



SECRETARY

The Secretary
Senate Rural and Regional Affairs and Transport Legislation Committee
Suite SG. 62
Parliament House
CANBERRA ACT 2600



Dear Ms Jaffray

Re: Submission to Senate Inquiry into Plantation Forests

As Secretary of Agriculture, Fisheries and Forestry – Australia (AFFA) I wish to submit material, and brief comments on the Inquiry's Terms of Reference, that will explain the Commonwealth's current policies and involvement in the development of the plantation forestry industry.

Since the creation and implementation of the *Plantations for Australia – The 2020 Vision* in 1997 there has been a strong strategy guiding the development of Australia's plantation industry. The *2020 Vision's* strength and influence has been a direct result of its capacity to clearly articulate its objective, the trebling of Australia's plantation resource by 2020, and its endorsement by Commonwealth, State and Territory Governments and the plantation industry.

I regard the *2020 Vision* as having been most successful in creating an environment conducive to the expansion of the plantation industry in the first five years of its existence. The National Plantation Inventory's March 2002 report has estimated the total plantation estate in Australia at the end of December 2001 as 1,568,900 hectares, of which 62 % is softwood (979,600 ha) and 37 % is hardwood (587,900 ha). Between 1996 and 2001 the estate has expanded by over 500,000 hectares and at current planting rates the target of trebling the plantation estate by 2020 will be easily achieved. The challenge now is to effectively use this expanding, largely uncommitted resource to further develop sustainable, internationally competitive plantation and processing industries.

From the release of the *2020 Vision* in October 1997 the Commonwealth's policies and activities relating to the development of the plantation forestry industry have been focused on achieving the *2020 Vision*; plantation growing and processing industries that are market focused, internationally competitive, sustainable and profitable; by fulfilling the Commonwealth's obligations under the strategy, especially the removal of impediments to investment in the industry.

The enclosed report *Impact of Incentives on the Development of Forest Plantation Resources in the Asia-Pacific Region*, prepared for the 19th Session of the UN Food and Agriculture Organisation's Asia-Pacific Forestry Commission, outlines the environment required to attract investment in commercial plantations and associated processing facilities. The report documents the effect of incentives (in their broadest sense) on the plantation industry and provides explanation of past and present Commonwealth activities aimed at creating an economic environment conducive to the establishment of an internationally competitive plantation industry.

This year the Forestry and Forest Products Committee, a committee of the Primary Industries Ministerial Council, commissioned a review of the *2020 Vision*. The objective of the review was to

ensure that the *2020 Vision* maintained its relevance to the changing needs of the industry. The review focused on:

- providing a strategy that is more relevant to the emerging needs of the industry;
- ensuring drivers other than taxation, such as regional development or environmental benefits, encourage investment in plantations;
- removing impediments that remain, particularly related to uncertainty over rights to plant, manage, harvest and trade plantations; and
- providing a role for community participation in the on-going development of the plantation resource.

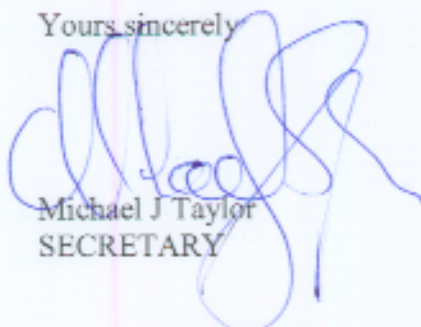
The review has resulted in a refocusing of the approach of the *2020 Vision*. Instead of focusing action on the removal of impediments, the *revised 2020 Vision* recognises that the future of the industry lies in its capacity to maximise economic, environmental and social opportunities. The revised *2020 Vision* is to be considered by Ministers at the Primary Industries Ministerial Council meeting in October. However, an advance copy of the *revised 2020 Vision* is enclosed for consideration by the Inquiry. My Department will provide any additional information that may arise from considerations by the Ministerial Council next month.

