

2010

Illegal Logging Policy

Small Business Impact Statement

Report prepared for

Department of Agriculture, Fisheries and Forestry



Hamish Crawford
Cailum Pty Ltd
March 2010



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While every endeavour has been made to provide informed guidance on the impact of compliance requirements on small business, it is not intended that this report be an exhaustive analysis of every issue that may need to be considered.

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Hamish Crawford
Cailum Pty Ltd

10 May 2010

CAILUM PTY LTD AS TRUSTEE FOR THE CRAWFORD FAMILY TRUST
PO BOX 696W BALLARAT WEST VIC 3350
AUSTRALIA
ABN: 97 193 975 243

t: +61 3 5338 4393
f: +61 3 5334 4460
e: hamish@cailum.com.au
w: www.cailum.com.au

AUSTRALIAN GOVERNMENT ILLEGAL LOGGING POLICY

SMALL BUSINESS IMPACT STATEMENT

Executive Summary

The Department of Agriculture, Fisheries and Forestry (DAFF) is seeking to identify the costs and benefits of policy options that might be implemented in support of the Australian Government's commitment to combat illegal logging and its associated trade by establishing systems that will promote trade in legally logged timber and wood products and, in the long term, trade in timber and wood products from sustainably managed forests.

To assist in this process, the Department commissioned Cailum Pty Ltd to provide industry analysis, including the aggregation of small-medium businesses within sectors of the timber industry and assessing the costs to industry of compliance with government regulations.

An important qualification for this project was that details of specific policy proposals under consideration were not available to Cailum Pty Ltd. As a result, the assessment of the number of businesses potentially affected, as well as the impact on small business and individual enterprises could only be made in a generalised way.

CATEGORIES OF SMALL BUSINESSES THAT MAY BE AFFECTED

The Australian forest products industry was mapped and categorised using Australian and New Zealand Standard Industry Classification (ANZSIC) administered by the Australian Bureau of Statistics (ABS). This approach was selected as it provided access to enterprise level data within each industry class. However, several limitations of the ANZSIC system were identified for this application. In particular there is no way to specifically differentiate between those businesses that use imported products and those that use only Australian grown forest products.

In selecting industry classes most likely to be affected by policy initiatives, consideration was given to:

- ◆ The nature of the businesses within the class as holders of legal custody of forest products (i.e. buyers and sellers),
- ◆ the likelihood that small businesses within the industry classes utilise imported products, and, in particular, are directly involved in the import of wood products, and
- ◆ the relative importance of forest products to the business activities within each industry class.

Analysis was undertaken linking the known supply chains of key industry sectors to identify the main points of entry for imports and the associated ANZSIC classes.

In the absence of knowledge of specific policy initiatives being considered, guidance was sought from DAFF on which of the business classes identified as being relevant to the wood products sector were likely to contain potentially affected small businesses.

A total of 13 ANZSIC classes were identified as being potentially affected by illegal logging policy initiatives. Of the approximately 17,175 enterprises operating within these classes, around 92% or 15,765 are either non-employing or small businesses (i.e. with 1-19 employees).

EXISTING CODES OF PRACTICE/ PROCEDURES

Australian businesses operate under a complex array of compliance requirements, including mandatory requirements (originating from commonwealth and state legislation and supporting regulations as well as local government planning schemes and by-laws), and voluntary requirements, which are typically industry-based codes or charters to which an organisation voluntarily subscribes, or certification schemes that provide recognition for the adoption of standards.

A key feature of mandatory requirements is that they apply consistently across businesses in a given sector and location. Decisions on selecting an appropriate business structure and operating location are

framed by a known set of applicable compliance requirements that are not separately costed but become part of the basic operating framework of the business.

A key element in a business' decision to subscribe to a voluntary mechanism such as a certification scheme is an evaluation of the expected benefits and costs. These can be difficult to quantify up front with any certainty and benefits may not always be as tangible as price premiums or market access. Intangible benefits such as business and product differentiation and promotion can also be relevant, but very difficult to quantify.

Compliance responses vary according to the nature of the requirement and the individual circumstances of each business, but will generally include one or a combination of procedural, reporting and external verification responses.

There are also indirect costs of compliance, for example costs in relation to changes in availability of supplies or the impacts on business competitiveness resulting from imposition of policy requirements. These can also be very difficult to quantify.

IMPACTS EXPECTED IN EACH CATEGORY

There is no standard approach to quantifying the costs to businesses of meeting compliance obligations, but one approach that can be used is through the Business Cost Calculator, a tool developed by the Australian Government to calculate the direct compliance costs of regulatory proposals.

The calculator works on the basis of costing each task that needs to be undertaken by a business entity seeking to comply with an identified regulatory requirement. Tasks are identified as either start-up or ongoing and costed at the enterprise level.

For any specific policy initiatives being considered, DAFF will need to identify, categorise and quantify each individual task a business enterprise is likely to face in order to comply with the policy requirements, to provide inputs into the Business Cost Calculator.

At the industry or sector level, the total cost of compliance is the sum of the costs of all tasks required at the enterprise level multiplied by the total number of affected businesses.

No details are available on the policy initiatives currently being considered, so it is not possible to provide any meaningful estimation of likely compliance costs. Compliance costs will depend on a number of factors, and even simple policy initiatives could lead to large variations in direct compliance costs across different industry sectors.

For example, compliance costs for a policy instrument based on 'legality verification' of imported products will vary according to the depth and complexity of the supply chain leading up to the point of import. For roundwood or sawn timber, this supply chain will be relatively short so that tracking the product's chain of custody and associated documentation back to the point of harvesting may be relatively simple.

However, for highly processed products or those with potentially long supply chains that could stretch across multiple countries, such as paper, printed documents and some furniture lines, legality verification may be impossible, unless there is already some chain of custody verification system in place.

Estimating the direct cost to each enterprise and across affected industry classes is only a part of assessing the impact of compliance costs. The capacity of business to meet and absorb the costs of compliance is dependent on a number of factors and in particular how the compliance regime affects the competitive position of the enterprise in relation to its competitors.

A number of small businesses consulted noted that equitable application of policy measures across the supply chain is important to minimise adverse impacts to the competitive position of those businesses.

Effective design of compliance regimes is an important factor in minimising adverse impacts on business. Compliance regimes can adversely impact small businesses more than larger ones. Compliance regimes that have core requirements that are not scalable with the size of the business or its turnover will proportionately disadvantage small businesses relative to larger ones.

Design factors that provide clarity around compliance expectations, and simplify response requirements such as through template reporting and low cost verification are important to minimising impacts on small business.

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Glossary

| | |
|----------|---|
| ABN | Australian Business Number |
| ABS | Australian Bureau of Statistics |
| ANZSIC06 | Australian and New Zealand Standard Industrial Classification, 2006. (1292.0) |
| ANZSIC93 | Australian and New Zealand Standard Industrial Classification, 1993. (1292.0) |
| DAFF | Department of Agriculture, Fisheries and Forestry |
| FSC | Forest Stewardship Council |
| GST | Goods and Services Tax |
| PEFC | Programme for the Endorsement of Forest Certification |
| TOR | Small Business Impact Statement - Consultancy Terms of Reference |

1. Introduction

1.1. Background

The project terms of reference (TOR) note that *“The Australian Government has committed to combat illegal logging and its associated trade by establishing systems that will promote trade in legally logged timber and wood products and, in the long term, trade in timber and wood products from sustainably managed forests.*

To meet this objective the government may consider developing new legislation, supporting regulations and administrative arrangements to:

1. *Identify illegally logged timber and restrict its import into Australia*
2. *Require disclosure at point of sale of species, country of origin and any certification.”*

In support of this objective, the Department of Agriculture, Fisheries and Forestry (DAFF) is seeking to identify the costs and benefits of policy options that might be implemented; this will form the basis of a Regulation Impact Statement.

