

**SUBMISSION TO THE PRODUCTIVITY COMMISSION'S PUBLIC INQUIRY
INTO THE IMPACTS OF NATIVE VEGETATION AND BIODIVERSITY
REGULATIONS**

***PRODUCTIVITY AND THE SOCIO-ECONOMIES OF SMALL
TOWNS: THE COST OF THE THREATENED SPECIES ACT***

Extract from Terms of Reference:

- 3 The Commission is to report on:
- a. the impacts on farming practices, productivity, sustainability, property values and returns, landholders' investment patterns and the attitude of finance providers, and on other economic activities such as infrastructure development and mineral exploration, and flow on effects to regional communities, arising from the regulation of native vegetation clearance and/or biodiversity conservation, including:
 - i. both positive and negative impacts;
 - ii. the level of understanding of the relevant legislative and regulatory regimes among stakeholders;
 - iii. the likely duration of such impacts and the factors influencing their duration; and
 - iv. the extent to which existing government measures are mitigating any negative impacts;
 - b. the efficiency and effectiveness of the above regimes in reducing the costs of resource degradation and the appropriateness of the current distribution of costs for preventing environmental degradation across industry, all levels of government, and the community;
 - c. whether there is any overlap or inconsistency between Commonwealth and State/Territory regimes, including their administration;
 - d. the evidence for possible perverse environmental outcomes, including those that may result from perceptions of a financial impact, arising from the implementation of the above regimes;
 - e. the adequacy of assessments of economic and social impacts of decisions made under the above regulatory regimes;
 - f. the degree of transparency and extent of community consultation when developing and implementing the above regimes; and
 - g. recommendations (of a regulatory or non-regulatory nature) that governments could consider to minimise the adverse impacts of the above regimes, while achieving the desired environmental outcomes, including measures to clarify the responsibilities and rights of resource users.

Introduction

The towns of Baradine, Gwabegar and Gulargambone in Central NSW exist largely because of household and other income that is derived from the timber industry that in turn depends on continued access to the resources of the Pilliga Forest.

Five sawmills provide employment, one of them processing ironbark and the rest milling and value adding Australian white cypress. Supporting these core businesses are numerous timber harvesting businesses in the towns and State Forests of NSW (SFNSW), the State government forest management agency, which has a major office and outsourced workers in the Pilliga. The people thus employed either live in the three towns or in nearby smaller rural communities. Other employment in the towns, also dependent largely on the local timber industry includes health services, police, schools, hotels and motels, clubs, cafes, and retail and service businesses.

The Brigalow Belt South Bioregion (BBSB) Assessment covers a large portion (6.2 per cent) of NSW extending from Dubbo to the Queensland border north of Moree, west to Coonamble and east to Merriwa in the Upper Hunter. Approximately 85 per cent of the land in this bioregion is privately owned or leased, 11 per cent is State Forest and the balance is managed by the NSW National Parks and Wildlife Service (NPWS) or other State government agencies.

The State Forests of the Pilliga and Goonoo (near Dubbo) make up the bulk of the State Forest in the bioregion. Stage 2 of the BBSB assessment which began in 2001, was to determine the fate of

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the State Forests and ultimately the local timber industry – how much of the State Forests would be converted to National Parks and would there be enough resource left at the end of the day to allow the continuation of a viable timber industry. A decision is still pending on this although promised originally by about December 2002.

In its submission, the Baradine Progress Association stated that its biggest fear is that a decision will be held off until the next election in March 2007, “three and a half years away, when the politicians will be looking yet again to buy Green preferences using our State Forests as currency!”

This submission covers aspects of Stage 2 of the BBSB assessment as it relates to the additional socio-economic costs and impacts for the small towns of Baradine, Gwabegar and Gulargambone of administering the impacts of Native Vegetation and Biodiversity Regulations, including the Threatened Species Act.

Additional Financial Costs and Impacts of Administering the Impacts of Native Vegetation and Biodiversity Regulations

The Threatened Species Act is causing particular problems for:

