

GROWING A STRONG FUTURE

A policy for Western Australia's native forest industry.



Forest Industries Federation of WA
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FIFWA
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Karri regrowth forest in WA's South West

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Cover photograph

Sustainable forestry practices in the South West.

Source: FPC

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INTRODUCTION

If Australia was built off the sheep's back, then Western Australia's South West was certainly built from our native forests. Much of the State – and the rest of the country – was opened up and settled via railway lines built on South West jarrah and karri.

Today WA's native timber industry plays a key part in the South West's and the State's economy. The industry employs more than 2400 people, and is a key component of a timber and fibre industry worth \$1.06bn to the State each year.

Native West Australian hardwood is marketed across the world – from UK and China to Indonesia and the United States – meeting a demand for timber products including flooring, structural products, furniture and paper products. WA's jarrah, karri and marri have become increasingly sought after by virtue of their unique nature – technology allows us to create high-strength laminated beams to wafer-thin veneers. Our jarrah is used to support other important South West industries, such as Simcoa's Kemerton operation.

Worldwide, the demand for timber is growing. People see timber as far more environmentally friendly than steel, bricks and concrete. Demand from Asia is expected to present incredible opportunities for Western Australia's native forest industry.

There is strong demand for timber. In Australia, the value of the forest industry to the country's economy is targeted to triple by 2050. But despite this growth opportunity, the volume of forest products produced in Australia is insufficient to meet our country's demand.



In WA, there is an opportunity to meet this growing demand from both plantations and native forest timbers. Plantation and native timbers are complementary and meet different needs and applications. Our native timbers have unique qualities and this sector represents a key part of the State's overall timber industry. Plantation timber cannot replace native timbers. If we do not maintain (and develop) the native based industry then imported timber volumes will increase to replace our jarrah, karri and marri timber.

Continuity and confidence in hardwood supply is critical to the growth of the WA timber industry. Without it, the industry will be unable to meet and capitalise on growing market opportunities.

A sustainable future

The sustainability of the forest resource is key to the ongoing future of the WA native forest industry. To this end, the industry is taking a number of steps to ensure the native forest resource is protected, is sustained, and continues to grow.

Importantly all High Conservation Value Forests are protected in a comprehensive, world class reserve system. WA Forest Management and its forest reserves have been acknowledged as representing world leading management practices. All WA native production forests are certified by independent 3rd parties as meeting Forest Certification requirements (including AFS/PEFC/FSC).

The industry works within the WA Conservation Commission's 10-year Forest Management Plan (FMP) which aims to conserve biodiversity, protect soil and water resources, sustain healthy ecosystems and sustain social, cultural and economic benefits.

Each year, less than 1% of all WA native forests are harvested. And it is all regenerated.

The WA native forest industry has demonstrated it can co-exist with other forest uses, including recreational activities such as hiking and mountain bike riding. The industry encourages and supports a range of sustainability initiatives, including:

- Wood first – combatting climate change.
- Reducing waste – efficient use of timber residue.
- Protecting wildlife
- Forests for climate
- Sustaining communities and local economies
- Contributing towards carbon storage
- Helping manage catchments through improved water quality and increasing waterflows.
- Optimising the Multiple use benefits of our native forests.

The industry also has a key role in helping reduce fuel loads in native forests, and lessening the impact of deadly bushfires. It is working with DFES and the Forest Products Commission on initiatives aimed at reducing fire risk.

The industry blueprint

A healthy and growing native forest industry must be a key part of WA’s overall timber industry strategy. To this end, the industry proposes a number of key strategic recommendations to see it grow and prosper.

Recommendation 1: The State Government commits to ensuring the viability of the native timber industry, encouraging innovation and market development through these recommendations AND through forest management policy, including the FMP.

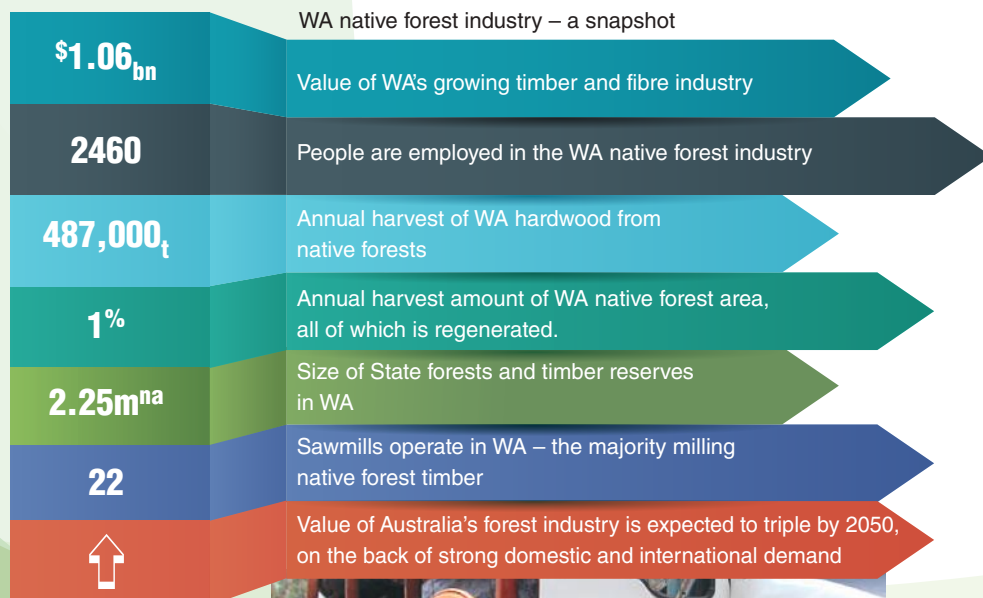
Recommendation 2: The Government confirm a policy change whereby longer term (25-year) supply contracts would be available, with provision to periodically review and amend harvest and supply conditions linked to the current FMP.

