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Inquiry into Regional Australia  
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### **Select Committee on Regional Australia - Inquiry into Regional Australia**

The Australian Forest Products Association (AFPA) welcomes the opportunity to make a submission to the Select Committee on Regional Australia inquiry into Regional Australia.

AFPA is the peak national body for Australia's forest, wood and paper products industry. We represent the industry's interests to governments, the public and other stakeholders on the sustainable development and use of Australia's forest, wood and paper products.

The forest products industry is one of Australia's largest manufacturing industries with an annual turnover over \$23 billion. It contributes around 0.5% to Australia's gross domestic product and 6.6% of manufacturing output (see [here](#)). Around 80,000 people are directly employed along the industry value chain with a further 100,000 jobs supported through flow-on economic activity.

Forest industries have the potential to help the Government achieve its goal to grow Australian agriculture to \$100 billion by 2030, including a significant positive impact on regional Australia jobs, communities and economic growth. It is truly an 'essential regional industry'.

### **An Essential Regional Industry**

It is well known that our renewable forest industries have a large geographic spread that provides much needed jobs, skills, economic activity and community cohesion in many rural and regional areas across Australia. Forest industries are the keystone employer (more than 4% of the workforce) in more than 17 regional towns across Australia (see **Figure 1 below**).

As detailed in [the Forest Industry Advisory Council Strategic Directions Issues Paper](#), a strengthened regional approach: '*would allow the sector to focus its development in line with the resource and value-chain characteristics of a particular region*'.



Further, ‘encouraging the establishment of forest industry hubs could strengthen regional development of the forest industry and improve its productivity, profitability and competitiveness.’

**Figure 1:** Australian regional centres dependent on forest industries ([BAEconomics 2015](#))

**Regional centres highly dependent on forest industry employment**

Region/town	Direct forest industry jobs (persons)	Direct as a % of regional employment	Total direct and indirect jobs from forest industry
Oberon NSW	257	24.9%	642
Tumbarumba NSW	110	19.5%	275
Tumut NSW	462	17.8%	1155
Morwell VIC	890*	16.2%	2225
Millicent SA	278	14.6%	695
Myrtleford VIC	134	12.5%	335
Mount Gambier SA	1224	10.7%	3060
Derwent Valley TAS	310	10.6%	775
Eden NSW	108	9.2%	270
Smithton TAS	123	8.7%	308
Manjimup WA	140	7.6%	350
New Norfolk TAS	119	5.9%	298
Traralgon VIC	590	5.2%	1475
Colac VIC	253	5.0 %	632
Grafton NSW	274	4.6%	685
Gympie QLD	278	4.3%	695
Benalla VIC	148	3.9%	370
Morwell VIC	182	3.9%	455
Maryborough QLD	269	3.6%	673
Albury NSW	283	1.2%	708

**Source:** ABS Census 2011. \* Direct employment from Maryvale paper mill only and does not include jobs from forestry and other wood processing.

The forest industry hub model envisages a group of closely located businesses that are connected through their value chains, use of resources, technology, complementary products and workforce needs (Aguilar et al. 2009<sup>1</sup>). The hub model seeks to encourage collaboration and positive competition among businesses and improve research, innovation, productivity, resource use and business development outcomes (Aguilar et al. 2009).

<sup>1</sup> Aguilar, FX, Bratkovich, SM, Fernholz, K, Garrard, A, Grala, RK, Leightley, L, Martin, W & Munn IA 2009, *The status of and opportunities for business clustering within the forest products sector in the US*, prepared for the US Endowment for Forestry and Communities Inc., Greenville, South Carolina, available at [usendowment.org/businessclusteringhome.html](http://usendowment.org/businessclusteringhome.html) (pdf 2.40mb).

In November 2015, AFPA released a comprehensive policy proposal ‘**Plantations...the missing piece of the puzzle**’ (see [here](#)) which charted a course back to modest forest resource growth within defined ‘Forest Industry Hubs’ around major processing sites located primarily in Australia’s regions.

Research into the economics of the forest industry has repeatedly shown that the optimal areas to develop new plantations are within 100 kilometres of major processing sites. These important facilities – including pulp and paper mills, sawmills, wood panel plants and other facilities - provide the most significant domestic and export market opportunities for the industry. The most recent analysis by [BAEconomics \(2015\)](#) has shown that, unless exceptional circumstances exist, the typical economic haulage distance for investment in new plantations is within 100 kilometres of a market.

The other advantage of new tree planting within strategic hubs is the economies of scale brought about by the existing wood resources in these regions. Plantation resources that are too distant and fragmented lack the scale at a regional level necessary to support internationally competitive and profitable wood and paper product processing facilities.

