



A Strategic Growth Plan for the Tasmanian Forests, Fine Timber and Wood Fibre Industry

Recommendations from the Ministerial Advisory Council on Forestry
March 2017



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Developed by the **Ministerial Advisory Council**
on Forestry through **Timmins Ray Pty Ltd**



Introduction

This Strategic Growth Plan for the Tasmanian forests, fine timber and wood fibre industry has been developed by the Ministerial Advisory Council on Forestry for presentation to the Tasmanian Minister for Resources, The Hon. Guy Barnett, MHA.

Context – The Industry Today

Tasmania's forests, fine timber and wood fibre industry is dynamic, highly diversified and constantly evolving to meet changing market, social and environmental needs and expectations.

In 2017, the industry is adapting to:

- A resurgence in production from private forest plantations;
- Adjustment in public forest resource access and supply;
- The challenges arising from evolving community expectations;
- Changes in domestic and export market trends and financial conditions;
- Innovation;
- The opportunities offered by the emerging bio-based economy; and
- The opportunities offered through changes to the Building Code of Australia to permit a greater use of wood and wood products in multi-storey buildings.

Significantly, the industry is based on a decentralised, renewable resource that delivers social equity through regional distribution, economic gain and environmental benefit.

Tasmania's forests cover 3,412,000 ha, which is approximately half the State's land area. More than half of these forests are in reserves¹.

The Tasmanian Parliament has set aside 812,000 ha of public land as Permanent Timber Production Zone Land (PTPZL), while nearly 1 million ha of forests on private land are potentially available for wood production.

Of the total forest estate, over 90% by area is native forest with the balance being plantations.

Private forests have progressively become the dominant source of forest products, providing more than half Tasmania's annual wood harvest. The bulk of that supply comes from private plantations, managed largely for wood fibre production and export. The future growth potential of private plantations is significant.

The public resource supplies around 300,000 m³ annually to Tasmania's wood processing and manufacturing industry and produces around 1 million tonnes for wood fibre export. Apart from being the dominant supplier to the sawmilling and veneering industries, the public resource also supplies the special species timber sector.

At the time this Plan was finalised, half of the publicly owned plantation estate is managed on longer rotations and under more intensive management with the objective of producing more mature, solid wood for the local processing industry.

¹ Source: Tasmanian Reserve Estate Spatial Layer, Department of Primary Industry, Parks, Water and Environment 2015.

Volumes, land areas and other figures in this Plan are derived or sourced from Forestry Tasmania or Private Forests Tasmania Annual Reports 2015-16



Context – The Industry Today (cont.)

The industry's processing and manufacturing sector comprises:

- Sawn and feature timber production;
- Manufactured timber products;
- Wood fibre exports sourced from plantation forests and native forest residues;
- Paper production;
- Production of furniture grade timber;
- Bioenergy production (cogeneration);
- Artisan wood crafting and design; and
- Log exports for offshore processing and furniture manufacture.

The decentralised forest contracting sector is an essential link in the industry's primary supply chain.

Comprising a diversity of independent businesses, both small and large, the sector provides significant employment, both direct and indirect, across regional Tasmania.

Collectively it represents one of the single biggest capital investors in the industry and is a leader in the application of new technologies.

