

## Native forestry

- 4.1 Since the arrival of the First Fleet in 1788, harvesting from both public and private forests has significantly altered much of the forest estate in Australia. Whilst many native forest products have been replaced by other materials – by concrete, steel and plastics – and despite the growth of timber plantations, native forestry remains a fundamental part of the Australian economy, especially in rural and regional areas. The inquiry’s terms of reference direct the Committee to consider ‘the development of win-win outcomes in balancing environmental costs with economic opportunities’, and this chapter will discuss how those two things can be balanced. Whilst there are challenges that face all parts of the Australian forestry industry, there are particular challenges and opportunities specific to native forestry.
- 4.2 Australia’s forests have been harvested and managed to some degree – however small – for tens of thousands of years. Some submissions to the inquiry have made reference to the use of fire for forest management by Indigenous Australians, as well as their regular use of various forest products.<sup>1</sup> Other submissions have drawn attention to the continuing significance of native forests for indigenous heritage.<sup>2</sup> It is clear that the cultural story of Australia’s native forests goes back many thousands of years, and the Committee is pleased that so many witnesses and submitters recognise the ancient history of Australia’s forests.
- 4.3 Native forestry is a substantial part of many regional and rural economies around Australia. It provides significant employment in numerous regional centres, and is a vital part of many communities. The Committee consistently heard evidence from groups and individuals who viewed the

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1 Submission 36, Mr J Lord, p.3; Submission 87, Mr JA Beale, p.2; Submission 90, Victorian Association of Forest Industries, p.17; Submission 91, Councillor Lindsay Passfield, p.1.

2 Submission 22, South East Forest Rescue, p.58; Submission 20, North East Forest Alliance, p.16;

viability of the native forestry sector as central to the viability of their community. As expressed by Mr Tony Wade, of Timber Communities Australia:

We still have a fair bit of employment in the industry up here. We have lost a lot. But socially I think it has been devastating for a lot of the genuine people that were in timber and in forestry for all the right reasons. I think they have been forced to do other things. Some of them maybe were old enough to receive a pension, but I really believe that had they stayed in the job they loved they would never have retired until they were too old and arthritis got the better of them...Another thing that disappoints me greatly about the undue pressure that has been brought on the industry as a whole and the lifestyle is the fact that families no longer stay intact, that children are forced to go to the cities to work, there is no family business to carry on with, and again this puts a lot of pressure on relationships.<sup>3</sup>

- 4.4 The evidence of Ms Lisa Marty, CEO of the Victorian Association of Forest Industries, demonstrates how the forestry industry has a significant 'flow-on' effect to other areas of the economy. This is true of native forestry as much as in plantations:

The industry is a significant employer: it directly employs over 24,000 people and indirectly supports the employment of up to 52,000 more. Many of these jobs are located in regional areas which are highly dependent on the industry for employment and socioeconomic activity. The industry also supports the manufacturing sector, which includes the local furniture, frame and truss, and paper industries as well as wholesale and retail sectors.

- 4.5 As for the current and future prospects for the Australian forestry industry, the recent history of native forestry is the most important. As noted in Chapter 2, the National Forestry Policy Statement in 1992 continues to be the central reference point for much discussion around the state of forestry in Australia.
- 4.6 During the course of the inquiry, there have been a number of major themes that have been consistently been raised in evidence given to the Committee. These include:

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3 Mr Tony Wade, TCA, *Committee Hansard*, 1 September 2011, p.54.

- How to define a ‘native forest’, ‘old-growth forest’ and ‘high conservation value’ forest, and how to manage conservation values in native forests;
- Wood supply security, including the RFA process and social licence;
- Forest ownership and a ‘fair return’ for the use of a community resource;
- Native forest management, including bushfires, regrowth and biodiversity; and
- Native forest products.

This chapter deals with these themes sequentially.

4.7 The Committee strongly supports a strong, viable native forestry sector. As part of that strength and viability, native forestry must continue to operate under the following principles:

- wood supply security;
- high-value products;
- a ‘fair return’ for the use of a community resource;
- ongoing monitoring and information collection;
- science-based decision making; and
- intergenerational equity.

These principles will be developed in different sections of this chapter.

## **Defining and managing native forest conservation values**

4.8 A significant area of debate regarding native forestry in Australia centres on the definition of a ‘native forest’. A related discussion concerns the best way to classify the conservation value of native forests, and how to manage those conservation values. These issues will be discussed below.

### **What is a native forest?**

4.9 Defining a ‘native forest’ is not simple. It is an inherently vague and imprecise term. Returning to the 1992 Statement, its glossary provides two good definitions, of both ‘forest’ and ‘native forest’.

*Forest* - an area, incorporating all living and non living components, that is dominated by trees having usually a single stem and a mature or potentially mature stand height exceeding 5 metres, and with existing or potential projective cover of overstorey strata about equal to or greater than 30 per cent. This definition includes Australia's diverse native forests and plantations, regardless of age. It is also sufficiently broad to encompass areas of trees that are sometimes described as woodlands.<sup>4</sup>

*Native forest* - any local indigenous community the dominant species of which are trees – see *Forest* – and containing throughout its growth the complement of native species and habitats normally associated with that forest type or having the potential to develop these characteristics. It includes forests with these characteristics that have been regenerated with human assistance following disturbance. It excludes plantations of native species and previously logged native forest that has been regenerated with non-endemic native species.<sup>5</sup>

- 4.10 The definition of 'forest' has been used (with some modifications) by documents such as the *State of the Forests 2008* report.
- 4.11 This broad definition of 'native forest' has both advantages and disadvantages. On the one hand, it speaks of all kinds of forests dominated by endemic native species, and uses generally non-technical language. On the other hand, it does not distinguish between 'frontier' or 'undisturbed' forests and those that have been harvested and regrown with human assistance, or forests on land that might previously have been open farmland. This breadth has the potential to create considerable confusion. In the general community, a reference to a native forest might conjure up images of an untouched wilderness, a forest whose wood has never been harvested and which has not changed significantly since European settlement. However, that 'native forest' might have been logged and regrown over decades. The term 'native forest' also denotes both public and private forests. The definition is useful, but by itself 'native forest' is a potentially misleading term.
- 4.12 'Regrowth' native forests might be logged and regrown over decades. According to one witness, some of these forests are classified as 'remnant forest' or 'virgin forest'.<sup>6</sup> Without adopting an opinion regarding these

4 *National Forest Policy Statement* (1992), glossary, ii.

