

Supplementary Comments

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Impact of the Draft Bill on PNG

The initial ban in the Bill will deter exports of timber products from PNG. With the high level of uncertainty about how the legislated ban will operate, most PNG forest operators, large and small, will not take the risk of exporting to Australia. We would expect Australian importers to be similarly averse about taking such risk.

The reality about this draft is that it will stop all timber trade with PNG: that was never its formal intent.

The Association estimates around \$A 20 million of timber product is exported to Australia each year.

The share from small holders is around \$A 5 million. While that may seem small, the Association estimates those exports support around 10,000 low income forest producers in PNG. Most will be exercising their legal right to harvest up to 500 m³ of forest product.

The immediate threat of being challenged for possibly exporting illegal timber will mean these producers will cease supplying to the Australian market. This will severely impair the capacity of these people to support their families.

In the long run, when the detailed controls on imports, which are to be introduced two years after entry into force of the bill, are enacted, we anticipate the cost to the processors of meeting the compliance requirements of the bill will also deter them from seeking to export to Australia product derived from harvesting by small holders.

In the case of smallholders, the timber is processed typically by small to medium mills who then export in small quantities to niche markets. Such Australian importers will be even more averse to being exposed the risks created in the proposed legislation.

Overall, this bill as currently framed will significantly harm the welfare of a large number of semi-subsistence Papua New Guinean Nationals. Was this the intention of the Government?

PNGFIA recommends that the initial ban not be legislated and that attention in the two year period envisaged be focussed on intense consultation with the forest industries PNG and other developing exporting economies so arrangements can be settled in consultation which meet the concerns of the Australian Government in ways that do not cause economic damage in PNG.

In this respect, PNGFIA noted with satisfaction in the first round of hearings that members of the Committee seemed quite receptive to the idea of recognizing national and third systems to verify legality in producer economies. However this same sentiment is not expressed in the latest draft, it merely notes they may be considered among a range of options.

The bill should not be implemented until these matters are settled. We have experience with this type of problem in PNG where legislation unsupported by regulation becomes unworkable.