Forest facts

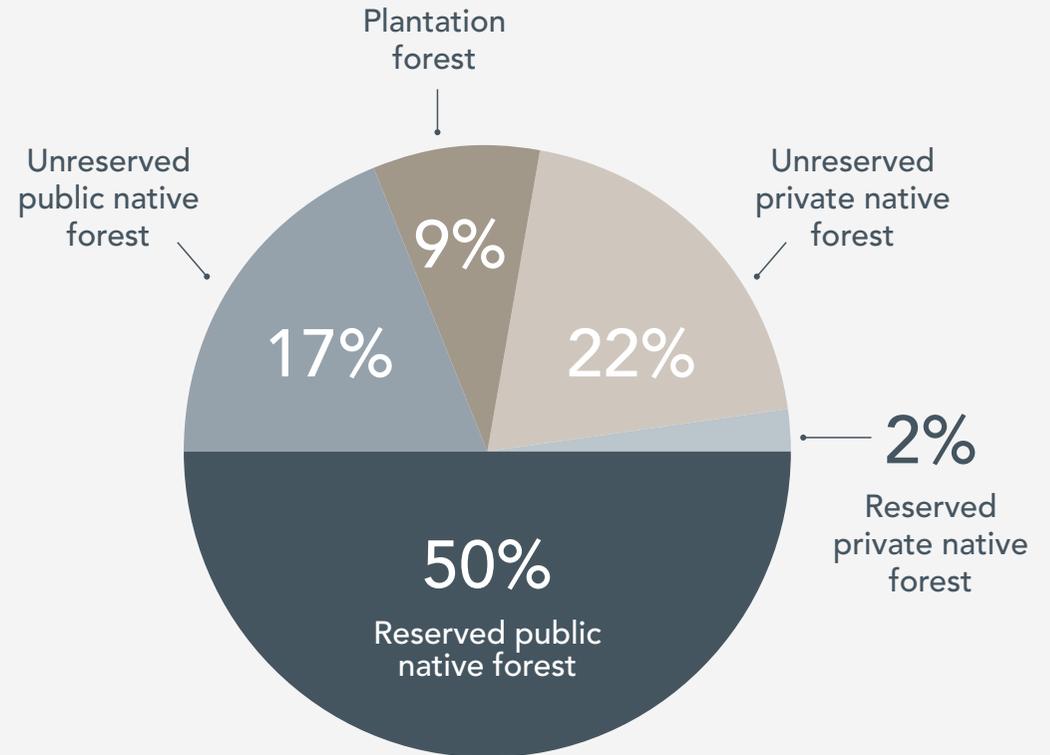
Tasmania's total land mass is approximately 6,810,000 ha, of which 3,412,000 ha is forested.

52% of Tasmania's forests are protected in reserves, which includes 85% of Tasmania's old growth forests.

Tasmania's plantation forests are predominantly in private ownership and comprise 76% hardwood and 24% softwood.

Tasmania's Total Forest Estate

3,412,000 ha



Sources: Forestry Tasmania Annual Report 2015-16

Note that at the time of publication the Tasmanian Government has foreshadowed changes that would see an increase in the area of unreserved public native forest. These changes are subject to a Parliamentary process in 2017.

Vision – The Future Industry

The Tasmanian forests, fine timber and wood fibre industry of the future will be one that:

- Is sufficiently flexible, smart and innovative to capitalise on changes in market circumstances that offer new opportunities.
- Enjoys continuing access to a high-quality wood resource.
- Secures a premium positioning and pricing for Tasmanian forest products through superior quality control and strategic marketing.
- Includes a vibrant special species timbers sector.
- Identifies and applies innovations in forestry, timber and wood fibre processing which are particularly suited to Tasmania's circumstances.
- Attains the credibility in business planning and development needed to attract venture capital inflow.
- Improves, enhances and expands the industry's specialist skills base and achieves continual improvement in worker safety and welfare.
- Is committed to meeting reasonable community and market expectations in sustainable forest management practices.

Strategy

The industry of the future will need to be attuned to changes in market circumstances and be capable of responding to new opportunities as they arise in both commodity and niche markets. It will need to be inspired by research and innovation and sustained through strategic marketing. It will need to be led, developed and financed by the private sector and will need to remain attuned to the reasonable expectations of the broad community.

Government involvement will be as an enabler rather than as a commercial participant.

Strategy

Government will need to provide:

- A predictable and practical policy framework;
- An affordable regulatory environment;
- Access to required public infrastructure; and
- Effective and equitable stewardship of the public resource.

The Growth Objective

The forests, fine timber and wood fibre industry of the future will achieve a quantifiable improvement over time in the economic return and social dividend from that part of the forest resource available for sustainable, productive use.

In that context, industry growth is defined as:

“ The more efficient use of the available resource through innovation and investment to produce products and services of maximum value and greatest return. ”

The growth objective is to double the industry value add to \$1,200 million by 2036.

Strategy

The growth objective will be achieved by:

- Encouraging expansion of the plantation forest estate;
- Promoting enhanced silvicultural management to increase the quality and value of the state's productive forests;
- Providing stability to existing value chain participants through resource security and policy stability;
- Securing a profitable use for harvested and processing residues;
- Meeting the reasonable expectations of the broad community in sustainable forest management practices;
- Growing existing markets in which Tasmanian timber products can sustain and improve their long-term competitiveness;
- Being more flexible and adaptable in responding to demand trends and fluctuations across the supply chain;
- Applying science, innovation and technology to explore new opportunities in advanced manufacturing, biomaterials, bioenergy and wood fibre processing;
- Utilising the standing and value of the Tasmanian brand to continue to promote Tasmanian wood products; and
- Achieving economic scale to enable competitiveness in national and international markets.

