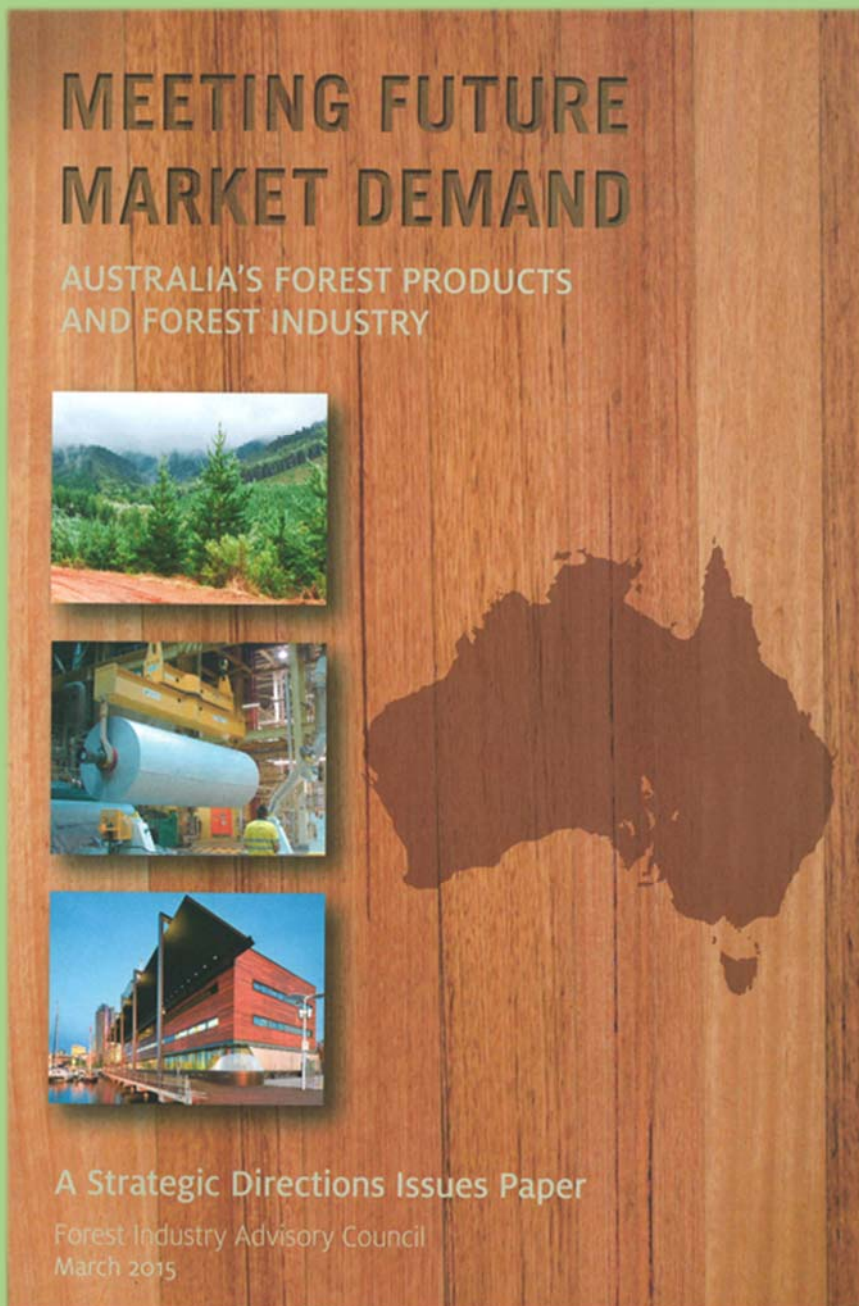# AUSTRALIAN FOREST PRODUCTS ASSOCIATION
Submission on the
Forest Industry Advisory Council Issues Paper
'*Meeting Future Market Demand*'

MEETING FUTURE
MARKET DEMAND

AUSTRALIA'S FOREST PRODUCTS
AND FOREST INDUSTRY

A Strategic Directions Issues Paper

Forest Industry Advisory Council
March 2015

AUSTRALIAN
FOREST PRODUCTS
ASSOCIATION

afpa

TREES | WOOD | PAPER

5 June 2015

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Forest Industry Advisory Council (FIAC) Issues Paper 'Meeting Future Market Demand'

The Australian Forest Products Association (AFPA) welcomes the opportunity to provide comment on the Forest Industry Advisory Council (FIAC) Issues Paper. AFPA is the peak national body for Australia's forest, wood and paper products industry. We represent the industry's interests to governments, the general public and other stakeholders on the sustainable development and use of Australia's forest, wood and paper products.

AFPA would like to congratulate Senator Richard Colbeck and the Government for initiating the FIAC process, to develop a new vision and deliver a plan to drive the forest, wood and paper products industries forward over the next 20 years.

FIAC's focus and success metric should be the production of an effective '*National Forestry and Fibre Plan*', owned by both Government and industry, that forms the basis of a truly collaborative shared vision and strategy for the forest, wood and paper products industry. This shared vision should be supported by all levels of government and the industry, and must have real commitment, real targets, and real performance measures that are regularly reviewed for success.

For a country such as Australia, with a considerable comparative advantage in forestry, with extensive areas of available land, as well as substantial existing forest and plantation resources, it is remarkable that we have a $2 billion trade deficit in forest products.

Through this process, AFPA asks the Government to make a firm public commitment that 'it is in the national interest to maintain and strengthen Australia's forest, wood and paper products industry, to develop policies to support the growth of these industries and to remove policy impediments'.

AFPA propose a new 'Vision' for our forest, wood and paper products industry:

> '*A forest, wood and paper products industry at the forefront of the new low carbon economy, based on sustainably managed forests and plantation resources, and producing competitive, innovative, fit-for-purpose wood and paper products that are the environmental first choice of the consumer.*'

The implementation of this Vision should include a number of targets around key focus areas, such as:

- plantation expansion;
- carbon sequestration and storage;
- domestic production expansion and value adding;
- export expansion for raw and value added wood and paper products;
- R&D investment in key technologies and regions for industry growth;
- green building and wood product encouragement policies;
- renewable energy policy and energy efficiency; and
- sustainable wood and paper procurement.

In the development of this submission, AFPA sought input and feedback from its membership which include a broad representation of industry and covers the full value chain.

Priority areas identified in this submission include:

1. *A Dedicated Minister for Forestry and Forest Products* — appointing a Minister in the Government with direct responsibility for forestry, to demonstrate the Government's commitment to the forest sector and drive the implementation of major new policy initiatives expected to arise from this process;

2. *Plantation expansion* — providing new drivers for commercial plantation expansion to deliver the resource needed to secure the future of existing and new wood processing facilities;

3. *Regional Approaches* — creating the right infrastructure and investment environment to support development of wood processing industries in key regional areas;

4. *New forest, wood and paper products* — positioning the industry to take advantage of opportunities to diversify production and increase value-adding, including commercialisations of local innovations; and

5. *Research and development* — addressing the dramatic decline in forest industry R&D investment and loss of critical mass of researchers, through greater incentives for forest industry R&D and co-funding of priority R&D activities.

For further queries or clarification on this submission please contact AFPA on (02) 6285 3833.

Yours sincerely

Ross Hampton
Chief Executive Officer

Australian Forest Products Association (AFPA) Submission on the Forest Industry Advisory Council (FIAC) Issues Paper 'Meeting Future Market Demand'

AFPA is the peak national body for Australia's forest, wood and paper products industry. We represent the industry's interests to governments, the general public and other stakeholders on matters relating to the sustainable development and use of Australia's forest, wood and paper products.

The forest, wood and paper products industry is Australia's 6th largest manufacturing industry with an annual turnover of $21 billion. It contributes around 0.6% to Australia's gross domestic product and 6.7% of manufacturing output. The forest products industry directly supports around 120,000 jobs and an additional 180,000 jobs through flow-on economic activity.

The forest, wood and paper products industry is predominately regionally based, often sharing common policy issues with many other agricultural industries. The industry is also an important contributor to many rural communities, providing employment opportunities, as well as helping to diversify and strengthen regional economies.

Trees are a sustainable biological resource that produce renewable wood and paper products including the development of new and innovative products such as biomaterials, biochemicals and bioenergy. They also provide a range of environmental benefits, including the carbon stored over time in the growing forests and harvested products (which also have a high propensity for recycling and reuse). In addition, relative to alternative materials such as steel, aluminium and concrete, wood products have very low embodied energy, with very low fossil fuel energy inputs in their production.

FIAC and a 'National Forestry and Fibre Plan'

Following the election, the Government commissioned the development of an Agricultural Competitiveness White Paper (White Paper). The associated Terms of Reference detailed that '*the White Paper will not consider industry competitiveness issues associated with the fisheries and forestry sectors.*'

Given that the forest products industry is closely related to agricultural industries, AFPA was both surprised and concerned that the forest sector was effectively excluded from the White Paper. Subsequently the forest products industry was encouraged by the Government to fully engage in this parallel Forest Industry Advisory Council (FIAC) process.

AFPA contends that, as a regional-based land-use sector, the forest products industry has many common issues with the broader agricultural sector and also significant opportunities to enhance the sustainability and competitiveness of regional communities. Achieving the full potential of the forest, wood and paper products industry will require strong leadership, ongoing commitment and a cooperative approach among industry, communities and government.