- State Forests of NSW, which is forced by the requirements of the Threatened Species Act administered by the NPWS under temporary section 120 license for State Forests in the Brigalow Belt South Bioregion, to undertake costly and technically difficult surveys before allowing entry by harvesting businesses into areas planned for logging. The costs and additional work associated with these surveys is causing neglect of normal management operations within the forest. Reports from SFNSW¹ indicate that upward of 30 staff are employed to carry out environmental assessment works, yet there is no money in the budget to employ a trained silviculturalist. Assessment work has an excessive negative impact on the financial operations of the agency, while silvicultural activities would provide positive benefits not only to the health of the forests and the environment but also to the harvesting operations of the native timber industry.
- Gallaghers Insultimber, the operator of the Baradine ironbark sawmill, has been unable to work in the public forests of the Pilliga for more than 12 months. Again this has been caused by the requirements of Section 120 of the NSW Government’s Threatened Species Conservation Act 1998 that provides a temporary license for SFNSW to operate in the BBSB. This license requires:
 - That of the best-sized ironbark trees that would normally be taken, six trees per hectare must be left standing. As the number of trees per hectare that can be taken must be between 40cm and 50cm in diameter, SFNSW is finding it impossible to nominate any logging area with sufficient trees per hectare to make harvesting viable. For example, often there would only be seven trees per hectare available and six of these must be retained. It is therefore not viable for the ironbark industry to harvest in the Pilliga State Forest at this ratio.
 - The result of this is that for the past 12 months the ironbark sawmill has been forced to log on private properties at a distance of up to 130km from the sawmill, instead of in the nearby Pilliga with a maximum distance from the sawmill of only 65km. The

¹ Baradine Progress Association submission

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additional harvesting and haulage costs are making this highly respected export business less viable than it has been for many years.

The products processed at the Baradine mill go to America, Europe and Africa. Ironbark is highly sought for its resistance to electricity as a high quality fencing material for use in special circumstances in animal husbandry. These valuable exports are therefore at risk.

- The four other sawmills processing Australian white cypress are located at Baradine (Baradine Sawmilling Company and JT Burns), Gwabegar (Gwabegar Sawmill) and Gulargambone (Gulargambone Cypress). White cypress is a specialty timber, highly valued in the construction industry because natural oils impregnating the timber make it termite resistant. This means that it can be used for house framing and flooring without having to treat with poisonous chemicals. The value of the white cypress industry in the Pilliga is estimated at \$12.5 million annually.

One third of all the white cypress milled from the Pilliga is exported, mostly to Japan and the USA. There is a strong demand, particularly from the Japanese building market for naturally termite resistant timbers for constructing dwellings in earthquake prone areas. White cypress has been officially accredited for use in the Japanese building industry – the culmination of three years hard work by the industry. Problems experienced by this industry related to Native Vegetation and Biodiversity Regulations, including the Threatened Species Act, include:

- The moratorium caused by the Brigalow Belt South Bioregion assessment has meant that the NSW Government is unable to provide the local timber industry through SFNSW with a guaranteed adequate supply of cypress to meet the demands of the Japanese market. In the Australian white cypress forests methodically planned timber harvesting has positive environmental benefits, yet this is not mentioned in any of the regulations, despite mounting evidence in its support. In fact, unmanaged cypress forests grow intensively, cutting out natural sunlight and creating a sterile forest environment with a negative impact on native flora and fauna.
- Delays by the NSW Government in the assessment process mean that these cypress sawmills are unable to plan for the future. The whole of the NSW Cypress Industry on the one hand has just released its seven year Cypress Industry Strategic Plan² yet individual sawmills cannot upgrade as far as they would like to in terms of new plant and technologically superior and more productive processes with such uncertainty of supply.
- Further, a community-based initiative through the Pilliga-Goonoo Regional Development Forum³ recognized that there is a Cypress and Ironbark Cluster Development in the Pilliga region of which the five sawmills covered in this submission are pivotal members.

² NSW Cypress Industry Strategic Plan 2004-2010: an initiative of the NSW Cypress Industry Sawmillers, the NSW Forest Products Association, the NSW Department of State and Regional Development and State Forests of NSW.

³ The Pilliga-Goonoo Regional Development Forum was formed by the Councils of the Shires of Gilgandra, Coonamble, Coonabarabran and Narrabri and the NSW Forest Products Association, and was supported by substantial funding from the Department of Transport and Regional Services and a contribution from RACD (Planning NSW). Gulargambone is in Coonamble Shire, Gwabegar is in Narrabri Shire and Baradine is in Coonabarabran Shire.

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The business plans of this group called for substantial investment by the industry in a number of value adding opportunities that would not only provide substantial additional direct employment over a five to ten year period, but would also enhance other businesses in the small towns in the region through an hierarchy of supporting firms and soft support infrastructure including training and R&D initiatives. Already, one R&D project has reached a stage where high value commercial applications can be sought for cypress oil distilled from low value cypress sawdust and chipping waste.

The progress made by the timber industry in this region collaborating on particular facets of the industry, ie export, training, R&D, would have a strong positive impact on the sustainability of the small towns of Baradine, Gwabegar and Gulargambone. In fact, rather than diminish in population as they have in past years, these towns could flourish and grow and despite their remoteness could provide a far better and more secure lifestyle for their residents.

