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Friday, 12 June 2015

To the FIAC Secretariat,

Re: Strategic Directions Issues Paper Submission

Please find attached the submission from Cape York Partnership. We thank you for the opportunity to provide input towards your strategic directions process.

We wish you luck in your endeavors. Please don't hesitate to make contact with me if you need further clarification on any matters raised in our submission

Yours sincerely

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Richie Ah Mat

Director

Cape York Timber

AUSTRALIA'S FOREST PRODUCTS AND FOREST INDUSTRY

A Strategic Directions Issues Paper Forest Industry Advisory Council

*Submission from Cape York Partnership
PO Box 3099
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June 2015

This submission from Cape York Partnership (CYP) is based on experiences from the geographic region of Cape York Peninsula in far north Qld. CYP is the owner of a subsidiary, Cape York Timber (CYT), which operates a harvesting and sawmilling business based in Cooktown, Qld. CYT is an emerging indigenous timber business which is quite unique – a 100% owned indigenous business which aims to maintain at minimum a staff of 75% indigenous employees. CYT has commercial relationships with resource (timber) owning traditional owners. It aims to demonstrate not just what indigenous economic development should look like, but also aim to demonstrate the real potential of the Queensland hardwood industry.

To assist with understanding the context of Cape York some preliminary background information is provided here. Cape York is an Indigenous area with a majority Indigenous population. Large areas of Cape York are Indigenous owned land. Areas like Cape York have extant native title over all of it, particularly the Indigenous owned lands. The communities are undeveloped and need economic activity to create business and jobs along with government investment. Accordingly, the Commonwealth should expect State governments to make sure that the access arrangements for timber give priority to local Indigenous companies which have demonstrated their capacity to harvest, process and sell timber in accordance with the industry codes of practice.

CYT and the Forestry Industry more broadly, represent one of the few realistic economic development opportunities for Indigenous people on Cape York. It ties in very well with the Commonwealth's agenda on indigenous employment and developing Northern Australia.

In summary, the key messages included in the submission are:

- There are large areas of valuable forest on Cape York. Some of these are on Indigenous land. There are also large areas of conservation tenures on Cape York. In general the forests of Cape York, both Indigenous owned and conservation lands, are not within any management regime and are in decline. An active forest management program in these areas would revitalise these forests.
- Widespread forest assessment is needed on Cape York.
- There are large volumes of highly aesthetic hardwoods on Cape York. With industry development and government investment a long term, sustainable forest and timber industry can develop. The Cape York Indigenous land owners and residents should be at the forefront of this industry.

- There is a tension between forest product industries and conservation outcomes. There is an urgent need to develop conservation tenure models which achieve both conservation and forest product outcomes.
- CYT recently hosted the Hon Senator Richard Colbeck for a visit to Cape York including the sawmill in Cooktown. During that visit Senator Colbeck concurred with the problem of security of supply of timber resource to encourage investment and development of forest product industries.

The responses to the prompt questions below are from the Cape York regional focus. It is assumed that similar responses would apply from other remote locations across northern Australia where significant areas are also under Indigenous ownership. Not all questions have been answered as some are outside the applicable experiences of CYT at this stage.

Questions for consideration

Vision and objectives

1. What should the vision be for the forest products sector in the coming decades?

A vibrant and valued sector of the Australian economy which contributes economic, social and environmental benefits to the country

2. What specific objectives should underpin this vision?

- Contributes a growing proportion to the national GDP
- Creates products and services to the local economy and reduces need for imports
- Provides a key element of economic activity to regional Australia
- Maintains high quality skilled staff in the sector
- Makes a tangible contribution to economic activity in the emerging carbon economy
- Supports reconciliation with Indigenous Australians by achieving a significant increase in Indigenous ownership of timber businesses and their supply chains and in Indigenous employment with a target set of a minimum of 4% of the timber industry workforce.

Issue 1: Market trends and pressures

3. What forest products does Australia have a local and/or international competitive advantage in producing?

The Cape York region has a large resource of durable, red and other hardwood timbers. Most other sources of durable timber are no longer commercially available in other parts of Australia. While there are some supplies of equivalent timber from international sources these supplies are dwindling and there are significant questions about sustainability of harvesting and management regimes. These circumstances have created an opportunity for hardwood timber harvesting from Cape York.

4. What is the potential demand for forest products in the coming decades?

A number of factors are driving a potential growth in demand for timber products. Timber resources are unsustainably harvested and managed in many locations overseas and may not provide longer term supply options. A number of countries have emerging demands from the growth of more affluent segments of their population. As the international community becomes more responsive to the carbon economy forest products will hold several advantages over other materials.