An important forest industry feature is the integrated use of high-quality logs for timber as well as pulpwood and lower quality wood that is converted into value-added products such as paper and wood-based panels. The existence of strategically located processing facilities such as paper and panel board mills provide a high-value market for pulpwood and other processing residues from the sawmilling industry. This integrated value chain improves the overall profitability of the industry, underpins many regional jobs, economic activity, and vibrant communities.

*Our renewable forest industries and regional communities will grow under supportive policy in key areas like:*

- *facilitating private investment in new plantations where it is needed most.*
- *investing in key infrastructure, road and communications projects to unlock productivity game changing initiatives (such as ‘bottleneck bridges’).*
- *facilitating investment in farm forestry projects.*
- *training and skills development to lift productivity and address critical skill demand shortages within the plantation hubs.*

**Following are some key investment drivers for Government and industry that will drive regional innovation, growth and jobs and assist the Government achieve its goal of \$100 billion by 2030:**

### **Investing in industry R&D**

In comparison to other countries Australia has fallen far behind in its investment in research and development (R&D). Funding of R&D investment has fallen from around \$104 million in 2008 to less than \$20 million in 2019 and associated with this decrease has been a decline in

the number of researchers, technical and support staff undertaking this effort from 732 in 2008 to 70 in 2019, but some say as low as 30, more information [here](#).

Investment in forest industries R&D has the potential to boost productivity by at least 20% and drive employment growth. AFPA analysis, based on forest industry workforce data and conservatively applied multipliers, suggest that Australia is well positioned to take a significant role in a growing global market for timber, bioenergy, fibre and cellulose based biomaterials.

AFPA appreciates the Government's ongoing efforts to address this R&D capacity issue over the last several years through the funding of the small 'National Institute for Forest Products Innovation' (NIFPI) centres, in Mt Gambier and Launceston. The \$2 million in Federal funding matched by \$2 million in State funding in both these locations generated approximately \$17 million spent on 29 projects across both centres. This funding was committed entirely within an eight-month period and it will not help to build on R&D capacity nor is it a long-term solution to the R&D crisis facing industry. There is no more funding in the pipeline for either centre. The quantity and quality of the applications for the NIFPI funding demonstrates industry is interested and ready to invest more money in R&D.

Our competitor forestry nations such as New Zealand (SCION with a budget of \$52.5 million pa) and Canada (FP Innovations with a budget of \$72.5 million pa) have established forest value chain R&D agencies which are co-funded by Government and industry. They are delivering large breakthroughs for those countries, making their forest industries more efficient and more profitable. This is essential in a globally traded product such a wood and wood derivative materials to secure the future of their forest product industry workforces.

AFPA is developing a proposal for the need to invest in a forest industries R&D centre of a comparative scale in Australia, potentially building on the existing NIFPI centre in Launceston. This suggestion is supported by the recent ACIL ALLEN report commissioned by R&D Corporations in March 2019 called '[Agriculture a \\$100B sector by 2030?](#)'. The Report explains the current value of the sector by commodity (\$67 billion) and postulates four major potential drivers for growth to enable the meeting of the \$100 billion target.

Under Driver 2.2 ACIL ALLEN says '*Investing in off-farm R&D – creating value up the chain*'. Further stating that '*Developing new uses for products helps to diversify the agricultural sector and allows the sector to better withstand uncertainty and a changing environment. Value add is a significant contributor to the agriculture and food industry.*' (see page 15).

A significant investment in R&D will enable our renewable forest industries to drive regional innovation, growth and jobs and assist the Government achieve its goal of \$100 billion by 2030.

### **Investing in new production trees**

In September 2018, the Assistant Minister for Agriculture and Water Resources Senator Colbeck released the Federal Government's **National Plan for forest industries 'Growing a Better Australia – A billion trees for jobs and growth'**. In the plan the Government commits to

planting one billion new plantation trees however there are no policy settings for encouraging the planting of additional trees in Australia.

There is currently a \$2 billion trade deficit in timber which results in the importation of large volumes of timber. The growing shortage of softwood plantations prevents our sawmillers from expanding to global-scale productions. Australia is currently importing more than 918,000 cubic meters a year of sawn softwood (the equivalent of 76,500 new house frames), see [here](#). This is increasing construction costs and will only worsen as our population expands and our cities grow. There is a growing global demand for renewable timber, paper, cardboard and bioproducts to replace those existing products derived from fossil fuels.

In order to meet both the Government's target of 1 billion new plantation trees and the market shortfall, industry estimates that an additional 400,000 hectares of production trees, is urgently required to simply keep pace. We believe 300,000 hectares of new plantations and 100,000 hectares of new farm forestry plantings at the modest rate of 40,000 hectares per year for ten years will achieve this target, more information [here](#). According to ABARES there is 385 million hectares of agricultural land in Australia. Plantations presently occupy just 1.9 million hectares.

