AUSTRALIAN FOREST PRODUCTS ASSOCIATION

afpa

TREES | WOOD | PAPER

12 February 2016

Regulation of Australian Agriculture
Productivity Commission
Locked Bag 2, Collins Street East
MELBOURNE VIC 8003
(e) agriculture@pc.gov.au

Productivity Commission's Issues Paper on the Regulation of Australian Agriculture

The Australian Forest Products Association (AFPA) welcomes the opportunity to submit comment on the Productivity Commission (PC) Issues Paper on the *Regulation of Australian Agriculture*.

AFPA would like it noted that the forest industry is disappointed that the terms of reference for the PC inquiry identify that most aspects of forestry are excluded from consideration. We are significantly concerned about where the forest sector fits within the regulation reform agenda of this Government.

The forest, wood and paper products industry is a major regional employer and plays an important role in the diversification of many rural economies. Around 120,000 people are directly employed along the industry value chain with a further 200,000 jobs supported through flow-on economic activity. The industry has an annual turnover of around $20 billion, making it one of Australia's largest manufacturing industries.

As a regional-based land-use sector, forest and plantation management has many issues in common with the broader agriculture sector and would benefit significantly from effective regulatory reform.

AFPA contends that in order for the PC to undertake a comprehensive review of the regulation of Australian agriculture, the review must include all land use activities, including forestry and plantation management.

Despite the explicit exclusion of '*most aspects of forestry*', AFPA is advised that there is scope within the PC inquiry to investigate '*boundary issues*' where forestry regulations overlap and/or interact with agricultural regulation. The regulatory framework that is developed, reformed and established around these '*boundary issues*' are of significant interest to the forest industry as we share and actively cooperate in the rural landscape with other agricultural pursuits.

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

This submission details specific areas of regulatory reform and associated recommendations where there is overlap between agriculture and forestry, including:

1. Carbon Farming Initiative and Emissions Reduction Fund
2. Investment and trade
3. Illegal logging
4. Antidumping system
5. Local and State Government regulatory processes
6. Holistic land management
7. Energy and bioenergy
8. Regulatory framework for agricultural and veterinary chemicals use
9. Integration of forestry with other land uses at a landscape level (e.g. agroforestry)
10. Biosecurity reform
11. Water management
12. Government cost recovery
13. Transport regulation
14. Regional Communication Access

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

Yours sincerely

Ross Hampton
Chief Executive Officer

The Australian Forest Products Association Submission on the Productivity Commission's Issues Paper on the Regulation of Australian Agriculture

The Australian Forest Products Association (AFPA) is the peak national body for Australia's forest, wood and paper product industry. AFPA represents the industry's interest to governments, the general public and other stakeholders on the sustainable development and use of Australia's forest, wood and paper products.

AFPA welcomes the opportunity to submit comment on the Productivity Commission (PC) Issues Paper on the *Regulation of Australian Agriculture*.

AFPA would like it noted that the forest industry is disappointed that the terms of reference for the inquiry identify that '*… most aspects of forestry … will not be considered in this inquiry ….*', with consideration only extending to where '*… forestry regulations …. have a material impact on the productivity and competitiveness of farm businesses*'.

The forest, wood and paper products industry is a major regional employer and plays an important role in the diversification of many rural economies. Around 120,000 people are directly employed along the industry value chain with a further 200,000 jobs supported through flow-on economic activity. The industry has an annual turnover of around $20 billion, making it one of Australia's largest manufacturing industries.

As a regional-based land-use sector, forest and plantation management has many issues in common with the broader agriculture sector. There is a continuum between agricultural and forestry activities that can support agricultural productivity and farm profitability. Well targeted tree planting is complementary to a broad range of farm level activities. For example, most farm businesses manage remnant vegetation and/or develop shelter belts to improve farm productivity, while others diversify their farm income through the establishment of commercial plantations or harvesting logs from managed native forest on part of their land. As a result, there is significant overlap between regulation affecting agricultural and forestry activities.