5. How can Australia best position itself for this demand, both nationally and internationally?

In terms of resource supply, the forest products industry must ensure best practice management of forest resources and facilitate the establishment of long term access regimes which are endorsed by the wider society. In addition, the industry must ensure adequate research, development and investment to maintain productivity and competitiveness levels internationally.

Cape York has substantial high quality timber resources. However, there are a number of factors which dampen the industry development in this location. Currently the timber resource occurs on both public and private land holdings. There is very little data which can accurately inform decisions about the extent or status of this resource. Investment is needed to better understand this resource and develop appropriate management regimes to ensure its long term viability and productivity.

6. What are the other drivers or disruptions that will potentially affect supply and/or demand?

There is an international movement to better regulate the harvesting and management of timber resources to improve prospects of sustainability of this resource. The Australian government introduced measures to ensure timber imports come from appropriately accredited sources. Significant penalties apply for those trading in illegal supplies. This greater international awareness of appropriate management regimes of forest resources has the potential to increase demand for Australian export product and also increase domestic demand for Australian produced timber where this product has been demonstrably sustainably sourced.

Cape York is currently experiencing the same tensions around forest management as elsewhere in the country. There are a number of conservation tenures that have been applied to large areas of land on Cape York. This is reducing the area of forest which is available for commercial operations. Conservation tenure options need to evolve into a form which provide adequate protection and management of the forest resource but also allow sustainable harvesting regimes. Currently the conservation tenures are applied to land areas but there is no matching equivalent investment in management of these conservation tenures. Consequently these forests remain unmanaged and deteriorate over time. Frequent uncontrolled wildfires in the peak of the dry season is a particularly serious problem.

There is an additional complication which applies to Indigenous owned lands which is over and above all the other challenges which apply to the forest products sector in the mainstream economy. Creating a timber industry off private, communal indigenous tenure in Queensland has to address native title issues. Native title is not a grant of title in the tenure chain and therefore does not create a property right in timber that can be directly commercialised. However, native title consent is required, where it exists, to create a commercial right off Aboriginal Freehold title or pastoral lease (non-exclusive native title over pastoral leases on top of Unallocated State Land) in Queensland.

Aboriginal Freehold title is inalienable but has all rights in the tenure chain and can be leased for any purpose to any person (Jan 1, 2015 changes to Aboriginal Land Act) but landholders (trusts/PBCs/corporations) often have no experience in making third party agreements.

Similar tenure, property rights and capacity challenges exist on all aboriginal land in Australia and will need to be overcome with a mix of innovation in public policy and private enterprise ingenuity

and practicality to generate economic activity such as forestry and timber opportunities given that large areas of forest resources occur on Indigenous owned lands.

Issue 2: Emerging uses and markets

7. Which emerging forest products have the greatest potential for Australia?

8. What are some of the barriers to the development and/or uptake of these emerging forest products in Australia?

9. What opportunities exist to better utilise wood resources?

Given the remote locations of forest resources on Cape York it is imperative that opportunities are developed to maximise utilisation and returns from the timber resource. This will involve additional utilisation beyond sawn timber outputs. Possible additional utilisation may involve production of electricity from sawmill by-product, thermal energy pellets, biochar production or other charcoal product, and there are a number of emerging new developments such as gas extraction and rare chemical production. Further R&D is needed on these possibilities to improve the viability and profitability of the timber industry on Cape York. This would be a valuable area for government investment in R&D to support the emergence of a long term industry on Cape York.

Issue 3: Forest resources

10. What is required to ensure the plantation estate is able to meet future demand for forest products?

11. What is required to ensure the native forest estate is able to meet future demand for forest products?

As mentioned above, a solution is needed to resolve the tension between timber utilisation and conservation regimes. A better understanding of the forest resource is required to allow development of appropriate management regimes to ensure long term sustainability of the forests. This type of investment would ensure the forests maintain and increase their productivity as well as generate an economic return for private forest owners. On Cape York a significant proportion of the forest resource is held by Indigenous land owners. While these groups generally support good management regimes and some conservation outcomes, they are also very interested in sustainable economic opportunities.

12. What opportunities are there to increase wood supply from farm forestry, private native forestry and Indigenous owned and managed lands?

CYT's experiences are primarily related to Indigenous owned lands. The response to question 11 above highlights the loss of forest resources by the imposition of conservation tenures on Cape York. There are several other issues which would improve timber supply from these lands.