Similarly, the 'White Paper on Developing Northern Australia' has very little reference to the role of the forest industry. However, there are significant native forest and plantation resources in northern Australia that have the potential to play a major role in the development of the region. There are also substantial opportunities to expand the existing plantation resource, partner with traditional owners to develop forestry projects for the benefit of indigenous communities, and create opportunities for processing and value-adding of forest products within the region.

FIAC's focus and success metric must be the production of an effective 'National Forestry and Fibre Plan' that forms the basis of a truly collaborative vision and strategy of all levels of government for the industry.

An effective 'National Forestry and Fibre Plan' needs to:

- fully consult affected stakeholders in the supply chain;
- record the state of play, current issues and undertake a SWOT (i.e. Strengths, Weaknesses, Opportunities and Threats) analysis of the industry;
- detail comprehensive strategies to address issues;
- propose actions and initiatives for growth;
- identify funding and investment commitments from government;
- detail a plan for implementation and review; and
- identify quantifiable measures of success.

In addition, the 'Agricultural Competitiveness White Paper', 'White Paper on Developing Northern Australia' and FIAC's 'National Forestry and Fibre Plan' processes should not be undertaken in isolation. The outcomes of these processes should be complementary, as there is a need for consistency in the Government's broader vision for regional Australia and land use policies.

The previous AFPA submissions to both the 'Agricultural Competitiveness White Paper' and the 'White Paper on Developing Northern Australia' are attached and provide further context to this submission.

National picture and areas of opportunity

Forest, wood and paper products industry facts

- The forest, wood and paper products industry includes:
    o forest growing in sustainably managed native forests and wood plantations;
    o wood harvesting, loading and haulage;
    o forest, wood and paper products processing; and exporting.

- The major categories of processed forest products in Australia include: sawn timber; wood based panels (e.g. particleboard, medium density fibreboard and plywood); and paper and paperboard, which includes printing and writing papers, tissue and packaging papers.
- The wood plantation area is: 2.01 million ha (softwood: 1.02 million ha; hardwood: 976,000 ha).
- Native forest area where timber harvesting is permitted: 10.1 million ha (2011). Native forest area harvested each year as a % of the available area varies from less than 1% to 2.2% by state.
- Total direct employment: 120,000 people with an additional jobs 180,000 jobs supported (based on a 1.5 multiplier).
- Forest products imports ($4.6 billion); forest products exports ($2.5 billion). Trade deficit in forest products: averages around $2.1 billion per year.
- Australia's native and plantation forests presently store 12.8 billion tonnes of carbon, with a further 103 million tonnes stored in wood products such as timber house framing and furniture, and a further 123 million tonnes stored in wood products in landfill. Over the period 2001 to 2010, the amount of carbon stored in Australia's plantation forests increased from 137 million tonnes to 171 million tonnes.

Areas of opportunity

- The forest, wood and paper products industry is a diverse, value-added and resilient supply chain with many areas of opportunity to develop and enhance.
- The forest products industry is an important part of rural and regional economies and source of significant skilled jobs in many regional areas.
- These industries are natural, renewable and recyclable and a significant part of a green economy and a sustainable and lower emissions future.
- Many innovative and new value added wood and paper products can be produced if the policy settings and incentives are right.
- These industries can be the source of significant additional value added exports and increased domestic production to replace imported product.
- There is significant development potential from expanding new plantations.

Key Issues

AFPA proposes the following actions and priorities to further promote industry development.

Vision and objectives for the forest products sector

- *Vision*

Australia is looking for new solutions to curb carbon emissions and to enable the transition of the economy to a renewable and sustainable future. In many ways the forest, wood and paper products industry is ideally placed to assist the transition of the Australian economy to this sustainable, lower emissions future. With a growing population and higher demand

for a range of building, paper and energy products to meet future needs, the sector can help satisfy this demand with a renewable resource. It can also provide significant economic development and regional jobs.

A shared vision and associated objectives between government and industry must be developed for the forest, wood and paper products industry. It by necessity will be broad as the supply chain is extensive. This shared vision needs to have real commitment, real targets, and real performance measures that are reviewed for success.

A 'Vision' for the forest, wood and paper products industry could be:

> '*A forest, wood and paper products industry at the forefront of the new low carbon economy, based on sustainable forest management and plantation resources, and producing competitive, innovative, fit-for-purpose wood and paper products that are the environmental first choice of the consumer.*'

Action 0.1
The Government with industry to include an agreed 'Vision' in a 'National Forestry and Fibre Plan'.

- *Forest, wood and paper products industry national political profile*

AFPA urges the Government to make a firm commitment that 'it is in the national interest to maintain and strengthen Australia's forest products industry, and develop policies to support the industry's growth and remove policy impediments'.

Forestry currently has little prominence in the Government. 'Forestry' has been removed from the title of the Minister for Agriculture and responsibility for the forestry portfolio has been transferred to the Parliamentary Secretary Assisting the Minister for Agriculture. This is in contrast to many previous Governments that recognised the importance of forestry and appointed a dedicated Minister (e.g. the Minister for Fisheries, Forestry and Conservation) to drive forest policy and address forest industry issues within the Government.

We recommend that forestry be returned to the direct portfolio of a Minister in the Government to recognise the Government's commitment to the forest sector and support the implementation of major new policy initiatives expected to arise from this process.

Action 0.2
The Government make a firm public commitment on the important role of the forest, wood and paper products industry in Australia's future and reinstate the position of a 'Minister for Forestry' in the Government.

- *Targets*

The implementation of this Vision should include a number of targets around key focus areas, such as:
- o plantation expansion (*e.g. 3 million hectares of targeted plantations by 2030 as already agreed with Government in the existing Plantations 2020 Vision*);
- o carbon sequestration and storage (*e.g. increase the extent of eligible wood production forestry activities and suitable methodologies in the CFI and ERF*);
- o domestic production expansion and value adding (*e.g. increase domestic production of key identified value added wood and paper products*);
- o export expansion for raw and value added wood and paper products (*e.g. double current exports to $5 billion by 2030*);
- o R&D investment to support the development of key technologies for industry growth (*e.g. funding of $40 million from the Commonwealth to underpin industry and state government co-investment in the National Institute for Forest Products Innovation*);
- o green building and wood product encouragement policies (*e.g. adoption of a wood encouragement policy by up to 50 local councils by 2030. Targets for the use of wood in new Federal and State Government buildings, such as government offices, schools, hospitals (noting the proven health benefits of utilising wood products in commercial buildings*);
- o renewable energy policy an energy efficiency (*e.g. RET to include 10% from bioenergy including revisions to the RET to include renewable thermal heat, not just electricity*); and
- o sustainable wood and paper procurement *(e.g. all Government agencies to implement and monitor their sustainability guidelines and consider the advantages of locally produced wood and paper products in their procurement decisions).*

Action 0.3
The Government with industry to develop a number of agreed targets in priority areas in a 'National Forestry and Fibre Plan'.

Issue 1: Market trends

- *Trade and investment*

A stable and transparent investment and trade environment is needed, particularly given the relatively long time frame for forest and wood products investments. This environment includes the effective operation of macroeconomic and industry regulatory arrangements and predictability in policy settings that reduces sovereign risk. Importantly, a whole-of-government approach is needed that provides consistency in policy across Government portfolios and departments.

The full realisation of value adding and climate change opportunities will be determined by the industry's ability to embrace these new and developing technologies and services, such as world class processing technologies and the use of woody biomass as a renewable energy source. It should be recognised that the forestry sector has attracted a high level of international investment over the past 20 years and is now part of a truly global industry.

This includes investment in plantations, wood processing and pulp and paper manufacturing by major companies from Australia, United States, Japan, Finland, Canada, New Zealand, South Korea and Malaysia.

Trade policy targets:

1. Domestic production expansion and value adding (*e.g. increase domestic production of key identified value added wood and paper products*)
2. Export expansion for raw and value added wood and paper products (*e.g. double current exports to $5 billion by 2030*)

Action 1.1
The Government to assist forest industries to take advantage of emerging investment and trade opportunities through policies that:
a. ensure the ongoing security of supply of wood inputs, both plantation and sustainably managed native forest, to support new investment in processing capacity and value-adding;
b. ensure equitable consideration of, and outcomes for, domestic forest industries in negotiations of international trade agreements;
c. implement an effective framework to inhibit the importation of illegally harvested wood and paper products into Australia. A framework that promotes a level playing field, is low-cost for domestic producers, and effectively prevents the importation of illegally sourced products that undermine domestic industry competitiveness;
d. continue reform of anti-dumping and countervailing policies to achieve fairness for domestic producers, including an improved system of information disclosure and corrective measures to promote fair trade for all competitors;
e. encourage wood plantation expansion by providing incentives such as recognition of the environmental and public good outcomes delivered by the forest sector; and
f. facilitate further domestic processing and internationally competitive scale projects (including investment sourcing) that will be critical in ensuring future value adding in Australia, reducing the trade deficit in forest products and boosting regional economies and employment.

Action 1.2
The Government, in association with industry, set and commit to agreed trade targets in a 'National Forestry and Fibre Plan'.