Success Measurement

Alongside the defined industry value add benchmark, trends in industry growth and development will be measured against other indicators, including:

- Safety performance;
- Industry earnings;
- Employment (direct, indirect and contracted);
- Income generation (direct, indirect and contracted);
- New investment;
- Education and training;
- Environmental performance;
- Certification;
- Research and development; and
- Socio-economic indicators.





The Core Elements of the Growth Plan

1. Meeting Community Expectations

The Tasmanian forests, fine timber and wood fibre industry will continue to manage its activities in keeping with the reasonable expectations of the broad community. Those activities range from its forest management and environmental practices to the industry's contribution to the wellbeing of the Tasmanian community, especially in less advantaged regional areas. The inherent benefit of an industry that is based on a renewable resource with the capacity to sequester carbon is particularly relevant to the expectations of the broad community.

Given the substantial changes in the scale and structure of the industry over the past decade, there is a need to ensure accurate, up-to-date information is available to the community regarding the current status of Tasmania's forest resource, ranging from that which is in reserves to that which remains available for productive use.

Forest certification, in all its forms, is also a priority for the industry as a demonstration of its sustainability. Certification should be based on an independent third party audit of compliance against strict social, economic and environmental criteria.

The Regional Forest Agreement (RFA) is important to the future of the industry and its acceptance within the broad community, as it provides a basis for agreement between Federal and State Governments in reaching a balance between wood production, nature conservation and other forest values and uses, while ensuring the sustainability of forest management practices.

The Forest Practices Authority (FPA), which is an independent statutory body responsible for regulating forest management practices on both private and public land, is without equal anywhere else in Australia. The FPA's forest management system should continue to reflect the objectives of triple bottom line management founded on sound science and taking into account the rights of private land owners.

It is recommended the Forest Practices Act and the implementation of its provisions be reviewed in keeping with progressive developments in forest practices and science.

The commitment of current and future governments to an agreed and durable approach to industry policy is essential in establishing an operational environment that is conducive to investment and development. That's because forestry's long-term rotational cycle requires a matching long-term policy structure within which to operate and which provides resource security.

Strategy

- Ensure accurate, up-to-date information is available to the community on the current status of Tasmania's forest estate as well as the social, economic and environmental value of the industry it helps to support.
- A shared forest policy statement, which has broad political support, should be developed and incorporated into Tasmania's forest management system.
- State and Federal Governments to work to facilitate a rolling 20-year extension of the Tasmanian Regional Forest Agreement.

2. Tasmania's Wood and Wood Fibre Resource

Tasmania's productive forest estate comprises a mix of softwood and hardwood plantations and native forests on both private and public land.

2a Private Forests

The majority of Tasmania's private plantations are either owned or managed by a small number of forestry companies and investment managers, while most native forests are owned by some 5,000 farmers and other individuals.

The private estate has progressively become the dominant harvester of wood in the Tasmanian forest products sector. However, the opportunities facing each type of forest within the estate are quite different.

Private forests produced almost 3 million tonnes of wood in 2015-16. The bulk of which was used for wood fibre export.

While production from existing softwood plantations has reached its level of sustainable yield, hardwood plantation production is expected to double over the next five years as the estate matures.

The private plantation estate is currently undergoing a level of consolidation as some landowners opt to harvest their plantations to make the land available for other productive purposes. While, in the short-term, this is expected to result in a reduction in the overall size of the private plantation estate, future plantings are likely to

be concentrated within productive hubs where ease of access and transport distance will help minimise cost and maximise return.

Privately-owned native forests - which cover some 858,000 ha - are a resource that can be better utilised through closer collaboration between landowners, forest managers, contractors and processors in recognising and accepting each other's individual aspirations and requirements. Such collaboration has the potential for the private native forest resource to increase its contribution to the supply needs of industry.

However, land owners will need support in realising and maximising a return on their forest asset. In some cases, this will mean overcoming structural and operational barriers to productive utilisation of their forest estate. This may include collaborative programs to facilitate an increase in the certification of private forests.