5 *National Forest Policy Statement* (1992), glossary, iii.

6 Associate Professor J Doland Nichols, *Committee Hansard*, 1 September 2011, p.29.

particular examples, they demonstrate the potential for confusion when the general term 'native forest' is used by itself.

## What is an old-growth forest?

4.13 The best definition of an old-growth forest is in the National Forest Policy Statement:

forest that is ecologically mature and has been subjected to negligible unnatural disturbance such as logging, roading and clearing. The definition focuses on forest in which the upper stratum or overstorey is in the late mature to overmature growth phases.<sup>7</sup>

4.14 Hence, an old-growth forest refers to a mature forest that has not been disturbed by activities such as harvesting. Such a forest might have trees that are hundreds of years old. In this sense, an old-growth forest might be described as a 'frontier' forest, as discussed above. It is important that this definition be strictly applied, to ensure it does not apply to native forests that have been harvested and disturbed in the past.

## What is the 'conservation value' of a forest?

4.15 Many submissions to the inquiry refer to the term 'high-conservation value' (HCV) forest, often as the main criterion for a forest's protection.<sup>8</sup> In general, HCV refers to a complex system of assessing the value of a forest, according to numerous factors. As it was put by the CEO of Timber Communities Australia, HCV 'does not just mean ecological values. It means social, environmental and economic values. It means cultural values. It means aesthetic values. It means a whole range of values.'<sup>9</sup> There are two major issues relating to the HCV term. Firstly, how best to define the term; and secondly, what is the appropriate management of an HCV-designated forest.

4.16 Throughout the inquiry, the Committee asked witnesses who used the term 'High Conservation Value' to provide a concrete definition. The Committee received some of these definitions as exhibits (see Appendix B). The Forest Stewardship Council, one of the major international forest certification organisations, provided the Committee

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7 *National Forest Policy Statement (1992)*, glossary, iii.

8 Submission 94, Wilderness Society, p.19.

9 Mr Jim Adams, TCA, *Committee Hansard*, 24 June 2011, p.3.

with its definition of an HCV forest. A forest is assessed against four criteria:

- a) forest areas containing globally, regionally or nationally significant :
  - concentrations of biodiversity values (e.g. endemism, endangered species, refugia); and/or
  - large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance;
- b) forest areas that are in or contain rare, threatened or endangered ecosystems;
- c) forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control); and
- d) forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).<sup>10</sup>

4.17 According to Kayt Watts, the CEO of Australian Forestry Standard Limited (which is accredited to the other major international forest certification organisation):

We have 'biodiversity', which covers everything they have in their 'high conservation value'. If you want to go through the two and tick off one against the other, pretty much they are exactly the same.<sup>11</sup>

Further consideration of the role of certification is provided in Chapter 8.

4.18 By contrast, the Wilderness Society has a range of specific characteristics included in its definition of an HCV forest. Such a forest might:

satisfy the WildCountry Science Principles; [be] rare, threatened or endangered, or contain centres of endemism; old-growth; forested wilderness; rainforest (including with emergent eucalypts); undisturbed / negligibly disturbed mature forests; highly (biologically) productive; have been identified as core habitats for

<sup>10</sup> Exhibit 16, FSC Australia, p.9.

<sup>11</sup> Ms Kayt Watts, Australian Forestry Standard Limited, *Committee Hansard*, 24 August 2011, p.11.

local endemic, rare, threatened and endangered species; have been identified as having world heritage or of national heritage value; are located in areas with steep climate gradients; or form part of domestic supply or Wild River catchments.; refugia and/or of evolutionary significance; are significant carbon stores and; areas of high cultural and social significance.<sup>12</sup>

- 4.19 As noted in Chapter 2, the ‘Statement of Principles’ agreed in Tasmania includes a central role for HCV forests. The principles include action to ‘immediately protect, maintain and enhance High Conservation Value Forests identified by ENGOs [Environmental Non-Government Organisations] on public land.’<sup>13</sup>
- 4.20 There are three ENGOs party to the Statement of Principles – Environment Tasmania, the Wilderness Society and the Australian Conservation Foundation; they made a joint submission to the inquiry (submission 109). They also provided the Committee with a document that gives ‘background on the ENGO identified high conservation value reserve areas’<sup>14</sup>, which the Committee took as an exhibit to the inquiry. This document outlines how the ENGOs identified HCV forests for reservation under the Statement of Principles. The conservation values considered include:
- Large intact natural forest areas; Forest areas displaying ecological maturity; Forest areas of social, cultural and spiritual importance to local, national and/or international communities; Forest ecosystems and habitat with important biodiversity values, including rare, depleted and under-reserved forest communities and species; Forest areas that contribute to good reserve design (eg. Buffering and ecological connectivity); and, Forests with important ecosystem services functions (eg. Carbon storage, water catchments).<sup>15</sup>
- 4.21 This is a very broad definition, and could easily capture young regrowth forests. There are clearly some consistent trends throughout all of these definitions of HCV forests, as well as notable differences between them. It is equally clear that the conservation value of a forest is not merely attributable to how ‘intact’ or ‘undisturbed’ it is. Making a determination

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12 Submission 94, The Wilderness Society, p.19.

13 *Statement of Principles*, p.2.

14 Exhibit 13, p.1.

15 Exhibit 13, p.3.

about the conservation value of a forest necessarily encompasses many considerations.