In recognition of the Commonwealth's commitment to the *2020 Vision*, the 2002 revision will continue to drive Commonwealth policy and activity in respect to the development of the plantation industry. For example the *revised 2020 Vision* has identified Regional Plantation Committees (RPCs) as being integral to the achievement of regional and community focused outcomes and there is increasing recognition of their role as a national industry coordination network. The importance of the RPCs in the regional development of the industry is also reflected in the June 2002 Private Forestry Consultative Committee review of the RPCs, *Review of Rationale and Options for Future Funding*, which is enclosed. Recognising the importance of the RPCs to the future development of the plantation industry the Commonwealth is providing funding for their continued operation in 2002-03 under the interim arrangements of the Natural Heritage Trust (NHT) Extension. The Commonwealth is also embarking on a process to determine the most appropriate funding model for the RPCs in the future. The aim is to ensure they retain the capacity to deliver on the actions identified as being their responsibility under the *revised 2020 Vision* and their regional industry development and natural resource management objectives.

The Commonwealth supports the *revised 2020 Vision* and will continue to meet its leadership and policy obligations. The aim is to ensure that government policies are conducive to supporting the sustainable development of an internationally competitive industry. Activities in this vein include the commissioning of a report by Jaakko Poyry Consulting, *Investment Opportunities in the Australian Forest Products Industry*. The report is enclosed and while not being specifically focused on the plantation industry it has provided significant insights into further developing the industry.

The documents enclosed and the brief comments on the Terms of Reference attached provide an overview of the Commonwealth's policies and views on the development of the plantation industry. We would welcome an opportunity to discuss issues further during the hearing process.

Yours sincerely



Michael J Taylor
SECRETARY

Brief Comments on Terms of Reference

- a) Whether there are impediments to the achievement of the aims of '*Plantations for Australia: The 2020 Vision*' strategy.
 - Good progress has been made in removing the impediments to investment identified in the *2020 Vision*. However, 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.
- b) Whether there are elements of the strategy, which should be altered in light of any impediments identified.
 - The *revised 2020 Vision* has highlighted the above issue and 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.
- 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:
 - a) better integrate plantations into achieving salinity and water quality objectives and target,
 - b) optimise the environmental benefits of plantations in low rainfall areas, and
 - c) address the provision of public good services (environmental benefits) at the cost of private plantation growers.
 - The revised 2020 Vision recognises the opportunities associated with the delivery of environmental services and sets a framework for action.
 - The Forestry and Forest Products Committee of the Primary Industries Ministerial Council is exploring possible action that could promote the role of plantations and farm forestry in the delivery of environmental services for private and public good.
 - Scope exists under the National Action Plan for Salinity and Water Quality (NAP) and the Natural Heritage Trust Extension for plantations and farm forestry to play an increasing role in the amelioration of land and water degradation issues.
 - The NAP Market-Based Instruments Pilots Program, through the support of on-ground investigations of the operation of market-based instruments for the delivery of environmental services, is expected to provide insights into the trade-offs and costs of delivering public good services through commercial activities.
 - 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).
- d) whether there is the need for government action to encourage longer rotation plantations, particularly in order to supply sawlogs;
 - Approximately 1 million hectares of the softwood sawlog/pulpwood currently exists.

- BRS and ABARE reports suggest that sawlog supply is steadily increasing, for example BRS's *Plantations of Australia Wood Availability 2001-2044* report indicates that by 2015 plantation softwood production could increase to 9.9 million cubic metres a year, 10 per cent more than is currently being produced.
 - The Private Forestry Consultative Committee of the Primary Industries Ministerial Council has noted that investment is largely targeted at short rotation **hardwood plantations**. The Committee is interested in analysing whether there are genuine impediments to investment in long rotation plantations or whether it is just a reflection of the needs of the market and investment providers. This would be a fruitful area of inquiry for the Committee.
- 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.
- With the recent drafting of the *revised 2020 Vision* government and industry stakeholders have assessed what action is currently necessary and appropriate to continue to stimulate the expansion of the plantation industry. The Commonwealth is of the view that the actions of the revised *2020 Vision* should be implemented and their impact determined before alternative action directly relating to plantation development is considered. However, as the operational environment changes and more information becomes available the document should be viewed as dynamic, with additional or alternative action considered on an as needs and case by case basis. Findings from the Senate Inquiry will be considered in this light.
 - The more important long-term issue for sustaining plantation development is the commercial returns to growers and investors. This is likely to be greatly influenced by the extent to which we are able to transform these basic products before their export, and fully realise their value in Australia. This is key to sustaining the current growth of this sector.