowth Forests;
- establishment of new eucalypt plantations for sawlog production; and
- improved planning to facilitate subsequent thinning in newly regenerated Native Forests.
- Establishing new special species timber resources (e.g. blackwood plantations and fenced regeneration).
- Supporting research and development into alternative, chemical-free pest and weed control systems for intensively managed Forests.

Attachment 12(16) – The State will facilitate softwood plantation resource development and related employment opportunities by expanding the current rate of softwood plantation establishment.⁴

Strategic Element 2 – Regulatory Framework

8.9 Strategic Element 2 provides for a regulatory framework to support the policy framework established under Strategic Element 1 of the *2020 Vision*. In Tasmania the regulatory framework is formed by both Commonwealth and State legislative provisions.

Commonwealth Legislation to Support the Regional Forest Agreement

8.10 A series of legislative changes were made at the Commonwealth level in support of the Tasmanian RFA. In Clauses 22 and 23 of the RFA, the Commonwealth undertook to "use its best endeavours to secure legislative changes"⁵ and committed to introduce bills to bring about these legislative changes, to be introduced to the Commonwealth Parliament by 30 June 1998.

8.11 The Commonwealth met all its commitments in respect of Clauses 22 and 23 of the RFA:

A Regional Forest Agreements Bill was first introduced into the Commonwealth Parliament on 30 June 1998 and passed in April 2002.

4 *Tasmanian Regional Forest Agreement*, Attachment 12, RFA Forests – Employment and Industries Development Strategy, November 1997, p. 107.

5 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 84.

The *Environment Protection Biodiversity Conservation Act 1999* (Cth) exempts forestry operations authorised under a RFA from the requirement to obtain an environmental approval under the Act if the operations are carried out in accordance with the RFA.

The Export Control (Regional Forest Agreement) Regulations 1997 (Cth) exempt all Tasmanian woodchips and processed wood exports, from export controls by virtue of the fact that they are covered by the provisions of the RFA.⁶

8.12 The Committee sought legal opinion as to the practical implications of the exemptions. It was advised that forestry operations in Tasmania are exempt from the provisions of Part 3 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), provided they are carried out in accordance with the RFA, they are not in a world heritage area or a listed Ramsar wetland, or incidental to another action the primary purpose of which does not relate to forestry.⁷ Part 3 of the EPBC Act "prohibits actions that will have a significant impact on ... [such things as] world heritage properties, listed threatened species and ecological communities, listed migratory species, Ramsar wetlands, national heritage places".⁸

8.13 The definition of "forestry operations" extends to the planting of trees and their management and harvest for commercial purposes. It includes related "land clearing, land preparation and burning off, and transport operations".⁹

8.14 The legal opinion offered an example of an action that may be incidental to another action the primary purpose of which does not relate to forestry and is therefore not exempt of the provisions of Part 3 of the EPBC Act. The example was the "felling

6 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, pp. 84-85.

7 *Inquiry on Plantation Forestry: Regional Forest Agreement with Tasmania: application of Regional Forests Agreement Act 2002 and Environment Protection and Biosecurity Conservation Act 1999*, Legal Opinion from Australian Government Solicitor, 18 May 2004, pp. 3-4.

8 *Inquiry on Plantation Forestry: Regional Forest Agreement with Tasmania: application of Regional Forests Agreement Act 2002 and Environment Protection and Biosecurity Conservation Act 1999*, Legal Opinion from Australian Government Solicitor, 18 May 2004, p. 5.

9 *Inquiry on Plantation Forestry: Regional Forest Agreement with Tasmania: application of Regional Forests Agreement Act 2002 and Environment Protection and Biosecurity Conservation Act 1999*, Legal Opinion from Australian Government Solicitor, 18 May 2004, p. 5.

of trees and selling the logs, when the primary purpose is to clear land for a residential development".¹⁰

8.15 The exemption of export controls relates to "RFA wood", and therefore does not include plantation wood "unless there is currently an approved code of practice under regulation 4B of the *Export Control (Unprocessed Wood) Regulations*".¹¹

State Legislative Framework

8.16 Tasmania has established an extensive system of legislation, policies and administrative practice to give effect to the regulatory framework envisaged by Strategic Element 2. The RFA has also encouraged a regulatory regime.

8.17 As part of the 1997 RFA, Tasmania committed to the Comprehensive, Adequate and Representative Reserve System (CAR) and the Permanent Forest Estate Policy.

Comprehensive, Adequate and Representative Reserve System (CAR)

8.18 The National Forest Policy Statement (NFPS) is a 1992 agreement between Commonwealth, State and Territory Governments that sets broad goals for the management of Australian forests. The NFPS set out the process for undertaking joint Commonwealth/State Comprehensive Regional Assessments (CRA's) of natural and cultural, and economic and social values of Australian forests as the basis for negotiation of Regional Forest Agreements (RFA's).

8.19 Another major element of the NFPS is a commitment to the development of a Comprehensive Adequate and Representative (CAR) reserve system.¹² This commitment also includes the implementation of strategies to protect old growth forests¹³ and wilderness¹⁴ as part of the reserve system. Tasmania committed to

10 Inquiry on Plantation Forestry: Regional Forest Agreement with Tasmania: application of *Regional Forests Agreement Act 2002* and *Environment Protection and Biosecurity Conservation Act 1999*, Legal Opinion from Australian Government Solicitor, 18 May 2004, p. 6.

11 Inquiry on Plantation Forestry: Regional Forest Agreement with Tasmania: application of *Regional Forests Agreement Act 2002* and *Environment Protection and Biosecurity Conservation Act 1999*, Legal Opinion from Australian Government Solicitor, 18 May 2004, p. 2.

12 *Nationally Agreed Criteria for the Establishment of a Comprehensive, Adequate and Representative Reserve System for Forests in Australia*, a Report by the Joint ANZECC/MCFFA National Forest Policy Statement Implementation Sub-Committee, 1997, p. 1.

13 Old Growth Forest is defined as 'ecologically mature forest where the effects of disturbances are now negligible'.

establishing a CAR reserve system and developing a system of ecologically viable reserves for land, freshwater and marine environments.

8.20 Tasmania's system of protected areas includes the Tasmanian Wilderness World Heritage Area, which contains approximately 1.4 million hectares of high quality temperate wilderness. In order to meet CAR reserve objectives in relation to land, the State's target is 15% of the pre-European¹⁵ forest communities to be included in the reserve system. Under Tasmania's RFA, the targets have been met on public land and are "being pursued on private land through the RFA Private Forest Reserve Program":¹⁶

The RFA Private Forest Reserve Program (DPWIE) offers a range of financial packages for landholders who have significant patches of native forest¹⁷ on their land. The program aims to protect 100,000 ha of native vegetation by July 2002 and operates on a Commonwealth budget of \$30 million. By December 2001 the program had received 643 expressions of interest, and had secured 51 properties comprising over 10,000 ha. This program has enormous potential to broaden its scope and include other significant elements of natural diversity on private land, such as important fauna habitat and sites of geoconservation significance. Government funding will be required to support the program after the RFA's commitment has finished.¹⁸

Permanent Forest Estate Policy

8.21 As part of the RFA, Tasmania (in conjunction with the Commonwealth) developed a Permanent Forest Estate Policy. The policy – which at the time of writing is currently under review – is designed to provide overarching and permanent protection for forests in Tasmania. The details of the policy are outlined in Attachment 9 of the RFA. The present policy, monitored and audited by the Forest Practices Board:

14 Wilderness is defined as 'land that, together with its plant and animal communities, is in a state that has not been substantially modified by, and is remote from, the influences of European settlement or is capable of being restored to such a state and is of sufficient size to make its maintenance in such a state feasible'.

15 Pre-European refers to pre-1750.

16 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 15.

17 Native forest is defined as 'any locally indigenous forest community containing the full complement of native species and habitats normally associated with that community, or having the potential to develop these characteristics'.

18 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 20.

- sets out minimum threshold percentages of forest that must be retained and below which native forest cannot be cleared for commercial forestry;
- allows for the harvesting of native forest, provided it is regenerated; and
- allows for native forest to be cleared and converted to other uses – including plantation establishment – up to threshold levels defined in the policy.¹⁹

8.22 Tasmania's *Nature Conservation Strategy 2002-2006* notes that while the Permanent Forest Estate Policy provides protection for forest communities, there is an "increasing concern that the levels of protection are too low"²⁰ and cites the Forest Practices Board 2000 Annual Report:

...three forest communities had been cleared to the extent that their minimum threshold percentages had almost been reached and a further 13 communities had been depleted by more than 7%.²¹

8.23 The Strategy argues that an increase in the minimum threshold levels for all three criteria in the Permanent Forest Estate Policy would result in additional areas of significant native forest being excluded from clearing.²²

8.24 It is also noted that under the current Permanent Forest Estate Policy, forest and non-forest land may be cleared without being subject to any legislation, regulations or codes of practice – provided the timber is not used for commercial forestry purposes. It is argued that the current situation is a significant obstacle to protecting native vegetation and the Strategy suggests that:

The Forest Practices System is well established to scrutinise harvesting plans and administer a code of practice which has legislative support. The Forest Practices Board has scientific expertise and systems in place for auditing and monitoring the rates of forest clearing. By making forest practices plans a mandatory requirement for the clearing of any native forest in Tasmania we could prevent the loss of important natural values

19 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 9.

20 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 33.

21 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 33.

22 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 33.

(plant, animal, geological) and make sure that clearing takes place in an environmentally sound manner.²³

8.25 The 2002-2006 Strategy also notes that a review is currently being undertaken to include this broader scope in the Forest Practices Board's responsibility.

The Tasmanian Forest Practices Act 1985

8.26 The *Forest Practices Act 1985* – which was passed to "ensure that forest operations are conducted in an environmentally acceptable manner on public and private forest lands"²⁴ – is also part of a broader legislative and policy framework for sustainable forest management and provides for the administration of the forest practices system through the Forest Practices Board.

8.27 The statutory objective of the Forest Practices Board is to:
act in all matters in a manner that –

- a) best advances the objective of the State's forest practices system; and
- b) fosters a co-operative approach toward policy development and management in forest practices matters.²⁵

8.28 The role of the Forest Practices Board includes the collection of data on rates of harvesting, the conversion of native forest to plantation, and the loss of sensitive vegetation communities. The Board is also responsible for employing specialists to conduct research projects; providing advice to Forest Practices Officers in relation to the management and conservation of natural and cultural values; and conducting regular reviews of the Forest Practices Code.

8.29 The Forest Practices Advisory Council is constituted of representatives of various stakeholder groups and experts in the areas of forest management, forest harvesting and forest conservation as well as resource management and planning. In addition to encouraging communication and cooperation amongst stakeholders, the Advisory Council is also responsible for providing expert advice to the Forest Practices Board.²⁶ The day-to-day management of the forest practices system is the responsibility of the Chief Forest Practices Officer.²⁷

23 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 33.

24 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, p. 1.

25 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, p. 1.

26 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, p. 1.

27 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, p. 1.

8.30 Forest Practices Officers (appointed by the Forest Practices Board) are responsible for:

- planning, monitoring and certifying that Forest Practices Plans are prepared and implemented in accordance with the Forest Practices Code and any instructions issued by the Board; and
- taking corrective action and enforcing the *Forest Practices Act 1985* as necessary to ensure compliance in operations under their control.

Forest Practices Code

8.31 The Forest Practices Code first became operational in November 1987 and has been reviewed and revised twice since. The most recent version of the Code was launched on 24 November 2000 and took effect from 1 January 2001. The Forest Practices Code is issued by the Forest Practices Board (following consultation and public comment) and provides a set of guidelines aimed at protecting natural, cultural and environmental values during forest operations. This includes values such as flora and fauna, threatened species, soils and water, geomorphology, cultural heritage and visual landscape.

Forest Practices Plans

8.32 Under the *Forest Practices Act 1985* and the Forest Practices Code all commercial harvesting operations must prepare Forest Practices Plans for every coupe proposed for logging. The Forest Practices Code and Forest Practices Plans are processed and audited by the Forest Practices Board.

8.33 In accordance with the Forest Practices Code, Forest Practices Plans are required to include an environmental assessment of soil, water, flora and fauna (including threatened species), landscape, cultural heritage and geomorphology. Forest practices plans are required for the following activities:

- the establishment and maintenance of forests (including standards to be complied with in the stocking or restocking of land with trees);
- the harvesting of timber; and
- the construction of roads and other works, including quarries, connected with the establishment of forest or the growing of timber.²⁸

8.34 The Forest Practices Code outlines issues and circumstances which are required to be taken into consideration in the preparation of a Forest Practices Plan. The Code stipulates that appropriate provision be made for consultation with local government if a Forest Practices Plan involves:

28 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, pp. 2-4.

- areas with landscape protection provisions in planning schemes;
- operations which potentially affect water quality in a listed town water supply catchment;
- operations within 2 km upstream of a town water supply intake; or
- construction of new access or major upgrading of existing access for timber harvesting onto local government roads.²⁹

8.35 The Forest Practices Code also specifies that Forest Practices Plans must be certified by an authorised Forest Practices Officer prior to the commencement of operations and at the completion of operations, and that relevant information within Forest Practices Plans should be "made available to interested parties in an effective and efficient manner".³⁰

Private Timber Reserves

8.36 Under the *Forest Practices Act 1985* landowners can apply to the Forest Practices Board to have all or part of their land declared a Private Timber Reserve. Land declared a Private Timber Reserve is only to be used for the establishment, growing or harvesting of timber, and other such activities considered by the Forest Practices Board to be compatible. The type of forestry (native forest or plantation) they engage in on a Private Timber Reserve is up to landowners themselves.³¹

8.37 While forestry operations³² on Private Timber Reserves are specifically excluded from the requirements of the *Land Use Planning and Approvals Act 1993* they "must comply with the requirements of the Forest Practices Code and landowners must consult with local government and neighbours in development of Forest Practices Plans".³³

8.38 In evidence, DIER reiterated the importance of Private Timber Reserves, describing the system as an important feature of the Tasmanian legislative framework and part of the reason for Tasmania's successful plantation sector. It was further argued that the reserves "provide private growers with some security that their

29 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, p. 5.

30 *Forest Practices Code 2000*, Tasmanian Forest Practices Board, Hobart, pp. 3-5.

31 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 9.

32 Forestry operations include: the establishment of forests, growing of timber, harvesting of timber, land clearing and land preparation associated with forest establishment, burning off, access construction and transport operations associated with forest establishment, growing and harvesting.

33 *Submission 46*, Department of Infrastructure, Energy and Resources, pp. 9-10.

investment decisions in establishing plantations can proceed through to harvest without undue sovereign risks".³⁴

Forestry Growth Plan

8.39 The Forestry Growth Plan (the Plan) was announced by Forestry Tasmania in 1998. One of the objectives of the Plan is to build a world scale plantation resource to support internationally competitive and value-adding forest industries, and encouraging the development of a world competitive forest processing industry for Tasmania. Also included in the Plan is a resource expansion program involving the Tasmanian Government, private growers, Forestry Tasmania and industry. In addition to researching integrated development opportunities, markets and resource management techniques, the aims of the Plan include:

- boosting annual harvest and increasing market development and sales to support the major expansion of forest plantation programs;
- expansion of plantations and thinning; and
- world scale, internationally competitive plantation production coming on stream in about 2020.³⁵

8.40 The type of value-adding that is predicted under the Plan includes increased sawmilling of softwood and of rotary peeled veneer from hardwood. It is argued that the development of the Southwood Project in Tasmania's Huon Valley and Smithton – an initiative arising out of the Plan – will provide both a more efficient use of Tasmania's timber resource and much needed employment in rural Tasmania.³⁶

State Government Agencies

8.41 There are a number of state government organisations involved in the formation and regulation of policy and the administration of legislation in relation to the plantation forestry industry within Tasmania. The two relevant government departments are the Department of Infrastructure, Energy and Resources (DIER) and the Department of Primary Industries, Water and Environment (DPIWE). DIER supports Tasmania's economic and social development and provides advice on strategic forest policy issues. DPWIE is responsible for the regulation of environmental impacts (including monitoring the use of agricultural chemicals and wildlife control), the protection of biodiversity and the promotion of integrated natural resource management.

