



AFPA Submission

Modernising the Regional Forest Agreements

July 2019

About AFPA

AFPA is the peak national body for Australia's forest, wood and paper products industry. We represent most of the major companies which process sawlogs and pulplogs sourced from Victoria's RFA regions, and the Victorian Association of Forest Industries (VAFI) is also a member of AFPA.

AFPA 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.

The forest, wood and paper products industry is one of Australia's largest manufacturing industries with an annual turnover of approximately \$24 billion. Around 120,000 people are directly employed along the industry value chain with a further 180,000 jobs supported through flow-on economic activity.

Each year our industry produces around 12.5 million m³ of logs, 4.8 million m³ of sawn timber, 1.5 million m³ of wood-based panels, and more than 3 million tonnes of paper and paperboard products.

In Victoria, the industry contributed \$7.3 billion to the state economy in 2016-17, directly employed 15,000, and supported an additional 40,000 to 50,000 jobs, many of them in regional and rural areas.¹

Comment on the independent consultation report

The Independent Consultation Report underestimates the economic contribution of the timber and forestry industry by using the sale value of harvested wood from State forests of \$102 million in 2016-17. However, this figure substantially under-represents the value of the native forestry sector to the Victorian economy, as it ignores the significant economic activity generated by the downstream processing and retail sales of the timber and other forest products.

Several reports on the full economic and social value have been published in the last four years that show:

¹ [VAFI Industry Review 2017](#), p5

- \$573 million in revenue was generated by VicForests through its contractors (\$76 million) and its direct customers (\$497 million) in the Central Highlands RFA Area in 2013-14. This activity resulted in the direct employment of 2,117 full time equivalent workers within the Central Highlands RFA area.²
- The Gross Regional Product of the native forest sector in Central Highlands and Gippsland regions is \$740.5 million annually.
- The gross annual direct expenditure by the Victorian native hardwood sector is \$678 million; the net annual direct expenditure (excluding transfers to other parts of industry) is \$417 million.
- Each job in the Victorian native hardwood sector is estimated to generate a further 1.9 jobs through flow-economic activity.³

Almost all native hardwood processed in Victoria is supplied from State forests. The RFAs are therefore crucial to maintaining a sustainable resource supply. In this context it is more appropriate to consider the full social and economic scope that will be impacted if resource supply is further reduced.

Victoria's native forest industries need certainty

It is essential that RFAs ensure certainty to the timber and forestry industry by providing a stable and predictable supply of high-quality timber from State forests without reductions to current supply volumes.

The current RFAs have not provided the intended stability of supply and operation for the timber and forestry industry. The last 5 years in particular, have seen increasing uncertainty within the timber industry as the State government has not committed to a clear vision for managing State forests for multiple uses. This policy vacuum has had significant impacts on forestry operations.

The *Sustainable Forests (Timber) Act 2004* provides for the allocation of timber to VicForests through an Allocation Order (AO) which describes the location and extent of forest stands within State forest that VicForests may access; the maximum area available for timber harvesting and compliance conditions.

The most recent amendment to the AO and the associated Timber Release Plan was expected in June 2018, however this was not finalised until April 2019. This delay caused the native hardwood timber industry to experience extraordinary uncertainty and unnecessary financial pressure, creating social hardship in communities where timber businesses are key employers.

Much of this uncertainty stems from pressure from anti-forestry groups who misrepresent the impact of forestry on the environment. This is despite the reviews of the five Victorian RFAs having been assessed as exceeding the environmental requirements of the Commonwealth Environment Protection and Biodiversity Conservation Act 1999.

² Deloitte Access Economics (2015) *Economic assessment of the native timber industry in the Central Highlands RFA Area Report 1 –Economic and financial impact*

³ Schirmer J. et al (2018) *Socio-economic impacts of the forest industry Victoria (exc. the Green Triangle)*

The issue of uncertainty and loss of timber production forests is not unique to Victoria. The RFA process in the 1990s resulted in a considerable initial reduction nationally in the area of multiple-use forest available for wood production, which at the time had an adverse flow-on effect to the native forest industry communities across Australia. Subsequent decisions by state governments to further reduce the area of multi-use forests – often at odds with commitments made in RFAs – has further diminished the area of production forest available for our forest industries.

Nationally, as a direct result of the RFAs and public land use decisions since the early 1990s, over 13.6 million hectares have been added to Australia's forest conservation reserve system. The area of native forests in conservation reserves has almost trebled since 1990, from 6 per cent to 16 per cent of all native forests.

Consequently, industry development has been constrained by resource reductions that were not in accordance with the RFAs, which has undermined the certainty to industry that the RFAs are intended to provide. Nationally, since 1996 the number of hardwood sawmills in Australia has fallen from more than 800 to around 200.

