

17 March 2011

Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Email: rat.sen@aph.gov.au



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

Attention: Committee Secretary,

The CFMEU (Construction, Forestry Mining and Energy Union) welcomes the opportunity to make a submission to the inquiry. The CFMEU's membership base includes representation from major South Australian regional timber processors in a variety of sectors at sawmills, engineered wood products operations and pulp and paper facilities at Tarpena, Nangwarry, Millicent, and various other sites within Mount Gambier, the Mid North and Adelaide region.

The CFMEU is opposed to the South Australia State Government's proposed forward sale of up to 84,000 hectares of state owned softwood plantation assets. The CFMEU has warned its membership that the forward sale could decimate regional communities throughout South Australia if there is an unrestrained ability of the purchasing organisation to sell saw logs and fiber overseas, potentially forcing local mill closures and causing massive job losses.

The South Australian Government has taken a piecemeal, precarious approach by not comprehensively and transparently sharing their knowledge of the trade offs (costs and benefits) of the proposal with regional communities. Comprehensive risk analysis and socio-economic modelling has either not been undertaken or not shared. Without this information CFMEU members have not felt that they have been given the opportunity to measure the relative worth of the South Australian Government's proposal. This is a shame, as the timing of the Government's proposal provided an opportunity to concurrently address current and emerging threats to the on-going commercial viability of softwood forestry and processing in the Green Triangle. Failure to successfully address these threats will in all likelihood significantly reduce regional jobs, independent of ownership of wood resources in the Green Triangle.

Examples of core issues the CFMEU considers need to be successfully addressed to optimize the value of the softwood estate to South Australia and regional prosperity include;

1. Wood supply security

A significant contributor to the levels of sustainable jobs in the Green Triangle is the diversity of softwood processing industries in both quality of wood used and size of operation. The diversity of processing facilities enables high levels of wood utilisation, generating improved commercial results for all participants. Underpinning the commercial viability of these industries are commercial wood supply contracts. Currently there is considerable uncertainty amongst a number of wood processors concerning their access to traditional wood supply contracts, impinging on investment necessary for facilities to remain competitive. Concurrent with the Government's consideration of their proposal for forward selling should have been the negotiating of long term wood supply agreements with traditional processors as a prudent and commercially appropriate action to strengthen regional development outcomes generated by regional processing of the softwood estate.

2. Softwood plantation growth

A major risk to maintenance of softwood processing jobs in Australia is the low rate of replanting of harvested softwood plantations and their expansion. The private sector does not have a good track record of establishing and/or expanding softwood plantations. The SA Government has recognised this risk and has facilitated ForestrySA, in addition to re-establishing around 1,900 hectares of harvested areas, planting an additional 700 hectares per annum to create additional resources. Concurrent with the Government's proposal for forward selling should have been the implementation of decision making structures to incorporate secure resourcing for continued expansion of softwood resources in the Green Triangle.

3. Readiness for successful adaption to changing forestry landscape

The CFMEU recognizes that there will be changes in the forest landscape in the Green Triangle. Four specific issues come to mind. First, the forecast reductions in land area currently in hardwood plantation estate following purchase by timberland companies of failed MIS companies. A proportion of this released land is very suitable for growing softwood plantations. Second, the ongoing role and ownership of significant processing facilities in the Green Triangle – for example Kimberly-Clarks' Pulp mill – are currently being reviewed. Are there effective actions the SA Government, in collaboration with other organisations, could deliver to broaden the options for the future commercial use and products from these facilities? Third, the role the Government expects the carbon assets embedded in Forestry South Australia's plantations will play in future management arrangements. Fourth, the actions which can be implemented to strengthen the competitiveness of regional paper products manufacturing in the face of dumping activities by overseas competitors.

4. Water Regulation

The CFMEU supports the better use of our water resources to deliver sustainable regional land uses which equitably integrates and manages the interactions between the economy, environment and the community. Our initial advice is that the processes detailed in the Natural Resources Management (Commercial Forests) Amendment Bill 2010 singles out commercial forests for water regime regulation, compared to other land uses and will significantly disadvantage the re-establishment of commercial forests and their expansion. This outcome could have unnecessary negative consequences on job opportunities. Without the benefit of Regional Impact Statement – theoretically a key input into Government's decision making to guide evaluation of impacts of proposed legislation it is difficult to assess the risks.

5. Skills Development

The CFMEU supports the proposal developed by the industry's skills council ForestWorks which would ensure that there was better industry response to the growing problem of skill shortages. The proposal, which would be fully funded by the Council, would better equip the State Government in dealing with this issue in partnership with the industry.

With the forward selling proposal not discussed in the context of concurrently addressing the above threats to the industry and therefore ignoring the issue of job security for workers, families and communities, it is unsurprising that the community has taken a precautionary approach to the sale of their resource, which they rely.

An absence of communication, consultation and disclosure has been exacerbated by scepticism of the Government's motivations through the announcement of the sale in the context of a strategy for reducing the State's debt rather than enhancing the timber industry. Proposals such as this need to be accompanied by dialogue with the community of the economic, social and environmental dividends projected. This proposal should have addressed how the sale would integrate and compliment a viable, stakeholder supported forest and forest products industry strategy.

We are happy to assist the inquiry in any way.

Sincerely,

Michael O'Connor,
CFMEU National Secretary,