34 *Evidence*, Mr Andrew Blakesley, Department of Infrastructure, Energy and Resources, RRA & T, 29 November 2002, pp. 106-107.

35 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 6.

36 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 6.

8.42 There are also two statutory authorities: Private Forests Tasmania (PFT) and the Forest Practices Board. PFT was established under the *Private Forests Act 1994* to promote, foster and assist the private forest sector to sustainably manage native forests and encourage the expansion of plantations. The Forest Practices Board was established by the *Forest Practices Act 1985* and is responsible for fostering a cooperative approach towards policy development and management of the forest practices system – a system that is seen as a key part of the framework for the delivery of sustainable forest management.

8.43 Two other key organisations are Forests and Forest Industry Council of Tasmania and Forestry Tasmania (FT). The Forests and Forest Industry Council is made up of associations with an interest in forest and land use issues and functions as a peak body for the resolution of forestry and land use issues in the state. The Executive consists of representatives from the Tasmanian Farmers and Graziers Association, the Forest Industries Association of Tasmania, the CFMEU, the Tasmanian Country Sawmillers' Federation, the Tasmanian Logging Association and DIER.

8.44 FT is a government business enterprise established under the *Forestry Act 1920* and is primarily responsible for the management and development of forestry on public land.³⁷

Current Tasmanian Forestry Industry and Plantation Estate

8.45 The impact of the RFA and the associated policy and regulatory framework on the development of plantations in Tasmania has been marked. Plantation development increased significantly under the RFA, particularly during its first five years of operation. A major aspect of the RFA (and the provision of Commonwealth funding) was based around the replacement of high quality eucalypt and blackwood resources surrendered in the expansion of the Comprehensive, Adequate and Representative (CAR) reserve system to meet the legislated minimum supply targets. Emphasis was also placed on implementing the *2020 Vision*; expanding the plantation estate on public and private land and facilitating growth in the industry.³⁸

8.46 In its submission DIER noted that:

During the development of the RFA, both the Commonwealth and the State Government recognised the importance of forest based industries to the Tasmanian economy. As such the RFA was intended to have the effect of enhancing the future growth and development of Tasmania's industries associated with forests and timber products through the implementation of

37 The primary source of information in relation to Tasmanian Government Agencies is *Submission 46*, Department of Infrastructure, Energy and Resources, pp.7-8.

38 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, pp. 3 and 97.

the RFA Forests – Employment and Industries Development Strategy (the Strategy).³⁹

8.47 Under the Tasmanian RFA, the Commonwealth provided Tasmania (through Forestry Tasmania) with \$68 million. The funding was provided for the purpose of establishing approximately 20 000 hectares of new plantations to be established on public land over a five year period (to replace eucalypt sawlog forgone through additional reservation). Whilst this program is almost complete, it has been one of the drivers behind Forestry Tasmania's purchase of private land since 1997.⁴⁰

8.48 At the end of the 2001 planting season (and the fourth year of the program), approximately 16 000 hectares of new eucalypt plantation had been established on public land. This total includes 14 000 hectares directly owned and managed by Forestry Tasmania, and 2 000 hectares being held as joint ventures or other contractual arrangements.⁴¹ Tasmania's softwood plantation estate is currently growing at a slower rate than for hardwood. The majority of the estate is being operated as a joint venture between Forestry Tasmania and GMO Renewable Resources.

8.49 The total land area of Tasmania is approximately 6.8 million hectares. Of this land area approximately 40 percent is protected either in World Heritage Areas and National Parks or in other reserves.⁴² A further 1.6 million hectares (24%) is used as agricultural land and approximately 1.5 million hectares (22%) is used for forestry activities. The land used for forestry activity can be further divided into land used for production forestry⁴³ (86%), and land used for plantation forestry (the remaining 14%).⁴⁴

8.50 A recent report published by DIER describes the Tasmanian forestry estate as follows:

In June 2001 there were 3 352 000 hectares of forest in Tasmania covering 47 per cent of the State's land area. In 2002 the area of plantation forest was about 207 000 hectares or 6 percent of the total forest area. About 1 115

39 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 3.

40 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 66.

41 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 5.

42 Tasmania's Forests, viewed at www.forestrytas.com.au/forestry_tas/pages/forests.html on 17 August 2004.

43 For the purposes of the DIER Report, 'production forestry' is defined as commercial production from native forests and related activities on public and private land.

44 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 1.

000 hectares of forest, including 124 000 hectares of plantation is on privately owned land.⁴⁵

8.51 The structure of the Tasmania forest estate has several features:

- Tasmania's total plantation estate, while not the largest in Australia, covers comparatively more land than in any other State;
- Private plantations cover approximately 124 400 hectares and softwood plantations cover approximately 82 900 hectares;
- Tasmania's total plantation area has been increased from 64 200 hectares in 1996 to 207 300 hectares at the end of 2002;
- In common with all Australian plantation regions, plantings of broad-leaved hardwood plantation species now account for almost all new plantings,⁴⁶ and

8.52 A large proportion of plantations are established by clearing native forests, a practice that has ceased in all other states. From 1999 to 2003, 80,000 hectares of native forests were clearfelled and mainly converted to plantations.⁴⁷

8.53 The value of Tasmanian forest production, and its structure, is summarised as follows:

- The total value of sawmilling logs delivered has been relatively stable over the period from 1985. In contrast, the volume of logs delivered for pulp and paper manufacturing has fluctuated over time but with a general upward trend since the early 1990's and represent production from all forests, not just plantations. They include public and private production, native and plantation timber, and both hardwood and softwood.⁴⁸
- In 2001 (the last year of comprehensive figures) there was production of 3 903 000 cubic metres of woodchips and 339 000 cubic metres of milled timber - a total of 4 243 000 cubic metres of production.⁴⁹

45 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 35.

46 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 35 and p. 36, Table 21. See also, *Submission 22*, Forests and Forest Industry Council of Tasmania, pp. 1-2.

47 Figures taken from the Forest Practices Board, 2002-2003 Annual Report, pp. 15 and 23.

48 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 53. (Figures are drawn from ABS data).

49 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 55.

- After applying a range of prices (stumpage prices) for high-priced sawlog veneer to low-priced standard pulp, the stumpage value of timber produced in Tasmania in recent years might be somewhere in the range of \$100 million to \$130 million, or:

- 4 million cu m of pulp logs @ \$15 \$60 million
- 1 million cu m of sawlogs @ \$40-50 \$40-50 million

Total \$100-130 million

8.54 The DIER study (*Rural Land Use Trends in Tasmania 2003*) notes that:

In 1999-00 the industry value added figure for the Wood and Wood Product Manufacturing sector was \$399 million. This is in addition to the ex forest gross value estimate ... and hence cannot be directly compared with agriculture gross value of production figure. "Log Sawmilling and Timber Dressing" made up around 50 per cent of the total (\$197.6 million) with the remainder coming from "Other Wood Product Manufacturing" and "Paper and Paper Product Manufacturing".⁵⁰

8.55 Forestry production of \$399 million compares with total value of agriculture of approximately \$2 710 million⁵¹ and tourism of approximately \$700 million.⁵²

Strategic Element 4 – Social and Environmental Factors

8.56 Strategic Element 4 of the revised *2020 Vision* recognises the concerns of rural communities and the need to establish community support for plantations. While Tasmania may have successfully established the goals of Strategic Elements 1 and 2 and the returns in plantation forest growth envisaged by the *2020 Vision* the outcomes set out in Strategic Element 4 are less discernable. In fact, during the inquiry the Committee was presented with evidence that suggests this Strategic Element is critical to the Tasmanian industry.

8.57 A number of submissions indicated concerns about the social and environmental impact of the expansion fostered by the RFA and the associated *2020 Vision*. Doubts were expressed not only in relation to the environmental impact of plantations but also the level of promised environmental benefits.

50 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 56.

51 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 50.

52 See, *Study by the Centre for Regional Economic Analysis at the University of Tasmania 1998*, Tourism Tasmania, p. 2 – last available figures are for 1998.

Impact of Plantation Development on Land Use Patterns, Including Conversion of Agricultural Land and Native Forest to Plantations

Plantations on Private Land and Rural Land Use

8.58 There has also been a rapid expansion of plantations on private land over the past decade – a trend that is likely to continue. This expansion is largely based on plantation prospectus companies such as Gunns Limited and Forest Enterprises Australia.

8.59 Gunns Limited is proposing to develop a sustainable plantation estate of 200 000 hectares under management by 2011. As at November 2002, Gunns owned in excess of 50 000 hectares of plantations in Tasmania and managed an additional 10 000 hectares (owned by Gunns Limited in joint ventures). Forest Enterprises Australia Limited – a Tasmanian-based integrated forestry company – is also offering investment opportunities in Tasmanian plantations consisting primarily of *Eucalyptus nitens*.⁵³

8.60 There is community concern regarding the conversion of agricultural land and native forest to plantations (and the resulting loss of community infrastructure) since 1996. In response to community concern, the Tasmanian Government and the Local Government Association of Tasmania formed the Local Government Forestry Consultative Committee. The Consultative Committee undertook to identify and review issues of particular concern. A report titled *Rural Land Use Trends in Tasmania* was first published 2001. The information contained in the 2001 report was reviewed and updated with more detailed and accurate data and an updated version of the report was published by DIER in 2003.

8.61 The DIER report acknowledges that there has been a significant increase in the area of plantation forestry in Tasmania over recent years. Since 1997, 60 percent of the increase in total plantation area (or 124 400 hectares) has been on private land.⁵⁴

8.62 The report also notes that approximately 22 000 hectares (18%) of plantations on private land are areas that have previously been under pasture, but that it is difficult to determine any major impact of this in ABS figures in relation to agricultural land use or total output:

Sown pastures make up almost 50 per cent of the total area of agricultural establishments in the State – 800,000 to 900,000 hectares. Because of the fact that plantation development on what was previously agricultural land has tended to favour grazing land in relatively high rainfall areas, this should be the land use category most impacted by plantation development. In fact, the Australian Bureau [of] Statistics estimates for the area of sown pasture have fluctuated from year to year so that no real trend is evident. To

53 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 6.

54 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 2.

some extent this may be due to differences over time in the way in which data has been collected and interpreted.⁵⁵

8.63 The Committee notes the Report's analysis of forestry plantations on various land capability classes, which suggests that only a small percentage of the total plantation area has been established on prime agricultural land. The largest area of prime agricultural land that has been converted to forestry plantations is located in the North Western Natural Resource Management Region.⁵⁶

8.64 The Report also argues that there are a wide range of influences which have an impact on land use patterns in Tasmania. In relation to agriculture, terms of trade and productivity improvements have a bearing on the decisions farmers make regarding land use. These issues are also likely to have an impact on the degree to which forest plantations will compete for sown pasture – particularly in higher rainfall areas – over the next few years.

8.65 There has been an increase in investment in forestry prospectus companies over recent years – particularly because of changes to the taxation provisions. At the same time, however, increased beef and milk prices are expected, and this is likely to increase the competitiveness of those enterprises. Land prices are, therefore, likely to increase in areas where plantations, dairying and beef cattle are competing for land.⁵⁷

Evidence to the Committee

8.66 Environment Australia (EA) noted that:

... most, but not all, jurisdictions now discourage or prohibit broad-scale clearance of native vegetation for plantation development on public and private land, while encouraging their establishment on previously cleared agricultural land. Environment Australia strongly supports this trend.⁵⁸

8.67 However, the Launceston Environment Centre argued that plantations should not be established on land covered by native vegetation, on prime agricultural land or in areas of good rainfall. The Centre's submission noted that, in Tasmania:

...plantations generally do not occur in the low rainfall areas of the midlands, East Coast and Flinders Island. The already cleared and degraded areas where low rainfall occurs in Tasmania should be used for the

55 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 2.

56 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 3.

57 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 4.

58 *Submission 50*, Environment Australia, p. 3.

establishment of plantations. This would provide advantages for both the utilisation of the already cleared ground and to reduce salinity.⁵⁹

8.68 In her submission to the inquiry, Ms Gwenda Sheridan told the Committee that Tasmania's RFA and the *2020 Vision* have resulted in the conversion of land and the expansion of the plantation forestry industry. Ms Sheridan argued that, as a result of plantation expansion, entire landscapes are being destroyed and whole communities being displaced, and that in her professional opinion.⁶⁰

...if the present pattern is allowed to continue, then Tasmania's unique set of cultural landscapes, different in different areas of the state will be severely compromised, if not in places quite destroyed. Industrialised farming of trees in the twenty first century is a very different scenario to traditional farming, in methods, characteristics, ownership, internal farm boundaries, economic bottom line expectations and in an end landscape result.⁶¹

8.69 Organisations such the Northwest Branch of the Tasmanian Conservation Trust also expressed concerns about the conversion of what has traditionally been considered prime farming land:

The establishment of industrial monoculture tree plantations in the northwest of Tasmania during the past few years has seen a history of a complete absence of community consultation, poor planning and destructive practices, resulting in the loss of some of the best prime farming land in the world for producing food that enhanced Tasmania's "clean and green" image internationally.⁶²

8.70 The concerns expressed by the Conservation Trust are typical of those expressed in a large number of submissions. It was argued that the establishment of plantations has resulted in the loss of prime farming resources and ultimately led to the destruction of entire farming communities.⁶³

8.71 Organisations such as the Tasmanian Forests and Forest Industry Council argue however that landowners should maintain the right to make their own decisions regarding the type of crops they wish to grow – and that a large number of farmers now mix tree plantations with grazing, grain or vegetable production.⁶⁴ The

59 *Submission 27*, Launceston Environment Centre, p. 2.

60 Ms Sheridan has post graduate research qualifications in landscape, recreation and land planning and is a corporate member of the Planning Institute of Australia.

61 *Submission 47*, Ms Gwenda Sheridan, p. 8.

62 *Submission 45*, Northwest Branch of the Tasmanian Conservation Trust Inc., p. 1.

63 See, for example, *Submission 24*, Mr Malcolm Ryan, pp. 3-4; *Submission 18*, Mr John Hayward, p. 2 and *Submission 17*, Mr Nick Towle, p. 1.

64 *Submission 22*, Forests and Forest Industry Council, p. 2.

Committee notes that unlike other crops, tree plantations are assisted by tax deductibility under the 12-month prepayment rule.

Policy on the Protection of Agricultural Land

8.72 The Committee notes that the Tasmanian Policy on the Protection of Agricultural Land came into effect on 6 October 2000. The Policy was introduced with the aim of 'protecting agricultural land from development that could reduce, inhibit or extinguish agricultural productivity'.⁶⁵ The Committee notes, that for the purposes of the Protection of Agricultural Land Policy, 'agriculture' includes both intensive tree farming and plantation forestry.

8.73 The Policy is credited by DIER as facilitating the expansion of plantation forests in Tasmania⁶⁶ and specifically protects "prime agricultural land",⁶⁷ except under certain circumstances. Throughout Tasmania, Municipal Council planning schemes have been modified to support the administration of this Policy. It has seven principles including the protection of agricultural land from conversion to non-agricultural use and development.⁶⁸

Water – Quantity and Quality

8.74 Plantation development on land that had previously been pasture also has the potential to impact both water availability and quality.

