

Meeting Future Market Demand

Australia's Forest Products and Forest Industry

A Strategic Directions Issue Paper

A personal submission

Russell Ainley

June 2012

Introduction

The issues presented in the **Strategic Directions Issues Paper** (SDIP) exist within the national goals of the **National Forest Policy Statement**, 1992 (NFPS). The NFPS provided the basis for **Regional Forest Agreements** (RFA), the Plantations 2020 initiative and a host of other policies and issues relevant to sustainable forest management in Australia. In NSW legislation created state based **NSW Forest Agreements** (NSWFA) and regulations (Integrated Forest Operations Approvals – IFOAs) for the conduct of harvesting in State Forests. All agreements committed to the national goals of the NFPS, although rather dated, such that all the issues of the SDIP still exist within the current framework of forest management in NSW.

The NFPS, RFAs and NSWFAs were to have resolved all of the issues now raised by the SDIP. As the end of current resource agreements and legislation approaches it is very appropriate for the SDIP to consider future timber markets. But that consideration needs to be integrated with resource availability, government policies and regulations that may make the resource available, other policies impacting on resource access, utilisation and market placement, and on economic issues as they affect investment opportunities and business viability.

The central issues for an Australian hardwood industry strategy must be resource, price and market regulation. In NSW future development requires that these issues be addressed urgently before any new development of products and/or markets may be viable and worthy of investment. Until those issues are resolved the rest of any strategy is academic.

Structural adjustment of the hardwood processing sector, to create economics of scale, has been pursued many times but rarely successfully. It may be a necessary strategy for some sectors to justify large capital investment but for sawn hardwood, drying and dressing for flooring and appearance markets, using a large range of species and qualities distributed widely around NSW, a strategy seems to work better with smaller processing into specialized products and more specific markets. Aggregation of resource into a single market seems to only be viable for log exports.

In NSW, despite legislated Forest Agreements, there has been significant change in regulatory arrangements for both private and public forests, impeding effective long-term sustainable development. Institutional changes have diminished capacity, expertise and corporate knowledge to ensure industry development consistent with policies, agreements and strategies that previously formed the basis of future market directions for the hardwood industry, at least for the NSW sector. Log supply and processing costs have escalated at a much greater rate than market prices.

I have prepared this submission privately and independently based on my personal experience in the NSW hardwood industry over the past 40 years. The scope of my comments relate primarily to

hardwood production from NSW which is a relatively small portion of the total Australian timber production and generally operates within traditional domestic niche markets.

I have addressed the issues of the SDIP in the matters in which I am experienced and have a reasonably strong view to their relevance for their future of the hardwood industry, particularly in NSW. I have firstly addressed the critical resource issues as a matter of priority, more generic and strategic matters follow.

I have been particularly concerned at the failure of both Commonwealth and the NSW governments, and their agencies, in the conduct of Forest Agreements, in the performance of delivering committed resource and other obligations to the processing sector, to sustain and develop the industry with strong integration for full resource utilisation and attract investment so that the industry may prosper in an internationally competitive market. I have been particularly concerned at the ease with which governments have been able to create other policy and regulation, effectively diminishing the objectives of forest policy, and to unscrupulously forsake legislated commitments on which the industry has invested in good faith.

I have used the acronym FCNSW to describe the various names of the NSW forestry agency through time - the Forestry Commission of NSW, State Forests NSW, Forests NSW, and the Forestry Corporation of NSW – excepting where a distinction may be relevant for clarity or otherwise significant.

FOREST AGREEMENTS

The RFAs for North East NSW and Eden Regions expire in 2019. The NSWFAs for Upper North East, Lower North East and Eden expire at the end of 2018. IFOAs for these regions expire at the end of 2018.

RFAs and the NSWFAs required 5 yearly reviews of performance of a large range of milestones. Since 1998, when the first NSWFAs were created, there has been only one review in 2009/10. The joint government response to that review was produced in Feb 2014, 16 years after commencement of the 20 year agreements. As a requirement of the third five-yearly review, which for North East NSW and Eden Regions is now at least a year overdue, RFAs were to have included a process for extending the Agreement for a further period (clause 6).