In order to achieve economies of scale and establish market presence, some landowners may work together to harvest and market timber and to secure forest certification.

Strategy

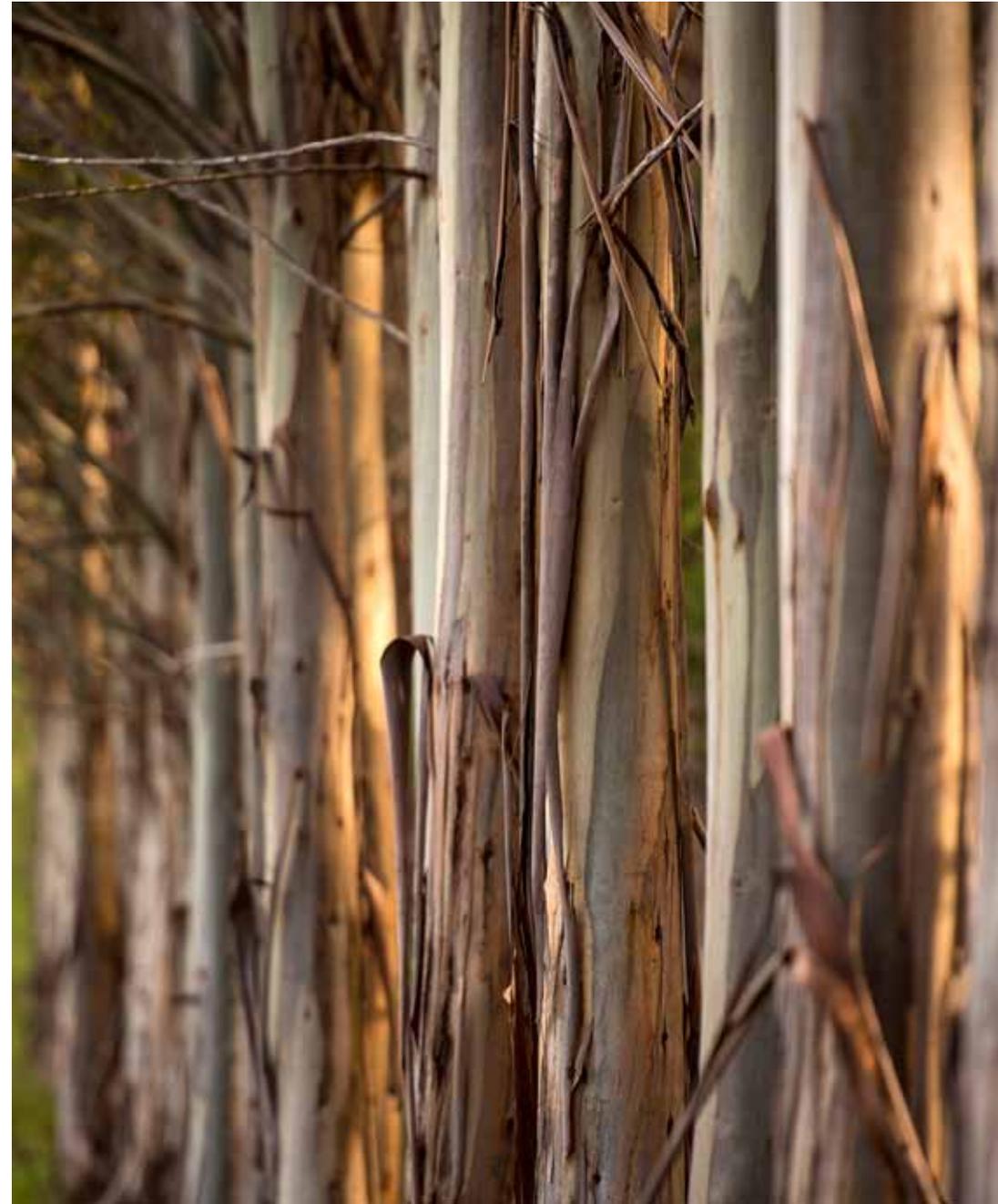
There is an opportunity to improve the productive value of the private forest estate by:

- Programming future replanting to eliminate age-related gaps in the harvesting cycle;
- Ongoing improvements to management techniques;
- Maximising productivity by consolidating plantations around designated production hubs to enhance cost efficiency and productivity; and

- Encouraging land owners to apply continual improvement in silvicultural management.