8.75 The issue of water availability has become a matter of concern to the Tasmanian Government and farmer and industry organisations over recent years. A large percentage of Tasmania's major catchments (and large bodies of water) have been modified for water use such as water storage, hydro-electricity and irrigation. A major problem for the State relates to industry's increasing need for water extraction and ambitions to drought-proof properties by increasing the number of dams and weirs.⁶⁹

8.76 The impact of plantations on catchment run-off has also become an issue in recent years:

65 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 63.

66 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 2.

67 'Prime agricultural land' refers to land defined as being Class 1, 2 or 3 under the land capability classification system in Tasmania.

68 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, pp. 63-64.

69 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 38.

Forestry plantation development has the potential to impact on water supplies by increasing evapo-transpiration and thereby reducing groundwater recharge and run-off. The impact may be beneficial or detrimental depending on the specific circumstances:

- Beneficial – a reduction in ground water recharge may eventually lower water tables in areas where dryland salinity is a risk.
- Beneficial – reduced flooding risk and soil degradation during heavy rainfall events by increasing water retention (except immediately following harvesting).
- Detrimental – a reduction in run-off has the potential to impact on down-stream water users and on environmental flow.⁷⁰

8.77 The Committee notes that plantations in Tasmania are generally not located in salinity recharge areas and that clearing in preparation for plantations increases the impact of erosion.

8.78 The report prepared by DIER notes that some initial analysis of the impact of forestry plantations has been undertaken. For example, a recent study looked at the impact on Launceston's water supply of forestry developments in St Patricks and North Esk Catchments. A model prepared for the study indicates that there has been a small reduction in water supply due to both current and past plantation and logging regimes. It was also argued, however, that a predicted 8-10 per cent reduction in annual water yield would only happen "if all suitable land was converted to fast growing plantation and that that situation was unlikely to occur".⁷¹ Also:

In general terms plantation forestry has the potential to significantly reduce stream flows available for irrigation if new plantations replace pasture or other relatively low water use vegetation cover in a significant proportion of the catchment area. This is more likely to be an issue with smaller catchments and localised areas rather than on a broad scale basis.⁷²

8.79 In its submission to the Committee EA noted that Australian tree plantations currently consume approximately 15.5 million megalitres of water per year (worth approximately \$6.75 billion per year). It was also noted that a trebling of Australia's plantation estate would mean an increase to 45 million megalitres per year (or about \$20 billion per year) and result in significant impacts on downstream users.⁷³

70 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 61.

71 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 61.

72 *Rural Land Use Trends In Tasmania 2003*, Tasmanian Department of Infrastructure, Energy and Resources, November 2003, p. 61.

73 *Submission 50*, Environment Australia, p. 6.

8.80 EA argued that, depending on location and management, long rotation plantations can help to significantly improve water quality and deliver an important environmental service. At the same time, however, they conceded that the issue of water availability could prove to be a potential problem "where there is competition for the resource from downstream users, including the environment".⁷⁴ EA also acknowledged that establishing plantations on previously cleared agricultural land can be expected to have an impact on both surface and groundwater resources and their dependent ecosystems.⁷⁵

8.81 EA also made the following points in relation to seasonal or temporal variability of water flows:

- afforestation leads to a decrease in flows of all magnitude, with greatest impact on the magnitude and persistence of low (or dry period) flows;
- in some small catchments, the number of zero-flow days could be expected to increase after plantations are established; and
- peak flows from run-off decrease significantly after grassland or pasture is converted to forest.⁷⁶

8.82 In relation to regional or geographical variability, EA noted:

- the impact of plantations on water flows is primarily dependent on the level of rainfall;
- in areas of moderate rainfall (600-850 mm), establishing plantations on previously cleared soil is likely to reduce the usable water resource (stream-flow and recharge) by about 100 mm per year – or one megalitre per hectare per year; and
- plantings in higher rainfall areas would result in greater reductions.⁷⁷

8.83 In her submission to the inquiry, Ms Gwenda Sheridan also argued that plantation forestry is going to have a severe impact on the water yield of catchments – particularly into the future – as old forests are replaced by regrowth young plantation trees:

Tasmania is a mountainous island and the majority of the Crown forest lands and private forest holdings being proclaimed as Private Timber Reserves, [PTR's] lie between the agricultural farmland at lower elevations and the higher peaks and mountains. Thus they are located in the upper

74 *Submission 50*, Environment Australia, p. 2.

75 *Submission 50*, Environment Australia, p. 2.

76 *Submission 50*, Environment Australia, p. 2.

77 *Submission 50*, Environment Australia, p. 2.

watersheds of major and minor river catchments. An independent study done by Launceston City Council on the North Esk, July, 2002 found that total runoff and low flows were affected most in the 20 year logging rotation tree farming scenario. (Note that their smallest time frame for the model was a 20 year rotation, not a 13 year one; private industry is operating on a 13 year turnaround rotation timetable). By the second rotation in the model, it showed a 33% reduction in water yield.⁷⁸

8.84 Ms Sheridan predicted that the implications for the future, for local government and both rural and urban water users downstream, will be enormous and that "the question of water rights will emerge as a most serious future issue in the community".⁷⁹ The submission also speculated about whether the plantation industry is conducting appropriate research into plantations on the water yield of catchments, particularly over the long term:

To my knowledge the industry are not conducting their own research into water yields of catchments areas, though under Attachment 4, and the Montreal Process Criteria of the RFA it could be argued that they ought to be doing so, (see Criterion 4, and Criterion 1).⁸⁰

8.85 In February 2004, the Committee wrote to the relevant agencies in each State, seeking information regarding the measurable, long-term effects on the water run-off from water catchments and groundwater resource following the establishment of large scale, intensive, plantations.

8.86 Forestry Tasmania's General Manager responded as follows:

I am not clear as to the meaning of large-scale in this context. In practical terms water management is focussed on 48 catchments across Tasmania. These catchments include one or more watercourses and have been defined at a suitable scale for resource management based on a combination of water flow, land tenure and land management. There are no catchments in Tasmania where forest plantations currently exceed or are planned to exceed more than 20% of the total catchment area, which is considered to be the scale at which plantations may have a discernible effect on water yield.⁸¹

8.87 In relation to questions posed by the Committee regarding water quality, the General Manager also indicated that Forestry Tasmania monitors water quality before, during and after any plantation operations which involve the use of pesticides, and the results are published in the annual *Sustainable Forest Management* reports. He also

78 *Submission 47*, Ms Gwenda Sheridan, p. 5.

79 *Submission 47*, Ms Gwenda Sheridan, p. 5.

80 *Submission 47*, Ms Gwenda Sheridan, p. 5.

81 Correspondence to the Committee from Dr Hans Drielsma, General Manager (Forest Management), Forestry Tasmania, 3 March 2004, p. 1.

indicated that "Forestry Tasmania has a hydrology monitoring program as part of the Long Term Ecological Research study area at Warra in southern Tasmania".⁸²

8.88 The Committee subsequently received correspondence from Dr David Leaman, which provided detailed comment on the response provided by Forestry Tasmania. Dr Leaman, a Hobart geohydrologist, argues that the primary issue is one of location and the fact that the 48 managed catchments have, or may have, no more than 20% usage by forest activities is actually quite irrelevant:

... just where is the 20%? Is it in the headwaters section where it will do most damage to the river system, or is it in some subcatchments such that other users are displaced or robbed of water? We need to look at usage, users, locations and subsidiary catchment issues.⁸³

8.89 Dr Leaman also argued that the General Manager's claim that 20% of the catchment area is considered to be the scale at which there may be a discernible effect on water yield is invalid, and he questions the lack of evidence to substantiate Forestry Tasmania's claim. Dr Leaman indicated that the results of his own modelling had shown that 20% use may in fact lead to a 10% loss in annual yield from the catchment. He also added that, taking into account seasonal effects, "10% of annual loss may translate into 20 to 40% of summer flow loss" – which is more than 'discernible' and crucial to all other water users in the catchment.⁸⁴

8.90 Dr Leaman was also critical of the way in which Forestry Tasmania manages the issue of water quality:

My observation of quality monitoring by Forestry Tasmania is that it is cursory (long interval sampling) and not focussed in a way which would establish the risks (if any) from chemical contamination. Consequently it does not much matter how such results are reported – typically in the negative, implying safety. What would one see if the sampling were really done just before clearing, just after applications during a run off surge etc? I do not know and I suspect they do not want to know. The few results that are in the public domain which are relevant to this, or which have been shown to me by private individuals, are not encouraging. Troubling, in fact.⁸⁵

8.91 These concerns about chemical contamination of the waterways mirror other evidence to the inquiry.

82 Correspondence to the Committee from Dr Hans Drielsma, General Manager (Forest Management), Forestry Tasmania, 3 March 2004, p. 2.

83 Correspondence to the Committee from Dr David Leaman, Leaman Geophysics, 24 March 2004, p. 2.

84 Correspondence to the Committee from Dr David Leaman, Leaman Geophysics, 24 March 2004, p. 2.

85 Correspondence to the Committee from Dr David Leaman, Leaman Geophysics, dated 24 March 2004, p. 3.

8.92 A number of submissions expressed concern over the possible pollution and contamination of waterways that may be resulting from plantation forestry. Both softwood and hardwood plantations are vulnerable to competition for natural resources from other plants, "predation by vertebrate and invertebrate herbivores as well as fungal disease".⁸⁶ The risk to plantations from each of these 'competitors' can be reduced by chemicals.

8.93 Doctors for Forests (Tasmania) expressed concerns about the plantation industry's high dependence on chemicals, including: the use of 1080 poison to control browsing animals, the use of triazines as herbicides and the aerial spraying of insecticides (including pyrethroids).⁸⁷

8.94 Doctors for Forests (Tasmania) argued that 1080 is a very dangerous chemical banned in the USA in the 1970's. The group also noted that animals poisoned with 1080 experience extreme thirst, and will naturally seek water. It is quite common, therefore, for decaying animal carcasses to be found in water catchments, which, it is argued, can lead to faecal contamination of waterways and a possible threat to human health.⁸⁸ It was also noted that triazine chemicals, which are known to be oestrogenic, can disrupt normal development of reproductive organs (and are classified as probable carcinogens) have been banned in several European countries.⁸⁹

8.95 Doctors for Forests also referred to alleged breaches of the Forest Practices Code and argue that many of these breaches relate to the management of riparian vegetation:

The result is frequent inadequacy of buffer zones around water courses – this allows chemicals to be washed into waterways. Future litigation from organic farmers and operators of aquaculture ventures is expected.⁹⁰

8.96 In his submission to the Committee, Mr P. Newsome also expressed concerns about the use of 1080 poison which, he argued is "not acceptable under any circumstances because of the potential to contaminate the food chain".⁹¹ The use of a poison called Dominix 100 – a poison developed for the control of insects such as cockroaches – and not recommended for use in the open environment was also raised as a concern. Mr Newsome argues that this particular poison has the potential to be "devastating to bees and if it gets in to the river systems is equally deadly on fish".⁹²

86 *Environmental Problems Georges Bay, Tasmania*, Scammell, Dr Marcus, July 2004, p. 9.

87 *Submission 59*, Doctors for Forests (Tasmania), p. 2.

88 *Submission 59*, Doctors for Forests (Tasmania), p. 2.

89 *Submission 59*, Doctors for Forests (Tasmania), p. 2.

90 *Submission 59*, Doctors for Forests (Tasmania), p. 2.

91 *Submission 57*, Mr P. J. Newsome, p. 2.

92 *Submission 57*, Mr P. J. Newsome, p. 2.

8.97 The issue of aerial spraying of poisons was raised by Ms Brenda Rosser. She indicated in her submission that the Spray Complaints Unit of the Department of Primary Industries Water and Environment (DPIWE) has provided information to suggest that there are no effective preventative processes in place to protect household rainwater from neighbouring pesticide use – particularly with regard to aerial spraying. Ms Rosser argued that with aerial spraying the pilot is required (theoretically) to ensure that no drift occurs, but the pilot has no legal obligation to test the drinking water tanks of the residents below (this is true of those applying pesticides on the ground as well). While the Spray Complaints Officer at the DPIWE can go out and test the water of a resident who complains:

... for the resident to have any option of legal recourse or compensation he/she must prove that any contamination that may be found can be linked to a specific spray contractor and with a specific incident. 'Damage' must also be proved.⁹³

8.98 Mrs Evelyn DeVito also voiced her concerns about the lack of mandatory industry codes in relation to the spraying of herbicides. In evidence to the Committee, Mrs DeVito cited the example of herbicides being sprayed during high winds:

Spraying was done with herbicides on the plantation. We could see the herbicide blowing in sheets, and we could smell it.

All the spray complaints went to the department of the state government, and we really did not get any satisfaction. The company continued to spray through – they finished their job for the day. In that particular case, the only victims of that spraying that we could recognise were some trees planted by one of the other timber companies. We later found out from a spraying contractor working for the other company that the wind speed was well over 22 kilometres an hour. The ground spray rules advise that spray not be applied at wind speeds of more than 15 kilometres per hour. But there is nothing legal to say that they could not be spraying under those conditions and we could only watch.⁹⁴

8.99 The Tasmanian government's response to the issues of catchment management and water quality are discussed in Tasmania's Nature Conservation Strategy, which states that:

To meet the needs of the National Water Quality Management Strategy and the State Policy on Water Quality Management, the Clean Quality Water Program has been developed and the Water Development Plan (DPIWE December 2000) released for discussion in December 2000. The Water Development Plan looks at how to balance the needs of primary industry, domestic use, tourism and recreation. A draft discussion paper on integrated catchment management has also been completed. Other programs underway

93 *Submission 53*, Ms Brenda Rosser, p. 7.

94 *Evidence*, Mrs Evelyn DeVito, RRA & T, 29 November 2002, p. 180.

in Tasmania include the National Assessment of River Health, State of River reporting, Rivercare, identifying Protected Environmental Values (PEVs), and defining minimum environmental flow regimes for major river systems. In addition, community groups can prepare water management plans to identify ways of improving or protecting water resources to meet their needs and those of the environment. Existing and new programs such as ChemCollect, drumMuster and the proposed ChemClear are all assisting at the property level by reducing pollution of waterways and responsible storage of chemicals.⁹⁵

Environmental Benefits?

Salinity

8.100 Dryland salinity is caused by changes in land use, such as clearing of vegetation for agriculture, and is associated with a change in water usage, for example: irrigation for cropping. As a result of these changes, more water enters the ground water and reaches an accumulated salt layer – causing salt to rise to the surface of the soil or to enter streams and waterways.

8.101 In 1992, it was estimated that 45 000 ha of agricultural land in Tasmania had moderate to severe salinity. This figure had increased to approximately 53 500 ha by 2000 – this represents an annual rate of increase of 1.5% per year, and in terms of agricultural production, represents a financial loss of \$5.35 million in 2000. The Nature Conservation Strategy indicates that the Flinders and Northern Midlands regions are "potentially the most affected, with properties serviced by the Cressy-Longford Irrigation Scheme or situated in the Pittwater and Coal River catchments being the most affected."⁹⁶

8.102 Dr John Wilson, acknowledging the salinity problem, stated:

One ought to note that Tasmania does have an increasing salinity problem, and that it is concentrated in the areas of the drier midlands strip, the East Coast and Flinders Island where there has been little plantation investment or development. Unfortunately, many Government maps do not differentiate these areas from the better agricultural areas, and one could easily be deceived into thinking that the whole of Tasmania is suitable for plantation development, or that the areas under plantation are evenly dispersed around the State. On the contrary, plantations are becoming

95 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 39.

96 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 43.

concentrated on some of Tasmania's best, wettest and deepest rich soils previously devoted to small cropping, dairying and cattle production.⁹⁷

8.103 The Committee notes that some land previously used for dairy grazing is now under plantation forests, but does not necessarily accept that the best, wettest and deepest soils have been taken up by plantation forests.

8.104 The Committee is concerned that no consideration of the issue of salinity recharge appears to have been given in the development of the plantation industry.

