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## **FPC industry development plans**

### **Institute of Foresters of Australia**

The Institute of Foresters of Australia (IFA) is the organization representing professional foresters in Australia. The organization was formed in 1930, has active branches in all of the states and the ACT, and is governed by an elected Board. A requirement of membership is that members have university level qualifications in forestry or a closely related scientific discipline, or extensive knowledge of and practical experience in forest management or forest science.

The IFA is an advocate for better forest management in Australia, for high professional standards in forest and woodland management and for the active management of Australia's forests for all values.

Current membership of the IFA is approximately 1200 with about 10% of that being members of the Western Australian Division. Members are employed in a variety of occupations including native forest, plantation and national park management, research, bushfire management, farm forestry and agriculture, ecological studies, Landcare, education, public service administration, private forestry and the forest products industries. The age and experience profile of our members ranges from new graduates to retired men and women with over 50 years of experience in forestry, park and land management.

In forming this submission the IFA WA Division hosted a well attended meeting of IFA members, FPC representatives and industry stakeholders in Albany. A second meeting was intended for Perth but this was not possible prior to the closure of submissions. IFA WA Division members commented on two drafts of the submission.

### **FPC industry development plans**

The Forest Products Commission (FPC) released three Tree Farming and Industry Development Plans (IDPs) for comment in 2005. The plans cover maritime pine-Esperance (35 years), radiata pine-south west (20 years) and eucalypt sawlog central south west recovery catchments (20 years). An Industry Development Plan for the Mid-west is under preparation. These are potentially important plans affecting the development of a viable and sustainable forest industry in Western Australia.

The IFA was pleased to be invited by FPC to comment on the Industry Development Plans as there was no opportunity for IFA comment on the earlier Action Plan or the Forest Industry Statement.

### **Forestry strategy**

The IFA strongly believes that forest industry development plans need to be underpinned by clear State-wide strategic objectives of the forestry and forest products industries in Western Australia. The Forest Products Commission is committed to promote and encourage the forest production requirements of the State and promote employment in the forest products industry, but this needs to be done within an acceptable policy framework.

Western Australia does not have clear and comprehensive State Forestry and Forest Products Strategy. Such a strategy would detail the overall objectives, targets and actions required to achieve conservation of native forests, protection of multiple forest and related assets (water catchment, protection of ecosystem services), meeting Western Australia's forest products requirements and opportunities for expanded economic activity and social benefits from forests. In a proper planning hierarchy, the State Forestry and Forest Products Strategy would set out a framework for the orderly development of the Forest Products Commission's and other public and private forestry development plans.

The IFA recommends that the FPC promotes with Government, the need to develop a State forestry strategy, which will include public and private plantations and farm forestry. The State Forestry and Forest Products Strategy should cover the development of softwood and hardwood plantations in temperate Western Australia, private native forests, tropical forestry and sandalwood (Indian and native) and public native forests. The Strategy should address issues of supply and demand for forest products, regulation of forest management, encouragement of private investment and expansion of local processing, forest protection, research and development and meeting skilled workforce and management requirements.

The IFA advocates that Western Australia should aim to be self sufficient for forest products, or at least to achieve a situation where timber imports and exports are in balance. Forestry is a desirable economic activity with significant environmental and regional economic benefits. Forestry creates rural jobs. Importation of wood products for construction purposes from interstate and overseas is economically inefficient. Reliance upon imports of forest products from tropical neighbours is likely to support illegal logging and unsustainable management of tropical native forests.

Any decision to produce more than the State requirements for forest products should give greater weight to social and environmental considerations. There are excellent opportunities for WA to export forest products to utilise residues generated by the production of structural timbers and as an efficient producer of woodchips.

Present consumption of sawnwood in Western Australia is 360-380,000 m<sup>3</sup>/year (Australian Forest Products Statistics 2001-2004). Assuming consumption will grow at 1% per annum, demand will rise to approximately 500,000 m<sup>3</sup>/year over 30 years. The Conservation Commission's Forest Management Plan dictates that native forests will be managed to yield approximately 100,000 m<sup>3</sup>/year of sawnwood, leaving the balance of present and future consumption and exports to be met from plantations growing from 280,000 m<sup>3</sup>/year to 400,000 m<sup>3</sup>/year by 2035.