It is understood that *“small to medium businesses enterprises and industry associations have expressed concerns that costs associated with any potential regulatory options to restrict trade in illegal logged timber may be significant.”*

To assist in this process, the Department has commissioned Cailum Pty Ltd to provide industry analysis, including the aggregation of small-medium businesses within sectors of the timber industry and assessing the costs to industry of compliance with government regulations.

1.2. Scope and Objectives

The key requirements of the Small Business Impact Statement are described in the TOR; they are to identify:

- ◆ the number of small businesses affected;

- ◆ the overall impact on small businesses;
- ◆ the degree of impact on individual small businesses.

An important qualification for this project was that details of specific policy proposals under consideration were not available to the consultant. As a result, the assessment of the number of businesses potentially affected, as well as the impact on small business and individual enterprises could only be made in a generalised way.

1.3. Approach used

The approach used in this analysis was to:

- ◆ Categorise the Australian forest products industry;
- ◆ Identify those business types of relevance to potential policy initiatives;
- ◆ Identify and describe the current compliance requirements faced by potentially affected businesses;
- ◆ Assess the potential impacts of compliance requirements on
 - individual businesses within the relevant sectors of the industry,
 - the relevant sector as a whole.
- ◆ Identify situations and opportunities to minimise the costs and impacts of compliance obligations.

2. Categories of small businesses that may be affected

2.1. *The Australian forest products industry*

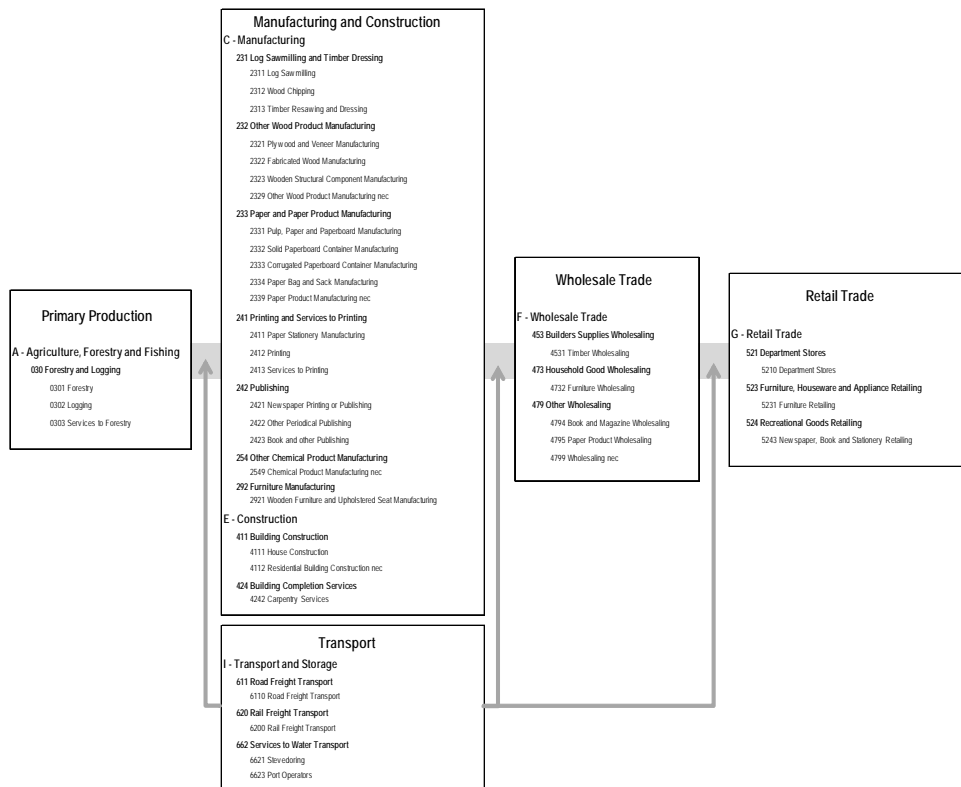
The Australian forest products industry covers the whole value chain from the growing of wood, through primary and secondary processing and manufacturing to a highly developed network of wholesale and retail trade. The sector has a high degree of exposure to international trade – both imports and exports – and is supported by a network of service providers, the transport sector in particular.

The most effective way of mapping and categorising the forest products industry is through the Australian and New Zealand Standard Industry Classification (ANZSIC) administered by the Australian Bureau of Statistics (ABS). Adopting this approach provides access to enterprise level data within each industry classification, an

essential requirement for this project. There are, however, limitations with this approach that need to be acknowledged. First, the ANZSIC classifications are often quite broad and individual classifications may include a range of business types with varying degrees of relevance to the forest products sector and to illegal logging policy. For example, ‘4732 Furniture wholesaling’ covers a range of businesses involved in the wholesaling of wood-based and non wood-based furniture. Second, within those businesses that are directly involved in the buying and selling of forest products, there is no direct way, from the ANZSIC data, to differentiate between those businesses that use imported products and those that use only Australian grown forest products.

A schematic representation of the Australian forest products industry, based on ANZSIC93 is shown in Figure 1.

Figure 1: The Australian forest products industry



Source: The current ANZSIC categorisation was developed in 2006, and is a revision of the earlier 1993 definitions. The latest information available on the numbers/size of businesses in each industry class was based on the 1993 definitions (ANZSIC93) so this has been adopted as the basis for this analysis.

2.2. *Industry classes relevant to illegal logging policy*

Businesses with legal custody

The industry may be further categorised into businesses that produce (or buy) and sell forest products – i.e. they have legal custody for a period of time – and those that are service providers to the “ownership” businesses. For example, businesses within the classes 0302 Logging, 0303 Services to Forestry, 2413 Services to Printing, 4242 Carpentry Services and the division Transport do not generally have legal custody of forest products but instead provide services to entities that do.

Policy initiatives aimed at combating illegal logging are likely to focus on businesses with legal custody.

Illegal logging policy relevance

Within the industry classes that have legal custody of forest products, there are several other factors that will influence their relevance to illegal logging policy. Illegal logging has several components – legality of ownership of forest products being sold, compliance with applicable laws and regulations by the forest harvesting entity, and governance of the administration of the relevant laws and regulations.

While not discounting that illegal logging could be a relevant factor for Australian grown forest products, the key focus of the Australian Government’s policy is likely to be on the legality of imported forest products. However, while government commitments are focused on restricting imports of illegally logged timber, Australia’s obligations under Article III of the General Agreement on Tariffs and Trade (GATT) require that measures applied to imported products need to be applied to domestically produced products as well.