Recommendation 3: The State Government to recognise the FMP as a long term plan, reflecting the reality of forest management, with 10 year reviews rather than creating new FMP’s every 10 years. By doing so the State explicitly acknowledges timber production as a valid and sustainable use of native forests.

Recommendation 4: Industry and Government to work together and facilitate the opportunity for industry to optimise the full volume available under the sustainable level of harvest (as identified in the current FMP) and develop markets to ensure the increasing volume of regrowth timber is processed and marketed.

Recommendation 5: The State Government to create a \$100,000 hardwood innovation fund to help stimulate and drive emerging market opportunities for WA’s native forest industry.

Recommendation 6: The industry will work with key stakeholders – including Government and agencies managing our forests - to develop a long term Native Forest Industry strategy.



MARKETS

Along with water and stone, timber has been one of the most important and influential natural resources in the development of civilisation. For thousands of years, timber has been fundamental in our lives. We built shelters and homes from timber, shared meals around timber furniture, heated our homes, explored the world in timber ships, opened new frontiers with railway lines and bridges, printed books and created musical instruments.



A West Australian designed jarrah chair from JahRoc furniture. Source: Auswest Timbers

Today, native West Australian hardwood is marketed across the world – from UK and China to Indonesia and the United States – meeting a surging demand for a range of products, including:

- Flooring and decking
- Structural and laminated products
- Commercial and domestic furniture
- Commercial and residential construction
- Timber veneers
- Sporting equipment
- Tool handles
- Ship building
- Wood turning and specialty craftwoods
- Adhesive manufacturing
- Paper products
- Energy
- Mill residues for firewood, mulch, potting mix and poultry litter

The unique nature of WA's jarrah, karri and marri hardwoods provide an opportunity to grow the markets for WA native timbers. Technology is being used to create wafer-thin veneers, fine furniture, high quality paper and high-strength laminated beams and trusses. Forestry and sawmill industry residues are also used; for example charcoal made from jarrah is used to make silicon at the Simcoa Silicon smelter in Kemerton. Silicon is used in light weight alloys, electronics and solar cells, all key products in providing a sustainable future.

Wood is valued as a sustainable resource, where the use of wood improves our environment and enhances healthy communities. Wood is renewable, recyclable, biodegradable and acts as a carbon store.

Worldwide megatrends show demand for timber is growing, driven by booming and wealthier populations, transformative technologies and empowered consumers. Critically, educated consumers are seeking timber products for environmental and societal benefits. People see timber as far more environmentally friendly than other building products including steel, bricks and concrete.

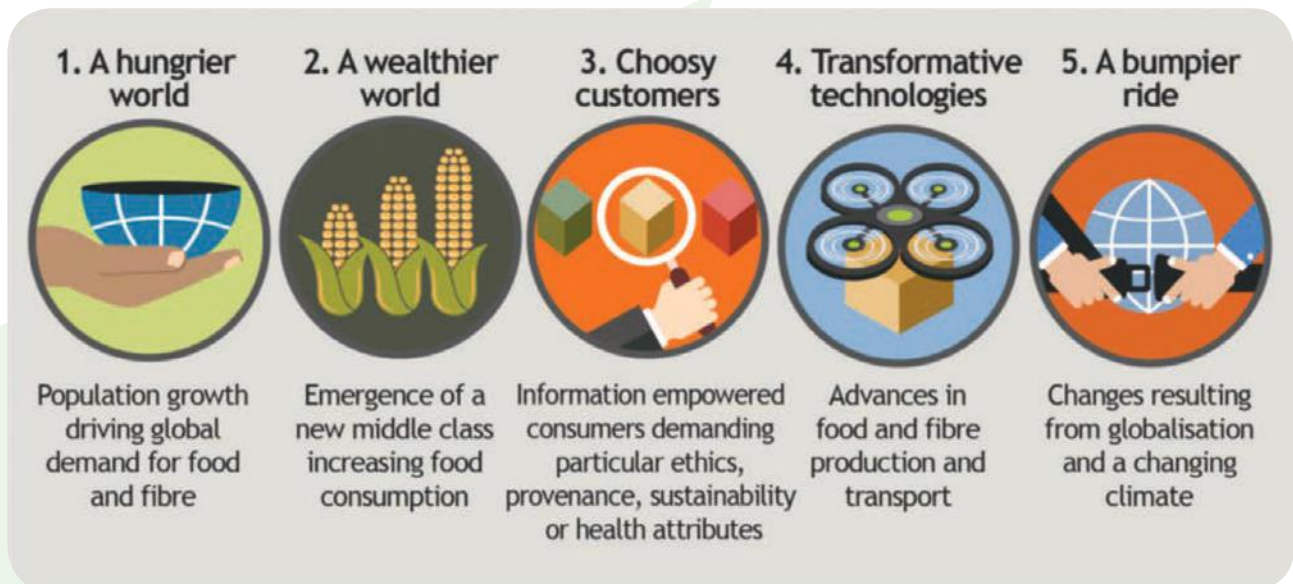


Figure 1: EY (2016) Megatrends and the Australian Forest and Wood Products Sector.

