

10 May 2012

Stuart Wright Secretary Legislative Council Sessional Committee Government Administration A Sub-Committee By email: <u>stuart.wright@parliament.tas.gov.au</u>

IGA Independent Verification Group – Report of the Chairman

Dear Sir,

Thank you for the opportunity to make a submission about the recent report by Professor Jonathan West, and his conclusion that Forestry Tasmania has not been harvesting Tasmanian state forests on a sustainable basis.

AFPA is an interested party in this matter. Forestry Tasmania and a number of its customers are AFPA members and their interests would be significantly damaged should Prof West's claims become accepted as the truth. The Report of the Chairman also raises issues which are directly relevant in other parts of Australia, and again have significant implications to State forest managers and their customers across Australia.

AFPA does not believe there is any merit in Prof West's claim or the complaints raised. They appear to be based on both an erroneous understanding of sustainable yield and a careless interpretation on the underlying facts.

The Definition of Sustained Yield

Forestry Tasmania operates under a definition of sustained yield given in its Sustainability Charter as:

"The level of commercial timber (or product mix) that can be maintained under a given management regime, without reducing the long-term productive capacity of the forest.

This is consistent with the AFS requirement that:

"4.4 Forest management shall maintain the productive capacity of forests.



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4.4.2 The forest manager shall plan forest operations to ensure the productive capacity of the land is not compromised. Planning shall consider:

a) forest growth and forest products yield estimates;

b) future land use intentions;

c) rotation/cutting cycle program;

d) *scale, intensity and timing of operations;*

e) expected markets; and

f) development and maintenance of infrastructure.

It is as well to reflect on the fundamental purpose of forestry, as articulated by D.M Smith (The Practice of Silviculture, 1962):

"Silviculture is normally directed at the creation and maintenance of the kind of forest that will best fulfil the objectives of the owner."

"The forester should work for the good of the forest as an entity, not for the sake of the forest itself, but to ensure it will remain a permanently productive source of goods and benefits for the owner and society."

In this context the owners of the forest, the Tasmanian community, through their elected government, articulated specific objectives through the RFA, TCFA, and subsequently the Sustainability Charter approved by the Minister, which Forestry Tasmania is required to pursue, provided it is consistent with the higher duty of ensuring sustainability.

The first point to make is that nowhere is it suggested, even by Prof West, that the productive capacity of the land is being compromised. There is no suggestion that FT has not been undertaking harvesting and utilisation in conformity with the requirements of the Forest Practices Code. It must therefore be assumed that there is no issue in respect of the adequate protection of forest values as required under the Code and the AFS standard, nor with the adequate regeneration of all areas harvested. These are fundamental issues that are routinely addressed in regular audits under the AFS certification.

The only issue apparently being raised by Prof West therefore is the rate at which harvest has been proceeding, and whether or not this raises any issue in respect of the "yield which the forest can produce continuously..." or "can be maintained..."



It should be noted that the definition of sustained yield does not require native forests to be separated from plantations, or for specific mills or technologies to be supported indefinitely. It is rather a broad concept that relates to the long-term capacity of the forest to maintain a range of values and productive uses.

The role of native forests and plantations

Forestry Tasmania has published reviews of its sustainable yield position over the last 15 years, beginning with a post RFA review in 1998, a five-year RFA review in 2002, a post TCFA review in 2005, and a further five-year RFA review in 2007. These reviews have consistently presented the basis on which FTs sustainable yield position has been defined. It has been explicitly noted that this sustained yield was made up of both contributions from native forest and plantations. While not explicitly stated as such, the clear finding of these published reviews was that public native forests alone were not capable of maintaining the indicated sustainable yield, but that the combination of native forest and plantations were. Certainly this is the position that has been clearly understood by the industry generally. It has been clearly understood that this was an explicit strategic response to the policies articulated by the forest owners in the RFA and TCFA. The findings of the IVG assessment simply reinforce this point:

"Under the RFA and TCFA outcomes, FT was required to adopt a strategy of sustained yield that relied on both native forests and plantations. Contracted peeler and sawlog harvests cannot be sustained from native forest alone. The RFA and TCFA agreements were designed to be sustained from both native forests and plantations." (Burgman and Robinson, 2012)

Prof West has based his critique on the projected flow of product from native forests alone, and also on the perceived utility of that product stream for the current industry configuration. There is no basis for this assumption. It not supported by any professional forestry standards, is entirely inconsistent with adopted governmental policy as determined in both the RFA and TCFA, and is not supported by the industry.