AFPA contends that in order for the PC to undertake a comprehensive review of the regulation of Australian agriculture, the review must include all land use activities, including forestry and plantation management.

Despite the explicit exclusion of '*most aspects of forestry*', AFPA is advised that there is scope within the PC inquiry to investigate '*boundary issues*' where forestry regulations overlap and/or interact with agricultural regulation. The regulatory framework that is developed, reformed and established around these '*boundary issues*' are of significant interest to the forest industry as we share and actively cooperate in the rural landscape with other agricultural pursuits.

The following relate to specific areas of regulatory reform where there is overlap between agriculture and forestry.

1. Carbon Farming Initiative and Emissions Reduction Fund

The land use sector, including agriculture and forestry, has the potential to make a major contribution to meeting Australia's carbon emission reduction targets. The first and second Emission Reduction Fund (ERF) auctions were dominated by land use projects, such as avoided vegetation clearing of agricultural land and new tree planting in degraded landscapes.

The Carbon Farming Initiative (CFI) establishes methodologies for carbon accounting for eligible activities, enabling land use sectors to quantify their carbon emission reductions, or carbon emission offsets in the case of forests and tree plantations, so as to participate in the ERF auctions.

Tree planting, particularly wood plantations, offer one of the greatest opportunities for large-scale emissions reductions, through carbon sequestration and storage to offset emissions from other sources. However, under the current structure of the CFI, plantations are effectively excluded from participating, due to regulatory barriers, such as the 600 mm rainfall zone restriction included on the negative list. The 600 mm rainfall zone restriction effectively duplicates existing regulations under the National Water Initiative (NWI). It requires a determination from the National Water Commission (or its successor) that the project meets water policy requirements or that the project holds a suitable water access entitlement. Given that there are very few regions in Australia where the development of water use policy and regulations are complete and being implemented, with water licencing arrangements in place, the 600 mm rainfall zone restriction would effectively exclude wood plantation projects in most regions of Australia participating in the CFI and ERF auctions. This will result in a significant under-investment in tree planting, with a consequential lower volume of available carbon emissions abatement.

The removal of the 600 mm rainfall zone restriction would enable plantation forestry to participate more fully in the ERF. This would support greater investment in plantation forests, generating both increased carbon emissions abatement and wood production benefits. It would also deliver other environmental benefits, such as erosion and salinity control.

Recommendation 1:
The Australian Government to recognise the carbon sequestration potential of wood plantation establishment and forest management by removing regulatory barriers to tree planting, such as the CFI 600 mm rainfall zone restriction.

Recognising that, as yet, there are no functioning CFI methodologies for wood plantations, the Australian Government should accelerate the process to develop CFI methodologies for wood plantations, to enable them to participate fully in the ERF auctions.

2. Investment and Trade

A stable and transparent investment and trade regulatory environment is needed for commodities, such as agricultural and forestry products. This environment includes the effective operation of macroeconomic and industry regulatory arrangements and predictability in regulatory settings that reduces sovereign risk.

Importantly, a whole-of-government approach is needed that provides consistency in regulation across Government portfolios and Departments. This would provide a stable regulatory framework that enhances opportunities for domestic value adding.

The forestry and forest products sector is a case study of the positive role overseas capital can play in rural Australia. Over the past five years, the forest industry has attracted more than $3 billion of overseas investment, securing jobs and providing opportunities for growth of the sector. The United States, Canada, New Zealand, Japan, Malaysia, South Korea, Norway and Sweden have all made significant capital investments across the entire forestry and forest products value chain.

AFPA appreciates the important role of the Foreign Investment Review Board (FIRB) in assessing foreign purchases of sensitive assets in the national interest. However, this should be balanced with the Government's objective of encouraging international investment, expanding trade, increasing access to international markets, and maintaining the international competitiveness of Australia's rural industries.