To date, no government agency has tackled the critical issue of where this wood is to come from, or considered the cost-benefit of the various options for local supply.

The IFA believes that a State Forestry and Forest Products Strategy would identify the preferred options to meet demand for timber from native forests, softwood plantations, hardwood plantations, and private versus public forests and imports. The forestry profession believes there are clear opportunities to increase timber supply from native forests and softwood plantations at lower cost (direct costs) than the FPC proposed hardwood plantations in low rainfall regions. The FPC Industry Development Plans implicitly depend upon timber plus non-timber benefits (reduced land degradation, water table and catchment regulation, carbon sequestration, habitat enhancement) to justify the investment costs and land rental for low rainfall forestry.

The generation of timber by thinning regrowth stands on water catchments is an example of where several objectives can be met simultaneously.

Plantation development in Australia has moved from a largely government-funded enterprise on State-owned land to funding by private investment on cleared freehold land. The essential role of government agencies has therefore changed. Now the key role is to encourage the orderly and efficient development of private forestry, ensuring essential infrastructure (roads, power, ports etc) is in place, and to ensuring the public interest is protected. It is appropriate that government support this development by seeding projects with research and development inputs leading to identification of efficient forestry systems and developing suitable infrastructure, and by regulation of laws and codes of practice.

It is also appropriate that government support the transfer of benefits between stakeholders in forestry. For example, it is appropriate that government develops mechanisms for investors in forestry to receive economic recognition of landscape benefits such as avoiding, recovery or adapting to saline, acidic or waterlogged soils and the protection of biodiversity.

The IFA firmly believes that where governments participate in the commercial world as a business enterprise (as proposed by FPC), this must be on a competitively neutral basis. If public funds are used to encourage commercial forestry they should be made available to all suitable projects. Government funds should be contested by interested enterprises and assessed on merit against triple bottom line criteria.

There is a need to maintain a long-term commitment to forestry and land management research in Western Australia. In recent decades there has been a shift from long-term forestry research teams to short-term targeted research teams. Although this may have benefited some components of the industry, the lack of tenure and commitment has led to the loss of researchers in key areas of forestry and land management in Western Australia. The development and maintenance of research skills at both a State and Regional scale would assist in optimising the forestry products (both direct and indirect) for the proposed industry development plans. This initiative could provide opportunities for our future generation of foresters and scientists.

To encourage private enterprise in forestry the Forest Products Commission could make available for private subscription, genetic material, silvicultural research and inventory data on the key driver species in the Industry Development Plans.

The government's policy *Protecting our Old-growth Forests* sets out some of the strategic directions for public native forests in the South West. The Action Plan for Tree Farming in WA sets out strategic development for the Forest Products Commission as a government-owned enterprise, but fails to provide definitive leadership for the overall development of private plantations and farm forestry. The new Industry Development Plans are also unclear as to whether they are intended for adoption by the whole industry or whether they are for FPC's internal commercial planning purposes.

## Industry development plans

According to the FPC, the new Industry Development Plans are the next step following the Western Australian Government's launch of the Action Plan for Tree Farming, September 2002. The Government of Western Australia Forest Industry Statement, January 2004 also provided relevant background to the Industry Development Plans.

Given that they are a downstream plan from the Action Plan, the Industry Development Plans should commence with a brief summary of the overarching strategy upon which these new Industry Development Plans are based.

The Industry Development Plans do not include any economic justification for proposed development and employment projections are not supported by detailed analysis.

In our view, the Industry Development Plans should be accompanied by an implementation strategy. This should include a summary of any uncertainties, and the way in which these are to be addressed through research. Training and infrastructure needs must be identified.

Plantation development is regarded with suspicion by some sectors of the community. There are concerns about environmental and social impacts. The Industry Development Plans must anticipate these concerns and deal with them, by indicating that (i) the risks are understood; and (ii) risk management strategies are in place.

