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Committee Secretary
Standing Committee on Agricultural and Water Resources
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Dear Sir/Madam

Thank you for the opportunity for the Housing Industry Association to provide a submission to the Inquiry into timber supply chain constraints in the Australian plantation sector.

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 150,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year as well as small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over $100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 400,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, advocate for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry.

About this Inquiry

In the media release by the Committee Chair on the launch of this Inquiry it was noted that:

> 'Australia's forest products manufacturing sector is worth more than $23 billion per year. Currently, Australian plantations are unable to fully meet the sector's demand for timber, resulting in more than 900 million cubic metres of sawn softwood being imported each year.'
>
> Mr Rick Wilson MP, Chair of the Agriculture and Water Resources Committee went on to say that *'more than 50,000 people are directly employed in the forestry sector in Australia, with the bulk of those working in wood product manufacturing.'*
>
> *'It is therefore critical for regional economies across Australia that the timber supply chain is operating effectively.*

The Committee will be examining domestic softwood producers current and future demand for wood, the ability of the plantation sector to meet this demand, and any constraints in the supply chain reducing the plantation sector's ability to meet demand'

HIA's comments in regards to the Inquiry and the Terms of Reference focus on the following key areas for our membership and the residential building industry more broadly:

- Security of the timber supply chain to meet short, medium and long term demand for future home building
- Keeping the supply of timber for home building at a competitive price and not subject to significant market fluctuations
- That there is appropriate rigour in the timber supply chain for timber used in construction, to ensure that it does not enable sub-standard or non-conforming products from making it onto building sites
- Governments continuing to support Australia's forestry, manufacturing and supply sector, and
- Governments supporting research and development and removing any unnecessary barriers for further uptake of new and innovative products and materials particularly in respect to modular and systems based construction.

While these issues are not specific to the Terms of Reference they are integrally linked to the purpose and nature of the Inquiry taking regard of the current and future construction demand for timber, the ability of the plantation sector to meet this demand, and any constraints in the supply chain.

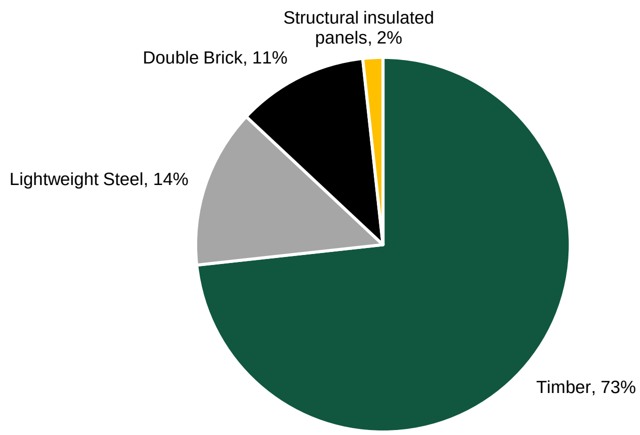
Further detail on these matters is set out below.

Security of the timber supply chain to meet short, medium and long term demand for future home building

Long term housing forecasts are difficult given the current environment with the COVID-19 pandemic. However, based on population growth projections and ongoing replacement of aged housing stock it is conservatively estimated that there is demand for the construction of around 170,000 new dwellings per year on average in Australia.

It is estimated that between 95,000 and 115,000 detached dwellings will be constructed each year and around 75 per cent of these are expected to use timber framing for the load bearing elements of the walls and roof. While there has been growth in the use of alternate framing materials and building systems these still represent a very small proportion of the market.

Load Bearing Elements in New Detached Houses
Source: ACI



The housing industry therefore needs to have confidence that this demand can be met and that government policies will facilitate and support the forestry industry to meet this year on year demand.

Keeping the supply of timber for home building at a competitive price and not subject to significant market fluctuations

Following on from the comments on security of the timber supply chain to meet demand, the issue of timber remaining at a competitive price for residential construction is equally important and inherently linked.

For home building having a secure supply chain is essential but so is the price of material remaining at a competitive rate and not being subject to significant fluctuations in prices that could affect project viability and selection of materials.

This is particularly relevant given the high proportion of timber used in residential construction.

Whilst pricing of materials is generally a market driven mechanism, the security of supply and long term investment, business support, energy pricing, freight and haulage pricing and regulatory impediments are all interlinked to the issue of price. Actions that can support the sector to ensure that fluctuations on price are minimised and material prices are kept at competitive levels should be a focus for all governments.

That there is appropriate rigour in the timber supply chain for timber used in construction to ensure that it does not enable sub-standard or non-conforming products from making it onto building sites

Australia has a vast forest estate of almost 132 million hectares, making it the world's 7th most forested nation. However, despite an abundance of forest resources, there are only around 7.5 million hectares of multiple-use public native forests and nearly 2 million hectares of plantations almost evenly split into hardwood and softwood. Forest plantations occupy only 0.5% per cent of the 385 million hectares of agricultural land.