Despite this, industry classes that deal exclusively with domestically grown forest products are least likely to be affected by policy initiatives aimed at illegally logged forest products. Demonstration of legality for locally grown products is implicit in the existing regulatory environment around timber harvesting and business to business

transactions. Regulatory mechanisms already in place for all Australian businesses deal with legality of ownership of goods bought and sold, and in the case of forest production, cover legality and authorisation for forest management and harvesting. It would be expected that businesses using Australian grown forest products will be able to demonstrate legality quite simply and as such will be least affected by new policy initiatives aimed at illegal imports.

Another factor in determining the potential for specific industry classes to be affected by illegal logging policy initiatives is the depth of policy focus within the supply chain.

For example, illegally harvested forest products could enter Australia in the form of:

- ◆ unprocessed logs,
- ◆ partially processed timber, such as sawntimber, chips, veneer, mouldings or engineered panels,
- ◆ manufactured goods such as doors or furniture, either complete or in flat-packed componentry form.
- ◆ pulp and paper products, from wood pulp and paper to finished articles such as books, newspapers and magazines.

The range of forest products imported into Australia, as reported by ABARE, is shown in Figure 2.

Figure 2: Imports -2006/07 (\$million)

| | |
|--|----------------|
| Roundwood | 0.6 |
| Sawnwood | |
| Coniferous roughsawn | 148.1 |
| Coniferous dressed | 143.3 |
| Broadleaved roughsawn | 66.9 |
| Broadleaved dressed | 59.9 |
| Total | 418.2 |
| Miscellaneous forest products | |
| Doors | 46.5 |
| Mouldings | 176.1 |
| Packing cases, boxes, crates, drums complete | 2.4 |
| Coopers products and staves etc | 48.4 |
| Parquet flooring panels assembled | 21.1 |
| Builders' carpentry (excluding doors) | 78.2 |
| Picture, photograph and mirror frames | 18.7 |
| Household utensils | 11.9 |
| Ornamental figures | 9.4 |
| Other household articles | 16.0 |
| Tools and tool handles | 2.2 |
| Shingles | 0.3 |
| Articles of wood n.e.c. | 48.6 |
| Cork and manufactures | 52.6 |
| Lac, gums and resins etc | 9.8 |
| Essential oils | 10.1 |
| Matches | 2.3 |
| Rosins and wood tar | 0.1 |
| Fuel wood | 0.1 |
| Wood charcoal | 1.7 |
| Forest products n.e.c. | 10.6 |
| Wood-based panels | |
| Veneers | 31.5 |
| Plywood | 167.7 |
| Particleboard | 26.2 |
| Hardboard | 29.9 |
| Medium density fibreboard | 13.8 |
| Softboard and other fibreboard | 7.2 |
| Total | 276.3 |
| Paper and paperboard | |
| Newsprint | 224.1 |
| Printing and writing | 1,453.2 |
| Household and sanitary | 177.1 |
| Packaging and industrial | 416.1 |
| Total | 2,270.5 |
| Paper manufactures | 469.5 |
| Recovered paper | 2.3 |
| Pulp | 265.2 |
| Woodchips | 1.5 |
| Total primary forest and wood products | 4,271.2 |
| Secondary wood products | |
| Wooden furniture | 1,187.7 |
| Prefabricated buildings | 45.3 |
| Printed articles (incl. newspapers, books, magazine) | 1,036.5 |
| Total | 2,269.5 |
| Total all forest and wood products | 6,540.7 |

Source: ABARE Australian forest and wood product statistics Sep and Dec Qtrs 2008, tables 23, 35 and 59.

Some of these products will come from sources where the risk of illegality is perceived to be higher or lower than from other sources. In principle, forest products closest to the point of harvesting (such as sawn timber) will be easier to track back to the forest to establish legality than a highly processed final product, such as a book.

Chain of custody certification programs, such as those operated by the Forest Stewardship Council (FSC) or member schemes covered by the Programme for the Endorsement of Forest Certification (PEFC), provide a mechanism to establish the legality of forest products at any point in the supply chain.

Businesses importing forest products

Policy initiatives focused on detecting and eliminating illegal imports will necessarily be directed towards industry classes with businesses that use imported forest products, particularly those directly involved in importing.

Within those industry classes, there is no precise method of identifying the number of businesses potentially affected by policy initiatives.

First, the ANZSIC industry classifications do not distinguish between businesses that import or use imported forest products and those that rely on domestically grown products, or a combination of imported and domestically grown product. . Also, as shown in Figure 2, the range of products imported is wide and encompasses the full supply chain from raw materials to finished products¹.

Second, the number of businesses actually affected will also depend on the focus and level of precision in targeting of policy initiatives – i.e. how well they can be targeted at businesses that import at-risk forest products rather than on all businesses within, say, a target industry class.

Details on specific policy proposals under consideration were not available for this consultancy. As such, identification of industry classes likely to be affected could not be undertaken with high precision.

Industry classes likely to be affected

In selecting industry classes most likely to be affected by policy initiatives, consideration was given to:

- ◆ The nature of the businesses within the class as either holders of legal custody of forest products (i.e. buyers and sellers),

¹ Some stakeholders suggested that official records of imports do not accurately represent the relatively high proportion of manufactured products that enter the country in flat-pack or component form, but which are recorded as inputs to manufacturing, as opposed to forest products.

- ◆ the likelihood that small businesses within the industry classes utilise imported products, and, in particular, are directly involved in the import of wood products, and
- ◆ the relative importance of forest products to the business activities within each industry class. For example, department stores and furniture retailers will often sell wood-based products, but wood product sales generally represent a very small proportion of the value of sales of these businesses. For this reason, the

department store classification has been excluded from the analysis.

Work undertaken by the Timber Development Association (TDA) in identifying and classifying industry sectors and typical supply chains provides some guidance in identifying typical points of entry for imports. While there is no direct correlation between the sectors and supply chain points nominated by TDA and the ANZSIC classifications, there is sufficient commonality to identify key ANZSIC classes relevant to this project (see Figure 3).

Figure 3: Key points of entry for forest product imports

| Industry sector | Main product imports (by Customs tariff classification) | Main points of entry for imports | Main ANZSIC classes |
|---|---|----------------------------------|---|
| Sawnwood products | 4403 Wood in the rough 4407 Sawn timber 4408 Veneer | Wholesaler/importer | 4531 Timber Wholesaling |
| | | Timber merchant/retailer | 4531 Timber Wholesaling |
| | | Builder/manufacaturer | 4111 House construction 4112 Residential building construction n.e.c. 2313 Timber Resawing and Dressing 2320 Wood Product Manufacturing n.e.c. |
| Roundwood products | 4403 Wood in the rough | Wholesaler/importer | 4531 Timber Wholesaling |
| | | Timber merchant/retailer | 4531 Timber Wholesaling |
| Veneer, LVL, OSB products | 4412 Plywood, veneer panels | Wholesaler/importer | 4531 Timber Wholesaling |
| | | Manufacturer | 2321 Plywood & Veneer Manufacturing |
| Composite wood products – particleboard, MDF, veneered panels | 4408 Veneer 4410 Particleboard, OSB 4411 MDF, other fibreboard panels | Wholesaler/importer | 4531 Timber Wholesaling |
| | | Cabinetmaking | 2921 Wooden Furniture and Upholstered Seat Manufacturing 2323 Wooden Structural Component Manufacturing |
| | | Timber merchant/retailer | 4531 Timber Wholesaling |

