



Submission to the

Legislative Council Select Committee - Tasmanian Forests Agreement

from the

Construction Forestry Mining & Energy Union

Forest and Furnishing Products Division (CFMEU FFPD)

January 2013

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1. This submission is made by the Forestry and Furnishing Products Division of the Construction, Forestry, Mining & Energy Union (the CFMEU FFPD). The Division is the union responsible for Australia's forestry, forest products, furnishing and pulp and paper manufacturing workers. The CFMEU consists of three financially separate Divisions namely the Mining and Energy Division, Forestry and Furnishing Products Division and the Construction and General Division. We are the major union in these industries.

WE SUPPORT THE PASSAGE OF THE AGREEMENT INTO LEGISLATION

2. The union entreaties the Legislative Council to support the passage of the Tasmanian Forests Agreement Bill 2012 into legislation.
3. We contend that giving legislative effect to the Tasmanian Forest Agreement 2012 is the only achievable way to establish profit and growth for the types of timber industry Tasmanian forests are capable of supporting and hence the only feasible way to restore jobs growth and job security for Tasmanian timber workers.

THE IMPORTANCE FOR WORKERS

4. For the people who work in the industry, the way an industry is changed, the method and manner of change, makes a tangible difference.
5. For workers, their families and timber dependent communities, there is a world of difference between an orderly and supported restructure versus a disorderly market or financial collapse and a free fall of job losses.
6. The CFMEU FFPD first got involved in this process because of a desire to ensure that industry changes were dealt with in an orderly manner and that workers were supported. That is the reason we remain at the table.

7. In three union ballots¹ of all our members across Tasmania, members overwhelmingly endorsed the union's involvement: in the initial Statement of Principles, the Interim Agreement and the final Agreement.
8. During the exit of Gunns from native forest supply, 340 workers and 91 contractors received financial and other assistance. Through the Workers Assistance Project, eligible workers will continue to be able to access support until June 30th 2014.
9. The story of Neil Smith, as recently told in the Advocate², is a typical example of the positive outcomes for workers when they are supported through change.

THE CHANGING ECONOMICS OF THE TASMANIAN TIMBER INDUSTRY

10. The Tasmanian timber, pulp and paper industry, like much of the industry throughout Australia, is operating in dire economic circumstances.
11. In common with many other Australian manufacturing industries, a combination of global, structural and cyclical forces have put the timber industry under pressure and threaten to undermine the capacity of the industry to take advantage of opportunities. Changes to domestic and global economies have changed our traditional markets, have eroded economic viability throughout the supply chain and left us more vulnerable than ever to shifts in market preferences for products sourced from Tasmanian forests.
12. The high Australian dollar has made our products less competitive in export markets and in domestic markets producers are more vulnerable to import competition. The collapse of the housing market in the North America has added to import pressure on the Australian industry.

¹ All three ballots were run independently, by the Australian Electoral Commission

² The Advocate: 'Tree Change Leads to Caring Role' by Libby Bingham, December 23, 2012 – see <http://www.theadvocate.com.au/story/1202352/scape-tree-change-leads-to-caring-role/>

13. The low level of activity in the Australian residential and commercial construction sectors is predicted to continue in 2013³.
14. Tasmanian hardwood chip exports have fallen by an average of 55% per annum in the period 2010 – 2012; 'The Trade Doldrums Continue'⁴.
15. Industry research⁵ shows that there is a fundamental and permanent shift in demand for wood products. The analysis shows that:
- a. there is a sharply falling demand for sawn hardwood and that decline is permanent (linked to the cost of supplying sawn hardwood);
 - b. plywood and engineered wood products (EWPs) in general are part of the substitution – EWPs utilise more of the wood which means less goes to lower value products like chips;
 - c. all EWP growth is structural – replacing sawn hardwood not sawn softwood.
16. At the same time as these changes are occurring, it has become easier and cheaper than ever to undermine domestic and export markets through large on line campaigns which conveniently link on line tools such as email with other social media. Such market based campaigns do not affect individual consumer choice, but actually target major retailers and are able to shift procurement by threatening to undermine so called brand integrity of big name retailers.
17. So it's no longer enough to only legislate for access to resource.
18. To survive and grow as a profitable Tasmanian industry that is capable of attracting investment and providing jobs the timber industry needs:
1. access to resource that is secure, sustainable and certified plus

³ See ABS Housing Finance reports

⁴ Industry Edge: 'Trade Doldrums Continue for Hardwood Chip Exports' in Pulp & Paper Edge, Edition 93, December 2012

⁵ Industry Edge: 2011 Forest & Wood Strategic Review – see Attachment One

2. an economically viable supply chain that has the capacity to supply products into a market and make a profit plus
3. reliable domestic and export markets, that accept and even prefer Tasmanian wood products.

19. The Tasmanian Forests Agreement attempts to secure all three elements; resource, supply chain viability and markets. These are the settings needed to create the climate for profit and growth for the types of timber industry Tasmanian forests are capable of supporting.

WHAT THE AGREEMENT CAN DELIVER: THE BALANCE

20. In general, the union does not support locking up forests from timber production; it does not necessarily produce better social, economic or environmental outcomes.

21. However we support the assertion that the Agreement, if reflected in Legislation, can, on balance, deliver a brighter future for the Tasmanian industry, for jobs growth and job security.