- *Certification*

Forest managers and wood and paper product suppliers are increasingly adopting voluntary certification schemes to demonstrate the environmental credentials of their management activities.

The two major internationally recognised voluntary certification schemes are the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification Schemes (PEFC) via the Australian Forestry Standard (AFS). Internationally, there has been a proliferation in other environmental rating schemes claiming to offer environmental credibility. Many wood and paper product markets, both internationally and domestically,

have been distorted by these schemes, with impacts on domestic industry and jobs. Continued independent monitoring of these mostly voluntary schemes is needed, as there is little scrutiny as to whether they deliver environmental credibility and market transparency to consumers.

To ensure that they don't act as additional barriers to restrict trade and introduce unnecessary costs, it is important that certification schemes (both Chain-of-Custody (CoC) and Sustainable Forest Management (SFM)), are credible, transparent, robust, have good governance, and recognise the high level of existing regulation of Australian forest industries.

Action 1.3

a.   encourage greater scrutiny of third party certification schemes for SFM and CoC operating in Australia, to ensure they are credible, transparent, subject to appropriate standards of good governance and independence, and provide positive environmental outcomes;

b.   ensure building codes and energy rating schemes do not unfairly restrict the use of wood products, and adopt building system approaches that recognise and promote the life-cycle benefits and low embodied energy of wood and paper products.

- *Energy policy*

Processors and manufacturers of wood, paper and engineered wood products are significant energy users. These industries, like much of the manufacturing sector, have experienced low price rises for their products for many years and increasing quality and performance demands. While the industry has been able to contain costs through increased efficiency and scale and competitive sourcing of raw material inputs, it is unable to control the costs of inputs, including energy and energy distribution.

Significant energy price rises in recent years threaten the continued viability of Australia's forest product industries. Internationally competitive energy costs are essential if manufacturing in Australia is to survive and grow. If Australia is to remain competitive in international markets, it is important that Australia's energy policies do not disadvantage domestic operations by subjecting trade-exposed industries to costs not faced by competitors in other countries.

Some key priorities include:

- **Generators/Users:** Previous energy policy has focused on electricity generators and distributors with little regard for energy users. More balanced policy requires both sides of the energy market to be given equal consideration.
- **Infrastructure:** Significant energy infrastructure investment (in both renewable and other generation capacity, and transmission and distribution network infrastructure) has occurred over the past decade to deliver 'accessible and reliable' energy to Australia. AFPA continues to urge the Government to consider reform of the existing rules and policies to ensure that network investment is prudent, necessary and tightly controlled, and that the costs of the investments are transparent, justified and affordable.

- **Energy Security/Gas:** Gas-fired generation is, and will increasingly be, important to the ongoing energy input and costs of the forest products industry. The core policy objectives in this area should be that gas-fired generation remains affordable; reliable; of a high quality; sustainable in the long-term; and the gas market is transparent and accessible by domestic users. AFPA urges Government to put in place policies to ensure adequate supplies of affordable gas and gas infrastructure, ensuring better certainty for industry into the future.
- **Thermal heat in industrial processes.** Energy is a far broader term than just electricity, it also includes thermal (heat) such as steam used predominately in large industrial processes. The Large Scale Renewable Energy Target (LRET) currently only recognises the renewable energy benefits from electrical energy (such as the replacement of coal with renewable biomass fuel which is used to produce electricity). A significant renewable energy opportunity is currently being missed and it is recommended that the use of renewable biomass should similarly extend to the generation of thermal energy (i.e. steam for process drying as in papermaking or sawn timber mills). It is conservatively estimated that the inclusion of renewable thermal energy into the RET has significant potential and could contribute the equivalent of several thousand GWh in renewable energy per annum from the wood and paper products industry in Australia. It should be noted that in the current Small-Scale Renewable Energy Target (SRET), solar hot water is already included as a source of renewable thermal energy.

Energy policy target (*e.g. RET to include 10% from bioenergy including revisions to the RET to include renewable thermal heat, not just electricity*)

Action 1.4

Government to:

a. deliver competitive and efficient (low cost) energy networks for wood and paper manufacturing users, including affordable gas and associated gas infrastructure;

b. introduce measures to ensure that the development of policy mechanisms to stabilise energy use and improve energy productivity are aimed at the right users to achieve the desired outcome and mitigate additional cost and regulatory burdens;

c. increase the availability of renewable energy under the Renewable Energy Target (RET) regulations by:

o ensure that native forest wood waste is reinstated as an eligible renewable energy source in the RET (as it was in 2011);

o promote and incentivise the uptake of bioenergy projects under the RET; and

o include the use of renewable biomass for both electricity generation and thermal (steam) generation (e.g. as is currently the case in Europe).

Action 1.5

The Government, in association with industry, set, and commit to, an agreed energy policy target in a 'National Forestry and Fibre Plan'.

Issue 2: Emerging uses and markets

- *New forest, wood and paper products*

AFPA is very positive about the continued future market demand for forest and wood products globally, regionally and in Australia in traditional markets, in emerging markets, and also in new bio-fibre based products and services which are developing. Wood fibre is a natural, renewable, recyclable and sustainable resource. This is now well recognised in many countries in the rest of the world and supported by communities and governments for their triple bottom line benefits: environmental, social and economic.

With an expanding population both in Australia and in the South-East Asia region, aging stock and high forecast demand for new housing and other wood-based products over the next few decades, the forest industry has the potential to provide a versatile range of wood products for structural, commercial building and high quality appearance uses. Wood and paper products involve lower energy inputs in production and provide a range of carbon mitigation and sequestration benefits relative to other building materials.

Historically, forests have and can produce many different products to meet highly diverse society demands and evolving environmental consciousness. Some known opportunities for improved efficiency, diversification, value adding and product innovation with respect to wood and paper products include:

- biofuels for electricity and heat production;
- cogeneration of electricity and heat in pulp and wood processing operations;
- composite wood products and building systems;
- new structural and panelling technologies that utilise small-wood and residues in timber construction in commercial and high-rise buildings;
- log assessment and grading technologies;
- higher product recovery from harvesting, processing and manufacturing operations;
- innovative tissue, paper and packaging products; and
- biochemicals, textiles, solvents, plastics, lubricants, fragrances, and other potential outputs from 'bio-refineries'.

One example of a forest industry sector that has significant opportunities and potential to grow and diversify is in wood products. Demand for wood products from customers in 'more' traditional products continues to grow in both local and export markets and includes:

- residential framing – still the biggest market segment for sawn timber products predominately softwood solid sawn and engineered wood products (EWPs);
- new opportunities for all timber building products in structural and appearance grades from 2016 in a range of non-residential classes (e.g. apartments, hotels and office buildings) subject to a revision to the National Construction Code to allow timber structures to be constructed up to 25 metres;
- increasing demand for durable external products (cladding, decking, screens, boardwalks, landscaping);
- increasing demand for existing and new treated timber products and EWPs both for durability and pest resistance (e.g. termites);

- strong demand for appearance products (both residential and non-residential): flooring, lining, joinery, cabinetry, windows & doors, stairs;
- continued interest in quality hardwood furniture;
- veneered and flaked wood products;
- prefabricated building systems; and
- new product opportunities which exist overseas but Australia is yet to fully capitalise on in: engineered wood products (e.g. Cross Laminated Timber (CLT), Laminated Strand Lumber (LSL), Oriented Strand Board (OSB); wood/biomaterial composites; and chemically/thermally treated wood.

> **Green building and wood product encouragement policies** (*e.g. adoption of a wood encouragement policy by up to 50 local councils by 2030. Targets for the use of wood in new Federal and State Government buildings, including government offices, schools, hospitals (noting the proven health benefits of utilising wood products in commercial buildings*).

Action 2.1

The Government with industry takes appropriate, effective and sustained action to ensure that industry can take advantage of the opportunities to diversify and value-add, including by commercialising its Australian innovations.

Action 2.2

The Government with industry to set, and commit to, agreed green building and wood product encouragement policies in a 'National Forestry and Fibre Plan'.

- *Waste management*

The treatment of wood products for both durability and protection from insect damage is a rapidly increasing segment of the timber market. End-of-life recycling and disposal of these treated wood products has been identified as an issue that will need innovative solutions.

An example is the NSW Environmental Protection Authority (EPA) which has identified 'Copper Chrome Arsenic (CCA) timber and other treated timbers' as one of their Priority Problem Wastes. The NSW office of Environment and Heritage has subsequently publicly invited applications for an Innovation in Priority Problem Waste Management grant program aimed at innovative projects that will provide new recycling infrastructure solutions, establish recycled material markets through R&D and improve and introduce new approaches and technologies to increase the efficiency of recycling facilities for wastes including CCA timber and other treated timbers'.

It is important that future waste management policies:

1. Recognise the difference in risks of different waste treated wood product offcuts and at the end of their life and, from a policy point of view, treat them separately and commensurately with the risk; and
2. Recognise the benefits of further utilising these waste treated wood products offcuts and at the end of their life.

> **Action 2.3**
> The Government with industry reviews current solutions to the recycling or disposal of treated timber wastes, and looks to support R&D in developing new innovative solutions and approaches to increase the efficiency and outcomes of these processes.