8.105 The Tasmanian Government has become a signatory to the National Action Plan for Salinity and Water Quality (and the associated Inter-government Agreement). Research has been undertaken as part of the National Land and Water Resources Audit to determine the extent and impact of dryland salinity in Tasmania, and the investigation was completed in mid 2000.

Biodiversity

8.106 As part of Tasmania's RFA (Attachment 10.3) the State agreed to develop and implement a Biodiversity Strategy by 31 December 1999. A draft Nature Conservation Strategy was prepared by the State Biodiversity Committee in June 2001 and released for public comment. The Biodiversity Committee's final report – *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems* – was publicly released in March 2003.

8.107 The Nature Conservation Strategy argues that the current rate of clearing of native vegetation is a major threat to the island's biodiversity:

The most significant threat to natural diversity in Tasmania is the clearing of native vegetation and its replacement with another activity (e.g. tree plantations, agriculture, dams, housing, etc.). Native vegetation clearance impacts on native plant and animal communities, and also significantly affects landform and soil processes by increasing water run-off and erosion, leading to changed river flows, increased sedimentation in estuaries and other major impacts. Between 1972 and 1999 over a quarter of a million hectares of native vegetation were cleared in Tasmania. From 1999 to 2000 (i.e. in one year) 15,800 ha of native vegetation was approved for conversion to plantation or non-forest use.....⁹⁸

8.108 The Strategy goes on to argue that "these clearance rates have their basis in the bilaterally agreed Regional Forest Agreement and are constrained by the

97 *Submission 2*, Dr John R. Wilson, p. 2.

98 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 32.

Permanent Forest Estate Policy."⁹⁹ It is noted that the policy is both monitored and audited by the Forest Practices Board through Forest Practices Plans.¹⁰⁰

8.109 Mr Graham Green, on behalf of Timber Workers for Forests, was highly critical of the clearfell method of harvesting timber. He argued, however, that unfortunately the current management of Tasmania's state forest is "characterised by a predominance of clearfelling, high timber production volume, low margins, decreasing levels of downstream processing and detrimental impacts on alternative forest values which if maintained have the potential to provide a constant income stream to the community."¹⁰¹

8.110 It was further argued that it is not only timber values that are compromised when a forest is clearfelled – there are also losses with regard to ecotourism, water yield and quality, soil quality, carbon and nutrient cycling and pollination services. Other issues that are often not taken into consideration are the fragmentation of forest landscapes, the siltation of water supplies and the loss of animal and plant species.

8.111 Timber Workers for Forests concluded that:

The diversity and abundance held by the state's native forests has taken geological timescales to develop, and when destroyed by clearfelling, cannot be renewed under the timescales (decades) that characterise the desired logging rotations for Forestry Tasmania.¹⁰²

8.112 EA argued that clearing of native vegetation for plantation establishment, particularly broad-scale clearance, could negate the achievement of any positive environmental impact the *2020 Vision* may have. It was also noted that broad-scale clearance of native vegetation is "inconsistent with Commonwealth and State commitments to reverse the decline in the quality and extent of Australia's native vegetation cover."¹⁰³

8.113 The Commonwealth has various mechanisms to bring Tasmania's approach to clearing native vegetation for plantation establishment into line with the situation in other states. One option might be to for the Commonwealth to seek to renegotiate the RFA with Tasmania so that Tasmanian practices reflect those in other states.

99 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 32.

100 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. 32.

101 *Submission 73*, Timber Workers for Forests, Paper authored by Mr Graham Green titled *Clearfelling and Woodchipping in Tasmania – An Economic Appraisal*, May 2003, p. 12.

102 *Submission 73*, Timber Workers for Forests, Paper authored by Mr Graham Green titled *Clearfelling and Woodchipping in Tasmania – An Economic Appraisal*, May 2003, p. 12.

103 *Submission 50*, Environment Australia, p. 3.

8.114 Ms Judy Clark gave evidence that large-scale land clearing to establish plantations gives Tasmanian growers an advantage, in effect subsidising plantation establishment from forest harvesting.

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.¹⁰⁴

8.115 The Committee notes that Recommendation 11 of *Tasmania's Nature Conservation Strategy 2002-2006* relates to environmental standards for Tasmanian industry. It is recommended to:

Include mandatory high environmental standards in the accreditation systems for key industries in Tasmania. These standards should include a code of practice with a duty of care component, a certification of product quality and minimal environmental impact during production, and a third-party audit. Where possible the process should be linked to financial advantages such as ecolabel¹⁰⁵ or other incentives.¹⁰⁶

8.116 The Committee also notes that Tasmania's Nature Conservation Strategy outlines the State's national obligations to protect native vegetation and diversity as those contained in the following documents:

- National Strategy for the Conservation of Australia's Biological Diversity;
- Inter-governmental Agreement on Salinity and Water Quality;
- Commonwealth-Tasmanian Regional Forest Agreement;
- National Greenhouse Strategy;
- National Heritage Trust Partnership Agreement;
- National Framework for the Management and Monitoring of Australia's Native Vegetation;
- National Local Government Biodiversity Strategy; and the
- National Forest Policy Statement.

104 *Evidence*, Ms J Clark, RRA & T, 21 February 2003, p. 317.

105 Ecolabel – a brand or label for a product which indicates the product has been made without causing (or causing minimal) damage to the environment.

106 *Tasmania's Nature Conservation Strategy 2002-2006: An action plan to protect Tasmania's natural diversity and maintain ecological processes and systems*, State Biodiversity Committee, Department of Primary Industries, Water and Environment, March 2003, p. iii.

8.117 The Tasmanian Forests and Forest Industry Council expressed the view that Local Government should not be involved in environmental protection issues:

Adequate provision exists at State level to control native vegetation removal and the protection of flora and fauna is legislated. Another layer of control vested in Local Government is unwarranted. Forestry is the only form of agriculture with legislated codes of practice in force.¹⁰⁷

8.118 Under the RFA, the Tasmanian Government agreed (Attachment 10.11) to develop and implement a Code of Practice for Reserve Management. The Code is required to include guidelines on all environmental practices, including erosion risk from roads and tracks within reserves.

Forest Management

8.119 The clearing and preparation of sites for plantation forests and other forest management practices was also raised in other submissions.

8.120 During the Inquiry, the Committee heard evidence from Mr Bill Manning, a former auditor with the Forest Practices Board. Mr Manning's evidence to the Committee addressed matters arising from both his personal and professional experience with the Forest Practices Board and its statutory role as the body responsible for implementation of the Tasmanian *Forest Practices Act 1985*, and oversight of forestry activities, including the clearing and preparation of sites in Tasmania for the development of plantations.

8.121 Mr Manning, who had worked in the forestry industry for over 30 years, told the Committee that, in his opinion, both the implementation of the Tasmanian Regional Forest Agreement and the *2020 Vision* had led to:

- the weakening of the Forest Practices Code;
- corruption of forest management in Tasmania, with little or no enforcement of a weakened code of practice and no silvicultural outcome other than clear felling of native forests for plantation establishment of exotic, introduced, plantation species;
- an internal audit system, designed to deliver fraudulent results and to mislead the Tasmanian Parliament;
- a forestry culture of bullying, secrets and lies.¹⁰⁸

8.122 However, the Committee notes that Mr Manning failed to substantiate his allegations of corruption. The Committee also notes that although Mr Manning claimed the Tasmanian Ombudsman failed to investigate his allegations, at the time Mr Manning gave evidence to the Committee in October 2003, he had still not

107 *Submission 22*, Forest and Forest Industry Council, p. 3.

108 *Evidence*, Mr William Manning, RRA & T, 8 October 2003, p. 501.

complied with the Ombudsman's request that his complaint be lodged in writing as prescribed by the *Tasmanian Ombudsman Act 1978*.

8.123 Mr Manning indicated he had not done so as he was of the opinion that there was a conspiracy between the Ombudsman and the then Governor of Tasmania.

Mr Manning—No. I had taken my case to the Ombudsman—it seems a long time ago now; it must have been two years ago—in the period before I left the Forest Practices Board. It was about August last year. What actually occurred was that I handed the documents, most of which were these files, to them. They rang me a week later and said, ‘This is really good. We’ll have a look at this.’ Nothing happened for a couple of weeks. Then I got another phone call and they said, ‘We want you to put a complaint in writing.’ I said, ‘I can’t do that because I’m not protected.’ I said, ‘What will happen if I put in a complaint in writing?’ I was told that the Forest Practices Board would deny everything and that it would all be over in a fortnight. So I did not continue with it.

What happened after that television program was that the Ombudsman recontacted me and asked me to go and see her, which I did with my solicitor. We had a meeting and she still wanted me to put in a complaint in writing. But, as a public servant, I was not protected and I could not do that. The documentation, as you have seen, is very sensitive. The whistleblower legislation, for want of a better name, was in parliament—had been through—and I expected that that would be enacted. But a year later, even though it has been through both houses of parliament, it is still waiting for the governor’s signature.

Senator HEFFERNAN—Do you think they were trying to set you up?

Mr Manning—They were trying to set me up, yes.¹⁰⁹

8.124 In response to a request, the Committee issued a subpoena to Mr Manning to give evidence.

8.125 Forest practices were also heavily criticised by Mr Manning:

Since the introduction of the regional forest agreement and 2020 vision, and particularly in the last five years, I have witnessed the most appalling deterioration in management of Tasmania's forests, especially state owned forests. This has been driven by the forest industry's professional foresters through their total dominance of representation on the Forest Practices Board and the Forest Practices Advisory Council. This domination of the regulatory bodies has led to the Forest Practices Board being simply a rubber stamp to be used by industry and government and for it to be doubly abused as the mouthpiece for defending the most appalling forest practices.¹¹⁰

109 *Evidence*, Mr William Manning, RRA & T, 8 October 2004, p. 516.

110 *Evidence*, Mr William Manning, RRA & T, 8 October 2003, p. 501.

8.126 The Committee was concerned that in order to be in a position to address matters raised by Mr Manning during his evidence, both the Chief Executive Officer and the Chair of the Forest Practices Board were twice invited to appear before the Committee. The Committee was advised by the then Deputy Premier and Minister for Economic Development Energy and Resources, Mr Paul Lennon, that Forest Practices Board officers were unavailable to assist the Committee on both occasions. However, Mr Lennon also advised the Committee that the Forest Practices Board was willing to respond in writing to matters that the Committee may wish to raise regarding its role and work.

8.127 The Committee regrets that Forest Practices Board officers were not available to appear at a public hearing.

8.128 The Committee also received a number of submissions which questioned the effectiveness of the Forest Practices Code and the role of the Forest Practices Board.¹¹¹

8.129 Ms Gwenda Sheridan argued that the Forest Practices System is "open to monumental challenge at the Forest Practices Plan inception"¹¹² and is not open to independent assessment. Ms Sheridan was also critical of the fact that there is an absence of public participation, with members of the public not able to readily access information contained in a Forest Practices Plan, or to object to or appeal any aspect of a Plan.¹¹³

8.130 In evidence Mr Christopher Strong, a community representative with the Launceston Environment Centre, presented a case study in relation to forest practices and management in the Lilydale area. Mr Strong described Lilydale as a town that had always had a history of forestry – based on the selective logging of varied native forest. The community surrounding the town was characterised as being a cohesive one, with an awareness of its unique scenery and an acceptance of good forestry practice adopted over many years. Mr Strong told the Committee that, in contrast, there is virtually no natural vegetation left around Lilydale now, and even "major tracts of Mount Arthur have been clear-felled, much of the area being a scenic protection zone or given other protected status or being the catchment for Lilydale or Launceston."¹¹⁴

8.131 Mr Strong also referred to an audit of a plantation coupe on the Lone Star Ridge which indicated that there had been 63 alleged breaches of the Forest Practices Code:

111 See for example, *Submission 16*, Ms Gwenda Sheridan, p. 11; *Submission 47*, Ms Gwenda Sheridan, p. 6 and *Submission 48*, Ms Geraldine de Burgh-Day.

112 *Submission 47*, Ms Gwenda Sheridan, p. 6.

113 *Submission 16*, Ms Gwenda Sheridan, p. 11 and *Submission 47*, Ms Gwenda Sheridan, p. 6.

114 *Evidence*, Mr Christopher Strong, Community Representative, Launceston Environment Centre Inc., RRA & T, 29 November 2002, pp. 217-218.

That is evidence of why the community is distrustful of an industry that claims to be safeguarding the future, which it cannot create, while destroying the present through government sponsorship. Why should the community trust the Forest Practices Board, we ask? The Forest Practices Board is meant to ensure best practice when the community continually uncovers the consequential breaches of self-regulated industry, which is protected in umpteen ways. And when there is an attempt by the community to question those practices, there are barriers galore to the exercise of any legal approach by the community.¹¹⁵

8.132 Mrs Geraldine de Burgh-Day described her experience with representatives of the Forest Practices Board when she raised concerns about a plantation coupe – Coupe LA28A – located close to her home:

I have had the Forest Practices Board walk over this with me, with a copy of the forest practices plan. We have looked at it and I have said to them, 'It says "blue and white striped tape should be the 10 metre exclusion zone from the creek". There's the creek. Where's the tape? Show me. It's not there. It says "vegetation should be left to protect the giant freshwater crayfish". It's not there.'¹¹⁶

8.133 Mr Frank Strie, a Forestry Consultant and Mobile Sawmiller, was questioned by the Committee about his view of the Forest Practices Code – including whether the code was being observed in Tasmania, and whether it was being implemented on the ground. In response, Mr Strie indicated that:

The forest practices system in Tasmania is designed to pretend. I know that is a very strong call but it pretends to the customer out there and it pretends to the visitors or potential visitors that we have a world-class system in place. It is self-regulated and the people that make up the forest practices system are virtually in-house.¹¹⁷

Comment

8.134 The Committee is concerned that despite a successful implementation of the 2020 Vision's expansion policies and Strategic Elements 1 and 2 in Tasmania, there seems to have been little achieved in relation to Strategic Element 4. Strategic Element 4 indicates that "commercial tree crops can provide a long term solution to a range of land management issues ...including salinity". There seems little evidence that current plantation forests in Tasmania will provide such an environmental benefit. The Committee concedes that there is as yet little evidence in any state of Strategic Element 4 being successfully implemented. In fact, much of the evidence suggests that the impact of the plantation forests and forest management practices on the water

115 *Evidence*, Mr Christopher Strong, Community Representative, Launceston Environment Centre Inc., RRA & T, 29 November 2002, p. 218.

116 *Evidence*, Mrs Geraldine de Burgh-Day, RRA & T, 29 November 2002, p. 225.

117 *Evidence*, Mr Frank Strie, RRA & T, 29 April 2003, p. 417.

system has increased environmental concerns for both water quality and quantity, as well as biodiversity issues.

Social, Economic and Community Factors

8.135 Strategic Element 4 of the revised *2020 Vision* also addresses the need to consult with communities and inform communities about social and economic benefits and costs.

8.136 The submission provided to the inquiry by the Bureau of Rural Sciences (BRS) notes that whilst positive perceptions have been documented in these studies conducted on the impact of plantations on rural communities, it is the negative perceptions that will affect the future development of tree plantations and may prove to be an impediment to achieving the aims of the *2020 Vision*.

8.137 The perceived negative impacts reported in these studies include the issues of environmental impacts and the use of chemicals that may be harmful to the health of local residents.¹¹⁸ These issues have already been discussed in relation to Tasmania (see paragraphs 8.89 to 8.99).

8.138 Other negative perceptions noted by BRS include:

- Impacts on neighbouring landholders such as fencing issues, shading and other plantation management practices;
- Impacts on rural roads requiring upgrading/maintenance for which funding has not been provided, and road safety concerns for other road users; and
- Impacts on other businesses in the region, such as tourism.¹¹⁹

8.139 The issues listed above are indicative of the issues raised with the Committee by Tasmanian residents and community groups.

