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**Meeting Future Market Demands: Australia's Forest Products and Forest Industry
Strategic Directions Issues Paper
Australian Forest Contractors Association Submissions**

The Australian Forest Contractors Association (AFCA) welcomes the opportunity to provide a submission to the Forest Industry Advisory Council's (FIAC) Strategic Directions Issues Paper. AFCA looks forward to working with FIAC and the industry to develop a vibrant future for the Australian forest products sector.

AFCA is the national peak body representing the forestry Harvest and Haulage sector across Australia and works to protect the interests of its members through effective advocacy directed at all levels of Government. Where possible, AFCA initiates and maintains partnerships with other peak body organisations, such as ForestWorks, the Australian Forest Products Association and Timber Communities Australia. These partnerships are important as it allows common industry objectives to be achieved in relation to issues such as policy reform or targeted advocacy in a manner where limited resources can be utilised to achieve effective outcomes. Peak body partnerships are considered critical to AFCA as all parts of the industry need to work together to protect the long term viability of the sector.

AFCA consists of a Chairperson, Board members, the General Manager and Business support along with contract staff who provide specific support roles in membership services, safety auditing and the delivery of AUSTimber every four years. The Board and General Manager consistently involve themselves in Committees and Inquires focused on the sector.

Introduction

AFCA's submission provides commentary from the perspective of the Harvest and Haulage sector and is not intended to cover issues that may be more broadly covered by other industry associations. The submission is therefore a consideration of issues from one sector of the whole forestry industry supply chain. Nonetheless, an important stakeholder in the forestry industry supply chain which makes a significant contribution to regional forestry hubs.

AFCA's view is that ultimately, the development and effectiveness of a 'national wood and fibre plan' requires all sectors to work collaboratively, with all levels of Government in order to strengthen industry and create a certain future. To this end AFCA is of the view that the development of any industry plan needs to be all encompassing with consideration and representation of all sectors that contribute to the industry.

It is considered appropriate to reconsider the plan as one that is a 'Forest, Wood and Fibre Plan'(FWF Plan) rather than a 'wood and fibre plan'. The reason for this is that it provides recognition of all of industry (ie.planting, replanting and maintenance of forests which are a vital part of strategic planning for the industry); an important ingredient for success.

The strategic issues paper is considered a welcomed discussion paper however greater emphasis should be placed in the development of the FWF Plan on the whole supply chain. The FWF Plan should include consideration of all aspects including from resource security and planning, to harvesting and haulage, processing and manufacturing, and marketing. It is AFCA's opinion that the future of the industry depends on the success of all sectors along with securing markets for the end products.

The development of the FWF Plan must be completed in consultation with all industry stakeholders and should have an emphasis on the current state of play and strategies and initiatives that allow the industry to grow and a focus on improved collaboration at all levels. AFCA also considers a commitment and process for implementation and review is critical to the success of any plan.



Vision and objectives

Whilst AFCA does not propose to put forward a Vision statement or objectives for the industry, given AFCA only represents one sector, our view is that the objectives that underpin the Vision are critically important and must be measurable and reviewed over time in order to consider whether they are still meeting the shared vision for the industry.

The AFCA proposes that the vision statement should;

- be inclusive of all stakeholders,
- focus on the positive contribution the industry makes
- recognises that wood is renewable resource, provides for carbon storage, is sustainable and is a replacement for fossil carbon materials.

Issue 1 Market Trends and Pressures

AFCA considers that there are others better placed to provide commentary on this issue and therefore will not be addressing this.

Issue 2: Emerging uses and markets

The emergence of new forest products is an important component of value-adding and innovation in industry.

The Harvest and Haulage Sector can be impacted on these changes and will need to adapt or advance technology to meet the needs of opportunities such as higher product recovery whilst maintaining cost effectiveness. In order for the Harvest and Haulage Sector to adapt to these changes improved lead times and forward strategic thinking around the impacts of changes would be advantageous. Generally the renewal of equipment for Harvest and Haulage is a 5 – 7 year cycle. The forward planning of process changes and industry working in collaboration on these provides the Harvest and Haulage Sector greater opportunity to adapt and consider investment to meet new demands.

Issue 3: Forest Resource

Native Forests

ACFA believes that the original intent of the Regional Forest Agreements (RFA) *'which seeks to balance the competing social, economic and environmental demands of the Forest Industry'* is important to the future success of the public native forest industry. The RFA is an important instrument



in providing industry a degree of certainty within the operating environment as well as the removal of regulatory imposts or duplication.

It is important that the original intent of balancing the competing demands is a continued objective of RFAs as they are negotiated into the future for a further 20 years. Part of this rebalancing must include a strong communications program that puts facts about the positive impacts of forest harvesting on the local and global environment to counter (or balance) the obfuscation and half-truths promulgated by opponents of the industry.