- *Illegal logging*

Australia must support initiatives to promote good governance and sustainable forestry practices in suspect country sources as well as directly tackle illegal products entering the country that undermine domestic competitiveness. It is important to continue to develop and implement an effective framework to prevent the importation of illegally sourced products that promotes a level playing field, is low-cost, and does not impose unnecessary regulatory burdens on domestic producers. The Australian forest industry is already subject to a legal framework with the highest environmental and sustainable forest management standards, and has a very high uptake of internationally recognised third party certification.

> **Action 2.4**
> Continue to implement an effective framework to inhibit the importation of illegally harvested wood and paper products into Australia. The framework should promote a level playing field, be low-cost, and effectively prevent the importation of illegally sourced products that undermines domestic industry competitiveness.

- *Antidumping system*

Australia must also maintain a level playing field in global forest products trade to counter the threats from predatory pricing and dumping. While recent reform of anti-dumping and countervailing policies have made some progress, additional measures and effective implementation of the antidumping system is needed to achieve fairness for domestic producers, including information disclosure, compliance and corrective measures. Better monitoring and public disclosure of trade data is needed in addition to quicker rulings, given the significant lags in decisions and sustained damage that can be suffered by injured parties.

> **Action 2.5**
> Continue the reform of the anti-dumping and countervailing system and its implementation to achieve fairness for domestic producers, including an improved system of information disclosure, compliance and corrective measures.

- *Procurement policies*

The proud social, economic and environmental record of the Australian wood and paper products industry and the inherent environmental strengths of these products as a renewable resource with a high propensity for recycling, a low carbon footprint and responsible sourcing from sustainably managed forests and fibre waste streams should be acknowledged in public procurement programs.

AFPA is concerned about the lack of transparency and adherence by Commonwealth Departments to their own sustainability guidelines and consideration of the advantages of locally sourced products when making purchasing decisions, particularly for consumables such as copy paper. AFPA therefore considers it essential that the risks from inappropriately sourced products, in terms of the environmental standards of paper and fibre based products, be fully taken into account.

Sustainable wood and paper procurement (*e.g. all Government agencies to implement and monitor their sustainability guidelines and consider the advantages of locally produced wood and paper products in their procurement decisions*).

Action 2.6

Government to:

a.   monitor and more clearly report on procurement policies to ensure wood and paper products are sustainably sourced;

b.   formally recognise and take into consideration the environmental advantages from using locally sourced products in procurement decisions; and

c.   provide incentives for increased domestic recycled paper manufacturing.

Action 2.7

The Government with industry to effectively implement, and further develop, an agreed procurement policy framework in a 'National Forestry and Fibre Plan'.

- *Non-conforming products*

Given the high international trade in wood products and varying standards of environmental and product integrity of imported goods into Australia, it is essential that both the general enforcement and government procurement frameworks recognise and effectively deal with the risks of these products.

AFPA is concerned about the risks of sub-standard and non-conforming building products, as highlighted by a recent report into non-conforming products (NCPs) used in the building and construction sector (Australian Industry Group 2013)[1]. This report identifies gaps and weaknesses in the conformance framework through inadequate surveillance, verification and enforcement, and outlines the results of a national survey that found that 92% of company respondents reported NCPs in their supply chain. In the case of EWPs, the report points to the prevalence of NCPs in the structural plywood market. The Engineered Wood Products Association of Australasia (EWPAA) reported: a lack of testing to Australian standards even though contracts may require this; formaldehyde used in resin systems; watered down resins; a lack of labelling, incorrect and fraudulent labelling; and understrength products.

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[1] Australian industry Group (2013). The quest for a level playing field: the non-conforming building product dilemma.

Action 2.8

The Australian Competition and Consumer Commission (ACCC) should have a stronger role with respect to enforcement and compliance with Australian environmental and product safety standards, as well as through the Commonwealth Procurement Rules (CPR) as a market leader.
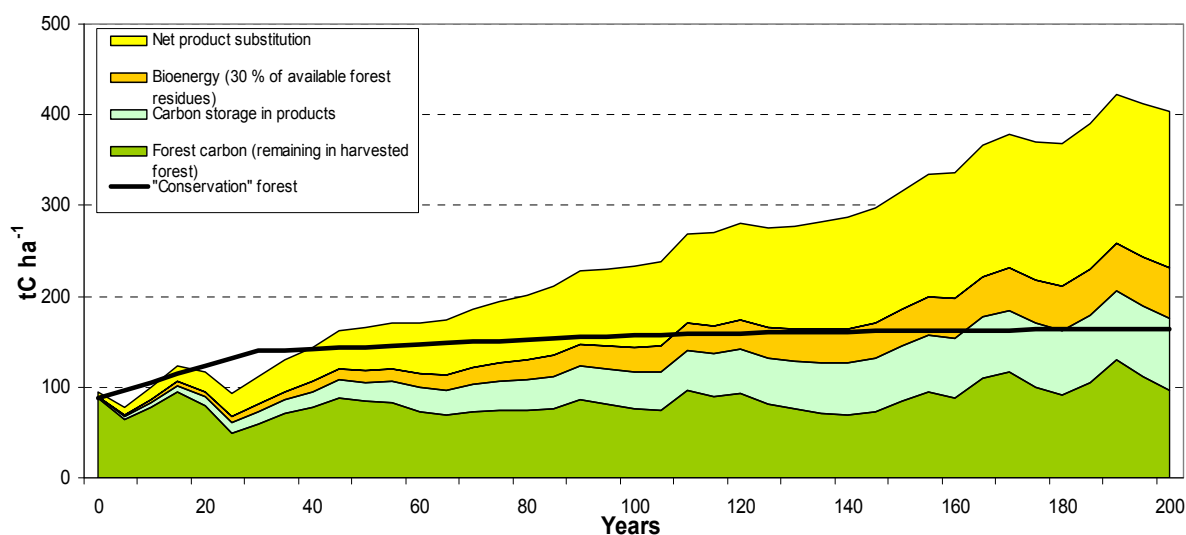
- *Carbon*

The forest, wood and paper industries are based on a renewable biological resource and can contribute to long term carbon emissions abatement through multiple pathways, including:

- the atmospheric carbon captured and stored in growing forests;
- the carbon stored in durable wood products and substitution of more emissions intensive building materials such as steel, aluminium and concrete; and
- the use of wood biomass for renewable energy including both for heat and power (displacing fossil fuel sources such as oil and gas);

Land based schemes such as the Carbon Farming Initiative (CFI) and Emissions Reduction Fund (ERF) need to recognise the full life cycle benefits from harvested wood and paper products in addition to the carbon stored in trees (see for example Figure 1). A full life-cycle analysis of forest products will also take into account their relatively low embodied energy and clarify the advantages of using them to substitute for other materials and/or other wood product imports.

Figure 1. Carbon emission abatement implications (t C ha-1 sequestered or displaced) of the conservation and harvest scenarios for North Coast of NSW forests.

Source: Ximenes F., George B., Cowie A., Williams J. and Kelly G. (2012) Greenhouse gas balance of native forest in New South Wales, Australia. Forests 3: 653-683.

As the only carbon positive sector of the Australian economy, the forest products industry should be at the forefront of a renewable and sustainable economy. However, the policy environment for enabling carbon based opportunities to be realised fully is either yet to be developed or is impeded by the existing regulatory environment.

> **Carbon storage target** (*e.g. increase the extent of eligible wood production forestry activities and suitable methodologies in the CFI and ERF*)

Action 2.9

The Government to:

a. address the policy and regulatory impediments to carbon-based opportunities for the forestry sector, particularly the ineligibility of many wood production activities and lack of suitable methodologies in the Carbon Farming Initiative (CFI) and Emissions Reduction Fund (ERF);

b. take a holistic view of the carbon emission abatement potential of naturally regenerated forests and plantations recognising their multiple carbon sequestration and product substitution benefits;

c. provide a policy framework for carbon that does not attempt to regulate other land use issues (e.g. water, biodiversity, community issues), which are more appropriately addressed elsewhere in public regulation;

d. amend existing regulations to value the carbon stored in wood and paper products over their service life and beyond through landfill;

e. ensure building codes and energy rating schemes do not unfairly restrict the use of wood products, and recognise their life-cycle benefits and low carbon footprint.

Action 2.10

The Government with industry to set, and commit to, an agreed carbon storage target in a 'National Forestry and Fibre Plan'.

- *Bioenergy and biofuels*

Residues from Australia's forest, wood and paper products industry hold great potential as alternatives to fossil fuels for energy generation. Forest biomass can also be utilised for renewable heat and liquid fuels, which tend to be more efficient than electricity generation. Despite having one of the highest area of forest per capita of the developed nations, Australia lags behind in the use of bioenergy, which represents just 1% of electricity production. The lack of incentives for the use of forest biomass in energy generation creates a serious imbalance in the renewable energy market, and misses some of the lowest cost opportunities for carbon emissions abatement.

To date, the sole emphasis of the RET has been on renewable 'electricity', ignoring opportunities in the area of renewable thermal heat. AFPA recommends that the RET recognise renewable thermal heat as an eligible activity.

Energy policy should also include greater promotion of bioenergy as part of Australia's overall energy mix. Policy development needs to be flexible to support a potentially broad range of bioenergy based opportunities from small co-generation facilities located in small regional areas to large facilities located in the capital cities and other industrial centres.