8.140 The Tasmanian Government's submission acknowledges that the expansion of plantation forestry in the State has not been without its problems:

The rapid plantation expansion in Tasmania in recent years has not been without its challenges and impacts, particularly in terms of social issues in the rural community. Changes to plantation land uses have been concurrent with significant changes in other rural industries.¹²⁰

118 *Submission 86*, Bureau of Rural Sciences, Department of Agriculture, Fisheries and Forestry, p. 1.

119 *Submission 86*, Bureau of Rural Sciences, Department of Agriculture, Fisheries and Forestry, p. 1.

120 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 10.

8.141 The Tasmanian Forests and Forest Industry Council also points to the challenges that are currently facing rural communities and argues that the expansion of the plantation industry is not the 'cause' of social change:

Many rural communities in Tasmania are undergoing social change through factors such as the deregulation of the dairy industry, low commodity prices for many agricultural products, and the social and demographic trend to migration away from rural regions. Plantations offer one of the few viable alternative forms of land use for many landowners. Tree plantations are more a consequence, rather than a cause, of social change. The type of crop to be grown should be determined by the landholder and market forces, not by government.¹²¹

Good Neighbour Charter

8.142 Forestry Tasmania acknowledges that the expansion of plantation forestry in some rural areas has elicited concerns from residents regarding the possible impacts of neighbouring plantations and plantation management on their properties. The Committee was told that, in response to community concerns, the plantation industry – in consultation with local government and farming groups – initiated the Good Neighbour Charter, which was released in August 2000. The Charter committed plantation managers to abide by a set of principles for managing a range of issues that affect landholders whose land adjoins plantations.¹²²

8.143 The Tasmanian government's submission argued that some of the impacts on the rural community "have been sometimes unfairly blamed solely on the plantation industry"¹²³ and that both the government and the plantation industry – by implementing initiatives such as the Good Neighbour Charter and an active communication program – have worked hard to identify and resolve problems at the local level.

8.144 The Good Neighbour Charter – described by DIER, Private Forests Tasmania and Forestry Tasmania as a positive initiative on the part of the forestry industry – is designed to inform "farming neighbours of what they can expect from their forestry neighbour relating to shading, fire management, browsing management and chemical use"¹²⁴ The Charter also provides contact information (for key individuals in plantation companies) which allows residents to call and discuss issues of concern.

8.145 It was argued that the implementation of the Charter has had a positive impact and that the "level of neighbour concern seems to have substantially diminished."¹²⁵

121 *Submission 22*, Forests and Forest Industry Council, p. 2.

122 *Evidence*, Dr Hans Drielsma, Forestry Tasmania, RRA & T, 29 November 2002, pp. 138-139.

123 *Submission 46*, Department of Infrastructure, Energy and Resources, p. 10.

124 *Evidence*, Mr Des King, Private Forests Tasmania, RRA & T, 29 November 2002, p. 119.

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

The DIER's submission also noted that the Department has also had a primary role in establishing a consultation and information forum with local government to address their specific concerns; including transport, infrastructure, planning, water and socio-economic issues.¹²⁶

8.146 However, not all evidence to the inquiry was as supportive of the Good Neighbour Charter. Ms Colleen Dibley, a resident of Preolenna, told the Committee that whilst signatories to the Charter undertake to abide by laws and principles in relation to boundary fencing, weeds, the spraying of chemicals etc., personal experience has shown the existence of a Charter to be of little practical use. Ms Dibley cited problems with weeds from plantations spreading across other properties due to lack of management, supervision and machine hygiene, as well as reluctance on the part of a plantation company to meet its agreed obligation to provide boundary fencing.¹²⁷

Infrastructure

8.147 In its submission, the Tasmanian Government stressed the importance of infrastructure planning to the ongoing growth of the plantation timber industry. It indicated that infrastructure planning is being undertaken by the DIER, which is in the process of developing an Integrated Transport and Infrastructure Plan for a number of regional areas.

8.148 The Kentish Council's submission reflected a negative perception of the plantation industry's impact on transport infrastructure. It urged further investigation into infrastructure requirements and the economic impact of infrastructure provision, "particularly the costs passed on from the industry to local communities for road and bridge improvements to accommodate the heavy vehicle movements by logging traffic."¹²⁸ The Council told the Committee that it has had to replace a number of bridges damaged by log trucks and undertake extensive road improvements to adapt roads not suited to heavy vehicle traffic. The Council argued that:

... the industry should be required to participate with local government in the long term planning phase and to be a direct contributor to costs incurred through the implementation of an expansionary policy.¹²⁹

8.149 Forestry Tasmania agrees that plantation development is putting increased "demand on roads and infrastructure in a climate where local government is already having some difficulties in maintaining roads to acceptable standards",¹³⁰ and that there is a need for industry and State government to provide assistance to local

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

127 *Evidence*, Ms Colleen Dibley, RRA & T, 29 November 2002, p. 183.

128 *Submission 63*, Kentish Council, p. 1.

129 *Submission 63*, Kentish Council, p. 1.

130 *Evidence*, Dr Hans Drielsma, Forestry Tasmania, RRA & T, 29 November 2002, p. 140.

government. The Committee notes, however, that the assistance suggested does not include the provision of financial support:

We need to investigate actions that will assist local government to assess future infrastructure requirements and have them integrated with the pattern of development of not just forestry but other rural industries.¹³¹

8.150 Mr Les Baker, a representative of Gunns Plantations Ltd, also acknowledged the problems in relation to infrastructure development, but he too stopped short of advocating financial support being provided by industry:

In this state there is an issue in relation to infrastructure and development, particularly in the area of roads and the interface of that with councils, particularly in the use of high productivity haulage equipment.

... there are inconsistent rules in relation to councils and B-double haulage routes – high productivity haulage routes. We would urge that there be investment in that area in relation to bridges and also better co-ordination in that area.¹³²

8.151 The issue of safety on public roads was raised by Mr Simon Warriner, a resident of Wynyard, who argued that the forestry industry – operating under the Forest Practices Code – sets out specific road widths for roads carrying certain volumes of traffic. However, when forestry traffic (including log rucks and equipment transporters) leave forestry industry land to travel on public roads, there is no legislation which sets a minimum road width required to safely accommodate both forestry and public traffic. Mr Warriner claims that it is "common to have forestry traffic leaving a 5.5 metre wide forestry road and continuing down a public road of 4 metres wide."¹³³

8.152 He also indicated that the industry's code of practice applies to its own land. However, there are no such rules on public land, particularly if a Private Timber Reserve has been declared. Local government does not have the power to restrict access to forestry property and is placed in the difficult position of having responsibility with no control. The State department is also in a position of having limited power when the public roads are under council jurisdiction and are even unable to prevent log trucks using sub-standard roads while school buses are present. As a result they "have resorted to brokering informal agreements between operators to avoid clashes of time."¹³⁴

131 *Evidence*, Dr Hans Drielsma, Forestry Tasmania, RRA & T, 29 November 2002, p. 140.

132 *Evidence*, Mr Les Baker, Gunns Plantations Ltd, RRA & T, 29 November 2002, pp. 156-157.

133 *Submission 66*, Mr Simon Warriner, p. 1.

134 *Submission 66*, Mr Simon Warriner, p. 1.

Community Perceptions of the Industry

8.153 Not all evidence to the inquiry focussed on negative aspects of the plantation industry. Industry organisations such as Timber Communities Australia (TCA) expressed support for the plantation industry and argue the merits of plantation forestry – in terms of both economic and environmental values. TCA argued that:

Plantation development is critical to many communities and family businesses that depend on sustainable timber production. Many of these small communities rely on government to ensure the right policies to allow their region to improve its social and economic position. Plantations 2020 is a positive policy, which gives hope to many small regional towns.¹³⁵

8.154 The Preolenna Mothers Group also voiced its support for the plantation forestry industry, indicating that the establishment of plantation forestry had had a positive impact, both on their community and their region. The benefits cited by the Group included increased employment and positive impacts on property values.

8.155 In its submission, the Kentish Council indicated its support for the plantation forestry industry and argued that it must be able to continue to expand "in a strategically planned, controlled and sustainable manner."¹³⁶ At the same time however, the Council acknowledged that experience with existing plantation development and management has at times been "less than positive".¹³⁷

8.156 The Committee also received evidence from a large number of Tasmanian residents who indicated that they were not opposed to the plantation forestry industry in itself, rather the 'negative' impacts of the industry. Doctors for Forests (Tasmania) argued that although their organisation had, at times, been characterised as 'anti-forestry', they were in fact supportive of a sustainable forestry industry that provides quality, long term employment. At the same time, however, the group advocated that the forestry industry "must be compatible with other important Tasmanian industries such as tourism, organic agriculture, leatherwood honey production, wine and beverage manufacture and aquaculture."¹³⁸

8.157 Similar comments were expressed by Dr John Wilson, who indicated support for an ethically-based, sustainable plantation industry – particularly one that encourages down-stream processing. What he did not support, however are the destructive elements of plantation development "which Tasmania has been experiencing as a direct consequence of the 'Plantations for Australia: The 2020 Vision' strategy, in particular the objective of removing all impediments at all

135 *Submission 43*, Timber Communities Australia (Tasmanian State Office), p. 1.

136 *Submission 63*, Kentish Council, p. 3.

137 *Submission 63*, Kentish Council, p. 2.

138 *Submission 59*, Doctors for Forests (Tasmania), p. 1.

levels...."¹³⁹ Dr Wilson described the current situation as a "bureaucratic bungle – over-simplified, ill-conceived and ecologically irresponsible."¹⁴⁰

8.158 In his submission, Mr Richard Davis told the Committee that he has been a farmer and involved in the timber industry for over 30 years. Mr Davis also indicated strong support for a viable, value-adding, environmentally sustainable timber industry. At the same time however, he argues that it is important to draw attention to the challenges that exist, and the unsustainable management practices in Tasmania's forests:

The management practice of clearfelling, replacing native forests with plantations and mono-culture regrowth and the way regeneration fires are carried out is changing the nature of Tasmania's forests forever, simplifying natural systems, denying future generations a rich resource base and profoundly affecting the economic opportunities of many rural communities.¹⁴¹

Comment

8.159 There appears to be general acceptance that the *2020 Vision* and associated policies have been driving forces in plantation development in Tasmania and that it has delivered the expansion envisaged.

8.160 The Committee notes the perceptions that the expansion of the industry has been at the cost of the environment, rather than delivering any tangible environmental benefits. Further, there is a strong community view, even amongst supporters of the industry, that management practices are in need of improvement. Many of these concerns echo issues raised in the five year review of the RFA completed in 2002.

Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)

8.161 The five year review of the progress of the Tasmanian RFA commenced in February 2002. Conducted by the Resource Planning and Development Commission, it reported in December 2002.

8.162 The purpose of the inquiry was:

... to review the performance of the RFA (1997) to assess progress against the agreed milestones and specified commitments in accordance with the provisions of clauses 45, 46, 47 of the RFA (1997).¹⁴²

139 *Submission 2*, Dr John R. Wilson, p. 3

140 *Submission 2*, Dr John R. Wilson, p. 3.

141 *Submission 70*, Mr Richard Davis, p. 1.

142 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 133.

8.163 The Commission's final report was based on information contained in the Background Report, evidence provided in public submissions (on both the Background Report and the Draft Recommendations Report), evidence provided at public hearings and information provided by the Affected Agencies Group,¹⁴³ as well as advice provided by the References Panel.

Ecologically Sustainable Forest Management

8.164 Chapter Four of the Commission's report examines the commitments made in the Tasmanian RFA in relation to various aspects of the Forest Practices System. The Commission made the following observations:¹⁴⁴

Compliance Audits

8.165 Clause 94 of the RFA requires the State to publish, and make publicly available, annual compliance audits of the *Forest Practices Act 1985*, the Forest Practices Code and its Reserve Management Code of Practice.

8.166 The Background Report prepared by the Commission records the annual reporting of the compliance audits relating to implementation of the Forest Practices Act and the Forest Practices Code. The Commission also noted that the Reserve Management Code of Practice had not yet been completed and, as a result, compliance audits had not been undertaken.

Water

8.167 Attachment 10.1 of the RFA requires the implementation of the State policy on water quality - *Setting New Standards for Water Quality*.

8.168 A number of submissions to the Commission's inquiry raised concerns about non-compliance with, and the failure of, the Forest Practices Code to protect catchment areas and waterways.¹⁴⁵

8.169 Concern was also expressed, and evidence tendered which argued that fast growing young forests use additional water and are lowering the water yield in streams. The RPDC report notes that the Forest Practices Code addresses the short term issue of increased run off as a result of clear-felling by placing a limit "of no more than five per cent of the catchment of a town water supply to be clear-felled in any one year." However, the report also argued that:

143 One of two additional panels established to assist the two person panel which conducted the inquiry. The other panel was the Reference Panel.

144 The following section is based on information contained in *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, Chapter Four, pp. 31-82.

145 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 56.

This does not fully address the long term issue of the reduction of water yield from catchments with a large proportion of quickly growing forests. The Commission notes the report by Bren and O'Shaughnessy (2001) on the effects of forestry activity on water availability.

The Commission considers that the natural resource management regional strategies proposed under the Tasmanian Natural Resource Management Framework should specifically address the interrelationship between forest management, water yields and the water management planning process.¹⁴⁶

Transparency of Process

8.170 Attachment 10.9 of the RFA requires the State to implement, as a high priority, the mechanisms for improving the transparency and independence of the Forest Practices Board.

8.171 The Report detailed a number of concerns raised about certain aspects of the role and function of the Forest Practices Board and the Forest Practices System. Particular concerns included the transparency of the practices, especially in relation to the Forest Practice Plans.

Self-Regulation

8.172 The self-regulation of the Forest Practices Code was a concern identified by the Commission. It was argued that the system is vulnerable when the same person is responsible for initiating, approving, implementing and verifying compliance with Forest Practices Plans.

8.173 Concerns were also expressed about the fact that Forest Practices Officers, employed by companies that enjoyed a near monopoly status in the industry, were in an invidious position when it came to enforcing the provisions of the Forest Practices Code against the interests of their employers.

Adequacy of Resources to Support the Forest Practices Code

8.174 In Attachment 10.10 of the RFA, the State agreed to adequately resource the system surrounding the Forest Practices Code (including compliance, implementation, education, training, review and research) and to maintain appropriate contributions by industry to ongoing management costs associated with the code.

8.175 In response, the Commission expressed the view that the Forest Practices System is adequately resourced – with the exception of its communication and research functions – and that the responsibility for funding in these areas lies with the industry.

146 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, pp. 57-58.

8.176 The Commission also noted that 'many of the complaints about the Tasmanian Forest Practices System may be motivated by strongly held beliefs on aspects of the forest industry and are therefore not amenable to resolution, short of cessation of logging'.¹⁴⁷

Compliance with the Forest Practices Code

8.177 Submissions received by the Commission, and evidence given at hearings, provided examples of alleged breaches of various provisions of the Forest Practices Code. A number of the alleged breaches related to:

- use of poisons;
- notification of neighbours;
- failure to abide by provisions of Forest Practices Plans;
- streamside reserves; and
- road construction standards.

8.178 In evidence to the Commission, the Forest Practices Board advised that all complaints received are recorded and investigated and that the results of the investigations are reported back to the complainant and the Parliament. It was reported that approximately 1 000 Forest Practices Plans are certified each year and that 120 complaints per year were received. Of those 120 complaints, approximately 40 are made by members of the public and the balance are made by Forest Practices Officers. Approximately 60 per cent of complaints are found to be breaches of the Forest Practices Code.