The recent lowering of the FIRB thresholds from $252 million to $15 million for agricultural and forestry land and $55 million for agribusiness assets, extends the reach of the FIRB well beyond assessing foreign investment in the national interest. This adds a new layer of red-tape to investment in rural industries and increases the uncertainty for investors. It represents a significant regulatory hurdle for overseas investors in rural land.

As well as increasing compliance requirements and costs to the applicant, lowering the threshold for the review of foreign investment in land complicates land sales and imposes additional costs on businesses.

It needs to be recognised that the forest industry is highly dependent on foreign investment. Around 75% of the plantation resource is foreign owned, with a similar share of the processing sector held by overseas investors. The lowering of thresholds is also likely to act as a disincentive for current plantation owners looking to buy new land to expand their plantation resource. This could have long term ramifications for the processing sector (sawmills, woodchip export facilities, timber product manufacturers, pulp and paper manufacturers, etc.). Further expansion of the plantation resource is needed to enable processors to invest in mill upgrades and expand their operations, so as to achieve the economies of scale that will enable them to remain competitive in increasingly global markets for forest products.

AFPA notes the preferential treatment provided to some countries with whom Australia has signed a Free Trade Agreement (FTA), notably New Zealand, the United States and Chile, where the threshold for review for land acquisitions is greater than $1.09 billion.

AFPA recommends consistent treatment of foreign investment and suggests that the threshold for review of foreign investments should be returned to their previous levels.

Recommendation 2a:
Restore FIRB thresholds to their previous levels to reduce red-tape and increase certainty for foreign investors.

AFPA supports the high-level principles of trade liberalisation to remove unnecessary trade barriers and promote greater efficiency, innovation and investment to support global trade. However, these principles must be applied equitably and with comparable tariff reduction commitments from our major trading partners in order to deliver positive outcomes.

AFPA supports the following principles regarding Free Trade Agreements (FTAs):

- implementation of equitable free trade principles (i.e. equity in reduction of tariffs and their timing) between trading nations;
- Australian producers should have full access to trade remedies available under the WTO, including anti-dumping and countervailing measures;
- Australia's ability to develop and apply technical regulations, standards, testing and certification procedures must remain unaffected;
- Australia's ability to apply the rights and obligations under the WTO agreements on the application of Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) must remain unaffected; and
- FTA market access outcomes should be reviewed after implementation for their impacts.

Recommendation 2b:
Ensure equitable outcomes for domestic industries in negotiations of international trade agreements.

3. Illegal Logging

The Australian agricultural and forest industries are subject to a legal framework with the highest food safety and environmental standards. Australian agriculture has a 'clean green' image in international markets and the forest industry is recognised as achieving the highest standards of sustainable forest management. This is confirmed by the high uptake of internationally recognised voluntary forest certification by Australia's forest and plantation managers. Regulations on imported agricultural and forest products need to ensure that products entering Australia maintain the same high food safety and environmental standards.

With regard to forest products, Australia must directly tackle illegally harvested wood and paper products entering Australia that undermine domestic competitiveness. It is important to continue to develop and implement an effective regulatory framework that prevents the importation of illegally sourced products and promotes a level playing field in Australia, one that is low-cost and does not impose unnecessary regulatory burdens on domestic producers.

Recommendation 3:
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 undermine domestic industry competitiveness.

4. Antidumping System

Australia must maintain a level playing field in global markets for our major commodity products, including agricultural and forest products, 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.

Recommendation 4:
Continue the reform of the anti-dumping and countervailing system and its implementation to achieve fairness and effectiveness for domestic producers, including an improved system of information disclosure, compliance and corrective measures.

5. Local and State Government regulatory processes

As forest, wood and paper product industries have a significant regional footprint, an effective and integrated relationship between State and local Governments is essential. Unfortunately State and local government approval and regulatory processes are often inconsistent or in conflict, complicating forest management and holding back investment in the sector. Better coordination of State and local government approval and regulatory processes is needed to ensure the regulatory and operating environment is effective and efficient.

Recommendation 5:

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 regulation across agricultural and forestry industries on road and infrastructure charges and requirements.