These strategies will be coupled with initiatives to:

- Encourage landowners to recognise the future potential of the industry and the resultant benefits of growing trees and actively managing their existing native and planted forests for sustainable wood production;
- Ensure that research and development investment is directed towards quantifying, predicting and translating the potential benefits (and costs) of integrating private forestry (shelter belts, woodlots, plantations) into agricultural production systems;
- Assist landowners in the development and management of plantation forests to maximise their sustainable use;
- Identify and remove impediments to the sustainable use of private native forests for production forestry;
- Identify and implement processes to facilitate certification of private native forests; and
- Encourage land owners to work together to facilitate operational scale and to minimise the costs.



2b Public Forests

812,000 ha is set aside for productive purposes under legislation as Permanent Timber Production Zone Land (PTPZL). It is from the PTPZL that as the public forest manager, Forestry Tasmania is currently required to make available 137,000m³ per annum of high quality sawlogs to the sawmilling and veneering industry. While historically this has been supplied entirely from native forests it will in future increasingly come from a mix of native and planted forests as the latter grow to maturity.

Because of a range of environmental, social and economic constraints, harvesting is not undertaken in approximately 40% of the PTPZL.

The hardwood plantation estate on the PTPZL has been established to help provide future security of wood supply to industry. The bulk of this resource will reach maturity from around 2030 onwards, from which time it is expected to be a significant component of the sustainable yield from public land. The Government has announced that Forestry Tasmania will sell its hardwood plantations currently managed for pulpwood production. However, Forestry Tasmania will retain a hardwood plantation estate of approximately 20,000 ha to produce future high quality sawlogs and peeler logs.

Maintaining access to public forests for productive purposes is a critical factor in regional employment, fire protection and in the provision of community access to public forests.

Strategy

There is opportunity to improve the productive capacity of the public production forests through:

- Ensuring the public forest manager operates on a long-term sustainable basis so that decision-making can be aligned to the long-term nature of the management task;
- Ensuring the public forest manager is financially stable, commercially-focused and fully compensated for all community flow-on benefit;
- Applying the latest innovations in management practices on PTPZL;
- Providing efficient, effective and equitable access for industry to public production forests – both native and plantation;
- Understanding of the environmental, social and economic implications, prior to any decision of Parliament on changes to the production forest estate (increases or decreases); and
- Applying innovations in silvicultural management to enhance the productivity of both native and plantation forests.

2c Special Species Timbers

Tasmania's special species timbers are as much a part of the state's heritage as they are an iconic symbol of the quality and properties of its timber resource.

However, supplies other than blackwood are inconsistent and the reduction in the size of the public production forest estate, the increased focus on regenerated forests and the changing economics of forest harvesting, have all contributed to reducing the availability of special species timbers (SST).

While the current recovery of SST from the waters of Hydro Tasmania dams has provided some supply relief, that resource is finite.

Since 1970, legislation has allowed for the controlled use of natural resources, including SST, across a range of public tenures outside those areas designated for production forestry. Given the broader industry's move to a regrowth and plantation based model, and the limited availability of SST from the PTPZL, it is acknowledged that in the future SST will need to be sourced from various land tenures in addition to the PTPZL to ensure an ongoing sustainable supply.