Plantation

Government and industry need to work in collaboration to develop and commit to long term strategic direction for the plantation industry. The development of a long term strategic plan needs to be coordinated to provide a long term sustainable and consistent cycle of plantation. Whilst there are many challenges to achieving this, there is a need to consider both the policy and regulatory framework and address existing impediments. Currently there are a number of instances where replanting is not occurring. This is of serious concern given the amount of investment and ongoing contribution to the local economy in these areas. If plantations are not replanted it will contribute to an unsustainable industry where there is risk and uncertainty.

Development of the long term strategic plan for plantation could form part of the consideration of identified forestry hubs where resource security is paramount to the success of industries and presumably the forestry hubs. By making a long term commitment to supply in forestry hubs this would result in improved investment confidence for a number of stakeholders in the forest supply chain.

Security

Specifically for the Harvest and Haulage sector it has been difficult to invest in new capital operating in an environment where long term uncertainty exists. The Harvest and Haulage sector continues to suffer from a challenging environment where investment is difficult when limited tenure security is provided with the continuation of short term contracts of 3 – 5 years. The industry would benefit, and greater efficiencies could be achieved, if there was improved confidence in investment in capital to operate and the ability to secure finance to support this.

Bushfire

The significant threat of bushfire is of ongoing concern as Australia sees a trend towards more intense fire activity over extended seasons. There is a need for Government to focus on a program of prescribed burns and fuel reduction, particularly areas which have been identified as high risk. The forest industry has an opportunity to work collaboratively with governments on this issue. In particular the Harvest and Haulage sector, which has equipment and experience, to work cooperatively with



governments to assist in both fuel reduction and fire mitigation. Bushfire can also have a significant economic impact on the operations of the Harvest and Haulage sector with cessation of work in the event of a fire, damage to the resource and recovery and infrastructure loss.

Issue 4: Innovation, research and development

The Harvest and Haulage Sector has made significant innovation and technology advancements over the past thirty odd years. The role of harvesting is now highly computerized and precise, which has resulted in significant improvements in harvest optimisation. The Haulage sector has also made improvements, in particular around safety. These innovations have been driven by a need to remain viable, however, these advancements and innovations have not been met with improved margins or reward for innovation in the sector. Further innovation, where possible, needs to be met with a commitment from the industry as a whole to ensure those who have invested are equally rewarded. Continued innovation often requires ongoing formal research and development. Consideration must be given to a stronger R&D framework for the longer term to support and encourage further industry innovation.

AFCA also believes there are opportunities to develop different business and operating models, such as joint business ventures to promote industry innovation. For example in some instance a business model that allows wood chipping solutions to capture a lost timber resource, often left on sites following harvest, between local processors who use the chip could be considered. This could also mean the investment risk for capital required to harvest could be spread across the supply chain from forest owners, processors and harvesters over a longer term.

Issue 5: Consumer and Community Engagement

A significant amount of commentary could be made on how the forestry, wood and fibre industry needs to develop strategies to create improved understanding. There are a number of opportunities to create awareness of the importance of the forest industry and contribution it makes to the carbon cycle.

One such opportunity is AUSTimber, held every four years, currently being planned for 2016 and will be located in Traralgon, Victoria.

The 2016 AUSTimber will have greater focus on presenting the entire industry as an important part of the innovation the government is seeking when it comes to growing our economy. The theme will also hope to demonstrate that while we advance Australia's economy we also enhance our environment.



The forestry, wood and fibre industry is so important to our economic and natural environment that now is the time to share that information with the general public and governments. By gaining support and involvement from the entire industry there is an ability to demonstrate to the broader public the importance of the industry. It is key to the success of our industry to demonstrate the importance of wood and how we contribute to improving our environment, this will also attract and retain people who seek a rewarding career.

As governments look for ways to replace advanced manufacturing jobs being lost in the automotive industry and to encourage innovation in the economy; now is the time for the timber industry to be promoting the opportunities that our industry offers within advanced manufacturing and design.

With the depth and breadth of content of AUSTimber2016, it is anticipated that it will generate a lot more news media coverage than has been achieved in the past. Through encouraging a better understanding of the timber industry's role and potential in removing carbon from the atmosphere, there should be consequent improvement in public support for forest harvesting. Promoting and developing support for manufacturing in regional areas using local timber resources will encourage the planting of more trees over time to ensure a ready supply of the raw material.

AUSTimber provides a wide ranging demonstration of the technology used in the timber industry and the economic and environmental benefits of the industry as a whole, public and other industry sector perception of the role of forest contractors should take on a higher social value.

There is an opportunity for 'whole of industry' involvement and AFCA would welcome discussion and support in taking AUSTimber forward as an industry event.

Issue 6: Strengthened regional approaches

Forestry Hubs

The Harvest and Haulage sector is a significant contributor to both regional and local economies through employment (direct and indirect), investment and supporting local services industries and would welcome the development of Forestry Hubs. The location of Forestry Hubs needs to consider existing infrastructure investment and be within close proximity to major processors and access to markets.

