

TOWARDS A NATIONAL FOREST INDUSTRIES PLAN

Key Industry Asks



Forest Industries in this country can have a big future

They have provided the sustainable resources we all use from fine furniture making to house framing through to paper, cardboard and tissue manufacturing. In doing so they have also put a regular pay-cheque into the hands of hundreds of thousands of Australians over the decades and driven economic growth into regional communities.

With the right policy settings our Forest Industries can have an even brighter future.

We were delighted when Prime Minister Malcolm Turnbull announced that the Government would deliver a new vision and plan for Forest Industries. This is a plan which we urgently need as Forest Industries have so much more to offer. The key to realising this potential is getting the policy settings right.

For example, our softwood trees which are the foundation for tens of thousands of jobs in sawmills and frame and truss-making plants take 30 years to grow to maturity.

A failure to have policies in place to ensure plantings kept pace with our population growth has meant we are now experiencing a shortage of softwood and subsequent higher building costs for families.

The world is turning to fibre from sustainable forestry like never before as the only truly renewable, climate-friendly choice to house and sustain resource-hungry populations.

The great news for Australia is that we are already recognised as a forest fibre powerhouse operating to world best environmental standards. In addition to demand for all our traditional products, biomaterials have joined the long list of growth opportunities. The world expects more of us.

The last national plan for our industries was delivered in 1992.

This new plan provides the best chance in a generation to reboot the settings to enable our domestic industry to step forward and add thousands of jobs to our regional communities.

This document is not exhaustive but will give policy makers the key elements which we believe must be included in the forthcoming National Forest Industries Plan.



Mr Greg McCormack
Chair
Australian Forest Products Association



The Government commitment

"Tonight, I am pleased to announce I am requesting (Assistant Minister) Anne Ruston to help us develop a new Government Plan that will underpin growth in the renewable timber and wood-fibre industry and work with a new government plan to give you the vision and certainty you need. We are committed to developing this industry as a growth engine for regional Australia."

Prime Minister Malcolm Turnbull, AFPA Gala Dinner, Parliament House, Canberra - 12 September 2017.





A big industry with a big future

Forest Industries in this country contribute about \$24 billion to the economy each year.

Forest Industries underpin many regional jobs and communities.

About 80,000 people work directly in our industries, while another 40,000 work in diverse jobs which use the timber from our plantation forests and native forests.

Forest Industries jobs are spread across a huge range of professions including the planting and regeneration of forests, the caring of forests, the sustainable harvest of forests, the haulage of timber and woodchips, timber processing into fence posts, sleepers and sawn timber, the creation of paper, cardboard, tissue, paper towels, nappies and renewable biopellets for energy through to the cutting-edge invention of biomaterials and biochemicals.

A further 180,000 people rely on forest industries for their indirect employment.



A National Forest Industries Plan is needed urgently

Australia's last national plan examining our Forest Industries was delivered by Government in 1992.

The world of 2017 is very different.

There is a growing shortage of softwood plantations, which is preventing our sawmills from expanding to global-scale operations.

Instead of having a National Plan to manage the timber shortage¹, we are importing more than 780,000 cubic metres a year of sawn softwood² (the equivalent of 65,000 new house frames). This is increasing construction costs. This will only get worse as our population expands and our cities grow.

In addition, there is a growing global demand for renewable timber, paper, cardboard, and bioproducts to replace those existing products derived from fossil fuels.

¹ See Pg 18 - The Australian Financial Review, 'Timber! Tree shortage pulls planks from housing boom', 21 December 2017, Pg 1 & 31.

² Australian forest and wood products statistics, March and June quarters 2017 - agriculture.gov.au/abares/publications (FY16 figures).

Jobs, jobs, jobs



18,000 more jobs

6,000 more direct jobs.³

12,000 more indirect jobs.⁴

If the Government delivers on all of AFPA's recommendations for the National Forest Industries Plan.

³ Direct employment estimates are based on AFPA's publication "Plantations -the missing piece of the puzzle" (page 10 and 11) and an employment multiplier of 1.5 new jobs per 100ha.

⁴ Indirect employment multiplier of 2.0 used.

The Plan should

1. Deliver more plantation trees
2. Ensure a sustainable native forest estate
3. Unleash a biofutures revolution
4. Renew research capability
5. Fast-track infrastructure and cut red tape

1. Deliver more plantation trees

In 1997 the Federal and State Governments agreed that by 2020 Australia needed a plantation estate of 3 million hectares to ensure a viable global-scale forest industry.