In Victoria, there has been a reduction in the total annual harvested timber volume (both sawlog and pulp log) in State forests from approximately 2.2 million m³ in 2000-2001, to 1.2 million m³ in 2015-16.

Meanwhile, across the Victorian timber industry as a whole, there has been a 28% decline in direct jobs between 2005-2016. Overall reductions have been partially offset by growth in the hardwood plantation sector. However, in the Gippsland and Central Highlands regions, which are dominated by native forestry, direct jobs have reduced by 27% over the same period. This change has been largely driven by declining employment by primary processors as sawmills downsize or close outright.

The native forestry industry in Victoria is now at the point where it cannot sustain any further reduction in production forest, and the next phase of the RFAs must provide greater certainty.

If the Parties to the RFAs want to achieve a sustainable native forest industry in Victoria, then renewed RFAs must be based on binding commitments to deliver certainty and security of resource supply to industry.

It is imperative that the five Victorian RFAs are extended for a further 20 years as soon as possible (with rolling five-yearly extensions as per the extended NSW, Tasmanian and WA RFAs), as short-term extensions do not provide the long-term certainty our industry needs.

Furthermore, the RFA renewal process must include a guarantee that there will be no further net reduction in forest area available for timber production, or on timber volumes (and quality). In the event of unavoidable losses, such as very large bushfires, the RFAs should use adaptive planning to maintain available timber supplies.

Economic and social outcomes should be given equal weighting to environmental considerations, and examine social and economic impact

The Victorian RFAs commit to balancing and protecting the full range of environmental, social, economic and heritage values that forests provide for current and future generations.

AFPA supports the original intent of the RFAs. However, commitments across the five Victorian RFAs aimed at providing industry with the level of continuity and confidence in long-term resource supply

to sustain activity and to drive investment and growth have been undermined, and these shortcomings must be given serious consideration in this renewal process.

Victoria's public native forest resources are managed productively and sustainably. This was confirmed in a 2013 audit by the Victorian Auditor-General, *Managing Victoria's Native Forest Timber Resources*.⁴

This is not surprising given the scientific rigour and planning that VicForests applies to its operations, and the comparatively small volumes of native forest harvested each year. Of Victoria's 7.9 million hectares of native forest (approximately 35% of the State), 96% is unavailable or unsuitable for native forestry operations and each year VicForests harvests about 3,000 hectares – or 0.04% – of Victoria's native forest, which is then sustainably regrown.

One of the obligations across the Victorian RFAs is: "Parties agree that any changes to the area of State forest will not lead to a net deterioration in the timber production capacity of those areas available for harvesting in terms of volume, species and quality." However, this has not occurred.

AFPA contends that the Parties to the RFA should give equal weighting to these objectives, yet over the life of the RFA the long-term stability of the industry has been neglected in favour of the conservation objectives. This is despite the environmental protection and biodiversity conservation outcomes having been assessed independently as not only meeting but greatly exceeding the identified requirements.

The economic and social health of the forest industry and dependent communities are equally important in a framework that purports to operate on a triple bottom line approach to forest management.

The RFA aims to provide investment certainty needed for internationally competitive timber and forest-based industries. The new RFAs and future five-yearly reviews should give equal weight to economic and social objectives, such as annual investment in upgrading existing and developing new processing capacity, forest industry employment, innovation and R&D, and the economic health of communities dependent on forest industries.

This must be underpinned by robust data on the impact of the RFAs and subsequent government decisions on industry. Parties to the RFA should allocate funding to properly undertake this research, just as they do with the environmental obligations of the RFAs.

Landscape-scale forest planning and management, and conservation of native species

The five-yearly RFA reviews should focus not just on environmental outcomes inside the forest area managed for wood production, but also assess the performance across all associated and relevant land tenures (including National Parks). This should apply not just to the evaluation of RFA operations, but also to policies that impact on the native forestry industry, including the conservation and management of native flora and fauna.

⁴ *Managing Victoria's Native Forest Timber Resources*. Victorian Auditor-General Office, 2013.

The Victorian Government's strategy document, *Protecting Victoria's Environment – Biodiversity 2037*, recommends landscape management strategies as the preferred means to biodiversity conservation within Victoria.

The strategy says, "Threats need to be better managed across the landscape to ensure that species and ecosystems are conserved, and to give biodiversity the best chance to adapt to the effects of climate change and human population growth."⁵

A landscape approach to protection of threatened species is based on the premise that protecting habitat is the best strategy for conserving mobile fauna. Landscape conservation strategies can consider multiple species, threats and management options at multiple scales – both temporally and spatially.