| Industry sector | Main product imports (by Customs tariff classification) | Main points of entry for imports | Main ANZSIC classes |
|--|--|---|--|
| Complex manufactured wood products | 9401 seats (wooden frames) | Wholesaler/importer | 4531 Timber Wholesaling |
| | 9403.30 Wooden furniture (office) | Manufacturer/assembler | 2323 Wooden Structural Component Manufacturing |
| | 9403.40 Wooden furniture (kitchen) | Product reseller | 4531 Timber Wholesaling |
| | 9403.50 Wooden furniture (bedroom) | | |
| 9403.60 Outdoor & other wooden furniture | | | |
| 4409 Flooring & mouldings | | | |
| 4418 Builders joinery & carpentry, doors | | | |
| 4407 Sawn timber | | | |
| 4412 Plywood, veneer panels | | | |
| Pulp, paper and paperboard | 4701-4706 Pulp | Pulpmill | 2331 Pulp Paper & Paperboard Manufacturing |
| | 4801-4811 Paper & paperboard | Agent | 4795 Paper Product Wholesaling |
| | 4812-4823 Paper manufactures | Manufacturer | 2331 Pulp Paper & Paperboard Manufacturing |
| | 4901-4911 Books, newspapers, magazines, calendars, maps, printed pictures etc. | | 2332 Solid Paperboard Container Manufacturing |
| 2333 Corrugated Paperboard Container Manufacturing | | | |
| | | | 2334 Paper Bag & Sack Manufacturing |
| | | 2339 Paper Product Manufacturing n.e.c. | |
| | | 2411 Paper stationery Manufacturing | |
| | | 2412 Printing | |
| | | Publisher | 2421 Newspaper printing or publishing |
| | | | 2422 Other periodical publishing |
| | | | 2423 Book & other publishing |

Source: Adapted from ANZSIC93 and TDA 2009 – Identification and Classification of Key Industry Sectors and Supply Chains Involved in the Purchase and Sale of Timber and Wood Products in Australia.

From the list of industry classes identified in Figure 1, and in the absence of knowledge of specific policy initiatives being considered, guidance was sought from DAFF on which of the business classes identified as being relevant to the wood products sector were likely to contain potentially affected small businesses.

From the schematic representation of the Australian forest products industry presented in Figure 1, the subset of industry classes potentially affected by illegal logging policy initiatives is shown in Figure 4.

Figure 4: Industry classes potentially affected by illegal logging policy options

| Industry Class | Small businesses within this class - potentially affected or not affected? |
|---|--|
| 0301 Forestry | Unlikely to be affected |
| 0302 Logging | Unlikely to be affected |
| 0303 Services to Forestry | Unlikely to be affected |
| 2311 Log Sawmilling | Likely to be affected |
| 2312 Wood Chipping | Likely to be affected |
| 2313 Timber Resawing & Dressing | Likely to be affected |
| 2321 Plywood & Veneer Manufacturing | Likely to be affected |
| 2322 Fabricated Wood Manufacturing | Likely to be affected |
| 2323 Wooden Structural Component Manuf. | Likely to be affected |
| 2329 Wood Product Manufacturing n.e.c. | Unlikely to be affected |
| 2331 Pulp Paper & Paperboard Manufacturing | Likely to be affected |
| 2332 Solid Paperboard Container Manuf. | Likely to be affected |
| 2333 Corrugated Paperboard Container Manuf. | Likely to be affected |
| 2334 Paper Bag & Sack Manufacturing | Likely to be affected |
| 2339 Paper Product Manufacturing n.e.c. | Unlikely to be affected |
| 2411 Paper Stationery Manufacturing | Unlikely to be affected |
| 2412 Printing | Unlikely to be affected |
| 2413 Services to Printing | Unlikely to be affected |
| 2421 Newspaper Printing or Publishing | Unlikely to be affected |
| 2422 Other Periodical Publishing | Unlikely to be affected |
| 2423 Book & Other Publishing | Unlikely to be affected |
| 2549 Chemical Product Manufacturing n.e.c. | Unlikely to be affected |
| 2921 Wooden Furniture & Upholstered Seat Manuf. | Likely to be affected |
| 4111 House Construction | Unlikely to be affected |
| 4112 Residential Building Construction n.e.c. | Unlikely to be affected |
| 4242 Carpentry Services | Unlikely to be affected |
| 4531 Timber Wholesaling | Likely to be affected |
| 4732 Furniture Wholesaling | Unlikely to be affected |
| 4794 Book & Magazine Wholesaling | Unlikely to be affected |
| 4795 Paper Product Wholesaling | Likely to be affected |
| 4799 Wholesaling n.e.c. | Unlikely to be affected |
| 5210 Department Stores | Unlikely to be affected |
| 5231 Furniture Retailing | Unlikely to be affected |
| 5243 Newspaper Book & Stationery Retailing | Unlikely to be affected |
| 6110 Road Freight Transport | Unlikely to be affected |
| 6200 Rail Transport | Unlikely to be affected |
| 6621 Stevedoring | Unlikely to be affected |
| 6623 Port Operators | Unlikely to be affected |

2.3. *Potentially affected small and medium businesses*

Number and size of businesses potentially affected

The focus of this project is on the impact of policy initiatives on small to medium businesses.

The ABS collects data on the number of businesses² operating within each industry class and categorises them according to the number of employees they have:

- ◆ **Non-employing** – those businesses that do not directly employ anyone (demonstrated through the absence of PAYG tax instalment payments). It includes working proprietors and partners of unincorporated employing and non-employing businesses; working directors of incorporated businesses are classified as employees.
- ◆ **Small** – those with 1-19 employees,
- ◆ **Medium** – those with 20-199 employees, and
- ◆ **Large** – businesses with more than 200 employees.

The project TOR notes the need to examine the basis for classification of businesses into small medium or large, noting that the traditional approach to using numbers of employees may not be appropriate to all sectors of the Australian forest products industry; measure of turnover (such as volume throughput in sawmills) may provide a more effective measure in sectors that are highly capital intensive or outsource many business functions.

² Prior to July 1 2007, businesses with turnover of at least \$50,000 per annum were required to register for an ABN and remit GST. Businesses with turnover under \$50,000 were able to voluntarily register. These voluntarily-registered businesses are included in the ABS counts. There are, however, businesses that are actively trading with turnover of less than \$50,000 which chose not to register for an ABN or remit GST. The number of businesses in this category is currently unknown to the ABS and are therefore not included in the official counts.

It is considered, however, that the forest industry is not alone in its move towards automation and outsourcing of support services – this has been a factor across many industries. Also, the nature of direct cost impacts of compliance-based policy initiatives will most likely be felt in relation to human resource costs, so that analyses that use employee numbers as a focal point will provide the most accurate representation of potential impacts.

For the purposes of this analysis, it is assumed that all businesses within an identified industry class may potentially be affected (notwithstanding the limitations of the ANZSIC classification identified in section 2.1.)

The number of businesses in each size category operating in the identified industry classes, based on the latest data available from the ABS, is shown in Figure 5.