Australia's plantation estate area is declining. In 2018-19, only 2,750 hectares of new softwood and 50 hectares of hardwood were planted across Australia[1]. New plantation establishment as shown in figure two has been flat lining for nearly a decade.

Furthermore, this lack of new plantings and replanting in Australia's plantation estate will lead to an expected shortfall of wood fibre over the next four decades. Without an increased supply of high quality local timber and forest products, Australia will be forced to import more potentially lower quality and sub-standard timber and fibre-based products.

Therefore, Government policies need to ensure that Australia has a rigorous system in place to ensure that sub-standard or non-conforming timber (products purporting to meet a specific standard but don't meet the standards they claim to meet) do not make their way into the building supply chain and building sites particularly for timber products used in structural components of buildings.

This is applicable for both for domestically and internationally sourced products but particularly internationally sourced products.

This issue of non-conforming building products entering the supply chain and appropriate controls has been the subject of a previous Senate Inquiry and recommendations arising from the report are still progressing.

[1] https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/plantation-and-log-supply

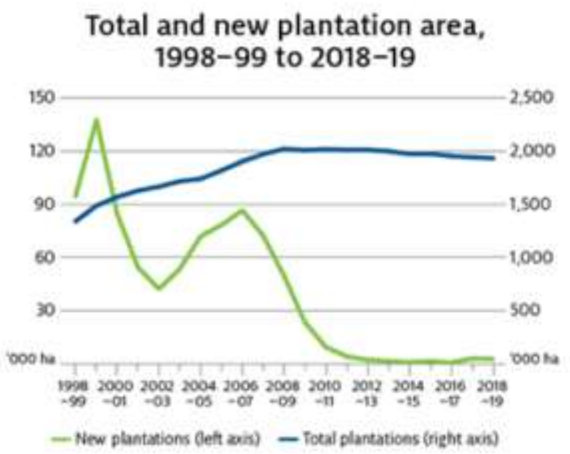


Figure 2. Source: ABARES[2]

Governments continuing to support Australia's forestry, manufacturing and supply sector

HIA supports efforts by governments to continue to support Australian made, grown and manufactured materials. Further to this, efforts to support Australian businesses that focus on exporting products should be maintained.

Additionally policies such as that launched by the Federal Government in 2018 regarding 'Growing a better Australia: A billion trees for jobs and growth' (National Forest Industries Plan), which includes a commitment to plant one billion new commercial plantation trees are an admirable commitment and one that industry fully supports.

These new trees are vital to meet the expected future increased demand for forest products, however, equally important and detailed in other submissions to this Inquiry, is ensuring that these trees are planted in the right locations. Planting new trees too far from where they will ultimately be used can have significant impacts on price and viability based on haulage prices and other factors.

Governments supporting research and development and removing any unnecessary barriers for further uptake of new and innovative products and materials particularly in respect to modular and systems based construction

The building industry is a dynamic industry and whilst the materials used and the construction methods implemented can appear from the outside looking in to be relatively static, in the past few years the industry has been looking for new ways to streamline building processes and save time on site.

For timber products this has included the move to offsite or prefabricated wall, floor and roof frames and significant uptake and supply of engineered timbers. Recent changes for multi residential and high rise construction has also seen the use of materials such as Cross Laminated Timber (CLT) begin to enter the mainstream.

Over the next 5 years it is expected that modular, off site and systems based construction will become more common, with many of these systems utilising common building materials such as standard framing as part of the system.

These innovations in construction systems and materials rely on investment in research and development to not only bring the systems to market through the testing and analysis but also equally important is changing mindsets and perceptions to these new and innovative approaches.

Existing regulations currently place some barriers and road blocks on new and innovative materials and approaches as they have generally been written with traditional construction materials and methods in mind and can be slow to adapt and evolve.

Governments can play a big part in removing unnecessary barriers and looking at proactive rather

[2] https://www.agriculture.gov.au/abares/forestsaustralia/plantation-inventory-and-statistics

than reactive approaches to supporting innovation in the building sector.

Conclusion

The Inquiry provides an important opportunity to examine current and future demand for wood, the ability of the plantation sector to meet this demand, and any constraints in the supply chain reducing the plantation sector's ability to meet demand and look at ways in which Governments can support the timber supply industry.

These matters are equally important for the residential building industry in meeting current and future housing demand and to recognise that timber is and will remain the predominate material used in housing construction.

The Housing Industry Association appreciates the opportunity to provide a submission to the Inquiry on this important matter and would be willing to participate in any resulting Committee hearings.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

Simon Croft
Executive Director – Building Policy