The Action Plan foreshadowed that the FPC would work with State and Commonwealth government agencies, natural resource management groups, communities and industry to develop shared visions for the various cells and with local government on issues relating to plantation forestry. The Forest Industry Statement outlined the government's vision including a high value-adding timber industry, a profitable plantation industry producing commodity products for local, interstate and overseas markets and a growing tree farm estate in lower rainfall agricultural areas.

The concept of Industry Development Plans appears to have its origin in the a paper on Plantation and Farm Forestry in Western Australia prepared by Roger Underwood, FIFA in September 2004 for submission to the WA Plantation Industry Ministerial Advisory Committee (PIMAC). This paper was accompanied by a draft Strategy advocating an overarching plan to guide the industry on a State-wide basis. The key components set out by Mr Underwood were:

- define the “end-use” and value adding industries which fit the WA social and economic climate
- define the plantation estate needed to provide resource for these industries
- broadly define environmental and socio-economic requirements
- draw all these parameters together and set out a blue print for the development of the industry.

The IFA supports this approach.

There are important variations from the Action Plan in each of the IDP's:

Target	P pinaster	P radiata	Eucalypt sawlog	Total
AP areas (ha)	70,000+	70,000	10,000 to 20,000	150,000-160,000+
IDP areas (ha)	70,000-125,000	80,000	40,000 to 55,000	190,000-260,000
IDP production	LVL 200, 000 m <sup>3</sup> or Plywood 300,000 m <sup>3</sup>	Sawn 400,000 m <sup>3</sup>	Sawn 75-125,000 m <sup>3</sup> or Ply 150,000 m <sup>3</sup>	
AP locations	Mid West MtBarker/Katanning South East	South West South Coast	Wellington/Warren-Tone/Hay catchments Mid West trials	
IDP locations	South East	Mandurah - Wellstead	Boddington/MtBarker-Katanning/Narrogin	
AP species	P pinaster	P radiata	E saligna, C maculata, E cladocalyx, other	
IDP driver species	P pinaster	P radiata	E saligna, E cladocalyx	

The Action Plan for Tree Planting identified production cells (geographic locations) and targets for species in each cell. The Industry Development Plans appear to have simplified this approach having non-overlapping plans for species-driven industries. The Industry Development Plans do not identify specific locations for processing and this would not be appropriate. However, planning around existing industries, communities and infrastructure would be progressive.

It is likely that multiple sources of forest products will be integrated to make up critical mass for processing. For example, thinnings and final products from native forests should be taken into account in marketing of hardwood logs from plantations. It is likely that softwood processors would be able to receive mixtures of pine species. It is possible some processors would be able to take both softwood and hardwood logs as already happens at Pemberton.

### **Maritime pine – Esperance**

Maritime pine is an excellent option for forestry in the Esperance region. It could be used to complement agriculture and forestry less suited to the sandy soils where Maritime pine grows satisfactorily.

The draft Industry Development Plan Maritime pine – Esperance covers a strip of land approximately 150 km east and west of Esperance, up to 50 km inland from the south coast. The Industry Development Plan identifies 202,000 hectares (15%) as highly suitable and available for Maritime pine. Competition for this higher rainfall land can be strong especially considering it coincides with land considered suitable for blue gum plantations. Approximately 40,000 hectares will have been planted to blue gum for pulpwood exports by 2006 (up from 14,640 ha in 2004). The Industry Development Plan sets a planted area target of 70,000 to 125,000 hectares (45-80% of the suitable and available land x-blue gum).

The Industry Development Plan Maritime pine – Esperance envisages end use industries producing LVL or plywood. Residual products would be exported as logs or wood chips or processed into MDF. Almost all of the production would be surplus to Western Australian requirements.

There is no indication in the Industry Development Plan that growing Maritime pine for export products could be commercially viable in Esperance. There is no indication of what level of investment of public funds would be required to secure the land areas envisaged. Without this information it is not possible to comment on the economic viability of the plan.