6. Holistic Land Management

In general, land management involves balancing a range of values that can be broadly characterised as environmental, economic and social. To balance these often competing demands forests must be actively managed.

Land management 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.

Environment regulations need to be landscape based and focus on activities with significant environmental effects. As an example, an approach to enhance the recovery of threatened species that focuses only on individuals rather than populations is too simplistic as it does not address the key issue of the health of the species at the landscape level (and across tenures).

For forests, a holistic and sustainable approach to land management across tenures cannot focus only on the environmental values. It must also consider and be accountable for the social and economic benefits of the forests and remnant vegetation 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.

Recommendation 6

The Federal Government to work with other jurisdictions (State and local government) to both review landscape management approaches across tenures and apply an improved holistic landscape management approach, where multiple values are actively managed, incorporating collaborative action across land tenures and managers.

7. Energy and Bioenergy

The agricultural sector has significant potential to contribute to the generation of renewable energy and the production of liquid fuels such as ethanol. Agricultural residues, such as bagasse from sugar cane and stubble from grain crops have potential to contribute to energy sources.

Similarly, residues from Australia's forest, wood and paper products industry also 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.

The lack of incentives for the use of biomass (either agricultural residues or forest waste) in energy generation, creates a serious imbalance in the renewable energy market, and misses some of the lowest cost opportunities for carbon emissions abatement.

A major impediment is the lack of recognition of renewable thermal heat in the Renewable Energy Target (RET).

Recommendation 7
Reform regulation and develop new initiatives to support the use of agricultural and forest residues for bio-energy production, including renewable biomass for electricity, renewable heat capture and biofuels.

8. Regulatory framework for agricultural and veterinary chemicals use

While on a smaller scale relative 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 an area of environmental regulation where significant improvements in efficiency and effectiveness can be made.

Further reform of the risk assessment framework is needed, as there remains continued uncertainty in the detail and application by the Regulator of the underlying the approval process. This framework needs to be both scientifically based and aligned with the principles of assessment for 'risk' rather than 'hazard'.

Minor-use permits are of major importance to the forest industry, due to its relatively small chemical use. The continued availability of minor-use permits coupled with an effective and streamlined minor-use permit approval process is essential. Further reform of the process for issuing minor-use permits is needed to ensure that industries reliant on these permits are equitably considered in the regulatory framework.

Another important issue 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. It is understood that applications for product registration by APVMA involve many processes, but in general applications are processed via a system that requires applicants to provide significant amounts of detail on the particular chemistry, manufacture, efficacy etc. These applications are very detailed and applicants take many months to prepare and submit them.

While acknowledging the need for relevant data and information as part of the chemical registration process, what is apparent is that some of the timeframes for assessment are too long. There is concern about the capacity of the Regulator to deal with applications in a timely manner. Further reform of the APVMA regulatory process to provide flexibility, reduce red-tape and lower cost is needed.

Recommendation 8:
Further reform of agvet chemical regulation including:

a. **Proposals on risk assessment process:** Further reform of the risk assessment framework underlying the approval process is needed. The framework needs to be both scientifically based and aligned with the principles of assessment for 'risk' rather than 'hazard'.
b. **Minor use:** Streamlining of the minor use permit approval process and red-tape reduction is needed to ensure chemicals continue to be available to use in forestry applications.
c. **Continue improvement of cost recovery, assessment, approval and registration processes by the Regulator:** Further reform of the application and registration process for chemicals by APVMA, to provide flexibility and reduce the cost and time incurred by applicants 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).

9. Integration of forestry with other land uses at a landscape level (e.g. agroforestry)

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. 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. Where forestry and agricultural outputs are jointly produced from the same unit of land, agroforestry can take many forms such as tree belts, alleys and widespread tree plantings.

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.

Recommendation 9:
Relevant regulation needs to recognise that:

- plantations are a legitimate land use that provide significant economic, social and environmental benefits in rural and regional Australia; and
- plantations have multiple, environmental and wood production benefits.