Action 2.11
Government to both recognise the potential and develop incentives for renewable bioenergy, including renewable biomass for electricity, renewable thermal heat capture and biofuels.

Issue 3: Forest resources

By their very nature, forests are complex biological systems and provide a range of services beyond commercial wood benefits, including ecosystem services and functions such as carbon sequestration, provision of recreation opportunities, rehabilitation of degraded landscapes, soil and water conservation and enhanced biodiversity.

- *Resource security*

The Regional Forest Agreements (RFAs) are a 20 year agreement between the Commonwealth and State governments that are the cornerstone of native forest policy in Australia. The RFAs were the result of years of scientific study, consultation and negotiation covering a diverse range of interests. They aim to balance the environmental, social and economic demands of naturally regenerated forests that are managed for a range of values, including wood production. There are 10 RFAs in four states: New South Wales, Victoria, Tasmania and Western Australia.

As the RFAs (signed between 1997 and 2001) approach the end of their life, there is an increasing urgency for the RFAs to be renewed to provide certainty for industries reliant on the native forest resource. Current uncertainty about future wood supply is raising doubt about the future of existing processing facilities dependent on this resource (and the thousands of jobs and regional economies reliant on the industry) and stifling investment.

To provide the resource security to underpin future investment by the sector, it is necessary to renew the RFAs on an evergreen basis— by implementing a 20 year rolling life to each RFA.

Action 3.1
a.   Governments to implement a 20 year rolling life of RFAs, based on extending each RFA for five years following the successful completion and implementation of each RFA five year review.
b.   Provide funding to assist the States to complete the RFA reviews and initiate the 20 year rolling life mechanism.

- *Plantation expansion*

Australia's plantation resource plays a critical role in the provision of timber and fibre to our economy and the rest of the world. Due to the long term nature of plantation investment, the establishment of new plantations has historically required some form of government assistance or supportive regulatory environment. This is the same in all countries with a significant plantation resource.

In addition to their commercial wood value, plantations also provide a number of environmental and social benefits. These include carbon sequestration and storage, water quality improvements and erosion control. However, these positive externalities cannot be traded in the current market, resulting in market failure though under-investment in plantation establishment.

In recent years, plantation establishment in Australia has stalled and without further plantation expansion, major wood processors reliant on plantation forests face an uncertain future. New drivers for commercial plantation expansion are needed to provide a secure future for wood and paper processing industries in Australia.

The future development of plantation resources will need to address:
- the critical shortage of long rotation plantations;
- a range of regulatory impediments to plantation development;
- the need for incentives for delivering joint products such as wood production and carbon sequestration;
- the important link between plantation resources and opportunities for domestic processing.

New policies and investment models are needed to support long rotation plantation investment in Australia. These need to recognise the current hurdles to long rotation investment and provide opportunities to better capture the broader public (environmental and social) benefits from plantations. These should also include mechanisms that address the high up-front costs and cash flow issues of long rotation investments, as well as options to diversify investment sources and pathways.

Possible financing mechanisms, industry initiatives and government policies include the following examples:
- Financing mechanisms
  - revolving loans for plantation establishment (offered by government or private institutions), to be repaid out of harvest proceeds;
  - treating plantations as 'infrastructure', thereby enabling them to be funded by issuing infrastructure bonds;
- Industry initiatives
  - plantation processors and/or large plantation investment companies forming joint ventures with farmers, traditional landowners and government forestry agencies to develop new plantations;
- Government policy and regulation
  - carbon-related financing programs, including carbon pricing mechanisms, purchasing of the rights to stored carbon;
  - incentives for investment in plantations by the broader investment sector, including institutional investors and industry super funds;
  - rationalising revenue and capital tax treatment so as to facilitate and encourage the trading of standing plantations, thereby making long-rotation plantations a more liquid and thus more attractive investment for private growers ; and
  - assistance with aggregating small wood 'parcels' from multiple growers (e.g. through cooperatives and brokers).

In Australia, the plantation taxation arrangements that supported plantation investment through Managed Investment Schemes (MIS) were successful in stimulating private investment to expand the short-rotation hardwood resource. However, it was less effective in attracting investment in long-rotation plantations that are typically grown for sawn-timber. Despite the collapse of many MIS based companies, the plantation taxation arrangement still remains a viable investment vehicle to support plantation establishment.

Relatively recent reforms to plantation taxation arrangements have enhanced financial safeguards and governance to protect investors. There is scope to further refine the plantation taxation arrangements to allow wholesale (corporate) investors wanting to manage their corporate tax obligation and build a better asset. This would improve the efficiency of the plantation taxation arrangement and address many of the negative issues arising from the earlier MIS based plantation projects.

> **Plantation expansion policy target** (*e.g. revise the current Plantations 2020 Vision target to 3 million hectares by 2030*).

Action 3.2

a. Recognition that Australia's plantation industry plays a critical role in the provision of timber and fibre to our economy and the rest of the world, and new drivers for commercial plantation expansion are needed to provide a secure future for the forest processing industry.

b. Government with industry, identifies and takes specific actions to support investment in new plantations and replanting of existing plantations.

c. Maintain the plantation taxation arrangement, recognising the strengthened financial due diligence and governance controls that promote greater transparency and confidence.

d. Extend the scope of the plantation taxation arrangement to target wholesale (corporate) investors wanting to manage their corporate tax obligation and build a better asset.

e. Facilitate a viable secondary market for immature plantations.

Action 3.3

The Government with industry to recommit to an agreed plantation expansion target and suitable investment mechanisms in a 'National Forestry and Fibre Plan'.

- *Precision forestry*

Precision forestry is a new paradigm for better forest management. Precision forestry is an information based, decision making system designed to improve the forestry process by precisely managing each step and input to ensure maximum production and continued sustainability of the resource. Precision forestry principles can be applied to commercial forest management for wood production and can reduce waste, lift output and increase profitability on a sustainable basis.

> **Action 3.4**
> Government with industry, identifies and takes specific action to support precision forestry principles applied to the management of the forest estate.

- *Farm-forestry interface*

Importantly, farm-forestry activities can enhance agricultural productivity through beneficial impacts on pasture, crop and animal production, primarily through provision of shade and shelter, nutrient cycling and soil conservation (Bird *et al*, 1992). Agriculture and forestry are not necessarily mutually exclusive and there exists a continuum of tree planting and forestry activities across the landscape at a range of scales and tree densities (refer Figure 2).

These activities are undertaken for a range of production and environmental purposes, such as salinity and riparian plantings through to farm woodlots and plantations used primarily for wood production.

It is for these reasons that well targeted forestry activities can be complementary to a broad range of farm level and landscape management objectives. This is particularly relevant given previous tree clearing and land use practices that have resulted in land degradation at a range of national and regional scales, including dry land salinity, invasive weeds, soil erosion and water quality reduction.

Figure 2: Continuum of forestry and farm-forestry activities.
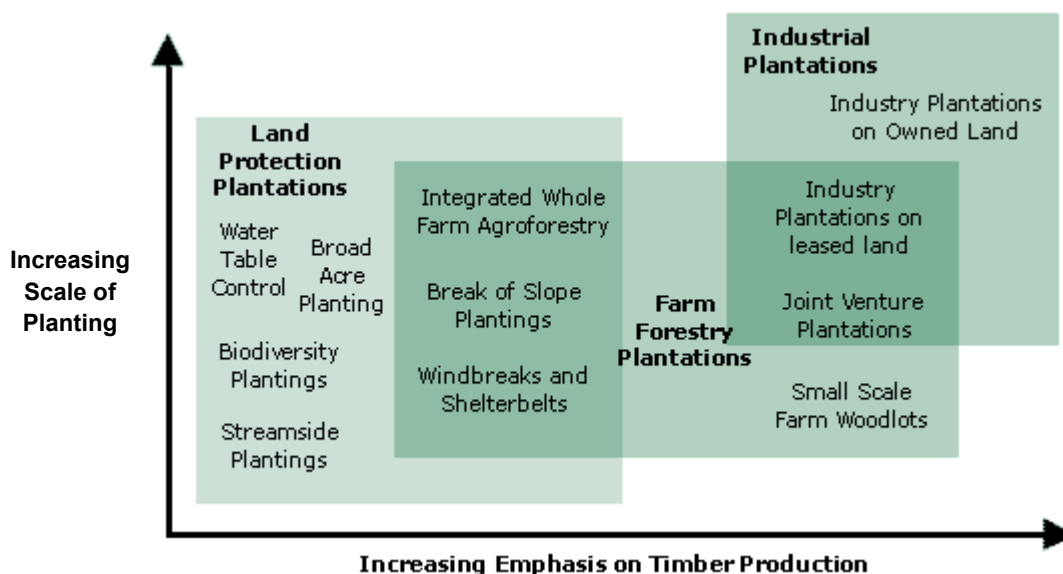
The continued discussion over land use competition between the forestry and agriculture sectors often fails to take into account some of the technical and economic factors influencing the scale and significance of any future plantation expansion. These factors include the low proportion of land presently under plantations relative to the available agricultural land base, and difficulties in competing with high value agriculture due to the high up-front costs of land for long term investments such as forestry; and greater potential for integrated land management between forestry and agriculture for multiple-benefits.