The Asian Century

Asia is set to dominate the world economy in the 21st Century. By 2030, two thirds of the world's middle class will reside in Asia. The growth in population and wealth is generating a massive demand for goods and services. Rapid income growth in Asia and, to a lesser extent, South America and Africa will see billions of people transition out of poverty and into the middle income classes. The powerhouses of the new world economy are China and India. This economic shift will build new export markets, trade relations, business models and cultural ties for Australia. (Greater Bunbury Global & Regional Futures, 2016)

The Asian Century presents incredible opportunities for the South West of WA and the forest industry. We are not only ideally placed to supply Asia's timber and fibre needs, but also have the advantage of similar time zones that will ease business communication. Our forest products will inevitably help Asian cities grow and meet the booming Asian middle class demands.

Growing demand

In Australia, the economic value of the Australian forest industry will triple by 2050, according to predictions from Australia's peak R&D body Forest and Wood Products Australia (FWPA). Recent modelling shows the value of the industry has the capacity to grow to about \$66bn within 34 years. (Forest and Wood Products Australia, 2016)

Despite the strong market demand for Western Australia's unique timbers, the volume of forest products produced in Australia is insufficient to meet our country's demand. Australia's net timber import deficit averages around \$2 billion per year. (ABARES, 2012)



Jarrah furniture from Inglewood Products Group. Source: Harvey Norman

Carlo Gosatti, Inglewood Products Group

With 60 years' experience in the Western Australian timber industry, the Gosatti family have seen it all. 82-year-old founder Ardino Gosatti is still active in the family-owned business, while sons David and Carlo are highly regarded as industry entrepreneurs. Inglewood Products Group produces sought-after products from timber joinery and hardwood veneers to quality outdoor furniture from natural WA timbers.

Clever marketing and making the most of technology is the key to meeting growing demand for WA timber products, according to Carlo.

"There are good opportunities in the market and strong demand," Carlo said.

"There is an underlying demand for our WA fibre. It's a significant resource and commercially valuable.

"With the dollar in the mid 70s, we can compete nationally and look at growing export markets."

Company snapshot: Inglewood Products Group

Operations base: Byford. **Staff:** 20. **Annual turnover:** Between \$2.5m-\$5m.

In WA, our burgeoning population is a key driver to a timber and fibre industry worth \$1.06bn to the State each year. 1.4 million tonnes of timber worth \$89 million is harvested each year across Western Australia, of which 34% is hardwood from native forests. (Forest Products Commission (WA), 2015).

Demand for WA timber is growing. Part of this demand will be met by the WA Government strategy to expand softwood plantations in the South West. The strategy – underpinned by a \$21 million investment – will see expanded manufacturing and processing hubs in the South West along with an innovation fund to stimulate market opportunities.

There are a range of new and emerging market opportunities for native forest timber, particularly utilising lower quality log resource. These include using marri for furniture production, veneer and plywoods, engineered wood products and bioenergy production. (URS Australia, 2012)



Source: FPC

WA Native timbers will continue to play a key part in meeting growing demand across the world – in Asia, Australasia and here in WA. There is an opportunity in WA to meet this growing demand for native forest timbers, thereby strengthening a key part of the State's overall timber industry.

Continuity and confidence in hardwood supply is critical to the growth of the WA timber industry. Without it, the industry will be unable to meet and capitalise on growing market opportunities.

BRIEF HISTORY

If Australia was built off the sheep's back, then Western Australia's South West was certainly built from our native forests. Much of the State – and the rest of the country – was opened up and settled via railway lines built on South West jarrah and karri.

The opening up of the Goldfields in 1885 saw our railways cover vast distances across WA and the rest of the country. The demand for 1.5 million sleepers for the Trans-Australian Railway saw dozens of WA mill towns spring up, creating communities and bonds with a native forest timber industry that would endure for more than a century.

Today, many of WA's timber towns have diversified. Manjimup is a Supertown with a growing agricultural industry driven by a booming avocado market. Pemberton – with its mountain biking, hiking and trout fishing - has become a must-stop tourist destination for national and international visitors.

But for many South West towns, timber is still a critical part of the economy and the community. The timber industry in WA creates thousands of regional jobs and is still the beating heart of many South West towns.

Turning off the tap

In 2001 the then State Government fulfilled an election promise and ended logging in all old-growth forests. The government then began a process of creating a set of conservation parks and national parks.

As a result of these policies, the annual contracted levels of hardwood sawlog cut have fallen by 67 per cent since 2001. The fall represents a reduction in log revenue of 61%, or \$48 million, to the State Government annually. (Forest Products Commission (WA), 2015)



*Greenbushes street scene in the early 1900s.
Source: Greenbushes Discovery Centre.*

Heart and soul of many communities

Of all the South West towns with timber running through their veins, Greenbushes' story is one that resonates deeply.

Greenbushes was planted on the map in 1888 when tin was first discovered. Six years later the Greenbushes timber mill started cutting its first jarrah and karri logs.

Demand for Greenbushes tin and timber soared, and together the two industries saw the town's population swell to 3000 in 1907.

For decades, timber mills were the heart and soul of many South West towns rooted in their timber heritage. Like many small towns, Greenbushes has had its challenges – including losing its school and Catholic church to bushfire. Its timber mill has been sold, closed and reopened.

But more than a century on, Greenbushes continues to thrive. Tin has given way to lithium mining, and the mill has been purchased by Auswest and is now a high-tech timber hub.