At this time, legislation that may enable harvesting of sawlogs from State Forests in North East NSW and Eden Regions beyond 2018 does not exist. Company based **Wood Supply Agreements** (WSA) in the North East Region extending to 2023 (and to 2028 by private agreement between Boral Timber Limited, FCNSW and the NSW government) cannot be delivered without new legislation. For the SDIP this is a critical and urgent question as to whether the NSW hardwood industry may participate in future timber markets; with only 2½ years remaining there is little opportunity for processors to determine resource and any role (or necessary investment) for participating in whatever market that may be relevant.

It is essential and urgent that RFAs be renewed for a period beyond 2018. Because of the urgency it is now necessary and appropriate to extend the existing RFAs by a period of at least 5 years. The process for review and the terms of review may be conducted and the industry must be provided at least 5 years notice of change.

It is also essential and urgent that NSW legislation extend NSWFAs, IFOAs and WSAs by a period of at least 5 years to enable continuation of harvesting activities in State Forests, to continue to supply resource to the industry while unfulfilled reviews and commitments are satisfied.

Forest Agreement reviews do not consider the actual yield of sawlogs or the performance of wood production and industry development as in the joint government commitment to one of the national goals of the NFPS. The issue of sawlog yield for any future hardwood industry in NSW is considered under issue 3, below.

Reviews of Forest Agreements should consider performance of wood production and industry development commitments (actual sawlog yield, industry investment, product/market development) and identify options to make up shortfalls and improve industry development outcomes.

Issue 3: Forest Resources

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

Self sufficiency in timber production disappeared long ago as an objective of forest management; it does not exist in the NFPS (1992) or in the NSW Forestry Act 2012. Contemporary terms for forest policy are international competitiveness and for FCNSW, as a corporation, to be commercially profitable.

For the NSW hardwood industry the fundamental requirement is for resource knowledge and security which may be the foundation for

- sustainable development of the whole of the industry including
 - forest residues
 - composite and reconstituted products
 - co-production of byproducts (energy, extractives, high-tech chemistry)
 - process residues
 - advanced processing technology
 - extended processing into manufactured products
- utilising the whole of the resource available, necessarily including
 - viable markets for forest residues
 - integration of harvesting operations for all forest products
 - effective segregation and distribution of each forest product
- reliable markets for products, supported and endorsed by a range of government policies

With respect to publicly owned forest

Forest Agreements have not provided the resource security committed for hardwood industry development in NSW. Sustainable yield of sawlogs was determined by FCNSW and committed in Forest Agreements, legislation and regulation. Since 1998, despite legislation, high quality large (HQL) sawlog supplies from native forests have been significantly diminished, substituted with logs that were being utilised by other sectors (high quality small (HQS) sawlogs), substituted with future plantation resource, neglected as retired resource as businesses closed, excused as some mills failed to utilise their allocations, and reduced to levels of FCNSW contracted harvesting operations. The attachment 1 quantifies the actual yield of sawlogs in NSW over the past 5 financial years and describes issues relevant to the shortfalls for each region. The shortfalls, and corresponding release of other resource, could have been the basis of a very large increase and extension of the hardwood forest industry in NSW, as was envisaged at the time of creating Forest Agreements.

In the context of the current hardwood resource arrangements in NSW it is extremely difficult for NSW hardwood processors to have confidence that

- FCNSW may reliably assess forest yield;
- government will sustain their commitments and obligations of policy and Forest Agreements and make resource available to comply with legislated yields;
- FCNSW may deliver resource according to commitments;

- government and FCNSW may reliably predict resource for the future;
- industry may attract investment into industry maintenance and/or development with a strategy that may identify and serve future markets.

Notwithstanding all of the government and agency failures there is also an argument that some processors have not wanted the resource, usually due to declining markets, but other processors have pursued as much volume as possible and have not been allowed access. Regardless substantial resource has been left unutilised.

Further complications have arisen as the export pulpwood market declined and costs of production in Australia have not been able to achieve a competitive price in the international market. Had NFPS goals and Forest Agreement yields been more positively addressed years ago, industry may have been able to establish a reasonably scaled domestic process for the resource and developed substantial valuable markets for the full range of forest products.

It is essential that:

- forest resource assessments be conducted accurately, professionally and independently
- detailed resource information be reliable and openly accessible to processors
- supply arrangements be satisfied in full
- supply commitments be resilient to all government policy and sovereign risk
- supply commitments be adhered to for the full term of a supply arrangement
- opportunity for continuity of supply be known at least 5 years in advance

With respect to privately owned forest

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

Farm forestry lots are limited in size by definition. They may only contribute an insignificant volume to resource supply at infrequent and unreliable intervals.