Action 3.5

a.   Governments to recognise plantations as a legitimate land use that provides significant economic, social and environmental benefits in regional Australia.

b.   Governments to address land use planning impediments for wood plantation and farm forestry investment.

c.   Governments to develop and implement incentives for establishing commercial trees on farms with a focus on availability of relevant information, quality of resource, and aggregation of these assets.

- *Northern Australia potential*

The forest industry has considerable potential to play a role in the economic development of Northern Australia, through an expanding plantation base. This will diversify land use and create opportunities for down-stream processing of forest products within the region. Northern Queensland and the Northern Territory have significant capacity for plantation expansion. In Queensland, there are around 4.7 million hectares of cleared freehold land suitable for forest plantation establishment within 200 km of major population centres and the ports of Brisbane, Rockhampton, Mackay and Cairns. Similarly, the Northern Territory has almost 2 million hectares of unencumbered freehold land, much of which is potentially suitable for plantation forestry.

In addition to the freehold land in Queensland and the Northern Territory, there is an extensive area of Aboriginal-owned land, either freehold or native title that would be suitable for plantation establishment. Traditional landowners have indicated an interest in developing forestry projects that provide economic, employment and other social benefits to indigenous communities. However, to realise this potential, it is necessary to develop supportive policies and procedures to guide and facilitate negotiations with Aboriginal freehold landowners and encourage joint venture projects with indigenous communities.

Through a commitment to plantation investment over the past 50 years, regions such as the Green Triangle (Mt Gambier SA to Portland Victoria), NSW Central Tablelands (e.g. Oberon, Bathurst) and Murray Valley (e.g. Tumut, Tumbarumba, Albury) now support strong vibrant integrated forest product industries (with sawmills, wood-based panel production facilities, pulpmills and bioenergy plants), providing high levels of employment and a substantial contribution to regional economies. Similar results could be achieved in the Northern Australia regions of Rockhampton, Mackay and Cairns in Queensland, Tiwi Islands and Katherine in the Northern Territory and around Kununarra in Western Australia, through further investment and incentives to expand the plantation estates in these regions.

However, this plantation investment and development potential in northern Australia is currently hampered by a lack of clear forest policy and strategy to guide planning regulations and approval processes. Plantation development proposals tend to be dealt with at the local government level, with the approval processes being cumbersome, uncertain, drawn out, and costly. A consistent basis for land use assessment is needed to guide local government planning in Northern Australia, so that plantation development proposals are treated equitably with other land uses. The absence of a code of practice complicates the local government approval processes and creates uncertainty for investment in plantation

development. To address this issue, effort must be made to develop a code of practice for plantation development and management in Northern Australia.

Action 3.6

The Government with industry to develop and implement:

a.   a clear forest policy and strategy to guide planning regulations and approval processes in Northern Australia

b.   a consistent basis for land use assessment to guide local government planning in Northern Australia, so that plantation development proposals are treated equitably with other land uses

c.   a code of practice for plantation development and management in Northern Australia.

- *Forest industries role in climate change adaption*

Although there are many similarities between agricultural pursuits and the forestry sector, forestry does have some unique characteristics, due in part to the long timeframes between establishment and harvest. The greatest impacts of climate change on forests will be associated with a predicted hotter and drier environment, with increased risk of bushfires and cyclonic activity, greater stress on trees increasing seedling mortality, susceptibility to pest and disease incursions and decreasing productivity, and greater variability and intensity of rainfall.

Natural forest and plantations are vulnerable to harm from both extreme weather events (e.g. bushfires, cyclones) and long-term effects of a changing climate such as more frequent drought, especially as a dry-land agricultural land-use activity. Forecast changes in rainfall, temperature and weather patterns can produce a range of positive and negative productivity and other impacts depending on industry sector and geographic region. A changing climate imposes significant challenges and some opportunities for the forest and forest based industries in dealing with these changes.

Rainfall variability and drought has long been a part of the Australian climate. However, it is the scope for extended drought and more extreme temperatures of longer duration that presents some significant challenges for the forestry and agricultural sectors particularly in southern Australia.

In collaboration with relevant researchers, industry practitioners and companies involved in climate change issues and adaptation responses, AFPA managed a three year project to enhance the industry's ability to reduce the harmful effects of, and exploit the opportunities from, a changing climate. This work was supported by funding from the Australian Government Department of Agriculture under its Australia's Farming Future initiative. The '*Plantation Forest Industry Climate Change Adaptation Handbook'* (the Handbook) available here: www.ausfpa.com.au, was prepared as part of the project to promote awareness of future climate change scenarios and relevant adaptation management options and strategies, which can be used to improve adaptive capacity in dealing with climate change.

Action 3.7
Government to consider the principles and adaptive framework contained in the Handbook and support projects that will consider and address climate adaptation options for the forest industry and broader processing issues.

- *Holistic land management*

Forests (plantations and native forest) have many values that can be broadly characterised as environmental, economic and social. Sustainable management of forests occurs where these values are maintained and actively balanced. Forests must be actively managed to both produce sustainable wood and paper products and to adapt and face threats like fire, pests, weeds and climate change.

The management of forests across Australia is historically based on a land tenure model. Tenure is a legal concept rather than a best-practice management method. Management under the distinct tenure system ultimately has no broad land management oversight and accountability, and has led to a diversity of management approaches. With each tenure type governed and regulated differently, there tends to be little to no coordinated response to managing common threats to forests, particularly invasive pests, weeds and fire. Land management based on tenure has also been observed to lead to significant inefficiencies and cost differentials of management between the different tenure types.

A holistic and sustainable approach to land management across tenures cannot focus only on the environmental values of forests. It must also consider and be accountable for the social and economic benefits of the forests in a manner aligned with society's expectations. There remains a compelling case to move beyond the land management model based on tenure and to start focusing holistically on the common issues and opportunities which affect forest landscapes.

Action 3.8
Government to work with other jurisdictions (State and local government) to both review land management approaches across tenures and apply an improved holistic land management approach, where multiple forest values are actively managed.

- *Water management*

Forest and plantation management plays an important positive role in improving water quality, salinity and erosion control, both before and after extreme weather events. Government needs to lead a more targeted and balanced approach to land-use management and policy development in Australia. From a broad landscape and water planning perspective, water resources need to be used more efficiently and managed in an equitable and sustainable manner. However, recent water policy development has irrationally targeted forestry activities relative to other land uses which can lead to perverse economic and environmental consequences.

In many jurisdictions, the development of water policy has been simplistic in its approach to the treatment of interception by plantation forests. There is inadequate recognition of the

broader socio-economic and environmental benefits from plantations and a failure to equitably address interception by other dry land crops in the planning framework.

Action 3.9

Further reform of water management policies and regulations across Australian jurisdictions is needed to ensure they are based on:

a.   evidence and sound science;

b.   equitable treatment of all land uses. Forest plantations are an as-of-right activity and must be treated on an equitable footing with other dryland agricultural land uses;

c.   appropriate baselines when assessing impacts. The baseline must not be retrospective and recognise the historical mix of land uses in a region when calculating impacts on the total water budget;

d.   meaningful interpretations of land use change (i.e. subsequent plantation rotations do not constitute a change in land use for long term crops such as forestry); and

e.   consideration of the impacts of land use change (e.g. any expansion of plantations) in conjunction with other benefits to the community and the environment.

- *Bushfire management*

Australia's hot and dry climate is highly susceptible to bushfires. Many forest ecosystems are dependent on fire disturbance for growth and regeneration. Fires create a disturbance mosaic across a forest landscape and the effects of fire can be beneficial or detrimental to forest ecosystems, dependent on factors such as scale, frequency and intensity.

In recent years, forest fires have increased in intensity and scale in southern Australia. High intensity 'mega-fires' (e.g. 2002-3 NSW/ACT fires; 2009 and 2012 Victorian fires) have caused significant damage to lives and property, biodiversity, watersheds, and natural resource dependent industries such as agriculture and forestry.

In the wake of these extreme fire events, there have been several major government inquiries. Many key stakeholders (including AFPA) have previously submitted detailed constructive comments to these inquiries. These inquiries have generated a large number of recommendations to mitigate or reduce the risk of future high intensity 'mega-fires'. Key recommendations with relevance to forest management include: the implementation of prescribed burning and fuel reduction targets, including the timing and targeting of this prescribed burning; and a program of adequate fire access and suppression infrastructure in high risk areas. Many of the recommendations from these inquiries and reports remain to be adequately resourced or implemented.

Action 3.10

The Government should undertake a review of the recommendations of recent bushfire inquiries particularly with respect to fuel management, to identify and implement priority actions that need to be resourced.

Many fire experts and stakeholders attribute the disturbing trend of increasingly large scale and intense forest fires to the lack of a comprehensive landscape approach to fire risk management. They argue there has been a gradual shift in fire management policy toward fire suppression and response at the expense of longer term fire prevention and fuel reduction. High fire risk can be attributed to a passive land management approach that has altered natural fire regimes and allowed an excessive build up in forest fuel loads.

While on-site risks for plantations and managed native forests are primarily managed through regulation and prudent commercial practice, the broader risks from passively managed public land remains an issue. Effective bushfire management appears to be a problem of social and political commitment to effective preventative land management rather than a case of scientific and operational complexity. A well-coordinated, holistic, tenure-blind land management strategy could help reduce fire risk, complement climate change policy and provide multiple economic, environmental and public safety benefits.