The requirements of Native Vegetation and Biodiversity Regulations, including the Threatened Species Act, is threatening the very existence of these towns, so that despite all the planning by these small businesses and the mutual cooperation between the industry and the community, the outlook remains pessimistic, as evidenced above.

These regulations appear to be a creeping erosion of individual property rights through costly regulations, which take private property rights away without compensation. Individual rights of landowners and land managers such as SFNSW to harvest timber are being taken away without compensation. Their skills to manage are also being eroded as they fight to comply with NPWS plans.

In this instance the NSW Government is interfering without any proof that particular public and private forest property uses are causing harm to the environment.

In the future it is feared that the battle to survive will simply become more covert and harder for small communities like those at Baradine, Gwabegar and Gulargambone to fight. Government legislation such as the *Threatened Species Conservation Act 1998* works in favour of the Green agenda, not the needs of the remainder of the community who comprise the majority of the Australian population.

The result of this continued invasion into public and private forest property rights is heading towards:

- sawmill closures;
- loss of jobs;
- other small service businesses having to cease operation;
- downturn in retail trade and loss of essential small town services;
- loss of timber exports and increased timber imports;
- higher social security and other welfare payments for the Commonwealth;
- increased level of social and domestic problems; and
- a further drift of people towards the overcrowded cities.

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The impacts are there already. According to the Baradine Progress Association's submission to this inquiry:

- It is almost impossible to get a bank loan to finance a housing purchase in Baradine.
- Capital investment in existing businesses is at a standstill.
- Businesses are passing up lucrative contracts because of the uncertainty over the timber supply.
- Community projects such as the development of a Forest and Heritage Centre, and the Pilliga Economic Development and Tourism Committee are on hold until the assessment outcome is announced.

The Productivity Commission is invited to heed the words of Professor Michael Porter⁴ of the Harvard Business School:

“The theory says natural resource industries aren't bad. You don't want to divest yourself of all your natural resource industries; what you want to do is upgrade them, you want to make them more advanced.”

Thousands of hectares of timber resource have been removed from the traditional industries to provide conservation values for future generations. The current requirements of the Native Vegetation and Biodiversity Regulations, including the Threatened Species Act, are seeking to remove even more resource, but at a high price.

According to the Deputy Prime Minister, the Hon John Anderson⁵ MP:

“Few of us have any problem recognizing that resource policy has to strike a balance between environmental and economic responsibilities.

“But many Australians, and some state governments, do not realize there is a third part of the balance – social responsibility.

For 200 years, the Australian community has asked primary producers to go forth and make the land and seas productive. The community set the resource balance firmly on the side of economic production – and the nation has enjoyed the fruits.

If the community now wishes to change the balance in favour of environmental responsibility, then the community must address the question of who should pay – the question of social responsibility.

The (Commonwealth) Government's view is that if the community demands changes to the practices followed by primary producers, and those changes devalue assets, reduce income, and damage local economies and jobs, then the whole community must share the burden.”

The current situation in the Pilliga for the small towns of Baradine, Gwabegar and Gulargambone shows that the demands of the environmental lobbies for increasing controls from Native Vegetation and Biodiversity Regulations, including the Threatened Species Act, are doing just that – changing practices of forestry harvesting at a cost, devaluing assets because of uncertainty,

⁴ BRW, March 2002

⁵ August 2001

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damaging local economies and jobs (with closures in the towns of many services over the past 10 years) and also is creating new levels of social disharmony within families in these communities as financial uncertainty hits the home.

Finally, Professor Porter⁶ also said:

“There is no such thing as a low tech industry. There are only low tech companies – that is, companies that fail to use world-class technology and practices to enhance productivity and innovation. A vibrant cluster can help any company in any industry compete in the most sophisticated ways, using the most advanced, relevant skills and technologies”.

The sawmills of the Pilliga along with other sawmills in the region, in their cluster initiative forecast⁷ that a total investment of \$24 million would provide for more than 140 direct jobs, with flow-on at the rate of 1.15 indirect jobs for every new value adding jobs. If the Native Species Act has the ability to render this void, then the whole of the Australian community must share the burden.

However, we urge that the Productivity Commission should look at the rights of Australians who have the will to work, the will to invest, the will to export and the will to keep rural communities intact.

We believe that under the terms of reference of this inquiry the needs of the ordinary Australians who inhabit small towns such as Baradine, Gwabegar and Gulargambone and the small businesses that supply their economic requirements should not be impacted to such a high degree by new and increasing demands of Native Vegetation and Biodiversity Regulations, including the Threatened Species Act.

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⁶ Harvard Business Review, Nov-Dec 1998

⁷ Raising Expectations: Regional Business Plan & Prospectus of the Pilliga-Goonoo Regional Development Forum, 2002.