Private Native Forestry (PNF) in NSW is regulated by codes of practice administered by the Environment Protection Authority (EPA). The estate available for PNF is much larger than the public forest estate, although usually of lower quality, but it is much less utilised because landowner's interest is usually based on occasional need for income rather than long term forest management. Sustainability is determined by compliance with the codes of practice, ensuring ongoing forest health, rather than sustainable yield determinations.

Private forests are used by processors to supplement FCNSW supplies and by smaller millers reliant on local resource and low quality sawlogs from FCNSW. Yield from private forests is variable, is not usually segregated by quality, but over time is fairly consistent in total. Utilisation is predominantly lower valued green scantling, railway sleepers and landscape timbers, but a significant proportion contributes to board production through green board transfers and supplementation of FCNSW supplies.

FCNSW has accessed some PNF resource to substitute their supply commitments through a supplementation program allowed within the NSWFAs, but not included within yield determinations.

Endeavors to create even-flow yield from PNF on a regional basis, to enable a stable supply that may be used to develop industry and markets, have not been able to overcome landowners' individual management strategies, prejudices and their legitimate perception of freehold rights. Pre-purchase of Timber Rights Agreements occurs occasionally between some processors and landowners, a number of processors own and manage private forests specifically for their own use.

Endeavors to quantify the PNF resource which may be managed for forest production have not been able to establish the fundamental basis on which a landowner may decide to manage their property for timber production and when they should harvest and market it. Probability approaches have not been able to create a reasonable estimate.

Private forests represent a significant forest resource which has potential to increase wood supply. But it is most unlikely that a mechanism to manage that resource as a basis for higher valued industry and/or market development may be found; it should only be considered as supplemental resource to long term forest agreements.

In NSW, indigenous owned forests are predominantly controlled by the Minister for the Environment and preclude harvesting of forest products except for on-site use. A few exceptions where aboriginal ownership has been able to harvest timber have not produced an ongoing supply.

With respect to plantations

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

Public hardwood plantation establishment already contributes to sawlog resource as a part of the native forest supply under NSWFA's. In the North East Region of NSW, hardwood plantations contributed 100,529 m³ of high quality sawlogs (10% of total high quality sawlog supply) over the past 5 years. A significant volume of low quality sawlogs and residue logs was also produced.

If a political lobby succeeds in having native forest timber resource replaced with hardwood plantation resource, the estate is not likely to meet timber demand any more than native forests currently do for a very long time. As hardwood plantation timber products are very different to native forest products (species, density, features) a number of hardwood products will inevitably disappear from the market. Plantations as substitute for native forest resource do not contribute to future demand, and would deny primary motivation for investment.

The area of public hardwood plantation on the north coast has reduced over the past few years as harvested areas have not entirely been replanted and plantation establishment has declined.

It is essential that hardwood plantation production be available as additional resource to native forest yield.

Significant areas of joint venture plantations (by FCNSW and private landowners) have been established. Yield from those plantations will be managed by FCNSW and will contribute to the pool of public forest yield rather than as any additional timber yield from private property.

Private hardwood plantation development represents a significant potential to increase wood supply to NSW processors. Since the demise of managed investment schemes for plantation development that resource has been neglected and deteriorated; now there is considerable doubt as to the future productivity of this resource.

Much of the private forest and plantation activity was very effectively developed and promoted through regionally based plantation development committees and private forestry development committees. Funding of those committees was withdrawn, staff were retrenched and the committees collapsed.

It is recommended that regional plantation development committees be re-established and funded to re-energize establishment and management of private hardwood plantations and that they also be used to promote private native forestry.

Vision and Objectives

All of the vision and objective values for the hardwood timber industry have been well expounded in the NFPS, RFAs and NSWFAs, sectoral and organizational strategies and specific industry programs.

The following set of word is suggested to encompass most of the issues.

Expanding forest resources to support a profitable and internationally competitive forest industry, to meet Australia's future timber demand and contribute significantly to economic growth, social wellbeing and environmental sustainability. Including:

- Increase the economic value of the forest industry.
- Strengthen the forest industry's contribution to the community.
- Enhance the forest industry's contribution to multiple environmental benefits.