### **Radiata pine – South West**

Radiata pine is a resilient species for commercial forestry in southern Australia with great flexibility in end uses. Radiata pine is regarded as commercially viable down to 600 mm rainfall and may be the best forestry option in some parts of the lower rainfall zones. Log haul distances for sawlog should be minimised. Haul distances in excess of 150 km would compromise the viability of growing the forest.

Investments in Radiata pine plantations have been limited in recent years because of the high cost of land in higher rainfall zones, competing investments in short rotation blue gum and because of the poor prices being paid for radiata logs. Radiata pine supply is strongly dominated by the Forest Products Commission who inherited their plantations from the former Forests Department and CALM, and have legislated supply agreements with the

major log markets. These arrangements reflect historical market distortions to encourage industry development. They act as disincentives to private investors in Radiata pine who would prefer free access to competing log purchasers.

The Industry Development Plan Radiata Pine – South West aims to establish resources to supply an internationally competitive sawmill with output 400,000 m<sup>3</sup> per year. This would require 900,000 m<sup>3</sup>/year log input and would generate approximately 400,000 m<sup>3</sup> of residual logs and 300,000 tonnes of softwood chip.

A significant problem with respect to investment in the radiata industry in WA is that there is only one dominant log buyer, and this buyer does not itself own or develop plantations. However, it is not necessary or desirable to meet the State's sawn timber requirements in a single internationally competitive softwood mill. It would be preferable to encourage competitive markets for forest products. Two major softwood mills could be price competitive in a Western Australian market, naturally protected from imports (interstate and overseas) by transport costs. Mills planning to become internationally competitive by increasing scale should be required to develop private forest resources.

The Industry Development Plan Radiata Pine – South West has reduced the Action Plan cell east of Bunbury. Commercial forces are likely to identify Radiata pine or Maritime pine as more desirable crops with lower market risk than Eucalypt sawlogs for distances up to 150 km radius from Dardanup where rainfall is greater than 550 mm. If forestry is to be maximised this should be encouraged in the Industry Development Plans.

The Industry Development Plan Radiata Pine - South West has significantly extended the boundaries in the Action Plan to include softwoods in the Shires of Plantagenet, Denmark and the City of Albany (see comments on South Coast below).

There is no clear logic for the separation of the Eucalypt Sawlog Central South West Recovery Catchments from the Radiata South West area. Pines are likely to be more commercially viable for much of the identified recovery areas north of Kojonup and west of the Albany Highway.

### **Eucalypt sawlogs – Central South West recovery catchments**

We are enthusiastic about prospects for sawlogs from Eucalypt plantations. We recognise there is still some uncertainty related to silviculture, growth, processing and markets, but the basic approach is well-understood. Research and publication of results will increase confidence in prospects for these crops as well as identify best technology. The final Industry Development Plans must include rigorous analysis of the markets and economics for hardwood sawlog plantations. In low rainfall districts (i.e. in areas receiving less than 450 mm annually) the returns from sawn timber alone will not justify the costs of plantation establishment and management. However, other benefits will accrue as a result of the plantations including repair of degraded land and waterways, extended life of rural infrastructure, carbon sequestration and protection of biodiversity. The Industry Development Plans must clearly identify the economic value of these benefits and the mechanisms to transfer funds from beneficiaries (including the wider community) to growers.

The Industry Development Plan should integrate resources including thinnings and final crops from sustainably managed jarrah and karri native forests with plans to supply hardwood logs from plantations. This will assist to ensure a critical mass for new hardwood milling facilities.

The Western Australian public would benefit from FPC encouraging private forest management companies to participate in the development of Eucalypt sawlog resources. These companies have a proven track record with certified sustainable forest management and identifying innovative sources of funding for forestry. This would be achieved for example, by calling for expressions of interest in public funding to support private development in marginal forestry areas.

The draft Industry Development Plan included only *Eucalyptus saligna* (Sydney blue gum) and *E. cladocalyx* (Sugar gum) as driver species. Spotted gum and other Eucalypt species were included as suitable species in the Action Plan. Hybrids of *E. grandis* x *E. camaldulensis* have been successful in private trials in WA. There are concurrent projects exploring the potential of *Casuarina* species for forestry in the region and new *Corymbia* hybrids species being developed in the eastern States should be examined. It is appropriate to limit the commercial development to a minimum number of target species to maximise the depth of research and development into silviculture, processing and marketing of the crops.

