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Visy Paper Coatings is a registered business name of
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17 August 2020

Committee Secretariat
Standing Committee on Agriculture and Water Resources
Timber Supply Chain Constraints
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Submission by Visy Pulp and Paper Pty Ltd (Visy) to the House of Representative Standing Committee on Agriculture and Water Resources Timber Supply Chain Constraints in the Australian Plantation Sector

Visy welcomes the opportunity to provide comment to the Standing Committee.

Overview

The forestry industry in the South West Slopes of New South Wales supports over 5,000 jobs or one in every two jobs in the region and creates $2 billion in economic activity per annum.

Visy's kraft pulp and paper mill in Tumut, NSW is integral to the local community. As the largest employer in the region, Visy directly supports 1,200 South West Slopes families with well-paying manufacturing jobs.

Based on the most recent socio-economic analysis of the NSW South West Slopes forestry region, the total contribution of Visy Tumut's value-added manufacturing operations (direct and flow-on) to the economy is approximately $1,010 billion per annum, with approximately half of this amount (i.e. ~$500 million) contributing to the South West Slopes Gross Regional Product each year[1].

Visy Tumut's kraft paper making process requires an input of approximately 1.9 million green tonnes of virgin pulpwood[2] per annum, with long-term resource security from softwood plantations in NSW and northeast Victoria underpinning Visy's domestic processing and downstream value add activities.

[1] These estimates are based on the most recent socio-economic study conducted by the University of Canberra (using 2017 data), as reported in May 2020 in The Impact of the Industry in the Region - Economic Metrics Explained - May 22, 2020. South West Slopes Forestry Hub.

[2] Pulpwood includes arising woodchip produced from domestic sawmilling actives and pulplog harvested from plantations and converted into woodchip for pulp and paper manufacturing.

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Support of AFPA and SWG Submissions

Visy has reviewed the Australian Forest Products Association (AFPA) and Softwoods Working Group (SWG) submissions on Timber Supply Chain Constraints in the Australian Plantation Sector and fully endorses their recommendations. We would however like to emphasis the following:

Domestic manufacturing first policy

A lack of institutionalized new plantation expansion over the last decade and conversion of plantations to other agricultural land uses has resulted in Visy's pulpwood supply within the South West Slopes region (SWS) plateauing at around one million green tonnes per annum. This has necessitated the need to source approximately 900,000 green tonnes per annum of pulpwood from sources more than 100 kilometres from Tumut.

In addition to the sustainability issues around transporting pulpwood from such distances, securing resource from outside the SWS region costs tens of millions of dollars extra each year. This cost has continued to rise, unfavourably affecting Visy Tumut's international competitiveness and financial feasibility.

These risks and costs have been exacerbated by the catastrophic January 2020 bushfires, where 58,000 hectares of softwood plantations (40% of the resource) in the Tumut / Tumbarumba region of New South Wales was badly destroyed or damaged. It will take at least 12 to 15 years before pulplwood quantities from this region begin to recover to pre-2020 levels[3]. The result is that domestic processors are facing unprecedented challenges in securing forest product raw material requirements.

Over the past twelve months, over 1.3 million green tonnes of softwood pulplogs and almost 800,000 green tonnes of softwood woodchips have been exported from Australia[4]. Given the projected, significant shortfall in resource availability, the continued export of non-value added softwood forest products undermines regional domestic manufacturing and associated socio-economic benefits.

Further, growers frequently use "export parity" as a benchmark to derive equivalent prices for forest products. Visy has real concerns that some softwood log exporters receive market-distorting subsidies from foreign governments. This unduly inflates market prices and means that domestic processors are unable to compete on a level playing field for raw material resources.

Growing international demand for forest products has also resulted in a reluctance from many plantation growers to commit available resources to domestic customers over a long-term period (i.e. more than 5 years). This uncertainty makes it difficult and risky for domestic processors to justify investment in upgrades, innovative new products and partner to drive efficient logistics solutions. There is negligible consideration given to steady domestic returns, local economic development and local job creation.

[3] Excludes consideration for future wildfire and net stocked area decline during this period.

[4] IndustryEdge - Wood Market Edge

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Conclusion

Visy wants to continue to invest in and grow its Tumut operation into the future. However, that future is under threat from a shortage of regional softwood plantation timber resources. It is beyond doubt that in response, Visy will have to find new and innovative means to offset fibre supply loss and work with industry to grow and secure enough resource to support its operations.

Further to recommendations by AFPA and SWG, Visy recommends consideration of the points outlined below:

- Significant investment is required in key infrastructure (roads and fire prevention/fighting resources), reducing risk associated with future wildfire losses and promoting improved haulage efficiencies to reduce costs of logistics for pulpwood that will need to be sourced from distant plantations.
- Continue to recognize and ensure that the Australian pulp and paper industry (including the upstream forest industry) remains an essential industry in the current COVID-19 operating environment.
- Supportive policy should be developed by the Commonwealth and State governments to underpin the growth of forestry and domestic timber processing across Australia.
- Initiate third party inquiry into non-value added forest product exporters to confirm that products are sold on a level playing field.

We would welcome the opportunity to appear before the Commission to discuss these issues with you further.

Yours sincerely,

Dean Hawkins
Visy Pulp and Paper Pty Ltd
General Manager – Fibre Resources