## How to manage conservation values in native forests

4.22 As noted above, there are different views about how to manage an HCV forest. The HCV forests identified under the Tasmanian Statement of Principles are by explicitly intended for protection<sup>16</sup> – that is, to be reserved permanently. By contrast, the FSC definition is part of the overall certification system, and adherence to the FSC certification does not necessarily entail permanent reservation of a forest. Rather, the FSC Principle is the ‘maintenance and preservation of high conservation values in forests’.<sup>17</sup> Another view is that advanced by Timber Communities Australia, that:

high-conservation value of itself – certainly within the FSC – does not necessarily mean no logging. What it means is identify the value and manage the value...you can identify high-conservation values. You can manage for them. You can ensure that those values, where the value is inconsistent with intensive harvesting, can have that level of management applied.<sup>18</sup>

4.23 The Committee supports this view of managing conservation values in forests. However, it is important that this principle is rigorously applied in practice. Most forest managers have been diligent in understanding the value of their forests over the last 200 years, as can be attested by the quality of the forests existing today. But they should continue to do so with updated and continuous monitoring. Harvesting codes are very stringent now, but if there are negative impacts, forest managers must actively investigate and share what they find.

4.24 They must also ensure that they treat forests appropriately, relying on the information available, to ensure that they actively and sensitively manage the conservation values over the long term. The principle of intergenerational equity demands that native forests be managed so that the ability of future generations to benefit from all of their uses and conservation values is not diminished. Ideally, we should be passing forests on to future generations in a better state than we received them.

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16 *Statement of Principles*, p.2.

17 Submission 111, FSC Australia, p.6.

18 Mr Jim Adams, TCA, *Committee Hansard*, 24 June 2011, p.3.



- 4.25 The definition and management of high conservation value forests will continue to be debated in Australia, and around the world. Whilst the Committee does not wish to adopt one particular definition, nor to suggest that forests falling under such a definition be automatically managed in a particular way, it is important for this debate to be supported by sound science and that a range of views are taken into account, including those of local communities.



*Committee Chair, Hon Dick Adams MP, in a regrowth area.*

## Wood supply security

4.26 In the 1992 Statement, it was noted that in order to

attract new investment and profitable value-adding projects, the Governments must establish clear and consistent policies for resource development, providing secure access to resources and consistent environmental guidelines.<sup>19</sup>

4.27 Clearly, one of the aims of the statement, and the resulting RFA process, was to provide security of wood supply to the forestry industry. The statement also acknowledges the role of state governments in ensuring that harvesting rights 'will reflect security of supply for wood users'<sup>20</sup>. Numerous submissions to the inquiry reiterated the importance of wood supply security as provided by the statement and the RFA process, particularly for attracting investment.<sup>21</sup> In addition to the formal agreements regulating the use of public native forests, numerous submissions to the inquiry have highlighted the importance of maintaining social licence for native forestry. These issues will be discussed below.

## RFAs and wood supply security

4.28 As noted above, many submissions have given the RFA process qualified support for providing wood supply security. The submission from Timber Communities Australia notes that:

Despite the fact that some Governments, for political reasons, have failed to honour the commitments of the RFAs, the agreements have provided the forest industry with considerably more certainty than previously existed in relation to access to forests and have encouraged investment by the industry. This investment has provided new and more skilled employment opportunities, particularly in rural areas, and has led to increased domestic [processing] of our native timbers.<sup>22</sup>

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19 *National Forest Policy Statement* (2<sup>nd</sup> Ed., 1995), p.14.

20 *National Forest Policy Statement* (2<sup>nd</sup> Ed., 1995), p.18.

21 Submission 35, Timber Communities Australia, p.1; Submission 54, Ta Ann, p.1; Submission 70, NSW Forest Products Association, p.7; Submission 19, Forests and Forest Industry Council of Tasmania, p.15.

22 Submission 35, TCA, p.3.

- 4.29 However, some submissions have suggested that RFAs have not performed this role:

The RFAs have in our view delivered no such certainty. Forest based industries cannot be robust when agreements fail to deliver and cannot distribute on an ongoing basis the wood volumes as specified in the agreements.<sup>23</sup>

According to the Victorian Association of Forest Industries, RFAs do not currently live up to their potential and actually prevent greater forestry investment:

until they are seen and implemented as a strong guarantee for resource security and supporting of effective forest management, there will be an under-investment in forestry in Australia.<sup>24</sup>

- 4.30 RFAs are an instrument that allows twenty year contracts, with review every five years, and this can be a continuous process. RFAs use the best practice and best science to give resource security to the native forestry sector.

- 4.31 In addition to the debate about the certainty currently provided by RFAs, many submissions raised concern about the limited lifespan of RFAs. According to submissions from Timber Communities Australia, the Forest Industries Association of Tasmania, the NSW Forest Products Association, Hurford Hardwood, the National Association of Forest Industries, and the Port Macquarie–Hastings Council, the best way to ensure wood supply security is to adopt ‘evergreen’ RFAs, such as with a ‘rolling’ renewal process. This would mean that, for example, ‘at any time the industry has at least 15 years of resource security.’<sup>25</sup> Currently, each RFA has a fixed ‘expiry’ date, beyond which there is no guarantee of wood supply security. According to the NAFI submission, the Australian Government should:

immediately start a process of renewing Regional Forest Agreements (RFAs) and provide evergreen 20 year resource security through five yearly rolling renewals – backed by Commonwealth and state legislation.<sup>26</sup>

- 4.32 The Committee also received submissions supporting the original design of RFAs, but calling attention to so-called faults in the way that RFAs have

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23 Submission 89, CFMEU, p.3.

24 Submission 90, VAFI, p.11.

25 Submission 35, TCA, p.2.

26 Submission 74, National Association of Forest Industries, p.10.

been created, implemented and reviewed. South East Forest Rescue states that:

The scientific processes in the RFAs were politically compromised, the established Joint ANZECC/Ministerial Council on Forestry Fisheries & Aquaculture National Forest Policy Statement Implementation Subcommittee ("JANIS") criteria for forest conservation were not fully applied. There are large areas of high-value conservation forest that would have been reserved if the original RFA criteria for forest conservation had been fully employed.<sup>27</sup>

However, these forests are not identified, which makes it impossible to judge the validity of the claim.