8.179 The Commission noted that 80 per cent of complaints made by the public were found not to be breaches of the Forest Practices Code. The report argued that this indicates "that there is a gap between public perception of what constitutes a breach of the Forest Practices Code, and the Forest Practices Board's interpretation of the Forest Practices Code."¹⁴⁸

8.180 In its report, the Commission described the policies of the Forest Practices Board as unambiguous and indicated its satisfaction that the system was working effectively. The Commission did, however, note that some confusion does exist in relation to:

- the relationship of the Forest Practices Board and the Forest Practices Officers in the field;

147 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 38.

148 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 35.

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- the process of registering a complaint; and
 - industry's obligations under the Forest Practices System and the Forest Practices Code (particularly in relation to consultation with neighbours and members of the public).

8.181 The Commission concluded that "there is room for improved measures to enable effective communication of the roles and responsibilities of the participants in the process, and the rights and expectations of the public, in particular of neighbours, to information about authorised forest operations and complaints procedures."¹⁴⁹

Commission's Recommendations

8.182 The Commission made a number of recommendations to address its findings. Recommendation 4.1 of the Commission's Report reads:

That the State improves the accountability of the Forest Practices System. Issues to consider include:

- improving transparency and communications, in particular, public access to information on Forest Practices Plans, through a central access point designed to improve industry consultation with neighbours and local communities;
- improving on ground implementation of Forest Practices Plans by introducing minimum standards of training, education and accreditation of forest operatives and introducing systems to convey the detail of the Forest Practices Code and Forest Practices Plans in a form readily available and understandable to forest operatives;
- improving public understanding of the Forest Practices System including the Forest Practices Code, the role of the Forest Practices Board and, in particular, the public and legal policy framework in which the Forest Practices Board operates;
- providing for a specific position on the Forest Practices Board for a person with ecological and/or conservation expertise;
- reviewing the efficacy of the self-regulatory aspects of the Forest Practices System in the next five year review of the Forest Practices System; and

149 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 39.

- ensuring provision of additional funding, including from industry, to support the communication and research functions of the Forest Practices System.¹⁵⁰

Wood and Wood Products Industry Development

8.183 Chapter Five of the Commission's Report addresses Clause 74 of the Tasmanian RFA and the series of actions contained in Attachment 12 of the RFA. These actions are designed to help develop and enhance the growth of Tasmanian forest based industries – particularly those associated with forest and timber products.¹⁵¹

Expansion of the Plantation Estate

8.184 The Report refers to Attachment 12.14 of the RFA, in which Parties agreed to implement the national *Plantations for Australia: the 2020 Vision* for expanding the plantation estate in Tasmania. It notes the Commonwealth funding of \$57 million that was provided to Forestry Tasmania [under Clause 101(i)] to implement the new intensive management initiative.¹⁵²

8.185 The Commonwealth also provided Tasmania with \$13 million [under Clause 101 (ii)] to progress the implementation of the Employment and Industries Development Strategy – \$10 million of which was allocated to Forestry Tasmania for additional eucalypt plantation development for sawlog production, thinning and research.¹⁵³

8.186 A number of the submissions received by the Commission raised concerns about the expansion of the plantation estate and the associated social and environmental impacts following the signing of the RFA.¹⁵⁴

150 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 41.

151 The following section is based on information contained in *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, Chapter Five, pp. 83-102.

152 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 96.

153 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 96.

154 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 97.

Land Use Controls

8.187 Land use controls and broad scale plantation development were issues also raised in submissions. Concerns were expressed about the lack of control, the lack of a State plan and uncertainty about future plantation development.

8.188 The Commission's Report argued that under the current policy and regulations in Tasmania, there are a number of links between community aspirations, land use planning and sustainable land use. It is also argued that these are the appropriate vehicles to address the balance between plantation development and other land uses, including tourism, other forest-based industries, conservation and local community values.¹⁵⁵

8.189 The Report acknowledges that although the clearance of native forest for plantations is consistent with the National Forest Policy Statement and the RFA, it is a matter that continues to be an issue of community concern and comment.

8.190 The Commission argues that the Good Neighbour Charter is an important initiative for facilitating communication between plantation growers and their immediate neighbours. The Tasmanian Natural Resource Management Framework is also seen as an important development that can improve the context of new plantation establishment in the broader rural landscape, and integration with catchment management, vegetation retention goals and local and economic and social aspirations.

Promotion and Certification of Forest Sustainability

8.191 Attachment 12.21 of the RFA commits the Commonwealth to advocating the use of wood sourced from RFA regions as being sustainably managed. Under Attachment 12.22 Parties are committed to promote and market the sustainability of Tasmanian products in domestic and international markets.

8.192 The Commission's Report notes that during 1999 the Commonwealth Government initiated international discussions to "explore opportunities of international co-operation on forest management certification, and the labelling of products from certified forests."¹⁵⁶ As a consequence, the Australian Forest Standard (AFS) has been developed. The AFS is an industry initiative and is supported by governments, growers and unions and has become a national forest certification scheme.

155 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 98.

156 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 100.

8.193 The report also notes that two internationally recognised schemes are the Pan-European Forest Certification scheme and the Forest Stewardship Council.¹⁵⁷

Commission's Recommendations

8.194 The Commission concluded that while progress had been made on issues contained in Clause 74 and Attachment 12 of the RFA, it had been difficult to measure and assess. There were two reasons cited for the difficulty. "Firstly, the intent of the Parties is not clearly established in tangible action related commitments, and secondly the benchmarks and supporting data are just not available."¹⁵⁸

8.195 The Report also indicated that:

The Commission considers the industry development component of the RFA, the Comprehensive, Adequate and Representative reserves system, and Ecologically Sustainable Forest Management as all being equally important. This equality is not reflected in the information and data, nor is it reflected in the detail associated with implementation approaches. This should be remedied.¹⁵⁹

8.196 As a consequence, the Commission recommended the development of an industry development strategy which clarifies the intent of Attachment 12 [of the RFA] and provides both an industry vision and an action plan to achieve it. In addition, the Commission also argued that:

- the development of a strategy should be the responsibility of the Parties [however, it is recognised that industry policy at this level is primarily a role for the State];
- the Commonwealth has a major role to play beyond the funding role;
- the strategy needs to be developed in the context of the current industry structure, its market and community aspirations, and the requirement to build on existing and potential research and development needs;
- all aspects of industry development need to be better integrated;
- a process needs to be developed to obtain reliable data to inform social and economic indicators [for the community and the performance of the forest based industries relevant to Attachment 12 of the RFA]; and

157 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 100.

158 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 101.

159 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, p. 101.

- the sustainability indicators relevant to the social and economic aspects of the industry need to be reviewed when reliable data becomes available.¹⁶⁰

Commonwealth Response to the Review

8.197 Despite the Commission's report identifying major compliance failures in relation to Attachment 10 of the RFA, both the DAFF submission and the evidence DAFF provided to the Committee indicated that the Commonwealth is still reviewing the Resource Planning and Development Commission's report and is yet to issue a response.

Committee Concerns

8.198 In relation to the expansion of plantation forests in Tasmania under the auspices of the *2020 Vision*, the Committee has a number of concerns:

- The monitoring of operations under, and the enforcement of, the Forest Practices Code;
- The serious allegations by Mr Manning about forest management;
- The delay in the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress with Implementation of the Tasmanian Forest Agreement (1997)*;
- The effect of plantations on water and water catchments;
- Community consultation;
- The large scale clearing of native forest for plantations; and
- The impacts of chemical use.

8.199 Having regard to the incorporation of the *2020 Vision* in the Tasmanian Regional Forest Agreement, and the discussion and recommendations contained in the RPDC's Implementation Report, particularly on forest practices and water quality, the Committee considers that it is still a matter of concern that the Forest Practices Code appears not to be adequately enforced or monitored in relation to large-scale conversion of existing native forest to plantation.

8.200 In addition, the Committee is concerned that the Commonwealth still has not responded to the recommendations contained in the RPDC's Final Recommendations Report on the Inquiry on the Progress with Implementation of the Tasmanian Regional

160 *Inquiry on the Progress with Implementation of the Tasmanian Regional Forest Agreement (1997)*, Tasmanian Resource Planning and Development Commission, December 2002, pp. 12 and 101.

Forest Agreement (1997). The Committee, in particular, notes the recommendation relating to the self-regulatory aspects of the industry and has formed the view that practices such as the Forest Practices Officers being employed by the industry compromises the transparency of the industry and undermines public perceptions of the regulatory process.

8.201 The fourth Committee concern is highlighted by the growing discussion stressing the need for specific research on the effect of plantations on water catchments.

8.202 The Committee is also concerned about the perceived lack of consultation and communication undertaken by the Tasmanian plantation forestry industry. While it is acknowledged that consultative approaches will not be able to solve all disagreements relating to plantations, the Committee suggests that there may be merit in industry representatives reviewing examples of successful communication and conflict resolution and incorporating these types of approaches in their dealings with the community.

Committee Conclusions and Recommendations

8.203 In addition to recommendations the Committee makes in Chapter 9 in relation to the National Coordinator's role in overseeing and implementing a program of properly funded monitoring and research, the Committee believes that there is a need for this Committee to conduct a review within 12 months of the publication of the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress with Implementation of the Tasmanian Forest Agreement (1997)*, into the enforcement and monitoring of the Tasmanian Forest Practices Code.

8.204 The Committee's inquiry should examine detailed information and advice from the Tasmanian Forest Practices Board on its application of the Forest Practices Code and this Committee expects the co-operation of both State and Commonwealth governments on this matter.

Recommendation 12

8.205 The Committee recommends that the Minister for Agriculture, Fisheries and Forestry, as a matter of urgency, finalise and publish the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress and Implementation of the Tasmanian Regional Forest Agreement (1997)*.

Recommendation 13

8.206 The Committee recommends that, within 12 months of the publication of the Commonwealth's response to the Final Recommendations Report on the *Inquiry on the Progress with Implementation of the Tasmanian Forest Agreement (1997)*, that this Committee conduct a review of operations under, and the enforcement of, the Forest Practices Code. The Committee should be able to seek expert advice in the conduct of its inquiry and the Committee would expect the

immediate co-operation of both State and Commonwealth Governments. In the absence of full co-operation, the Committee foreshadows that it will recommend an immediate independent review with more compelling and drastic powers.

CHAPTER NINE

2020 VISION: ACCOUNTABILITY AND ACHIEVEMENT ISSUES

Introduction

9.1 The Committee has commented on Strategic Elements 1 to 4, and possible alterations or amendment to those Elements (see chapters 3 and 4). The Committee considers an important aspect of the revised *2020 Vision* is the addition of a specific Strategic Element to provide machinery for the systematic monitoring and review of the achievement of *2020 Vision* goals and the performance against expected outcomes in Strategic Elements 1 to 4.

9.2 Strategic Element 5 has as its description:

Monitoring the progress of the Plantations 2020 Vision, and supplying that information to a review process, is critical to delivering meaningful outcomes for Vision stakeholders. Monitoring should take into account not only progress against Vision Actions and the planted area target, but also the social, economic and environmental effects of plantation development, particularly for rural communities.¹

9.3 Under Action 16, the following goals are set:

- Review and report on progress against Vision Actions;
- Develop indicators for social environmental and commercial outcomes of the Plantations 2020 Vision; and
- Develop a Vision framework that is both reflective and forward looking.²

9.4 The responsibility for the implementation of Actions under Strategic Element 5 (Action 16) is stated as:

Coordinator, working with industry and Government representatives to review progress with implementing the Vision Actions. Coordinator to identify future activities required to maintain plantation investment and monitor the effects of 2020 Vision implementation.³

1 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 20.

2 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 20.

3 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 20.

- 9.5 Expected outcomes listed under Action 16 are:
- Identification of new or continuing plantation investment impediments that need to be addressed, and provision of options to overcome those impediments;
 - Identification of new opportunities to expand the plantation sector; and
 - Monitoring of social, environmental and economic outcomes of 2020 Vision Actions.⁴

Accountability

9.6 The Committee did not receive many views on how this Strategic Element was to be interpreted, and whether it might be amended or altered in light of, for example, experience in the development of the plantation industry since 1997. However, the Committee is of the view, particularly given the Tasmanian experience, that an accountability mechanism is critical to the development of a sustainable plantation industry. DC Mills from Tasmania indicated that:

All protection of the plantation industry from socially and ecologically sustainable planning legislation should be removed. Specifically it should be made accountable to regional communities through local government to ensure they meet local social and ecological needs.⁵

9.7 NAFI also noted that there have been a "broad range of misunderstandings and misconceptions about the expanding plantation section" which has led to the "build-up of community resentment to future plantation establishment in some areas".⁶

At the present time, it is difficult to quantitatively assess the progress of the 2020 Vision. The final action of the revised strategy indicates the importance of having adequate criteria for measuring the success or impact of the 2020 Vision. Not having quantifiable criteria in place is recognised as an impediment to the growth of the plantation estate as it becomes difficult for investors to gauge the outcomes of their investments and it allows community resentment to build up where there are concerns or misconceptions about the nature of the sector.⁷

9.8 NAFI recommended that "the final action of the revised *2020 Vision* should contain specific criteria for measuring the changes associated with implementing the revised strategy."⁸

4 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 20.

5 *Submission 23*, D.C. Mills, Social Learning and Research Agency, p. 4.

6 *Submission 32*, National Association of Forest Industries Ltd, p. 17.

7 *Submission 32*, National Association of Forest Industries Ltd, p. 17.

8 *Submission 32*, National Association of Forest Industries Ltd, p. 17.

9.9 The Committee notes that in the revised *2020 Vision*, the discussion on accountability focussed on internal accountability, and the issue of accountability to the wider community was not canvassed:

Industry is accountable to the executives and boards of the major forest industry groups – PTAA, AFG and NAFI, – for implementing the strategy to achieve the Vision. Each year industry will report on its progress through these industry groups.

The Australian Government and the State and Territory Governments will report to the Primary Industries Ministerial Council on progress towards the Vision.⁹

9.10 The Committee strongly believes that the accountability mechanism, combined with a role of identifying opportunities for development, research and investment should be encouraged. Given the government involvement, there should also be some accountability to the community at large.

Monitoring and Review of the *2020 Vision*

9.11 The Committee notes that the revised *2020 Vision* makes the following provisions for monitoring and review of the *2020 Vision*:

The National Plantation Strategy Coordinator will prepare an annual report as soon as possible after 30 June each year, reporting on progress in implementing actions in the strategic framework for consideration by the Vision Partners. Progress towards the notional plantation area target will be reported through the National Plantation Inventory's annual tabular reports and major five-yearly reports on Australia's plantation.

The *2020 Vision* framework will be reviewed every five years and revised as considered necessary with the next review and revision to be completed by the end of 2007.¹⁰

9.12 The Committee sought advice on a number of issues raised by the proposed monitoring and review structure. It referred them to the National Coordinator, Mr Rod Bristow, in March 2004 and addressed the following:

- the role and function of the Coordinator;
- funding arrangements for the Coordinator's office;
- the Coordinator's consultation plans;
- form of monitoring of social, environmental and economic outcomes (including the possible role for PFDC's and Private Forests Tasmania);
- reporting responsibility by the Coordinator;

9 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 7.

10 *2002 Revision, Plantations for Australia: The 2020 Vision – An Industry-Government initiative for plantation forestry in Australia*, p. 7.