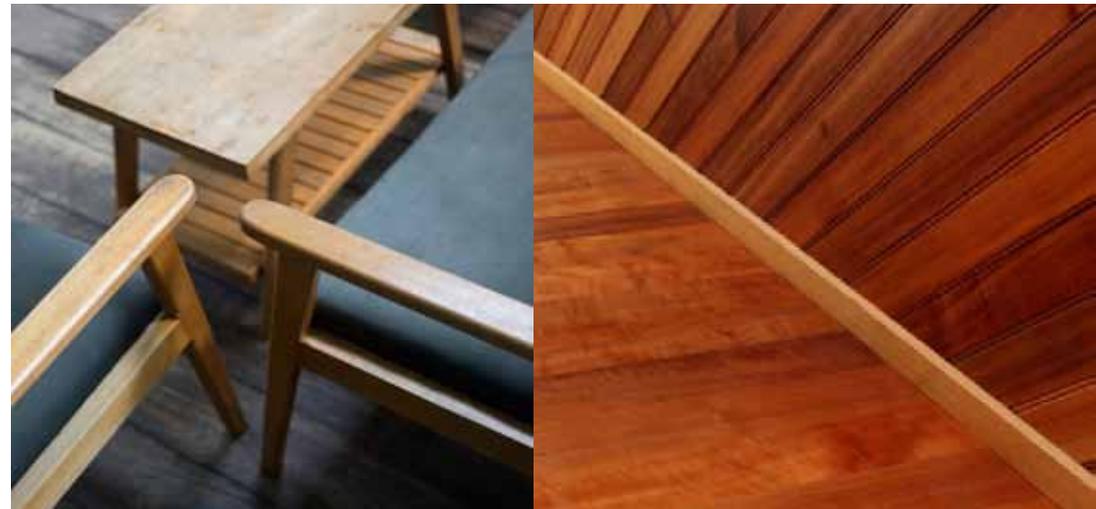
The Special Species Timber Management Plan will seek to ensure the future sustainability of the sector, including access to an ongoing resource supply across a range of public land tenures. As a basis for planning the sector's future development, the resource will be evaluated in terms of sustainable volume, access and the viability of harvesting.

The Government's commitment to the sector's future is exemplified by the ongoing provision under legislation for access to SST in a range of public land tenures. However, while the management objectives are largely the same, access to each is subject to different permit requirements and qualifications.

Strategy

The Government should simplify the process of land access applied by the various state land managers to facilitate SST harvesting.

For the purpose of simplifying the current public land tenure system, tenure categories with essentially the same management objectives – including Future Potential Production Forest Land, conservation areas, regional reserves, crown land and the non-production component of PTPZ land – should be rationalised to one public 'multi-use' land tenure.



3. Research, Innovation and Extension

Innovation will help unlock the future potential of the forests, fine timber and wood fibre industry by offering opportunities to:

- Increase the return from harvested forest products and environmental services;
- Provide additional, value-added uses for forest residues;
- Capitalise on the properties of Tasmania's hardwood plantations of *E.nitens* and *E. globulus*. It is anticipated developing technologies will provide future opportunities through innovation to make higher-value use of plantation species either through advanced milling techniques or developments in biomaterials, bioenergy and wood fibre processing;
- Develop a viable, biomaterials-based industry sector; and
- Attract investment in new ventures based on sound business principles.



Because there is a high cost attached to the research and development required to drive innovation, the industry must be strategic in identifying those technologies that can be applied locally at viable cost while delivering maximum return. This will mean 'cherry picking' those developed and emerging technologies to which Tasmania is particularly well suited and which can be implemented cost-effectively.

Strategy

To maximise the opportunities offered through innovation there must be an advanced level of consultation and collaboration across all levels of the industry value chain as well as between industry, government, scientists and investors.

At the same time, the human and physical resources of industry, government and University of Tasmania (UTAS) will need to be brought into unison within a coordinated centre of excellence in forestry, timber and wood fibre research, development, education, extension and training.

In addition, a collaborative framework is required to facilitate the exposure of industry participants, scientists, marketing specialists, venture capitalists and policy makers to relevant developments in research, innovation, market trends and business, with the purpose of:

- Providing a regular platform for the open exchange of information between stakeholder groups;
- Identifying new opportunities across all fields of industry endeavour from research to marketing;
- Inspiring and facilitating the 'uptake' of viable innovations;
- Encouraging participation by venture capitalists in emerging commercial ventures;
- Maintaining a progressive approach to policy development that is attuned to industry development and which enables Tasmania to maximise the social and economic dividend of a viable industry; and
- Ensuring the industry relevance and the socio-economic benefit of the Tasmanian node of the proposed National Institute for Forest Products Innovation in Launceston.



4. Encouraging Investment

Investment will play a key role in the future development of the industry, particularly in growing trees, value added processing and in the commercial application of new technologies.

Since the balance between outcomes and risk is central to the management of investor expectations, all new developments for which government, industry or third party investment is sought must be subject to rigorous and transparent scientific and financial assessment.

For its part, the industry should continue to pursue the benefits of collective investment, where individual companies pool and leverage funds to greater effect than is possible through individual corporate initiatives. The ARC Centre for Forest Value, based at UTAS and at partner sites around the state, is an example of the effectiveness of leveraged funding.

