

JOINT

VICTORIAN FOREST INDUSTRIES

PLANTATION POLICY

August 2006



Plantation forestry is a long term investment, taking from 10 to over 30 years before any substantial returns may be achieved. For significant investment to occur, a stable, supportive, enduring, and equitable policy framework is required from Government & related agencies.

The Victorian forest industry believes that plantations are a uniquely commercially viable, environmentally sustainable, and socially responsible land use. They form part of the constantly changing mix of land uses across the state. Their development allows regions to respond to changing market forces, while continuing to allow other forms of agriculture as the basis for a diverse and robust economy.

The Victorian forest industry sees the expansion of plantations leading to major investment and significant employment growth. For example, the recently announced \$258M upgrade of Australian Paper's Maryvale mill is to be supported by investment of \$300M in plantation development and will see the creation of over 200 new jobs in harvesting and management in Gippsland alone over the next ten years¹.

The industry welcomes and supports the Government policy position on plantation forestry as outlined in:

- *Plantations for Australia: the 2020 Vision;*
- *The Victorian Government's Provincial Statement: Moving Forward;*
- *The Plantation Incentives Strategy Directions Statement (DPI 2006); and*
- *Farm Forestry National Action Statement (August 2005)*

¹ "Victoria attracts new investments worth \$600M", Media release from the Office of the Premier, 25 August 2005

Industry seeks to work with the Government to ensure that affected communities are well informed about plantation forestry.

The Victorian forest industry believes that plantations are:

- ❑ *An integral component of the constantly changing mix of land uses*
- ❑ *Commercially viable, environmentally sustainable, and socially responsible*
- ❑ *Complementary to existing agriculture and native forest industries*
- ❑ *A tightly regulated and transparent activity giving assurance of best practice management.*

Plantations are Commercially Viable

- *They provide a large scale wood resource, and promote regional processing and employment.*
- *They provide significant import replacement and export earnings.*
- *Expenditure on plantations flows directly into local economies where plantation industries are active.*
- *Plantation-related public infrastructure complements other industry and related infrastructure requirements such as roads, bridges, schools, skill training facilities, housing and social amenities etc.*
- *Plantation investment underpins wide-ranging demand for social infrastructure needs within the local communities where plantation industries are active.*

Plantations are Environmentally Sustainable

- *They return trees to the landscape as part of a sustainable land use mix.*
- *They enhance biodiversity, provide habitat and sequester carbon.*
- *They provide:*
 - *salinity mitigation and soil erosion control*
 - *a timber resource complementary to native forests*
 - *improved water quality through controlled flow rates and sediment trapping*
 - *protection of remnant native vegetation within plantation estates*
 - *high level management of pests and weeds within plantation estates*
 - *increased fire fighting capacity for all regional Victoria as delivered under the CFA industry fire brigade model.*
- *Their chemical and fertiliser use is generally lower, over time, than almost all other forms of agriculture.*

Plantations are Socially Responsible

- *They sustain and support diverse, and resilient regional communities.*
- *They provide significant economic activity, jobs, qualified skills and training, and youth retention to regional economies.*
- *They provide income diversity and therefore increased resilience to world commodity market price fluctuations.*
- *They provide a platform for strengthening and underpinning investment in local processing and manufacturing.*

The forest industry will show leadership and commitment to enduring development and growth in partnership with the State Government.

In supporting the long-term growth of plantation forestry, the forest industry and investors, like other agricultural sectors, such as the dairy industry, need an ongoing commitment from the State Government. This would be most effectively delivered by responding to the first action of the agreed 2020 Vision: “To prepare a comprehensive policy framework that supports sustainable investment in plantations”. The policy framework must be consistent with the approaches taken for supporting other regional industries in Victoria.

To be effective, the framework should target policy and regulatory impediments that currently face the industry and provide an avenue for overcoming those impediments. The report of a recent study conducted by the Victorian Competition and Efficiency Commission (VCEC) has clearly identified the regulatory impediments². It is encouraging to see the Victorian Government’s supportive response to the VCEC report recommendations.

The forest industry remains concerned that future industry development is being held back by a number of impediments.

- *A lack of clear and ongoing Government support beyond the published policy statements.*
- *A lack of Government understanding as to the critical value of the collective timber industry to Victoria and to regional prosperity.*
- *Conflicting legislative and regulatory requirements among various State Government departments.*
- *A less than competitive regulatory environment for investment in Victoria, compared with NSW and South Australia.*
- *A need for equitable, enduring and consistent implementation of Government policies at state, local and departmental levels.*
- *The possible consequences for plantations of the implementation of the Government White Paper on Water and the National Water Initiative.*
- *The unintended consequences of the application of native vegetation guidelines such as Net Gain.*
- *The application of local government and other planning rules in Victoria which can impede forest industry development.*
- *The need to build community support for the industry, in light of vocal minority opposition.*
- *The perception of sovereign risk for investors in Victoria.*
- *The lack of investment in long rotation plantations for high quality sawlog production, particularly hardwood.*
- *The ongoing need to maintain international competitiveness.*

² Regulation and Regional Victoria Challenges and Opportunities Final Report, VCEC, June 2005

RECOMMENDATIONS FOR GOVERNMENT ACTION

A Strategic Approach

Leadership

Building on the Government's regional development and plantation industry policy statements, and the recent response on regulatory impediments to regional development, the Government should openly and actively support the industry and demonstrate strong leadership by implementation of stated policy through a program of action, with milestones and transparent and tangible targets.