Timber continues to be the beating economic heart of the community

- Doug Green

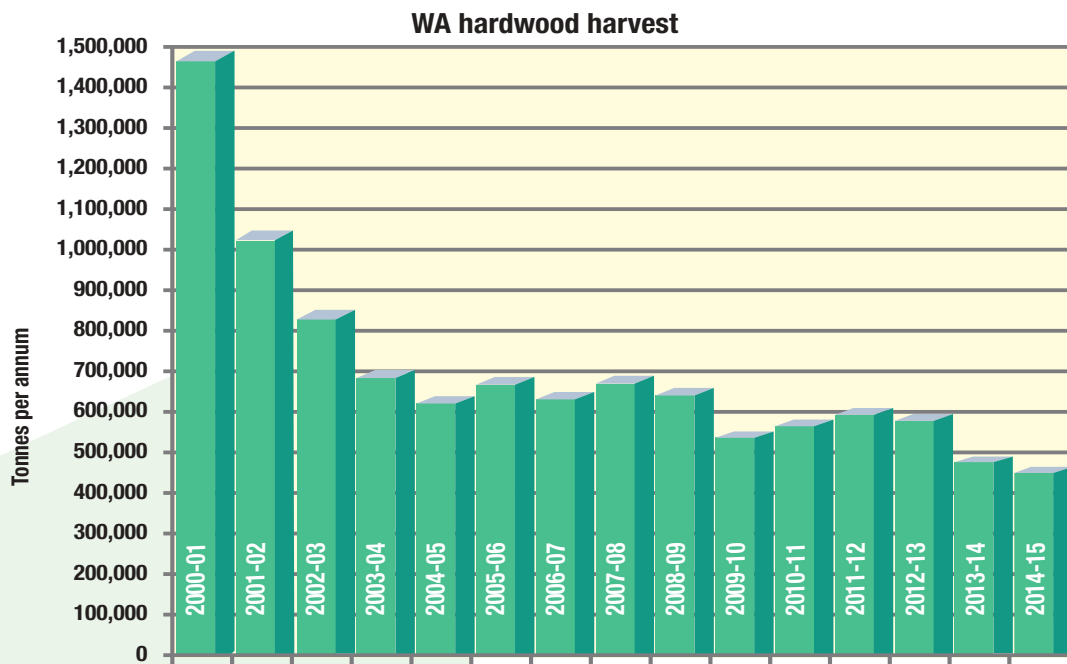


Figure 2: WA hardwood harvest 2001 to 2015. Source: Forest Products Commission 2016.



Source: FPC

The policy change significantly impacted the WA native forest industry. Native Forest log harvests dropped dramatically – from 1.48 million tonnes in 2001 to 488,000 tonnes in 2015. A range of mills closed, including the State’s first timber mill – Deanmill – near Manjimup.

Critically, hundreds of jobs were lost across South West communities, and confidence in investing in the industry in WA evaporated.

However the Industry is resilient and survived this challenge. Restructures and new technology has seen the industry reset for the future.

CURRENT STATE

Size of the industry

The WA native forest industry operates across a large part of the Midwest, Swan, South West and Warren regions, with harvesting from Mundaring to Walpole and timber milling from Perth to Albany. There are an estimated 22 sawmills operating in WA. (ABARES, 2013)

