

Date: 31<sup>st</sup> March 2011

**Reference:**

**Submission to The House of Representatives Agriculture, Resources, Fisheries and Forestry Committee – Inquiry into the Australian Forestry industry.**

I am grateful for the opportunity to make a submission to the above mentioned House of Representatives inquiry, whereby my comments are largely directed towards the plantation forest industry within Australia.

The upcoming inquiry into the Australian Forrest Industry could well be akin to driving a vehicle by looking through the rear view mirror.....that is, by the time we react to what we see, it may well be too late.

And the saying .....“If you don’t know where you are going, any road will take you there”, would seem quite appropriate to the timber industry which is at best ‘not well’ by industry observers and ‘critically ill’ according to many who have lifelong investments and tangible interests/assets associated with its future.

If ever the Australian Government needed to “get involved and act” in an Industry that offered true sustainability, and which ticked most of the boxes to please the Environmentalists (you simply can’t satisfy all of their ideals), then **this is the time and this is the industry**. However one needs to question if the political parties, all of them, and the captains of the forest industry, are really up to putting the industry before their own individual interests?

Peter Costello said that manufacturing and value adding in Australia will have vanished within 10 years and the Australian forest industry is well on its way to seeing Peter’s comments being vindicated. I am not ashamed to admit that I have no affiliation with any political party in Australia.

To even the novice there has been, and continues to be, an inordinate amount of well informed data, covering most aspects of the Australian forest industry, whereby one could be excused for asking why we need another inquiry, why do we need more data? Surely what is needed is co-ordinated, affirmative action across the forest industries key groups being;

1/ Growing      2/ Harvesting and haulage      3/ Saw milling and processing.

It is worth noting that in nearly every forestry report that is available, all which have been well researched and documented, the focus is always on the growing of the forests and the processing (sawmilling) sectors whereby the harvesters and haulage sector barely rate a mention, anywhere!

There have been chapters of disappointments as the mums and dads of Australia tried to “Green Australia” whilst at the same time being enticed by sizeable tax breaks through a multitude of Forestry Managed Investment Schemes.(MIS’s) Many of these ended in tears for those same mums and dads as increasing management fees replaced the value of expected returns and the forests ended up in the hands of foreign owned companies who are now the key, industry influencers.

It could however be deemed timely to have such an inquiry as the political representatives, and the constituencies they represent, become very aware of the real consequences that face Australian forest investors/workers. It is clear to all and sundry that as the ownership of our forests (just plantations?) continues to fall into the hands of foreign ownership, that the value adding processes from which most jobs are derived will continue to be diminished unabated, whereby Australia’s welfare department will likely become the next employer of many Australian forest industry workers.

Value adding / processing industries, not only in the forest industry, are diminishing at a great rate of knots and something must be done and be done quickly to stop the forest industry becoming largely irrelevant in terms of a future employment opportunity for Australian workers.

For 20 years we have watched the manufacturing sector become a rare species, OEM’s (Original Equipment Manufacturers) these days are, in the main, supporting the mining or allied industries and those that aren’t (forest) are firmly on the endangered species list in the short to medium term.

It is surprising that the (plantation) forests are now nearly all owned by foreign investment companies, most by superannuation schemes from America and Canada and now, with the South Australian Government seriously considering the sale of three (3) rotations of the SA Forest plantations, foreign ownership is likely to continue to increase. The much touted saying “Australia selling the farm” is quite the reality with reference to much of Australia’s Plantation Forest ownership moving offshore. Foreign investment schemes appear to see the realisable future value but strangely our Government does not. Otherwise State and Federal Governments would have surely been proactive in making sure that the Free Trade Agreements didn’t extend to selling off what our forefathers so masterfully created and what foreign owned institutions today largely control.

I see that the Penola Pulp Mill is a key strategy of the SA Government in its Vision of 2011 to 2015 but few that I have spoken to believe that this will in fact ever be built despite some significant infrastructure having already been completed.

With no information available as to where the pulp was intended to be shipped from this plant, the answer for it to go ahead would seem to be .....“NO DEAL!”

Funny (not really) how the Australian population don't seem to worry about foreign ownership, especially in the capital cities, until they discover that their Aussie grown products/produce are no longer available on the shelves, and just maybe the same will happen to our forestry products.