A 15 Year Program

This implementation program must be developed in partnership with industry, and have a long term commitment with at least a ten to fifteen year horizon, enabling the industry to invest, develop and grow at a viable and sustainable rate.

Whole of Government Consistent & Equitable Approach

All relevant policies and frameworks should be based on a whole of State Government approach, treating the industry equitably with other industries. To this end, all appropriate Government departments and agencies, at all levels, should be quickly and appropriately resourced.

Investment

The Government must actively facilitate investment in all types of plantations, in particular large scale plantations, by removing impediments, encouraging innovation and enhancing the Victorian industry's ability to be internationally competitive.

Public Infrastructure – Road Networks

Public planning needs to take into account educational, health, housing and community amenities as plantation development occurs in order to provide for increased/changing populations.

To meet the needs of the freight task associated with all rural industries, including plantation forestry, there is a requirement for adequate expenditure and management of the national, state and local road network. In particular, a strong and long-term commitment from State Government is needed to work in partnership with local governments to secure the required funding for upgrading our rural transport infrastructure.

Natural Resource Management Policy Issues

Collaboration with CMAs

Regional Catchment Management Authorities (CMAs) must be encouraged to work with plantation companies and to value and recognise the tangible multiple benefits that can be delivered by supportive plantation design.

Opportunities exist to protect biodiversity within plantation estates, especially where the design of plantations could be modified to improve biodiversity outcomes, without impacting on the productivity of those plantations or their commercial viability.

Native Vegetation

Value via credit/s must be delivered in the application of the legislative framework for protecting remnant native vegetation within plantation estates. This will promote appropriate multi-purpose plantation design.

Water Allocation

Water entitlements for all land uses, including plantation forestry, must be based on delivering sustainable Triple Bottom Line (TBL) outcomes.

While it is important to recognise the existing water entitlements and property rights surrounding these entitlements, the Government's policy objective for water should also recognise the value of a balance of environmental, economic and social outcomes in setting the future water allocations across all land uses.

Full Life Cycle Analysis

Full life cycle analysis, including the energy costs of growing and processing resources, must be used as the basic methodology for measuring the ecosystem impact, and then determining the highest long term Triple Bottom Line returns.

Carbon Storage

Government policy should recognise that the plantation industry can provide an expanded pool of accumulated carbon.

Code of Practice

The Code of Practice for Timber Production has been developed with significant input from industrial and planning and regulatory authorities over time, and has the support of the forest industry. The code must form the basis of the requirements for timber production for an extended timeframe of at least ten years.

Implementation

Joint Task Force

The industry seeks action that demonstrates a consistent and coordinated approach across all state departments and agencies in the regions.

The industry proposes a joint industry and government Task Force be established to lead this.

The Task Force should have agreed Terms of Reference that establish the principles for the government- industry joint commitment. The terms of reference would also identify the issue and impediments to be addressed, the strategies that respond to these issues, and specific projects that will be resourced and undertaken. The Task Force would be able to develop specific project groups or working parties to develop strategies and implement action.

One of its tasks would be to review and monitor the performance of local government in fulfilling the industry developmental role that is specifically outlined in the state planning scheme (Victorian Planning Provisions 17.07).

These policies should form the basis of any strategies, frameworks legislation related to forest industry development in Victoria.

Milestones & Evaluation

Milestones must be established that will encourage long term investment and demonstrate that the future growth in plantation forestry conforms with the Government's policy and with forest industry development objectives.

Evaluation of progress against these milestones should be undertaken on a regular basis, and at least every five years.

Background

1. The international nature of the forest industry.

Like all commodities grown in Australia, the resources that supply the forest industry are now exposed to the world in terms of trade, supply and demand. The industry must be internationally competitive. Australia and Victoria are net importers of forest, wood and paper products, with a national trade deficit of \$2B per annum.

Australia and Victoria import pulp and paper, sawn wood, and furniture from Asia. Australian forests and plantations are legally and sustainably managed, in contrast to many others overseas. This should be a matter for community concern. Recent research suggests that some 9% (\$400 million worth) of wood and paper products imported are illegal or unsustainably sourced³.

2. The interrelated nature of the forest industry in Victoria.

There are strong complementary relationships between Plantations (softwood and hardwood), Farm Forestry, and Native Forestry for resource diversity, security and future development of the forest industry overall. All of these sectors are different from one another, and they produce different products which all have their own significance. They are complementary and should not be viewed in terms of their ability to replace each other.