- 4.33 The submission from the North East Forest Alliance alleges that 'the Regional Forest Agreement process has become a sham with numerous commitments and timelines simply ignored.'<sup>28</sup> However, the alliance does not call for the North East NSW RFA to be abolished. It rather makes a number of recommendations, including to:

review compliance with all clauses of the RFA and identify actions to remedy failures...Investigate and remedy the failure by NSW to annually report on actual versus predicted yields as required by the RFA... Require the identification of the reservation status of all forest ecosystems in accordance with the RFA.<sup>29</sup>

- 4.34 Other evidence to the Committee recommends that RFAs should simply be abolished. According to the joint submission from Environment Tasmania, The Wilderness Society and The Australian Conservation Foundation:

The Australian Government needs to abandon the Regional Forest Agreements (RFAs). Where RFAs remain in place, conflict in public forests persists. Where they have been abolished, conflict has dissipated. It is clear that RFAs have failed to protect jobs, industry security, or the environmental benefits of native forests.<sup>30</sup>

- 4.35 The Committee has formed the view that RFAs should be retained. This is discussed below in the next 'Committee Comment' section.

27 Submission 22, South East Forest Rescue, p.2.

28 Submission 30, North East Forest Alliance, p.10.

29 Submission 30, North East Forest Alliance, p.2-3.

30 Submission 109, Environment Tasmania, The Wilderness Society and The Australian Conservation Foundation, p.2.

## Social licence

- 4.36 In addition to formal agreements – such as RFAs – that allocate rights to use native forests, the forestry industry relies on a social licence to operate. As defined by the submission from Timber Communities Australia:

Social licence is the permission that the community gives an operator (public or private) to use a community resource either for profit or not for profit, once it (the community) has reached a level of comfort that the costs to the community associated with that use are acceptable to the community relative to the benefits. The concept of social licence recognises that, in addition to all the necessary government licences and approvals, an industry needs broad community support if the industry is to proceed and prosper.<sup>31</sup>

- 4.37 There have been significant improvements in forestry practices over the years, but this has been largely unrecognised. Forest management is politicised and criticised without documented reasons which has led to forestry being vilified generally. Banks and other financial institutions have withdrawn their support in various ways despite many criticisms being unfounded.
- 4.38 Witnesses frequently referred to the need for improved social licence, to ensure that the forestry industry has broad support in the general community. Whilst this is important for all sectors of the forestry industry, it is particularly relevant for native forestry.
- 4.39 According to evidence from Mr Jim Adams, the CEO of Timber Communities Australia, the social licence of the forestry industry in general has been in decline over recent decades. As noted during a hearing,

That social licence, I believe, has been lost over the years due largely to politicisation of forest management decisions. So many forest management decisions have become politicised and regrettably some of them have been politicised in a very negative way. The community has really started to distrust forest management and to some extent I could sit here and say that some of the practices of themselves have contributed to that and there has been a significant improvement of practices over the years. I think we have got to a stage now where the whole politicisation of the forest industry debate is beyond the point where it is actually

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31 Submission 35, TCA, p.3.

making a constructive contribution to on-ground management of forests. We now have the community broadly saying, 'We don't want native forest management', simply because they have been convinced that it is not a good thing not because it is actually not a good thing.<sup>32</sup>

4.40 Whilst it is no simple task to improve the social licence of a particular industry, improving social licence begins locally. Numerous submissions have suggested that some corporations have attempted to improve their social licence by simply exiting native forestry completely.<sup>33</sup> This is obviously not a solution for sustainable native forestry, quite the opposite.

4.41 Some evidence suggests that certification will play a role in improving social licence:

I think that increasingly the communities nowadays in both the plantation sector and the native forest sector look at certification as a way of gaining a level of comfort in forest management. Our submission talks to some extent about the importance of certification as a vehicle to help communities generate comfort and industry to restore social licence to its activities.<sup>34</sup>

Representatives of the Forest Stewardship Council gave evidence that certification provides 'peace of mind' to customers.<sup>35</sup> If the forestry industry can use certification to give more Australians 'peace of mind' about individual native forest products, it will build greater social licence. In addition, certification can actually make timber and wood-products more valuable in the market. Forestry operations that are certified can expect higher returns for their products, and greater acceptance for their products overseas. This should be reflected in the support given by financial institutions to those operations.

4.42 Unfortunately there are few simple strategies for improving the social licence of native forestry. This remains an area for work by those involved in native forestry. Chapter 8 includes a discussion about improving social licence for the forestry industry more generally.

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32 Mr Jim Adams, *Committee Hansard*, 24 June 2011, p.1-2.

33 Submission 33, Mr Don Frankcombe, p.4; Submission 38, Nature.net Pty Ltd, p.3.

34 Mr Jim Adams, *Committee Hansard*, 24 June 2011, p.2.

35 Mr M Spencer, *Committee Hansard*, 17 August 2011, p.12.

## Committee Comment

- 4.43 The RFA process has clearly played a central role in native forestry since the 1992 Statement was agreed. The RFA process ensured that the local community was involved in the creation of each RFA, and RFAs have provided some certainty for both conservation and wood supply since they were agreed.
- 4.44 RFAs clearly arouse passions, and the Committee has heard some very strongly-held views about value and future of RFAs. Whilst some submissions have called for RFAs to be abolished, the vast majority of evidence suggests that they should be carefully reviewed, improved and extended. In short, they should be renewed. RFAs are a sound way for Governments to broker compromise agreements about the use of public native forests. The negotiation of such agreements will always have to balance multiple interests, and no group or individual can expect to receive everything they want. It is through such negotiation that communities can identify the relative importance of all the different values of a native forest – social, economic, environmental – and agree on how to best manage each of those values. The Committee supports the renewal of existing RFAs.
- 4.45 As noted in Chapter 2, the ‘Statement of Principles’ in Tasmania is a departure from the RFA process. The Committee fully supports the Tasmanian process, but reiterates its belief that it cannot be simply extended other regions of Australia. It is specific to Tasmania, and the Australian Government must continue to drive national policy with the renewal of RFAs.
- 4.46 There are a number of important principles that must form the basis of any process to renew existing RFAs, as discussed in the following paragraphs. These principles are:
- comprehensive review of existing RFAs;
  - thorough and wide-ranging consultation, providing it uses information that has a strong factual basis;
  - ‘evergreen’ or ‘rolling’ RFA extension; and
  - concrete timelines for the renewal process.
- 4.47 The ‘next generation’ of RFAs must be more than just an extension of existing agreements. The process should ensure that the lessons learnt from the first RFAs are incorporated into the next agreements, and put into practice as they are implemented.