Within the category of small businesses, a total of 15,765 businesses (comprising 7,704 non-employing businesses and 8,061 businesses with 1-19 employees) will be potentially affected by compliance based policy initiatives aimed at combating illegal logging. This represents 92% of the total number of businesses in these industry classes.

Figure 5: Numbers of Australian businesses potentially affected – 2006-07

| Industry Class | Number of businesses operating at beginning of year | | | | Total |
|---|---|----------------|------------------|----------------|--------|
| | Non-employing | 1-19 employees | 20-199 employees | 200+ employees | |
| 2311 Log Sawmilling | 378 | 354 | 114 | 6 | 852 |
| 2312 Wood Chipping | 87 | 27 | 15 | - | 129 |
| 2313 Timber Resawing & Dressing | 99 | 102 | 39 | 9 | 249 |
| 2321 Plywood & Veneer Manufacturing | 6 | 18 | 9 | 3 | 36 |
| 2322 Fabricated Wood Manufacturing | 54 | 60 | 21 | 3 | 138 |
| 2323 Wooden Structural Component Manuf. | 1,713 | 2,145 | 288 | 9 | 4,155 |
| 2331 Pulp Paper & Paperboard Manufacturing | 60 | 99 | 39 | 3 | 201 |
| 2332 Solid Paperboard Container Manuf. | - | 60 | 12 | - | 72 |
| 2333 Corrugated Paperboard Container Manuf. | 12 | 33 | 15 | 9 | 69 |
| 2334 Paper Bag & Sack Manufacturing | 9 | 15 | 15 | - | 39 |
| 2411 Paper Stationery Manufacturing | 141 | 156 | 36 | 6 | 339 |
| 2921 Wooden Furniture & Upholstered Seat Manuf. | 3,162 | 3,312 | 456 | 9 | 6,939 |
| 4531 Timber Wholesaling | 1,338 | 807 | 165 | 3 | 2,313 |
| 4795 Paper Product Wholesaling | 645 | 873 | 114 | 12 | 1,644 |
| Grand Total | 7,704 | 8,061 | 1,338 | 72 | 17,175 |

Source: Australian Bureau of Statistics, 8165.0 Counts of Australian Businesses, 2006-07

3. Existing codes of practice/procedures

3.1. *Types of compliance requirements*

Australian businesses operate under a complex array of compliance requirements, including:

- ◆ **Mandatory requirements** – these originate from commonwealth and state legislation and supporting regulations as well as local government planning schemes and by-laws.
- ◆ **Voluntary requirements** – these are typically industry-based codes or charters to which an organisation voluntarily subscribes, or certification schemes that provide recognition for the adoption of standards.

Mandatory requirements

Mandatory compliance requirements are based on:

- ◆ The legal and operating structure (including size) of the business. This includes compliance with companies, employment, trade practices and taxation law.
- ◆ The location of the business (which covers state jurisdiction and applicable planning scheme requirements). Each state has its own occupational health and safety legislation, core environmental protection legislation and employment legislation as well as local government administered planning schemes, overlays and by-laws.
- ◆ The type of business being operated (especially those that access or utilise public resources, such as forests, that will be covered by some form of administering legislation). This includes compliance with legislation covering the use of hazardous materials, including chemicals. Compliance can include Industry-

specific legislation, as well as standards for product fitness for purpose.

Industry level codes of conduct can form a grey area between mandatory and voluntary requirements. Traditionally, codes of conduct have been used as voluntary mechanisms that subscribing organisations choose to follow. However, a trend has emerged to use codes of conduct as mandatory mechanisms, but sometimes with less stringent compliance checking than might apply to government legislation.

Where compliance requirements apply across a particular sector, industry associations often develop their own codes or protocols to assist members in meeting those obligations. For example, the Engineered Wood Products Association of Australia has developed a product certification scheme for its members, based around its own National Association of Testing Authorities (NATA) accredited laboratory. The scheme covers a number of fitness for purpose standards applicable to plywood, laminated veneer lumber (LVL) and glued veneer products.³

A key feature of mandatory requirements is that they apply consistently across businesses in a given sector and location. Decisions on selecting an appropriate business structure and operating location are framed by a known set of applicable compliance requirements that are not separately costed but become part of the basic operating framework of the business.

³ Standards covered include AS2269 Structural Plywood, AS2270 Interior Plywood and Blockboard, AS2271 Exterior Plywood and Blockboard, AS2272 Marine Plywood, AS6669 Formwork Plywood and AS4357 Structural LVL.

Voluntary requirements

Voluntary compliance requirements are typically used to:

- ◆ Gain access to market segments that would not otherwise be available – e.g. where procurement guidelines favour products covered by forest management and chain of custody certification, such as AFS or FSC.
- ◆ Enhance internal business efficiency or effectiveness – e.g. through management system certification schemes such as ISO9001 or ISO14001.
- ◆ Provide a point of differentiation in the market place – e.g. to flag an organisation’s commitment to environmental performance, such as through offsetting greenhouse gas emissions.

A key element in a business’ decision to subscribe to a voluntary mechanism such as a certification scheme is an evaluation of the expected benefits and costs. These can be difficult to quantify up front with any certainty and benefits may not always be as tangible as price premiums or market access. Intangible benefits such as business and product differentiation and promotion can also be relevant, but very difficult to quantify.

3.2. *Costs of compliance*

Compliance requirements essentially direct businesses to either “do” something or “don’t do” something.

Compliance requirements can have a variety of cost impacts on business including:

- ◆ Actual costs incurred by a business in responding to a particular compliance requirement.
- ◆ Changes in the supply or availability of wood products resulting from introduction of the compliance requirement. This might not necessarily be a reflection of legality of

wood products, but the cost effectiveness of establishing the credentials of those products.

- ◆ Changes to supply chain costs (e.g. through higher input prices) where compliance costs affect businesses throughout a particular supply chain and are passed on from business to business.
- ◆ Changes in relative competitiveness of a business or sector as a result of differential application of a compliance requirement to competing businesses. Some stakeholders suggested that this could potentially be the most significant cost of illegal logging-focused policy initiatives. This issue is considered in more detail in section 4.

Compliance responses

Compliance responses vary according to the nature of the requirement and the individual circumstances of each business, but will generally include one or a combination of:

- ◆ **Procedural responses** – where an organisation is required to dedicate time and resources to altering or developing new procedures within its business or management system. These responses will be varied in nature and involve both internal business activities as well as external activities (e.g. consultation and/or information gathering from outside the organisation).
- ◆ **Reporting responses** – where compliance obligations do not require changes at the business level, but necessitate additional reporting.
- ◆ **External verification responses** – where compliance (including procedural and reporting) are required to be verified externally under either second or third party verification or certification programs.

4. Impacts expected in each category

There is very little quantifiable information on the indirect costs of compliance – that is, costs in relation to changes in availability of supplies or the impacts on business competitiveness resulting from imposition of illegal logging policy initiatives.

In terms of direct costs of compliance, stakeholders contacted reported varying experiences. Very little information has been collected on the costs of complying with mandatory requirements (as described in section 3). These are mainly treated as normal business operating costs. Also, they are not generally subject to significant or rapid change over time.

Some businesses have been able to quantify the direct costs of meeting voluntary compliance regimes, but there is considerable variation between individual businesses as a result of different operating circumstances and different approaches in addressing the requirements of those regimes.