Maybe part of the problem that exists today is that the major political parties don't need to rely on the rural sector to stay elected. Could you imagine such a major industry being in such a precarious position in a key city electorate of our political leaders? It would surely not be in the disarray that the forest industry finds itself in today.

A sustainable Industry, does it exist?

Yes, and what's more, the plantation forest industry is a perfect example. Plantation forests in Australia have so many natural and manmade competitive advantages including efficient transportation, technology leadership and forest sizes capable of easy expansion not to mention the terrain and climates of the more Southern States.

Only an holistic approach by the “captains of the forest industry,” who represent all parties across the entire industry is likely to see the survival of the forest industry as opposed to the individual sectors *going it alone*.

We are facing such a dire outlook for most of the “value adding sectors” including the pulp and paper industries in Australia, but sadly, that is the state of affairs.

The Kimberly Clark Australia Pulp Mill in Tantanoola S.A. is another highly likely takeover target for overseas investors as a result of the Government's failure to enact anti-dumping legislation. Because of the dumping of cheap imported products, Kimberly Clark is closing two (2) paper mills and a pulp mill and has retrenched 170 staff, but who in the cities would be aware of this?

The Pulp Mill in Tasmania has ended up a complete shemuzzle by any standards and “those concerned” would have to be extremely worried unless they are bailed out by the Australian Government.....watch this space!

Many examples of how far the pendulum has swung away from “Buy Australian Owned’ are evident, but the one example that brings it all home in the forest industry is this:

*Houses are being built in the Green Triangle Region with softwood made in Austria, made in Sweden, even made in France, when the local forest is at the back door and value adding mills are at the front door!*

This is of course not unique to the Forest industry in Australia and is the case with all our consumer goods.

The economic rationalists that drive our Free Trade Agreement (FTA) must surely be aware of the collateral damage that is being created and maybe, just maybe, they believe that these (job) losses in the Australian forest industry are the price that must be paid for the greater good.

How many Australians would support a FTA if they realised that the outcome would mean that Australia's future to provide Australians with (regional) jobs would largely end up in the boardrooms of foreign investment companies?

There is not a week goes by where we are not alarmed by the number of jobs reportedly going overseas (Telstra is an easy and regular example) but it's a bit like "would the last one out please turn off the lights?".

Free trade does not provide us with a level playing field and free trade is of no benefit if it means that the net result is that we have zero manufacturing or value adding processes across Australian Industries.

The Vision and Mission statements of the various Governments forest agency's are to behold, however, they read more like idealistic wish lists. What is missing in all of them is a clear strategy (methodology) to connect the key industry groups to make it happen.

There are a great deal of very talented, experienced and well educated people who are involved in the Australian forest industry and who are capable of developing a truly sustainable and globally competitive Industry. But the industry simply lacks One Combined Vision from One Combined Industry moving forward (thanks Julia) so as to improve productivity, to deliver world's best practice, to remain commercially viable and to continue to attract future Australian investments through compounding successes.

There is no common thread linking all of the players, all of those who have a common interest and who have invested and who continue to invest, in the Australian forest Industry. There has never been so much uncertainty about anyone making an investment in any industry as there is today in the forest industry.

"Value add or cease to exist" and "Grow or Die" are two very common phrases in business that ring out in the boardrooms of all successful companies/industries around the world, and which need to become part of the Australian forest industry psyche if it is to have even the slightest chance of remaining a living species in the Australian Business Environment.

If overseas Super Funds recognise our forests as valuable future assets, feeding the markets of China and the ASEAN countries, then why don't we?

If overseas interests control our forests and the associated processing industries then that's where the profits go back to, overseas, and that's who, to a large extent, decides our future.

Advance Australia Where (?) might be a more appropriate title for our National Anthem if we continue to only adopt a passive attitude to keeping Australian jobs, Australian Forestry jobs, in Australia.

Simply, there is no shortage of Visionary statements that obviously appease the heads of the various Government departments. Until however, there exists co-ordinated strategy representing and encompassing all forest industry players, then no matter how many enquiries we hold nor how much statistical data we produce, we will not go close to providing a truly sustainable (forest) industry with a sustainable future.

Put simply, if we want a dramatic change then we need to do something dramatic.

The Australian forest industry is undeniably in need of a dramatic change otherwise the consequences of doing nothing, or simply the same as has proceeded over the past 20 years, will be very dramatic indeed..... and most likely; unrecoverable.

Bruce Robinson