Whilst the development of Forestry Hubs is something that should be explored, the benefits of developing them will only be realised with support from all levels of government and industry. The policy and legislative frameworks of the forestry hubs would need to be individually considered and the long term strategies developed specifically for each hub with a view of strengthening their uniqueness



and opportunities. There could also be opportunities for governments to provide funding support to achieve specific investment outcomes identified as part of Forest Hub Strategic Plans ie. advanced manufacturing, research and training needs.

AFCA would welcome the opportunity to participate in further consideration of the development of Forestry Hubs.

Wood Encouragement Policies

Latrobe City established Australia's first Wood Encouragement policy, the Municipal Association of Victoria has now adopted this policy and a number of individual municipalities are currently considering adopting such policies. Whilst this is laudable and understandable in the context that processing wood fibre near its source is most efficient and increased processing activity brings greater economic activity to regional centres, it would be useful if state and federal governments also adopted Wood Encouragement policies to further underpin this regional activity.

Issue 7: Infrastructure

Investment in the road network (national, state and local) is paramount for the safe transportation of wood from the source to processing by the Haulage sector. The distances for transportation can often be significant. There are a number of instances where forward infrastructure planning has not occurred and as a result unnecessary regulation or requirements have been imposed rather than addressing the need to holistically consider a forest freight and logistics plan.

It is imperative that forward infrastructure planning and investment for forestry freight and logistics routes is in place, particularly key regions where forest industry growth is anticipated. Coordination at all levels of government in planning and improving infrastructure is required. The forest industry has the opportunity to lead this through collaboration with a range of stakeholders. This may also be considered as part of a number of initiatives for timber regions and strengthening regional approaches for the forestry sector.

In addition consideration of cross border regulatory frameworks and the lack of a consistency between states and local government areas are also of ongoing concern. Further consideration is required on improving the transportation framework across states to ensure it isn't creating a disadvantage to some operating environments. Issues which need to be addressed include restrictions on road access, permit systems, daylight hours only access, road registration of harvest equipment.

AFCA considers that there may be an opportunity to consider the formation of National Forest Transportation Taskforce, with all relevant stakeholders, to provide a coordinated approach in



addressing the infrastructure challenges and investment needs and lead the development freight and logistics forward planning with governments.

The Forest, Wood and Fibre industry also needs to recognise the significant investment occurring within the supply chain and work to create improved environments for this around finance and security. For example the collective cost of harvest equipment in many instances exceeds the value of the processing plant, which may have a life of 20 years or more, while the contractors may have to replace equipment three times in the same period.

Issue 8: Industry skills and training

Continued government support to fund and administer a program to support improved training and skills development throughout the forestry sector, including environmental care, changing forest management and wood processing, safety, product quality, and business skills is imperative.

There is an ongoing need to support organisations such as ForestWorks who have assisted in developing a number of career and training initiatives which have improved and provided better recognition of the skills of our existing workforces as well as assisted in attracting skilled workers.

Finally there appears to be a lack of industry acknowledgement and cost sharing for the needs of ongoing training. There are significant costs associated with training harvest operators and the lost operating time to train them, without any reward or compensation. An improved coordinated approach and forward industry planning on industry training needs and strategies must be developed to improve understanding and opportunities to work in forest industry.

By way of example the area identified as the 'green triangle' currently has significant challenges in sourcing and retaining staff, particularly in the harvest and haulage sector to manage the high volumes to be processed in short term. Anecdotal evidence suggests that to manage the predicted volumes over the coming year that around 300 additional employees will be required within the Harvest and Haulage Sector in the short term to meet the harvest and haulage sector needs. Industry needs to work collaboratively to manage these challenges and ensure the sector has highly skilled operators that do not put the industry at risk.

Better Business Program

The importance of government assistance and funding support to assist industry in skills development and training can also be demonstrated by the support of the Better Business Program, coordinated by ForestWorks. The development of the Better Business Program is supported by an industry steering committee and is specially focused on supporting improvements in the harvest and haulage sector to



lift business performance, acknowledge best practice, build collaboration and improve efficiencies of the value chain. The project is an industry led solution to some of the challenges facing the sector, with funding support from the Australian and Tasmanian Governments.

The project aims to develop and implement an efficient, best practice, voluntary business program for use by forestry businesses (contractors) and forest managers. The program will provide confidence that businesses involved in the supply chain producing timber and paper products meet business, consumer and community expectations.

The program is underpinned by an industry agreed set of best practice standards that are grouped under the pillars of safety, environment, economic and social. The program provides a web based portal where information around a harvest and haulage business can be uploaded, managed and maintained in a database that outlines the businesses' performance against industry best practice. The program is a whole-of-industry service that will grow the skills and develop the harvest and haulage sector. Importantly this program will recognise those businesses providing services to forest managers at best practice standards, and acknowledge their professionalism within the industry.

Finally, AFCA would like to thank the Forest Industry Advisory Committee for the opportunity to make a submission. AFCA, as one of the important key stakeholders in the industry supply chain, would welcome any opportunity for further consultation and direct involvement in the preparation of a FWF Plan.

Yours faithfully

Stacey Gardiner
General Manager