- 4.48 Whilst the Committee believes that RFAs continue to be the best way to produce a workable regional agreement on both forest use and conservation, it is essential that they have the confidence of all stakeholders. This applies to both the RFA process and the content of the resulting agreement. The Committee supports the renewal of RFAs, but this must be done by using a thorough and wide-ranging consultation. It is important that this consultation uses information that has a strong factual basis.
- 4.49 The Committee supports the general principle of providing continuing certainty under RFAs, whether this is through early renegotiation, yearly extension, or mid-life direction setting.
- 4.50 As a general principle, RFAs should also use a ‘carrot and stick’ approach. If companies operating under an RFA are doing the right thing, they should be rewarded. If companies are in breach of the agreement, they should lose rights under the RFA.
- 4.51 Whatever process is used, it should include the other ‘renewal’ principles of review, consultation and concrete timelines. This would mean that all stakeholders have certainty about wood supply and some conservation outcomes from native forests. The Committee believes that there should be at least ten years on a rolling basis as a starting point for consideration.
- 4.52 RFAs have played a central role in native forestry, and the Committee believes that they have an important role to play in the future. In developing that future role, concrete timelines should be set and adhered to. RFAs will also present an opportunity for all parties to participate in the renewal process, and they should have sufficient time to make a contribution and respond to the contribution of other participants.
- 4.53 To ensure that RFAs continue to have broad support, renewed RFAs must have improved ongoing monitoring and periodic assessment. As noted in Chapter 2, some existing RFAs have been monitored and assessed (‘reviewed’) in groups, with significant delays. Communities must have confidence that each RFA is monitored and assessed on its own merits, regularly, and at proper arm’s-length from all interested parties. As part of the renewed RFA process, a new ongoing monitoring and periodic assessment regime must be developed, agreed and implemented. This will ensure that RFAs continue to have the full confidence of governments, forestry operators and the general public.



### **Recommendation 6**

- 4.54 **The Committee recommends the Australian Government initiate a process to renew existing Regional Forest Agreements, incorporating the principles of review, consultation, evergreen extension and concrete timelines.**

### **Recommendation 7**

- 4.55 **The Committee recommends the Australian Government, subject to the agreement of the relevant State Government, ensure that a renewed RFA is in place within three years of the expiry of each existing RFA. Renewed RFAs should incorporate the principles outlined above.**

### **Recommendation 8**

- 4.56 **The Committee recommends the Australian Government, in negotiation with State Governments, develop, agree and implement a new regime within all renewed RFAs to provide for ongoing monitoring and periodic assessment. The new regime should provide for the periodic assessment of each RFA on an individual basis, at regular intervals, and at arm's-length from all interested parties.**

## **Forest Ownership**

- 4.57 According to *Australia's Forests at a Glance 2011*, of the approximately 147 million hectares of native forest in Australia, 71 percent (almost 105 million hectares) is either privately held, in private leasehold, or in unresolved tenure. The remaining 29 percent (over 42 million hectares) is public forest, largely state owned and managed.<sup>36</sup>
- 4.58 According to that report, 23 million hectares of native forest are in (public) formal conservation reserves, representing 16 percent of total native forests in Australia. According to the *State of the Forests Report 2008*, there has been an increase in private native forests managed for conservation

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36 *Australia's Forests at a Glance 2011*, p.21.

values in recent years, but that the increase is 'not well documented.'<sup>37</sup> A total of 9.4 million hectares of public native forests are used for timber production, about 6 percent of total native forest area.<sup>38</sup>

4.59 As the *State of the Forests Report* notes, 'native multiple-use public forests provide most of Australia's native timber and wood products'<sup>39</sup>, though there is also a substantial harvest from private native forests. There are no national statistics on private native forestry and, as the Report continues, 'In practice, most private forest managers make limited use of their forests for wood production, responding to immediate needs and opportunities in the market.'<sup>40</sup>

4.60 Public native forests are managed by State and Territory governments, through agencies such as Forests NSW, Forestry Tasmania and VicForests. These agencies respectively described as a 'public trading enterprise', 'government business enterprise' or 'State-owned business'.<sup>41</sup> Under the National Competition Policy, these agencies should have no competitive advantages or disadvantages compared with private entities that manage and harvest from private native forests.<sup>42</sup> As outlined by the State of the Forests Report:

state forest agencies must charge prices (royalties) for sawlogs and pulplogs which, over the long term, generate revenues that at least cover the costs of managing their forests for wood supply and provide a commercial return on assets, including land and timber. Moreover, the focus on cost recovery and the trend to the greater transparency and accountability of public agencies in their management of public resources have encouraged forest agencies to evaluate the efficiency and financial performance of their forest management practices.<sup>43</sup>

4.61 Public native forests are clearly an asset that belongs to the entire community, and as such these forests should be managed to ensure that the community receives a fair return for the resources removed for private

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37 *State of the Forests Report 2008*, p.1-2.

38 *Australia's Forests at a Glance 2011*, p.2.

39 *State of the Forests Report 2008*, p.59.

40 *State of the Forests Report 2008*, p.60.

41 Forests NSW, <http://www.dpi.nsw.gov.au/forests/about-forests-nsw>, accessed 4/10/11; Submission 16, Forestry Tasmania, p.2.; VicForests, <http://www.vicforests.com.au/about-us.htm>, accessed 4/10/11.

42 *State of the Forests Report 2008*, p.195

43 *State of the Forests Report 2008*, p.195.

gain. Additionally, public native forests should be managed so that they operate on a 'level playing field' with private native forests.