The industry goal would see that grow to about 2.3 million hectares. Plantations cannot compete for prime agricultural land and growth will occur on marginal country. In Australia, all plantation growers are certified as sustainably managed by either the Forest Stewardship Council or Responsible Wood/PEFC or both. The demand for wood supply has never been higher and if Australia does not produce its own product it will continue to be imported. It is difficult to ensure all timber coming into Australia has been sustainably sourced and we are aware there are concerns over the sustainability and even legality of some wood supplies imported into the country.

*There are regulatory barriers in place that currently prevent the growth of the plantation estate in Australia such as the existing Carbon Farming Initiative (CFI) rule restrictions (related to rainfall zones) contained in the CFI regulations negative list. This effectively exclude new forest plantation and farm forestry projects from participating in the Emissions Reduction Fund (ERF) using the existing CFI methodologies for forest plantations and farm forestry.*

### **Investing in emissions reduction projects**

Trees are a sustainable biological resource that produce renewable wood and paper products, including emerging new and innovative products such as biomaterials, biochemicals and bioenergy. They also provide multiple benefits, including the carbon stored over time in the growing forests, renewable wood products, economic activity, jobs and environmental benefits. In addition, relative to alternative materials such as steel, aluminium and concrete, wood products have very low embodied energy, with very low fossil fuel energy inputs used in their production.

AFPA recognises the proud social, economic and environmental record of our renewable forest industries and the inherent environmental strengths of our products as a renewable resource with a high propensity for recycling, a low carbon footprint and responsible sourcing from sustainably managed forests and fibre waste streams.

AFPA actively promotes the important role our forest industries can play in reducing emissions, transitioning to a carbon constrained future, and assisting the Government achieve ambitious national targets – while having a positive impact on regional Australia jobs, communities and economic growth.

The significant potential for our forest industries to contribute to climate change mitigation was acknowledged in the 4th assessment report of the International Panel on Climate Change (IPCC), which stated:

*A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.*

The major pathways for emissions reduction from our renewable forest industries include:

- the carbon sequestered in growing forests;
- the carbon stored in durable wood and paper products;
- the substitution of high emissions materials (e.g. steel, concrete) with wood and other fibre-based products that have low embodied energy; and
- the use of woody biomass for renewable energy (including for renewable heat and biofuels), thereby displacing fossil fuels.

### **Investing in co-benefits of emissions reduction**

A focus on co-benefits in emissions reduction policies is also being advocated by [Climate Proofing Australia \(CPA\)](#), of which AFPA is one of the founding members. CPA is an industry and conservation led network of organisations committed to advancing the role of farming, forestry and conservation in meeting Australia's emissions targets. This cross-sector collaboration seeks to work together in an unprecedented manner to manage land in ways that reduce the impact of climate change on people, nature and economies. The founding members of the alliance are Greening Australia, the Australian Forest Products Association, the Red Meat Advisory Council, and Farmers for Climate Action.

### **Investing in the emerging bioeconomy**

Climate change and emissions reduction are one of the great policy issues of our time. The Australian government has committed to reduce the nation's emissions by 26-28 per cent on 2005 levels by 2030. As Australia and the world ramp up efforts to drastically reduce emissions, our renewable forest industries can play an even greater role in Australia's transition to a greener, low-carbon emission economy.

In June 2018, the AFPA launched '**18 by 2030 – Forest Industries help tackle Australia's climate change challenge**' detailing a plan to remove over 18 million tonnes of CO<sub>2</sub>-e per year by 2030, by:

- Building Block 1: Storing carbon in new forest plantations.
- Building Block 2: Replanting existing forest plantations to maximise on-going carbon storage.
- Building Block 3: Increasing the use of wood products in the construction of new detached residential houses, multi-rise apartment and commercial buildings to offset emissions.
- Building Block 4: Reducing emissions from our processing and industrial facilities by being more energy efficient and using renewable bioenergy (both electricity and renewable heat) instead of fossil fuels.
- Building Block 5: Reducing emissions in transport by replacing fossil fuels with renewable biofuels.
- Building Block 6: Reducing emissions by supporting the use of sustainable biomass for cofiring in existing coal fired power stations.

This ambitious but important goal can only be achieved through the right mix of policies across all levels of government to maximise the carbon-storing and emissions reduction potential of our renewable forests and forest products. The 18 by 2030 climate change challenge document can be found [here](#). AFPA's associated 18 by 2030 website with more information is [here](#).

Our renewable forest industries in Australia stand ready to assist the Government achieve its goal of \$100 billion by 2030 and underpin vibrant regional communities. In order to participate, the removal of unnecessary regulation which hinders the growth of our industry and support for R&D are keys to growing Australia's sustainably managed forest resource.

Any further queries on this submission please contact AFPA on [REDACTED].

Yours Sincerely

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