Potential processing centres should be investigated and identified in the Industry Development Plan. Focussing development into tight supply zones is likely to be more commercially successful.

The proposed scale of 40,000 hectares of Eucalypt plantations for a 100,000 m<sup>3</sup> output sawmill would generate more than 250,000 tonnes of woodchip per year. Location of processing centres needs to provide for competitive marketing of the residue material.

This Industry Development Plan needs to be supported by considerable publicly funded research into water efficient genotypes, processing fast grown Eucalypts and the landscape impacts of plantations and other land use strategies.

## South Coast

The South Coast region has seen rapid blue gum plantation development since the mid-1990's so that there are approximately 140,000 hectares of hardwood plantations in this area. Most of these plantations identify pulpwood exports as the likely market. Most plantation growers support value-adding in the region. There is an advanced proposal for an Engineered Strand Lumber manufacturing facility to be developed near Albany. There is sufficient fibre resource to supply a pulpmill in the region but water supply and other infrastructure requires further development before this would be viable.

It would be appropriate to develop a separate Industry Development Plan for the South Coast as a hardwood forestry cell covering land up to 150 km around the Port of Albany. This would draw upon the existing blue gum plantations and expand opportunities for value adding and alternative species. It would be appropriate for land in the 400 –600 mm rainfall zone (around the Stirling ranges to Katanning) to target Eucalypts for sawlog on long rotations with support recognising the environmental services provided.

There needs to be an urgent review of the softwood plantations in the South Coast region. There are approximately 5,000 hectares of softwoods in the South Coast region mainly planted in the late 1980's and early 1990's. These stands are not well-managed and do not portray a good image of the sector. Softwood development ceased when the blue gum industry emerged as more attractive to land owners and investment managers. Markets for softwoods have not developed as necessary for appropriate management of the plantations. Given current log prices, we cannot see how it would be profitable to transport softwood logs from these plantations to the mill at Dardanup as proposed in the draft IDPs.

Market development will occur if a critical mass of softwood plantations were to be established. This would be assisted when integrated with hardwood plantation resources. This would require almost all of the 20,000 hectare expansion of the Radiata pine estate identified in the Industry Development Plan to take place in the South Coast region supplying a future mill at Mount Barker. This would be sufficient resource to supply a mill of similar capacity to the present Dardanup mill. Some difficulties would be encountered due to the discontinuous age profile of the resources.

The South Coast softwood plantations may otherwise be declared non-strategic assets for liquidation. This would require compensation to sharefarmers who would have reasonably expected the government to encourage softwood markets in the region.

## Conclusions

The Institute of Foresters of Australia welcomes the release of draft Industry Development Plans and the opportunity to comment.

The Plans have a major weakness, in that they are not based on a State strategy for forestry and forest products setting out the overall objectives of forest industries development in Western Australia and the proposed role of government in achieving those objectives. Lack of an overarching policy means that plans can be seen as *ad hoc*, rather than a logical step in a well-thought-out strategic process.

The Plans are broadly appropriate for each region although the boundaries between the regional developments will inevitably be blurred by market acceptance. There should be a new Industry Development Plan for the South Coast region including a hardwood forestry cell and review of the softwood plantations in that region.

The Plans should include detailed economic, social and environmental cost benefit analysis and deal with risk management so as to minimise community concerns. They should also set out research and development, training and infrastructure needs as part of an implementation strategy for each Plan.

The exiting plans do not present consideration of the economics or cost/benefits of the various sources of timber. There are clear opportunities to increase timber supply from native forests and softwood plantations at lower direct costs than the FPC proposed hardwood plantations in lower rainfall regions. However, it is appropriate that government develop mechanisms for investors in forestry to receive economic recognition for landscape benefits.

The IFA would be pleased to contribute further comments and answer your queries on this submission.

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