A detection-based conservation strategy, on the other hand, is biased and less effective as it targets forest retention based on observations of individuals. The shortcomings of a detection-based approach is evident in the Leadbeater's Possum "200m buffer zones", which continue to be used by environmental activists to specifically targeted planned harvest areas.

A review of the buffer zones by the Victorian Government in 2017 found that "only 6-10 per cent of the [Leadbeater's] possum's potential, or most likely occupied, habitat in the Central Highlands has been surveyed...the recent increased number of located colonies, while only a small proportion of the potential habitat has been surveyed, casts doubt over the accuracy of earlier population estimates, and further work is required to provide more robust estimates." The review recommended a transition to a "strategic landscape-scale planning and management approach".⁶

The introduction of landscape-scale forest planning undertaken across all tenures of public land should:

- Maintain a viable supply of timber from public forests;
- Use a population approach to forest species protection based on ecological information from all public forests;
- Place a strong focus on the role of industry in forest management for multiple outcomes;
- be implemented with an extensive engagement campaign to improve public knowledge of forest management approaches.

Supporting new opportunities for forest industries

The RFAs should seek to promote the use of timber in the built environment. Harvested wood products store carbon and reduce construction emissions by substituting high-carbon materials.

It is a common misconception that forestry operations contribute adversely to climate change efforts. A recent study found there was negligible carbon storage benefit from ending native forestry operations in Australia (looking specifically at Victoria and NSW) when the carbon stored by

⁵ [Protecting Victoria's Environment – Biodiversity 2037](#), Victorian Department of Environment, Land, Water and Planning 2017, p46

⁶ [A review of the effectiveness and impact of establishing timber harvesting exclusion zones around Leadbeater's Possum colonies](#), Victorian Department of Environment, Land, Water and Planning, July 2017, p6

regenerating forests and in wood and paper products is taken into consideration, as well as the substitution that would occur by importing products sourced from overseas.⁷

To fully realise the climate benefits that can be delivered by the timber and forestry industry, the entire forestry and processing system should be considered, including:

- The carbon dynamics of production forests;
- Carbon stored in harvested wood products;
- The emissions substitution benefits of biomass and wood products, and
- The impacts of emissions resulting replacement imports.

If the RFAs fulfill their objectives of providing long term certainty and supply (with no net loss) to industry, this would in turn produce a suite of opportunities. RFAs should encourage the sustainable production of a diverse range of timber products from a diverse range of species and fibre types.

Investment opportunities include:

- New technologies to process smaller diameter sawlogs and residue fibre from many sources into a diverse product mix;
- Low-carbon construction materials and off-site construction techniques;
- Chemicals and materials derived from wood feedstock;
- Electricity and heat generated from wood residues;
- Increased use of engineered wood and timber composite products;
- Promoting consumer use of a wider range of timber species;
- Developing local processing hubs tailored to nearby resource types (hardwood/softwood; sawlogs pulp logs etc); and
- Investment in secondary processing and use of residue materials (for example in local heat and electricity generation) to obtain maximum value from the resource.

The RFAs should support carbon market frameworks that account for the full benefits generated by the timber and forestry industry. These include:

- Carbon stored in harvested wood products;
- Carbon stored in standing forests; and
- Carbon emissions avoided by using wood products instead of high-emission construction materials, and wood residues for energy instead of fossil fuels.

Climate change impacts on industry

Climate change will create significant impacts on the timber and forestry industry if the risks are not addressed.

⁷ https://www.fwpa.com.au/images/resources/Amended_Final_report_C_native_forests_PNC285-1112.pdf

Potential impacts include:

- Reduced timber yields;
- Losses from more frequent fires; and
- Lower regeneration rates in some forests.

RFAs should include adaptive management approaches that will monitor the indicators above and develop strategies to reduce impacts to industry in the long-term. AFPA notes that the NSW, WA and Tasmanian RFA extensions have all added climate change as a priority to be considered in policy-making, and we urge the Victorian RFAs to include similar provisions.

Conclusion

AFPA looks forward to working with the Australian and Victorian Governments and other key stakeholders in improving RFA policy outcomes, and urges rapid progress on the 20-year renewal process, which will help deliver the industry certainty needed for an internationally competitive and sustainable forest industry.

AFPA notes that the Tasmanian, WA and NSW RFAs have all been extended by a further 20 years, and introduced five-year rolling extensions effective upon the successful completion of each five-yearly review. This provides ongoing certainty and avoids the current situation of RFAs seemingly “expiring”. AFPA supports the rolling RFA model and urges the Victorian Government to adopt this approach.

Should you have any questions regarding these matters, please do not hesitate to contact [REDACTED]

Yours sincerely,

[REDACTED]

Australian Forest Products Association