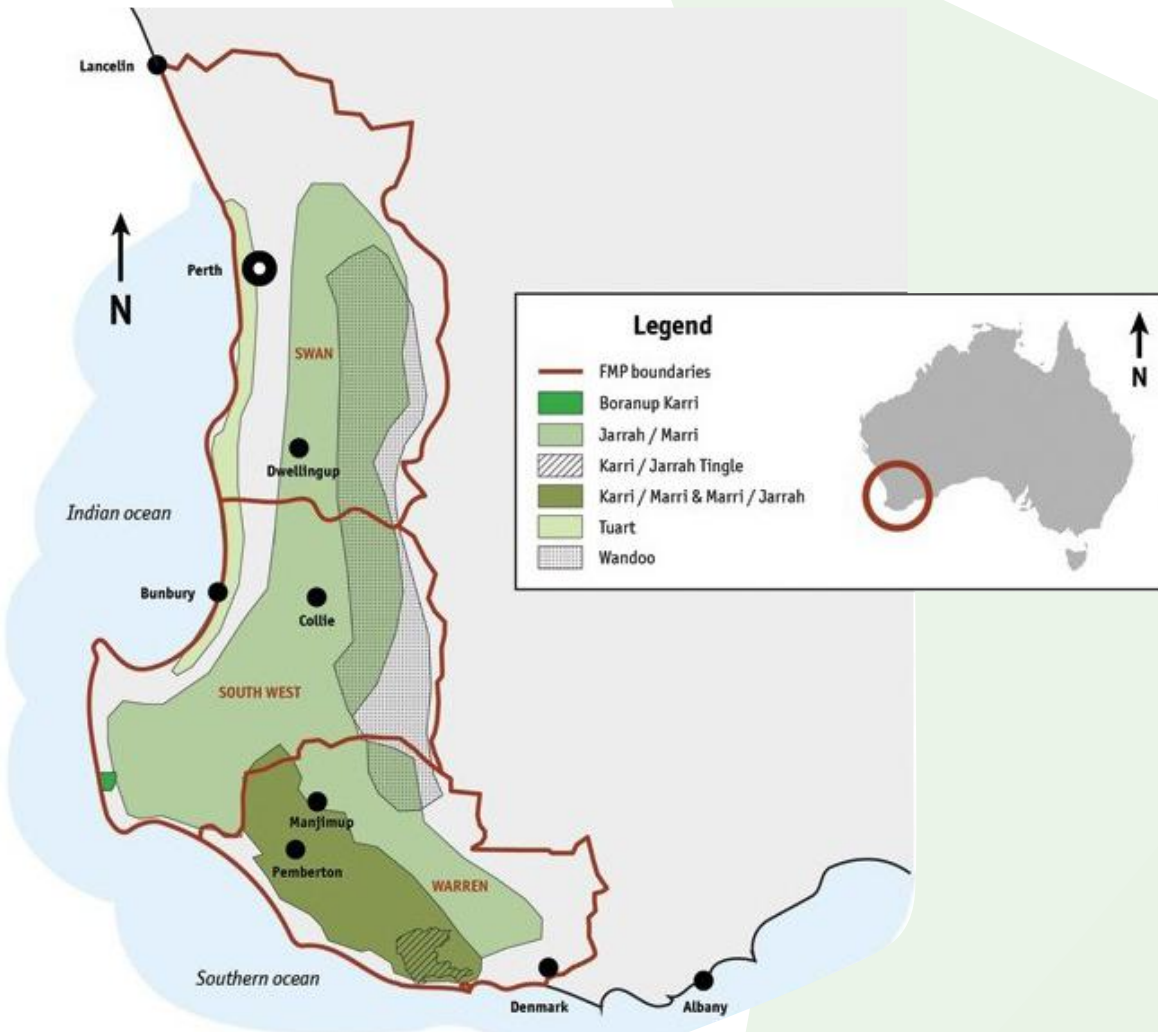


Figure 3: Native forests managed under the current Forest Management Plan. Source: FPC.



Figure 4: Stages in production of wood products from native forests. (Shirmer, 2012)

The WA native forest industry employs more than 2400 people either directly or indirectly. (URS Australia, 2012). The key employers are sawmills – employing more than 4 out of every 10 workers directly employed in the industry. Forest management and harvest and haulage are the other key employment sectors in the industry.

Sector	Employees
Forest Management	286
Harvest and Haulage	166
Sawmills	441
Secondary manufacturing	152*
Other	NA
TOTAL	1,045

Figure 5: Estimates of employees in WA native forest sector. (URS, 2012)

Using input-output models, URS Australia analysed flow-on effects of direct shifts in employment in the native timber industry (along with aggregate multiplier impacts from Shirmer (2012) and Islam et al (2010)). The forest products industry employment multiplier is calculated at 2.36. **Based on these estimates, about 2460 people are employed – either directly or indirectly - in the native forest sector in the South West of WA.**



Source: FPC

Locations of employees vary, but in several towns in the South West, the timber industry is the major employer. Some local government areas, such as Nannup, have as much as 38% of their workforce employed in the timber industry. (DEEWR, 2012)

The WA timber and fibre industry creates \$1.06bn in turnover each year. 1.4 million tonnes of timber worth \$89 million is harvested each year across Western Australia, of which 34% is hardwood from native forests. (Forest Products Commission (WA), 2015)

The majority of the native forest industry is spread across the South West, and represents a sizeable percentage of the region’s Gross Regional Product of \$17bn (South West Development Commission, 2014).

The Forest Management Plan

The Forest Management Plan is a management plan guiding the use of about 2.25 million hectares of State forests and timber reserves in WA. Managed by the Conservation Commission of WA, the key aims of the plan are to conserve biodiversity, protect soil and water resources, sustain healthy ecosystems, contribute to global carbon cycles and sustain social, cultural and economic benefits (including timber production).

Less than 1%
of the total forest area is harvested annually

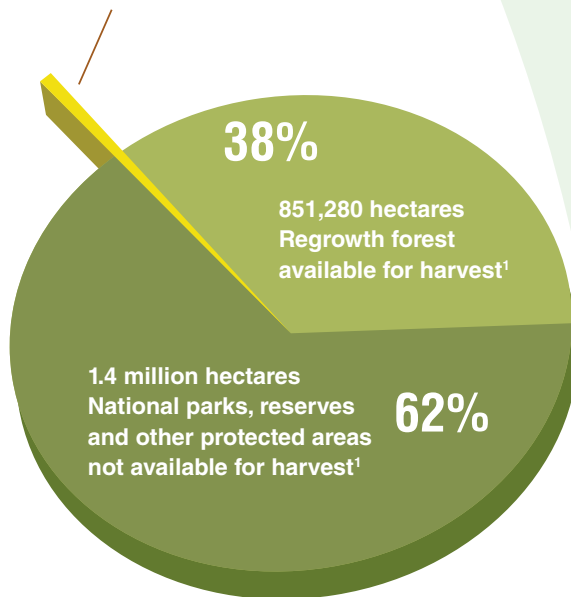


Figure 6: This graph represents the total native forest estate in the South West under the Forest Management Plan 2014–2023. (Forest Products Commission, 2014).

The FMP has a strong conservation focus, and is conservative by nature. Of the native forest covered by the FMP, more than 1.4 million hectares or 62 per cent is protected in national parks, reserves and other areas not available for harvest including all old-growth forests. Less than 1% of the total native forest area is harvested annually. All harvested forest is regenerated and maintained as a growing forest.

The FMP has a 10 year term (2014-2023) but represents a management plan that is, by necessity inter generational, reflecting the long term nature of forest management. The current FMP refers to sustainable wood volumes over the next 50-100 years yet the maximum allocated contract term is limited to 10 years. The lack of certainty regarding the continued role of timber production within future FMP's is an issue for Industry.

Critically, there is no guarantee of future timber allocation past the current FMP completion date. While other industry sectors (ie mining and agriculture) have long-term surety of tenure of leases and supply of resources, the native forest industry does not. Continuity and confidence in long-term supply is a key hurdle constraining investment and development opportunity in the industry.