2. What specific objectives should underpin this vision?

"A RENEWABLE FUTURE - Policy initiatives roadmap for the forest, wood and paper products industry", by Australian Forest Products Association identified eight key priorities which set out appropriate objectives for an industry strategy.

- Plan for a renewable future. Recognise the environmental and economic value to the Australian community of a vibrant forest products industry and plan for expanded contribution of the industry to a low carbon economy.
- Carbon economy and renewable energy. Deliver a better regulatory environment and a new program of direct action for the commercialisation of carbon sequestration in forests and forest products through payments for carbon storage and greater use of biomass for renewable energy.
- Building resource security. Stimulate capital investment for new softwood and hardwood plantations and support the Regional Forest Agreements to provide long term wood supply from sustainably managed forests.
- Competitive energy networks. Deliver competitive and efficient (low cost) energy networks for wood and paper manufacturing users, including affordable gas and associated gas infrastructure.
- Improving market access. Deliver fast and effective anti-dumping action, support certification, address illegally sourced imports of wood and paper products and recognise the environmental advantages of wood through building codes and energy rating schemes.
- Public communications. Promote the benefits of sustainable forest management and recognise the renewability of products derived from wood through public communications activities.
- Investment environment. Facilitate investment comparable to other countries, by reducing sovereign risk, transparent planning processes and incentives for investment.
- Infrastructure and R&D. Develop better infrastructure promote skills and resume funding of R&D in sustainable forest industries.

Critically, and particularly important for the NSW hardwood sector, objectives directed to resource security, investment and profitability need emphasis. Issues with resource security have been discussed above.

Investment to build resource to facilitate maintenance, growth and development of the industry is essential. A strong economic climate in which all Australian industry must operate is essential for investment but exists as a particular set of circumstances largely beyond the scope of a timber industry strategy, excepting a representative role with communities, politicians and governments. An economic climate that enables profitability, sustainability, security and future market growth will attract investment.

Profitability underpins all visions for future viability. Profitability must be at a level that may provide a reasonable business return and contribution to investment in technology, equipment and development (including market development). Investment in research in all these fields is implicit in development.

For NSW hardwood producers log pricing has traditionally been available as a proportion of the market value of their products; log prices being determined as the residual value (stumpage) after allowance for costs of production. The forest grower then earned the full value of the resource to the timber market, the processors able to earn their particular portion as profit. Over the last 8 years FCNSW has pursued an over-riding policy to operate as a commercially profitable entity and recover costs in addition to the true value of the resource determined as the residual price from the market.

In effect this policy has transferred profit from processors to FCNSW, substantially reducing the profit that may be earned by processors. With reduced profit processors have less incentive to invest in development, equipment, maintenance, markets, research, representation and community engagement, and training programs. Processors have become much more focused on protection of their existing business, serving existing known markets, acquiring only preferred resource (species, quality). Investment is now confined to maintenance and known equipment improvement. As resource failures and supply difficulties have emerged, and future uncertainty increases any supply/demand relationship is working in reverse; forest utilisation has diminished, market prices are suppressed and volumes are in decline. As FCNSW have transferred the profit margin, incentive for development and investment has declined, affordability has disappeared. It is not apparent the FCNSW is using their increased income as industry development initiatives.

It is essential that

- log pricing be directly and accurately related to market prices for timber products.
- Processors may achieve a sufficient profit to ensure investment in technology and equipment
- Processors are able to substantially fund research and development

- Sufficient incentive is available to create and develop new products and markets
- Profitability is sufficient to attract new investment into increased production, new plants, new developments.

Exacerbating the problem of profitability for processors:

- As resource access has declined, log size and quality has declined reducing mill recoveries. The impact on costs of production have not been allowed in residual pricing functions.
- Similarly harvesting operations have moved to more difficult topography and more distant locations. The impact on costs of production have not been adequately addressed in the zoning system of residual pricing functions.
- FCNSW has taken control of forest harvesting and haulage operations through contractor management. The outcome has been a large increase in delivery charges to sawmills which has not been reflected in residual pricing functions.

It is overdue that residual pricing functions be reviewed as a critical component of NSW hardwood log pricing systems.