22. In particular we draw attention to the following features.

- a. Financial and other support for an orderly restructure of industry.
- b. For the first time ever, ENGO support for ongoing use of native forests – albeit for a smaller industry and yes, together with greater use of plantations.
- c. For the first time ever, ENGO support for FSC certification of native forests.
- d. Research and development and other support for greater manufacturing use of plantation based supply, especially the current publicly owned nitens and unpruned globulus plantation stock.
- e. Acknowledgement by ENGOs of the need for financially viable domestic use of harvesting and processing residues and support for finding solutions for the best social, environmental and economic use of residue which will strengthen the economic viability of the supply chain.

- f. Proactive support in markets for Tasmanian timber products – not just cessation of attacks.

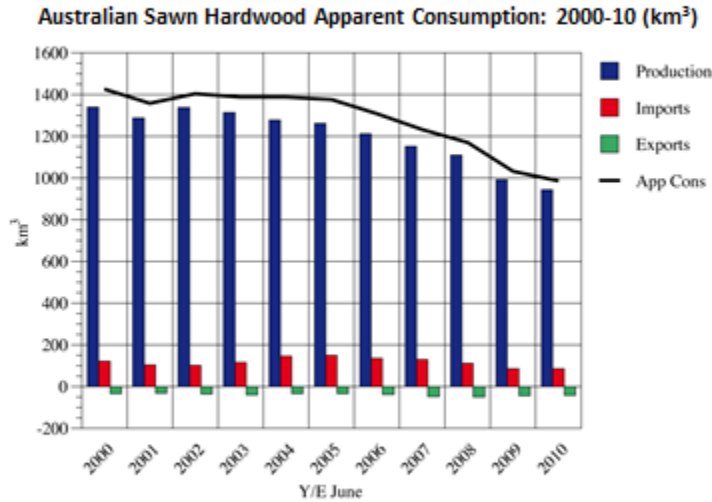
23. The CFMEU FFPD urges Legislative Council members to support the passage of the Agreement into legislation to enable, together with the funding package, a future Tasmanian timber industry:

- a. based on a smaller but stable native forest industry which delivers greater job security;
 - b. with a capacity to pursue opportunities for growth based on the use of publicly owned plantation supply for the manufacture of engineered wood products, veneers, composites etc. and thus create more jobs;
 - c. which has access to resource that is secure, sustainable and certified;
 - d. run on an economically viable supply chain that has the capacity to supply products to market and make a profit;
 - e. selling at a profit into reliable domestic and export markets, that accept and even prefer Tasmanian wood products.
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ATTACHMENT ONE

Sharply Falling Australian Demand for Sawn Hardwood –

Decline is Permanent – Linked to Cost of Supplying Sawn Hardwood

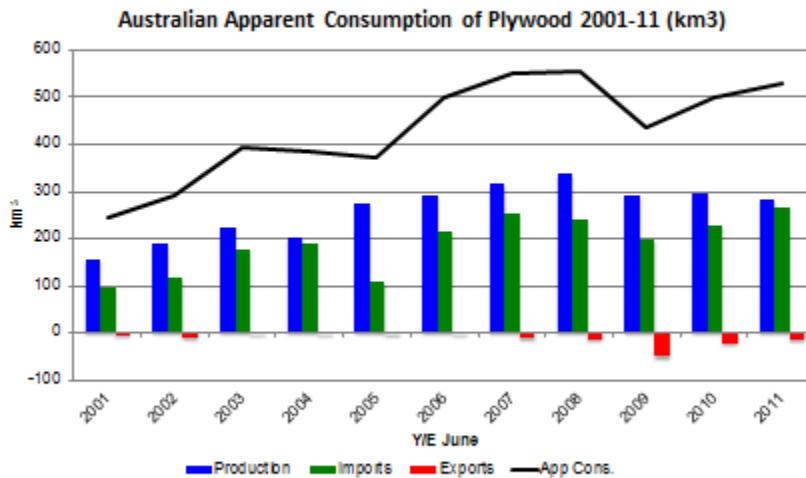


www.fitzpatrickwoods.co.nz



Plywood (and EWPs in General) are Part of the Substitution –

EWPs Utilise More of the Wood, Means Less Goes to Lower Value Products Like Chips

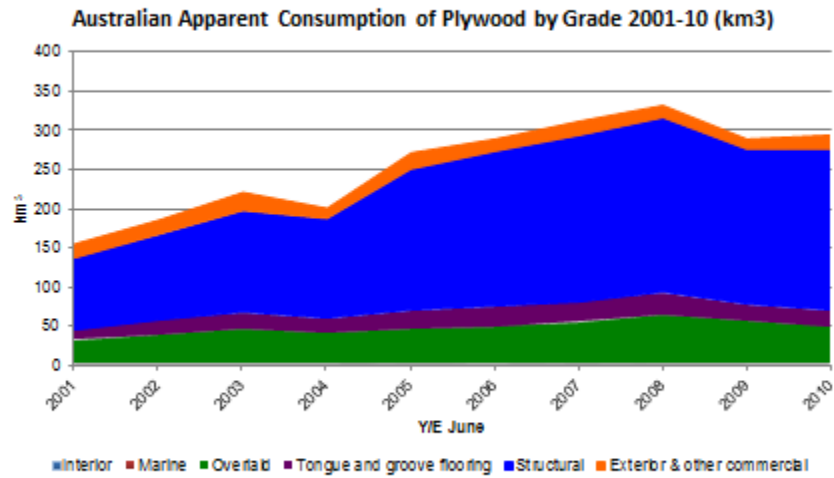


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All EWP Growth is 'Structural' –

EWPs are Replacing Sawn Hardwood, not Sawn Softwood



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