Prof West seems to be advocating a "non-declining even flow from native forests" as his preferred vision of sustainable yield. This is an entirely reasonable proposition to canvass, and it raises significant and interesting policy questions with economic and social consequences (both positive and negative), which certainly can be debated. However it holds no *a priori* ethical, moral or professional superiority over the sustained yield strategy which has emerged from the political, economic and social debates of the last fifteen years, and which has largely been imposed on FT and which FT has openly and transparently progressed. It is always open to the owners of the forest to change their view and require such a policy objective to be adopted, however it was not the policy adopted by the RFA and TCFA. It is relevant to note



that other States have adopted similar policies to that in Tasmania, e.g. Queensland where the subject forests are also AFS certified.

This is not to suggest that the forest industry was happy with the outcomes of the RFA and TCFA, and with the consequent removal of significant native forest production capacity. Or that it would not have preferred to have seen a non-declining even flow of native forest sawlog at the then prevailing sustainable levels. Given the reduction in productive native forest capacity, imposed on the sector through increased forest reservation, the replacement with plantation capacity was a next best option, and entirely consistent with forest management principles.

It is somewhat ironic that Prof West has criticised the sustained yield strategy adopted by Forestry Tasmania in the light of RFA and TCFA imperatives. It is presumed that he would have advocated the immediate reduction of yields on the signing of the RFA, with a 25 year hiatus while the new plantations came to maturity. However in the current circumstances, rather than advocate such an immediate reduction, his policy advice is to explore the option of a "once-off" harvest strategy, which would appear to present at least the same, and arguably far greater, challenges to the concept of sustainable yield than that adopted by Forestry Tasmania.

The use of the" Headroom" concept

There are a number of errors in Prof West's analysis which may also have influenced his conclusions about the overall sustainability of FTs strategy. The first relates to the "headroom" figures used in the analyses.

Our Finding -- employing only Forestry Tasmania data with estimation models run by Forestry Tasmania personnel on Forestry Tasmania computers, and peer reviewed by eminent independent forestry experts, is that with appropriate allowances for nonretrievable timber due to mandatory forest-practices regulation (so-called "headroom"), the sustainable annual yield of high-quality sawlogs from native forest is between 117,600 cubic metres (allowing for a non-retrieval rate of 40%) and 156,800 cubic metres (allowing for a 20% non-retrieval rate). Put simply, Forestry Tasmania had been committed to harvesting sawlogs from native forest (not including plantations) at about double sustainable yield.

It is incorrect to suggest that "headroom" is "an appropriate allowance for non-retrievable timber due to mandatory forest-practices regulation". In fact, (and this is clearly reported in Burgman and Robinson (2012)), FTs yield calculations already include allowances for non-retrieval of timber due to mandatory forest-practices regulation. As a result, assessed yields are routinely discounted by a factor based on regular monitoring, which currently averages at over



20%. This is after many coupes are entirely excluded from the analysis because the constraints are considered sufficiently great to preclude viable harvest. These discounts have already been incorporated into the baseline yield figures reported by FT and Burgman and Robinson. FT further introduced the concept of "headroom" in 2011, as a factor to take account of future risk, having perceived that regulatory creep was continuing to impact on future resources. Burgman and Robinson have taken this concept further and suggested that this recognition of future risk needs to be expanded. While this is a legitimate factor to take into account, and properly debate, in considering future yields, it does not suggest that FT has been in any way negligent in setting past yields which have been soundly based.

Taking this into account, the correct assessment is that a sustainable (non-declining) yield from native forests alone, is somewhere in the order of 200,000 cubic metres, (not inconsistent with FTs most recent reports) but that there are risks that continued attrition as a result of regulatory creep could reduce that to variously 157,000 cubic metres or even 120,000 cubic metres. When the contribution from plantations is included this does not support the extraordinary conclusion by West that FT has been harvesting at double the sustainable yield.

There are significant questions that need to be canvassed regarding the use of future risk estimates. As used by Professor West in the extract above, it is being suggested that the discount should be doubled or tripled from the existing 20% to either 40% or 60%. On what basis this choice is being made is unclear, as are the costs and implications. In responding to such a proposition, account needs to be taken of the current cost (reduced yield) of reducing the future risk that yields might turn out to be less than currently anticipated. There is a cost-risk trade-off here, which anyone who has taken out insurance will understand. There is a point where the cost of further reducing risk exceeds the marginal benefit. On the other hand, consideration should be given to what mitigation might be put in place to reduce the risk (akin to installing deadlocks on the doors *in lieu* of paying a higher house insurance premium). Since it is the forest grower and the processing industry that bear the risk of future yield variations, we should be given the opportunity to debate and provide input into these questions. We are certainly not minded to accept Professor West's somewhat casual and limited view in that regard.

