

Ms Jeanette Radcliffe
Secretary, Rural and Regional Affairs and Transport Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

1 June 2007

Dear Ms Radcliffe

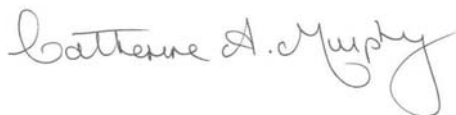
Thank you for your letter to the President of the National Association of Forest Industries, Dr Douglas Head, inviting NAFI to provide a written submission to the Senate Enquiry by the Standing Committee on Rural and Regional Affairs and Transport Committee on the bills related to the establishment of Forest and Wood Products Australia.

Enclosed is a submission from NAFI which indicates our support for the Bills and details some of the important reasons why there is a need for a Marketing and Research and Development company collecting and expending levies on behalf of the industry.

In addition to the submission, if the committee would like further input from NAFI through the public hearings next Tuesday, NAFI's Senior Policy Analyst, Mr Todd Loydell, is available to give evidence on behalf of NAFI. He can be contacted at NAFI on 02 6285 3833 or on his mobile 0448 241 982.

I look forward to the committee's consideration of this significant issue for the forest industry.

Yours sincerely



Catherine Murphy
Chief Executive Officer





Submission

Standing Committee on Rural and Regional Affairs and Transport

Forestry Marketing and Research and Development Services Bill 2007
Forestry Marketing and Research and Development Services (Transitional and Consequential Provisions) Bill 2007

31 May 2007

The establishment of Forest and Wood Products Australia

Australia's forest industry accounts for almost 2% of Australia's GDP with a turnover of \$18 billion each year, and employs 130,000 people, mostly in rural and regional Australia. Consequently, it is important to ensure the ongoing viability and competitiveness of the industry.

The establishment of Forest and Wood Products Australia (FWPA) will play a critical role in providing for the ongoing competitiveness of the industry. This will be achieved by continuing the research and development work currently supported by the industry and the Australian Government through the Forest and Wood Products Research and Development Corporation (FWPRDC).

FWPA will have the additional and separate function of collecting levies from the industry for the development and execution of coordinated and effective marketing campaigns, helping to enhance and ensure the continuing competitiveness of the industry.

These promotion and marketing funds will be raised through increasing current levies and additional new levies on some growers. These funds, unlike the funds raised for research and development will not be matched by government contributions.

The establishment of FWPA as an Industry owned company is not a new model there are now seven industry organisations which collect and expend levies on behalf of their industries, five of which also undertake a marketing role.

NAFI supports the appointment of a board of directors to FWPA according to their skills, through a robust selection process that requires the appointment of a minimum of five directors including at least two independent directors.



NAFI does not believe it would be appropriate to alter the selection process to predetermine board positions for particular individuals or organisations. This is consistent with the "better practice guidance for boards" identified in the Uhrig Report *"Review of the Corporate Governance of Statutory Authorities and Office Holders"* which states: "Representational appointments to boards have the potential to place the success of the entity at risk" (page 12, point 4).

The forest and wood products industry expressed strong support for the creation of Forest and Wood Products Australia through a ballot conducted by the Australian Electoral Commission between 20 March and 21 April, 2006. Representative associations of the industry, who commissioned the ballot, including NAFI, also strongly support the bill.

Transition from FWPRDC to FWPA

It is important to maintain the momentum of the current research and development programme during the transition from the FWPRDC to FWPA. It is appropriate to allow transferability of staff and assets, in order to facilitate the efficient continuing administration of the research and development programme.

Undertaking the planning for a generic forest and wood products marketing campaign should be a priority for the FWPA along with continuing research and development priorities.

To ensure that research and development and marketing priorities are achieved as soon as possible, it is desirable to maintain the board of the FWPRDC as a transitional board for FWPA (excluding the Govt director and executive director). This transitional board should oversee the establishment of the company, and the membership arrangements, until the election of a new board.

NAFI is comfortable with the arrangements for the election of a new board contained within the constitution.

Environmental sustainability of the forest industry and its products

The forest and wood products industry in Australia is based on a resource that is renewable and sustainable and can create products with additional environmental benefits. For instance timber building materials with low embodied energy in their manufacture can be used in preference to more emissions intensive materials. The products of the Australian Forest and wood products industry are reusable, recyclable and biodegradable; they are all atmospheric carbon sinks.

Current research and development activities are helping to develop new products in the forest and wood products industry that will further assist in reducing impacts on our environment, such as bio-energy, bio fuels, biodegradable textiles, and carbon off-set products.



Unfortunately, Australia has a long running \$2 billion deficit in the trade of wood and paper products, and around 9% of imported product is suspected to be obtained from forests where the legality and sustainability of forest management can not be guaranteed.

These circumstances reveal Australia's moral obligation to meet the demand for wood products in our country and the need to ensure consumer confidence in the sustainably produced forest products available in Australia.

In achieving this goal, consumers will ensure that they are not contributing to global deforestation as a result of purchasing potentially unsustainably and illegally harvested timber from the world's less developed tropical nations.

Misinformation resulting in poor decision making

Due to considerable misinformation campaigns from environmental NGOs, Australians are confused about the sustainability of our timber industry. As a result, many are looking to use timber from less scrutinised sources which are not always sustainable, or choosing to use alternative materials to timber which do not possess the same environmental credentials, and which generate high levels of greenhouse gas emissions in their production, such as concrete, steel and aluminium.

The constant undermining of the forest industry by environmental NGOs, through misinformation campaigns, highlights the need for a coordinated and effective marketing and promotion strategy to highlight to the significant environmental benefits to the consumer in choosing timber. It will also help to address poor public policy outcomes and decision making.

State Governments have continued to remove sustainably managed forest resource, notwithstanding the scientifically rigorous and comprehensive assessments which were under the Regional Forest Agreements.

There has been a proliferation of regulations and voluntary rating systems by governments, local councils, and third party endorsement organisations such as the Green Building Council, which, intentionally or not, preference less environmentally sound alternatives to timber, or timber from sources other than from Australia.

The forest and wood products report of January 2007: *Policy, regulations and guidelines affecting wood product markets in Australia's built environment* reveals an alarming proliferation of regulations affecting wood product markets.

The industry believes that there is an urgent need for a co-ordinated approach to marketing the significant environmental credentials of Australia's forest industry and the wood products it produces. These credentials can also be demonstrated and improved upon, through effective research and development.



Financial support to the forest industry

NAFI recognises and appreciates the support of the Government and its continuing commitment to the Regional Forest Agreements. However, NAFI is concerned with the relatively small amount of public funding directed towards the forest and wood products sector.

The 2004/05 Productivity Commission Trade and Assistance Review, reveals the relatively small contribution of government funds directed to the forest industry in 2004/05 compared with other commodity sectors.

The Australian forest and wood products industry attracts very little funding from the federal government when compared with assistance to the forest sector in Canada through the Canadian Forestry Service, a country with a similar sized forest and wood products industry as a proportion of GDP.

Of the funding that is directed toward the Australian Forest Industry, much of it is directed to structural adjustment programmes designed to facilitate or compensate for the further lock up of sustainably managed forests. This type of funding only supports the downsizing of the industry and does nothing to promote its long term competitiveness with other industries, or against import replacements often of dubious origins.

For these reasons it is highly appropriate to maintain the Australian Government's matching contribution of funds for research and development that is currently provided to the industry through the FWPRDC.