For example, a number of organisations have quantified their direct costs in achieving and maintaining chain of custody certification. One organisation reports an annual cost of around \$20,000 for maintaining its certified status. Another organisation has estimated its cost of achieving certification – initial setup costs including software, procedures, time and training - as up to \$200,000.

The number of Australian businesses with chain of custody certification is increasing rapidly. Between 2006 and October 2009, the number of organisations with forest management certification increased from 15 to 23. For chain of custody certification, the increase was even greater, from 24 to 228 companies across the forest products supply chain (see Figure 6).

Figure 6: Growth in forest certification (number of certificates)

| Certification scheme | 2006 | 2009 |
|--------------------------|------|------|
| <i>Forest Management</i> | | |
| AFS only | 9 | 16 |
| FSC only | 6 | 6 |
| AFS & FSC | 0 | 1 |
| Total FM | 15 | 23 |
| <i>Chain of custody</i> | | |
| AFCS/PEFC only | 3 | 44 |
| FSC only | 21 | 150 |
| AFCS/PEFC & FSC | 0 | 34 |
| Total COC | 24 | 228 |

Sources: Crawford, H. 2006. A review of forest certification in Australia, FWPRDC. Crawford, H. 2009. Forest certification schemes and the chain of custody leading to the marketplace, AFG Special Liftout No. 89, Spring 2009.

The costs of obtaining and maintaining chain of custody certification vary according to the number of sites a company operates from, the complexity of its internal chain of custody (for example, the type of chain of custody system being implemented and whether or not it uses outsourcers) and the complexity of its supply chain (for example, if it purchases non certified as well as certified material and if there is potential for these to be mixed).

The actual volume of throughput is not a major factor in the total cost of certification, but a larger volume obviously allows the certified company to better defray those costs.

Also, the fact that a company has obtained chain of custody certification does not necessarily imply that all of that company's production is covered by the audited chain of custody. In many cases, the scope of a COC certificate will cover only a proportion of a company's output lines. Many companies

have obtained certification to allow them to offer certified products to customers that either request them, or require them as part of their procurement policy, but in total quantity terms, certified purchases and sales might represent a very small component of overall turnover. In such cases, an increased proportion of certified sales (resulting from greater availability of certified inputs and/or demand for certified products) could occur with very little impact on the costs of certification compliance.

In relation to product standards, one business operating under AS2047 applying to window and door manufacturing has reported a fixed cost of \$6000 for a testing unit and a testing cost of \$6000 for every 5 windows tested.

Individual estimates of compliance costs are varied also in terms of the components that have been costed, generally covering some or all of staff costs for development and ongoing compliance, management costs for oversight and guidance, infrastructure costs such as new computer systems or software, as well as external costs such as technical consultancies and verification.

There is no standard approach to quantifying the costs to businesses of meeting their compliance obligations, but one approach that can be used is through the Business Cost Calculator.

Business Cost Calculator

The Business Cost Calculator is a tool developed by the Australian Government to calculate the direct compliance costs of regulatory proposals.

The Calculator lists nine separate compliance cost categories:

1. Notification
2. Education
3. Permission
4. Purchasing
5. Record keeping
6. Enforcement
7. Publication and documentation
8. Procedural
9. Other.

For each category, except purchasing, labour activity is the basis for compliance costing. The purchasing category deals with any outsourced costs associated with the purchase of a service or product (for example, the purchase of a new computer system to generate or track information necessary to demonstrate compliance.)

The calculator works on the basis of costing each task that needs to be undertaken by a business entity seeking to comply with an identified regulatory requirement.

Tasks are identified as either start-up or ongoing and are costed at the enterprise level on the basis of the number of staff performing the activity, the number of times the activity is performed per year, the number of hours each staff member takes to do the activity and the hourly labour cost (including on-costs).

For any specific policy initiatives being considered, DAFF will need to identify, categorise and quantify each individual task a business enterprise is likely to face in order to comply with the policy requirements, to provide inputs into the Business Cost Calculator.

At the industry or sector level, the total cost of compliance is the sum of the costs of all tasks required at the enterprise level multiplied by the total number of affected businesses.

Estimating compliance costs

No details are available on the policy initiatives currently being considered, so it is not possible to provide any meaningful estimation of likely compliance costs. Compliance costs will depend on a number of factors, and even simple policy initiatives could lead to large variations in direct compliance costs across different industry sectors.

For example, compliance costs for a policy instrument based on 'legality verification' of imported products will vary according to the depth and complexity of the supply chain leading up to the point of import. For roundwood or sawn timber, this supply chain will be relatively short so that tracking the product's chain of custody and associated documentation back to the point of harvesting may be relatively simple.

However, for highly processed products or those with potentially long supply chains that could stretch across multiple countries, such as paper, printed documents and some furniture lines, legality verification may be impossible, unless there is already some chain of custody verification system in place.

The relative complexity of legality verification for typical imports of forest products into Australia is shown in Figure 7.

Figure 7: Relative complexity in legality verification for key forest products imports

| Industry sector | Main product imports (by Customs tariff classification) | Potential difficulty/cost in verifying legality | | | | |
|---|---|---|---|-----|-----|-----------|
| | | 1 Least | 2 | 3 | 4 | 5 Most |
| Sawnwood products | 4403 Wood in the rough 4407 Sawn timber 4408 Veneer | | | | 1-2 | |
| Roundwood products | 4403 Wood in the rough | | | 1 | | |
| Veneer, LVL, OSB products | 4412 Plywood, veneer panels | | | 2-3 | | |
| Composite wood products – particleboard, MDF, veneered panels | 4408 Veneer 4410 Particleboard, OSB 4411 MDF, other fibreboard | | | 2-3 | | |
| Complex manufactured wood products | 9401 seats (wooden frames) 9403.30 Wooden furniture (office) 9403.40 Wooden furniture (kitchen) 9403.50 Wooden furniture (bedroom) 9403.60 Outdoor & other wooden furniture 4409 Flooring & mouldings 4418 Builders joinery & carpentry, doors 4407 Sawn timber 4412 Plywood, veneer panels | | | | 4-5 | |
| Pulp, paper and paperboard | 4701-4706 Pulp 4801-4811 Paper & paperboard 4812-4823 Paper manufactures 4901-4911 Books, newspapers, magazines, calendars, maps, printed pictures etc. | | | | 5 | |

As stated previously, without knowledge of the specific policy initiatives being considered, it is not possible to estimate the likely costs of compliance at either the enterprise or business level.

It is, however, possible to provide some generic guidance on using the Business Cost Calculator to estimate such costs.



Example approach to estimating compliance costs using the Business Cost Calculator

For example, one component of a compliance requirement for a particular policy initiative could be to collect documentary information from suppliers on the goods they supply. In order to undertake this task, a typical business will need to allocate some resources to completing this task.

Let us assume that a business would need to allocate, say, one staff member for half a day (4 hours) a week, for 50 weeks a year. The estimated hourly labour cost for undertaking this task is based on the wages/salaries paid and the labour on-costs such as superannuation, workers compensation premiums, fringe benefits taxes and payroll tax. In 2006/07, across the whole manufacturing sector, labour on-costs averaged 16.7% of wages and salaries⁴. The average hourly wage and salary payment across the wood and paper products manufacturing sector (applicable in May 2006, to be compatible with other cost items) was \$24.10 per hour⁵. This provides an hourly labour cost to business of \$28.12.