- identification of new or continuing 'plantation investment impediments'; and
- a timetable for developing further fine-tuning of the *2020 Vision* to allow for a 'framework that is both reflective and forward looking'.¹¹

9.13 Mr Bristow gave the Committee the following advice on each issue:

Role and Function of the Coordinator

The Coordinator's role is to monitor the Vision partner's progress against each of the Actions in the Revised Vision. This role is managed by the PFCC, who have a 3-year plan and a more detailed 12-monthly set of tasks which highlight work to be done to achieve the Revised Vision Actions. As the Vision document is a 'living' document, these tasks constantly evolve in response to the changing environment related to plantation development. This is monitored by the PFCC in determining the priorities for the Coordinator's position.¹²

Funding Arrangements for the Coordinator's Office

The Coordinator's position is equally funded by the Commonwealth (one third, through DAFF), the States/Territories (one third, through the FFPC) and the industry (one third). The industry is represented by the National Association of Forest Industries, the Plantation Timber Association of Australia, and Australian Forest Growers. These funds are raised via invoice to each of the parties.¹³

Coordinator's Consultation Plans

The Coordinator works with the Vision partners; who are implementing the Vision actions directly and indirectly through their participation in plantation development. Also, in regard to appropriate indicators of social and environmental performance, the Coordinator plans to consult with the Bureau of Rural Sciences, the Private Forestry Development Committees (PFDC's) and Local Government to monitor the implementation of the Vision Actions.¹⁴

11 Correspondence to Mr Rod Bristow, National Strategy Coordinator from Committee, dated 25 February 2004.

12 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 4.

13 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 4.

14 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 4.

Form of Monitoring of Social, Environmental and Economic Outcomes and Possible Role for Regional Plantation Committees, Private Forest Development Committees and Private Forests Tasmania

The indicators developed for monitoring are likely to be adopted across all plantation regions, and focus on key factors like the total employment contribution of the plantation growing and processing industry, the environmental performance on [sic] plantations with regard to soil conservation and water quality protection, and water use by plantations. The PFDC's will be consulted on these issues; including Private Forests Tasmania with regard to the current and likely future range of issues associated with plantation development in Tasmania.¹⁵

Reporting Responsibility by the Coordinator

The Coordinator reports to the PFCC, and provides regular updates of progress against the Vision Actions. This information is available through the PFCC secretariat, currently run by the Department of Agriculture, Fisheries and Forestry.

The Coordinator's role is one of information gathering and dissemination. To this end, the process of utilising both print and electronic media is used extensively to convey messages related to plantations and plantation development. This information is published on the Plantations 2020 website.¹⁶

Identification of New or Continuing 'Plantation Investment Impediments'

A range of impediments to plantation investment are still prevalent, particularly related to inequities in the taxation system related to the timing of revenues from plantation forestry, and the lack of investment in new areas of long rotation plantations. The role of the Coordinator is to work with the Vision partners to identify impediments to investment, and to provide means of addressing these through the industry and government commitment to creating and enabling environment for plantation development.

The publishing of this information is at the discretion of the PFCC members, whose businesses may be affected by issues such as those identified by the Coordinator.¹⁷

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- 15 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 4.
- 16 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 5.
- 17 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 5.

Timetable for Developing a 'Vision Framework that is both Reflective and Forward Looking'

The Vision is subject to formal review every five years, at which time the issues and opportunities that have arisen during a period of plantation development are formally incorporated into a Revised Vision document (as evidenced by the recently completed review process). The Vision framework, in concert with this process, will evolve to be both analytical as well as predictive with regard to Australian plantation forestry.¹⁸

Comment

9.14 The central role of the Coordinator, in view of the advice provided to the Committee, will primarily be to advance the interests of plantation investment and development. The Committee considers these aims as valid and forward looking. However, it would sound a note of caution that, although the Coordinator works to advance the interests of the industry, the position should be free of political and industry interference in the conduct of the duties.

9.15 Further, the Committee wants to highlight two factors that should be given greater emphasis and be subject to more definite reporting requirements to be placed on the Coordinator. These are:

- Initiation, coordination and collection of research, particularly on the social, economic and environmental results of plantation development; and
- Timetabling and reporting on this and monitoring of the achievement of the whole range of *2020 Vision* goals.

Research and Monitoring of Social, Economic and Environmental Results of Plantation Development

9.16 Monitoring and analysis of the results of the program described to the Committee is dependent on coordinated research into the social, economic and environmental effects of the plantation industry. Issues seen as possible impediments under the *2020 Vision*, may also be properly seen as matters providing balance against excessively rapid development.

9.17 In addition, the existing framework of forestry development policy, including plantation forestry, needs a degree of government and industry coordination, either through the RFA process, or other cooperative arrangements.

9.18 Further, the level of current and continuing monitoring of the plantation forest estate – through the National Forest Inventory, ABARE and ABS figures and the BRS

18 Correspondence to the Committee from Mr Rod Bristow, National Strategy Coordinator, dated 1 March 2004, p. 5.

surveys of the national plantation estate – mean data on plantations is up-to-date and available. As well, BRS work and surveys carried out on social and economic changes and effects resulting from plantation development form a basis for assessment of achievement against those goals in Strategic Element 5. Establishing appropriate and meaningful benchmarks should not be a difficult task.

Timetabling and Reporting on Monitoring and Review of the 2020 Vision Goals

9.19 In view of the specific and detailed arrangements made for setting up a Coordinator's position, and the expectations of its performance, the Committee expects and anticipates that there should be an arrangement for reporting progress on the *2020 Vision* goals to the community at large.

9.20 The information provided to the Committee by the Coordinator in March 2004 suggests there is not such a program. The *2020 Vision* provides a timetable for a regular report from the Coordinator to the *2020 Vision* partners (the Commonwealth and State Governments and industry). Given the strong element of Commonwealth and state government contribution, the Committee believes that, with the exception of commercial-in-confidence or market information, all information gained by the Coordinator in the monitoring and review process should be available to the community, especially those communities where plantations may have become a central part of the local economy.

9.21 The Committee considers the most effective means of making these reports available would be for the responsible Minister to present the report to the Parliament.

9.22 The Committee sees considerable benefit in this proposal. It would enable parties interested in *2020 Vision* outcomes to share in the outcomes of the coordination and monitoring role. In case industry sees this proposal as a possible means of undermining the *2020 Vision* program, the Committee need only note that, to date, it is a lack of information on industry performance and priorities that has caused misunderstandings and controversy.

9.23 The Committee therefore makes the following recommendations.

Recommendation 14

9.24 The Committee recommends Strategic Element 5 be amended to provide that the National Plantation Strategy Coordinator prepare an annual report detailing the plantation industry's performance against the expected outcomes of each of the 14 principal Actions required by the *2020 Vision* program.

Recommendation 15

9.25 The Committee recommends that the National Plantation Strategy Coordinator's annual report also indicate the extent of research and/or assessment work (and results) carried out by the Coordinator, industry and other agencies, applicable to plantation development.

Recommendation 16

9.26 The Committee recommends that the National Plantation Strategy Coordinator's report is presented to the Minister for Agriculture, Fisheries and Forestry, and to the Minister for Environment and Heritage, and to the Ministers equivalent in each State.

Recommendation 17

9.27 The Committee recommends that the National Plantation Strategy Coordinator's report is tabled in the Commonwealth and State Parliaments within a month of the relevant Minister receiving it, so as to allow scrutiny by the parliament and the community of the achievement of *2020 Vision* goals.



**Aden Ridgeway, Senator for New South Wales
Chair**

ADDITIONAL COMMENTS BY LABOR MEMBERS

1.1 Labor Senators note the statement by Tasmanian Resources Minister, Bryan Green, on 30 August 2004, which announced significant changes to the Tasmanian forest practices system.

1.2 Minister Green's statement includes the following positive initiatives to be implemented by the Tasmanian Government:

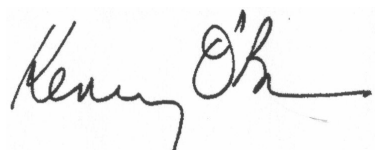
- Removal of the exemption for Forestry Tasmania under the Freedom of Information Act.
- An undertaking to introduce legislation into the Tasmanian Parliament later this year to overhaul the Forest Practices Board, creating a new organisation to be known as the Forest Practices Authority.

1.3 According to Minister Green's statement:

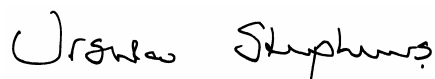
- The Forest Practices Authority will have an independent chair and include people with expertise in environmental or natural resource management, conservation, sustainable forest management, community liaison and local government.
- The Tasmanian government will provide of an extra \$226,000 per year to the Forest Practices Authority to fund two new positions for the Authority to increase its capacity to investigate alleged breaches of the Forest Practices Code and to improve public information and understanding of the system.
- Four new Forest Practice Authority officers (to be funded by a user pay system based on fees for all Forest Practices Plans) will be appointed to provide independent 'on the ground' monitoring of forest practices, as well as increasing awareness amongst forest workers of the requirements of the Code.
- Maximum penalties for breaches of the Forest Practices Code will be increased from \$15,000 to \$100,000 and the statute of limitations will be extended from one year to three years.
- The Registrar of the Forest Practices Tribunal will be separated from the Forest Practices Authority.
- \$400,000 will be committed over three years for an education and training program to be delivered through the Tasmanian Forest Industry Training Board (TFITB).

1.4 Although the Committee was finalising this report at the time of Minister Green's announcement, and has not had time to fully consider the impact of the initiatives contained therein, Labor Senators are of the view that these initiatives will go some considerable way to addressing the findings of this Committee and the concerns of the Tasmanian and broader communities.

1.5 Labor Senators believe the Committee should monitor the implementation and progress of these initiatives, the outcomes of which may be relevant to any further inquiry of this Committee, as described in Recommendation 13.



Kerry O'Brien
Senator for Tasmania



Ursula Stephens
Senator for New South Wales



Geoff Buckland
Senator for South Australia

ADDITIONAL COMMENTS

1.1 While I agreed with the Committee's report and recommendations I have additional comments to make in relation to the forest practices operating in Tasmania.

1.2 I believe that for the plantation industry to be viable and sustainable it needs to be committed to social, economic and environmental principals and practiced in an accountable and transparent manner. This has not been evidenced in the operation of the forestry industry in Tasmania in its pursuit of contractual commitments by low yield clearing old growth forests.

1.3 The long term future of the industry in Tasmania will depend on attempts to avoid the mistakes made over the last 100 years throughout Australia which has seen the onslaught of dryland salinity by a blind policy of land clearing and the over commitment of rivers. To ensure that future generations do not look back and regret the destruction of Tasmania's heritage and related long term tourism prospects, I am of the view that high value old growth forest clearing needs to cease immediately.



Bill Heffernan
Senator for New South Wales

ADDITIONAL COMMENTS

Introduction

The Australian Democrats support the majority findings of the report. Nevertheless, we are of the opinion that comments in respect of Tasmania's forest practices and operations, do not go far enough and make the following comments in addition to those contained within the majority report.

1. The regulatory framework and the EPBC Act

The Australian Democrats are of the opinion that evidence provided to the Committee suggests a severe lack of assessment against proper environmental standards. The Democrats believe much of the controversy surrounding Tasmanian forestry activities may have been avoided, and may be avoided in the future, should robust and publicly transparent environmental standards have been both set and met by foresters. As the the Regional Forest Agreements are relatively short term agreements, the Democrats are of the opinion that it would be of benefit to both industry stakeholders and other landholders to be governed by a transparent set of legally enforceable and stable environmental guidelines.

To illustrate problems other states have found with Regional Forest Agreements, we bring attention to the actions of the Victorian State Government in 2003, where the state decided that logging in the Wombat State Forest, regulated under the RFA process, was not sustainable. At the time the Democrats took this as government recognition that the RFA process is not an effective method of achieving a sustainable yield of timber. The Democrats believe there must be reviews to determine whether the RFA process is acceptable as far as environmental standards and sustainability.

The Democrats continue to be of the opinion that the Federal Government cannot lay aside issues surrounding forestry issues, in the hope that these issues would be dealt with through the RFA process. It would give some reassurance to the community, if forestry activities are effectively governed by environmental and other relevant laws, in particular those relating to matters of transparency, review and accountability.

Despite participating in many discussions on this matter, the Democrats retain the view that forestry operations in Tasmania should not be exempt from the provisions of Federal or state environmental laws. The Democrats believe significant penalties must be swiftly enforced for any breaches of the Forest Practices Code, or of other environmental laws in any relevant jurisdiction.

Recommendation 1

As a result, the Democrats recommend that Tasmanian forestry, and forestry activities in all other states, should be assessed under the Federal regulatory framework and must

not be exempt from the provisions of the *Environment Protection and Biodiversity Conservation Act 1999*.

This would ensure forestry activities are assessed to the same environmental standards as required of other large-scale users of resources that have the potential to impact on matters of national environmental significance, including threatened species and communities, migratory species, World Heritage areas, National Heritage places and wetlands of international importance. This approach would also give appropriate weight to environmental matters of importance in state land management including regional catchment management plans, listed threatened species and communities, and other matters of importance to local communities.

2. Requirements for further inquiry and review with relation to Tasmania

The Democrats are concerned that Recommendation 13 in Chapter 8 relating particularly to Tasmanian forests stops short of requesting a judicial inquiry into Tasmanian forest operations. While the Recommendation calls for immediate cooperation of both the state and Commonwealth governments, and for "an immediate and independent review with more compelling and drastic powers" should such cooperation not be forthcoming, Committee member Democrat Senator Aden Ridgeway believes that the time for cooperation on this issue has passed, and that a judicial review with full powers of subpoena is necessary. The Democrats believe that an inquiry should have the power to issue warrants for the presentation and or seizure of relevant documents in order to facilitate its review.

In light of the deeply entrenched culture of secrecy perceived by the general community surrounding both industry and government involved in forestry issues in Tasmania, and of the fact that international attention has been brought to the issue, there is a significant and immediate need for greater accountability. There must be improved ways in which members of the community can seek review of decisions and there must be greater transparency in decision-making and operations. The Democrats believe only judicial review can fulfil these needs, and recommend that such a course of action is the appropriate way to move this contentious issue forward.



**Senator Ridgeway
Australian Democrats**

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**

MINORITY REPORT

I am not able to support the Australian Forest Plantation Report in its current form nor do I believe the Report could be amended in a way that would reflect my views.

One of the principal reasons I pursued an inquiry into this industry was because I felt that the 2020 Vision was fundamentally flawed. At the outset, it was ill-conceived and was based more on a political solution for the difficulties governments were confronting in the debate over harvesting of the country's native forests than providing a well thought out plan for the development of an Australian plantation industry.

This has led us into an ad hoc approach to the development of the industry. The 'let's get the trees into the ground and work the rest out later' approach has been one of the principal causes of the problems confronting the development of an economically viable and sustainable plantation industry.

One of the key objectives of developing plantations in Australia was that of resource supply for our existing and developing domestic industries. To date, the implementation of the 2020 Vision has, in large part, failed to deliver the type of approach needed to secure the long-term development of our domestic industry. And, despite a review of the 1997 Vision, with the exception of a few examples, this remains the case.

I am also concerned that environmental and land and water use issues also remain largely unaddressed and, if allowed to continue, will have significant consequences for the industry and the country.

In the area of taxation, the current application of the taxation system as an incentive for private investment in the plantation industry has led to an influx of managed investment companies with little or no experience in plantation or, indeed, forestry matters. They have been more interested in fees and charges than developing a long-term, viable and sustainable industry. This has also led to excessively high costs in plantation establishment.

Many companies have used monies paid by investors to buy land for themselves. Indeed, it was the evidence of at least one company to a different committee inquiry that at least half of the money paid by an investor was used to buy land.

However, had the investor bought the land, the purchase would have been considered a capital purchase and therefore not deductible under existing tax laws.

It should therefore be of concern that investment companies are using monies that an investor has claimed a 100 per cent deduction for to buy land at often very high prices.

This seems to provide an unfair advantage over other possible land purchasers who do not have the advantage of claiming the purchase cost as a tax deduction.

Additionally, there is little or no institutional investment in the industry and this will not occur unless there are major changes to taxation laws in this respect.