10. Biosecurity reform

Similar to agricultural industries, biosecurity issues are of high importance to the forest products industry, with the industry keen to ensure efficient and effective regulation of biosecurity.

There is a significant amount of intra and interstate trade in raw (logs and woodchips) and processed (sawn wood and paper) products forming complicated and interrelated pathways for the potential transfer of pests, diseases and biosecurity risks.

Much of the current biosecurity 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. Any reform to arrangements must tread the fine line between collaboration and responsiveness to be efficient and effective, especially in an emergency response situation.

Recommendation 10:
Key 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 wood and paper packing materials, and not just the risks from imported goods.

11. Water Management

There needs to be 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 inappropriately targeted forestry activities relative to other land uses which can lead to perverse economic and environmental consequences.

Water management regulations should recognise that native forest and plantation management play an important positive role in delivering important environmental and related benefits, by:

- regulating and mitigating soil erosion;
- regulating and mitigating soil salinity;
- improving water quality in catchments;
- improving vegetation and soil condition;
- providing shade and shelter for livestock (improving livestock productivity); and
- carbon cycling and contribution of forestry activities to carbon sequestration to help mitigate future climate change.

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 include interception by other dry land crops in the planning framework.

Recommendation 11:
Further reform of water management regulation needs to be undertaken to ensure it is based on:

- evidence and sound science;
- 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;
- 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;
- 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
- 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

12. Government cost recovery

AFPA understands that Government has a policy direction to increase cost recovery from affected industries for services undertaken by Government (such as biosecurity and export certification). Ensuring that an equitable, efficient and fair allocation of cost recovery funds collected by the Government is of utmost importance to affected industries in Australia.

As an example, the forest products export industry has a strong interest in ensuring that the export certification cost recovery model is fair, equitable, transparent, and reflects both the industry's particular low biosecurity risk and the services provided. The ability to cost effectively and efficiently trade is critical to maintaining and improving industry productivity and competitiveness.

Recommendation 12:
The Government should ensure that cost recovery models are fair, equitable, transparent, and reflects both the industry risk and the services provided.

13. Transport regulation

There is a very significant agricultural products haulage task (including forest products) that is occurring every day in Australia. There are both infrastructure and regulatory bottlenecks that restrict the efficient performance of this task. As an example, forest product haulage industry is having difficulties introducing safer and more efficient haulage configurations onto regional roads, resulting in missed opportunities to obtain greater efficiencies, increase safety outcomes, reduce the number of truck movements due to load maximisation, and reduce costs.

An inter-governmental taskforce (Federal and State) is required to identify regulatory bottlenecks and engage with relevant local government and industry to identify, prioritise and then fast-track the necessary solutions (e.g. relevant gazettal's) to address these key bottlenecks.

Recommendation 13:
The Government should establish an inter-governmental taskforce (Federal and State) to identify regulatory bottlenecks and engage with relevant local government and industry to identify, prioritise and then fast-track the necessary solutions (e.g. relevant gazettal's) to address these key bottlenecks.

14. Regional Communication Access

Continued investment in, and access to, efficient and effective communication infrastructure is especially important in regional areas for both the agricultural and forestry sectors.

Regional industries continue to face communications infrastructure constraints across phones, data and radio networks that impact on important operational (e.g. harvesting, processing and manufacturing) and emergency (e.g. firefighting and workplace health and safety) communications. If these constraints are not addressed it will negatively impact the realisation of the full range of positive economic, social and environmental benefits industry can provide.

The Government should coordinate investment in, and implementation of, effective and affordable communications systems (across phones, data and radio networks) in regional and rural areas to ensure effective operational and emergency communications.

Recommendation 14:
The Government should coordinate investment in, and implementation of, effective and affordable communications systems (across phones, data and radio networks) in regional and rural areas to ensure effective operational and emergency communications.

Any further queries on this submission please contact AFPA on (02) 6285 3833.