The resource value, as a residual from the market, must be adequate to cover the costs of sawlog production, that is basically all that is available! Growth of the resource may only be funded from the value of the existing resource, or long term government investment; if it has to be drawn from the market then the forest grower (FCNSW) must contribute to market development programs.

Market development programs must be co-operative and collaborative exercises by growers and producers.

Until 2012 timber market regulation was conducted by FCNSW under the NSW Timber Marketing Act. Corporatization to create FCNSW repealed that Act and removed any responsibility of FCNSW to ensure quality and marketing standards of timber. There is no current administration of timber marketing in NSW outside of the Fair Trading Act. Use of substandard timber (strength, durability, quality), often as imported timber, is rife in NSW, including in NSW government projects.

It is highly desirable that legislative regulation in the timber market be re-legislated and that funding be provided to ensure compliance with the appropriate standards. Certainty that government policy in projects and construction approvals **must** require compliance with standards would be a good start.

Issue 2: Emerging Issues 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?

The NSW hardwood industry is predominantly focused on the production of solid wood flooring and other appearance products such as dried and dressed structural timber (such as F27) and similar products. Resource uncertainty, supply and cost/price functions restrict consideration of other potential products at this time but there are other existing and potential products which simply need market development.

The NSW Cypress industry is a prime example of how improved product and markets may be developed. It has worked because it is a small sector. They firstly established a unique and highly desirable construction element for export to Japan, which only faltered as the exchange rate rose severely. They have now established significant markets in architectural timber for specialist and exclusive construction. However, as for the Japan exports, development took many years and quantum leaps in processing technology at their own cost; it will probably never recover the costs of development but a valuable market for the future, for the promotion of high quality timber and as a significant price premium which has been established. The development required a full cooperation through the supply chain, including architects, builders, engineers and certifiers; the only limiting factor is getting appropriate resource to service the market.

- Appearance products have been promoted for hardwood timber for many years but have not been able to achieve a significant place in the market.
- Furniture timbers achieve a high price but for very little volume. Excepting for specialist furniture items imported products severely challenge the costs of production in Australia.
- Improved flooring products (prefinished, cut to length, overlays) are feasible but appear to be relegated as further manufacture to other industry sectors.
- Laminated and engineered flooring products have existed but are severely challenged by imported product pricing.
- Laminated and finger jointed timber into commodity sections have been successful for high quality consistent timber (Alpine Ash by Australian Sustainable Hardwood) but have to compete internationally and maintain a resource which can facilitate a scale of production for this product.
- Cross laminated timber is developing as a sound building product. While denser hardwoods may provide strength and durability characteristic they have a substantial disadvantage in density and weight of individual sections. To compete with imported product manufacturing plants would need to be in close proximity to development centers.

By far the most important forest products to be developed are those that utilise low value logs, forest residues and processing residues. Severe decline of the woodchip export market highlighted the problem that the industry had little alternative market for these resources. It is physically essential that the resource (co-product of harvesting, harvesting residue, thinnings, processing residue) be removed and economically essential that it be sold. All forest development, silvicultural forest treatment, harvesting operations and processing business depends on having a market for this resource. Potential alternative markets include fibreboards, electricity, biochar and a wide range of applications that have all been presented before. But they are yet to be commercialized and find investors in an antisocial climate of green outrage and little government support.

The potential for log exports is rapidly developing as an alternative market for forest growers, but at the expense of Australian producers. FCNSW is well advanced with an export market for selected low grade hardwood logs from the North East and is continuing to develop those. FCNSW has also promoted the export to China of hardwood logs from southern NSW as a viable option to replace the local industry at the expiry of current Wood Supply Agreements.

The barrier to development of all these products is the costs of production in Australia, the potential profitability, the need for significant investment funds and a fundamental lack of support from government, the NSW government in particular and FCNSW. Consequently log export is rapidly becoming the most convenient “development” option.

Rather than identifying barriers it would be worth exploring support from government and agencies in developing market opportunities through:

- Improved environmental/greenhouse credits for use of timber in construction
- Construction credits for use of Australian produced timber (such as discounted infrastructure levies)
- Recognition and credit for carbon stored in timber products
- Issue of renewable energy certificates for timber utilisation in electricity generation
- Preferred supply contracts for Australian timber in government projects and approvals
- Necessary Standards compliance for use of timber in construction (timber marketing/use legislation)
- Restriction on export of hardwood logs to only those unable to be utilised in Australia.

