

17th March 2011

Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam,

RE: Sale of timber assets by the South Australian Government.

The Hardware Association of SA is the peak industry body representing retailers and suppliers within South Australia.
The Association represents 130 retailers and 68 suppliers who employ between 8,000 and 9,000 people.
The GVP of the Hardware Industry within South Australia is worth \$2.5 billion.

One of the major activities of our members is the supply of timber – wholesale and retail – to the South Australian public. It is estimated that 25% of the trade for the Hardware industry is within timber and much of this is softwood timber supplied from the South East of South Australia.

The Hardware Association of SA Inc is extremely concerned at the planned decision of the South Australian State Government to forward-sell the state's \$2.8 billion timber assets. We believe that this is a short-sighted decision with no long term benefit to the state's economy.

The viability and profitability of many South Australian businesses is under threat as a result of the planned decision of the South Australian State Government to sell off forward rotations of timber products harvested from the softwood plantations managed by Forestry SA. This will have an enormous impact on the economy of South Australian, the South Australian Hardware industry and the South Eastern regions or the 'Green Triangle.'

The following figures quoted are extracted from the Forestry Industry Development Board and the annual report of Forestry SA (FSA)

- FSA produced **1,880,000 cubic metres** of timber last year. This is 78% of the total harvested logs in SA and 16% of Australian total.

- The return to Government was **\$45 million (93% increase on 08/09)** and a return of **11.5% on funds invested (up 23% on 08/09)**

Industry Contribution:

- **\$2.6 billion** of goods and services were produced by the forest and forest products industry in 2006-07 (11.3% of Australia's total).
- **13,000 people** are directly and indirectly employed in timber and wood processing activities (**10.8% of Australia's total**)
- Forest industries play an important role in the development of regional communities (**e.g. 28% of Limestone Coast's Gross Regional Product is attributed to the forest and forest products industries**)

The timber that originates from the South East not only provides local jobs it also provides thousands of jobs in the Hardware and Building Industries in South Australia. The timber our members sell would very likely be for the houses we build across the state. The immediate threat that is foreseen would be the

- a shortage of product, and
- poor quality timber being available to the industry and the consumer, and
- loss of self sufficiency in the supply of timber, and
- increased costs.

All these would result in increased costs that will flow through to the everyday consumer, crippling the affordability of housing even further in a market that is already considered to be flat.

Some of the key findings of the Community Impact Statement prepared by the Forestry Stakeholder Group highlights the following:-

1. **There is the potential by 2020/21 for around 40% of logs from Forestry SA's softwood estate to be exported reducing wood based manufacturing jobs in the South East area.**
2. **By 2027/28 the purchaser would have the option to sell 100% of logs outside the South East Region.**

It is a dangerous and short sighted position of Government that allows this valuable asset to be sold. To forecast the value of timber in 20 years' time is extremely difficult to do, and to predict what the value would be in 100 years is impossible. How can you put a price on this for short term gain when we have a very profitable government asset in our back yard that employs thousands of people and has the scope to and will be grown over coming years?

There are many flow-on affects like the

- Supply of pine bark for potting soils sold within the hardware and nursery industries.
- Monopoly of both imported and local timber (depending on the purchaser)

The Hardware Association of SA Inc would make the following comments in relation to the specific terms of reference.

(a) The likelihood of regional job losses.

While the regional job losses in the forestry industry have been well detailed by the relevant parties within the South East the concern for the Hardware Association of SA is the flow-on effect to the hardware industry in the region.

The Hardware Association has members in all towns in the South East. As indicated upwards of 25% of their business is the sale of timber. If the supply of timber is restricted then this will affect the viability of these businesses. If timber becomes more expensive this will mean that consumers will not purchase timber and will turn to other products like steel to undertake their construction. This will again affect the viability of the individual hardware stores.

(b) The flow-on effects to communities in timber-reliant regions.

The Hardware Association of SA is concerned at the flow-on effect to the industry in other regions and areas of South Australia.

The Hardware Association has members in all towns in South Australia and all suburbs of Adelaide. As indicated upwards of 25% of their business is the sale of timber. If the supply of timber is restricted then this will affect the viability of these businesses.

If timber becomes more expensive this will mean that consumers will not purchase timber and will turn to other products like steel to undertake their construction. This will again affect the viability of the individual hardware stores.

(c) The potential for the private buyer not to consider local impacts.

The current situation is that the timber plantations are owned by Forestry SA on behalf of the State Government. This effectively means that the timber plantations are owned by each and every South Australian for the benefit of them.

This is reflected in the fact that the return to Government was **\$45 million (93% increase on 08/09)** and a return of **11.5% on funds invested (up 23% on 08/09)**.

Industry and the community are most concerned that a buyer will come from outside of the state and/or from overseas. This will effectively eliminate the South Australian community as the owner of the timber.

If the demand for timber were to increase in interstate or overseas the new owner would not have the same loyalty to the South Australian market as Forestry SA.

There would be a strong likelihood that time normally destined for the South Australian market will be sold interstate or overseas leaving the market in South Australia short of timber.

To meet the demand South Australian timber merchants would have to import timber from overseas at a higher price resulting in additional costs to both the merchants and the consumers.

(d) The potential for reduced value-adding locally and increased off-shoring.

The Hardware Association along with the Nursery and Garden Industry Association are concerned at the flow-on effect in relation to the accessibility to pine bark for use within the production of potting mixes and landscape materials.

The majority of potting mixes within South Australia use pine bark as the base ingredient. Much work has been done by industry over many years to prepare high quality potting mixes based on pine bark. Manufacturers have invested in the technology to produce potting mixes that suit the local environmental conditions.

If harvested logs are sent off overseas untreated ie., the bark not removed, this will dramatically reduce the availability of pine bark for use in the production of potting mixes and as landscape materials.

(e) Any other related matters.

The scenario of a monopoly of timber by an overseas owner is of great concern to the industry.

If the buyer of the South Australian timber is also a major importer of other timbers into Australia then the industry could be faced with a monopoly on the supply of timber for the South Australian market. A monopoly is not within the best interests of South Australian consumers. Even a duopoly is not in the best interests of South Australian consumers.

Hardware Association of SA is concerned that the hardware industry will be forced to move from self-sufficiency of softwood timber supply to at least a 40% import situation in 2020/21.

Currently the supply of softwood timber to the hardware industry comes from the forests within the South East. If the key finding of the Community Impact Statement of the Forestry Stakeholder Group is accurate then the industry will be forced to import a minimum of 40% of softwood from outside of the state or Australia from 2020/21 – less than a decade away.

In a time when Government's at all levels are encouraging industry to increase local production as a way of 'import replacement' the proposal by the South Australian Government to sell of the timber assets is in contradiction to the strategy of 'import replacement'.

HASA also believes that this decision is in direct contradiction to many goals of the South Australian Strategic Plan.

If you require any additional information please contact me on 0417 809 172.

The Hardware Association of SA would welcome the opportunity to make an oral presentation to the Committee if required.

Due consideration of the points raised would be appreciated.

Yours faithfully,

Trevor M Ranford

Trevor M Ranford B.Sc., Dip MP (AIMSA), CPMgr.
Executive Officer