Hardwood Plantations

Prof West seeks to support his conclusion by reference to "some hope" that FTs plantations will make up the resource in future. He questions whether the plantations will produce the volumes of high-quality sawlogs and peeler billets required over the next 20 years, and whether the logs so produced will in fact be suitable to the existing processing industry. These are legitimate questions, and one might have wished that governments had given them somewhat more attention at the time the decisions around the RFA and TCFA were made, however they do not



raise any questions in respect of FTs sustainable yield strategy. FTs yield reviews have reported the yield projections from plantations based on independently audited inventory and yield projection systems, and at each stage have been reported as fit-for -purpose. The most recent independent audits conducted as part of the IGA verification process have not revealed any reservations about the credibility of these estimates, and Table 2 of the Burgman and Robinson report confirms the availability of 89,000 cubic metres of High Quality Sawlog material from 2021, in direct contradiction to the conclusion made by Prof West in his report. FTs published reviews have consistently indicated that the plantation estate will contribute substantially to the production of logs that meet the size and quality specifications required of high quality sawlogs and peeler billets, and will be sufficient to maintain the indicated yields in broad volumetric and quality terms.

What is at issue in this matter is whether the sawlogs produced under this strategy will be suitable to meet the processing requirements of existing sawmills and their traditional markets, without any requirement for structural change. This is clearly not the case, and inherent in the RFA and TCFA outcomes was an explicit realisation that such structural change would be required. While this has had more or less acceptance among existing native forest processors, the enlightened industry view has been that a future industry based on hardwood plantations would require new investment in technologies and market development which would likely bear little resemblance to the traditional native forest hardwood industry. A strategy which maintained a sustainable flow of materials which provided maximum flexibility for such industry evolution and allowed this transition to emerge over a number of decades is entirely consistent with all the required environmental, social and economic requirements of sustainable forest management. There is no evidence to suggest that the sustained yield strategy pursued by FT has not been consistent with such a position. From the current day perspective it would be desirable to see more investment in R&D and wider experimentation with species and silvicultural strategies. This is something for governments to consider in the context of IGA outcomes, rather than an imperative on FT who have made significant investments in both over the last two decades.

This issue has been confused by the different assumptions used in various resource scenario analyses. In prior Forestry Tasmania analyses, plantation sawlogs were identified as early as commercially viable volumes were available to contribute to the sustainable yield. This is the basis of data provided in Table 2 of the Burgman and Robinson (2012) report, and in all prior FT reports. The scenarios reported by Burgman and Robinson, however, explicitly assumed delayed harvest of sawlog plantations until 2030, reflecting input from the processing industry which sought to retain access to native forest supply until 2030, and maximise the resulting volume-size-grade output from plantations. (The effect of such delay on plantation output is clearly demonstrated in Table 2 of the report. It is a perfectly reasonable position for industry to



advocate for scenario purposes in the current exercise). It is perhaps not at all surprising that Prof West concludes that it appears unlikely that a large supply of high quality sawlogs will be able to be sourced from FT plantations...until it is realised that this is simply a **restatement of the input assumptions**, and not a valid conclusion at all. It tells us nothing about the nature of the plantation estate and its capacity to supply high quality sawlogs over the 20 year period.

Forestry Tasmania contracts

Professor West also falls into the trap of confusing the issue of commercial contracts with sustainable yield. The Ta Ann contracts are a case in point. These contracts explicitly provide for Forestry Tasmania to supply billets from native forest and eucalypt plantations from a supply zone not limited to State forest. It is entirely a matter for Forestry Tasmania as to what commercial risks they need to take in regard to their contracts, and this is a normal element of commercial activity. It is our understanding that Forestry Tasmania has acknowledged from the start that the contracts they have with Ta Ann will require them to source billets from beyond native State forests, including plantations. This says nothing about the sustainable management of the native forest component of the supply zone.

In summary, it is the considered view of AFPA, that the current critique of the sustained yield position of Forestry Tasmania lacks any inherent merit and should be dismissed. The issue is essentially a difference of opinion over forest policy questions, exacerbated by numerous errors and misinterpretations of the underlying data and analyses by those with only a superficial understanding of them.

Yours sincerely

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