Other countries use these and other schemes (including import barriers) to promote the use of domestic production.

Issue 4: Innovation, Research and Development

Forest and Wood Products Australia provides a strong platform for coordinating private, institutional and government research, and its own research, at the direction of forest industries under a sound administration and strategic approach.

ABARE (State of the Forest Report 2013) reported for 2010-2011 the value of logs harvested as \$1.85 bn, the turnover (sales and service income) as \$24 bn, and value adding as \$8.3 bn and the industry produced 0.59% of GDP. It is unbelievable that the forest industry struggles to fund its share of the activity of FWPA when the strength of their research program has been proven time and again.

The FWPA is limited in its funding for development and promotional activity as distinct from research programs. At this time an emphasis on development and community perceptions is of vital importance to the hardwood sector if it is to be ever able to utilise the outcomes of research programs. The “Wood Naturally Better” program is clear evidence of an appropriate direction for expenditure of more R&D funds.

As funding of the FWPA has been restrained, much research activity has been disseminated to private, agency and institutional projects. The result is that research knowledge and industry development understanding is not as widely realized around the industry as it could be.

It is regrettable that the communications programs of the FWPA had to be curtailed because of funding restriction.

FWPA should place stronger emphasis on industry development and pursue the government contribution to fund this work.

FWPA should establish as the central hub to coordinate all forest research in Australia and to disseminate all research findings.

FWPA needs to re-engage a much stronger communications program.

There can be no doubt that funding of the FWPA should be increased.

A significant government regulation barrier to the use of timber in residential construction emerged as an outcome of severe bushfires in recent years. Use of Australian hardwood in bushfire prone zones could have been a marketing advantage but became a significant barrier as very few Australian timbers were tested and no marketing drive to support Australian timber products in these areas was undertaken. It is virtually impossible for most consumers and builders to find suitable timber products (such as window frames, threshold timbers, mouldings, railings, fascias) with bushfire accreditation, and few timber merchants know the detail of the requirements. Very few building certifiers know the

regulations or can identify the timbers anyway. An option of using fire retardant treatments, as is common practice overseas, does not seem to be available in Australia.

Testing of **all** Australian timbers for bushfire ratings should be conducted as a matter of urgency. This should be a government obligation arising from the regulation.

A major awareness campaign for use of bushfire accredited timber products should be delivered to builders, specifiers, local government and certifiers.

Identification of bushfire accreditation should be promoted and apparent in the market for the full range of outdoor timber products.

The use of fire retardant treatment as an option for bushfire accreditation needs research and development.

Continuing work on use of timber in building codes and building approval processes is essential. Development of forestry accreditation is an essential value to be promoted to government authorities and project management.

Issue 5: Consumer and Community Engagement

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

Through RFAs and NSWFAs communities are actively involved in public forest management. The NFPS includes communities as a major part of its vision and its national goals. Community understanding of the forest industry's role and activities is of equal importance to the understanding of government and members of parliaments, arguably more important. Regional economic return and social support are frequently presented as industry criteria of value to justify access to public forests for resource supply.

Australian hardwood timber is predominantly sold in domestic markets, that is to consumers. If those markets are part of a future strategy, and that strategy includes environmental values with accreditation for activities as forest certification, it would not be rational to not include a program of consumer/community engagement.

Consumer engagement is a necessary component of market development, necessary to understand the products that may be required in future markets, necessary for consumers, necessary for builders and specifiers, necessary for the communities in which the industry, the consumers and the users live.

A structured approach to engagement is necessary. Currently forest industries in Australia engage (and fund) an overabundance of representative associations covering sectors, states, products, technologies, markets, issues, programs and government agencies. AFPA provides commonwealth government representation, State industry associations provide their state resource representation and community representation is through a various collection of ad hoc groups (largely unfunded) dealing with the whole gamut of local issues. These associations are dominated by a few enterprises inevitably projecting and protecting their individual positions; a broader range of expertise may be a positive improvement.

FWPA fulfills a vital role in coordinating and managing the research and development program.

Rationalisation of all of the other groups and associations into the umbrella of an organised network would be highly desirable, deliver a consistent message and greatly improve forest industry's credibility in representation and engagement.

Fundamentally a cooperative and collaborative approach to all the industry engagement strategies, across all sectors, activities and functional groups is essential. That one sector may pursue community support or commercial profit at another sectors expense does not create a climate for cooperative engagement.