Issues impacting sawmill viability

A key issue affecting WA sawmill viability is a function of input volume, log quality and log supply cost. Both volumes and log sizes have decreased over recent years, affecting industry viability. These factors are strongly inter-related (URS Australia, 2012):

- **Input volume:** as volumes decrease, fixed costs are spread over a lower volume, and unit production costs increase.
- **Log quality:** Since the implementation of the current FMP, there has been a trend of declining log sizes. This reflects the restriction of timber production into younger regrowth forests and allocation of older forest age classes into an increasing reserve system. Industry recognises this challenge and will need to retool to meet the challenge. Certainty over supply will help stimulate and attract new investment.
- **Log input costs:** The distance between harvest locations and processing centres varies considerably, affecting delivered log costs.

The WA sector has faced ongoing decline as a result of yield reductions, declining log sizes and log quality – all forcing up costs of unit production. **Any policy changes providing long term security allowing for investment to optimise the available log resource, are likely to have a positive impact on the industry in WA, and help stimulate growth, innovation and investment.**



Source: FPC

SUSTAINABILITY

A key to the ongoing future viability of the WA native forest industry is the sustainability of the forest resource. To this end, **the industry is taking a number positive steps to ensure the native forest resource is protected, is sustained, and continues to grow.** This includes support for a long-term plan for forest management and timber production.

Each year, less than 1% of WA native forests are harvested. And it is all regenerated.

The current FMP provides long-term guidance over sustainable yields, taking into account factors such as climate change and reduced rainfall. The FMP takes a precautionary approach towards forest management - The plan stems from the principles of ecologically sustainable forest management (ESFM).

Importantly, a key objective of the FMP was to calculate a sustained woodflow yield averaged to the year 2070, taking into account climate change and decreased rainfall. **The FMP research predicts the availability of karri sawlog to progressively increase, with the potential to more than double by 2045** due to the recurring thinning of large areas of regrowth regenerated since the 1970s.

The current FMP did not substantially alter the allowable cuts for jarrah and karri sawlogs from the previous FMP, despite the calculations explicitly incorporating the projected impact of 'high severity' climate change conditions on tree and stand growth. (Conservation Commission of Western Australia, 2013)

The industry encourages and supports a range of initiatives to ensure the FMP's ESFM objectives are met.



Lane Pool Reserve's timber and forestry heritage is still visible for all to see. Picture: Doug Green.

From harvest to pristine park

Of all the examples of sustainability of the native forest industry, there is perhaps none better than Nanga Mill and the spectacular Lane Pool Reserve.

Just over an hour south of Perth, the 50,000ha reserve is the largest park in the northern Jarrah forest. With several wooded campsites straddling the bubbling Murray River, each year it attracts thousands of families to enjoy more than 500 species of native flora and some of our rarest fauna.

Remarkable, considering Nanga Mill and much of the reserve was a busy and productive timber production area up until the 1960s.

Harvesting in the Nanga area started in 1900. Over the following decades, much of the Lane Pool reserve was harvested, and then burnt by the savage 1961 Dwellingup fire. It has now been regenerated into the pristine national park of today.

Like many regenerated harvest areas, native flora and wildlife has made Lane Pool home - from quokkas, to woylies, to Carnaby's cockatoos.

WA families camp, hike, ride and fish in pristine native forests once logged to help build WA.

- Doug Green

Wood First - Combatting climate change: Along with being renewable, recyclable and biodegradable, timber is also a carbon store. Around 50% of the dry weight of timber is stored carbon, removed from the atmosphere by growing trees. When used in construction, timber insulates 15 times better than concrete, 400 times better than steel and 1,770 times better than aluminium. Far less carbon emissions are produced in the manufacture of timber products than other building materials. (Forest Products Commission (WA), 2015). The industry actively promotes a Wood First objective in its market development and industry promotional activities. Timber and wood fibre can replace most carbon based products and do so with less greenhouse gas emissions (through the product life cycle). Further, Ximenes et al (2012) reported that the total Greenhouse Gas emission abatement and carbon storage from multiple use forests exceed the Carbon storage benefit of a conservation forest.

Reducing waste: Not all of the harvested tree is suitable for higher value uses. Producing square pieces of timber from round logs in our sawmills for furniture, flooring and building also generates residues. Our regrowth forests also need thinning. Rather than waste timber in the forest or burn waste at mills, Industry is focused on improving the utilisation of timber. Wood is currently used to make high quality paper, and charcoal for silicon manufacturing. It is highly regarded as a renewable energy source for bio energy facilities including co-firing existing coal fire power stations. Technology developments is seeing future product developments recognising the value of using cellulose and wood properties for products replacing plastics and other fossil fuel derived products. A total of 16.7 million cubic metres of wood residue were produced in Australia in 2011. (ABARES, 2013). New technology and process improvements are resulting in better use of timber residues.



Protecting wildlife: The industry supports effective initiatives which protect fauna and biodiversity. This includes a focus on buffer zones along rivers, identifying habitat trees and ensuring logs with hollows are retained.

FORESTCHECK, a long-term scientific study, has given Western Australian native timber harvesting and silviculture practices in the South West jarrah forests a favourable report card in conserving biodiversity. (Forest Products Commission (WA), 2015). The study found that, after 40 years, there is no detectable difference in species richness between harvested and non-harvested forest. The industry will continue to work with the Forest Products Commission to ensure world class management and monitoring of wildlife in our forests.

Forests for Climate: Managed forests and timber products contribute towards carbon capture and storage. The 4th assessment report of the International Panel on Climate Change (IPCC) 2007 noted that “A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks while producing an annual sustainable yield of timber, fibre and energy from the forest will generate the largest sustained mitigation benefit”.