- 4.62 Evidence to the Committee has suggested that some state forestry agencies operate at a loss, causing a drain on public finances. However, there needs to be more recognition of the public good provided by public forestry, including roads, bushfire protection, communication services in rural areas, pest control, assistance to allow beekeeper access, dog walking and horse riding areas, other recreational access and research opportunities for outside bodies (such as Warra in Tasmania <sup>44</sup>). These public agencies have to cover these costs as well as general production costs, and together they are greater than the costs private forestry companies or any other land use activities have to face.

## Committee Comment

- 4.63 The Committee supports the principle, as expressed in the *State of the Forests Report 2008*, that state owned forest enterprises should operate on the basis of open competition, without distorting the market in which they operate. This is also an issue in relation to public assistance in establishing plantations, discussed further in Chapter 5. In addition, it is important that the Australian public receives a fair return for the use of a community resource.
- 4.64 As noted above, public forest agencies contribute to the provision of the public good that is difficult to quantify in dollar terms. The Committee supports any attempt to put a value on this public good, so that public forest agencies can better demonstrate the costs and benefits of their forest management.
- 4.65 In practice, State Governments must make decisions about the structure, operation and oversight of their own forestry enterprises. However, the Committee is firmly of the view that these decisions should be made in accordance with the National Competition Policy which 'aims to promote efficient competition between public and private enterprises to ensure that government businesses have no competitive advantages or disadvantages compared with their private competitors.'<sup>45</sup>

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44 <<http://www.warra.com/warra>>

45 *State of the Forests Report 2008*, p.195.

## Native forest management

4.66 The Committee received considerable evidence regarding the management of native forests in Australia. The evidence focuses on three major policy areas, and the Committee is keen to acknowledge the ongoing debate in these areas. The three major debates concern:

- Bushfires;
- Regrowth; and
- Biodiversity.

4.67 At a basic level, these debates all focus on how different uses of forests – whether reservation, harvesting or multiple-use – contribute to long-term forest values. The differing uses of forests can have profound impacts on the local environment, and it is essential that native forest management reflects the best available knowledge about those impacts.

## Bushfires

4.68 As noted by the State of the Forests Report, ‘fire is an important forest management tool in Australia because many forested ecosystems are ecologically adapted to fire and require it for regeneration.’<sup>46</sup> Many submissions to the inquiry make reference to the role played by fire in Australian native forests. However, the majority of evidence points to an incomplete understanding of how fire – in all its complexity – affects different kinds of native forests, which are themselves under many different management regimes. The NSW Forest Products Association notes that there is no simple way to characterise the role of fire in forests:

Fire regimes influence forests in many ways. Some are more susceptible to fire, seedlings can be killed by low intensity fires and mature trees by higher intensity fires [...] However, fires can also assist regeneration by promoting seed fall, improving seedbed condition and removing competition for seedlings [...] Fires can also promote germination and establishment of other species such as Acacia.<sup>47</sup>

4.69 Numerous submissions to the inquiry note the need for greater research into the way fires affect forests. A changing climate will have an impact on

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46 *State of the Forests Report 2008*, p.69.

47 Submission 70, NSW Forest Products Association, p.27.

the kinds of fires in Australian forests.<sup>48</sup> The North East Forest Alliance draws on evidence that 'altered fire regimes' contribute to the disturbance of some native bird species in native forests.<sup>49</sup> The CSIRO has identified the need for more research into the role fire regimes play in the carbon stored in forests.<sup>50</sup> The Victorian Association of Forest Industries (VAFI) has identified the need to better understand how forest management can be integrated with fire-risk mitigation.<sup>51</sup>

4.70 VAFI also gave evidence about the potential for forest management to affect water catchments:

We do thin our forests to improve the productivity and health of the forests. There has also been an enormous amount of research, both in Victoria and Western Australia, to look at the value of ecological thinning to maximise water yield. This could have particular benefits to Victoria when you look at the impacts of the 2009 bush fires. About 30 per cent of Melbourne's water catchments were burnt. Some catchments, such as Armstrong Creek, were 100 per cent burnt. Before that, the Victorian government had commissioned some research that found that a severe bushfire, looking at the Armstrong Creek catchment, could actually decrease water yield [...] Applying ecological thinning techniques could have real benefits in terms of forest health but in particular water yield. I also think ecological thinning has a place in fuel reduction through mechanical biomass manipulation and mechanical fuel reduction, and this really has value along roadsides, close to communities, where prescribed burning might not be feasible. The integration of forestry techniques into fire management and conservation management certainly could have real value, particularly given our changing climate and the increasing bushfire risk that we face.<sup>52</sup>

4.71 These examples demonstrate the need for further research into the role that fires play in native forest management, and the impact that forest management has on fires.

4.72 In addition, numerous witnesses identified the fire-risk in National Parks as a major concern. According to Professor Jerry Vanclay:

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48 Submission 75, Prof. Peter Kanowski et al, attachment 7, pp.46-7.

49 Submission 30, North East Forest Alliance, pp.103-106.

50 Submission 39, CSIRO, p.14.

51 Submission 90, Victorian Association of Forest Industries, p.3.

52 Ms Lisa Marty, *Committee Hansard*, 10 August 2011, p.9.

If we create a large national park system without adequate staffing to maintain that, we may find a situation where the fire regime has changed, not necessarily for the better, where we are not maintaining a rural population well equipped to deal with situations that might happen there.<sup>53</sup>

- 4.73 Further evidence suggested that logging in National Parks may assist in reducing the risk of fires therein:

The areas of those national parks that grow hardwood that has been used for sawmilling in the past I believe should be revisited with a view to logging those areas. I guess overcoming the urban myth, or the urban view, of conservation may be a big issue in managing that perception that if you lock something up it is there forever and you do not need to do anything with it. But the reality is, particularly with bushfire, the only thing you can manage is fuel. You cannot manage the ignition source, whether it is lightning or arson. You cannot manage the climate or the weather conditions but you can manage fuel.<sup>54</sup>

- 4.74 Whilst it is clear that fuel management can have a significant impact on bushfires, it is not a panacea. Forest management – whether in multiple-use or reserved forests – must adopt a comprehensive fire protection regime.