The whole industry has recognized the importance of community engagement, however no-one is prepared to secure funds for any sort of organization or establish a consolidated context and leadership for its activities. Timber Communities Australia has a good model but no funds and only a limited take-

up in the industry. Domination and direction from industry businesses diminishes its ability to engage at a community level.

Unfortunately most of the community groups that do exist for community engagement are dominated by industry enterprise participation and project those individual business positions (frequently private wheelbarrows that other organisations reject) rather than engaging in community positions. Community participation in community groups is elementary. The primary purpose of community groups should be based on receiving and addressing issues raised by the community, rather than projecting industry positions and hoping for support. It cannot happen, and activities in the communities will not happen, unless substantial funding is put in place.

Community groups are also very good platforms to project promotional activities across a large range of issues; the issues need to be drawn cooperatively from the umbrella groups and deliver consistent messages, they also need to provide the community feedback and some direction to the umbrella groups.

It is essential that consumer and community engagement groups be established under a broad umbrella of industry associations and be brought into an active role within associations.

It is essential that community groups do not operate as small industry associations, yet the industry will have to fund the groups for administration, coordination, projects and as a secretariat.

Market development may be a distinct type of engagement group specifically administered from within the FWPA as an ongoing development activity.

Community groups would be very effective in the development of cluster arrangements for the industry. The locations for industry hubs will essentially be the same as the bases for community groups.

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

Certification is a very powerful tool in marketing forest products, in conveying strong environmental credentials and is essential for a number of international markets. Whether it provides a direct commercial return is no longer relevant, it is becoming an essential requirement of being in the market. While-ever environmental values exist in a vision and objectives for the industry, and in government policies for forest management, then certification may deliver a powerful accreditation for the industry.

Certification, as it currently exists, is heavily weighted to expensive processes of documentation and duplication of compliance monitoring. Unfortunately the scheme is exposed to community, political and

legal claims of unsustainable activity, in contradiction of documented processes certifying sustainability (as occurred 2009/10 in the Red Gum sector). High costs of implementation of certification, particularly for smaller businesses, could be greatly reduced with less documentation and more compliance activity by administrative authorities.

To illustrate this point, the conduct of Private Native Forestry in NSW is regulated by codes of practice for environmental and forest management values and audited by the Environment Protection Authority. That any resource is obtained under the proper authority, and not in breach of the regulations, is all that should be necessary for certification. A sound compliance process by the Authority guarantees that all timber sourced from private native forests should meet certification standards. Public forests and plantations do satisfy certification standards. Therefore all timber produced in NSW should be able to be marketed with certification.

Presumably other sectors operate under similar regulatory frameworks. Therefore there should be no barrier to the use of certification for all Australian timber. Certification may then become the fundamental standard for all timber processing in Australia.

It is suggested that forest certification be addressed to more heavily rely on regulatory compliance by government and authorities, so that all Australian Timber may be marketed with accreditation. That would mean that certification may exist under the Australian government as a one-stop shop guaranteeing compliance with the range of forest management/environmental regulation that exists throughout Australia.

Under such an arrangement a lot of other policy and regulation becomes much more readily addressed, for example the Illegal Logging Prohibition Act.

Issue 8: Industry Skills and Training

Development of Australia's workforce development programs have provided a very effective platform of skills development through TAFE administration, courses and programs. Specific timber industry programs have produced a substantial increase in skill levels throughout the industry over the last decade. The Forest Industry Skills Council has been very effective in having programs delivered throughout the industry and in a coordinated manner with businesses, enterprise training and other training providers.

As industry has developed, new equipment and technologies produce new products and future markets are created, an ongoing requirement to update workforce skills will be imperative. Future skills will inevitably be based around high technology, mechanization and computerization; future skills will inevitably be more vocational and industry focused than enterprise based.

Largely training programs have had a vocational education basis and have been very heavily funded by government. Industry has been very reluctant to fund programs and tends to focus on exclusive enterprise training and usually specific equipment training.

The National Workforce Development Fund provided enormous funding which, with the assistance of the Forest Industry Skills Council, was accessible for on-site enterprise and specific equipment training. Unfortunately the fund was largely unused because it required a co-contribution from businesses even though that could have been in-kind for the provision of equipment and other service.