TIMBERCORP

23 May 2008

Richard Bolt
Secretary – Department Primary Industry
GPO Box 4440
Melbourne
VIC 3000

Dear Mr Bolt,

Re: Victorian Timber Industry Strategy

Timbercorp supports the submission by the Victorian Association of Forest Industries on the development of a new Timber Industry Strategy for Victoria. As a major grower and soon-to-be producer of export hardwood plantation pulpwood in Victoria, we appreciate the opportunity to highlight our sector's existing contributions as well as vision and requirements to ensure that we have the opportunity to optimise our returns to our current and future growers, shareholders and the State of Victoria more generally.

Hardwood pulpwood plantations in Victoria – background

- The hardwood plantation pulpwood sector is mainly located in the south-west of Victoria, an area known as the Green Triangle extending across the South Australian border.
- The pulpwood plantation estate of eucalypts (*E. globulus*) totals approximately 175,000 hectares in Victoria, of which Timbercorp manages 40,000 hectares.
- Harvesting of the first rotations of hardwood plantation pulpwood is due to begin in early 2009. A consortium of plantation companies is developing an export woodchip terminal at Portland capable of handling 2.5 – 3.0 million tonnes of woodchip per year from the Green Triangle, worth around $300 million pa at current world market prices.

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- Exports of Australian plantation wood fibre are forecast to grow from its current level of about 5 million tonnes a year to 8 million tonnes by 2016[1]. Reflecting the demand, prices for eucalypt wood chip rose by 12 per cent between 2006 and 2007 (ABARE, 2008[2]).

- The strong international market for paper and paper products means that potential remains for the establishment of a pulp mill in western Victoria.

Strategic view of the plantation pulpwood sector

- The hardwood pulpwood plantation industry in Victoria, and elsewhere in Australia, has expanded rapidly over the last 15 years. This development has occurred despite inconsistencies among various State and local government policies and shifts in the Federal laws and regulations.

  The proposed State Timber Industry Strategy if appropriately developed and implemented will assist the hardwood plantation pulpwood sector to position itself to capitalise on the projected strong growth in pulp and paper demand in the Asia-Pacific region.

- Specifically, the Strategy should lay down a framework of broad policy principles that:

  1. clarifies and simplifies the regulatory environment;

  2. provides direction for long term, sustainable operations of the existing estate; and

  3. establishes the basis for further plantation development and secondary processing, should these be commercially feasible.

- In addition to supporting the need for clear and logical policy, laws and regulation, the framework needs to take account of several key issues that currently, or have the potential to, impact on the hardwood plantation pulpwood industry. These include:

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[1] Doug Parsonson, Poyry Forest Industry, 2008. G*lobal Opportunities for Australian Forestry*, presentation to ABARE Outlook Conference 2008.
[2] ABARE, 2008. *Australian Forest and Wood Product Statistics, September and December quarters 2007.* Canberra, Australia.

1. Land management

1.1 *Land access*

The most important aspect concerning issues related to land management is that the existing estate is able to go into second and subsequent rotations. It is also imperative that suitable land remains available for additional plantation development.

In a climate of strong competition for suitable land, the industry needs assurance that its access to the market will continue to be on an equitable footing with other land users. A regime that discriminates against plantations by restricting them to particular areas or land types will distort the land market such that land becomes more valuable than plantations – in short, it will put an end to plantation operations.

1.2 *Water management*

The future management of water resources is a major concern. In the climate change scenario, it may be that the lower rainfall of recent years becomes permanent, thereby increasing competition for the water resource. Equitable treatment of all land uses and users in State water management policy will thus be essential. The management system now being developed by the Department of Primary Industries in the Action 2.20 Project needs to be based on robust scientific principles and fair assessment of the costs and benefits of all land uses.

1.3 *Planning*

Planning rules, applicable to areas such as landscape management, chemical use, roads and remnant vegetation should be based on clear and transparent principles.

2. Transport and other infrastructure

For the long term benefits of plantation pulpwood exports to be realised, the industry must be able to transport its product to market. Some local rural roads that will carry this traffic will need to be upgraded in the short term and maintained to a level that ensures lowest cost, unimpeded flow into the future. Other roads may simply need to be regulated as one-way for those periods when harvesting operations are taking place. Finally, regulations governing heavy vehicle combinations need to become more flexible to enable fit-for-purpose trailer combinations to be used to minimise total truck movements and road upgrades. Port operations and development should be freed of regulation that favours monopoly port owners at the expense of port users.

An effective strategy will engage stakeholders – the industry, community and service providers – in ensuring that rural infrastructure is able to support the broad objective of a long term, sustainable operation. This will focus primarily on transport and traffic management plans, but will include services such as water supply, housing, schools, medical facilities and banking.

3. Workforce training

While demand for Australian resources exists at current high levels, there will continue to be a shortage of labour, and in particular skilled labour. The proposed Timber Industry Strategy should include labour recruitment services, support for forestry tertiary education, the long term provision of trade training places in State colleges and priority financial support for industry-based training programs.

4. Occupational health and safety

All companies give first priority to the provision of a safe working environment. The proposed Timber Industry Strategy should recognise this commitment and seek to clear OH&S laws and regulations of unnecessary provisions that impede the progress of the industry and thereby the realisation of the strategic goal.

5. Industry investment and development

The high standard of plantation development and the premium prices being paid for Australian plantation woodchip is in part a result of industry and government R&D investment that has produced world-leading innovations in silviculture, plant breeding, cultivation and harvesting systems. The Timber Industry Strategy should maintain this commitment to world leading standards within an environment of radical change – whether in the climate or associated emerging international environmental markets, solid plantation wood products or high quality wood chips through support for forestry research institutes and industry-based R&D programs.

Timbercorp commends the VAFI submission to the Victorian Government and looks forward to working with the Government on the completion of the Timber Industry Strategy and the realisation of its objectives.

Yours faithfully

TIM BROWNING

General Manager