Action 3.11

In partnership with state and territory governments, the Government to develop and implement a national strategy to assist with the reform of public land management for effective fire management, taking a holistic view across the landscape, incorporating collaborative action across land tenures and managers, and focused on the span of activities from management to prevention to suppression.

- *Forest health and biosecurity*

The forest, wood and paper products industry has a substantial interest in quarantine and biosecurity issues across the biosecurity continuum, from pre-border, border and post border, and both exotic and endemic pests and diseases. There is also a significant amount of intra and interstate trade in logs, woodchips, wood and paper products forming complicated and interrelated pathways for the potential transfer of pests, diseases and biosecurity risks. As a result, biosecurity issues are of high importance to the forest products industry. The industry has a keen interest in ensuring an efficient and effective legislative framework and regulation of biosecurity.

Much of the current biosecurity policy reform is focused on adopting a risk-based approach, concentrating resources on the risks of greatest biosecurity concern and attempting to reflect as much of current practice as possible. A fine balance needs to be achieved in integrating the biosecurity activities by the Commonwealth, state and territory governments, industry participants and other stakeholders.

The integration of biosecurity activities by the Commonwealth, state and territory governments, industry participants and other stakeholders along the biosecurity continuum is extremely important. Any reform to arrangements must tread the fine line between collaboration and responsiveness to be efficient and effective, especially in an emergency response situation.

Action 3.12

Key forest industry issues that will need to be considered and addressed in ongoing biosecurity reform, include:

a.   the need to clarify the jurisdictional interface (border and post-border measures, and the role of Federal and State governments);

b.   integration of the defined Biosecurity Zones with existing state controls and responsibilities;

c.   determination of the Appropriate Level of Protection (ALOP) and the preparation of Biosecurity Import Risk Analysis (BIRA) to address all major threats;

d.   implementation of Approved Arrangements and the training of Authorised Officers for the effective and efficient implementation of the biosecurity framework;

e.   resolving the responsibilities and cost sharing issues between Government and industry; and

f.   addressing the risks associated with internationally traded packing materials, and not just the risks from imported goods.

- *Agvet chemical regulation*

While on a lower relative scale compared to other agricultural industries, the plantation forest industry relies on the use of some chemicals to maintain and improve its productivity and competitiveness, within appropriate environmental safeguards. The regulatory framework for agricultural and veterinary chemicals use is another area of environmental regulation where significant improvements in efficiency and effectiveness can be made.

Action 3.13

Further reform of agvet chemical regulation including:

a.   **Proposals on risk assessment process:** There remains continued uncertainty in the detail and application by the regulator of the proposed risk assessment framework underlying the approval process. This framework needs to be both scientifically based and aligned with the principles of assessment for 'risk' rather than 'hazard'. Further reform in this area is needed.

b.   **Minor use:** Due to the forest industry's relatively small chemical use, the continued availability of minor use permits coupled with an effective and streamlined minor use permit approval process, is essential to ensure chemicals are available to use for forestry applications. Further reform and red-tape reduction is needed to ensure that minor uses are equitably considered in the regulatory framework.

c.   **Continue improvement of cost recovery, assessment, approval and registration processes by the Regulator:** Another important issue not fully addressed is the current process of application and registration of chemicals through the APVMA regulatory process, and the associated cost and time incurred by applicants to undertake these processes. Further reform to provide flexibility and reduce red-tape and cost is needed.

d.   **Spray drift management and regulation:** a science based flexible system of evaluating efficient buffers and use of drift reduction technologies is needed to create certainty around the use and application of necessary chemicals (especially aerially applied).

Issue 4: Innovation, research and development

Research and development (R&D) is fundamental to sustaining any industry's growth and ability to maintain international competitiveness. It is even more important for the forest, wood and paper products industry, as it requires large capital investment and long term market planning. The provision of research and development (R&D) is critical to innovation, technology development, and the long term international competitiveness of the Australian forest industry.

Australia's forest industry has been built on investment in R&D over previous generations. However, in recent years investment in forest industry R&D has drastically declined, and the industry faces an uncertain future. In just five years, forest industry R&D investment has fallen from around $100 million in 2007-08 to an estimated $30 million in 2012-13, with research staffing down a similar amount from around 730 and to only 250 researchers. This decline is partly attributed to Government downsizing within the CSIRO and the State forestry agencies. At the same time our competitor countries have been ploughing resources into forest industry R&D, generating breakthroughs in innovative processes and creating whole new product markets. These high value opportunities include the use of new engineered wood products, biomaterials, biochemical and biofuels.

The lack of a critical mass of researchers needs to be addressed in the context of current and future research priorities. Given current and expected changes in resource availability from both naturally regenerated forests and plantations, research into improving the quantity and quality of wood resources will continue to be a high priority, in conjunction with value added processing. This situation demands urgent and decisive action.

To help address these concerns, greater incentives for R&D and co-funding of priority R&D activities are needed. However, given the tough market conditions facing the industry at this time, there is under-investment in R&D that can provide long term benefits to the industry and economy. An effective way to promote much needed R&D is to increase the level of Government co-funding for R&D that is facilitated through Forest and Wood Products Australia, as the relevant national R&D Corporation. The industry has also recommended that the Government enable voluntary R&D matching to accelerate private co-investment in future R&D.

It is important to consolidate and build on existing research capability in order to deliver this research. In response to these issues, AFPA released a new policy proposal for a 'National Institute for Forest Products Innovation'. The 'National Institute' would bring together existing research capacity into a single organisation with a central hub and a number of specialist research centres. This would rationalise the existing R&D effort, bringing it under one virtual 'roof' to operate in a far more coordinated and organised fashion.

R&D investment in key technologies and regions for industry growth (*e.g. funding of $40 million from the Commonwealth to underpin industry and state government co-investment in the National Institute for Forest Products Innovation*)

Action 4.1

The following key issues need to be considered and addressed by Government:

a. 'A National Institute for Forest Products Innovation' policy proposal be supported and incorporated in the federal budget;

b. review, in partnership with industry, the level of funding of R&D facilitated through Forest and Wood Products Australia (FWPA), including the potential to increase the level of Government co-funding;

c. the voluntary R&D matching mechanism via FWPA be enabled;

d. funding research into the future establishment of hardwood plantations for the production of higher value products (high quality sawlogs) and associated processing;

e. funding research into innovation in forest harvesting and processing operations, including fibre quality testing (acoustic) and remote control/troubleshooting of equipment (UAVs, harvesting and processing equipment); and

f. supporting the development of renewable biomass technologies, including woody biomass, with biomaterial and bioenergy technology providers and suppliers.

Action 4.2

The Government with industry to set and commit to an agreed R&D investment strategy in a 'National Forestry and Fibre Plan'.

Issue 5: Consumer and community engagement

- *Industry image*

The forest industries directly support around 120,000 jobs nationally. Both sustainably managed native forests and plantations are also managed for a range of purposes in addition to wood production, including recreation, water quality and biodiversity values. There should be strong public policy support for the forest, wood and paper products industry. Forest policy should actively promote communication to the public of the multiple benefits of sustainable forest industries. Better public communication and awareness programs are needed, recognising the renewability of trees, wood and paper products, its positive role in a carbon economy and the large proportion of forest reserved in conservation areas in Australia.

More active promotion of Australia's forest based industries is needed, recognising the significant environmental, economic and social benefits they provide to the national economy (as well as to regional Australia) through the growing, processing and marketing of wood and paper products.

Action 5.1

Government to promote better and more strategic communication and awareness to specifiers, designers, developers, end-users (builders and consumers) and the general public of the multiple benefits from sustainable forest industries.

- *Competition policy*

The principles of fair and transparent competition in the Australian economy to promote long term economic growth and innovation amongst industries and businesses is important. Equally, the rights of groups and individuals to protest and publically debate issues which are important to them is recognised.

However, there is ongoing concerns that there are two overlapping provisions in the *Competition and Consumer Act 2010 (CCA)* that are leading to adverse competition outcomes for some parts of the Australian forest, wood and paper products industry. The first is the provision which, for obvious reason, forbids misleading or deceptive information and conduct (i.e. section 18 of the CCA). The second is the provision which allows an exemption from this clearly defined principle when it comes to secondary boycotts for two specifically named groups of commentators; consumer and environmental organisations.

Action 5.2
That competition laws prohibiting false, misleading and deceptive conduct be applied to all those who engage directly with trading businesses – including environmental groups.

*Issue 6: Strengthened regional approaches*

- *Regional approaches*

The regional economic and social benefits from well-integrated plantation resources and associated wood and paper product industries are substantial. Wood and paper product processing facilities are typically located in regional areas in close proximity to the resource, due to the high cost of transporting a bulky product such as logs or chip. This adds considerably to the regional economic and social benefits of plantations, as in addition to the direct employment in plantation establishment and management, and harvesting and haulage, the plantation resource also supports processing and manufacturing jobs in sawmills and other wood processing facilities.

Plantation resources that are fragmented lack the scale at a regional level necessary to support internationally competitive and profitable wood and paper product processing facilities (e.g. sawmill, wood based panels or pulp and paper mill).