Today there are only some 2 million hectares of plantations and no new plantations have been established for about 5 years.

Urgent policy action is required to support new plantings of the right trees in the right places to supply Australian Forest Industries.

Measures

1. 400,000ha of new trees in the right places.⁵

300,000ha new softwood plantations

Policy options:

- Review the *Carbon Farming Initiative (CFI) Regulation (the negative list)* to remove the 600mm rainfall restriction for new plantation forestry projects under the Emissions Reduction Fund (ERF).
- Earmark \$100 million of the ERF over the next 4 years for plantation forestry projects.
- Establish low interest loan mechanisms for plantation establishment.
- Establish additional carbon-related financing programs, including carbon pricing mechanisms and purchasing of the rights to stored carbon.
- Enhance incentives for investment in plantations by the broader investment sector, including institutional investors and industry super funds.
- Investigate treating plantations as 'infrastructure', thereby enabling them to be funded by issuing infrastructure bonds.



100,000ha new farm forestry plantings⁶

Policy options:

- Review the existing ERF farm forestry method to encourage aggregation, reduce audit and transaction costs, and remove the rainfall restriction, which limits farm forestry to 100ha where rainfall is of 400mm or more.
- Provide initial funding of \$700,000 for a collaborative industry-run Forest Industries and Agriculture cross-sector strategy to deliver an integrated farm forestry program.
- \$1 million seed funding for the establishment of farm forestry co-operative development.



2. Provide funding of \$900,000 for the implementation of the National Forestry Biosecurity Surveillance Strategy.
3. Develop and implement a land use assessment to guide local government planning in Northern Australia, so that plantation development proposals are treated equitably with other land uses; and a code of practice for plantation development and management in Northern Australia.
4. Work with Indigenous landholders to assess and classify the existing Indigenous-owned forestry estate.
5. Provide \$500,000 for research and development funding for species well suited to Northern Australia such as African Mahogany.

⁵ To be planted at commercial scale located close to sawmills and other processing facilities. There is significant opportunity to deliver much of this through in-filling adjacent areas to current plantations in the regions where the timber is most needed.

⁶ To be achieved through better support for farmers who wish to add to the productive value of their primary operation through supplementary tree planting.

2. Ensure a sustainable native forest estate

Australia has 125 million hectares of forests of which just 5.5 million hectares is available for native forest harvesting.

About half a percent is harvested each year (which is then, by law, replanted or regenerated).

Thanks to careful management over many decades most of the trees harvested are regrowth from previous forestry operations.

100% of Australia's native forest operations are certified as sustainable by international third-party certification.⁷

No country can claim higher environmental standards.

Native forest harvesting operations occur under the framework of the Regional Forest Agreements (RFAs). Although they were designed to provide certainty for industry and environmental outcomes there has been a regular increase in reserves in Australia since they were declared twenty years ago.⁸

⁷ Of publicly managed native forest.

⁸ There are now 23 million hectares (or 16%) of Australia's native forests in formal nature conservation reserves, compared with 6% in 1990. Since 1996, the number of hardwood sawmills in Australia has fallen from more than 800 to about 200 and the native forestry industry cannot sustain any further reduction in the production forest area.



Measures

1. Deliver Regional Forest Agreements for an additional 20 years on a rolling five-year basis with State and Federal agreement that there will be no loss in net timber supply.
2. \$2 million over the next 3 years to assess the economic contribution of the industry as part of the Regional Forest Agreement review process, including direct and indirect jobs. This provision should be made for every five-yearly Regional Forest Agreement review.
3. \$7 million over four years in funding for a new independent National Centre for Landscape Ecosystem Research to conduct ecological studies and research into management of key forest dwelling species.

3. Unleash a biofutures revolution

Australia, unlike many nations, has yet to realise the full potential of sustainable Forest Industries for emissions reduction and environmental materials.

The 4th assessment report of the International Panel on Climate Change (IPCC) says:

“A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained (carbon) mitigation benefit.”

Australia can use Forest Industries to achieve climate change targets through:

- The carbon sequestered in growing forests.
- The carbon stored in harvested wood products.
- The substitution of high emissions construction materials with wood-based products that have low embodied energy.
- The use of sustainably sourced woody biomass for renewable energy (including renewable heat and biofuels) displacing fossil fuels.
- The development of new generation value-added products such as biomaterials, biochemicals and bioenergy from Australian renewable wood fibre. ⁹

⁹ Such as new food packaging; new biotextiles and fabrics used in cars and for clothing; new biochemical compounds for use as adhesives, detergents, cosmetics; and new high performance biomaterials (e.g. nano-cellulose) used in aircraft and many other uses.