The Government must, if it is serious about developing a valuable and environmentally sustainable plantation sector, one that will underpin the long-term future of our domestic timber industries, take steps to require the Australian Taxation Office to bring forward taxation measures that will allow for continuous trade in plantation timber.

This would have the effect of encouraging institutional investment, which is essential if we are to ensure the long-term future of the plantation industry.

Another matter that must be given serious consideration is the volume production of plantations; that is, how much wood is being and will be produced per hectare from plantations.

This is very important for the domestic industry and any industry development plans in the pulp and paper sector.

It is one thing having trees in the ground, but how much wood they produce is another. We already know that most existing plantations are substantially underperforming on the volume side.

The current approach to try and overcome this is to seek out high quality, high rainfall sites, in an effort to maximise growth rates. This approach has often led to a concentration of plantings in the upper reaches of water catchment areas, which in turn is creating community concern about water quality and supply.

In many instances, there has been little or no hydrological work done to determine the effect on water catchments. Add to this the use of chemical sprays and poisons for weed and pest control, and it is no wonder the community is concerned.

It must surely be unacceptable in this day and age that we indiscriminately poison hundreds of thousands of native wildlife, birds, fish and other animals, through the continued use of and reliance on 1080 poison – pesticides and herbicides.

It can only lead one to conclude that, when it comes to dealing with these issues, governments at both state and federal levels are morally and intellectually bereft.

There are many alternatives to the use of such indiscriminate poisons and yet, despite these options, governments continue to happily employ the poisoning approach.

The plantation industry is a very important industry and we must continue to develop it. But we must do so in a way that will ensure public support and the engagement of sound management practices.

Despite the Report making some mention of these issues, it does not, in my view, take the forthright and comprehensive approach that is necessary to bring about the changes that are required to get this industry on track and headed in a direction that will bring long-term benefits to this country.

Given the significant amount of evidence that was taken, it is disappointing to me that the Report has become politically based, rather than a constructive and useful contribution to the development of our plantation industry.



SHAYNE MURPHY
Senator for Tasmania

APPENDIX 1

List of Submissions

1. Ms Evelyn DeVito
2. Mr John R Wilson
3. Mr Les Parke
4. Mr Marcus Tatton
5. ANU – Forestry School of Resources, Environment and Society
6. Savannah Equipment Pty Ltd
7. M & N Wilkinson
8. Ms Colleen Dibley
9. Plantation Timber Association Australia
10. Mr Phil Shedley
11. The Institute of Foresters of Australia
12. Forestry and Forest Products Committee
13. Private Forestry North Queensland
14. Mr Robert Taylor
15. Forestry Tasmania
16. Ms Gwenda Sheridan
17. Mr Nick Towle
18. Mr John Hayward
19. Plantagenet Shire
20. Forest Products Commission
21. Saltgrow Pty Ltd
22. Forests and Forest Industry Council of Tasmania

23. Social Learning and Research Agency
24. Mr Malcolm Ryan
25. Mr Hans Marsman
26. Abareconomics
27. Launceston Environment Centre
28. Joint Venture Agroforestry Program
29. Department of Agriculture, Fisheries and Forestry
30. Plantall Forestry Consultants
31. WA Plantation Resources Pty Ltd
32. National Association of Forest Industries
33. National Association of Forest Industries
34. Denmark Environment Centre
35. Gunns Plantation Ltd
36. Conservation Council of WA
37. Western Timber Co-operative Ltd
38. Great Southern Plantations Ltd
39. Greening Australia Limited
40. Australian Taxation Office
41. GHD Pty Ltd
42. Ms Naomi Edwards
43. Timber Communities Australia
(Tasmanian State Office)
44. Preolenna Mothers Group
45. Northwest Branch of the Tasmanian Conservation Trust Inc
46. Department of Infrastructure of Energy and Resources
47. Ms Gwenda Sheridan

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48. Ms Geraldine de Burgh-Day
 49. Victorian Association of Forest Industries
 50. Environment Australia
 51. Ms Gay Brench
 52. Ms Brenda Rosser
 53. Ms Nicky Crane
 54. Mr John Hayward
 55. West Wimmera Shire Council
 56. Airlie Alam
 57. P H Newsome
 58. Australian Forest Growers
 59. Doctors for Forests (Tasmania)
 60. Centre for Resource & Environmental Studies, ANU
 61. Ms Catherine Shliapnikoff
 62. Ms Elizabeth Wilkinson
 63. Kentish Council
 64. National Competition Council
 65. Mr Nick Towle
 66. Mr Simon Warriner
 67. Mr Brian Claridge
 68. Mr Duncan Mills
 69. Dorset Waterwatch Group Inc.
 70. Mr Richard Davis
 71. Launceston City Council
 72. Mrs Gay Klok
 73. Timber Workers for Forests

74. Ms Geraldine de Burgh-Day
75. Mr John Haywood
76. Mr John Haywood
77. Mr Nick Towle
78. Mr Norm Brown
79. Dr Elizabeth Smith
80. Mr Owen Whitton
81. Ms Geraldine de Burgh-Day
82. Friends of the Earth Melbourne
83. Friends of Gippsland Bush Inc.
84. Snowy River Interstate Landcare Committee
85. Gippsland Private Forestry Inc.
86. Bureau of Rural Sciences - AFFA
87. Mr Glenn Perkins
88. Bombala Rural Lands Protection Board
89. Dr Alison Bleaney
90. The Tasmanian Branch of the Australian Medical Association

APPENDIX 2

Witnesses who appeared before the Committee at the Public Hearings

*Friday 11 October 2002
Albany, Western Australia*

Department of Conservation and Land Management

Mr John Bartle, Manager, Farm Forestry Unit, Science Division

WA Plantation Resources Pty Ltd

Mr Murray Bowles, Estate Manager

Timbercorp Ltd

Mr George Bray, Planning Consultant

Forest Products Commission Western Australia

Mr Gavin Butcher, Divisional Manager, Plantation Operations

Australian Forest Growers Commercial Plantations Western Australia

Mr Gavin Ellis, Chairman, Executive Director, Great Southern Plantations Ltd

Shire of Plantagenet

Councillor Kevin Forbes, Shire President

Western Timber Cooperative Ltd

Mr James Frith, Director and Secretary

Albany Plantation Export Co. Pty Ltd

Mr Peer George, General Manager, Chipmill and Harvesting Division

Albany Port User Liaison Group

Mr Ian Peacock, Chairman

Conservation Council of Western Australia

Dr Beth Schultz, Vice-President

Western Australia Forest Alliance

Mr Rob Versluis, Affiliated Member

Timber 2002

Mr John Walker, Chairman, Plantation Grower, City councillor, Albany City Council

Plantall Forestry Consultants

Mr David Wettenhall, Consultant

Albany Port Authority

Mr Bradley Williamson, Chief Executive Officer

Friday, 29 November 2002

Launceston, Tasmania

Guns Plantation Ltd

Mr Les Baker, Executive Director

Mr Ian Blanden, Manager

Forests and Forest Industry Council

Mr Trevor Bird, General Manager

Department of Infrastructure, Energy and Resources

Mr Andrew Blakesley, Director

Mrs Geraldine de Burgh-Day (Private capacity)

Mrs Evelyn Devito (Private capacity)

Ms Colleen Dibley (Private capacity)

Forestry Tasmania

Dr Johannes Drielsma, General Manager, Forest Management

Mr Paul Smith, Assistant General Manager Operations

Mr John Hayward (Private capacity)

Private Forests Tasmania

Mr Desmond King, Chief Executive Officer

Mr Malcolm Ryan (Private capacity)

Ms Gwenda Sheridan (Private capacity)

Launceston Environment Centre Inc.

Mr Peter Sims, Chairman

Mr Christopher Strong, Community Representative

Mount Arthur Environment Management Group

Mr Simon Wearne, Member

Thursday, 20 February 2003

Parliament House, Canberra

National Association of Forest Industries

Ms Kate Carnell, Executive Director

Mr Phil Townsend, Deputy Executive Director

Environment Australia

Dr Rhondda Dickson, Acting First Assistant Secretary

Mr Theo Hooy, Acting Assistant Secretary, Water Branch, Marine and Water Division

Dr Ryde James (Private capacity)**Rural Industries Research and Development Corporation**

Dr Rosemary Lott, Research Manager, Joint Venture Agroforestry Program

Dr Roslyn Prinsley, General Manager, Research, Joint Venture Agroforestry Program

Mr Robert Newman (Private capacity)**Australian Greenhouse Office**

Mr Paul Ryan, Assistant Manager, Greenhouse and Land Management Team

Friday, 21 February 2003

Parliament House, Canberra

Institute of Foresters of Australia

Mr Tony Bartlett, Director

Mr Jim Donaldson, Member, Executive Committee, ACT Division

Professor Peter Kanowski, Member and Professor of Forestry, Australian National University

Greening Australia

Mr Carl Binning, Chief Executive Officer

Ms Julia Chalmers, Farm Forestry Program Coordinator

Australian National University

Ms Judy Clark, Postdoctoral Fellow, Centre for Resource and Environmental Studies

Australian Forest Growers

Mr Warwick Ragg, Executive Director

Mr Alan Cummine, Executive Director, Treefarm Investment Managers Australia Branch

Department of Agriculture, Fisheries and Forestry – Australia

Mr Matthew Dadswell, Manager, Forest Industry Development and Trade Section,
Forest Industries Branch

Mr Darryl Quinlivan, Executive Manager, Fisheries and Forestry

Plantation Timber Association of Australia

Mr Peter Juniper, Chief Executive

Mr Richard Stanton

Wednesday, 5 March 2003

Parliament House, Canberra

Department of the Treasury

Mr Michael Buckley, Manager, Resources and Environment Unit

Mr Peter Mullins, General Manager, Business Income Division

Australian Taxation Office

Mr Nick Oliver, Assistant Commissioner of Taxation, Office of the Chief Counsel

Ms Cheryl-Lea field, Assistant Commissioner, Small Business

Mr Gary Hammersley, National Business Manager, Product Rulings

Tuesday, 29 April 2003

Hobart, Tasmania

Ms Naomi Edwards (Private capacity)**Tasmanian Conservation Trust**

Mr Alistair, Representative

Bass Forest Focus Forum

Mr Duncan Mills, Coordinator/Facilitator

Doctors for Forest

Dr Frank Nicklason, Spokesman

Forestry Tasmania

Mr Paul Smith, Assistant General Manager Operations

Ms Penny Warren, Chief Financial Officer

Schwabenforest Pty Ltd

Mr Frank Strie, Director, Forestry Consultant, Mobile Sawmiller and Community
Ecoforestry Adviser

Kentish Council

Ms Annie Willock, Special Committee of Council – Forestry

Wednesday, 6 August 2003
Launceston, Tasmania

Launceston City Council

Mr Stephen Ratcliffe, Manager, Hydraulic Modelling and Systems

Wednesday, 8 October 2003
Parliament House, Canberra

Timber Communities Australia

Mr Barry Chipman, Tasmanian State Coordinator

Mr Jim Howes, Preolenna Mothers Group

Mrs Diana Pinner, Secretary, Preolenna Mothers Group

Mr Keith Smith, Preolenna Mothers Group

Department of Agriculture, Fisheries and Forestry

Mr Daryl Quinlivan, Acting Deputy Secretary

Mr Matthew Dadswell, Manager, Industry Development and Private Forestry, Forest Industries Branch

Mr William Manning (Private capacity)

Appendix 3

Plantations for Australia: *The 2020 Vision*

		Presentation 4. Publication titled "South East Forest Industry Development Strategy", Green Triangle Regional Planning Committee. Prepared by the Industry Strategy Steering Committee of the South East Forest Industry.	- 52
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Friday, 29 November 2002
Launceston, Tasmania

Date	Lodged By	Title/Subject	No of Pages
29/11/02	Mr Des King, Private Forests Tasmania	1. Brochure titled <i>Private Forests Tasmania: A professional team committed to promote, foster and assist private forestry</i> 2. Presentation notes <i>Plantation Presentation by Des King, CEO, Private Forests Tasmania</i>	8 16
29/11/02	Mr Paul Smith, Forestry Tasmania	1. Booklet titled <i>Forestry Tasmania: Sustainable Forest Management Report: environmental, social and economic outcomes, 2000-2001</i> 2. Presentation notes <i>Submission to Senate Rural and Regional Affairs and Transport Legislation Committee, PRC Smith, Asst. General Manager Operations, Forestry Tasmania</i>	52 11
29/11/02	Ms Gwenda Sheridan	Notes for presentation to Committee at hearing <i>Australian Senate Hearing: 2020 Vision Plantations Australia - Inquiry into the Plantation Forests Industry: 29 November, 2002</i>	11
29/11/02	Launceston Environment Centre	1. <i>Stung into Action</i> : article from the Sunday Tasmanian, November 24, 2002, p. 7 2. <i>Plantation Management and Wood Properties do Matter</i> , article from	1

		The Tasmanian Conservationist, August 2002, Dr Kathy Allen	1
		3. <i>Tree farms won't save us after all</i> , article from New Scientist, 26 October 2002, Fred Pearce, Valencia, p. 10	
		4. <i>Forests, the argument goes to water</i> , the Weekend Australian Financial Review, Nov. 9-10, 2002, Julie Macken (article to be incorporated in Hansard)	1
		5. Extract from publication <i>State of the Environment Tasmania: Volume 1 Conditions and Trends</i>	2
		6. Video - North-East Tasmania Aerial view: Forestry and Plantation. Flight on 23/11/02.	
		7. Copy of Order of Service - An Ecumenical Worship Service, Liturgy in the Forest, Styx Valley, Tasmania, Sunday, 17 November 2002.	11

**Thursday 20 February 2003
Canberra**

Date	Lodged By	Title/Subject	No of Pages
20/2/03	Dr Ryde James	3. Report: <i>Defining the Product: Log Grades in Australia – Joint Venture Agroforestry Program</i>	30
		4. Extract from NZ Journal of Forestry, May 2002 regarding log prices.	1
20/2/03	Dr Roslyn Prinsley	3. Brochure titled <i>Flora Search, Transforming Australian Landscapes</i>	6
		4. Report <i>Acacia Search: Evaluation of Acacia</i> , BR Maslin and MW McDonald	25
			25

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		<p>3. Information Brochure titled <i>How Tasmanian Forestry Practices Affect Your Health</i></p> <p>4. Report titled <i>Microbial Health Impacts of Woodchips (including Legionella) with special reference to the sacrificial layer of base chips</i>, Flinders University of South Australia, February 2002</p> <p>5. Report titled <i>Health Impact Assessment of Fugitive Wood Dust Emissions from the Gunns Burnie Port Woodchip Stockpiling Facilities</i>, prepared by Robert Golec, AMCOSH Occupational Health Services, 2002</p> <p>6. Leaflet: Are YOU voting for this?</p> <p>7. CD of presentation provided to Committee on 29 April 2003.</p>	<p>3</p> <p>13</p> <p>10</p> <p>1</p>
29/04/03	Tasmanian Conservation Council (Mr Alastair Graham)	<p>1. Notes, including graphs, maps and charts used in presentation to Committee on 29 April 2003.</p> <p>2. Report titled <i>Rates of Inequity: Non-payment of Rates by Government Business Enterprises, Briefing Paper for Tasmanian Conservation Trust</i>, Kathy Gibson</p>	<p>15</p> <p>9</p>
29/04/03	Kentish Council (Ms Annie Willock)	<i>Impacts of Plantation Development on the Streamflow of Olivers Creek</i> , report by Pat O'Shaughnessy, 31 March 2003	5

Wednesday, 6 August 2003

Launceston

Date	Lodged By	Title/Subject	No of Pages
6/8/03	Mr Steve Ratcliffe, Launceston City Council	Copy of excerpts taken from Launceston City Council Agenda Papers, 5 May 2003	8