As previously stated, the commitment of current and future governments to an agreed and stable approach to industry policy is essential in establishing an operational environment that is conducive to investment and development.

Strategy

- Encourage the growing of trees on private land as proposed under *2a Private Forests*;
- Encourage venture capital inflows as set out under *3. Research & Innovation*;
- The Government to pursue an agreed and stable forest industry policy as proposed in *1. Meeting Community Expectations*; and
- Promote the investment potential in developing wood supply solutions for multi-storey residential and commercial buildings under the revised Building Code of Australia.

5. Essential Public Infrastructure

The provision of essential public infrastructure such as road, rail and wharf access is central to the continued viability of industry.

Historically, the bulk of industry-related infrastructure capital and maintenance costs on public land have been paid for either directly or indirectly by industry. Much of that infrastructure has since passed to the control of Parks and Wildlife without recompense to the industry. With the Government committed to achieving Forestry Tasmania's financial independence, this historic funding model is changing.

Over many years, industry-based infrastructure has been made available at no cost to other sectors of the economy, such as tourism, honey production, fire suppression and minimisation, as well as to the general public. This multiple-access has meant road construction has been at a higher standard and cost than would otherwise be required by industry.

Strategy

As an industry enabler, the Government should provide essential infrastructure funding to facilitate the economic growth of the industry.

6. Market Development and Strategic Marketing

Market development and strategic marketing are fundamental to maximising value across all sectors of Tasmania's forests, fine timber and wood fibre industry.

Industry research shows the Tasmanian forest products sector has the opportunity, in the short-term, to increase sales in the markets of south eastern Australia and, in the long-term, to progressively reposition Tasmanian timber as a premium product attracting a premium price. This will require a long-term commitment to a strategic marketing campaign.

Strategy

Given the level of market competition, including from overseas producers, the Tasmanian industry will be tactical rather than demonstrable in its marketing and promotion. Important components of this approach will be the strength of the Tasmanian brand and the environmental benefits of wood as a renewable resource and as a sequester of carbon.

Government will facilitate the greater use of wood by:

- Developing and adopting a 'Wood Encouragement' policy;
- Participating in joint venture marketing with industry which capitalises on successful national campaigns; and
- Aligning marketing with Brand Tasmania.

Marketing will also be integral to the successful development of new enterprises spawned from developments in biomaterials, bioenergy and wood fibre processing.

7. Skills Retention and Development

The future growth and development of the forests, fine timber and wood fibre industry is dependent on the capacity, skill, safety and stability of its workforce.

The Government, industry and UTAS are working together to create and maintain a hub of scientific research expertise within the state to offset the loss of specialists through past industry adjustment.

The industry's skill base is also being rebuilt after it too was depleted during the same period of change. There are initiatives being undertaken to encourage new entrants into the industry workforce. Such changes underline the need to focus on leading edge worker safety and wellbeing.

Strategy

Tasmania will aspire to become a centre of excellence in education and training in the silviculture and forest products and wood fibre industries. It will do so by:

- Creating a continuum in education and skills development which extends from technical training through to university and beyond;
- Developing a parallel industry training program that provides practical 'on the job' experience as well as potential career pathways; and
- Implementing world's best practice in worker safety and welfare.

8. Industry Representation and Collaboration

While the industry comprises a diversity of often competing interests and business models, individual stakeholders also share a range of common interests. Within this context, there is a need for an umbrella organisation to develop and represent the shared interests of the whole of the value chain on matters of common concern.

Such a network of industry organisations and sectional interests will provide a platform for greater cohesion, collaboration and the sharing of information.

Government too will benefit from the formation of an umbrella organisation, providing a single point of contact for consultation on industry-wide issues.

Strategy

Industry, with the encouragement of government, to create a 'whole of value chain' umbrella organisation that can become:

- The focus of overall industry consultations;
- The platform for developing co-operative growth and investment strategies; and
- A forum for exchanging and exploring innovative ideas, R&D and co-operative initiatives.

9. Next Steps

This Strategic Plan has been developed by the Ministerial Advisory Council on Forestry for presentation to the Tasmanian Government through the Minister for Resources.

Because the Plan reflects the Council's vision for the future of the industry, it looks forward to receiving the Government's response and to working with the Government to implement the Plan's proposals.