The annual direct cost to the enterprise would then be around \$5,625 (see Figure 8). If the number of potentially affected businesses was 2,000, the annual direct cost to industry would be in the order of \$11.2 million.

This calculation would need to be repeated for all components of the compliance requirement, and will likely require separate calculations for different sectors if there is variability in the effort required by different types of business or for different types of wood imports.

There could be a number of aspects to compliance requirements such as initial set-up costs, periodic requirements such as establishing supply credentials from new suppliers, and/or ongoing requirements of the nature described above. Each of these can

be costed separately and added together to quantify a total estimated cost.

Not all businesses will be affected to the same degree by likely compliance requirements. For example, those businesses currently with chain of custody certification will be better placed to meet any additional compliance requirements than those without such systems in place.

Figure 8 provides some further notional examples of compliance cost calculations, covering initial, periodic as well as ongoing compliance requirements.

⁴ Source: ABS Cat. No. 8221.0 - Manufacturing Industry, Australia, 2006-07.

⁵ Source: ABS Cat. No. 6306.0 Employee Earnings and Hours, Australia, May 2006.

Figure 8: Example compliance cost

| Task: | Collect documentary material from suppliers on goods purchased | Initial cost in setting up compliance procedures | Training staff in new procedures | Establishing supply line credentials for new suppliers |
|---|--|--|--|---|
| Frequency of task: | Once per week, 50 weeks a year | Once only | Once only (but repeatable for new staff) | Once off cost for each supplier, say 2 new suppliers per year |
| Effort required each time to complete task (hours): | 4 | 50 | 24 | 32 |
| Hourly labour cost: | \$28.12 | \$28.12 | \$28.12 | \$28.12 |
| Total cost to each business per year: | \$5,625 | \$1,406 | \$675 | \$900 |
| Potentially affected businesses: | | | | |
| Scenario 1 | 2,000 | 2,000 | 2,000 | 2,000 |
| Scenario 2 | 1,000 | 1,000 | 1,000 | 1,000 |
| Scenario 3 | 500 | 500 | 500 | 500 |
| Basis of total cost to business: | Annual cost | Once-off cost | Periodic | Periodic, annual |
| Estimated total cost to business: | | | | |
| Scenario 1 | \$11,249,880 | \$2,812,470 | \$1,349,986 | \$1,799,981 |
| Scenario 2 | \$5,624,940 | \$1,406,235 | \$674,993 | \$899,990 |
| Scenario 3 | \$2,812,470 | \$703,118 | \$337,496 | \$449,995 |

Impact of compliance costs

Estimating the direct cost to each enterprise and across affected industry classes is only a part of assessing the impact of compliance costs. The capacity of business to meet and absorb the costs of compliance is dependent on a number of factors and in particular how the compliance regime affects the competitive position of the enterprise in relation to its direct and indirect competitors. For example, a policy initiative that had a significant direct compliance cost might be applied to manufacturing businesses importing raw or semi-processed wood products. These businesses compete not only with each other, but also with manufacturing businesses overseas that export manufactured goods into Australia. The impact of the compliance regime on Australian manufacturers will depend on the extent to which the regime also captures imported manufactured goods. If it is not

applied to imports of manufactured goods, there could be significant changes in the competitive balance between local and overseas manufacturers.

If the compliance regime is applied equally, and affects imports of raw materials as well as manufactured goods, then the impacts on industry are then related to the demand/supply balance for final products (and perhaps the cost and availability of non-wood substitutes).

A number of stakeholders emphasised the importance of equitable application of any proposed policy compliance measures across the whole supply chain in order to avoid adverse impacts to the competitive position of local businesses.

Minimising compliance costs

Effective design of compliance regimes is an important factor in minimising adverse impacts on business. Compliance regimes

can adversely impact small businesses more than larger ones.

For example, a number of stakeholders expressed the view that current chain of custody certification schemes are more costly for small businesses to implement and maintain as many of the requirements (and the intensity and frequency of auditing) are relatively independent of the size of the business and small businesses do not have the economies of scale of their larger colleagues to help defray those costs.

Compliance regimes that have core requirements that are not scalable with the size of the business or its turnover will proportionately disadvantage small businesses relative to larger ones.

Design factors that provide clarity around compliance expectations, and simplify response requirements such as through template reporting and low cost verification are important to minimising impacts on small business.

Appendix – ANZSIC 1993 Industry Classification

FOREST SECTOR

Extracted from Australian Bureau of Statistics publication *1292.0 - Australian and New Zealand Standard Industrial Classification (ANZSIC), 1993*

| Division | |
|--|---|
| Group | |
| Class codes | Principal activities |
| A - Agriculture, Forestry and Fishing | |
| 030 Forestry and Logging | |
| 0301 Forestry | Forestry |
| 0302 Logging | Eucalyptus oil distilling (forest); Firewood cutting (forest); Forest products gathering; Kauri gum digging; Logging (incl. poles); Mine timbers hewing (forest); Pine cone collecting; Pole hewing (forest); Posts shaping forest); Pulpwood cutting (forest or bush); Railway sleepers hewing (forest); Resin gathering; Rough shaping of forest timber; Sphagnum moss gathering; Timber hewing (forest); Tree cutting or felling |
| 0303 Services to Forestry | Fire-fighting (forest); Forest conservation services; Forest nursery operation or services; Forest planting; Pest control services (forestry; except aerial or wild animal control); Reforestation services; Timber plantation maintenance; Timber tract maintenance; Tree pruning (forest); Tree thinning (forest) |
| C - Manufacturing | |
| 231 Log Sawmilling and Timber Dressing | |
| 2311 Log Sawmilling | Bark, ground, mfg; Shook mfg (for containers); Timber, resawn, mfg (from logs sawn at the same unit); Timber, rough sawn, mfg |
| 2312 Wood Chipping | Hardwood woodchip mfg; Softwood woodchip mfg |
| 2313 Timber Resawing and Dressing | Building timber, dressed, mfg; Dressed timber or mouldings mfg; Dressed timber, kiln dried or seasoned, mfg |
| 232 Other Wood Product Manufacturing | |
| 2321 Plywood and Veneer Manufacturing | Cores, plywood or veneer mill, mfg; Plywood mfg; Veneer or veneer sheets, wooden, mfg. |
| 2322 Fabricated Wood Manufacturing | Cellular wood panels mfg (except doors); Chip board mfg; Corestock mfg; Fabricated boards, wooden, mfg; Hardboard mfg; Particle board mfg; Resin-bonded board mfg (of wood chips, wood particles, wood wool or sawdust); Softboard mfg. |
| 2323 Wooden Structural Component Manufacturing | Door-window unit, wooden, mfg; Door, wooden or wooden framed, mfg (except fire doors); Roof truss, wooden, mfg; Structural fitting, wooden, mfg; Wall frame, wooden, mfg; Wooden framed window mfg, complete with glass |
| 2329 Other Wood Product Manufacturing nec | Barrel, wooden, mfg; Cask, wooden, mfg; Cork or cork good, mfg; Frame, wooden picture or mirror, mfg; Packing case, wooden, mfg; Parquet strip assembled in panel mfg; Tool handle, wooden, mfg; Vat, wooden, mfg; Wood flour or wool mfg; Wood products mfg n.e.c. |
| 233 Paper and Paper Product Manufacturing | |