Measures

1. \$1 million to develop a National Biofutures Roadmap.
2. \$10 million to establish a National Biofutures Industry Development Fund and \$10 million to establish a National Biofutures Commercialisation Fund, to underpin early stage commercialisation of leading edge bio based technologies.
3. \$10 million over 4 years to add a 'Bioproducts Innovation Hub' to the existing Industry Growth Centres initiative to focus on research and development, technology transfer and bridging the investment and industry deployment gap for bioproducts in Australia.
4. Fast track the development of Emissions Reduction Fund (ERF) methodologies for: harvested wood products in landfill using life cycle assessment principles; enhanced sustainably managed native forests; renewable use of wood harvest and processing residues; and supporting low emissions-intensive wood building materials substituting for fossil fuel based building solutions.
5. Bioenergy and renewable heat should be recognised and incentivised in the design of the National Energy Guarantee (NEG) or any such energy policy mechanism.

4. Renew research capability

Investment in Australian Forest Industries research and development (R&D) has plummeted from \$100 million to \$30 million over the past decade.

The number of scientists working in Forest Industries has also reduced from 730 to fewer than 105.

In an attempt to halt this trend in 2016 the Federal Government committed \$4 million to create two nodes of the 'National Institute for Forest Products Innovation'; one in Mt Gambier and the other in Launceston.¹⁰ This initiative must be built on to further leverage this investment.

¹⁰ This funding has been matched by the State Governments of South Australia and Tasmania. Industry will also contribute funds and make in-kind contributions to National Institute projects.



Measures

1. Removal of the arbitrary cap on Government matching of voluntary industry contributions to Forest & Wood Products Australia to reinstate the existing total cap of 0.5% of the sector's Gross Value of Production.
2. \$8 million over 4 years to extend the operation of the newly commenced Mt Gambier and Launceston nodes of the National Institute for Forest Products Innovation.
3. \$8 million over 4 years for two new research nodes under the National Institute for Forest Products Innovation.

5. Fast-track Infrastructure and cut red tape

Forest Industries are held back by local state and federal government red tape and duplication.

Cross-jurisdictional cooperation is desperately needed to cut through issues which are preventing growth in the sector.



Measures

1. The Federal Government to undertake a strategic national study based on key regions, in consultation with industry, to identify the transport (road, rail and ports), energy and communications infrastructure requirements to underpin the further development of the industry. This should include a plan to address gaps in gazettal road permits for safer, more effective truck configurations.
2. Implement a strong anti-dumping policy including an improved compliance system, information disclosure and corrective measures.
3. Provide the Australian Competition and Consumer Commission with a greater role in enforcement and compliance of the Australian environmental and product safety standards.
4. Equitable consideration of, and outcomes for, Australian Forest Industries in international trade agreement negotiations.
5. The Federal Government to review its current procurement policies to better account for sustainability (including carbon accounting), recycling and socio-economic issues.
6. The Federal Government, through the National Forestry Ministers meeting, to encourage adoption of green building and wood encouragement policies.
7. The Federal Government to work with all levels of government to remove regulatory and other barriers to land management approaches across tenures.
8. The Federal Government to work with State governments to develop and implement a 10-year national strategic mechanical fuel reduction program.

Timber shortage national coverage



Melbourne builder Mark Little says the timber shortage will get worse before it gets better. PHOTO: JESSE MARLOW

Timber! Tree shortage pulls planks from housing boom

Nick Lenaghan, Larry Schlesinger and James Thomson

The housing boom is being hit by a serious shortage of timber caused by the decline of the local timber industry and increased demand as the US economy recovers and house building ramps up.

Home builders in Australia are facing both rising costs and lengthy delays as the shortage starts to affect residential building.

In Victoria, where the squeeze is the tightest, the shortage means builders are telling their clients that their new homes may take several months longer to complete as they wait to get hold of increasingly scarce timber frames and roof trusses.