Sustaining communities and economies: A key goal of native forest management is sustaining the economic and social benefits delivered by the native forest industry. (Conservation Commission of Western Australia, 2013). The WA timber industry is worth \$1.06bn to the State each year, and the native forest industry employs about 2460 people – either directly or indirectly. For many South West towns, the timber industry has been its beating heart for more than a century. The industry continues to be one of the region’s key economic arteries.

Managing catchments: Climate change has already created a reduction in rainfall and water supplies, and this is predicted to continue. The Myalup-Wellington Water for Food project is underway to future-proof water supplies for the region – with a key focus on long-term management of native and plantation forests in the Wellington catchment. The Industry will continue to engage on this important initiative.

Benefits and role of industry

WA’s burgeoning population is a key driver for increased timber and fibre demands. The State’s population is expected to grow to 4.9 million by 2050. A healthy WA plantation timber industry and the native forest industry will be needed to continue to meet the demand.

As a key stakeholder in the State’s native forests, the industry will continue to play a key economic role in WA, along with providing vital support in ensuring the health and sustainability of our forests.

Benefits

A healthy and growing native forest industry has many benefits, including:

- Continued economic benefits worth several hundred million dollars to the State each year.
- Investment in WA research and development to meet new markets – including export markets - for our unique WA natural timbers.
- Employment of about 2460 people in WA – either directly or indirectly – along with generating vital economic activity for many South West towns.
- Vital contribution to the health and sustainability of native forests, supporting regeneration, wildlife networks and bushfire load reduction.
- Combatting climate change. Timber construction provides better insulation and lower carbon emission production processes than steel and concrete.
- Supplying unique hardwood native timbers from sustainably managed forests, reducing demand for imported timbers.

Mechanical Fuel reduction (MFR): Reducing the fuel loads in native forests does not prevent bushfires, but it significantly reduces their severity and damage potential. One of the biggest threats to animal habitats in native forests is uncontrolled bushfires. For years the industry has played a key role in helping prevent and manage bushfires.

This year Waroona Fire Special Inquirer Euan Ferguson found that declines in hazard reduction burning could also be attributed to changes in forest policy in old growth forests. An unintended consequence of this change in forest policy is that the forest industry, which had previously played a significant role in fire suppression and hazard reduction burning, was no longer the fire management resource that it once was. (Euan Ferguson, 2016).

A number of mechanical fuel reduction trials are proposed in WA – in Collie and Wilga. The industry is working closely with the Department of Fire and Emergency Services, and the Forest Products Commission on an initiative aimed at reducing the risk to both native forest habitats, and South West communities.



Source: FPC

THE FUTURE

Challenges

Supply uncertainty: there is no guarantee of future timber allocation past the current FMP completion date (2023).

Confidence: ensuring existing businesses and investors have confidence in investing in the WA native forest industry.

Lack of scale: with profitability linked to production volumes, we need to ensure an economic scale of production

Imported timber: Australia's reliance on imported timber, harvested with questionable environmental, provenance or ethical controls.

Threats to the industry

Loss of resource: These include natural disasters, such as bush fires that destroy regrowth forests (ie the Northcliffe Fires), and policy changes that result in a reduction in the amount of available production forests.

Security of supply: Lack of guarantee for future timber allocation past 2023.

Strengths

Economic benefits: worth several hundred million dollars to the State each year, and key economic driver for many South West towns.

Investment: R&D to meet new markets – including export markets – for our unique WA natural timbers.

Employment: About 2460 people in WA – either directly or indirectly.

Sustainability: Demonstrated history and vital contribution to the health and sustainability of native forests, supporting regeneration, wildlife networks and bushfire load reduction.

Combatting climate change: Timber is a lower carbon emitting construction material.

Opportunities

Domestic market: continued strong growth in demand for WA timber – both plantation and native.

International market: increasing demand for unique WA hardwoods.

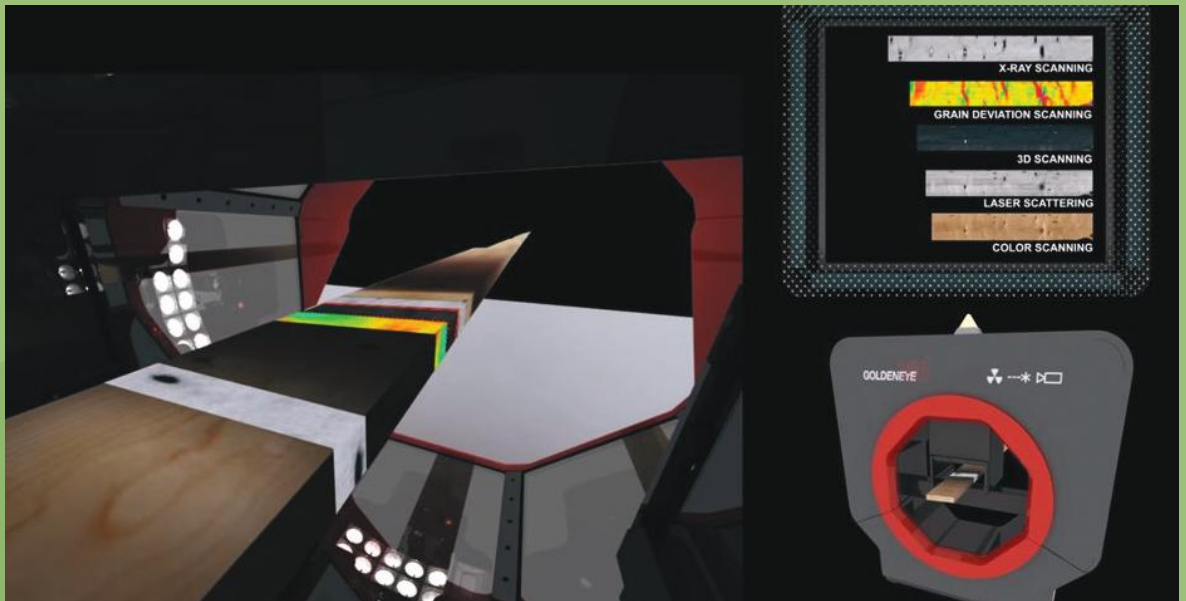
Technology: ability to meet emerging markets for ultra-thin veneers, engineered woods and bioenergy production, along with increased utilisation of timber.