| Division | |
|--|--|
| Group | |
| Class codes | Principal activities |
| 2331 Pulp, Paper and Paperboard Manufacturing | Cardboard mfg n.e.c.; Newsprint mfg; Paper mfg n.e.c.; Paper pulp mfg; Paperboard mfg n.e.c.; Solid fibreboard sheets mfg; Wood pulp mfg |
| 2332 Solid Paperboard Container Manufacturing | Containers, solid paperboard, mfg |
| 2333 Corrugated Paperboard Container Manufacturing | Containers, corrugated paperboard, mfg; Sheeting, corrugated paperboard, mfg |
| 2334 Paper Bag and Sack Manufacturing | Bags, paper, mfg |
| 2339 Paper Product Manufacturing nec | Insulation materials, cellulose fibre, mfg; Paper products mfg n.e.c.; Tissue or sanitary papers mfg; Toilet paper rolls mfg; Trays and cartons, paper pulp, mfg; Wallpapers mfg. |
| 241 Printing and Services to Printing | |
| 2411 Paper Stationery Manufacturing | Albums mfg; Calendars mfg (except commission printing); Games, printed paper or paperboard, mfg (except commission printing); Greeting cards mfg (except commission printing); Labels, paper, mfg (except commission printing); Office machine paper rolls mfg; Paper stationery mfg (except commission printing); Playing cards mfg (except commission printing); Toys, printed paper or paperboard, mfg (except commission printing) |
| 2412 Printing | Commercial printing; General printing; Job printing; Printing; Screen printing; Stationery, paper, printing (on commission) |
| 2413 Services to Printing | Artwork preparation service; Bookbinding; Colour separation film mfg; Lithographic platemaking service; Phototypesetting and layout service; Platemaking film service; Printing trade services n.e.c.; Relief platemaking service; Screen printing positive mfg; Typesetting and composing service. |
| 242 Publishing | |
| 2421 Newspaper Printing or Publishing | Newspapers printing; Newspapers publishing |
| 2422 Other Periodical Publishing | Periodicals publishing |
| 2423 Book and other Publishing | Art prints publishing; Books publishing; Maps publishing; Sheet music publishing |
| 254 Other Chemical Product Manufacturing | |

| Division | |
|--|---|
| Group | |
| Class codes | Principal activities |
| 2549 Chemical Product Manufacturing nec | Adhesive mfg (except bituminous); Antifreeze compound mfg; Beeswax mfg; Casein glue mfg; Concrete additive or masonry surface treatment mfg (except water shedding preparations); Cream polish mfg; Dry cleaning compound mfg; Embalming compound mfg; Essential oil distilling; Flux, soldering or welding mfg (liquid); Gelatin mfg (except chemically hardened); Glue mfg; Hydraulic brake fluid mfg; Liquid polish mfg; Oven cleaner mfg; Rubber soling dough mfg; Rust remover mfg; Stain remover mfg; Stove cleaner mfg; Surface cleaning or degreasing preparation mfg; Wax polish mfg |
| 292 Furniture Manufacturing | |
| 2921 Wooden Furniture and Upholstered Seat Manufacturing | Bedroom suite, wooden, mfg; Chair mfg (except dentists' chairs fitted with mechanical device); Dining room furniture, wooden, mfg; Kitchen furniture, wooden mfg; Lounge suite mfg; Office furniture, wooden, mfg; Outdoor furniture, wooden, mfg; Prefabricated furniture, wooden, mfg; Seats, upholstered, mfg; Tables, wooden, mfg; Upholstered furniture mfg |
| E - Construction | |
| 411 Building Construction | |
| 4111 House Construction | House construction, alteration, renovation or general repair; Houses, prefabricated, assembly, erection or installation (on-site) |
| 4112 Residential Building Construction nec | Apartments construction; Duplex houses construction; Flats construction; High-rise flats construction; Home units construction; Repair (general) or renovation of residential buildings n.e.c.; Semi-detached houses construction |
| 424 Building Completion Services | |
| 4242 Carpentry Services | Carpentry work on construction projects; Flooring, wooden, fixing; Formwork, wooden, fixing; Joinery work on construction projects (on-site fabrication only); Roof trusses, wooden, fixing |
| F - Wholesale Trade | |
| 453 Builders Supplies Wholesaling | |
| 4531 Timber Wholesaling | Plywood dealing; Timber dealing (except firewood); Veneer, wood, dealing |
| 473 Household Good Wholesaling | |
| 4732 Furniture Wholesaling | Blinds wholesaling (except textile); Furniture wholesaling (except office); Mattresses wholesaling |
| 479 Other Wholesaling | |
| 4794 Book and Magazine Wholesaling | Book wholesaling; Magazine wholesaling; Newspaper wholesaling; Periodicals wholesaling |
| 4795 Paper Product Wholesaling | Artists' supplies wholesaling; Paper products wholesaling n.e.c.; Paper wholesaling; Sheet music wholesaling; Stationery wholesaling |

| Division | |
|--|---|
| Group | |
| Class codes | Principal activities |
| 4799 Wholesaling nec | Cans, metal, wholesaling; Casks wholesaling; Coffins wholesaling; Containers wholesaling (except of paper or paper board); Crates, wooden, wholesaling; Firewood wholesaling; Fur, dyed or dressed, wholesaling; Glass containers wholesaling; Leather goods wholesaling (except clothing or footwear); Luggage wholesaling; Musical instruments wholesaling; Pet foods wholesaling; Pets wholesaling; Second hand goods wholesaling n.e.c.; Wholesale trade n.e.c. |
| G - Retail Trade | |
| 521 Department Stores | |
| 5210 Department Stores | Department store operation |
| 523 Furniture, Houseware and Appliance Retailing | |
| 5231 Furniture Retailing | Antique reproduction furniture retailing; Awnings retailing; Blinds retailing; Furniture, household, retailing; Mattresses retailing |
| 524 Recreational Goods Retailing | |
| 5243 Newspaper, Book and Stationery Retailing | Artists' supplies retailing; Books retailing; Greeting cards retailing; Magazines retailing; Newspapers retailing; Periodicals retailing; Postcards retailing; Religious goods retailing; Stationery retailing; Writing materials retailing |
| I - Transport and Storage | |
| 611 Road Freight Transport | |
| 6110 Road Freight Transport | Delivery service, road (except courier); Furniture removal service (road); Log haulage service (road); Road freight transport service; Taxi truck service (with driver); Truck hire service (with driver) |
| 620 Rail Freight Transport | |
| 6200 Rail Freight Transport | Container terminal operation (railway); Freight transport service (railway); Locomotive leasing; Passenger transport service (railway); Railway station operation; Suburban railway transport service (except tramway transport); Terminal operation (railway) |
| 662 Services to Water Transport | |
| 6621 Stevedoring | Ship loading or unloading service (provision of labour only); Stevedoring |
| 6623 Port Operators | Port operation; Wharf facility leasing; Wharf provision |