The timber resource on Cape York is very poorly understood. When properties are transferred to Indigenous ownership there is very little assessment of timber carried out to inform the new Indigenous land owners. Consequently most Indigenous land owners have almost no information about the quality or quantity of forest resource on their land and any associated economic opportunities. Good quality forest assessment work is needed in this region to allow Indigenous land owners to better understand their opportunities. This will allow them to enter into commercial arrangements with appropriate parties around forest management and timber supply. The resource assessment work will also provide the foundation for appropriate and sustainable management

regimes to be developed. Currently there is evidence of ongoing forest deterioration within the conservation tenure areas.

There is almost no forestry skills or experience amongst the Indigenous land owners. For the Cape York forests to be appropriately managed and utilised it is essential that skills development, training and qualifications are available for some of the Indigenous land owners.

Issue 4: Innovation, research and development

13. What are the future research and development needs for Australia's forest products sector, and which of these needs are specific to strengths and opportunities in the Australian context?

14. What are the current inhibitors to private sector investment in research, development and extension and what role, if any, does the Australian Government potentially have in addressing these?

The experience from Cape York suggests that a significant barrier to greater levels of investment is the lack of long term security for the industry. While there are large volumes of timber resource on Cape York, some of which is located on privately owned Indigenous land, and there is still a poor understanding of this resource and its timber quality and potential end uses. There is always a very high level of uncertainty around the policy direction for forestry and timber harvesting. There has been a long term decline in both access to the timber resource and management of this resource. Without some long term policy security around access to the timber resource any investment is fraught with significant risk.

CYT recently hosted the Hon Senator Richard Colbeck (Parliamentary Secretary to the Minister for Agriculture) for a visit to the Cooktown sawmill and operations on Cape York. During this visit Senator Colbeck could clearly see the problem with security of timber supply from Cape York to any timber processing operation.

15. How can the framework for coordinating Australian forestry research and development be strengthened?

Issue 5: Consumer and community engagement

16. How can domestic and international consumers be better engaged on the environmental, economic and social credentials of Australian forest products?

17. How important are consumer awareness programs to the future prosperity of the sector?

There is already a move at the international level to ensure forest management and harvesting is carried out on sustainable principles. This is having an effect on consumer willingness to trust timber supplies. Accreditation schemes provide this confidence to consumers. Consumer awareness programs will build greater support for this overall international direction of the industry.

18. Can forest certification be better leveraged to achieve stronger demand and better prices for Australian forest products and, if so, how?

Existing certification schemes are already having the effect of distinguishing market sectors and improving prices. This is no doubt improving demand for forest products.

Issue 6: Strengthened regional approaches

19. How could forestry hubs better utilise resources and promote greater efficiencies and innovation?

20. *What have been the barriers to the establishment and efficient operation of forestry hubs to date, and what might be the role of the Australian Government in addressing these?*

21. *If additional forestry hubs are to be established, where would they best be located?*

Issue 7: Infrastructure

22. *What infrastructure will be required to respond to future demand for Australian forest products?*

Cape York is a very remote location. Lack of adequate infrastructure has been one of the reasons for minimal forest product development from the area. In recent times the road infrastructure has been improved to some level and this work continues. The remote context continues to limit development in telecommunications facilities. For broader economic activity to emerge in this region there will need to be greater levels of government investment in infrastructure. To some extent the infrastructure investment will be determined by the actual industries that develop. For the forest products industry the key areas are road improvement, some strategic port facilities and telecommunications services.

23. *What can be done to ensure better recognition and understanding of the sector's infrastructure needs?*

The forest products sector can work with other sectors such as mining, tourism and agriculture who also have an interest in raising awareness of the need for infrastructure improvements on Cape York.

Issue 8: Industry skills and training

24. *What are the skills and training needs of the sector over the coming decades, and where are the current gaps?*

25. *Are Vocational Education and Training and university training providers well positioned to meet the future skills and training needs of the sector?*

26. *What improvements are required at an enterprise level to support the recruitment, development and retention of the sector's current and future workforce?*

There appear to be substantial opportunities for the development of an overarching forest and timber industry on Cape York. The goal is to generate economic opportunities for the Indigenous residents of the towns on Cape York. An assessment of the forest resources of the region will provide a basis for appropriate management regimes for these resources. This will create opportunities for the training of local Indigenous forestry staff to manage their forests. A forest management regime would provide long term security for the development of timber industry opportunities which would include local Indigenous employment and flow on benefits. Currently the only Indigenous involvement in the forest and timber industry on Cape York is CYT's sawmill in Cooktown and some periodic roles in harvesting operations. A broader, productive industry can emerge on Cape York which provides employment opportunities and career pathways for the Indigenous residents. This will require government backing and support along with input from industry to develop the management framework, similar to what has been developed in the southern states. This will provide much needed economic activity on Cape York along with significantly improved forest management activities and environmental outcomes.