- 4.75 Dr Douglas Head also identified the ‘corporate knowledge’ held by state forest agencies, including relating to fire management. As he put it:

If the native forest industry goes under one of the things the community will lose is the state forest agencies, which have an enormous historic bank of knowledge. Once that is dissipated – I am sure these people will all get jobs and they will break up – that consolidated institutional knowledge of our forests and not just growing forests [...] Not just in terms of the timber industry but bushfire management and the many other facets for which they run their forests will be lost as well.<sup>55</sup>

## Regrowth

- 4.76 As noted at the beginning of the chapter, a considerable part of Australia’s native forest estate has been harvested and regrown many times over.
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53 Professor Jerry Vanclay, *Committee Hansard*, 1 September 2011, p.1.

54 Councillor Lindsay Passfield, *Committee Hansard*, 1 September 2011, p.19.

55 Dr Douglas Head, *Committee Hansard*, 1 September 2011, p.38.

There are many different management schemes for replanting forests, and the Committee is keen to see further research on new and innovative approaches to this aspect of forest management.

- 4.77 According to Ta Ann Tasmania, regrowth timber can be more promising for innovation and value adding, owing to the ‘properties inherent in regrowth timber that have a comparative advantage - such as higher density and sustainable management.’<sup>56</sup> As noted by the Institute of Foresters of Australia:

Professional expertise must be employed in timber harvesting to better improve biodiversity outcomes in large areas of regrowth forests originating after fire and from previous timber harvesting. It has been demonstrated that adaptive silviculture in certain regrowth forests can contribute to reducing the time forests take to develop old-growth characteristics such as large trees and hollows which are important for some species.<sup>57</sup>

- 4.78 However, other submissions have pointed out that regrowth is not universally positive for the local environment. The Gippsland Environment Group notes that harvesting practices affect species in different ways: ‘disturbance loving species thrive, to the detriment of many species that are adversely impacted by mechanical disturbance and post harvesting fires, potentially resulting in local extinctions.’<sup>58</sup> As a general comment, this does not identify particular examples of such occurrences, and good forest management can prevent these problems from occurring. The North East Forest Alliance has suggested that, at least during early stages, regrowth forests use more water.<sup>59</sup>

- 4.79 Good forest management can have multiple benefits, and continuing research will further demonstrate the potential for regrowth management to impact on both the timber and wood-products, as well as on the local environment. Management of regrowth in native forests is a matter for local communities, the forestry industry and governments, relying on the best available information to continue to achieve positive outcomes.

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56 Submission 54, Ta Ann Tasmania Pty Ltd, p.1.

57 Submission 84, The Institute of Foresters of Australia, p.9.

58 Submission 61, Gippsland Environment Group, p.2.

59 Submission 30, North East Forest Alliance, p.62.



*Committee members in a regrowth area.*

## Biodiversity

4.80 As noted with the two previous discussions about native forest management, decision makers must have access to the best available research, and be willing to try new approaches that balance the competing demands on forests. The management of forest biodiversity is another heavily debated topic, and the Committee received copious evidence about the best ways to protect and improve biodiversity.

4.81 In the 1992 Statement, biodiversity is defined as follows:

A concept encompassing the diversity of indigenous species and communities occurring in a given region. [...] It includes 'genetic diversity', which reflects the diversity within each species; 'species diversity', which is the variety of species; and 'ecosystem diversity', which is the diversity of different communities formed by living organisms and the relations between them. [Biodiversity] is the variety of all life forms – the plants, animals and micro-organisms – the genes they constitute, and the ecosystems they inhabit.<sup>60</sup>

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<sup>60</sup> National Forest Policy Statement (1992), glossary, i.



- 4.82 Rather than provide a survey of the evidence about the impact of forest management on biodiversity, the Committee wishes to report on a possible mechanism to encourage private forest managers to manage biodiversity in their own forests. That is, rather than a discussion of how management practices affect biodiversity, the following section described one method to provide an incentive for individuals and organisations to protect and improve biodiversity.
- 4.83 Professor Jerry Vanclay, from Southern Cross University, has developed (with colleagues) a proposal for 'stewardship payments' to landholders and managers for environmental services provided by forests:

The public gets landscape, environmental, water and wildlife benefits from having forests on land. If we can set up a scheme of payments for environmental services that gives those landholders an annual income for delivering a good outcome, it will then put into place a system by which we will see delivery of good forests on private lands.<sup>61</sup>

As Professor Vanclay noted, this would reward positive outcomes rather than proscribing actions, or binding individuals on the basis of promises to achieve outcomes in future. This notion of paying forest owners for environmental services provided by the forest is similar to the Carbon Farming Initiative, which can reward forest owners for the carbon stored in their trees (discussed in Chapter 3).

## Committee Comment

- 4.84 The Committee is aware of numerous debates about the best way to manage native forests in Australia. Whilst many forests have been formally reserved, there is still a considerable public and private native forest estate that must be managed for multiple uses. Forests can have an enormous impact on their local environment, and it is important that decision makers encourage forest management that considers the impact of forestry management outside the forest.
- 4.85 In relation to fires, the Committee believes that there is a pressing need for more information about how fire regimes affect different kinds of forests, as well as the risk that fire poses to forests. This should include further research into the fire risks in National Parks, and the multiple ways to prevent fires or ease their impact.

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61 Professor Jerry Vanclay, *Committee Hansard*, 1 September 2011, p.2.

- 4.86 In relation to biodiversity, the Committee believes that the ‘stewardship’ proposal outlined above is an interesting idea that deserves consideration by the Australian Government. However, the Committee does not believe that stewardship payments should be provided by public finances. Rather, these payments should ideally be provided by the market, by ensuring that management of biodiversity in forests is reflected in the value of the timber and wood products produced in those forests. Government consideration of a stewardship proposal should include a rigorous analysis of the cost of administration and monitoring, the practicalities of achieving a market reward for biodiversity management, as well as modelling the kinds of financial returns necessary to achieve good biodiversity outcomes.