Mill closures and bushfires are part of the problem but the nation's pine plantations have been shrinking steadily since the global financial crisis and the collapse of managed investment

Grollo promises to pay Grocon subbies

The CFMEU says construction company Grocon has not paid sub-contractors in Queensland, as concerns about the company's future surface. Owner Daniel Grollo, pictured, said he would honour all Grocon's commitments to sub-contractors and inject cash into the business. ▶ News p3



schemes. "It started happening six to eight weeks ago and it's really elevated in the last two weeks," said Mark Little of Little Constructions, who builds homes in Geelong and Melbourne's west. "And from the information I'm hearing it's going to get worse before it gets better."

Although the housing boom has come off a record high of two years ago, the slowdown has been modest and starts in detached housing, which uses more timber, grew 3.3 per cent in the last quarter.

As the new housing fires up in all

three east coast states, supply is struggling to keep up. Houses are getting bigger and there is more timber being used in their construction.

"Basically we haven't been planting pine trees, so that's the problem we are trying to solve," said Ross Hampton, who heads industry group Australian
Continued p31

Last-minute deal frenzy

▶ Property Stockland strikes \$400m land deal as Apple eyes Federation Square, plus Mirvac, Ardent and Charter Hall Starts p31



Mark Little has been told to expect price rises of 7 per cent next year.

From page 1 Timber! Tree shortage hits housing boom

Forest Products Association. The last piece of the puzzle is the global timber market.

Australia imported 787,000 cubic metres in sawn wood in 2016-17, around a third of what it needs for the housing market.

But the global supply is getting squeezed as well, as the US economy continues to improve and housing demand there increases. Single family dwelling starts in the US are now at their highest level in a decade.

The American building spree is sucking timber out of the global supply chain which might otherwise have come to Australia.

Back on his construction site at Werribee in Melbourne's west, Mr Little has the frame and roof up and the windows in on his latest housing project.

He is well-informed on macro-issues

In the local and global supply chain, the galloping demand for new housing, and he's doing his best to lock in supply with his Geelong-based frame maker.

But Mr Little has been told to expect price rises of 7 per cent next year, a significant increase on the \$25,000 spent on average for house framing and trusses. Of course that must be put in context of the rising cost of land itself, with median lot prices hitting \$300,000 in October, a 25 per cent increase in the past year.

Compounding the problem, the dwindling supply of construction timber leads can cause delay, which carries another impost for builders such as Mr Little, who work on fixed-cost

Reductions in supply could have flow-on effects for housing affordability.

Radley de Silva, Master Builders Association

contracts.

As jobs extend over a longer period of time, returns are stretched.

"Now we are communicating with clients saying that because of the boom we were saying a seven-month build, now your contract will say nine or 10 months because we have an x-factor in there."

Australia's biggest home builder, Metricon, has been monitoring the timber shortage closely for the past 12 months, using its scale to mitigate rising costs and ensure certainty of supply.

"Fortunately being the largest builder it gives us a little bit of strength to work closely with our suppliers," said its Victorian general manager, Peter Langfelder. "We've got the buying power to negotiate really good prices."

Reports of the shortage are making their way to the Master Builders Association of Victoria, which is concerned at the potential impact on a state market that needs 54,000 starts annually.

"A shortage of timber is very concerning, and reductions in supply could have flow-on effects for housing affordability," said chief executive Radley de Silva.

All the way up the supply chain, players are adapting to the shortage as best they can. At Universal Trusses in Canberra, Arthur Potter is substituting some forms of timber to make up trusses and frames as shortages hit.

Of course he's happy to be busy and hoping his loyalty to his own suppliers will ensure the company gets enough lumber in a tightening market. Even so, Mr Potter acknowledges prices will inevitably rise as much as 10 per cent.

"If you had come to me to last year, I could fit your job in in two weeks. Today, I'm telling you six weeks is the earliest I can do," he said.

One of the country's larger sawmill operators is Timberlink, which is the former Gunns business that was taken over by plantation owner New Forests.

Chief executive Ian Tyson agrees Australia is at the mercy of the global timber market as world demand for wood products soars.

But it needn't be that way, if Australia could address a chronic under-planting of its national pine estate.

"If we don't do this, the industry will really suffer," he said.

"We are a growing market that wants to be self-sufficient. We have the perfect conditions to expand. We should not need to import timber."

Cover Photo: Damien Ambrose,
Service Manager at Onetrak.

Onetrak is a business with a Service Centre
in Tumut which employs 10 people to service
equipment including forestry equipment.

Onetrak employs another 50 people across
the country doing similar servicing work.

**Damien is one of 180,000 across
Australia who rely on Forest Industries
for their indirect employment.**