A wood or paper product processing facility requires a critical mass of resource within a transportable distance of its location. Existing key plantation areas are located around Australia (see Figure 3 below). Many regions need significant further investment to achieve the necessary scale and integration to competitively expand and grow. To create the right incentive for this further investment to expand the plantation resource and support development of wood processing industries in these key regional areas, consideration must be given to:
- a consistent policy and regulatory framework;
- long-term infrastructure and planning requirements;
- key skills and training needs; and
- new policies and incentives to support new plantation investment and reinvestment.

Figure 3. Existing key plantation areas (National Plantation Inventory regions)

Source ABARES
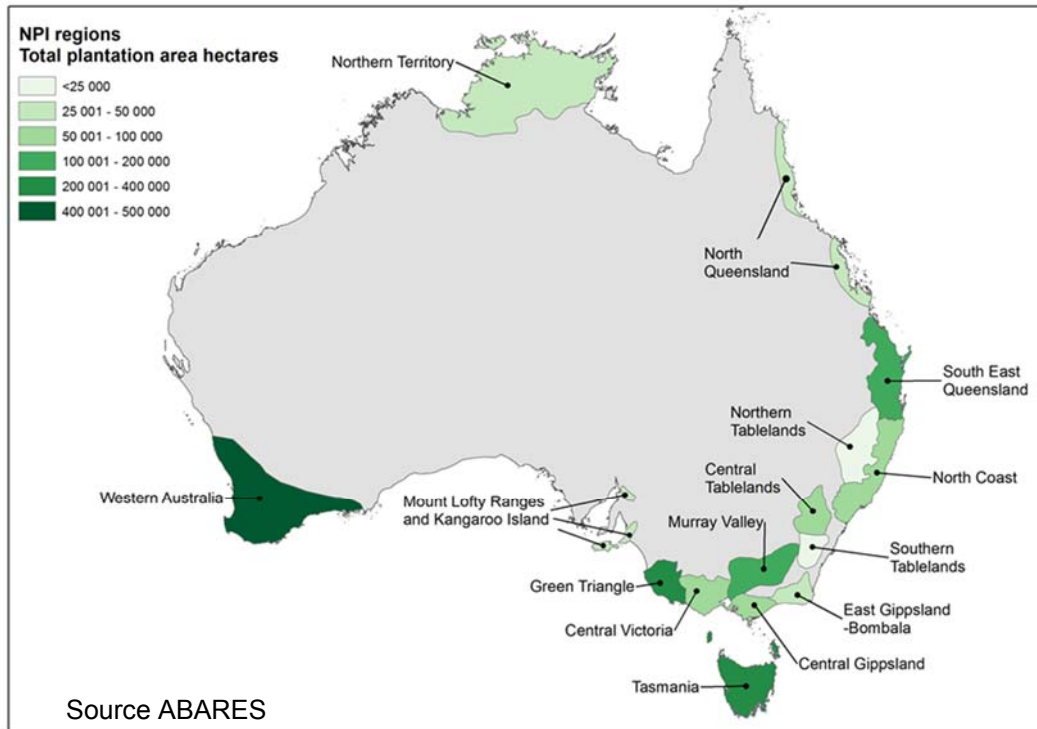
Action 6.1

a. Conduct strategic studies in key regional forestry areas to define the necessary scale of resources needed with associated processing facilities and expansion options.

b. Address identified limitations and constraints on the potential development of regional areas, including local skills and training needs.

c. Link these strategic industry studies with infrastructure and investment facilitation programmes.

- *Local and State government interaction*

As forest, wood and paper product industries have a significant regional footprint, an effective and integrated relationship between local and State Governments is essential. Unfortunately local and State government approval and regulatory processes need further improvement to ensure the regulatory and operating environment is effective and efficient.

Action 6.2

a. Ensure effective coordination and operation of activities between State Government and local government.

b. Reform processes to address instances of unevenly applied regulation across local council areas that impact on industry operations that span these administrative boundaries.

c. Ensure equitable policy development and implementation across agricultural industries on road and infrastructure charges and requirements.

Issue 7: Infrastructure

- *National infrastructure investment*

Continual investment in efficient and effective infrastructure is especially important when considering how to strengthen regional approaches. A key aspect of any successful forestry related project's development is ensuring that the associated infrastructure (such as roads, rail and port facilities, energy access, and communications network) is developed, improved and maintained in step with the growing needs of industry. There has been considerable underfunding of both national and regional infrastructure and in many cases a lack of integration of the investment planning.

Following are some prominent examples of relatively straightforward transport and infrastructure improvements that would significantly increase the forest industry's productivity and competitiveness:

- harmonising road regulations across the nation, especially heavy vehicle configurations and 'road mass' limits and tolerances, not only across all levels of government, but also road to road between and within jurisdictions;
- working with industry to identify and upgrade specific roads and even corners (e.g. realigning a corner to facilitate safer log truck movement might save 50 kilometres of travel);
- making changes to specific bridges and tunnels so as to enable double-stacking of containers on interstate freight trains from Melbourne; and
- ensuring better intermodal terminal access, better connectivity between road and rail, rail and ports, and rail gauges, and better inward/outward port logistics (e.g. different entry and exit routes).

- *Regional infrastructure investment focus*

Key forestry regions (to name a few) where the industry is facing infrastructure constraints include: the Green Triangle in South Australia and Victoria; Gippsland in Victoria; the Great Southern region of Western Australia; Northern Tasmania; and the Murray Valley in New South Wales (e.g. Tumut, Tumbarumba, Bathurst, Oberon). These constraints, if not addressed, will detract from the realisation of the full range of positive economic, social and environmental benefits the industry can provide.

Specific issues common across many regions are problems with:

1. permitting and gazettal of roads for new and safer road haulage configuration designs;
2. accessibility to rail infrastructure to haul inputs and outputs across the supply chain over longer distances and to distant markets; and
3. access to effective and affordable telecommunications systems (across phones, data and radio networks) to ensure both operational and emergency communications.

Action 7.1:

a. Reform the road funding model to provide State and Local Government with the funds required to maintain and improve key industry and regional infrastructure

b. Undertake a strategic study based on key regions, in consultation with industry, to identify the transport (i.e. road, rail and ports), energy and communications infrastructure requirements to underpin the development of the industry

c. Coordinate investment in, and implementation of, forestry related infrastructure projects (including rail, intermodal, road and port)

d. Agreement at all government levels of a consolidated plan to address gaps in gazettal and permitting for safer more effective haulage truck configurations

e. Coordinate investment in, and implementation of, effective and affordable telecommunications systems (across phones, data and radio networks)

Issue 8: Industry skills and training

Diverse and rewarding careers are available in the forest, wood and paper product industries ranging from entry level work outdoors in nurseries and forest plantations to highly skilled roles operating and controlling sophisticated and specialised processing plants and mobile equipment across the various industry sectors. The industry also employs a wide range of specialised technical trades such as sawdoctors and wood machinists and utilises over 500 specialised units of competency specific to the industry. Graduate careers in forestry and agricultural and environmental sciences, mapping, engineering, computer programming, economics and accounting, legal and business management are also available and used across the industry. Many more jobs are created in support businesses and contracting and service industries.

Despite these diverse jobs and careers, forest industries, in common with much of Australia's economy, is suffering skills shortages, intensifying since the rapid expansion in the mining and related sectors. The problem is keenly felt in this industry because of the difficulty attracting employees to move to and settle in the rural and regional locations where most of the industry is based, and the expense in training for the specialised skill sets used only by the industry.

The industry has embarked on a number of its own initiatives to address these challenges, including the programs and support provided by ForestWorks including those in its role as an Industry Skills Council.

The 'Growing Careers' website is part of a broader integrated program, run by Forest and Wood Products Australia (FWPA), linking those curious about or actively seeking careers in the forest and wood product industry with prospective employers and with diverse sources of useful information about the industry.

Paralleling initiatives in industry innovation is the need for career and skills initiatives that attract new skilled workers to the industry, provide suitable training and education opportunities, retain existing workers in the industry, and ensure existing workers are increasing their skills commensurate with the evolving technology.

The Vocational Education and Training (VET) sector currently provides funding for qualifications in a manner that encourages Registered Training Organisations (RTOs) that specialise in high volume, low cost delivery programs. The forest products industry relies on skills that are low volume and high cost for RTOs to deliver. Therefore the VET subsidised market place does not operate to effectively support the industry. RTOs that work in the industry do so with considerable financial disadvantage from others that focus in high volume, low cost skills delivery. Under this scenario, it is of no surprise that skill shortages exist in regional Australia for industries with sophisticated high cost skill development requirements. This can be overcome with adjustment to training subsidies. The current structure skews training efforts away from the forest products industry and regional Australia.

Action 8.1

a. Adjust the VET training subsidies program to better recognise the needs of industries with sophisticated high cost skill development requirements and better support RTOs that deliver tailored training to industries with skill shortages in regional areas.

b. Continue to support the key national industry skills organisation, ForestWorks, which specialises in the industry and works to develop and implement career and skills initiatives that focus on increasing the capacity of the industry to develop highly skilled workers in all aspects of the industry.

c. Consider the reintroduction of employer incentives to employers in the industry who support training for existing employees. This incentive system was relied upon by employers to support the high cost of training delivery but was removed by the previous government curtailing many training initiatives in the industry.

d. Promote the career and life style opportunities of working in forest based industries, particularly in key regional areas where there are labour shortages for skilled workers.