Rationalisation: opportunity to increase industry profitability through rationalisation.

Supply continuity: increased investment through policies guaranteeing longer term supply to the industry.

Engagement: opportunity for stronger community engagement through stakeholder engagement and communications strategy.

Protection: for communities and forests through managed forests, including mechanical fuel reduction.



Technology and innovation are a key to the industry's future

Mike Epp, Auswest Timbers

Auswest Timbers is the State's largest timber and hardwood specialist with 4 mills and more than 180 staff, employed in Welshpool and Greenbushes to Pemberton.

The company supplies WA timber products to markets across Australia and overseas, including the UK, Asia and the United States.

Auswest has recently undertaken significant investment in new technologies including the installation of CT scanning and automated trim solutions to accurately grade finished timber. This technology is a first in the hardwood industry in Western Australia.

Auswest State manager Mike Epp, has been engaged in the timber industry for more than 25 years internationally and in Australia, and believes there is strong potential in the WA timber industry, despite some key barriers to investment.

"Jarrah itself is a very marketable product," Mike said.

"Generally, the hardwood operations in WA lack scale and therefore a competitive cost base to combat imports and the ability to service the Eastern States with added freight." In addition to new investments, Auswest Timbers have recently announced the consolidation of all manufacturing facilities to one site at the recently acquired Greenbushes Sawmill in the South West of WA.

"The requirement to have transparent supply of quality resource is critical in ensuring the long term viability of the hardwood business in Western Australia".

Company snapshot: Auswest Timbers

Operations base: Manjimup, Pemberton, Deanmill, Greenbushes and Welshpool

Staff: 180

Annual turnover: \$60m

INDUSTRY BLUEPRINT

The WA timber industry has faced a number of challenges over the past 15 years. But despite the challenges, the industry will continue to grow and prosper, driven by growing markets and demand, technology and innovation, and a strong focus on sustainability. **A healthy and growing native forest industry must be a key part of WA's overall timber industry strategy.**

Recommendations

- The current FMP expires in 2023. Critically, there is no guarantee of future timber allocation past the FMP completion date. Continuity and confidence in long-term supply is a key hurdle constraining investment and opportunity in the industry.

Recommendation 1: The State Government commits to ensuring the viability of the native timber industry, encouraging innovation and market development through these recommendations AND through forest management policy, including the FMP.

Recommendation 2: The Government confirm a policy change whereby longer term (25-year) supply contracts would be available, with provision to periodically review and amend harvest and supply conditions linked to the current FMP.

Outcome: Increased industry confidence in Government's commitment to the long-term supply of native forest resource, leading to increased investment.

- Timber production is a valid and highly valuable use of native forests but this security of tenure is restricted to the 10 year FMP. The lack of security and low confidence is reflected in the reduced investment and uncertainty with annual supply.

Recommendation 3: The State Government to recognise the FMP as a long term plan, reflecting the reality of forest management, with 10 year reviews rather than creating new FMP's every 10 years. By doing so the State explicitly acknowledges timber production as a valid and sustainable use of native forests.

Outcome: Increased industry confidence in the continuity of supply of native forest resource, leading to increased investment. The recognition of Timber Production allows for longer term contracts and effective systems to be in place by Industry and FPC to ensure continuity of supply.

- The current FMP identifies a significant volume of unutilised wood, available within the sustainable levels of cut, as well as predicting the availability of karri sawlog to progressively increase, with the potential to more than double by 2045.

Recommendation 4: Industry and Government to work together and facilitate the opportunity for industry to optimise the full volume available under the sustainable level of harvest (as identified in the current FMP) and develop markets to ensure the increasing volume of karri regrowth timber is processed and marketed.

Outcome: Ensuring all of the available volume is utilised would allow the industry to meet growing demand for WA hardwoods at the same time as growing jobs in regional WA and enhancing the economic contribution of the industry.

- There are a range of new and emerging market opportunities for native forest timber, particularly utilising lower quality log resource. These include using marri for furniture production, veneer and plywoods, engineered woods and bioenergy production. Introducing a \$100,000 hardwood innovation fund will help drive market opportunities.

Recommendation 5: The State Government to create a \$100,000 hardwood innovation fund to help stimulate and drive emerging market opportunities for WA's native forest industry.

Outcome: Fastrack and open up emerging markets, and help drive industry confidence in investment in the sector.

- Policy change, opening new markets, and innovation and technology will lay the foundation for the industry to develop and capitalise on growing demand for WA native timber. A long term strategy is required to build upon this foundation, and the opportunities it provides.

Recommendation 6: The industry will work with key stakeholders – including Government and agencies managing our forests - to develop a long term Native Forest Industry strategy.

Outcome: Provide a strategy for the long-term health of the Native Forest Industry in WA.

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