### **Recommendation 9**

- 4.87 **The Committee recommends the Australian Government direct the Department of Agriculture, Fisheries and Forestry to consider and evaluate the ‘stewardship’ proposal outlined above, and that relevant Minister report to Parliament on its findings within twelve months.**
- 4.88 Finally, the Committee wishes to recognise the immense contribution made by foresters and those who study and research native forests in Australia. Many of these individuals gave the Committee their time and energy, and they are vitally interested in the future of the Australian forestry industry, as well as the future of Australia’s native forests. Whilst much of their work focuses on the harvesting of timber and wood-products, their contribution to the preservation and conservation of Australian native forests is immeasurable. Much of the work they undertake has had flow-on benefits for our understanding of Australian native landscapes, and the Committee commends them for their work and their contribution to the inquiry.

## **Native forest products**

- 4.89 As noted by many submissions to the inquiry, over the past 60 years, there has been a gradual shift in Australia’s forestry industry from exclusive reliance on native forests, to a mixed reliance on both native forest and

plantation trees.<sup>62</sup> This shift is the result of many factors, discussed in chapter three. The trend towards plantation timbers is continuing: in the period from 2003 to 2008, the volume of timber harvested from native forests declined by 14 percent, whilst that harvested from plantations increased by 28 percent.<sup>63</sup> Part of this trend can be explained by additional native forests being put in reserves, and taken out of production.

4.90 According to the Forest Growers' CEO Forum, 'existing plantations cannot supply the current or future demand for timber and wood products.'<sup>64</sup> That submission continues:

Only around 1 million hectares of forestry plantations are in longer rotations, suitable for structural timber products used in building, construction and manufacturing. The vast majority of the expansion of the last 15 years has been in short rotation species and management regimes where the product is predominantly woodchips and the markets are largely export for pulp production.<sup>65</sup>

4.91 In addition, many submissions raised concern about the effect of increased timber imports if native forestry were ceased in Australia:

Ongoing demand for timber with special strength, durability or appearance features and declining supply might act as a signal for the importation of similar material from other regional sources [...] Excluding harvesting from all Australian native forests for environmental reasons, at least in part, is merely exporting a larger environmental consequence on our neighbours, which have been under severe environmental pressure for decades.<sup>66</sup>

4.92 Amongst submissions to the inquiry, there was considerable agreement that the Australian forestry industry will need to, and should, continue to harvest timber and wood products from native forests. There are a number of debates that nevertheless arise beyond that point of agreement. The discussion in the previous section, about forest management, included three such debates. The final section of this chapter will consider the debate about the particular products that could be made from native forests.

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62 Submission 75, Prof. Peter Kanowski et al, p.3; Submission 81, Australian Forest Growers, p.2.

63 State of the Forests Report, 2008, p.125.

64 Submission 58, Forest Growers' CEO Forum, p.4.

65 Submission 58, Forest Growers' CEO Forum, p.4.

66 Submission 84, The Institute of Foresters of Australia, p.4.

## High value timber and wood products

- 4.93 Some evidence suggests that the market for native woodchips is steadily declining. Various reasons have been cited for this decline, including concern in international markets about sustainability<sup>67</sup>, pressure from environment groups, the high Australian dollar<sup>68</sup>, the lack of processing facilities, and international competition.<sup>69</sup>
- 4.94 There is a need to be able to market lower-grades of native forest or the waste from native forest harvesting so that the whole tree can be value added, not just the sawlog component.
- 4.95 As the demand for woodchips has declined, some mills have found new uses for previously chipped timber, such as peeled veneers.<sup>70</sup> As noted by the Huon Resource Development Group, utilising timber for veneer is a way of 'value-adding the timber that fails to meet sawlog requirements rather than exporting it as wood chip.'<sup>71</sup>
- 4.96 During its site inspections and hearings, the Committee regularly heard of the ways that Australian mill operators are increasing the value of products that they produce from the available wood. As imported products continue to enter the Australian market, the best way for Australian producers to compete is to increase the efficiency of their milling operations, as well as the quality of their product. When asked about innovation, many witnesses told the Committee that the forestry industry continues to innovate in order to remain competitive and to ensure that they are making the best use of the wood available. In the words of Mr Andrew Blakesley, from the Tasmanian Government:
- We are going to be living in a fibre-short world. We are going to be living in a carbon constrained world. The products that we now regard as the lower quality parts of the wood flow are going to become increasingly valuable. We already know the technology exists to transform those products into elaborate manufactures.<sup>72</sup>
- 4.97 In addition, there remains an opportunity to use waste products from the forestry industry to generate electricity. This is discussed in Chapter 7.

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67 Submission 100, Western Rivers Preservation Trust, p.4.

68 Submission 80, Timber Communities Australia - Tasmania, p.2

69 Submission 113, Tasmanian Country Sawmillers' Federation, p.13.

70 Submission 54, Ta Ann Tasmania, p.1.

71 Submission 25, Huon Resource Development Group, p.4.

72 Mr Andrew Blakesley, *Committee Hansard*, 28 June 2011, p.7.



*Committee members with Ms Janelle Saffin MP (Member for Page) and Mr Jim Bindon in Grafton.*

## Committee Comment

- 4.98 The Committee believes that it is preferable for native forests to be harvested for high-value products. In addition, it is important to ensure that the whole tree is processed, so that the integrated value of the tree is realised. Given the strong views that are held about native forestry – both for and against harvesting – a good way to build support for sustainable native forestry is to ensure that durable, high value products are created. This will ensure that the Australian community has a strong understanding of the innovative and high-quality products that native forests produce.
- 4.99 Whilst this should ultimately be a matter of markets providing a greater reward for more valuable products, there are a number of things that will help speed the transition to higher-value products. The industry must continue to find new ways of using more of the wood supply that is available, and continue to improve the efficiency of its processing. It must also continue to improve the quality of its products, which are already

world-class. The Committee has seen plenty of evidence during site inspections that the Australian forestry industry is already innovating and adapting its approaches in order to remain viable and internationally competitive.