Large scale timber plantations form an essential component of Australia's forest and timber industry. They represent a cost efficient means for producing timber resources on a scale that can supply both internationally competitive export and highly integrated domestic processing sectors of the industry. In areas where there is, or could be developed, a critical mass of plantation resources, markets may be available for smaller volumes of resources grown from farm forestry. These markets may include those plantations which have been established to provide commercial returns from both timber and environmental services.

The Victorian Government's plan for plantation expansion has based the future growth of the forest and timber industry on the establishment of plantations and farm forestry complementary to the native forest hardwood sector, with an expectation that the resources would supply domestic and export markets. The supply of plantation timber would complement the native forest industry in the structural, flooring, furniture and high-value paper markets.

Given the long-term investment timeframes for plantations and their output, and the requirement of industry to sustainably build its plantation estate across these timeframes, (especially the very long rotation period for high-quality hardwood sawlog plantations on a regional basis), it is essential that the Government takes an active role in minimising the regulatory impediments facing the industry and the threats of sovereign risk.

3. Transport and Infrastructure

For regional industries, there is an increasing need for a modern and efficient transport system that is integrated wherever possible to provide the most effective use of roads, rail and ports.

In many localities, it has not been possible to finance the road up-grading and repair requirements of our aging infrastructure.

The Timber Industry Road Evaluation Studies (TIRES) completed in Victoria over the past decade have highlighted the needs of the forest industry.

The forest industry will assist the Government in the process by identifying wood flow projections and preferred haulage routes that are both suitable and safe.

³ Overview of Illegal Logging, Jaakko Poyry Consulting, September 2005

4. Contribution of Plantations

Australia's rural communities and economies are impacted by long-term structural changes in land use, population and investment. Ongoing rationalisation in all agricultural sectors explain the changes observed in rural Australia and underline the importance of encouraging new industries that diversify our rural economies in a sustainable way⁴.

Changes in land use can also drive changes in the demand for labour in rural areas leading to impacts on the regional employment opportunities.

Economic Contribution

Plantation forestry plays an important role in assisting rural communities to overcome the effects of rural decline and help future-proof our rural economies.

Every 200 hectares of new plantation establishment supports one full-time job. Plantation resources at a large scale can supply highly integrated timber processing operations and exports sectors, (e.g. Southwest Victoria). At that point, 1,000 hectares of plantations directly supports five full-time positions. With value adding and indirect employment, the industry supports 12.4 jobs per 1,000 ha of plantations⁵.

Employment in forestry helps to maintain the core of vibrant and sustainable communities when there are significant fluctuations in farm returns through local investment, jobs and expenditure⁶.

Environmental Contribution

Plantations provide an opportunity to include revegetation and remnant habitat protection onto a degraded landscape. The environmental services from plantations should be recognised in addition to the carbon sequestration benefits and salinity amelioration that could arise from the integration of plantations into the rural landscape. The ecosystem benefits of plantation forestry should be recognised in plantation policy and framework for plantation development.

Social Contribution

The reality of ongoing and historic improvements in agricultural productivity, advances in mobility and modes of transport, and changes in demand and demographics have meant ongoing rural adjustment. This includes universal increases in land prices. Research suggests plantation development plays only a minimal role in this trend⁶.

Plantation development usually means increased population over time, especially around harvesting and processing, enhanced community facilities and services, jobs infrastructure and expenditure. This is especially the case where processing has been established locally. It has also led to a greater proportion of working-age younger populations⁶. In some instances, plantation development has been key to arresting ongoing rural decline, local economies, their population, jobs, skills, amenities and services.

⁴ Barr, N. (2005) The Changing Social Landscape of Rural Victoria, DPI, Melbourne

⁵ Cameron, J.N. (2005) Socio-economics of the Forest & Forest Products Industry in Victoria, Victorian Association of Forest Industries, Melbourne

⁶ Schirmer, J. et al (2005) Socioeconomic Impacts of Plantation Forestry, BRS, Canberra.

5. Water

The government policy implementation position in relation to the water use of plantations has not fully been resolved. The implementation of the Water White Paper seems to focus mostly on the preservation of the rights of water users downstream of water supply storages and less to the potential of additional water use on land upstream of the storages. This policy setting preserves a status quo that does not take into account the land use potential in the high water yield areas to grow sustainable crops including plantations.

6. Planning & Approvals Process for Plantation Establishment

The issue of planning and approvals was thoroughly researched and analysed in the VCEC Report June 2005.

In response, the State Government has agreed there needs to be a coordinated approach, with a lead agency, and nominated DPI for that role.

7. Code of Practice for Timber Production

The industry supports the code of practice for timber production. The forest industry in Victoria (plantation and native) is one of the few land uses required to meet a code of practice. The standards for both private and public land place the industry at the forefront of sustainable resource/land management, which inevitably demands more in terms of restrictions and costs. This should be taken into consideration in overall frameworks and policy settings.